



KINGDOM OF CAMBODIA  
Nation Religion King



ROYAL GOVERNMENT OF CAMBODIA

A large, light blue watermark of the Royal Government of Cambodia emblem is centered on the page. It features a sunburst at the top, a central tiered umbrella (parasol) with a sword resting on a pedestal in front of it, and a laurel wreath at the base.

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

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



**ROYAL KRAM  
OF  
HIS MAJESTY THE KING OF CAMBODIA**



**PROMULGATION OF THE LAW  
ON  
THE ADOPTION OF THE NATIONAL STRATEGIC DEVELOPMENT PLAN  
UPDATE 2009-2013**

**Article 1:** Adopted the attached National Strategic Development Plan Update 2009-2013.

**Article 2:** The Royal Government of Cambodia shall continue the implementation of the National Strategic Development Plan Update 2009-2013.

**Article 3:** This Law shall be promulgated as a matter of urgency.

**Royal Palace, Phnom Penh, 30 June 2010**

**Signature: NORODOM SIHAMONI**

Having submitted to the king  
for signature  
Prime Minister

**Signature: HUN SEN**

Having submitted to  
Samdech Prime Minister for signature  
Senior Minister and Minister of Planning

**Signature: CHHAY THAN**



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

## FOREWORD

The Royal Government has adhered to the principle of national solidarity to rally all Cambodians, inside and outside the country, from all walks of lives and political tendencies, under the motto “***Nation-Religion-King***” with the objective to build and protect the nation and social achievements while ensuring the country's independence, integrity, sovereignty, peace, democracy and progress. Besides, Cambodia is attaining “***gainful returns from peace***” through high rate of economic growth and poverty reduction that took place in the past decade and has significantly contributed to the regional and global economic integration. The political stability, which has not been prevailing for years, has enabled Cambodia to carry out its reform measures in all sectors in order to build institutional capacity, improve socio-economic infrastructure, and create favourable environment to attract both domestic and foreign investments, with the aim of ensuring high rate of economic growth and poverty reduction.

In recent years, Cambodia has experienced significant developments not only in political and security but also in economic and social aspects. Such environments of political stability, peace, and safety are the prerequisites for Cambodia to make use of its socio-economic potentials. The 1993 General Elections have prompted the adherence to the principles of pluralist democracy, market economy, and the respect for human rights, freedom and dignity. In addition, the Royal Government of Cambodia (RGC) formulated the **National Programme to Rehabilitate and Develop Cambodia (NPRD)** in 1994, the first five-year **Socio-Economic Development Plan (SEDP-I, 1996-2000)** to lay out its rehabilitation and development vision putting emphasis on macroeconomic stability, social development, and poverty reduction.

Moreover, Cambodia's picture was remarkably changing during the 1998-2003 period that constituted an important historical epoch of changes not only in socio-economic spheres but also in political aspects. Evidently, the General Elections in 1998 and the successful implementation of our “*Win-Win Policy*” that dismantled the political and military organisations of the Khmer Rouge have begot peace for the whole nation and the integration of former Khmer Rouge soldiers and people living in their occupied zones into the mainstream of society. In this context, the Royal Government Cambodia formulated the 2<sup>nd</sup> **Socio-Economic Development Plan (SEDP II 2001-2005)** in order to guide the continued efforts in socio-economic development as well as successfully implemented the “*Triangle Strategy*” that focused on (1) *building peace, restoring stability and maintaining security for the nation and the people*; (2) *integration of Cambodia into the region and normalisation of relationships with the international community*; and (3) *promoting economic and social development*. This has set the stage for a profound transformation of Cambodia from a region of uncertainty, war, internal strife, instability and backwardness into an epicentre of sustained peace, security and social order, respect for democracy, human rights and dignity, cooperation and shared development. Another aspect of significant developments from 2003 till

today includes the transparent, free and fair general elections on 27 July 2008, which was recognised as the “**Miracle on the Mekong**” once again, as well as other achievements that had been realised through the successful implementation of the 2<sup>nd</sup> **Socio-Economic Development Plan (SEDP II 2001-2005)** and the “**Rectangular Strategy**” for Growth, Employment, Equity and Efficiency. As a result, Cambodia achieved steady macroeconomic stability and considerable economic progress including annual average economic growth of 8.4% in the period of 1996-2006 and from 1999 to 2006 the economy was growing at an annual average rate of 9%. Indeed, the achievements could not have been possible without valuable contributions of Cambodia’s Development Partners. This also reflects that all types of cooperation financing that Cambodia has hitherto received from its development partners have been more and more efficiently and effectively used. On the whole, the national plans and development strategies that have been passed and successfully implemented have provided a roadmap for RGC to move towards socio-economic development and poverty reduction. The implementation of the “*Rectangular Strategy*” is the further efforts to sustain the achievements that the Royal Government has hitherto realised the “**Millennium Development Goals**” with the aim of improving and enhancing public institutional capacity, promoting good governance, and modernising economic infrastructure in order to foster economic growth, create jobs for all citizens, ensure social equity, and increase public sector efficiency as well as protect natural and cultural resources, which is vital for sustainable development and poverty reduction. Within this conceptual framework, there is a need for the Royal Government to fine-tune its policy priorities and further improve sectoral strategies to reflect the actual contexts of Cambodia based on practical experiences in the implementation of the “*Rectangular Strategy*” for the Third Legislature of the National Assembly. The “**Rectangular Strategy - Phase II**” that was formulated to serve as the fundament of the Royal Government’s economic policy is the “**Socio-Economic Policy Agenda**” of the *Royal Government of the fourth Legislature of the National Assembly*.

In this regard, the Royal Government has resolved on preparing the National Strategic Development Plan 2006-2010 as a new national plan using the structure of the Rectangular Strategy of the Royal Government. In the preparation of this new plan, Royal Government had adhered to the full ownership in the preparation process by ensuring the consultation with and the comment sharing of all stakeholders. With unwavering implementation of the “**Rectangular Strategy**”, the Royal Government of the Third Legislature has created a favourable environment and necessary conditions enabling Cambodia to step forward with increased hopes and strong confidence on the road of further reforms and development along with the firm determination of the Royal Government of Cambodia to serve the interests of the nation and respond to the aspirations of the people.

Currently, we have the **National Strategic Development Plan, Sectoral Development Strategies**, and other policy documents, investment programmes, and the national budget. Therefore, to ensure consistency in terms of hierarchy, role, substance, and synchronisation of these documents, we need to synchronise the timeframe of the **National Strategic Development Plan** with that of Political Platform of the Royal Government” which includes the “**Rectangular Strategy**” as its socio-economic policy agenda. I deem the **National Strategic Development Plan** is the roadmap for the implementation of the Rectangular Strategy and in this role this Plan becomes the second important policy document of the Royal Government of Cambodia.

The **National Strategic Development Plan** needs to be updated as the on-going global financial crisis and global economic recession have been affecting Cambodia's socio-economic development, in particular has resulted in the decline in demand for Cambodia's export and had increased macro-economic and financial risks. These external developments presented unexpected new challenges for us. Having been faced by these challenges, the Royal Government has taken systematic and sequenced measures to minimise the negative impact of the international financial cataclysm and global economic recession on our financial and economic system, and to protect our hard earned achievements. These external developments made it necessary for all our ministries and agencies to re-examine their plans to implement the *Rectangular Strategy, Phase II*. In this context, The **National Strategic Development Plan Update (NSDP Update), 2009-2013** has been prepared to accomplish two primary goals; first, to synchronise the time period covered by the **NSDP Update** with the term of the **Fourth Legislature of the Royal Government** in order to ensure that the actions, programmes, and projects of all ministries and agencies are aligned to implement our prioritised policies that are outlined in the **Rectangular Strategy Phase II**; second, to ensure that the actions to be laid out by line Ministries and Agencies to implement these prioritised policies are formulated taking into account the potential impact of the global economic downturn on our economy.

The **NSDP Update 2009-2013** has been prepared based on the further refined methodology that is focused on identifying *who* is responsible for implementing the priority policy or policies in each area of the Rectangular Strategy II; *what* specific actions the responsible institution(s) has/have planned to implement the priority policy(ies); and the responsible institution(s) best estimate on *how* much it will cost to implement the planned actions during 2009-2013. Besides, the **NSDP Update 2009-2013** has been formulated based on the inputs put forward by RGC's and with consultation with relevant stakeholders. On the other hand, the **NSDP Update 2009-2013** has been worked out through a participatory approach and a bottom-up planning process in which a Task Force, chaired by the Ministry of Planning, to manage the efforts in strengthening the harmonisation of planning, public investment expenditures, and resources from all sources that will be available to implement the RGC's public investment programme. As part of this effort, the Ministry of Planning and the Budget and the Ministry of Economy and Finance will be working closely with the line ministries and agencies to ensure that the process of identifying the public investment projects by the ministries and agencies is closely linked to the formulation of the Budget Strategic Framework for the concerned ministries and agencies.

On behalf of the Royal Government, I would like to deeply thank our development partners for their technical and financial support that has greatly contributed to our progress. Indeed, we are now entering a new era in which the Royal Government and its institutions must take full ownership of our development processes and be accountable for our own destiny. As we move forward, the Royal Government will take full charge of the entire development process to ensure that all resources, government and external development partners', are clearly directed to priorities and sectors chosen. In this regard, the Royal Government will vigorously work towards achieving a greater "net real transfer" of development resources to the targeted vulnerable and poor beneficiaries in our rural communities.

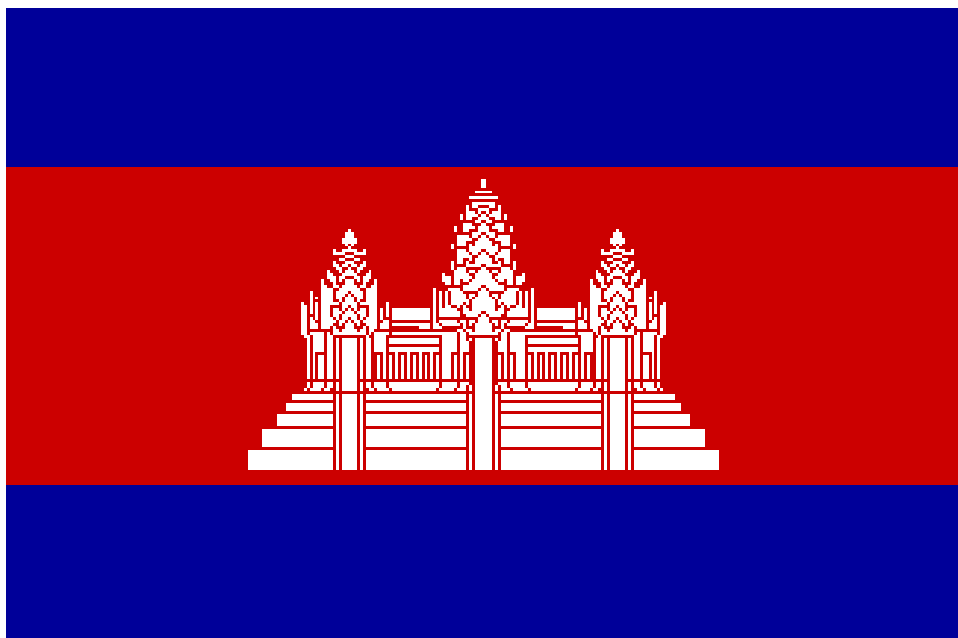
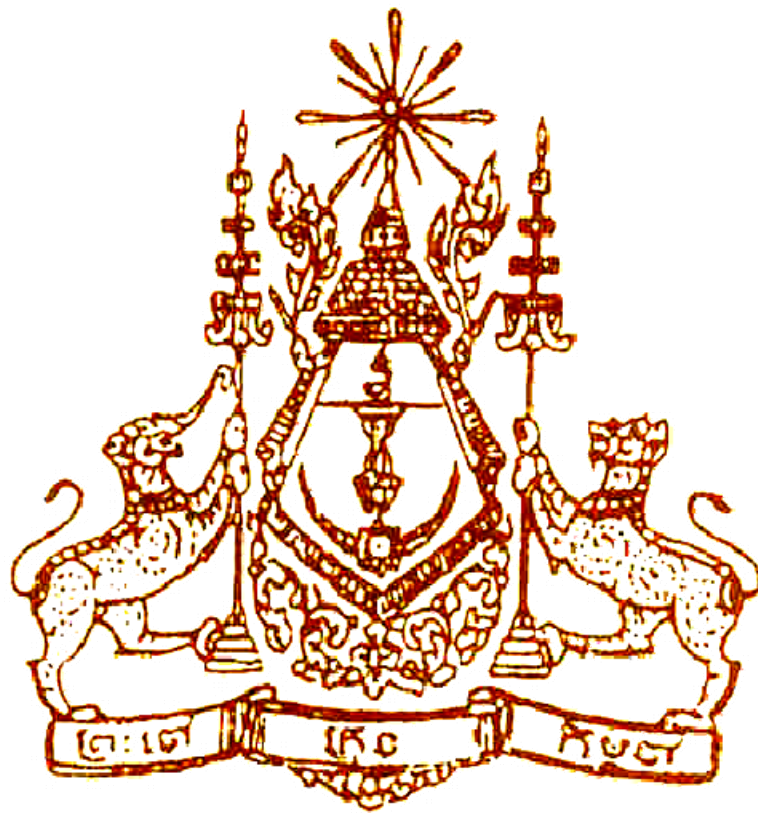
Once again, I would like to emphasise that the successful implementation of the Royal Government's prioritised policies outlined in Rectangular Strategy Phase II for our mandate in the Fourth Legislature of the General Assembly will require dedicated and concerted efforts by all RGC's ministries and agencies, development partners, private sector, civil society organisations, and other relevant stakeholders. I urge and expect all government agencies, development partners, private sector, civil society organisations, and other relevant stakeholders to strictly adhere to the priorities set out in the **NSDP Update 2009-2013** that is the road map for the implementation of the **Rectangular Strategy Phase II**.

Phnom Penh, June 1, 2010

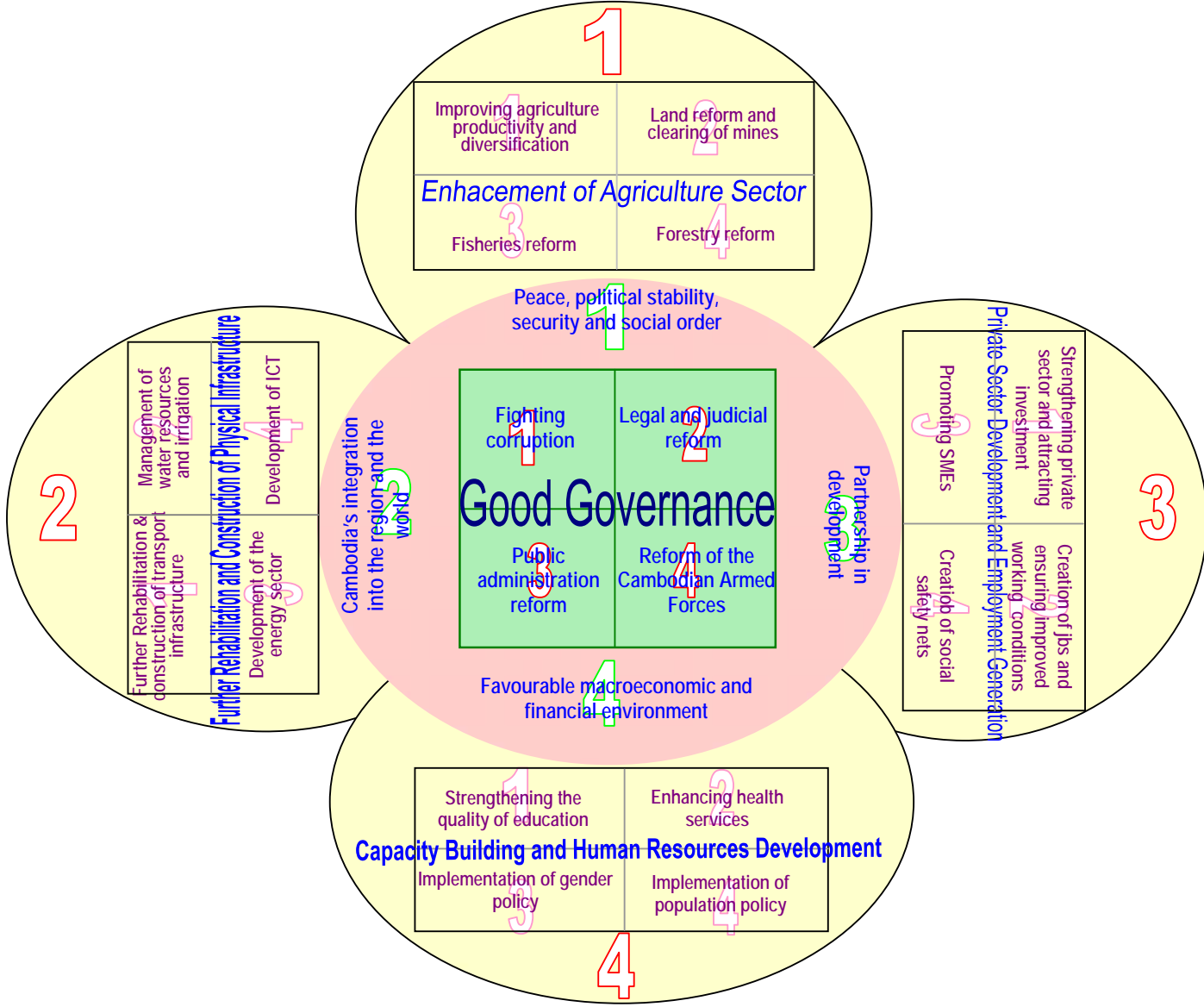
Sd/-

Samdech Akka Moha Sena Padei **Hun Sen**

NATIONAL EMBLEM AND FLAG OF THE KINGDOM OF CAMBODIA



**RECTANGULAR STRATEGY - PHASE II**





## CAMBODIA AT A GLANCE

## GENERAL (2008)

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

	Particulars	Unit	2008	2009	2010	2011	2012	2013
	<b>KEY INDICATORS</b>							
<b>1.00</b>	<b>Poverty Headcount (2007)</b>							
1.01	Total for the Country	% of popn	30.1 (2007)	N/A	25.0			
1.02	Phnom Penh	%	0.8 (2007)	N/A				
1.03	Other Urban	%	21.9 (2007)	N/A				
1.04	Rural	%	34.7 (2007)	N/A				
1.05	Population below food poverty line	%	18.0 (2007)	N/A	13.0			
<b>2.00</b>	<b>Gender Issues</b>							
2.01	Women in Labour Force: In agriculture	% of Total LF	52.5		50.0			50.0
2.02	In Industries	% of Total LF	53.5		50.0			50.0
2.03	In Services	% of Total LF	27.0		37.0			37.0
<b>3.00</b>	<b>Population</b>							
3.01	Total : <u>March 2008 Census</u>	Million	13.4	13.9	14.1	14.3	14.5	14.7
3.02	Population Density	per sq. km	75	81	83	84	86	87
3.03	Male/Female Ratio	100 Female	94.7	94.8	95.0	95.1	95.3	95.4
3.04	age 0-14	% population	33.7	35.1	34.34	33.6	33.2	33.37
3.05	age 15-64	% population	62.04	61.09	61.82	62.47	62.86	62.62
3.06	age 65 and above	% population	4.27	3.8	3.84	3.88	3.94	4.01
3.07	Rural	% population	80.5					
3.08	Urban	% population	19.5					
3.09	Annual Growth rate	%	1.54	1.40	1.35	1.34	1.32	1.30
3.10	Total Fertility rate (per woman)	live births	3.11	3.04	2.97	2.91	2.85	2.80
3.11	Life Expectancy at birth – Male	Yrs	60.5	60.65	61.35	62.04	62.73	63.43
	-- Female	Yrs	64.3	66.97	67.68	68.38	69.09	69.80
<b>4.00</b>	<b>Macro Economic</b>							
4.01	Annual GDP at Constant 2000 Prices	billion riels	28,668	28,692	30,126	31,941	34,029	36,235
4.02	Annual GDP at Constant 2000 Prices	million USD	7,061	6,917	7,268	7,725	8,184	8,704
4.03	Real GDP growth rate (constant prices 2000)	%	6.7	0.1	5.0	6.0	6.5	6.5

	Particulars	Unit	2008	2009	2010	2011	2012	2013
4.04	: Agriculture	%	5.7	5.4	4.0	3.2	3.4	3.2
4.05	: Industry	%	4.0	-9.5	10.5	7.9	8.4	8.2
4.06	: Services	%	9.0	2.3	3.3	7.3	7.4	7.4
4.07	GDP Per Capita	000 Riels	2,998	3,030	3,284	3,528	3,799	4,084
4.08	GDP Per Capita	US \$	738	731	792	853	915	981
4.09	Inflation ( Year average)	%	19.7	-0.6	6.0	4.5	3.5	3.0
4.10	Exchange rate per US\$ ( Year average)	Riels	4,060	4,148	4,145	4,135	4,153	4,163
4.11	Gross Foreign Exchange Reserves	months of imports	3.5	4.6	3.5	3.5	3.5	3.5
4.12	Gross Foreign Exchange Reserves - In US\$	US\$ million	2,164	2,367	1,935	2,142	2,361	2,600
4.13	FDI: Investments -- for the year	US\$ million	795	515	599	676	745	821
<b>5.00</b>	<b>Fiscal</b>							
5.01	Total Budget Revenues	% of GDP	13.3	11.8	12.6	13.2	13.7	14.2
5.02	Total Budget Expenditures	% of GDP	15.9	17.5	17.9	17.8	17.8	17.7
5.03	Current Surplus	% of GDP	3.0	0.1	1.3	1.7	2.2	2.8
<b>6.00</b>	<b>Finance Sector</b>							
6.01	Commercial Banks and Specialised Banks	Nos	30	33	34	N/A	N/A	N/A
6.02	Loan outstanding	million riels	9,665	10,094	11,104	12,214	13,435	14,779
6.03	Micro-Finance Institutions	Nos	18	20	N/A	N/A	N/A	N/A
6.04	Loan outstanding	million riels	1,161	1,263	1,516	1,971	2,760	3,864
<b>7.00</b>	<b>Official Development Assistance (incl. NGOs)</b>			estimated	forecast	forecast	forecast	forecast
7.01	Total	US \$ millions	957.308	960.830	1,044.636	706.966	459.603	227.123
7.02	Technical Assistance	US \$ millions	222.401	241.302	221.238	118.096	78.043	32.778
7.03	Capital Assistance	US \$ millions	594.282	584.483	693.570	516.456	328.494	177.443
7.04	Other than TA	US \$ millions	140.625	135.045	129.829	72.415	53.066	16.903
<b>8.00</b>	<b>Agriculture, Forestry and Fisheries</b>							
8.01	Land under crops	000 Ha	596	645	774	930	1,000	1,000
8.02	Irrigated land area	000 Ha	1,120	1,145	1,170	1,195	1,220	1,245
8.03	Paddy: cultivated area	000 Ha	2.61	2.63	2.65	2.65	2.65	2.65
8.04	Yield per hectare	tons	2.74	2.77	2.80	2.83	2.87	3.00
8.05	Fishing Lots	Sq. Kms	415	415	415	415	415	415
8.06	-- Released to Community Fishing	%	56.4	56.4	56.4	56.4	56.4	56.4
8.07	Fish: Catch (from all sources)	Tons	471	515	617	668	726	788
8.08	Forestry cover	% of land area	59.00	57.59	57.99	58.39	58.79	59.19
8.09	-- Reforested (cumulative total from 1985)	Ha	10.81	18.92	73	73	73	73
8.10	Fuel Wood Dependency	% h.holds	73	67	61	59	56	54
8.11	Forest Boundary Demarcation	km	321	228	413	500	500	500
8.12	Forestry Community	Nos	124	210	350	400	405	450
<b>9.00</b>	<b>Rural Development</b>							
9.01	Rehabilitated roads -- (of total 28,000 kms)	Kms	24,140	25,658	26,658	27,658	28,658	29,658
9.02	Access to Improved drinking Water (rural)	% of popn	40.49	41.99	43.49	44.99	46.49	47.69

	Particulars	Unit	2008	2009	2010	2011	2012	2013
9.03	Access to sanitation (rural)	% of popn	23.24	24.24	25.00	27.00	29,00	31.00
<b>10.00</b>	<b>Industries</b>							
10.01	Manufacturing output	billion riels	15,281	12,870	14,812	15,769	16,242	16,729
10.02	Garment industry : Output	billion riels	12,348	9,878	11,731	12,595	12,973	13,362
10.03	: Labour force	Nos	329,892	335,000	340,000	350,000	370,000	400,000
10.04	Small and medium enterprises	Nos	32,800	33,005	33,214	33,450	33,579	33,814
10.05	Total investment capital	000 USD	165,932	166,676	168,409	169,699	171,206	171,288
10.06	output	billion riels	2,700	2,781	2,858	2,878	2,903	2,904
10.07	Workers	Nos	96,883	96,362	98,034	98,731	99,634	99,684
10.08	Female workers	Nos	43,803	44,053	44,108	44,373	44,643	44,918
10.09	Female entrepreneurs	Nos	3,005	3,055	3,110	3,170	3,235	3,305
<b>11.00</b>	<b>Energy</b>							
11.01	Electricity generated	million Kwh	1858.364	1882.003	2164.300	2488.945	2862.287	3291.629
11.02	Household consumers	Nos	487,426	560,539	644,621	741,314	852,511	980,388
11.03	Per capita consumption/year	Kwhs	139	135	153	174	197	224
11.04	Transmission line network (22 KV)	Kms	1,450	1,595	1,914	2,201	2,531	2,911
11.05	Transmission line network (115 KV)	Kms	323	353	353	476	547.5	547.5
11.06	Transmission line network (230 KV)	Kms	0	100	100	269	1,182	1,407
<b>12.00</b>	<b>Transport</b>							
12.01	Primary & Secondary roads	Kms	11,494	11,494	11,618	11,618	11,618	11,618
12.02	Of which paved	Kms	2,342	2,661	2,781	2,800	3,500	4,100
12.03	Railways	Kms	650	650	650	650	650	650
12.04	International Ports	Nos	2	2	2	2	2	2
12.05	Airports							
	a. International Airports	Nos	2	2	3	3	3	3
	b. Domestic Airports	Nos	9	9	8	8	8	8
<b>13.00</b>	<b>Telecommunications</b>		<b>Actual</b>	<b>Estimate</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
13.01	Telephones in use (landline & mobile)	000's	4,143	6,447	7,100	7,700	8,300	8,900
13.02	Internet users	Nos	20,108	291,413	350,000	400,000	450,000	500,000
13.03	Rate of Post Service Users	%	0.36	0.38	0.4	0.42	0.44	0.46
13.04	Client per Station	Nos	161,445	163,932	140,968	125,256	111,286	101,147
<b>14.00</b>	<b>Tourism</b>							
14.01	Foreign Visitors	millions	2.125	2.162	2.276	2.447	2.691	3.010
14.02	Domestic Visitors	millions	6.729	6.957	7.562	8.035	8.546	9.099
14.03	Accommodations (Hotels & Guest Houses)	Rooms	32,858	37,191	40,910	44,183	47,276	50,112
14.04	Employment in Tourism Sector	Nos	300,000	305,000	315,000	317,000	320,000	330,000
14.05	Income from Tourism	million USD	1,595	1,617	1,682	1,766	1,872	2,022
<b>15.00</b>	<b>Public Information</b>							
15.01	News Agency- state & private (newspaper, magazine, Cambodian and foreign languages)	Agency	543	551	556	561	566	571
15.02	Printing House	Section	133	134	135	135	136	136

	Particulars	Unit	2008	2009	2010	2011	2012	2013
15.03	In-country Radio Stations - state & private – (central & provincial)	Nos	52	55	60	63	65	69
15.04	In-country TV Stations – state & private - and Cable TV (central & provincial)	Nos	102	106	111	112	115	119
<b>16.00</b>	<b>Health</b>							
16.01	Infant mortality rate (under age 1) (IMR)	per 1,000 live brths	66 (2006)		60			55
16.02	Under 5 mortality rate (U5MR)	per 1,000 live brths	82 (2006)		75			70
16.03	Maternal Mortality Ratio (MMR)	per 100,000 brths	461		350			300
16.04	Births attended by skilled health personnel	%	58	65	70	75	80	85
16.05	Births delivery by trained health personnel at health facilities	%	39	45	50	55	60	65
16.06	Malaria mortality rate per100,000 population	per 100,000	2.10	1.50	1.20	1.10	0.99	0.99
16.07	Prevalence of All forms of TB per100,000 population	per 100,000	617	593	564	544	523	502
16.08	HIV/AIDS: Adult prevalence rate (NAA)	% 15-49 yrs	0.7	0.7	0.7	0.6	0.6	0.6
16.09	Contraceptive prevalence using modern methods	%	26	37	40	45	46	49
16.10	Drinking Water access:(urban)	% of popn	51	53	54	55	57	60
<b>17.00</b>	<b>Education</b>		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
17.01	Primary Schools	Nos	6,565	6,635	6,685	6,785	6,865	6,945
17.02	Net Enrolment: Total	%	94.4	95.0	96.0	97.0	97.5	98.0
17.03	Boys	%	94.8	95.0	95.5	96.0	96.5	97.0
17.04	Girls	%	94.0	95.0	96.0	97.0	98.0	99.0
17.05	Primary Completion Rate at Grade 6	%	85.6	86.0	88.0	90.0	92.0	94.0
17.06	Lower Secondary Schools	Nos	1,451	1,521	1,600	one school per commune	one school per commune	one school per commune
17.07	Net Enrolment: Total	%	33.9	40.0	43.0	46.0	48.0	51.0
17.08	Boys	%	32.0	38.0	41.0	43.0	46.0	49.0
17.09	Girls	%	35.0	42.0	45.0	48.0	51.0	54.0
17.10	Completion Rate at Grade 9	%	49.1	51.0	53.0	55.0	57.0	59.0
17.11	Literacy 15-24 yrs	%	87.5	88.0	89.0	90.0	91.0	92.0
<b>18.00</b>	<b>De-Mining Programme</b>							
18.01	Annual Victims caused by mines/ERW (deaths & injured)	Nos	271	243	212	191	172	155
18.02	Total cumulative area cleared of mines/ERW	Ha	47,650	52,918	58,292	63,772	69,363	75,065

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## CHAPTER I

### INTRODUCTION

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

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

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

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

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

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

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

8. Following the General Elections held on 27 July 2008, the Royal Government announced its *“Rectangular Strategy Phase II”* that is the *“Socio-economic Policy Agenda”* of the *“Political Platform”* of the Royal Government of the Fourth Legislature of the National Assembly (2008-2013). This political platform was provided by the Cambodian People’s Party to all Cambodians for their consideration before the last elections. An overwhelming majority

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

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

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

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<sup>1</sup> RS II, paragraph 15, page 12

<sup>2</sup> RS II, paragraph 111, page 53

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

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

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

## CHAPTER II

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

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

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

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

commodity deliveries, multi-modal transport service, and good supply and logistics have been playing an active and effective role in boosting economic growth. The irrigation, energy and telecommunication infrastructure has improved significantly.

- Institutional and human resource capacity has been strengthened by concentrating on development of the education and health sectors. The social sectors have made remarkable progress: in the education sector enrolment rates have increased and drop-out and repetition rates have declined; in the health sector infant and child mortality rates and HIV/AIDS infection rate have also declined.
- Partnership with all stakeholders especially official development partners, private sector and civil society has been strengthened by putting in place a range of effective mechanisms, allowing for mobilising and coordinating cooperative financing and investments.

## POVERTY REDUCTION

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

- Despite remarkable progress in key reforms aimed at strengthening good governance, the quality, efficiency and delivery of the public service still remain as challenges and could not yet respond fully to the real needs of the people. The judiciary could not yet gain full confidence from the public. The development of legal framework has not yet been comprehensive, while law enforcement is still to improve.

- The economy is narrowly based and driven by four main sectors: garment, tourism, construction and agriculture. The garment and tourism sectors are vulnerable to external risks. Agriculture, which shares 30 percent of the GDP and accounts for more than 60 percent of the total employment, has not reached its full potential.
- Climate change, global economic imbalance and continuing and deepening financial crisis resulting in global economic slowdown as well as the increase in oil price, soaring food price and depreciation of US dollar have brought severe inflationary pressure on the Cambodian economy in the short and medium term. The increase in domestic demand as a result of recent high economic growth has also aggravated the pressure. These pose a threat to the growth prospects for Cambodia.
- Although we have managed to reduce poverty rate significantly through high economic growth and pro-poor policies, the rural poverty rate remains high. Furthermore, the gap between the rich and the poor, especially urban-rural inequality remains a challenge.
- Food security and nutrition has been improving steadily during recent years resulting in the reduction of chronic malnutrition of children under 5 years of age from 49.7% in 2000 to 43.2 percent in 2005 (CAS 2008). However, progress has recently slowed down due to volatile food prices and the impact of the current economic crisis on purchasing power of the poor and chronic malnutrition remains high at 39.5% (CAS 2008). If this situation persists or becomes severer, the nutrition situation will likely be exacerbated.
- Land concentration and landless people are on a rising trend, adversely impacting on the equity and efficiency of land use. On the other hand, large areas under economic land concessions have not been utilised efficiently as targeted, needing strict government measures to tackle them.
- The anarchy in illegal land possession, illegal claim of state land and protected areas as privately owned, and unlawful logging are still taking place. At the same time, poverty and internal migration have added pressure on natural resources and places them at risk of destruction.
- Having achieved great progress in the rehabilitation and reconstruction of the national road network across the country, our next challenges are to ensure traffic safety and proper maintenance of the entire road network across the country.
- The aviation sector plays a crucial role in tourism development. Further development of aviation infrastructure, including continuous improvement of airports in the whole country and flight safety, still continues to be a key priority to ensure the tourism development and absorption of increasing number of tourists to Cambodia.
- Electricity tariff remains high compared to neighbouring countries, and is a big obstacle in strengthening the Cambodian competitiveness as well as attracting investments and improving livelihoods. Access to electricity in rural areas is still limited.
- Irrigation system has not been fully developed and utilised to its potential, requiring more efficient management and investment.
- Financing, management, and technology are the major challenges for SMEs in Cambodia.
- The social safety net for workers and the poor has not yet become an efficient system.
- The quality of education at primary, secondary and tertiary levels is low. The production and trafficking of illegal drugs has become a social problem which harms welfare of the Cambodian youth at present and in the future.
- The shortages of technicians and skilled workers are a major obstacle to accelerating economic development in both urban and rural areas.

- The provision of quality public health services is still limited. In spite of numerous achievements in the health sector, the maternal mortality rate is still high. The progress in promoting health care services, sanitation and clean water in rural areas needs to be speeded up to meet the targets set in the Millennium Development Goals.
- Lack of education, domestic violence and human trafficking are the major factors that handicap women from realising their full potential in contributing to socio-economic development.
- In general, institutional capacity of the Government is still limited due to low salary and incentive schemes. The cooperation between government agencies is still inadequate, while some legal and regulatory frameworks contain loopholes, and there is a shortage of resources to carry out our policies.

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

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

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

#### **I. FIGHTING CORRUPTION**

30. As compared to crimes where there is a victim and an offender, corruption is a crime where all parties directly involved in corrupt practices benefit from their actions. The victim is the society at large that suffers because of loss of public revenues, lost investment opportunities that could provide new jobs and additional revenues, and inefficient delivery of public services. The RGC had adopted a holistic action plan to fighting corruption. Despite significant progress made in preventing and fighting corruption, RGC realises that the existing legal and regulatory framework as well as the existing institutional capacities as still limited. Fighting corruption requires capacity to effectively manage and enforce the implementation of any laws containing anti-corruption clauses, which have become effective. At the same time, the severe shortage of national legal experts and inadequate coordinating mechanism for the formulation of legal documents has created a range of inconsistencies that have significantly slowed down the law drafting process and made enforcement more difficult. Law enforcement remains a challenge for a variety of reasons, in particular the low salaries of law enforcement officers.

31. Corruption is a phenomenon that exists in all societies, the developed countries, the developing countries, and the international institutions. The elimination of corruption is a RGC's high priority because it is an obstacle to achieving its goal of sustained high growth by fostering private sector development in order to reduce poverty.

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

33. In August 2006, the Anti-Corruption Unit (ACU) was restructured. A "Corruption Complaint Office" was created with the aim of enhancing public participation in the supply and receipt of corruption-related information. Disciplinary actions have been taken against civil servants, and customs, police and judicial officers who have been reported to have indulged in corrupt practices. More transparent public procurements have been ensured through competitive bidding processes. Campaigns have been launched to provide information to and educate the public and disseminate knowledge on all aspects of corruption, including causes, effects and consequences. The Unit, however, faces many challenges to carry out its functions due to the fact it does not have investigatory powers and has limited knowledge, skills and experience in fighting corruption. It also lacks the tools, materials, and techniques to be effective in fighting corruption. So far, in order to ensure its independence, the ACU has been cautious in accepting the assistance from development partners (DPs).

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

35. The MOJ that is responsible for the drafting of all laws has been updating the drafts of the Anti-Corruption Law as work on related laws has progressed. A comprehensive draft Anti-Corruption Law was endorsed by the Council of Ministers on 11 December 2009 and was adopted by the National Assembly and the Senate respectively on 11 March 2010 and 19 March 2010. Pending the effect-taking of this Law, the existing legal and regulatory framework and mechanisms continue to be enforced and to function in order to prevent and combat corruption.

36. Cambodia is now a supportive member of the ADB/OECD Anti-Corruption Initiative for Asia and the Pacific as well as a state party of the United Nations Convention Against Corruption and a party of the MOU on Preventing and Combating Corruption (in the framework of ASEAN member).

## II. LEGAL AND JUDICIAL REFORM

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

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

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

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

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

39. Work on drafting the following Laws and Kram has been completed by the Ministry of Justice and have been submitted to the Council of Ministers for its review and approval, including:

- Draft Law on Court Organisation and Prosecution.
- Draft Law on the Statute of Judges and Prosecutors.

40. The draft of Criminal Code was endorsed by the Council of Ministers on 19 June 2009 and approved by the National Assembly on 12 October 2009. It was promulgated on 30 November 2009.

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

- Kandal Provincial Court;
- Phnom Penh Municipality Court;
- Kompong Cham Provincial Court; and
- Banteay Meanchey Provincial Court.

42. Mechanisms for outside-court dispute resolution to reduce the backlog of cases at the provincial court and to expedite dispute resolution for the citizen and the poor have been implemented by the Ministry of Justice and the Ministry of Interior. The Ministry of Justice and Ministry of Interior had jointly established 20 Centres for Legal Services that have been put in place since 2007. If these mechanisms work successfully, then they will be expanded across the country.

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

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

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

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

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

46. Good governance, the core of the Rectangular Strategy, is critical to achieving the priorities of the Royal Government. The Public Administration is one strategic instrument of implementation. Since 2000, the Council for Administrative Reform (CAR) has implemented a series of National Programme for Administrative Reform to systematically and gradually transform the Administration and the Civil Service in order to serve people better.

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

48. It is important to note that the present unified Public Administration of this unitary state is just ten years old. It is the result of peace and reconciliation imperatives. Early in the second mandate (1998-2003), the Royal Government successfully realised the unification of the administrations of the State of Cambodia and of the three political factions into one integrated Public Administration. This allowed the national government, for the first time in over 400 years, to exercise sovereignty over the whole country and to begin the task of implementing its first Governance Action Plan (GAP).

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

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

- The integration of all civil servants into unifying systems more conducive to motivation and career progression has been completed.
- Average compensation within the Civil Service has more than quadruple since the beginning of the second legislature of the National Assembly.
- A Performance Management and Accountability System have been developed to support the implementation of P&A instruments such as Special Operating Agency (SOA).
- The reform is at the leading edge of harmonisation and alignment to implement the Paris and Accra agreements.
- There is now a clear direction and a broad consensus on how best to proceed.

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

- The legal and regulatory framework to anchor the Civil Service is in place, including the Common Statute and 21 Particular Statutes.
- Management and control systems are operational and effective (recruitment, promotion, retirement).
- Civil servants have been integrated into a new classification system more conducive to career progression. The payroll system has been automated through ICT.
- The compensation regime has been made more conducive to performance - average salaries have reached US\$ 81.4 per month in May 2009.

- Mechanisms to implement the 20% annual increase in basic salary have been put in place based on the RGC policies.
- Innovative schemes to enhance performance and accountability such SOA is being deployed.
- The Performance Management and Accountability System are being implemented to better mobilise human resources and identify priority capacity development needs.
- The Policy on Public Services Delivery has been approved and is being implemented.
- A Compendium on Public Services is being completed and disseminated to improve access to public services and enhance transparency.
- A Human Resources Management Information System is operational and personnel management mechanisms have been streamlined and steadily strengthened.
- A system of functional allowances for management and specialised skills was implemented.
- Communication tools have been deployed to inform about the reform (bulletin, website, periodic workshops and seminars).

#### **DECENTRALISATION AND DE-CONCENTRATION REFORM PROGRAMME**

52. The long-term development objective of the Royal Government's decentralisation and de-concentration reform programme is to achieve broad-based and sustainable development and strengthen vibrant local economic foundations so that every citizen has equal opportunity to participate in local development, effective environment and natural resource management and delivery of quality public services to meet the needs of citizen and poverty reduction by focusing on vulnerable groups, indigenous minorities, women and children. The Royal Government believes that establishing and promoting democratic development at provincial/municipal, district/Khan and commune/Sangkat levels can best achieve the expansion of democratic governance. Reforms of management systems of capital city/provincial, city/district/khan and commune/sangkat administrations have the following two strategic goals: (i) to strengthen and expand local democracy; and (ii) to promote local development and to reduce poverty.

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

54. The elections of Capital City Council, Provincial Councils, City Council, District Councils, and Khan Councils for their first term were held on May 17, 2009. The inauguration of the office of the Councils and the Boards of Governors at all sub-national levels for their first term was officially organised in early June, 2009 in order to ensure the



sustainability, effectiveness and authority of public administration. The objectives of establishing the Councils at sub-national administrative levels through elections - either direct or indirect - are: (i) to create opportunities and mechanism for the Councils to decide on the destiny of their own community through participatory consultations with the people in their localities, and (ii) enable the citizens in these localities to have a voice in securing better and responsive public service delivery, materials, means and infrastructure in order to rapidly and equitably meet the requirements of local development and to contribute to alleviation of poverty. The Royal Government has completed the establishment of institutional structures at all administrative level both at the national level and sub-national levels through democratic principle and process.

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

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

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

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

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

59. In the recent years, the security outlook of the Kingdom of Cambodia has changed due to the evolving regional and global security situation. In the current external environment, the RCAF has played an increasingly important role as the leading force in defending the sovereignty, independence and territorial integrity of the Kingdom of Cambodia and in contributing to ensuring the stability, safety and security. It has contributed to enhancing Cambodia's prestige in the international arena through its participation in international peace and humanitarian missions within the framework of United Nations' requests, its readiness for being the host for Global Peace Operation Initiative 2010 (GPOI-2010), and a strong commitment to combating terrorism. Since achieving conditions of full peace in late 1998, the RCAF has substantially contributed to strengthening stability and internal security to support the development of the nation.

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

61. Nevertheless, the RCAF has made significant progress in moving forward its reform process. In addition to ensuring security for the nation, the RCAF has been actively contributing to rehabilitation of physical infrastructure, rescuing people during disasters and, since April 2006, participating in international peace and humanitarian missions of the United Nations. Although the capability and resources of the RCAF are limited, Cambodia will continue its efforts to participate with the UN in other humanitarian peacekeeping missions in the future. While border disputes, threats from transnational criminals and international terrorism have recently become a major concern, the RCAF has strengthened its capability to defend the border of the Kingdom of Cambodia and to ensure security for the entire nation. The capability of border protection forces has been further strengthened by the presence of armed forces at all strategically important points, strengthening the expertise in preventing infiltration by international terrorism and transnational crime, mobility, communications, information collection, and cooperation with other competent authorities. Strengthening the presence and capacity of the RCAF for border protection forces has been pursued pursuant to the RGC policy through the construction of military garrisons and barracks, road infrastructure, and the setting up of residential areas for soldier families and other citizens in order to promote the development a long the border areas. These efforts have been intended not only for the protection of the nation but also to maintain peace, stability, and good cooperation with neighbouring countries that continue to be remained the top foreign policy priority of the RGC.

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

63. The MOI has strengthened the capacity of the National Police Force (NPF) including the National Border Police to be more professionally capable of defending the sovereignty and ensuring security and order within the nation in order to contribute to socio-economic development and poverty reduction. The professionally skilled capacity of NPF has been steadily improved through training activities organised for police officers at the Cambodia Police Academy. Notwithstanding the significant progress in these efforts, the further enhancement of NPF capacity remains a challenge to be grappled with in order to response to the prevailing security situation that is evolving in Cambodian society as well as in the region and the world.

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

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

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

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

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

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

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

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

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

### **COMBATING DRUGS**

71. According to the 5-Year National Strategic Plan (2005-2010) on Drug Control, valuable guidance of Samdach Akka Moha Sena Padei Decho HUN SEN, Prime Minister of the Kingdom of Cambodia, and with the support of Her Excellency Dr. BUN RANY HUN SEN, Chairman of Cambodian Red Cross, the National Authority for Combating Drug (NACD) has promoted multi-sectoral collaboration with national and international institutions and the public by achieving remarkable achievements such as increased awareness of the dangers of drugs; timely crackdown on the attempts of using Cambodia as a place for drug production as well as the fighting against drug dealings, distribution, storage, trafficking, and use; and the establishing of provisional centres for the education, detoxification, treatment for drug-addicted people with the support of national public and international communities.

72. Notwithstanding remarkable achievements, there is still a need to grapple with critical challenges faced by NACD. Those include:

- Limited human resource capacity and institutional capacity in terms of materials and financial resources;
- Actions to raise awareness of drug problems and infection of HIV/AIDS caused by injecting drug have not been well targeted.
- A certain number of drug users have not been voluntarily cooperating in all activities to reduce the use of drugs.
- Lack of an appropriate mechanism to monitor and evaluate the efficiency of education and broadcasting activities.

- The capacity of law enforcing officials is still limited.
- There are no agreed methodologies for drug education, detoxification, and treatment in the current treatment and rehabilitation centres particularly in the medical area; and the capacity of the centres is also not appropriate to the number of those who are addicted to drugs.
- There is no agreed methodology for drug education, detoxification, and treatment in the current treatment and rehabilitation centres, particularly in the medical area as well as capacity of the centres is also not responding to the needs of those who are under the influence of drugs.
- The mechanisms to monitor vocational trainings, integration, the number of relapses, re-entries, and the number of drug users have not been well functioning.

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

73. The integration of Cambodia into the sub-regional, regional, and global cooperation has significantly contributed to the enhancement of prestige of the Kingdom of Cambodia in the international arena and created enabling environment for the mobilization of external development assistance for Cambodia. Under the framework of the Association of South East Asian Nations (ASEAN), Cambodia has actively participated in all activities of this organisation on equal footing, aiming at achieving sustainable economic growth, peace, security, stability, shared prosperity in the region. As a member country of the World Trade Organisation (WTO), Cambodia has benefited from the Most Favoured Nations (MFN) status and trade preferential treatment from various countries in the world, viz., “*Everything But Arms (EBA) initiative*” of the EU Generalised System of Preferences (GSP), through which Cambodia can export its product to major markets in the world. This would help expand the international market share for Cambodian products. Cambodia has also been actively participating in other regional, sub-regional, and global cooperation initiatives such as the Mekong-Japan Cooperation, Lower-Mekong Countries-United States Cooperation Greater Mekong Sub-regional Cooperation (GMS), Asia-Europe Meeting (ASEM), Francophone International Organisation, Non-Aligned Movement, United Nations, and so on.

74. To further promote and strengthen of the integration of Cambodia into the region, sub-region and the world and further mobilise development assistance, which remains a high priority of the Royal Government, many RGC institutions, in particular the Ministry of Foreign Affairs, have been striving to strengthen and develop bilateral cooperation with many countries. Cambodia has so far established diplomatic relations with 141 countries.

75. Sustained high rates of economic growth over the last decade have also resulted from RGC's efforts in integrating Cambodia into the region, sub-region and the world. The on-going global economic and financial crisis originating in the failure of the regulatory systems in the advanced economies and further having impact on countries in the world, however, poses new challenges not only for Cambodia but for all developing and middle-income nations across the globe.

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

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

76. The Royal Government of Cambodia's concerted efforts to secure political and social stability, internal peace and security, along with sound and progressive management of the economy have enabled it to achieve sustained high rates of economic growth and poverty reduction over the last decade. Economic growth during the mandate of the Third

Legislature, 2003-2008, averaged around 10 percent per year, with a record high annual rate of growth of 13.3 percent in 2005. Economic performance in 2008 was somewhat diminished compared with 2003-2007, as a result of the global financial crisis that started in late 2007 and caused a recession in the advanced economies. The economy grew at an annual rate of 6.7 percent in 2008 (Table 1).

77. Two key features of economic performance in recent years have been the increasing diversity of the sectors contributing to economic growth and the robust contribution of the agriculture sector to economic growth. This performance is underpinned by the strong support extended to agriculture, the garment sector, and active promotion of the Tourism sector by the RGC. The expansion of the economy resulted in a rapid growth of the construction sector, facilitated by the availability of increased domestic credit to the private sector. During 2003-2005, domestic credit to private sector grew at an average annual growth rate of 31 percent. It grew by 52 percent and 76 percent in 2006 and 2007 respectively.

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

- The share of agriculture sector in total GDP increased from 30.7 percent in 2005 to 32.4 percent in 2008.
- The share of industrial sector declined from 25.0 percent in 2005 to 22.4 percent in 2008. Within industrial sector the share of:
  - Textiles and Garments sub-sector has declined from 12.3 percent in 2005 to 10.3 percent in 2008.
  - Mining Sub-sector has not changed from 0.4 percent in 2005 (also 0.4 percent in 2008).
  - Construction sub-sector slightly declined from 6.3 percent in 2005 to 6.1 percent in 2008.
- The share of services sector has slightly declined from 39.1 percent in 2005 to 38.8 percent in 2008. Within the services sector the share of:
  - Tourism and Hotel sub-sector has increased from 4.3 percent in 2005 to 4.5 percent in 2008.
  - Transportation and Communications sub-sector has not changed from 7.4 percent in 2005 (also 7.4 percent in 2008).
  - Financial sub-sector has increased from 1.1 percent in 2005 to 1.3 percent in 2008.
  - Real estate sub-sector has declined from 6.6 percent in 2005 to 6.4 percent in 2008.

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

	2003	2004	2005	2006	2007	2008
Real GDP (% growth)	8.5	10.3	13.3	10.8	10.2	6.7
-Agriculture (% growth)	10.5	-0.9	15.7	5.5	5.0	5.7
-Industry (% growth)	12.0	16.6	12.7	18.3	8.4	4.0
-Services (% growth)	5.9	13.2	13.1	10.1	10.1	9.0
GDP per capita in US\$	356	402	468	534	623	738
National savings (% of GDP)	16.3	16.4	17.3	23.1	23.8	16.9
Central administration savings (% of GDP)	0.8	1.6	1.7	1.0	3.1	3.0
Private savings (% of GDP)	15.6	14.8	15.6	22.1	20.7	13.9
Domestic investment (% of GDP)	12.2	11.8	11.1	11.2	11.1	11.3
Public investment (% of GDP)	6.5	5.8	5.3	5.9	6.2	6.5
Private Sector investments (% of GDP)	12.8	12.9	16.3	16.9	20.4	18.0

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

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

## **B. BUDGET REVENUES AND EXPENDITURES**

80. Along with the rapid growth, tax revenue collection performance also improved significantly over the years 2006-2008. Total revenues collected as a percent of GDP increased from 11.4 percent in 2006, to 12.1 percent in 2007, and 13.3 percent in 2008. At the same time, budget expenditures increased at a relatively slower rate than revenues resulting in a decline of the overall deficit from 3.3 percent of GDP in 2006, to 2.8 percent of GDP in 2007, and 2.7 percent in 2008.

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

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

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

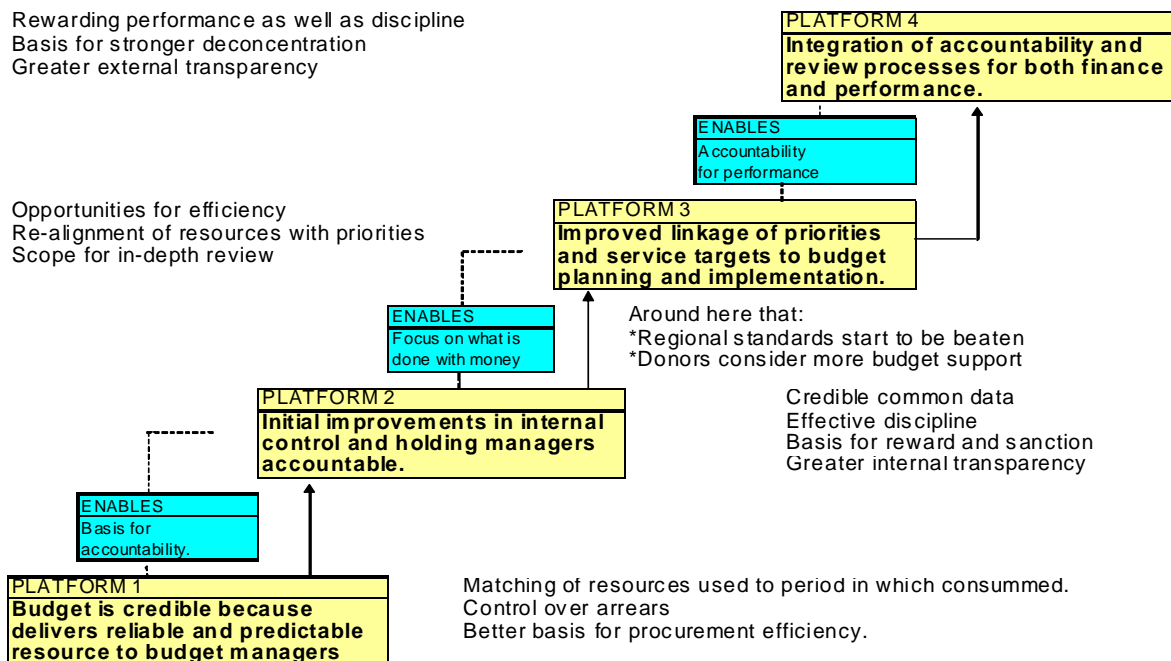
84. The outcome of the implementation of the first platform of the reform programme focused on *building budget credibility* has been:

- *Improved and strengthened revenue policy, forecasting, management and tax collection.* As a result, revenues increased on average by around 26% per annum, the legal framework has been broadened, improved, and enhanced. A Mid-term Revenue Framework including oil, gas and minerals has been developed. Moreover, several measures have been put in place to guide the improvement and strengthening of income collection in particular non-fiscal revenues.

- *Improved and strengthened budget preparation:* Budget is now more comprehensive, accurate and responsive to RGC policies. The budget preparation process has been refined and made more comprehensive through introduction budget strategic plan, a new budget classification, piloting programme budgeting, and carrying out systematic mid-year budget reviews and preparing quarterly revenue and expenditure plans. The “Public Financial System Law” was prepared and adopted. The next step is to ensure that that there consistency, coherence, and coordination between the Public Financial System Law and the Law on Administration of Capital City, Province, Township and District/Khan, in order to achieve the goals of PFMRP and D&D reform programmes. A Law on Fiscal Regime and State Properties Management for sub-national level has been drafted and is being discussed.
- *Improved budget implementation and efficiency.* As the results, budgetary control is more simplified and effective, disbursements and payments are smoother and timely, and recording is more transparent and accurate. These has been done through strengthening of cash management, establishment of Treasury Single Account, introduction of new Chart of Accounts, introduction of banking system payment, reduce budget execution processes and procedures, including decentralising financial inspection and procurement. In addition, internal control system has been strengthened through establishment of internal audit body in all line ministries and agencies as well as improvement of financial inspection. Besides, the development of a new working modality is nearly completed. An IT system management in public financial sector has been organised and the preparatory works for the 1<sup>st</sup> step implementation are also underway.
- *Institutional capacity of the Ministry of Economy and Finance has been enhanced:* Roles, functions, and responsibilities of departments and individuals are now clearly defined. Capacities of officials and departments have been enhanced through the transfer of knowledge and know-how from consultants/advisers, on-the-job training, seminars on specific topics, study visits, short training courses in country and abroad, and long-time studies on specific skills mostly focused on public policy and IT.

**DIAGRAM I**

**SEQUENCE OF PLATFORMS**





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

86. Both enhanced accountability and empowerment will be supported by measures to further improve information systems and transparency about how financial management obligations are being exercised in practice by budget entities/managers. The focus in 2009 has been, as implementation of Platform 2 commences, in three directions: (i) For MEF to develop proposals for the detailed implementation of some of the key technical changes envisaged in Platform 2 such as the way that funds will reach service deliverers and be utilised, the implementation of improved financial information systems and methods for holding budget implementation agencies more accountable, (ii) seeking the positive engagement of line ministries and other budget implementation agencies in the reform objectives of Platform 2, and (iii) building the capacity development programmes that are so important to achieving Platform 2 objectives. Significant progress has been made in all these areas during 2009 although work on each will continue into 2010 as well as other more detailed activity development. In particular, work on procuring the computer systems that will sit at the heart of the financial information system is now well advanced, the development of a more strategic approach to resource management has been taken a stage further, a framework for internal audit activity development has been designed and all line ministries have participated in briefing seminars and the design of capacity development programmes. They have formed their own reform cells and most line ministries have already developed their plans for contributing to the overall reform strategy.

### C. INFLATION AND MONETARY DEVELOPMENTS

87. As a small and open economy that is highly dollarised, Cambodia is affected by changes in price of crude oil, food items, and other commodities in the international markets. The dramatic increase in the price of a barrel of crude oil that rose from \$ 66.47 in April 2007 to record level of US\$ 147 per barrel in July 2008 as well as the price of rice that doubled in international markets between the first quarter of 2007 and the first trimester of 2008 and doubled again in the first four months of 2008, resulted in inflation rising to 25.7 percent in May 2008. However, the proactive measures taken by the National Bank of Cambodia were able to reduce the inflationary pressures and inflation had declined to 13.5 percent at the end of 2008. Over the 2006-2008 period, the exchange rate of the Riel against the US Dollar was stable, varying between 4,000 Riel to 4,125 Riel for 1 US Dollar. Gross international reserves accumulated to 2,164 million US Dollars, sufficient to support 3.4 months of imports.

88. The Cambodian banking system has not suffered any direct losses because of the sub-prime loans that have adversely affected the financial institutions in other countries. However, to increase confidence in the banking system and to mitigate any potential effects the National

Bank of Cambodia took proactive measures to strengthen prudential regulation of the banking system, increased the reserve requirement rate from 8 percent to 16 percent in the banking system, placed a 15 percent credit ceiling on the real estate sector, improved credit rating system of the banking sector, and strengthened the credit information sharing system. The National Bank of Cambodia has also required banks to develop a modern enterprise system based transaction mechanism by improving the code of conduct, encouraging good corporate governance, and provided guidance to banks on risk management.

89. During 2006-2008, significant progress has been made to transform the financial institutions into a market-based, private sector-dominated sector. Reform measures and infrastructure improvements have contributed to the development of a healthy financial sector. The prudential indicators for banks have posted positive gains. The average capital adequacy ratio for commercial banks in December 2008 was 28%, compared to the base level of 15 percent; there has been a remarkable increase in aggregate assets in the banking system. In terms of asset quality, non performing loans reached a level of 14.6 percent at the end of 2002, 9.9 percent at end of 2006, but decreased significantly to 3.7 percent in December 2008. Money supply (M2) compared to GDP increased to 28.3 percent at the end of 2008. Loans to the private sector increased by 23.6 percent of GDP, while total deposits increased to 22.8 percent of GDP.

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

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

92. The MEF has been striving to develop the non-banking sector in order to promote this sector in accordance to the development's needs. Major achievements in this sector include:

- *Securities Market Sector:*
  - The creation of securities market would enable the diversification of new financial instruments and offer more investment choices for local and foreign investors. The securities market is a mechanism to mobilise idle resources to invest in the economy through selling stocks, especially company stocks. The MEF has so far created the government securities market in order to mobilise more resources to support government's development projects. Law on the Government Securities was adopted and promulgated.
  - At the same time, the MEF has also created non-government securities market and a number of major laws have been adopted and promulgated in order to operate the market, including Law on Issuance and Trading of Non-Government Securities, Sub-decree on Issuance and Trading of Non-Government Securities, and so on. Securities and Exchange Commission of Cambodia has been created to be the regulator of the securities market which will play an important role in managing and related players in order to ensure efficiency, transparency and order in the market operation. Securities Market Company of Cambodia, which is the market operator, has also been created.

- Moreover, the human resource development is fundamental to the successful creation and operation of the market. The Korean International Cooperation Agency (KOICA) has been supporting this effort for a period of two years (2007-2009) by providing different trainings to officials from MEF, other related ministries and institutions, courts and staffs from the private sector such as banks, insurance companies, lawyers, auditors, accountants, and other companies that have potentials to issue and sell stocks. A number of seminars have been organised to promote knowledge on securities market on the public and students.
- *Insurance Sector:*
  - Law on Insurance was adopted and promulgated in 2000. To implement this law, several regulations such as regulation on licence issuance, capital requirements, and corporate governance have been adopted from 2001 to 2008. So far, there have been insurance companies and one reinsurance company with total premium in 2008 more than 20 million US dollars.
- *Micro-finance Sector:*
  - Micro finance has played an important role in the economic development particularly it is the financial resource for SMEs. Many progresses has been made in micro finance sector by the policies and strategies development of the Ministry of Economy and Finance which is the extension of the implementation of Finance Sector Strategic Development 2006-2015 framework. At the same time, Ministry of Economy and Finance has developed a study at national level to survey on the actual loan demand and numbers of unregistered micro finance institutions and theirs impacts on the economy.
  - Under the scope of the Law on the Amendment of the Law on Finance 2009, the Royal Government of Cambodia has established the Agriculture and Agro-Industry Supported Fund to promote the agriculture and agro-industry sector in Cambodia. Moreover, the sub decree on the establishment and operation of fund for support and development of agriculture was also officially adopted and implemented. With this sub decree the Ministry of Economy and Finance has prepared three other Prakas on: (1) Organisation and Functioning of Policy Board, (2) Organisation and Functioning of Credit Committee, and (3) Procedures of Request and Approval on Credit. Moreover, the Law on Financial Creditability has been drafted and revised in order to increase its scope pertaining to the financial sector.
- *Real Estate Business Management:*
  - With the aim of effectively managing the real state sector, Ministry of Economy and Finance has prepared: (1) Prakas on Licensing of Professional Certificate for Valuator and Estate Agents, (2) Circular on the Implementation of Prakas on Professional Certificate Licensing to Valuator and Estate Agents, (3) Code of Conduct for Professional Certificate Holder of Valuation and Estate Services, and (4) Prakas on Housing Development Supervision.
  - In the meantime, the MEF has also published: (1) the Guidebook on Implementation Criteria on Licensing for Valuator and Estate Services, (2) the Guidebook for Professional Certificate Holder of Valuation and Estate Services, and (3) Establishment of Cambodia Valuator and Estate Agent Association, which has been enrolled into the full membership of the ASEAN Valuator Association. The MEF has also established an inter-ministerial working group to monitor real estate development business.

#### IV. PARTNERSHIP IN DEVELOPMENT

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

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

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

- To guide EDPs and better ensure proper coordination of all assistance from EDPs, a Strategic Framework for Development Cooperation was issued in 2006.
- The annual overarching consultative discussions forum has graduated into full Cambodian ownership by being transformed into the Cambodia Development Cooperation Forum (CDCF) which held its first meeting in 2007.
- A high level GDCC (Government-Development Partner Coordination Committee) meets thrice yearly to discuss common issues and pursues Joint Monitoring Indicators (JMIs) on the progress of various aspects of NSDP.
- Technical Working Groups (TWGs) function to better coordinate and monitor progress at the sectoral level. After review of their initial functioning, and in consultation with all EDPs, clear guidelines were issued in 2006.
- The procedures and processes of collection of data of EDP assistance have been streamlined and the ODA data base maintained at CRDB/CDC gets continuously updated.
- EDPs are increasingly cooperating among themselves and bring to RGC matters of common concern.
- RGC is committed to implement the "Accra Agenda for Action" to increase efficacy of development assistance<sup>3</sup>.

<sup>3</sup> Arrived at the third high level forum in September 2008 (the first two were in Paris and Rome)

**Box 2**  
**Alignment, Use and Accountability of EDP resources**

<p>1. NSDP 2006-2010 has called for changes in EDP approaches, viz., (i) move away from expensive high level studies to practical action; (ii) reduce technical assistance to the minimum necessary; and (iii) bring about 'net transfer of resources'. Regrettably, the progress so far on all these three fronts is not encouraging.</p> <p>2. NSDP 2010 enjoined on the TWGs to immediately engage in reviewing all ongoing EDP assisted programmes and projects to see if they correspond to the priorities outlined in the NSDP. They were also asked to review all ongoing technical assistance (experts and studies, for example) and to make a conscious effort to avoid duplication and reduce overall allocations to be able to release funds for more substantive activities. But, hardly any TWG has done this partly because they do not have adequate information on the level and kind of assistance EDPs provide.</p> <p>3. Many projects included in the ODA data base maintained by CRDB, to which inputs come only from EDPs, could not be accommodated in the PIP, 2009-2011, since the ministries indicated in it as the counterpart ministries are not aware of them. Likewise, the MOP has no knowledge of many projects shown in the ODA data base as relevant to TWG-PPR. There is an immediate need to reconcile these differences. This is also needed to enable RGC to fulfil its responsibility to the</p>	<p>people of Cambodia to account for all external assistance provided to the country and to monitor "total resources" being spent pursuant to NSDP priorities.</p> <p>4. NSDP 2006-2010 stated at para 5.17 that 'budget support' would be the most preferred mechanism for external support. In addition to loan and some technical assistance projects of IMF, WB and ADB which are implemented by the RGC, further progress in this direction has commenced through Poverty Reduction and Growth Operations (PRGO) jointly supported by many EDPs. Still, most EDP assistance is directly managed and implemented by the concerned aid-providing agencies. As such, RGC ministries and agencies are not fully in the picture about the actual work being done and its cost.</p> <p>5. Joint Monitoring Indicators (JMIs) are created and are pursued to monitor progress in RGC's commitments and processes towards overall goals. There needs to be equal emphasis to create JMIs for EDPs to meet in terms of accountability, alignment and harmonisation.</p> <p>6. The immediate need is for more efforts by EDPs to better align their resources to meet NSDP priorities and to increasingly utilise the opportunities in TWGs to inform RGC about their work and better coordinate among themselves.</p>
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95. The total external development assistance to Cambodia has registered an increase due largely to inclusion of assistance from hitherto "non-traditional" partners. However, internationally, development assistance from the developed world does not show any signs of moving upwards to the level advocated by the Monterrey Consensus, 2001, viz., 0.7 percent of GDP per annum, but instead is estimated to have dropped 8.4 percent in 2007 after a 4.7 percent drop in 2006<sup>4</sup>, and averages only at 0.45 percent of GDP of developed countries. At the country level in Cambodia there are some significant shortcomings still to be addressed and overcome, as exhaustively brought out in the Aid Effectiveness Report, 2007 (CRDB/CDC). In addition and in particular:

- Except in a few instances (MEF, MOH, MOEYS) where SWAP approach is followed, alignment of Development Partner resources to NSDP has not proceeded well despite clear undertakings in Paris and Rome Declarations and country level agreements by major donor agencies.
- Many TWGs are still to commence review of all ongoing programmes to align and reorient them to NSDP priorities as well as to PIPs in spite of clear calls from the highest levels in RGC<sup>5</sup>; as such, much needed EDP resources continue to be spent in traditional and pre-conceived ways, resulting in studies and duplicating technical assistance<sup>6</sup>, and not adding to much needed 'net transfer of resources' for Cambodia's priorities.

### 3. ENHANCEMENT OF AGRICULTURAL SECTOR

96. The four sides of this rectangle are: (i) *improving agricultural productivity and diversification (including animal husbandry, food security and nutrition, and rural development)*; (ii) *land reform and de-mining*; (iii) *fisheries reform*; and (iv) *forestry reform (including environment protection and conservation)*. Notable features during the last two

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

<sup>5</sup> Samdech PM Hun Sen's Foreword to NSDP and APR and several speeches at international and domestic forums.

<sup>6</sup> CRDB prepared "A Guideline for the Management of Technical Cooperation in Cambodia", and notes, in the Position Paper for Consultation (June, 2008), inter alia that: TC remains a "problem"; it comprises up to half of ODA; it might be stuck in an inappropriate and out-dated 'post-conflict recovery mode'; and, significant amounts of TC are just "tolerated".

and half years were: continued RGC efforts in arresting depletion of natural resources and environment; rehabilitating and enhancing irrigation potential; favourable weather conditions; some diversification into cash crops; issuance of more land titles to the farmers; and, further improvement of rural infrastructure. The National Strategy for Agriculture and Water, 2006-2010, was developed through a consultative process and adopted in 2007.

## I. IMPROVING AGRICULTURAL PRODUCTIVITY AND DIVERSIFICATION

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

98. An "Agriculture Sector Strategic Development Plan: 2006-2010" was prepared by the Ministry of Agriculture, Fisheries and Forestry (MAFF) in October 2005 in order to achieve RGC's strategic goals as well as NSDP 2006-2010. A Strategy for Agriculture and Water Sectors that has been prepared by TWG for Agriculture and Water and with the coordination of DPs was adopted in March 2007. However, a sector-wide programme to implement this strategy is expected to be finalised and approved in 2010.

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

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

100. To achieve the seven strategic objectives, the MAFF has organised its activities in the following five programme areas:

Programme I: Improving productivity & diversifying agriculture sectors.

Programme II: Promote market access of agriculture products.

Programme III: Strengthen institution, legal framework and human resources development.

Programme IV: Management of sustainable fishery resources.

Programme V: Management of sustainable forestry resources.

101. Significant progress has been made by MAFF in increasing the land area for crops, paddy cultivated area, yield per hectare, fishing lots, and area released to fishing communities, fish catch (from all sources), forestry cover, and percent of land area reforested. Moreover, research and development in agricultural technologies have attained remarkable achievements in particular in the enhancement of knowledge in agricultural technologies in the following areas: (1) Developing high-yielding and high-quality seeds; (2) Land preparation methodologies; (3) Effectiveness of the utilisation of green manure residuals; (4) Land fertility management and utilisation of organic fertiliser; (5) Identification of types of pests and the size of their damages as well as preventing and fighting mythologies; and (6) timing of harvesting and seed-drying and seed-storage methodologies. From 2006 to 2009, to further develop this sector, key laws and regulations that have been put in place include:

- Law on Plant Seed Management and Plant Breeder Rights;
- Sub-decree on Phyto-sanitary Inspection;
- Sub-decree on Establishment and Management for Village Animal Health Workers (VAHWs);
- Sub-decree on Sanitary Inspection of Animals and Animal Product;
- Sub-decree on Abattoir Management and Meat and Animal Product Inspection;
- Law on Fishery;
- Sub-decree on Community Fisheries Management;
- Sub-decree on Endangered Fishery Product;
- Sub-decree on the Legal Procedures on Investments, Public Bidding, Contractual Leasing, and Payment of Fishing Fees;
- Sub-decree on Appointment of the Composition in the National Authority for Resolving Land Conflict;
- Sub-decree on International Trading of Endangered Wildlife and Wild-plants Species;
- Sub-decree on Establishment and Functioning of General Secretariat of National Authority for Resolving Land Conflict;
- Sub-decree on Forest and Non-Timber Forest Products Permitted for Import-Export;
- Sub-decree on Permanent Forest Reserve Classification, Transferring, and Conferring of Tenure Rights in Dom Rei Phong Area in Trapeang Pleang Commune of Chhouk District and Stung Keo Commune of Kampot District in Kampot Province.
- Sub-decree on Establishment of Control and Conservation Areas of Bird Sanctuaries for Sarus Cranes and other Birds in Boeng Prek Lopoeuv of Borei Cholosar and Koh Andet Districts in Takeo Province;
- Sub-decree on Detaching of Land Areas from Protected Forest Areas for Conservation of Genetic Resources of Wild-plants and Wildlife in Mondulkiri Province;
- Sub-decree on Rules of Conferring of Rights to Use State Forestlands for Tree Planting;
- Sub-decree on Transforming MAFF's General Directorates to General Secretariats; Upgrading Forestry and Fishery Administrations to General Directorate Levels; Upgrading the Department for Agronomy and Improving Agricultural Lands to General Directorate of Agriculture; and Transforming the General Directorate of Rubber Plantation to a MAFF's General Directorate;
- Sub-decree on Establishment of Protected Forest Areas for Recreation and Hunting Sport in Oya Dav, Ratanakiri Province; and
- Sub-decree on Establishment and Conservation of "Sei Ma" Protected-Forest and Biodiversity Areas of of Mondulkiri and Kratie Provinces.

102. Besides contributing to the increase in crop productivity, all of these technologies have also contributed to the diversification of cropping systems by shifting from mono-rice-cropping to multiple cropping systems and animal husbandry by identifying appropriate soil types, timing and crops planting methods before and after wet-season rice cropping as well as crop rotation patterns in upland areas. Moreover, the MAFF has conserved 2,557 accessions of rice germ-plasma and identified rice varieties that are resistant to flood, drought and Brown Plant Hopper (BPH) along with the conservation of germ-plasma of other crops such as bananas, cassavas, chillies and papayas etc. in order to ensure sustainable use of natural recourses in Cambodia. In addition, the transfer of these technologies has been promoted through improved linkages between research and extension in the forms of human resource capacity development including short/medium training courses, field demonstrations, workshops, seminars, and conferences.

103. Over the years 2006-2008, the overall agricultural production has increased remarkably provided that concerned institutions have been striving to change farmers'

behaviour in crop farming practices, crop preservation and harvesting and to increase irrigation capacity together with favourable weather conditions. The share of the agriculture sector was 5.5 percent in 2006, 5.0 percent in 2007, and 5.7 percent in 2008. In 2008, the total cultivated land area was 2.61 million hectares, producing about 7.15 million metric tons of paddy resulting in an average yield of 2.74 tons per hectare and a surplus of 2.02 million metric tons of milled rice.

104. Over the 2004-2008 period of time, the livestock production has moderately increased and the number of cattle raised has increased by 2.5 percent on a yearly average. The number of pigs raised has declined from 2.42 million heads in 2004 to 2.21 million heads in 2008 due to an increase in in-flows of pigs and other pig-related products from neighbouring countries. The animal husbandry sub-sector's contribution to the economy has steadily increased and accounted for about 4 percent. This sub-sector needs to grow in order to meet local needs to improve nutrition and to serve the tourism industry. The high priorities of MAFF include: (1) the development of legal and regulatory framework and human resource; (2) the reduction of animal morbidity and mortality rates; (3) improving public health particularly in relation to zoonotic diseases and food safety; (4) promotion of animal feed production; (5) improving the quality of animal breeding stocks; (6) promoting the use of animal manures for bio-gas production; (7) enhancing and strengthening research and extension programmes on livestock production and veterinary activities; (8) improving credit services for livestock production; (9) promoting the investment in livestock production and veterinary activities; and (10) promoting the markets for animals and animal-originated products.

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

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

106. The livestock production in Cambodia has been adversely effected due to:

- Repeated threats from pandemic of severe animal diseases in particular HPAI and H1N1 and from natural disasters such as Ketsanna storm, which have caused a great deal of losses of resources and claimed many people and animal lives.
- Resources for prevention of the widespread of severe animal diseases and for animal health protection and cares are still limited.



- The reluctance of some investors to invest in livestock production after the incidence of HPAI and the effect of animal products imported from neighbouring countries.
- Lack of market competition for meat and animal feed resulting in high costs of animal feeds.
- Comprehensive laws and regulations pertaining to this sub-sector have not been adequately put in place for the effective implementation.

## II. LAND REFORM AND DE-MINING

107. Land constitutes the most precious resource of Cambodia. RGC's overarching policy is to ensure that all land is put assure all lands are managed, arranged, used, and distributed in an equitable, transparent, effective, and sustainable manner in order to contribute to poverty alleviation, ensuring of food security, national defence, social-economic development in the context of marketing economy. The Declaration of the Royal Government of Cambodia on Land Policy addresses issues relating to Land Administration (clarify and record ownership and other rights), Land Management (to ensure that land and natural resources are effectively managed) and Land Distribution (to allocate state land for public and private purposes in a transparent, decentralised and fair manner).

108. Out of a total land area of 18.1 million hectares, the state owns 14.5 million hectares and 3.6 million hectares (20%) are owned by private entities. The Land Law provides details land ownership, land management, land ownership. This three Law categorises the ownership as follows:

- *Public Ownership*: This includes state-public properties and state-private properties. Public ownership refers to inalienable property and ownership of those properties is not subject to prescription. This means these properties are managed and used for public interest use such as state-owned buildings, infrastructure; or for environmental benefits (preservations of natural forests, rivers, lakes, seashores and so on). However, when state public properties lose their public interest, they can be listed as state-private properties by the Law on Transferring. On the other hand, state-private ownership includes the economic land concession (lands for large plantation, commercial farming, mineral extraction) and social land concession.
- *Collective Ownership*: This includes properties of monasteries and the ownership of indigenous people's communities.
- *Private Ownership*: This includes properties held by private individuals or entities.

109. The Royal Government recognises that land reform is vital to enhance social stability, development of an efficient land market, environmental sustainability, and for increasing agricultural productivity through the issuance of land titles to the citizens; in particular, to farmers who are cultivating land that they occupy. Issuing land titles to citizens is vital for improving the management of land use, especially the management of state-owned lands to ensure security of land tenure in a transparent and equitable manner and to further reduce poverty by enabling citizens to have access to financial markets by using their land titles as collateral. It was estimated in 2001 that there are 6-7 millions of private-owned land parcels to be registered. Given this, the Royal Government has set a period of 15 years to conduct land registration under a land reform programme focusing on the strengthening of three sub-sectors, viz. *land administration, land management, and land distribution*. To implement this programme, a first five-year plan for the period of 2002-2007 has been developed in order to achieve a registration of one million land parcels.

110. The RGC attaches high priority to land reforms for poverty reduction and sustainable socio-economic development. The priority emphasises on strengthening security of land tenure for state land, private land, and land of indigenous people's communities through systematic and sporadic land registration in order to issue land titles to general citizens, institutions, and indigenous communities that are eligible to tenure rights. To strengthen land management, the required policy and legal and regulatory framework for effective implementation of the Land Law has been developed and approved. The work so far has included: (a) Sub-decree on State Land Management, (b) Sub-decree on Procedures of the Registration of Indigenous Community Land, (c) Sub-decree on Procedures of Commune Land Use Planning, (d) Sub-decree on the Management and Use of Co-owned Buildings, (e) Circular on Illegal Occupancy of State Land, (f) Joint Prakas on State Land Identification, Classification and Mapping, (g) Joint Prakas on Mechanism for the Provision of Agricultural Extension Services to Farmers Using Social Land Concession, (h) Joint Guidelines on Strengthening of the Cadastral Commission Performance at all levels, (i) Draft Law on Providing Ownership Right of Private Unit in Co-owned Building to Foreigner (this is under request for approval from the legislative institution).

111. Significant progress has been made in *issuing land titles*. So far, 1,664,297 land titles have been issued, of which 3/4 are rural lands and 1/4 are urban lands. Of these, 1,070,665 titles were issued through systematic land titling process whilst 593,645 titles were issued through sporadic titling. To date, the land titling process has, therefore, covered between 23 and 24 percent of total land plots (6-7 million) throughout the Kingdom. The targets set for the issuance of land titles in the Cambodian Millennium Development Goals (CMDGs) for the year 2010 is the registration of 32 percent of total land parcels (plots) – of which 24 percent are set for lands owned by farmers. The CMDGs targets for 2015 are registration of 65 percent of total land parcels (plots) – of which 48.75 percent are the land parcels (plots) owned by farmers. Of the total land titles issued so far, 70 percent are shared properties of couples, 20 percent are properties owned by women, 5 percent are properties owned by men, and another 5 percent are properties owned by monasteries. In order to enhance the land administration to be functional in transparent and effective manner and in partnership with private sector for the measuring and assessing of land price, the RGC has been committed to the development of a policy and legal framework that includes: Laws on Demarcation and Mapping; Law on Providing Ownership Right of Private Unit in Co-owned Building to Foreigners; Policy on Land Price Valuation and Land Price Map; the amendment of Land Law on the sections '*Immovable Properties Registration*' which are related to Civil Procedure Code and Civil Code, etc.

112. With respect to the registration of indigenous people's community land as communal collective property in the pilot areas of three communities, the task force has completed the phase of land identification and boundary demarcation by consulting boundary issues with concerned people. The next tasks are to install boundary-demarcating poles and the completion of the registration of these three pilot areas by early 2010, as well as the further implementation of Sub-decree on the Registration of Indigenous People's Community Lands; especially, those in Mondulkiri and Rattanakiri provinces.

113. In area of land dispute settlement, the Cadastral Commission has dealt with 5,193 dispute cases, of which

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

114. The number of dispute cases submitted to the Cadastral Commission has increased from year to year by around 20 percent while the dispute resolution has increased by nearly 56 percent. Through mobile dispute settlement procedures, outstanding dispute cases in 10 districts (Mahmud, Ponhear Krek, Cheung Prey, Koh Sotin, Peam Chor, Baray, Poipet, Chhouk, and Battambang Town) were totally resolved by cadastral commission.

115. To further strengthen *land management*, the process of establishing policy framework and related legal and regulatory frameworks, such as Land Management Policy, National Housing Policy, Guidelines on Legal Procedures for Resettlement, and Law on Land Management, Urbanisation and Construction, is now being put in place through an inter-ministerial working group. To foster the implement of urban land use development process, the Ministry of Land Management, Urban Planning and Construction (MLMUC) is providing technical support to Capital City, Provincial, City, and District/Khan authorities to collect, verify, analyse, and discuss the data from ten provinces and concerned parties for the urban and provincial land use planning. As a result, works on of urban and provincial land use planning for Stung Hao and Bovet towns has been completed while the works for Kratie, Neak Loeung and Anlong Veng towns are being under the final discussion process. Besides, the land use planning for other towns is being under the stage of further data collection from concerned institutions. In addition, a Strategic Development Plan for Phnom Penh City, Preah Sihanouk, Kep and Kompong Cham and other provinces with economic potential is being finalised and will be submitted for approval.

116. RGC has been implementing a policy to distribute land to landless citizens including the families of armed-forces stationed along western and north-western border areas through the social land concession programme initiated by national and sub-national authorities. The National Strategic Development Plan (NSDP) 2006-2010 had set a target of providing land to 10,000 landless-families under this programme. To reach this target, the RGC has put in place a Circular on Social Land Concession Distribution Plan requiring the Capital City and each province to find lands for the planning of annual distribution of 416 families. In this regard, 12 provinces have already identified targeted land areas of 36,917 hectares and targeted landless poor families of 14,791. Among these, the provinces that have already carried out the distribution of land include:

- Kampong Cham Province: 863.65 hectares of land to 246 poor families.
- Kratie Province: 3,960 hectares of land to 246 poor families and to more 350 poor families.
- Oddor Meanchey Province: Mine-cleared land areas of 129 hectares to 95 poor families.
- Kampot Province: 1,019 hectares of land to 317 families of poor disabled veterans.
- Kampong Cham Province: 155 hectares of land to 100 poor families.
- Preah Vihear Province: more than 18,000 hectares of land to 1,802 families of armed-forces and general citizens families residing around Preah Vihear Temple area and western and north-western areas along Cambodia-Thai borders by settling new development villages – a programme initiated by national level.

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

- To promote the culture of land registration and to build citizens confidence on Cadastral System need to be carried out through reviewing the current status of the delivery of cadastral and construction-related services that are to be carried out through a transparent, accountable, speedy, and fair Single Window process as well as through re-examining the rates for valuating subsequent registration tax by

establishing a land information system, land price valuation system, and land price map that are reliable and publicly-known and appropriate to the actual economic and social status of the citizens in each localities before the initiation of land and housing tax collection starting from 2010 and the collection of taxes on lands that are not household-agricultural lands of farmers.

- To accelerate land dispute settlement in particular multi-party disputes by setting up *mobile land dispute resolution teams* in cities/districts/khann where there are a huge backlog of dispute cases and expedite land registration by both procedures in the regions with economic potentials in particular conflict-free lands.
- To foster state land management, use, and distribution processes through transparent, equitable, effective, and sustainable procedures by strengthening the state land management of all concerned institutions that are mandated to occupy state land using various tools, including:
  - The Sub-decree on State Land Management for the well-defined identification, registration, and creation of an inventory of state lands, forest lands, and PA lands;
  - land management planning for all levels to guide and monitor land development;
  - preventing concentration of lands for unused and non-production purposes;
  - identifying appropriate lands for poor families, families of armed forces currently performing their defence tasks, veterans, and landless families to serve the purpose of social land concession, national defence, and the relocation of families displaced due to government and private-company development projects;
  - taking measures to re-take state lands that had been occupied illegally, that are not being used in accordance with terms and conditions of the agreements of economic land concessions, and that had been occupied with a size that exceeds the limits under the 2001 Land Law, through strengthening the enforcements of the regulations that had already become effective, viz., Guiding Circular on Illegal Land Occupancy of State Land, Sub Decree on State Land Management, Policy on Land Registration and Land Use Rights of Indigenous-People Community; and
  - delegating the decision-making function of land-dispute settlement to the Chairman of Capital City/Provincial Cadastral Commission, in particular the settlement of multi-party disputes by establishing mobile land dispute resolution teams to investigate the backlog of disputes under the from of Special Operating Agency (SOA).

**118. De-mining:** Past conflicts gave rise to a large number of handicapped and contaminated large land areas with landmines and explosive remnants of war (ERW), which constitute a serious impediment to socio-economic development and routinely claim lives and limbs. The clearance of land from mines and ERW is required to reduce casualties and to remove a major constraint to the settlements, agricultural activities, and development in the effected areas. In fact, the clearance of land from mines and ERW had started since 1979 but there has been no clear record and it has been further carried out with international community's support since 1992, resulting in sharp decrease in accidents caused by mines/ERW and steady increase in affected land areas cleared of mines/ERW. Reported annual victims of landmines/ERW have decreased from 4,320 in 1996 to 271 in 2008. De-mining and ERW de-fusing have increased mine-free land areas from 33,036 hectares in 2005 to 47,650 hectares in 2008.

### III. FISHERIES REFORM

119. Fish continues to be a vital source of food, nutrition and income of millions of Cambodians. Fish provides Cambodian people with about 80% of animal protein and more than 4.5 million people having been directly involved in fishery sector. Total production of fish grew to over 471,000 tonnes in 2008, the main increases coming from rice field capture and a steady growth in aquaculture. The new Fisheries Law was promulgated in May 2006; the fisheries sector has since undergone major reforms and now has a more poverty-focused approach. These achievements have been realised through the development efforts within the framework of the ten-year Strategic Plan, 2009-2018 and the first three-year-rolling on Fishery Sector Development Action Plan, 2009-2011. These Plans have been developed based on Cambodian Code of Conduct for Responsible Fishery. Since the release of the fishing lots for community use, 468 Community Fisheries have been established (433 inland, 35 coastal), of which 173 were formally legally registered in October 2008. In addition, 235 Community Fish Refuges (CFR) have also been established mostly in the remote areas far away from important water bodies. In aquaculture, 13 State and 152 private hatcheries are now operating and 15,000 families are engaged in small-scale aquaculture. Fisheries management was strengthened, including the increase in community's fisheries registration around Tonle Sap Great Lake, expansion of aquaculture activities and increased suppression on illegal fishing. The Fisheries Administration also tightened and will continue its efforts in preventing and suppressing flooded forest land grabbing.

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

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

### IV. FORESTRY REFORM

121. The implementation of the Law on Forestry and regulations along with good collaboration between all concerned institutions, forest resources are now more strictly managed, resulting in increased prevention and suppression on illegal forest land grabbing. Since 2008, the Forestry Administration allocated 9 logging coups outside forest concession areas to meet local wood consumption amounting to about 261,270m<sup>3</sup> for using forest by-product of the people. The Reforestation/tree plantings, community's forestry establishment, forest boundary demarcation, wildlife and forest research and conservation and the National Forest Programme development were actively carried out as planned and Forestry Administration on behalf of RGC has set up and proceeded the business of Cambodian Forest Carbon Credit through the implementation of a sample project of Carbon Credit for the forestry communities in Banteay Mean Cheay in order to reduce poverty of population in

rural areas and to reduce climate change and global warming. However, illegal forest land clearing and land grabbing still exist. The Ministry of Interior plays an important role in issuing instructions to local authorities at all levels to strengthen statistics, movement and resettlement of new incomers, and to prohibit the allocation of forest areas for other purposes. The implementation of the Sub-decree on Rules on the Use of State Forest Lands for Forest Plantation will contribute towards achieving Cambodian Millennium Development Goals that set a target of 60 percent forest cover in 2015.

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

- Lack of human resources and incentive for staff working in remote areas.
- Lack of budget for forest research and development, forest management and conservation.
- Lack of offices and facilities for working.
- Threats from powerful man.
- The citizens who are living in and around the forest areas are still depended on forest by-products that are the high pressure on the natural forest resources.
- The suppression of disobedience activities are facing difficulty due to illegal people usually change mean of transportation of illegal timber and destroying forest.
- Forest demarcation facing difficulties with encroachers and destruction of marking poles.

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

123. Protection and conservation of the unique bio-diversity and eco-system that Cambodia is blessed with and the sustainable use of this natural resource for the benefit of all Cambodians and for the response to climate change is a high priority of the Royal Government. Significant progress has been made in developing the regulatory framework to manage these resources and to strengthen the capacity of the Ministry of Environment and other RGC institutions to manage the implementation of the laws and regulations. In April 2006, through an RGC's Sub-decree, a National Climate Change Management Committee was established and in 2009 Samdech Prime Minister decided to be the Honorary Chairman of this National Committee. In 2008, two Laws – the Law on Bio-safety and the Law on Natural Protected Areas – were adopted.

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

- Environmental assessment impact;
- Environmental pollution control, covering solid waste management, air quality control, and public water quality management;
- Protected area (PA) management; and
- Education and dissemination of information on environment issues.

125. In 2008, the MOE in collaboration with other ministries and concerned parties has reviewed and provided recommendations on environmental-social impact assessment reports for 37 public and private projects, but only 15 reports in the agricultural, industrial, energy, tourism and infrastructure sectors have been endorsed. The Ministry of Environment also signed agreements with 61 project's owners on environmental protection.

126. Significant progress has been made in expanding the collection of solid waste across the country. The number of solid waste collection sites has increased from 43 locations in

2005 to 65 locations in 2009. The amount of solid waste and garbage collected has increased from 352.542 tons in 2005 to 563.034 tons in 2009. In the Kompot, Pursat, Battambang, Siemreap, Prah Sihanouk Provinces and 45 to 85 percent of the solid waste and garbage is now collected. In Phnom Penh, solid waste and garbage collection services by private companies cover 90-100 percent of total solid waste and garbage in four khans and between 45 to 70 percent in three other khans.

127. Three air quality control stations have established in Phnom Penh, located at Kbal Thnol roundabout, Olympic Stadium roundabout, and Tuol Kork crossroads, for monitoring the levels of CO, NO<sub>2</sub> and SO<sub>2</sub> levels. Other environmentally- and health-harmful air substances are being examined for the inclusion in this air quality control effort.

128. To monitor water quality for bio-diversity conservation, every month the MOE takes water samples at 15 targeted locations: 4 targeted locations along the streams in Phnom Penh (Kien Svay, Chroy Changva, Phnom Penh Port, and Prek Pnov bridge); 2 targeted locations in Kandal Province (Stung Chroev Prek Tnot and Takmao Ferry Port); one targeted location in Battambang Province; 2 targeted locations in Pursat Province; 2 targeted in Kampong Chhnang Province; one targeted location in Siemreap Province; 2 targeted locations in Kompong Thom Province, one targeted in Kompong Cham Province. The MOE also takes water samples at 4 targeted locations in Prah Sihanouk Province, 5 targeted locations in Koh Kong Province (including waters from the four sea tributaries), one targeted location in Kep Province, and is going to take water sample at one targeted location in Kampott Province.

129. The MOE has prepared a master plan on protected areas (PAs) that provides the NPA boundary demarcation and produced NPA maps for 18 locations. The Ministry is also carrying out researches and collecting data on plant species, medicinal plants and animals.

130. The MOE has also supported local communities living in PAs and has established NPA communities. The number of these communities has increased from 59 in 2005 to 82 in 2008.

131. The MOE, as the Secretariat of the National Climate Change Management Committee, has been carrying out many activities to coordinate works on climate change. The Ministry prepared a Second National Report under the United Nations Convention on Climate Change as well as National Strategy and Action Plan Responsive to Climate Change.

132. The MOE has been participating in providing educational information and discussions on environmental issues as well as disseminating this information to the public. In the context of sustainable hazardous waste management, the MOE has been taking measures to prevent and reduce the impact of those wastes on the environment and public health.

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

## DISASTER MANAGEMENT

134. Natural disasters such as floods, droughts, typhoons and epidemic diseases that Cambodia suffered, caused some loss of human lives, damage to crops, properties as well as affected national economy. As part of preparedness for the prevention of natural disasters, in 1995 the Royal Government of Cambodia (RGC) established the National Committee for Disaster Management (NCDM) with its vertical line from national to sub-national levels in 2002. At the same time, the RGC developed legal frameworks and regulations in order to effectively prevent, mitigate and respond to risks of these disasters. Those laws and regulations include:

- Royal Decree on the establishment of National Committee for Disaster Management;
- Sub-Decree on the preparation and functioning of National Committee for Disaster Management (National and Sub-national levels);
- Participation in the adoption of the Hyogo Framework for Action 2005 – 2015;
- Law on the disaster management; and
- National policy on the disaster management.

135. *Progress in mainstreaming disaster risk reduction in Cambodia:* the RGC is one of the 168 signatory countries to the Hyogo Framework for Action 2005 – 2015 which is a solid legal framework for imparting knowledge on and implementation of the natural disaster managements around the globe. The RGC, being cognizant of the Beijing Action for Disaster Risk Reduction in Asia, has developed "the National Action Plan and Strategy on Disaster Risk Reduction 2008-2013" and is committed to implementing and monitoring the implementation process of this national action plan. In addition, the RGC has set up the Asian Funds for Disaster Managements which is focusing on the disaster reduction and preparedness emergency response in Cambodia.

## RURAL DEVELOPMENT

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

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

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

- National Policy on Rural Road;
- National Strategy on Rural Road;
- National Policy on Clean Water Supply and Sanitation;



- National Strategy on Rural Clean Water Supply and Sanitation;
- National Policy on Development of Indigenous People;
- National Policy on Rural Development;
- National Strategy on Rural Development; and

139. 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 minimum basic needs and services so that priority attention could be paid to them for rural development. The IRAP is being implemented in the following provinces: Kratie, Stung Treng, Siem Reap, Battambang, Banteay Meanchey, and Otdar Meanchey.

140. Major achievements in rural development efforts include:

- *Rural Transport Infrastructure Development:* From 2006 to 2008, new rural roads for a length of 1,440 km were constructed; rural roads for a length of 2,545 km were repaired; 5,926 km of rural roads were regularly maintained; and 134 new small bridges and 1,148 culverts were built. Up to 2008, rural roads with a cumulative length of 24,140 km have been rehabilitated and constructed.
- *Rural Water Supply:* From 2006 to 2008, the supply of drinking water and water for general use was carried out in the following modes:
  - 5,956 new wells of all types were made available for use.
  - 2,577 of all types of wells were repaired.
  - 110 man-made ponds were put in place.
  - 179 jumbo cement water jars were constructed.
  - Waters from 8,921 were tested for the level of arsenic content.
  - Supplies of irrigation water were accomplished through (1) repairs of 291 reservoirs, (2) constructions of new dams with a total length 26,392 metres, (3) repairs of dams with a total length of 5,719 metres, (4) constructions of canals with a total length of 66,018 metres, (5) repairs of canals with a total length of 164,441 metres, and (6) constructions of 6 new water gates.
- *Health and Sanitation in Rural Areas:* 51,319 toilets were built and rural communities were provided with 8,000 toilet bowls. 185,828 rural people were involved in health and sanitation education programmes.
- *Community Development:* 85 new school buildings were built and 5 school buildings were repaired.
- *Development of Rural Economy:* The increase in rural credit lending and the setting up of rice and animal banks have significantly contributed to the development of rural economy.
- Besides the above-mentioned achievements, many others have been brought about through the 'sharing tradition' introduced by RGC to encourage government employees and general public to contribute to socio-economic development in rural areas such as the construction of rural roads, canals, ponds, health centres, schools, etc.

**TABLE 2: PROGRESS IN RURAL DEVELOPMENT**

	INDICATORS	2006	2007	2008	2010 (Est.)
1	Rehabilitation of Rural Roads – out of total 28,000 kms	22,964	23,729	24,140	26,658
2	Access to Improved Drinking Water - % of Rural Population	42.6	45.5	40.49	43.49
3	Access to Sanitation – % of Rural Population	16.5	16.7	23.24	25.0
4	Village Development Committee (VDC) – out of total Villages of 14,073	8,938	8,926	8,697	9,723

141. Notwithstanding remarkable progress in rural development, the following are immediate endeavours as well as challenges that need to be dealt with:

- Develop a comprehensive legal and regulatory framework necessary for the implementation of programmed activities in rural development.
- Further support commune/sangkat councils in the preparation of their plans and the implementation infrastructure projects such as the rehabilitation and construction of rural roads and other civil works, small-scale irrigation schemes, schools, health centres, and so on.
- The rehabilitation and construction of rural roads is currently facing the lack of good quality laterite, which induces the MRD to consider improving road covering by gradually upgrading laterite-covered roads to the ones with better covering in particular asphalt-covered ones.
- Budget earmarked for road repairs and maintenance was able to cover only 10% of the need for all rural roads in the country. This resulted in the fact that the roads that have not been adequately maintained are becoming further damaged, which eventually requires a great deal of budget for their repairs.
- Foster clean water supply and provision of rural sanitation in order to meet the CMDGs targets.
- Promote “one village one product” in order to create jobs and basic skills for rural people.
- Promote the setting up of VDCs strengthen their functioning in order to foster participation of local communities and ensure sustainable rural development.
- Promote the establishing of model village in order to extend experiences related to integrated rural development.
- Provide rural people with vocational training and promote the effective use of rural credit through the expansion of micro-credit schemes with low interest rates.
- Foster sustainable protection and development of indigenous-people communities.

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

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

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

143. Significant progress has been made in rehabilitating and construction of physical infrastructure of national roads network, ports and main airports to put in place a transportation network connecting all parts of the country, as well as with neighbouring countries. RGC has also given a high priority to ensuring that the transportation network is properly maintained and has encouraged and promoted the participation of the private

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

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

**145.** At the end of 2008, the total roads network was 39,618 km of roads that include:

- 2,119 km of single-digit National Roads.
- 3,086 km of double-digit National Roads.
- 6,413 km of Provincial Roads, of which 113 km are now asphalted.
- 28,000 km of Rural Roads.

**146.** During the period of implementation of NSDP 2006-2010 (2006-2008), the total length of national and provincial roads that are rehabilitated and asphalted was 2,342 km, not including Provincial Road and the roads in provincial towns. These roads include:

- 1,731 km of single-digit National Roads.
- 498 km of double-digit National Roads.
- 113 km of Provincial Roads.
- A large proportion of double-digit National Roads and Provincial Roads had been covered by laterite.
- By 2009, the paved roads had the total length of 2,661 Km equivalent to 51% of single-digit and double-digit National Roads with the length of 5,205 Km.
- A five-year Road Assets Management Project (RAMP) that has been carried out from December 2008 helps the MPWT to maintain the road network including national and provincial roads through the Periodic and Routine Maintenance Programme. The expected outcomes of the project are as follow:
  - 100 percent of national roads of 2,100 km and 30 percent of provincial roads of 2,700 km will be routinely maintained.
  - 5 percent of national roads of 100 km and 4 percent of provincial roads of 380 km will be periodically maintained.
  - 65 percent of good national roads and 45 percent of good provincial roads will be prevented from being damaged.

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

- Preparing and disseminating information on National Safety Plan.
- Organising seminars/workshops to promote road safety.
- Producing educational material on road safety, and disseminating this material widely on Radios and TVs.
- Conducting trainings on auditing and publishing information on road safety.
- Organising National Week of Road Safety, to be held from 7th to 14th April, every year.
- Conducting trainings on road safety for the public as a part of the tests to get Motorcycle Driving Licence through the Provincial/Municipal Departments of Public Works and Transports.
- Preparing and implementing on-site training programmes on road safety in low-income communities in the remote districts/areas as part of the testing to get the Motorcycle Driving Licence.
- Conducting training programmes as part of the Motorcycle Driving Test for adult youth in schools in Provinces and Cities countrywide.
- Organising a series of Seminars to formulate the Traffic Safety Action Plan, and promote the “Helmet Campaign”.

148. Through the efforts made by the Overloaded Vehicle Inspections Committee in cooperation with transport companies and the owners of trucks, the limit of maximum weight of vehicles trafficking along national roads in Cambodia has been regulated by the MPWT Prakas issued on September 2, 2009. Since this Prakas has been widely disseminated to transport companies as well as all concerned bodies, the overloaded transport along the national roads has been reduced. To prevent these illegal practices, the MPWT has installed weighbridge stations and mobile scales on selected road sections; including the installation of 8 weighbridge stations and 18 mobile scales. Seven permanent weighbridge stations were constructed on some heavy-traffic road sections and 20 mobile scales were put in place in 2009.

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

150. **Railways:** At present, transportation of passengers and goods on the railways is quite limited. Plans are now being prepared to rehabilitate and expand this mode of transportation and to integrate it into the regional railway network. The Committee for Railways Restructuring and Rehabilitation and the Committee for the Management of Railways Concessions are now in place. Major achievements in railways sector are:

- A 30 years concession agreement between the Royal Railways of Cambodia and a private company (Toll Royal Cambodia) was signed on June 12, 2009. The agreement has become effective from the end of September 2009 and now the assets and staff of former Royal Railway of Cambodia have been transferred to the Company, Toll Royal Cambodia, and a new Railway Department has been established.
- A Rehabilitation Project with a total amount about US\$73 millions is co-financed by ADB, OPEC/OFID, Malaysia with the counterpart fund from Royal Government of Cambodia is now in progress. Through this project, the following sections of the railways network will be rehabilitated: (i) the missing link from Sisophon – Poipet 48 km (to connect to Thai railways); (ii) the line between Phnom Penh and Sihanouk Ville Port of 264 km; and (iii) the line from Phnom Penh to Sisophon of 338 Km.
- Another Supplementary Co-Financing that will be arranged with a loan from ADB, a Grant from AusAID, and counterpart fund from the RGC (total about US\$ 68.6 millions) will provide funding for a new warehouse and a new goods station construction at Samrong (9 km from Phnom Penh) and upgrading of the railway

network, including a line connecting to Green Trade Warehouse (6 km from Phnom Penh) and Northern Line. The objective of the rehabilitation is to upgrade the railway's axles load capacity up to 20 tonnes, with an average speed about 50 km/hour of Northern Line. According to the plan, the rehabilitation of these two railway rehabilitation projects will be completed by late 2013.

- RGC is also looking for investments from development partners and the private sector to construct the Missing Link Section in Cambodia from Batdoeung to Trapeang Sre (the Railway Connecting Point between Cambodia and Vietnam) as the part of Trans Asian Railway project for the Asia-Pacific region / regional railways (Singapore-Kunming Rail Link - SKRL) for ASEAN and GMS with a total length of 255 Km.
- The MPWT is now conducting an Engineering Feasibility Study. Following the exchange of notes signed respectively on 24 September 2008 and 8 October 2008 by the RGC and the Government of PRC, the latter has agreed to undertake a Feasibility Study on the Missing Link Section of the SKRL project in Cambodia. The Study that is being conducted by the Third Survey Railway and Designed Institute has started on 16 July 2009 and would be completed by October 2010.
- The RGC also has signed the MOU on the connection of railways between Cambodia and Viet Nam at Trapeing Sre (Cambodia) and Valeu (Vietnam) in 2008.
- A Draft of Railway Cross Border Agreement between Cambodia and Thailand has been prepared by the two working groups from the Royal Railway of Cambodia and State Railway of Thailand. The first draft of this agreement was presented and discussed in January 2007. The last meeting between the two working groups was held in March 2008. Recently, the RGC has assigned the MPWT to conclude the negotiation about an Agreement on Railway Cross Border Transport at Poi Pet-Aranyaprathet Border Gate with Thailand.

**151. Ports:** RGC has been implementing its "Open Sea" Strategy. As a part of this strategy, at the **Sihanouk Ville Port**, a 400-meters expansion of container terminal with a capacity of 135 9-meters-deep vessels/month has been completed. This terminal has a maximum container storage capacity of 7,900 TEUs (Twenty Equivalent Units) at a time or 340,000 TEUs/year; an average lifting capacity of 25 Containers per hour per derrick. In 2008, the total quantity of cargo in transit was 2,057,967 Tons, and 258,000 TEUs of containers; compared to a cargo of 1,818,877 Tons and 253,271 TEUs of containers in 2007.

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

**153. Shipping Agency Service-Logistics:** According to the "Open Sea Strategy" of the RRG, Shipping Agency Service-Logistics have actively implemented their roles and responsibilities at the International Ports of Sihanouk Ville and Phnom Penh, and served shipping services at private ports (Oknha Mong, Sre Ambel, Koh Kong, and Kampot); and have invested in the installation of a container-lifting gear at Phnom Penh Port. Though the number of vessels that have been served underwent a decrease of 0.38 percent in 2008, the total volume of goods handled at all ports increased by 27.57 percent compared to that in 2007.

**154. Civil Aviation Services:** RGC has been implementing its “Open Sky” strategy. The progress of civil aviation sector has significantly contributed to the development of tourism sector. Notwithstanding, this sector has been facing some major challenges that need to be dealt with in medium and long term. These achievements and challenges are:

- *Air transportation sector* has been remarkably progressing, which can be noticed through the increase in the international airlines that are operating their regular flights to Cambodia (17 airlines by 2009) and the domestic airlines that are operating their flights to different region in the county (3 airlines by 2009).
- *Airport infrastructure sector* has achieved considerable successes such as the expansion of parking lots, repairs of runway, equipping the airport with security, passport and visa control devices, the expansion of fire-fighting capacity, as well as the improvement of airport splendours.
- *Air traffic control sector* has also been steadily improved and strengthened. Air traffic safety has been well secured over the entire airspace of Cambodia through strengthening the management of air traffic control and navigation services, modernising equipments and technology, and gradual corrections of air routes including the Master Plan Study on the Development of New CNS/ATM System in accordance with Recommended Practices and Regional Air Navigation Plan of International Civil Aviation Organisation (ICAO).
- There is also significant progress in the development of legal and regulatory framework for civil aviation sector. Relevant laws and regulations have been drafted and passed such as the Law on Civil Aviation that was promulgated in January 2008, safety-related regulations that have been passed by State Secretariat for Civil Aviation (SSCA), as well as National Civil Aviation Security Programme and National Safety Programme that are being drafted by SSCA.
- *Private sector participation and privatisation* have become a fundamental strategy for the development of civil aviation infrastructure and services. The private company SCA has been participating in the infrastructure development of the three international airports: Phnom Penh, Siem Reap and Preah Sihanouk provinces.
- Notwithstanding the major achievements, this sector have been facing major challenges such as (1) the remarkable decline in passengers and cargos by international and domestic flight due to ongoing global economic and financial crisis and the outbreak of new disease AH1N1 and (2) the need further improvement of civil-aviation-sector infrastructure.

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

- **Between Cambodia and Thailand :**
  - Two MOU's have been signed *for Initial Implementing CBTA at Poi Pet-Aranyapraphet checkpoint.*
    - MOU on Initial Implementation of GMS Cross Border Transport Agreement at *Poi Pet-Aranyapraphet border gate.*
    - MOU on the Exchange of Traffic Rights to Implement the GMS-CBTA at *Poi-pet-Aranyapraphet border checks points.*
  - A quota of 40 units from each country in trans-border traffic has been agreed by both parties. The identification of additional border posts is being considered and discussed.

- Due to the fact that the identification and the construction of joint check points to carry out one-stop-joint control and at-one-counter-joint control have not been implementable, both parties have agreed to *de-link* the two MOUs, in order to allow the implementation of the MOU on the Exchange of Traffic Rights (a quota of 40) to Implement the GMS-CBTA at Poipet-*Ararnyapraphet* border check points.
- **Between Cambodia and Viet Nam:**
  - One MOU has been signed: MOU on initial Implementation of GMS Cross Border Transport Agreement Work at Bavet-Mockbai check points. The identification and the construction of joint check points and putting in place customs procedures for the inspection of goods and vehicles crossing the border is being carried out.
  - Customs authorities from both parties have agreed and signed a MOU on Customs Procedures to initiate in implementation of GMS-CBTA at Bavet-Mockbai border check points.
  - Initially, both Governments agreed to implement Bilateral Road Transport Agreement (BRTA) from 2006.

**156. Bilateral and Trilateral Transport Agreement with neighbouring countries:**

- **Bilateral Road Transport Agreement ( BRTA ) Cambodia-Lao PDR:**
  - Agreement, Protocol and an MOU have been signed with Lao PDR.
  - There is a quota of 40 trucks. However, exchange of trucks is not implemented yet.
  - A number of separate Partnership Agreements (PA) on passenger traffic has been made between the local associations/companies of two agreed destinations of cities or towns. Each PA also needs to be approved by the Ministries of Public Works and Transport from both parties.
  - So far, 2 PAs have been implemented between the routes: Phnom Penh–Pakse, Stungtreng-Pakse and Siem Reap-Phnom Penh-Pak Se.
- **Bilateral Road and Waterway Transport Agreement (BRTA) between Cambodia and Vietnam:**
  - The Agreement on Road Transport and its protocol were signed on 1 June 1998 and on 10 October 2005, respectively. A quota of 40 trucks and buses crossing Bavet border check point were agreed by both parties. In 2009, an agreement has been reached to increase the quota of vehicles crossing the border from 40 units to 150 units and 4 among 7 of agreed check-points have been opened for trans-bordering transport.
  - Bilateral Waterway Transport Agreement Cambodia and Vietnam: A new Bilateral Waterway Transport Agreement between Cambodia and Vietnam was signed on 17 December 2009 in order to replace the 1998 agreement and draft protocol of to convince the Task Force for arrangement of Trilateral Agreement Cambodia-Lao PDR and Vietnam on cross-border transportation at the beginning of 2010.
- **Trilateral Agreement between Cambodia-Lao-Vietnam:** the three countries have agreed to set up a working group for preparing a Cambodia-Lao-Vietnam trilateral agreement on trans-bordering transport that will be implemented in 2010.

**157. Sewage/drainage and waste water filtration systems:** The MPWT is also responsible for the rehabilitation, construction and maintenance of the sewage/drainage and waste water filtration systems. At present, sewage water is a major problem in Phnom Penh, Sihanouk Ville, and Siem Reap provincial town. The lack of available resources has been a major constraint to further rehabilitate and construct sewage/drainage systems and waste water filtration stations across the country. In recent years, the sewage/drainage system in

Phnom Penh has been upgraded; in Sihanouk Ville a waste water filtration station has been completed. The construction of a water treatment station in Siem Reap has completed its first stage and the MPWT has planned to expand the coverage of sewage and waste water treatment systems including the dredging of Steung Siem Reap. Plans for construction of a waste water filtration station in Kampot are currently being studied.

158. The MPWT faces many challenges that include:

- The process of reviewing plans for the rehabilitation and construction of the transport sub-sectors takes a long time.
- Legislative instruments and regulations necessary for effectively dealing with identified problems have not adequately put in place.
- Roads, bridges are deteriorating faster than the current capacity to rehabilitate, improve and to carry out regular maintenance of these facilities in a timely manner.
- The private sector has not as yet shown an interest in road maintenance.
- National roads are still being damaged by overloaded vehicles traffic.
- Traffic jams and pollution in cities and the traffic management and organising public transportation in the urban areas/cities has become major challenges to be further dealt with;
- The institutional and staff capacities in logistics supply and multi-modal transport planning, engineering plan design, and waste water management are still limited.
- Funds for waste water treatment is still limited and the private sector has not shown any interest in investing in this area;
- The level of awareness of potential impact on health and sanitation that is caused by waste water is still low and waste water management mechanism needs to be further improved.

## II. WATER RESOURCE AND IRRIGATION SYSTEM MANAGEMENT

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

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

- Repair/rehabilitate, maintain, and construct 141 irrigation system projects which provide irrigated water to 267,224 hectares of agricultural land (rainy season rice 191,202 hectares and dry season rice 76,022 hectares). By the end of 2008, the capacity of the irrigation system has increased to provide water for 827,373 hectares of agriculture land. This represents 31.6 percent of the total cultivated land (2,615,741 hectares), and now can provide water for rice crops totalling 582,085 hectares of land in the rainy season, and 245,288 hectares of land in dry season.
- Dug 30 wells to use under ground water for irrigation.
- Reduce the vulnerability by flood and drought through:
  - Repairing 7 flood control projects which are able to protect 130,799 hectares of cultivated land. By 2008, the total area protected from flooding has increased to 244,299 hectares.
  - Repairing 6 sea-water-protecting dam projects which are able to protect 14,328 hectares of cultivated land. Until 2008, the total area provided protection from sea water was 31,008 hectares.



- Installing 12 pumping stations and repairing one pumping station which can rescue paddy rice totalling 305,225 hectares from drought (137,122 hectares in dry season and 168,103 hectares in rainy season).
- Establish 350 Farmer Water Users Communities (FWUC) involving 305,550 farmer households. Women are actively involved in FWUC committee leadership.
- Improve hydrological control through:
  - Repairing and installing 20 hydrological stations along Mekong, Tonle Sap and Basac Rivers.
  - Installing 39 water-level measuring boards at check points along major rivers.
  - Installing 13 water-level automatic recorders at the check points along major rivers.
  - Installing 4 water-discharge measuring instruments at Siem Reap River in Siem Reap Province, Sangke River in Battambang Province, at Pursat River in Pursat Province, and at Boribo River in Kampong Chhnang Province.
- Strengthen the capacity to provide up-to-date weather information through:
  - Repairing and upgrading 8 climate-observation stations in Phnom Penh Municipality and in Provinces.
  - Installing 5 new climate-observation stations in Provinces.
  - Installing 5 stations for measuring wind direction and speed at the altitude of 10-100 meters and for observing sun heat and sun light, in Capital City and in provinces.
  - Installing one information receiver station through Multi-Functional Transport Satellite (MTSAT) to observe clouds at high altitude.
  - Installing a telecommunication system to send and receive meteorological data within national and the Global Telecommunication System (GTS) framework.
- Conduct studies on river basins round Tonle Sap River and other major rivers such as Boribo River basin, Dountry River Basin, Monkolborei River Basin, Sangke River Basin, Svaychek River Basin, Prekthnot River Basin, and Krangponlei Rive Basin, to conserve and develop water resources sector in an effective and sustainable manner; as well as prepare a master plan on water resources management in the Kingdom of Cambodia.

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

- Although the Water Resources Management Law has been adopted, sub-decrees to implement the Law have not yet been prepared. It is important to carry out this task to define mechanisms and competence that will be used to effectively enforce the Law, especially, river basin management, water license, FWUC, and water quality protection.
- The inter-ministerial coordination is weak and need to be strengthened and enforced.
- There is a need to develop a information database on infrastructure which relate to water management and improvement in flood and drought impact reduction.
- There is a need to strengthen irrigation infrastructure management to:
  - Select priority locations for rehabilitation and construction within the irrigation infrastructure that have high potential for generating incomes in rural communities.
  - Engage Commune Councils in managing commune irrigation infrastructure.
  - Take action to encourage water resources management in order to contribute to the maximisation of the increase in agricultural production.
  - Increase participation of farmers and farming communities in matters dealing with the use and maintenance of irrigation system.
  - Cost the financial resources for the maintenance of irrigation system.

## URBAN DRINKING WATER SUPPLY

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

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

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

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

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

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

- A 115KV-transmission line, from Thai border to supply electricity to Banteay Mean Chey, Siem Reap, and Battambang Provinces, has been completed and has already been fully operational.
- Two 370KW-microhydro power stations (O Romis and O Mleng) and a reserve 300KW-desiel-powered generator are now fully operational to provide electricity to the provincial town of Mondulkiri.
- A 230KV-transmission line (110 kilometres), from Cambodia-Vietnam to Phnom Penh, and Takeo Sub-station have been fully operational in early second quarter of 2009.
- A 115KV circuit of 23 kilometres has been added to Phnom Penh and a sub-station has been installed in western part of Phnom Penh in 2009.
- To implement the Rural Electrification Policy, the Royal Government has established a Rural Electrification Funds to promote equity in access to electricity supply services and encourage private sector to participate in investing in rural power supply services in a sustainable manner, in particular to encourage the use of new technologies and renewable energy.
- To enhance regional cooperation, within the framework of the GMS, Cambodia has been participating in the implementation of GMS Power Trade Plan; and within the framework of ASEAN, Cambodia is participating in the implementation of ASEAN Power Grid.

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

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

167. Offshore *oil and gas* fields are a common asset of all Cambodians, now and in the future. So far, 28 exploratory wells have now been drilled in petroleum prospective areas to discover the potential oil and gas deposits. In 2004, some initial oil discoveries were made in offshore Block A. But further studies and explorations are required in order to make further realistic estimates of the extent and scope of oil deposits before the commercialised production of these oil resources could start. The Cambodian National Petroleum Authority (CNPA) is responsible for the management of petroleum resources in Cambodia. Through CNPA, the RGC has signed contracts with a number of companies from various countries to explore for oil and gas in six other off-shore blocks and two on-shore blocks. Exploration work is accordingly proceeding ahead. Once the deposits levels are estimated, further work and investments are needed for setting in place the development infrastructure before the commercialised production could commence. A comprehensive long-term planning should be prudently developed to ensure that the oil and gas resources and their extraction are properly managed so that benefits of these resources to the economy and people of Cambodia are optimized. The RGC will maximise the benefits of the revenues from future oil and gas production while providing a reasonable commercial return to the investors. The priorities are to:

- Get maximum revenues to the state through multi-layered returns such as by way of royalties, profit sharing, taxes, etc. MEF has done considerable advance thinking to examine all available options. Besides, RGC is examining the Extractive Industry Transparency Initiative (EITI) as a platform for good governance in the treatment of these resources.
- Examine the participation of Cambodia in EITI that constitutes a foundation for good governance in the use of these resources.
- Set up an inter-ministerial technical working group to lay out an action plan and monitor the mobilisation and the management of revenues obtained from oil, gas other mineral resources.

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

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

- Following the opening up of the telecommunications sector in January 2006, more private investors have joined this sector and have substantially contributed to its development. The Ministry of Post and Telecommunications is managing the implementation of several large projects worth around 235.8 million US\$ to extend the fibre optics cable network infrastructure across the country to expand telecommunications services nationwide.

- On 31 December 2008, the total number of telephones in use increased to 4,143,417 (of which 4,100,000 were mobile phones and 43,417 were fixed lines). In 2005, total number of mobile phones and fix line telephones was 882,020. This exponential expansion has occurred especially in rural areas along with more access to e-mail and internet in all 24 provinces and municipalities.
- The number of internet subscribers was 20,100 in 2008 whereas it was just over 8,630 in 2005.
- The number of fixed public phones has increased from 439 in 2005 to 456 in 2008.
- Use of computer technology and internet are also spreading fast along with increasing expertise among young people.
- From 2006 up to now, postal services have been improved significantly in following areas: (i) reduction in the distribution of postal items, (ii) putting in place express postal services in all 24 Capital-Provinces, (iii) expansion of postal services to major urban centres, (iv) establishing a postal item control-monitoring system by using IPS system for postal express service, postal package, and registered mail.
- RGC will continue to implement the Government Administrative Information System and E-Government.
- The Ministry of Information has made significant progress to improve and expand the coverage, efficiency and quality of mass media (radio, TV and the press agency). About 80 percent of Cambodian population is now able to receive news, education, and entertainment through the existing mass media, both government and private, thus helping to enhance national identity and solidarity.
- Major challenges in this sector include: (i) efficiency in the management of telecommunication sector is still limited as the Law on Telecommunication is yet to be approved by the National Assembly, (ii) illegal international gateway continues to adversely affect government revenues and legal international gateway although the Ministry of Post and Telecommunication has been striving to crack down this illegal activity, (iii) coordination between Ministry of Post and Telecommunication and operators/development agencies is still to be improved, (iv) cost of internet use is still high, (v) private postal services are more competitive than public postal services and the capacity of human resource in postal sector is still limited.

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

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

## I. STRENGTHENING THE PRIVATE SECTOR AND ATTRACTING INVESTMENT

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

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

172. To reduce barriers to the seeking for approvals from line ministries and agencies, the Royal Government has created a “Single Window” mechanism through which investors can receive a complete set of approvals all paper requirements to seek approval of their investment applications. This “Single Window” mechanism is administered and managed by the Cambodian Investment Board of the Council for the Development of Cambodia (CIB/CDC). To shorten the duration of time required for the approvals of applications for investments of less than 2 million US\$ and provide facilitation to investors, the RGC has decentralised the authority to review and approve the investment projects to the Provincial Investment Sub-commissions.

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

174. The Royal Government has signed 24 bi-lateral agreements on the promotion and protection of investments and is negotiating with other countries within the framework of ASEAN, APEC, USA, Europe, and Middle East to promote further development of private sector with 7 neighbouring countries, and 17 agreements with other countries in the Middle East, East Asia, and Europe.

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

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

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

177. The MOC has also provided assistance in organising product associations to improve production capacity and to integrate products into local markets, niche markets, and world markets. Between 2007 and 2009, several product associations have been organised including Pepper Development Association, Skor Tnot Development Association, North-West Agricultural Development Association, and Prahoc Kampong Kleang Association. Currently, the Ministry is assisting to organise cashew nut association in Kampong Cham and Kampong Thom province. Organising product associations could, therefore, help to upgrade businesses from family businesses to businesses with sustainable market strategies and the ability to compete in world markets.

178. To facilitate and promote trade, the Ministry has actively implemented the Sub-Decree on Trade Facilitation through Risk Management which was adopted in March 2006 and executed the Export Market Access Fund supported by the World Bank. It has organised "Trade fairs" to promote local products and organised several business meetings with foreign trade partners for individual products to solve the problem of product congestion and to facilitate the flow of products to the world market.

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

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

181. To maintain competitiveness of the Garment sector in the world market, the MOC in collaboration with MLVT has been implementing the "Better Factories" programme to ensure that better working conditions in the sector meet international standards, as well as providing training to workers and unions on Labour Law associated with terms of trade and encouraging fashion design in order to promote the export of commodities processed in Cambodia.

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

183. The MOC has noted that exports of agriculture products face many challenges. These include:

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

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

- Law on Commercial Rules and Registration Right;
- Law on the Management of Quality and Safety of Products and Services;
- The Law on Marks, Trade Names and Acts of Unfair Competition;
- The Law on Commercial Enterprises;
- The Law on Commercial Arbitration;
- The Law on Secure Transaction; and
- The Law on Insolvency.

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

186. **TOURISM SECTOR:** Tourism is one of the priority sectors of the RGC, which has been contributing to the economic and social development, job opportunity creation and income generation, improving living conditions and poverty reduction of Cambodian people, in particular to reduction of climate change and promotion of green economic development. Tourism in Cambodia is a 'cultural and natural' tourism that has actively contributed to the development, protection and conservation of cultural and historical heritage and natural resources as well as the sustainable utilisation of these potentials. Some of the major achievements that have supported the development of the tourism industry include:

- RGC's "Open Sky Policy" to promote easy access to tourist destinations by air travel has resulted in airport improvement and the Airport in Preah Sihanouk province is now operational. In 2009, a new national airline was instituted and has started operating its flights between Phnom Penh and Siem Reap.
- Visa issuance has been simplified at all international check points. Visas have been issued to tourists on arrival especially e-visa has also been introduced. Within the ASEAN framework, the Royal Government has signed agreements with Singapore, Malaysia, Philippines, Lao PDR, and Vietnam that exempt citizens of Cambodia and these five countries from visa requirements. Within the ACMECS framework, a Single Visa issued to citizens the third country that travel to Cambodia and Thailand. Tourist information counters have been established in Phnom Penh and 13 provinces particularly the provinces that have international check points in order to provide information to tourists as well as advertise the tourist destinations in Cambodia. The Ministry of Tourism (MOT) has also signed a Memorandum of Understanding on Tourist Cooperation with Kuwait in order to attract tourists and investors from this country.
- Anti Child sex tourism activities are being actively monitored and actions are being taken against the perpetrators by the Child Safe Tourism Commission of the MOT in cooperation with all concerned ministries and agencies, national and international organisations. Tourism promotions materials are now produced, such as video clips, radio spots, posters, leaflets, billboards, newspapers and magazines to raise awareness of and to ensure Child Safe Tourism.
- The tourism sector in Cambodia has experienced a growth rate of over 20 percent per year between 2003 and 2007, and 5.5 percent in 2008.

187. However, the development of the tourism sector in Cambodia is facing many challenges that include:

- The high cost of tour packages to Cambodian destinations.
- Lack of competition in tourism service markets (e.g. accommodation, transportation, tourism advertisements, and so on).
- The quality of some resorts, facilities and tourism services does not meet required standards, which needs to be improved.
- Development of tourism is merely concentrated in urban areas, which has prevented the poor living in remote areas from benefiting from this development.
- Physical infrastructure necessary for the development of tourism sector, viz. roads, electricity and cleaned water supply, and liquid and solid waste management system, is still inappropriate, which needs to be further improved.
- Incomes generated by tourism sector have not significantly contributed to promote the domestic production and consumption of domestically produced commodities as a significant proportion of those incomes is spent outside the country to procure goods and services.
- The implementation of the approved investment projects for tourism sector development by some private companies has not been progressing according to the schedule and some other projects have been inactive.
- Global financial turmoil and economic recession, protracted political crisis in Thailand, and the outbreak and pandemic of AH1N1 have posed negative impact on tourism sector of Cambodia.
- The quality of human resources, of both public and private sectors, engaged in tourism sector is still low.



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

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

190. **CONSTRUCTION SECTOR:** Another important contributor to growth so far, has been adversely affected by the global financial crisis as well as by dramatic changes in the cost of imported building materials such as cement and steel. To grapple with the challenges and impacts of this crisis as well as to attract investments in construction markets, the RGC has been drafting new laws including the Law on Providing Ownership Right of Private Unit in Co-owned Building to Foreigners and the Law on Land Management, Urbanisation, and Construction and has strengthened the development of a 'single window' for construction permit services.

191. **OIL, GAS AND MINERAL EXPLORATION:** In recent years, exploration for oil and natural gas, the minerals has attracted foreign investor interest. Exploration work for oil and gas reserves is now well underway and it is expected that in near future the exploration phase will move to a production stage generation new revenues for the state. Exploration of iron ore, gold mine, bauxite, coal, precious stones, etc., which will become a mineral potential for the development of the country, is now being underway in mineral concessions in north and north-eastern provinces . Careful regulations and procedures need to be in place to ensure environmental sustainability, in-country value-added processing, and maximising revenues to the state. Limestone deposits have been utilised for the domestic production of cement that has been underway and has significantly contributed to reducing imported cements. Regulations and procedures have been prudently formulated and passed in order to ensure environmental sustainability, value-added-generating domestic processing, and maximising state revenues.

192. RGC will continue to actively promote private sector investments for expansion and diversification of manufacturing and industrial production to take advantage of the country's natural endowments. Natural-resource-based industries in particular industries using non-metal minerals as raw materials have been further developed to produce new industrial commodities; and agro-based industries are the highly potential ones for the development in terms of replacing other industries that are vulnerable to any crisis.

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

193. Creating jobs and ensuring improved working conditions are the RGC's continuing long-term goals aiming at enhancing the living standards of the population and ultimately alleviating poverty and accelerating economic growth. The creation of new job opportunities, however, is dependent on the level of investments by the private sector in the formal and

informal sectors in both urban and rural areas. Ensuring that the skills of the new entrants match with the requirements of the new jobs is a challenge that will require more efforts focused on expanding technical and vocational education. To achieve the generation of more employment and to improve agriculture sector productivity and diversification will depend on the availability of skilled labour and rural credits that can be developed through technical education and vocational training and micro-finance development.

194. The Ministry of Labour and Vocational Training (MLVT) has been providing employment placement services to assist job-seekers in finding employment in private sector businesses in the country and overseas.

195. In 2007 and 2008, the MLVT was also providing technical and vocational training programmes through 258 training centres (primary, secondary, tertiary) of which 58 centres belong to MLVT to 113,648 students (of which 53,903 were female students). In addition, in late 2008 the Ministry were using the Special Fund of Samdech Prime Minister (31.2 billion riels) for short-term training programmes for workers who have lost jobs and those who have been unemployed (40,140 in total of which 22,586 were female students). The training programmes were conducted in the Capital and 23 provinces focusing on two important skills: (1) agricultural skills and (2) manufacturing skills, handicraft skills, and services skills. The MLVT also has provided trainings to 4,510 apprentices and workers (of which 4,082 were female) in 69 factories and has established a National Employment Agency (NEA) to assist the trainees after they have finished their technical and vocational training in finding jobs, which constitutes a connection to labour market and a link between labour forces and training institutions.

196. To ensure improved working conditions, the Ministry has continued its focus on strengthening the enforcement of the Labour Laws and regulations, disseminating information about these laws, conducting inspections of working conditions, hygiene and occupational safety, child labour and foreign employees at business establishments across the country. It has facilitated resolution of labour disputes and promoted the formation of labour associations in accordance with the provisions of the Labour Law and international standards on labour. The Ministry is now working on drafting the Law on Trade Union through a tripartite mechanism comprising of representatives from the RGC, worker/employee organisation and employer organisation. In 2008, there has been a dramatic decrease in the number of labour disputes and violations concerning working conditions. Among 174 labour disputes in 171 business establishments, 90 cases have been resolved.

197. The Ministry conducted 3,133 inspections in which 927 business establishments that had been in violation of the provisions of the Labour Law have been identified and given a warning and 12 were fined. The Ministry also conducted 1,338 inspections of hygiene and occupational health conditions in 586 business establishments. The Ministry has removed 8,221 children who were engaged in hazardous types of work, and has prevented 10,095 children from working on these types of jobs.

198. Despite remarkable achievements, there are many challenges that will require concerted efforts to attract new private investments. These challenges include:

- Global financial and economic crisis have been affecting garment, tourism, and construction sectors as well as other sectors, which caused job losses of thousands of workers.
- Rapidly growing worker/employee professional organisations has created an enabling environment for some people to utilise the organisation these bodies for their own benefits and has adversely affected stability of professional relations.
- Labour market information system needs to be further developed and expanded.

- Vocational and technical education programmes have not been yet responsive to the needs of labour markets.
- Domestic and overseas worker/employee data management has not been appropriate to the current economic situation.
- Some business establishments still have not paid their contribution to National Social Security Fund on time due to global financial crisis and partly due to the fact that such a new task has not favoured a comprehensive implementation of Social Security Regime in the whole country.

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

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

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

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

201. The MLVT is mandated to manage the process and social security system for those who fall under the provisions of Labour Law. The Ministry has so far put in place the labour risk insurance that is providing insurance to about 400,000 workers/employees working for all types of business establishments and will expand the coverage of this scheme in the whole country. The application of social security system for workers/employees in private sector is a new turning point in history of Cambodia's social security system. This clearly shows the RGC's attention to workers/employees in private sector.

202. The Ministry of Social Affairs, Veterans and Youth Rehabilitation (MOSAVY) is responsible for developing and managing the Social Security Fund and the National Social Security Fund for civil servants. The Social Security Fund and the National Social Security Fund for Civil Servants have been established. When fully implemented, the Social Security Fund will provide benefits to retirees, disabled civil servants, maternal-leave-taking civil servants, at-work injured civil servants, deceased civil servants and their dependents. The pension of retirees and payments for work disabilities have been adjusted constantly in response to national economic growth. Associations of elderly persons have been established to enable them to help one another.

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

204. The MOSAVY, has also been providing social services to homeless and destitute people, emergency relief to people effected by natural and other disasters, victims of sex trafficking and inter-country human trafficking, and implementing other programmes to protect the four basic rights of children, promote family values, and care for orphan infants, orphan children, disabled children, and children with HIV/AIDS.

205. A national committee to address homeless people's issues at the national level and a sub-committee to tackle homeless people's issues at municipal sub-national levels have been established. The six-point strategy is being implemented to provide temporary shelters in centres for social affairs, psycho-education services, health care services, and short-term vocational training services and to reintegrate vulnerable people into communities through the provision of one-off subsidy support and the monitoring of local officials of the Ministry of Social Affairs, Veterans and Youth Rehabilitation.

206. The social relief operations have provided assistance to more than 10,000 families each year in order to help soothe their hardships through small-and-medium scale emergency programmes. More than 1,000 victims of sex trafficking and inter-country human trafficking are rescued each year through victim reintegration into the communities and operations against human trafficking.

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

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

209. Although significant progress has been made in meeting the needs of the various vulnerable groups, the magnitude of the problems is daunting in light of the available resources. Around 30 percent of the total population is still living below the poverty line. Most of poor people live in rural areas, do agriculture for their living, and face natural disasters almost every year. Some of the poor are compelled to migrate to large cities and populated areas to find jobs, which results in many concerns for urban areas. Abandoned orphan children and infants continue to be a major burden of the whole society. Violence and debauchery committed against children and committing offences and abusing drugs by young teenagers, which are emerging in an increasing rate, have become a major social concern that need to be address. In the last few years, there has been a notable decline in international aid in this area, making it difficult to provide the necessary rehabilitation services needed.

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

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

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

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

212. The SWAp in the education sector has made two important contributions. First, it has made available to the Ministry of Education, Youth and Sport a mechanism for aligning development cooperation assistance with the needs of the education sector. Second, it has reduced the transaction costs to the MOEYS of coordinating bilaterally with each one of the many development partners. A significant number of development partners are now participating in the planning, reviews and financing under the SWAp in the education sector. On the financing side, however, development cooperation funding through direct budget support is still quite low. In 2008, funding through direct budget support accounted for only 3.5 percent of total development cooperation assistance to the education sector. The education sector is one of the priorities of the *Public Financial Management Reform (PFMR)* programme

of the RGC. The RGC remains committed to further strengthening the quality of education, has continued to increase the recurrent expenditure allocations for the education sector in the National Budget, and has ensured more timely disbursements to the MOEYS of the allocated resources, which have increased from 183.2 billion CR in 2000 to 742.5 billion CR in 2009.

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

Targets and Indicators			2005-06	2006-07	2007-08	2008-09
1	<b>Primary Schools(1-6):</b>	<b>Nos</b>	<b>6,277</b>	<b>6,365</b>	<b>6,476</b>	<b>6,565</b>
2	Net Enrolment %:	Total	91.3	92.1	93.3	94.4
3		Male	93.0	93.2	93.2	94.8
4		Female	89.7	91.0	93.3	94.0
5	Net Enrolment %:	Urban	91.2	93.2	92.7	94.0
6		Rural	91.7	92.2	93.6	94.7
7		Remote areas	83.7	86.0	88.4	90.3
8	Completion rate Grade 6 %:	Total	90.3	90.1	86.2	85.6
9		Male	91.8	90.4	84.7	85.4
10		Female	88.7	89.8	88.0	85.7
11	<b>Lower Secondary Schools (7-9)</b>	<b>Nos</b>	<b>911</b>	<b>1,112</b>	<b>1,303</b>	<b>1,451</b>
12	Net Enrolment % :	Total	31.3	33.7	34.8	33.9
13		Male	32.1	34.3	33.7	32.9
14		Female	30.4	33.1	35.9	35.0
15	Net Enrolment %:	Urban	50.1	53.5	55.9	54.0
16		Rural	28.6	30.7	31.5	30.9
17		Remote	6.0	9.0	11.1	11.3
18	Completion rate Grade 9:	Total	35.8	41.9	48.7	49.1
19		Male	40.8	48.8	52.9	52.2
20		Female	30.8	35.2	44.2	45.9
21	Literacy rate - 15-24 years old %		84.7	84.7	87.8	87.5

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

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

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

- In the first strategic policy of ESP 2006-2010, that is, “ensuring equitable access to education”, the actions taken and major results achieved have included:
  - **Number of school:** the MOEYS vigorously increased the number of primary, lower secondary and upper secondary schools from 8,628 in School Year 2005/06 to 9,834 in School Year 2008/09. The increases at different levels from

2005/06 to 2008/09 are as follows: pre-schools from 1,429 to 1,798; primary schools from 6,277 to 6,565; lower secondary schools from 911 to 1,451; and upper secondary schools from 252 to 349. To reduce gaps in accessibility to education services for children from the very poor households and households in remote areas, more primary schools were built in remote areas. In school year 2008/09, there were 547 primary schools in remote locations.

- **Number of teaching staff:** responding to the increase of schools, the MOEYS increased the number of teaching staff from 78,606 in 2005/06 to 81,350 in 2008/09 mainly at the secondary level. Its breakdown is: pre-school teachers increased from 2,708 to 3,092; primary school teachers decreased from 50,378 to 45,511 (due to the decrease in students); lower secondary school teachers increased from 18,579 to 23,576 (many of them shifted from primary schools); and upper secondary school teachers increased from 6,941 to 9,171. The percentage of female teachers at primary level has reached 44.8 percent of the total in 2008/09. The MOEYS has recruited approximately 5,000 new teachers annually in the recent years. 59 percent of newly trained teachers were deployed to remote and disadvantaged areas compared to the target of 30 percent.
  - **Educational facility expansion:** the MOEYS also expanded educational facilities. The number of classrooms increased by 8 percent from 54,322 to 58,872. As a result, Pupil Classroom Ratio has been improved from 63.1 to 55.2. It also build dormitories in all the Teacher Training Colleges (TTCs) to accommodate approximately 3,700 teacher trainees, dormitories for girls in secondary schools (general education) in Siem Reap, Kampong Thom, Kratie, Rattanakiri and Mondulakiri that can now accommodate 356 girls, dormitories in Higher Education for 560 female students in Phnom Penh. The expansion of education services has included more accessible facilities for disabled children by way of ramps, toilets, etc.
  - **Number of student:** Total enrolment in primary and secondary public schools has decreased from 3,427,394 in 2005/06 to 3,251,000 in 2008/09. This is mainly because of the decrease in primary schools from 2,558,467 to 2,262,834 due to the decrease of school age populations. In lower secondary schools it has increased from 588,333 to 605,707. Sharp increase has been made in upper secondary school enrolment from 204,925 to 292,423. However, as a result of efforts, the enrolment rates at the primary, lower secondary and upper secondary levels have improved significantly. At the primary level the net enrolment rate has increased from 91.3 percent in 2005/06 to 94.4 percent in 2008/09, at the lower secondary school level from 31.3 percent to 34.0 percent, and at the upper secondary school level from 11.3 percent to 16.4 percent.
  - To reduce parental cost barriers and retain students in schools, efforts have been made such as increasing school operational budget, eliminating unofficial payments in schools, and providing scholarships to poor students, in particular 17,667 girls per year in grades 7 to 9.
  - To pursue a long-term strategy in Higher Education, continued investments and efforts including dormitory construction have taken place for progress in tertiary education. Opportunities for admission to higher education have been improved through scholarship award scheme for outstanding students, poor students, students from remote areas, and female students. Currently, there are 77 institutions offering higher education of which 33 are in the public sector and 44 are privately owned and run.
- In the second strategic policy area, that is, “improving quality and efficiency of the education services”, although significant progress has been made especially on such

strategies as CFS, curriculum and standardised assessment, more intensive efforts are needed especially on Early Childhood Development, reducing repetition and drop out rates, facilities development and higher education. The actions taken and major achieved results have included:

- Student promotion rates at all levels have been increased. Especially the one of primary education has been increased from 76.4 percent in 2004/05 to 81.1 percent in 2007/08. To accelerate this trend, the MOEYS revised internal regulation of public primary schools for improving students' grade promotion.
  - The MOEYS has been expanding the initiative of Child Friendly School (CFS) to improve quality of education. It has endorsed the CFS Policy and its Master Plan. It also endorsed Policies on Education for Disabled Children, implementing accelerated classes and piloting the CFS programmes in the lower secondary schools.
  - The MOEYS renewed its school curriculum. It issued guidelines on the implementation of the new curriculum for basic education including the curriculum standards and action plans for guiding teachers on the new curriculum policy and guidelines on preparing school subjects and guideline for students to select elective subjects to study in upper secondary schools. The MOEYS is developing a framework for supplying core textbooks responding to the new curriculum.
  - Some public and private higher education institutions have been assessed and accredited for the foundation year.
  - The Ministry developed the re-entry programme, the policy on NFE equivalency programmes and equivalency programmes for primary level NFE.
  - Developed Community Learning Centre according to the needs of community.
  - Standardised tests have been conducted on a pilot basis for Grade 3, 6 and 9 to see students' understanding on Mathematics and Khmer.
- In the third policy priority area, that is, "institutional development and capacity building for decentralisation", the efforts of the MOEYS were focused on the finalisation of and implementation of the Education Law and BMCs. The Education Law was promulgated by the RGC on 08 December 2007. The MOEYS is now preparing action plans to improve other legislative instruments. So far, the actions it has taken have included the following:
    - The MOEYS has developed a Gender Mainstreaming Strategic Plan: 2006-10 and conducted training programmes on gender and introducing gender into the selection of education personnel for all levels
    - The MOEYS has issued the guidelines on the functions and duties, the preparation of documents, and the legislative instruments for those institutions that are involved in managing and using the Programme Based Budgeting (PB) at the central and provincial/municipal levels, dated 05 February 2008.
    - The Sub-Decree on Teachers' Code, No. 126, dated 09 September 2008.
    - The Sub-Decree on Organisation and Operation of the MOEYS, No. 84, dated 09 June 2009.
    - The MOEYS has drafted a Strategic Plan to decentralise the education function.
    - The MOEYS is now focusing its effort on strengthening the monitoring system

215. Although significant progress has been made, many challenges remain that will require targeted action plans. These challenges concern issues that are currently impeding progress in achieving the policy priority goal of enhancing access to education services. At a broader level, access to education services at the primary and lower secondary school level, at present, is not equally available to all segments of the population. The majority of those



who are still unable to enjoy the education services includes: those who are economically disadvantaged, ethnic minorities, and populations living in remote areas. Other factors that also have an adverse effect include:

- Direct and indirect cost: transportation, learning material, uniforms, food, etc.
- Child labour and migration (female factory workers): these are mostly related to students in lower secondary education.
- Issues related to social issues, disability and poverty.
- Child health and nutrition.

216. Other challenges that need to be addressed include:

- The education system needs to be decentralised and de-concentrated according to the organic law and the national programme to promote democratic development.
- Reducing the number of incomplete primary schools -- approximately 18% of all primary schools.
- Even after the planned expansion of lower secondary schools not all communes would have been covered. After the ADB and World Bank projects are completed there will still be a need to construct an additional 400 lower secondary schools to secure full coverage.
- Teacher shortage and housing for teachers in remote areas remains a problem, especially for teachers with a bachelor degree. The three-month delay in entry of new teachers into the salary lists also serves as a disincentive to new teachers to remain in the provincial postings.
- Ensuring adequate and on-time supply of textbooks for all students.
- The implementation of new curriculum is not responding to the master plan.
- Efforts to reduce repetition and drop out rate that are still too high.
- Loss to teaching and learning time due to lack of classrooms and lack of concentration of some teachers.
- At present, the traditional management at school level is not responding to the development of ICT.
- Limited capacity of school principals to implement decentralization such as School base Management, classroom management, teaching and learning activities, student performance evaluation and effective use of budget resources.
- The number of classes for students with disability is still too few.
- Improved standardised tests need to be employed to assess student learning outcomes, at least at grades 3, 6, 9, and 12.
- Improving relevance of the curriculum is an essential part of reducing drop-outs.
- The lack of professional career paths for teachers, including standards for hiring, promotion, salary increases and general professional development need to be addressed as a matter of urgency.
- Government funded admission to higher education has remained numerically stable though the total admission showed substantial increase in recent years.

## II. ENSURING ENHANCED HEALTH SERVICES

217. Progress in enhancing the delivery of health services has been impressive. From early on, the RGC had adopted a health sector-wide management (SWiM) approach to guide the development of this sector. A process to carry out discussion with development

partners begun in 1999 and a Joint Health Sector Review was held in December 2000. A Health Strategic Plan (HSP) was subsequently prepared. It provided a framework for three development partners, ADB, DFID and the World Bank, to coordinate their financial inputs to the health sector through a Health Sector Support Project (HSSP) for 2003-2007. A comprehensive review of the HSP 2003-2007 was carried and a HSP 2008-2015 (HSP2) was developed taking into account the findings of the review. The implementation of HSP2 began in 2008. Joint Annual Performance Reviews have been organised on yearly basis since 2002 to monitor the progress of strategic plan implementation.

218. The building blocks of the HSP 2003-2007's strategic framework were the following three main health programmes of the MOH:

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

219. Major achievements and challenges faced in the implementation of NSDP 2006-2010 policy priorities in each of the three programmes areas are summarised below.

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

220. Significant progress has been made to expand services delivery under the RMNCH programme that is reflected in improvements in core indicators of RMNCH performance during the 2006-2008 period (Table 4). Notable achievements have included:

- Proportion of deliveries assisted by skilled birth attendants increased from 39% in 2006 to 58 percent in 2008.
- Proportion of women who gave birth in the public health facilities increased from 19.3 percent in 2006 to 39 percent in 2008
- A significant increase in the number of deliveries in health centres.
- In 2008, 81 percent of women received 2 or more antenatal care from trained health personnel during their pregnancy compared to only 60 percent in 2006.
- Increase in the proportion of mothers who gave birth by Caesarean section (CS). The rate of CS is a proxy indicator for access to Emergency Obstetric and Newborn Care (EmONC) and the increase indicates that more women are referred to hospitals where these life-saving services are available. However, there are concerns about the uneven distribution of CS and EmONC services across the country and it will be important in the future to monitor CS rates disaggregated by ODs.
- Children's health improved dramatically over the period from 2000 to 2005 and infant and child mortality rates declined by almost 30 percent. A progressive increase in immunisation coverage has raised the measles immunisation coverage to over 80 percent. A decision to introduce Hib vaccine in 2010 and to add Japanese Encephalitis vaccine in the near future has been made. Certification of neonatal tetanus elimination is expected next year.
- Increased coverage of Health Centres implementing Integrated Management of Childhood Illness (IMCI). The cumulative number of health workers who have been trained in IMCI is increasing steadily and the coverage target of 65% was reached in 2008. Although the number of health centres with two or more staff trained in IMCI increased from 58 percent in 2007 to 69 percent in 2008, it is recognised that there is a need to maintain quality IMCI services.

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

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

*Source: Annual Health Statistics Report 2008, MoH*

221. The main challenges faced in the implementation of the RMNCH programme have included:

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

#### *PROGRAMME AREA #2: COMMUNICABLE DISEASES*

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

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

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

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

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

227. **HIV/AIDS:** As a result of the large scale up of prevention, care and treatment services, the HIV incidence has decreased significantly since 2000, which now stands at only 0.9 percent<sup>7</sup> i.e. less than half of 1.9 percent assumed earlier for 2005. The 100 percent Condom Use Programme for HIV prevention covers the Capital and 23 provinces with outreach and peer education programme reaching more than 90 percent of entertainment workers in 2008. STD case management is being provided at 32 specialised STI clinics in 24 provinces for high-risk population and syndrome approach of STD integrated into 222 health centres for the general population. Voluntary and Confidential Counselling and Testing services have been scaled up to 212 sites nationwide and 392,315 people have been tested for HIV in 2008.

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

229. The National HIV/AIDS Authority (NAA) is responsible for coordinating and monitoring the national, multi-sectoral response to HIV/AIDS. A comprehensive and multi-sectoral national strategic plan (2006-2010) that was developed in collaboration with all government agencies, national and international NGOs, other civil society organisations, the private sector and development partners is being successfully implemented in the reduction of the widespread of HIV/AIDS in Cambodia. The main results achieved in the implementation of this plan are as follows:

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<sup>7</sup> CDHS put this figure at 0.6 percent but subsequent agreement among all concerned revised it to 0.9 percent.

- Overall, HIV prevalence, HIV incidence, and AIDS mortality rate have reduced successfully.
- Based on the HIV prevalence survey in 2006 and according to the epidemic prediction using Asian Epidemic model, HIV prevalence among general people has been stabilised to 0.7 percent in 2009 which means it was the same as in 2008. It is important to note that it has been declining from 2 percent in 1998 to 0.7 percent in 2007. If the current responses are sustainable, then the HIV/AIDS rate is expected to continue declining to 0.6 percent in 2012.
- The number of adult population aged 15-49 years old who are HIV infected in 2009 (57,900), of which 30,300 were women and 27,600 were men, was slightly lower than that in 2008 (58,700).
- The new HIV-infected cases among the adult aged 15-49 years old continued to decline and accounted for a total number of about 740 people, of which around 410 were men and 330 were women, in 2009, which was than that in 2008.
- The number of people who died by AIDS continued to decline from 3,590 in 2008 to 1,210 in 2009 as the provision of ART to HIV/AIDS patients has been further improved.
- AIDS prevalence among female sex workers in brothels declined to 14 percent in 2006 drastically dropping from the peak of 45.8 percent in 1998.
- By the end of 2009, 97 percent of HIV-infected adult people who are seeking for ART services had received ART as needed.
- The Behavioural Sentinel Surveillance (BSS) in 2007 showed that 94 percent of female sex workers in brothels consistently used condom with their clients, which significantly contributed to the successes in the reduction of the widespread of HIV/AIDS. The rate of condom use among the indirect female sex has increased to 83 percent while the rate of condom use among men who have sex with men (MSM) was only 79 percent.
- The BSS in 2007 revealed that 94 percent of female sex workers in brothels, 91 percent of indirect female sex workers, and 96 percent of MSM received HIV/AIDS education.
- In the academic year 2008-2009, 34.07 percent of all schools in the country were involved in HIV/AIDS life skill education programmes on HIV/AIDS.

230. Other major achievements include:

- Review the National Strategic Plan for Comprehensive and multi-sectoral response to HIV/AIDS through Situation and Response Analysis of HIV/AIDS and detail costing of the implementation NSP II in 2007 in order to come to terms with the new pattern of HIV/AIDS infection and the high-risk behaviour.
- Strategic work plans and budget plans have been developed and reviewed for several line ministries (MOH-NCHADS, MOWA, MOND, MOEYS and MOLVT) and for the high risk groups like DU and IDU, MSM, and EW (brothel-based and mobile).
- The most important issue to be dealt with is the integration of HIV, reproductive health, TB and ANC into the "Linked Response" initiative has been accelerated.
- The national response has increasingly focused on key priorities, assisted by the participatory Universal Access (UA) target setting process.
- Although most UA targets set for 2008 were either met or surpassed, the status of some indicators implies that more efforts need to be made in order to expand services especially the HIV-infection prevention services to be provided to the population groups of high risk of HIV-infection (particularly MSM and IDU and prevention of mother-to-child transmission of HIV - PMTCT) and to minimise the impact of AIDS on orphans and vulnerable children (OVC).

- The cooperation between government institutions, non-governmental organisations, community-based organisations, and religious organisations, People Living with HIV (PLHIV) networks, and development partners was strengthened and proved essential in developing effective and sustainable HIV prevention, treatment and care services.
- Leadership and coordination by the NAA based on the Three-Ones Principle was progressing well and created an enabling environment that facilitated the policy formulation and planning for the multi-sectoral response to HIV and AIDS.
- The civil society has continued to make a strong and central contribution to the national response to HIV and AIDS in the areas of prevention, impact mitigation, care, support and treatment especially among the high-risk and vulnerable group at the grass-root level.
- The Monitoring and Evaluation (M&E) system has been strengthened through the Multi-sectoral National M&E guidelines. The capacity of M&E system has been improved in the NAA, ministries/agencies and civil society organisations.
- National AIDS Spending Assessments (NASA) was conducted for the fiscal years 2006, 2007 and 2008.

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

- Continuing threat of re-emerging diseases, including those successfully eradicated in Cambodia, as well as the ongoing threat of viral mutations.
- Cross-border transmission, regional and global CD threats, including possibility of Pandemic Influenza.
- Continue to carefully prevent the spread of infected diseases that is currently lessening from increasing again especially the reversal of HIV/AIDs infection as proven by international evident of the new HIV/AIDS infection to the world.
- High cost of treatment for chronic effects of communicable diseases.

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

- The main risk of a second-wave of HIV infections stems from changing sexual behaviours among FSW, their clients and sweethearts, MSM and IDU/DU. HIV prevalence among these high risk populations continues to be high if compared to that in countries in the region. Also, transactional sex is increasingly sought outside of brothels in particular from 'sweethearts'. In these relationships, consistent condom use remains alarmingly low .
- Changes in the structure of the commercial sex industry, and the difficulty of sustaining the 100 percent Condom Use Programme in the light of brothel closures in accordance with the laws, have induced further efforts to find ways to promote consistent condom use among staff of entertainment establishments like karaoke clubs, bars, massage parlours and beer gardens where there is a high turnover of sex workers. To address this issue, a new Standard Operating Procedure (SOP) was developed targeting HIV prevention specifically at this high risk group.
- The risk of rising HIV epidemics remains high among MSM and especially IDU among which HIV prevalence would be 24 percent. In 2005, HIV prevalence among MSM was 9 percent for people living in rural areas and 17 percent for people living Phnom Penh.
- People at particular risk of HIV infection also include female partners of high-risk males, migrants and youth who dropped out of school. More strategic and cost-effective interventions need to be devised to reach these groups.

- PMTCT has been strengthened especially through the Linked Response, but to meet the targets of UA 2010 remains an RGC's a priority to be further addressed.
- In 2009, the UA targets regarding pregnant women who come to ANC where the MPTCT is available could not be met (80 percent),
- NAA's operations are not yet sufficiently decentralised to ensure an effective multi-sectoral coordination of HIV interventions at the sub-national levels, especially at the commune council and provincial level.
- The national M&E system needs further strengthening to better capture progress and results achieved by the national response. Special attention needs to be focused on harmonising output indicator definitions and M&E tools as well as on improving the collection, analysis, interpretation and use of the data.
- Around 90 percent of all funds spent on AIDS related interventions in 2006, 2007 and 2008 came from external sources making the national response highly dependent on external aid. While AIDS spending increased from 2006 to 2007, it dropped again in 2008. Greater efforts are needed to mobilise resources for the HIV response, especially from the national budget, while working to improve their allocation across strategic priorities and key interventions.
- Efforts to mitigate the impact of HIV/AIDS have been insufficient. More will need to be done to support OVC and HIV/AIDS affected families and communities.

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

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

Source: Annual Health Statistics Report 2008, MoH

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

### PROGRAMME AREA #3: NON COMMUNICABLE DISEASES AND OTHER HEALTH PROBLEMS

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

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

235. Rapid development and changing demographics may be expected to bring about an evolution away from communicable diseases and towards increasing prevalence of non-communicable diseases. There are in particular serious concerns for health burdens related to hypertension, diabetes mellitus, road traffic accidents, environmental pollution, poor sanitation and lack of access to safe drinking water. Substance abuse epidemic is becoming a major challenge due to its effect on mental health, HIV transmission and other social

problems, while mental health in general will require increased attention in its own rights. Consequently, emerging health issues in the areas of prevention, emergency care and rehabilitation will require more resource allocations for effective interventions.

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

- Changing life style factors – smoking, changed nutritional habits, alcohol consumption, illicit drugs – will steadily increase the incidence and prevalence of cardio-vascular disease including hypertension, cancer, diabetes and stroke.
- Road traffic accidents will increase with urbanisation and the expansion of road infrastructures, as will diseases caused by pollution. Rapid economic growth and industrialisation pose increasing environmental health threats.
- As the population ages, higher levels of neuro-pathological disease are expected. Disability caused by eye disease and arthritis of joints will also increase and become a major burden on individuals and health services.
- Dealing with non-communicable disease needs to be prevention, and to energize and monitor preventive measures across all sectors.
- The increase burden of non-communicable disease will have significant impact on investment in medical technology, clinical guidance and re-training.

#### FURTHER STRENGTHENING OF THE HEALTH SYSTEM

##### IMPROVING HEALTH SERVICES DELIVERY

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

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

239. There has been a significant expansion of health facilities infrastructure across the country, with appropriate investment in hi-tech medical equipment i.e. Scanner Multibarette 64, MRI Angiographie, Radiocobalt, Mamography, MRI 3 Tesla for specialised hospitals, and basic equipment for other health facilities in order to improve clinic capacity and quality of care. The data presented in Table 6 shows a significant of the health sector infrastructure since 1995 in terms of construction/renovation of hospitals, health centres and health posts since 1995.

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

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



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

241. Health service delivery consists of both public health measures against disease as well as a general strengthening of health service delivery through general and disease-specific policies and plans. An increase in health demand and empowerment of patients are underlined as important ways forward for improved quality and accountability in health service delivery.

#### IMPROVING HEALTH FINANCING

242. RGC's allocation for the recurrent budget of the Ministry of Health has increased more than what was planned in the NSDP 2006-2010. Over the past 20 years, the health sector has had a substantial increase not only in RGC's budget allocations but also in funding provided by external development partners. In 2008, the contributions of both RGC and the external development partners to the health sector were about the same, at around 8 US\$ per capita. Overall disbursement levels and disbursement to peripheral level have also improved, contributing to more effective public expenditure management.

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

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

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

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

## HUMAN RESOURCES FOR HEALTH

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

246. The implementation of the PMG programme of the RGC in the MOH started in 2006 and was put in place in 7 provinces (*Kompot, Takeo, Odormeanchey, Siemreap, Banteay Meanchey, Pailin, and Battambang*) covering 65 HCs with the total staff of 380. The MBPI programme of the RGC was implemented in 2009 in 7 provinces (*Koh Kong, Takeo, Prey Veng, Kompong Cham, Prah Vihear, Mondulhiri, and Ratanakiri*) and 2 Central institutions (*National Maternal & Child Health Centre and MOH headquarters*) covering 190 posts. The provision of Midwifery Incentives to promote safe delivery at health facilities nation-wide has substantially increased deliveries at HCs and RHs attended by a skilled birth attendant from 39 percent in 2006 to 58 percent in 2008.

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

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

## HEALTH INFORMATION SYSTEM (HIS)

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

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

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

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

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

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

- Sub-decree on Management of the Regional Training Centre implemented by Prakas on the Organisation and Functioning of the RTC, issued on 27 May 2003;
- Sub-decree on Medical Code of Conduct, issued on 28 August 2003;
- Royal Decree on Technical Logo, Rank Insignia, and Officials' Uniform for the Senior Government Technical Officials and the Mid-level Technical Officials, issued on 29 May 2005;
- Prakas on the Implementation of Primary-midwife/Nurse Curriculum, issued on 09 September 2005;
- Inter-ministerial Prakas on the Permission for Health Service Delivery to Charge User Fees, issued on 11 October 2005;
- Praks on the Identification of Unfavourable Areas for the Ministry of Health, issued on 07 December 2005;
- Joint-Prakas of the Ministry of Health and Ministry of Information on the Conditions for Commercial Advertisement on Modern and Traditional Medicines, Cosmetics, Baby Artificial Feeding Products, Tobacco, and Private Sector Services in the Areas of Medicine, Para clinics, and Supportive Medicines, issued on 21 February 2006;
- Sub-decree on the Establishment of the Department of International Cooperation of the Ministry of Health, issued on 06 April 2006;
- Sub-decree on the establishment of the Department of Internal Audit of the Ministry of Health, issued on 06 April 2006;
- Sub-decree on the National Midwife Day, issued on 05 May 2008.
- Sub-decree on the Transformation of the National Institute of Public Health into Public Administrative Institution, issued on 04 September 2006.

- Sub-decree on the Transformation of the Kossomak Hospital into Public Administrative Institution, issued on 25 June 2009.
- Sub-decree on the Transformation of the Khmer-Soviet Friendship Hospital into Public Administrative Institution, issued on 25 June 2009.
- Sub-decree on the Transformation of the National Health Experimental Centre into Public Administrative Institution, issued on 24 January 2009.

254. The MOH recognises the importance of strengthening its cooperation with external partners which is reflected in the success of the TWG-H as a consultative body for the sector, as well as through strengthening and expansion of the Sector-Wide Management through Health Sector Support Programme phase 2 and its Joint Partnership Agreement aligning partner investments behind MOH strategic and operational planning.

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

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

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

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

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

### **ECONOMIC EMPOWERMENT OF WOMEN**

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

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

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

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

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

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

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

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

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

263. The participation of women at all levels of decision-making has increased significantly. The proportion of women appointed to Senate seats has increased from 13 percent in 2003 to 14.8 percent in 2007; and the proportion of women elected to the National

Assembly increased significantly from 5 percent in the 1993 national election to 11 percent in 1998; 19 percent in the 2003 election; and 22 percent in the 2008 election. The proportion of women as Secretary of State and Under Secretary of State has also increased from 7 percent and 9.6 percent in 2003 to 7.7 percent and 14.6 percent in 2008, and the proportion of women elected to Commune Councils has increased from 8 percent in 2002 to 14.6 percent in the 2007 elections. Women now occupy 30 percent of village leader positions. Women make up 10.1 percent of municipal and provincial councillors, and 12.6 percent of district, town and khan councillors.

264. The number of women officials and leaders in local administration has also increased. The Ministry of Interior has appointed women as Provincial vice Governor in 24 provinces/cities and 197 women as District/Khan vice Governor throughout the country. The Secretariat of State of Civil Service has issued guidelines on affirmative action with a quota ranging from 20 percent to 50 percent for women among the new recruits to the civil service. As a result, the proportion of women civil servants has increased from 32 percent in 2007 to 34 percent in mid 2009. However, the number of women at senior level/decision-making levels of the civil service remains low, as do the number of women in the judiciary, both as judges and prosecutors.

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

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

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

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

#### IV. IMPLEMENTATION OF POPULATION POLICY

268. RGC's pro-active and well-orchestrated Population Policy involves actions in many sectors such as health, education, environment, macro-economy, gender, emigrations, youth, aging people, and others. The National Committee for Population and Development (NCPD) and other line ministries and agencies have been working to strengthen its human resources to integrate population-related issues in the development planning processes at all levels for planners and policy makers. It has developed population reference tools on National Population Policy (NPP), Population datasheet, Urbanisation, Migration, Youth, Ageing, and NPP indicators. These reference tools have been used to disseminate NPP and population and development linkage to the legislative bodies, national and sub-national executive bodies, and local authorities in all 23 provinces and Phnom Penh Municipality. The dissemination of NPP also included students from the Royal School of Administration and the National Assembly.

269. Notwithstanding the many achievements, the NCPD and other partners also faced many challenges in carrying out its tasks. These include:

- Limited capacity and knowledge of participants in population issues.
- Lack of timely data for updating population indicators and reference tools.
- Lack of in-depth analysis of population related issues that are needed for understanding the root causes and solutions. Such evidence based understanding is crucial for effective plan of action.
- Lack of M&E and follow-up activities.
- Population issues need to be appropriately addressed in the preparation of sectoral and sub-national plans as well as in the monitoring of the implementation of those plans.
- Capacity and resources for data collection and analysis of population issues are still limited.
- The emerging population issues need to be more appropriately addressed.
- Capacity and tools for population-related data collection, policy analysis and planning at both national and sub-national levels are still limited.
- The capacity for population data analysis/ interpretation needs to be strengthened at all levels to promote better use of collected and available data.

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

- In 2008, the total population was 13.4 million, less than 13.8 million estimated earlier, forming 2.3 percent of the total population in Southeast Asia as in 1998.
- The annual growth rate of the population of Cambodia was found to decrease over time from 2.5 percent per annum in 1998 (GPC 1998) to 1.5 percent per annum for 1998-2008. The population growth rate of 1.5 percent is less than 1.8 percent estimated earlier, but is still slightly above the average for the region at 1.3 percent.

- The annual population growth rate in urban areas in 2008 is higher than that in rural areas (2.6 percent versus 1.3 percent, respectively).
- The sex ratio was 94.2 percent males to 100 females, up from 93 in 1998.
- The average household size declines by about 0.5 in all areas from 1998 to 2008 (5.2 versus 4.7 for Cambodia total, 5.5 versus 5.0 for urban, and 5.1 versus 4.6 for rural, respectively). However, the change in the average household size is a result of increased new households - the number of regular households has increased from 2.2 million households in 1998 to 2.8 million households in 2008.
- Although, the age structure of the population indicates that Cambodian population is young, the proportion of population under 15 years of age declined from 42.8 percent in 1998 to 39.0 percent in 2004 and to 33.7 percent in 2008.
- At the same time, the proportion of the elderly increased, as life expectancy at birth increased from 54 years in 2000 to 60.5 years in 2008 for men and from 58 years in 2000 to 64.3 years in 2008 for women. In 1998, the percent of people aged 65 and over was 3.5 percent (3 percent among men and 3.9 percent among women). By 2008, the figure increased to 4.3 percent (3.5 percent among men and 5 percent among women).
- The decline in the number of children under age 15 is greater than the increase in the number of elderly, resulting in a sharp decline in age dependency ratio from 86.1 percent (69.1 percent in urban and 89.7 percent in rural) in 1998 to 74.0 percent (59.7 percent in urban and 76.8 percent in rural) in 2004 and to 61.2 percent (40.8 percent in urban and 67.1 percent in rural) in 2008.
- The urban population was 19.5 percent, up from 17.4 percent in 1998; conversely, the rural population was 80.5 percent, down from 82.4 percent.
- The 2008 census data points to the success in implementation of the population policy of the government.



## CHAPTER III

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

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

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

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

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

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

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

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

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

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

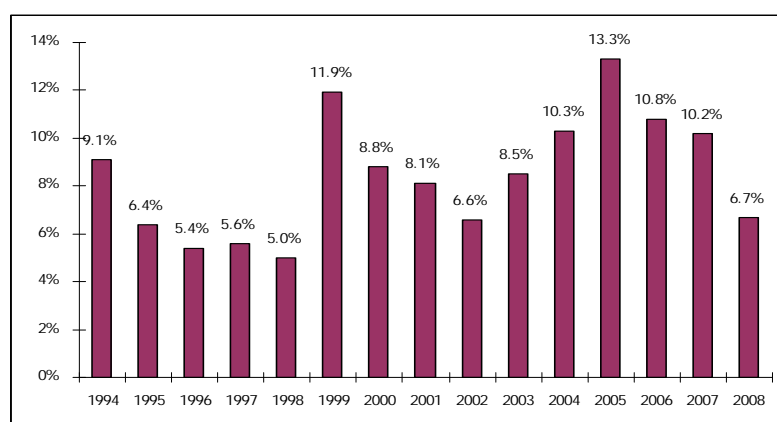
276. During 1999-2003, the economy grew at an averaged annual rate of 8.8%. Although ODA continued to finance growth, *FDI investments especially in garment and tourism were the key to promoting growth*. During this period, textile sub-sector grew by 35.1 percent a year. Construction sub-sector became a pillar of growth, growing at an average annual rate of 20.1 percent. Recently restored peace contributed to rapid development of tourism, the sector grew at the average annual rate of 13.6 percent. Continued rehabilitation of the power and water sector resulted in the electricity, gas and water sub-sector growing at an annual average rate of 10.2 percent. Although, the share of the agriculture sector in total GDP declined slightly, as other sectors grew, it still accounted for 32.0 percent of total GDP in 2003.

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

	1994	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Real GDP growth rate (%)	9.1	11.9	8.8	8.1	6.6	8.5	10.3	13.3	10.8	10.2	6.7
- Agriculture (%)	9.7	2.2	-0.4	3.6	-2.5	10.5	-0.9	15.7	5.5	5.0	5.7
- Industry (%)	14.2	21.2	31.2	11.2	17.1	12.0	16.6	12.7	18.3	8.4	4.0
- Services (%)	0.6	14.6	8.9	11.1	7.7	5.9	13.2	13.1	10.1	10.1	9.0
GDP per capita (US\$)	248	281	288	312	331	356	402	468	534	623	738
National savings (% of GDP)	19.4	16.5	17.6	20.2	21.5	16.3	16.4	17.3	21.1	23.8	16.9
Central administration savings	-1.0	1.6	1.3	0.9	0.9	0.8	1.6	1.7	1.0	3.1	3.0
Private savings (% of GDP)	20.4	14.9	16.2	19.3	20.6	15.6	14.8	15.6	22.1	20.7	13.9
Domestic investments (% of GDP)	12.1	11.8	12.1	12.1	11.9	12.2	11.8	11.1	11.2	11.1	11.3
Public investments (% of GDP)	4.7	5.4	5.9	7.1	8.4	6.5	5.8	5.3	5.9	6.2	6.5
Private investments (% of GDP)	18.7	16.5	14.7	14.2	14.2	12.8	12.9	16.3	16.9	20.4	18.0

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

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

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

**278.** Since 1993, the sectoral composition of the economy has changed significantly. Over the 1993 to 2008 period, the share the following sector in total GDP (at current prices) has experienced changes as follows:

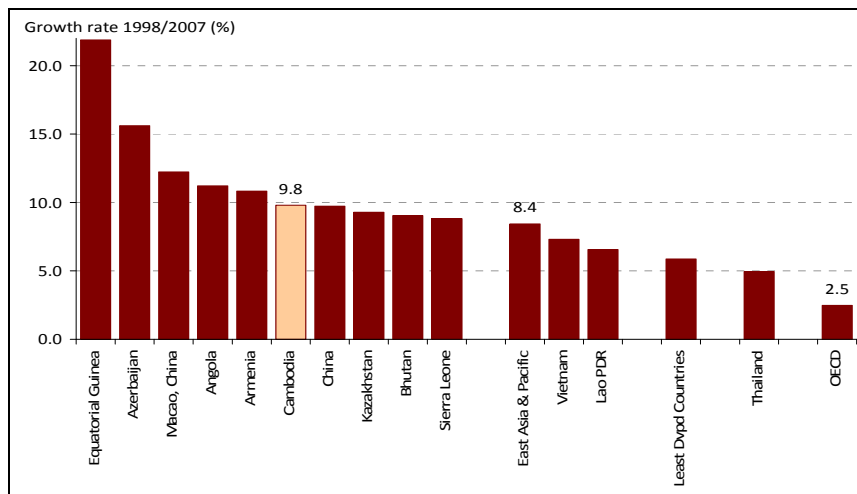
- Agriculture sector has declined from 45.3 percent in 1993 to 32.4 percent in 2008.
- Industrial sector has increased from 12.6 percent in 1993 to 22.4 percent in 2008. Within industrial sector the share of:

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

279. Since the first General Elections held in 1993, Gross Domestic Product (GDP) has increased US\$ 2.48 billion in 1993 to US\$10.34 billion in 2008, and per capita GDP has increased from US\$ 248 in 1994 to around 3 million US\$ 738 in 2008. During the last five years, 2003-2008, the accelerated economic growth has resulted in the doubling of per capita GDP. Nevertheless, the size of Cambodia's Gross Domestic Product is still relatively modest at US\$10.3 billion. Per capita GDP is expected to reach over US\$1,000 by 2015, possibly even earlier when oil and gas production comes on stream.

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

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



Source: The World Bank

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

*reinforced by improvements in a wide range of variables related to service delivery and human development outcomes. Gains are most notable in education, health, agricultural production and nutrition. Physical access to public services has improved, as measured in terms of average distances to the nearest health centre or school; this, combined with an improved road network and rising real incomes, helps explain improving rates of school enrolment and health-seeking behaviour. As a result, there is continued improvement in outcomes such as average level of educational attainment and self-reported health status*<sup>8</sup>.

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

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

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

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

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

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

<sup>8</sup> "Poverty Profile and Trend in Cambodia: Findings from the 2007 Cambodia Socio-Economic Survey (CSES)", World Bank Report No. 48618-KH, page viii, June 2009.

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

## FISCAL POLICY

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

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

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

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

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

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

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

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

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

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

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

293. The implementation of Platform 2 is a challenging task that requires necessary initiatives in which the concerned institutions are to be involved, such as:

- The programme now needs to engage a much wider range of players within the public service and careful coordination and monitoring will be vital. New steering mechanisms managed by Samdech Prime Minister have been established and the implementation those mechanisms is led by the Deputy Prime Minister.



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

## MONETARY POLICY

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

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

- Continuing the participation in public financial management reform to enhance public confidence in the use of Riel.
- Developing a gross domestic payment and settlement system, monetary and inter-bank markets, including short-term government bonds.
- Implementing a fiscal incentives framework, including government payroll and other Riel expenses, via bank accounts and the payment system. It will examine options to transfer inter-bank credit information system to the private sector.
- Widening the payment and credit information systems to include licensed microfinance institutions.
- Providing collateral against risks related to the payment system by using short-term government bonds.
- Encouraging a money supply and liquidity monitoring mechanism, strengthening the reserve requirement system, setting up an efficient overdraft system, preparing to issue central bank paper, and enhancing the lender of last resource mechanism.

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

- Strengthening the basics of the financial sector.
- Improving the microfinance and banking sectors.

- Encouraging non-banking financial institutions.
- Finding ways to solve problems related to other sectors.

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

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

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

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

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

- *Reviewing the laws and regulations that govern the non-bank financial sector:* the NBC will examine options to delegate responsibility from the monetary authority to other authorities in supervising the non-bank financial sector.
- *Promoting the Development of leasing businesses:* by encouraging leasing credit activity as an alternative source to small and medium enterprises through establishing a financial leasing law which emphasises the rights and obligations of contract parties.
- *Developing a credit information exchange system:* to improve the credit information sharing system and establish a framework for a credit information system with a larger scope.
- *Enhancing the monitoring of exchange market:* by upgrading and regulating the foreign exchange market business.

- *Developing a national payment system:* by continuing to enhance its safety, effectiveness and capability by automating the check clearing system and initiating the development of electronic payments (e-payments) at the national level to support the inter-bank market.

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

301. *In Non-Banking Sector,* the MEF will actively continue and implement below work plans to develop this sector:

- **Securities Sector:** The MEF as well as *the Securities and Exchange Commission of Cambodia* will continue to work toward the establishment and operation of the securities market successfully to enable a fair, equitable, transparent and robust securities market that attract the public's confident. To achieve these targets, the MEF and *Securities and Exchange Commission of Cambodia* will focus on priorities below:
  - a. Development of Government Securities Market:**
    - Design the regulated framework to carry out the Law on Government Securities.
    - Continue to develop and improve the capacity, human resource, and institutional capacity to manage an efficient and sustainable Government Securities issuance.
  - b. Development of Public Securities Market:**
    - The Securities and Exchange Commission of Cambodia will prepare necessary regulations in providing licensing to businesses or other operational activities in the securities market to ensure smooth, efficient and good function of the securities market.
    - The Ministry of Economy and Finance together with the Securities and Exchange Commission of Cambodia will develop regulation related to incentive policy for the securities market in order to support and promote development of securities market at the initial stage.
    - Continue to strengthen the capacity of staffs of the Securities and Exchange Commission of Cambodia and Cambodia Stock Market Company in order to manage and monitor the securities market effectively and smoothly.
    - Continue to improve the public awareness on the securities exchange sector in order to engage actively in the first development of the securities market in Cambodia.
  - c. Establishment of Financial Development Center:**
    - Prepare the regulation framework to establish and launch the management and monitoring mechanism of Financial Development Centre and the implementation of promotion policies at this centre.
    - Establish and operate the Financial Management and Development Centre Company.
- **Insurance Sector:**
  - The MEF will continue to reinforce the insurance related framework to ensure the efficient, transparent and fair operation of the Insurance Business.
  - The aims of the insurance sector are to develop general insurance, life insurance, small scaled insurance, and pension system. To support these objectives, Cambodia will implement as the other countries' standards and experiences, particularly the countries in the region including the basic principle of the insurance of the International Insurance Regulator.
- **Micro Finance Sector:** To improve the reach out of the micro finance services to the low income family and micro finance institutes, the *Royal Government of Cambodia* will introduce the strategy to develop the micro finance sector, including:
  - Create the mechanism to manage financial resources which is now being used by the credit agents and micro finance institutes or other commercial banks that financed by development partners to enforce the transparency and good governance and increase the equity among the micro finance suppliers in the market.
  - Develop framework to provide license to small scaled insurance agents.

- Encourage the local and foreign investment in the micro finance sector and micro finance institutes can directly borrow the loan from other countries as well.
- Reinforce the capacity of the microfinance operators to equip with right skills and professions.
- Encourage the local government to facilitate all works related to micro finance activities in order to participate and develop an efficient micro finance sector.
- Continue to promote and support the development programmes in all communities or associations at local level through prioritised intervention from the government fund or other development partner's fund.
- **Real Estate Business Management:**
  - Develop framework to support the valuation services and real estate services.
  - Improve the capacity to all real estate valuers and regulators.

### 3. ECONOMIC OUTLOOK: 2009-2013

302. In mid 2009, the economic outlook in the very short-term faced two important downside risks. First, the uncertainties about the severity and duration of the global financial crisis and the on-going economic recession in developed economies, as well as the potential impact of the swine flu epidemic on the tourism sector. The second risk was a very slow pace of economic recovery in developed economies. With timely responses by the Royal Government to the severe global financial crisis and the global and regional economic downturn, the downside risks and the negative impact on our economic growth as well as on the well being of our people especially the poor and vulnerable were minimised. Looking back now, the swine flu epidemic did not expand to a level that was anticipated. The concerns about the pace of recovery have diminished somewhat, since mid 2009, as the global economy has begun to recover from its low levels. We now face a daunting challenge to find new markets beyond the US and the European markets to return to the high rates of economic growth with significant poverty reduction that we had achieved over the last decade.

303. The preliminary data on economic performance in 2009, now available, shows the impact of the global financial crisis on key real economic sectors. According to the preliminary estimates, GDP grew by 0.1 percent in 2009 compared to 6.7 percent in 2008. This overall positive growth was achieved because of good performance in agriculture and services sectors that grew by 5.4 percent and 2.3 percent respectively, offsetting the declines in other sectors, such as industry that declined by 9.5 percent – especially the garment sector that declined by 9.0 percent. All sub-sectors in the services sector grew, except the real estate sub-sector that declined by 2.5 percent. The tourism sector was hit by the crisis, its growth declined to 1.8 percent in 2009 compared to double digit growth in previous years. The inflow of foreign direct investment (FDI) also declined significantly to around 500 million US\$.

304. As noted above, the global economy has now begun to recover, international investor confidence is recovering gradually, indicators of future production and demand have firmed, consumer confidence is improving, the earlier declines in manufacturing and employment have begun to be reversed, and lending to the private sector has gained positive momentum. However, the narrowness of the production base, the exposure of the garment sector to the U.S, and the dependence of the economy on foreign inflows would continue to keep Cambodia vulnerable to developments in the global markets. The recent strong growth performance of China's economy and outlook for its future growth are encouraging that could have positive spill over effect on Cambodia's economy.

305. Despite the fact that the Cambodian economy has weathered this crisis well owing to a strong policy framework that have been put in place by the Royal Government over the preceding decade and its prompt implementation of policy measures, output gaps and unemployment rate is likely to continue to rise in the very short-term. Taking these developments into account, the level of economic activity is projected to slowly pick up in 2010 and the economic growth rate is projected to increase modestly, relative to the growth rates achieved over the past decade, by around 5 percent.

306. The Royal Government recognises that the growth in advanced countries (mainly US and EU) consumer spending will not provide the same degree of support to growth in the Cambodian economy as had been the case in the past. The Royal Government is confident that through a vigorous implementation of its policies to diversify and broaden its economic base and improved competitiveness in the regional and international markets, economic growth will rebound towards its historical growth trend line over the years 2011-2013.

307. Preliminary estimates for the year 2009 of real GDP growth rates by economic activity and projections for the years 2010 – 2013 are presented in Table 9.

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

Economic Indicator	2008	2009e	2010p	2011p	2012p	2013p
GDP at constant 2000 prices (Billion Riels)	28,668	28,692	30,126	31,941	34,029	36,235
GDP at constant 2000 prices (Million US\$)	7,061	6,917	7,268	7,725	8,184	8,704
GDP per capita (US\$)	738	731	792	853	915	981
GDP per capita (000 Riels)	2,998	3,030	3,234	3,528	3,799	4,084
Real GDP growth rate - (%)	6.7%	0.1%	5.0%	6.0%	6.5%	6.5%
GDP deflator (% change)	12.3%	2.6%	4.8%	2.9%	2.6%	2.5%
Inflation (% change, year average)	19.7%	-0.6%	6.0%	4.5%	3.5%	3.0%
Inflation (% change, Q4/Q4)	15.8%	6.0%	6.0%	3.5%	3.5%	3.0%
Inflation (% change, Year over Year)	12.5%	5.3%	6.2%	5.0%	3.5%	3.0%
Riel/US\$ parity (year average)	4,060	4,148	4,145	4,135	4,153	4,163
Riel/US\$ parity (end of period)	4,080	4,180	4,110	4,140	4,160	4,170
Total investment (% GDP)	24.5%	23.3%	24.1%	24.2%	24.3%	24.4%
Public investment (% GDP)	6.5%	6.9%	7.0%	6.7%	6.8%	6.8%
Private investment (% GDP)	18.0%	16.4%	17.1%	17.4%	17.5%	17.6%
National savings (% GDP)	16.9%	18.6%	19.2%	19.4%	20.2%	21.2%
Foreign savings (% GDP)	7.6%	4.7%	4.9%	4.8%	4.1%	3.3%
Budget revenue (% GDP)	13.3%	11.8%	12.6%	13.2%	13.7%	14.2%
Budget expenditure (% GDP)	15.9%	17.5%	17.9%	17.8%	17.8%	17.7%
Current deficit/surplus (% GDP)	3.0%	0.1%	1.3%	1.7%	2.2%	2.8%
Overall deficit/surplus (% GDP)	-2.9%	-6.3%	-5.3%	-4.6%	-4.0%	-3.5%
Exports of goods (% GDP)	45.5%	37.6%	37.4%	38.8%	40.0%	43.4%
Imports of goods (% GDP)	63.0%	52.5%	52.5%	53.7%	55.1%	56.6%
Economic Indicator	2008	2009e	2010p	2011p	2012p	2013p
Trade balance (% GDP)	-17.4%	-14.8%	-15.1%	-14.9%	-14.1%	-13.1%
Current account balance (% GDP)	-12.2%	-10.1%	-10.1%	-9.7%	-8.9%	-7.8%
Total liquidity (Billion Riels)	11,858	16,228	19,137	23,069	28,001	34,030
Total liquidity (% change)	4.8%	36.9%	17.9%	20.5%	21.4%	21.5%
Total liquidity (% GDP)	28.3%	37.7%	40.4%	44.6%	49.5%	55.1%
Gross foreign reserves (Millions of US\$)	2,164	2,367	1,935	2,142	2,361	2,600
Gross foreign reserves (Months of imports G&S)	3.5	4.6	3.5	3.5	3.5	3.5
Population (revised) (Million)	14.0	14.2	14.4	14.7	14.9	15.1

Source NIS of MOP and: Ministry of Economy and Finance

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

**TABLE 10: REAL GDP (CONSTANT 2000 PRICES) GROWTH RATES  
BY ECONOMIC ACTIVITY: 2009-2013**

	2009	2010	2011	2012	2013
<b>Agriculture, Fishery &amp; Forestry</b>	<b>5.4%</b>	<b>4.0%</b>	<b>3.2%</b>	<b>3.4%</b>	<b>3.2%</b>
Crops	5.8%	4.4%	3.5%	3.7%	3.4%
Livestock & Poultry	5.0%	5.6%	4.4%	4.6%	4.9%
Fisheries	6.0%	2.9%	2.5%	2.5%	2.5%
Forestry & Logging	1.1%	1.1%	1.1%	1.1%	1.1%
<b>Industry</b>	<b>-9.5%</b>	<b>10.5%</b>	<b>7.9%</b>	<b>8.4%</b>	<b>8.2%</b>
Mining	20.0%	5.6%	7.3%	7.7%	6.2%
Manufacturing	-15.5%	14.2%	9.0%	9.2%	9.2%
Food, Beverages & Tobacco	6.0%	2.6%	6.7%	7.8%	7.8%
Textile, Wearing Apparel & Footwear	-9.0%	1.5%	10.0%	10.0%	10.0%
Wood, Paper & Publishing	5.0%	2.5%	5.7%	6.2%	6.1%
Rubber Manufacturing	9.5%	3.1%	5.7%	6.0%	6.0%
Other Manufacturing	7.8%	3.1%	5.6%	6.8%	6.8%
Electricity, Gas & Water	8.5%	4.6%	8.2%	8.6%	8.6%
Construction	5.0%	2.6%	4.9%	6.0%	5.1%
<b>Services</b>	<b>2.3%</b>	<b>3.3%</b>	<b>7.3%</b>	<b>7.4%</b>	<b>7.4%</b>
Trade	4.2%	3.3%	5.5%	5.6%	5.6%
Hotel & Restaurants	1.8%	4.2%	9.4%	9.5%	9.5%
Transport & Communications	3.9%	3.4%	7.3%	7.5%	7.5%
Finance	8.0%	3.3%	8.0%	7.7%	7.7%
Public Administration	1.0%	3.2%	8.7%	8.2%	8.2%
Real Estate & Business	-2.5%	3.4%	7.6%	7.7%	7.7%
Other services	2.9%	2.7%	7.5%	7.5%	7.5%
Taxes on Products less Subsidies	6.1%	0.1%	3.8%	7.0%	7.0%
Less: Subsidies	1.9%	35.5%	3.8%	7.0%	7.0%
Less: Finance Service Charge	12.0%	5.8%	8.0%	7.7%	7.7%
<b>Total GDP</b>	<b>0.1%</b>	<b>5.0%</b>	<b>6.0%</b>	<b>6.5%</b>	<b>6.5%</b>

*Source NIS of MOP and: Ministry of Economy and Finance*

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

309. The econometric models used to project the economic outlook for the next five years, 2009-2013, can also be used to provide projections of total investment required to achieve the projected GDP growth and the breakdown of the total investment by economic sector. Notwithstanding any limitations of the econometric models, the results of this analysis show that a total capital investment of 62,020.7 billion CR (US\$ 15.127 billion) will be required to achieve the projected GDP growth rates over the period covered by the NSDP Update 2009-

2013. In terms of sources of total capital investments, private sector investments are projected to be 44,480.1 billion CR (US\$ 10.8 billion) – accounting for 71.7 percent of total investment. The public sector investment is projected to be 17,540.6 billion CR (US\$ 4.2 billion US\$). In terms of domestic and foreign sources of financing of total investment, 56.2 percent of total investment is projected to be financed from domestic sources, accounting for 34,849.0 billion CR (US\$ 8.4 billion). Financing from foreign sources is projected to be 27,171.7 billion CR (US\$ 6.6 billion) or 43.8 percent of total capital investments.

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

SOURCE OF FUNDING	2009	2010	2011	2012	2013	TOTAL 2009-2013
TOTAL CAPITAL INVESTMENT	9,914.6	11,307.5	12,394.9	13,564.4	14,839.2	62,020.7
• Public Capital Investment	2,917.1	3,290.8	3,448.2	3,770.6	4,113.9	17,540.6
> Financed by Domestic Resources	737.7	762.6	799.1	873.8	953.4	4,126.7
> Financed by External Resources <sup>2</sup>	2,179.4	2,528.1	2,649.1	2,896.7	3,160.5	13,413.9
• Private Capital Investment	6,997.5	8,016.8	8,946.7	9,793.8	10,725.3	44,480.1
> Financed by Domestic Resources	4,887.2	5,559.6	6,173.6	6,741.1	7,360.7	30,722.3
> Financed by External Resources <sup>2</sup>	2,110.3	2,457.1	2,773.1	3,052.7	3,364.6	13,757.8
TOTAL CAPITAL INVESTMENT	9,914.6	11,307.5	12,394.9	13,564.4	14,839.2	62,020.7
• Public Capital Investment	2,917.1	3,290.8	3,448.2	3,770.6	4,113.9	17,540.6
• Private Capital Investment	6,997.5	8,016.8	8,946.7	9,793.8	10,725.3	44,480.1
TOTAL CAPITAL INVESTMENT	9,914.6	11,307.5	12,394.9	13,564.4	14,839.2	62,020.7
> Financed by Domestic Resources	5,625.0	6,322.3	6,972.7	7,614.9	8,314.1	34,849.0
> Financed by External Resources <sup>2</sup>	4,289.6	4,985.2	5,422.2	5,949.5	6,525.1	27,171.7
PUBLIC CAPITAL INVESTMENT	2,917.1	3,290.8	3,448.2	3,770.6	4,113.9	17,540.6
• Financed by Domestic Resources	737.7	762.6	799.1	873.8	953.4	4,126.7
• Financed by External Resources <sup>2</sup>	2,179.4	2,528.1	2,649.1	2,896.7	3,160.5	13,413.9

Source: Ministry of Economy and Finance

<sup>1</sup> The CR-denominated figures in this Table are converted from US\$-denominated projections against an average exchange rate of 4,100 CR = 1 US\$;

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

**310.** Detailed breakdown of the investment required to achieve the target growth rate by economic sector is presented in Table 12. To achieve the projected sectoral GDP growth rate, the investments in major sectoral groups are as follows:

- Agriculture, Fisheries and Forestry sector will require investment of 11,825.1 billion CR (US\$ 2,884 billion) over the NSDP Update's implementation period (2009-2013).
- The broad Industry sector (that includes mining, manufacturing, electricity, gas & water, as well as construction) will require investment of 28,601.8 billion CR (US\$ 6.976 billion) over the five years. Within this group, the manufacturing sector (that includes the Textile, apparel and Footwear sub-sector) will require the largest share of the investment, 13,004.0 billion CR (US\$ 3.171 billion), followed by Construction sub-sector that will require 9,824.7 billion CR (US\$ 2.396 billion), and the Electricity, Gas & water sub-sector that will require an investment of 4,193.3 billion CR (US\$ 1,002 billion).
- The broad Services sector (that includes Trade, Hotels & Restaurants (tourism), Transport and Communications, Finance, Public Administration, and Real Estate) will require an investment of 21,593.8 billion CR (US\$ 5,266 billion).

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

	2009	2010	2011	2012	2013	TOTAL
<b>Agriculture, Fishery &amp; Forestry</b>	<b>1,560.2</b>	<b>2,314.7</b>	<b>2,483.7</b>	<b>2,650.1</b>	<b>2,816.4</b>	<b>11,825.1</b>
Crops	1,281.1	1,892.9	2,033.8	2,173.8	2,312.1	9,693.7
Livestock & Poultry	81.9	151.3	163.8	176.2	189.9	763.0
Fisheries	104.5	177.9	188.9	199.1	209.6	880.0
Forestry & Logging	92.6	92.7	97.1	101.0	104.8	488.3
<b>Industry</b>	<b>4,614.1</b>	<b>5,070.2</b>	<b>5,717.5</b>	<b>6,288.3</b>	<b>6,911.6</b>	<b>28,601.8</b>
	2009	2010	2011	2012	2013	TOTAL
Mining	253.3	282.4	313.9	346.7	383.5	1,579.7
Manufacturing	1,920.2	2,275.9	2,647.6	2,923.3	3,236.9	13,004.0
Food, Beverages & Tobacco	195.7	253.4	280.1	309.6	342.8	1,381.6
Textile, Wearing Apparel & Footwear	828.4	826.1	1,058.9	1,181.3	1,323.2	5,217.8
Wood, Paper & Publishing	58.4	55.1	60.4	65.7	71.7	311.3
Rubber Manufacturing	67.8	63.1	69.1	75.1	81.8	356.9
Other Manufacturing	770.0	1,078.2	1,179.2	1,291.7	1,417.4	5,736.5
Electricity, Gas & water	672.0	739.7	829.1	923.0	1,029.5	4,193.3
Construction	1,768.6	1,772.3	1,926.9	2,095.3	2,261.7	9,824.7
<b>Services</b>	<b>3,740.3</b>	<b>3,922.6</b>	<b>4,193.7</b>	<b>4,625.9</b>	<b>5,111.2</b>	<b>21,593.8</b>
Trade	691.2	697.8	762.9	826.5	896.9	3,875.2
Hotel & Restaurants	496.0	544.2	609.2	681.4	762.1	3,093.0
Transport & Communications	639.8	676.8	752.1	828.9	915.1	3,812.7
Finance	110.8	105.1	117.6	129.9	143.8	607.1
Public Administration	816.8	899.5	838.5	930.6	1,034.8	4,520.2
Real Estate & Business	605.4	622.5	693.9	766.5	848.3	3,536.7
Other services	380.4	376.7	419.4	462.2	510.3	2,148.9
<b>Total</b>	<b>9,914.6</b>	<b>11,307.6</b>	<b>12,394.9</b>	<b>13,564.4</b>	<b>14,839.2</b>	<b>62,020.7</b>

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

Source: Ministry of Economy and Finance

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

311. Because of the adverse impact of the global financial crisis and the economic recession in the developed countries on the Cambodian economy, revenues declined from 13.3 percent of GDP in 2008 to 11.8 percent of GDP in 2009 (see Table 9). Revenues are projected to steadily recover and exceed the 2008 level in 2012 and are targeted to reach 14.2 percent of GDP in 2013. The implementation of RGC's targeted measures to protect the vulnerable and the poor from the adverse impact of the downturn in the economy, as well as the implementation of measures to promote demand through the stimulus package increased budget expenditures in 2009 to 17.5 percent of GDP from 15.9 percent in 2008.

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



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

313. At this stage of socio-economic development of Cambodia, there is still a massive task ahead to rehabilitate and construct much needed physical infrastructure to achieve RGC's macroeconomic goal of maintaining a high level of economic growth in order to further reduce poverty. Although just less than 40 percent of public expenditure is allocated to finance capital expenditures, it is still a relatively small proportion of the total capital expenditures required to rehabilitate and construct the urgently needed physical infrastructure in order to continue to make further progress in reducing poverty. Dependence on the availability of external financing to rehabilitate and construct physical infrastructure has limited RGC's options to aggressively move forward on meeting its urgent needs. So far, RGC has been leveraging its capital expenditure budget portion of the National Budget to attract external financing to meet its high priority capital expenditure needs.

**TABLE 13: CAPITAL AND RECURRENT EXPENDITURES: 2009 - 2013**  
(in billions of CR)

	2009e	2010p	2011p	2012p	2013p
Total Expenditures	7,548.6	8,499.8	9,196.8	10,039.3	10,931.6
Capital Expenditures	2,951.6	3,326.9	3,534.3	3,876.3	4,234.9
Recurrent Expenditures	4,597.1	5,172.9	5,662.5	6,163.0	6,696.8

*Source: Ministry of Economy and Finance*

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

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

316. As an effort to promote transparency of the budget formulation process, the MEF has prepared a preliminary/indicative projection of recurrent expenditure allocation for RGC institutions for the NSDP Update 2009-2013 period. The indicative projections are presented in Table 14.

**TABLE 14: INDICATIVE RECURRENT BUDGET EXPENDITURE  
FOR SELECTED MINISTRIES AND AGENCIES: 2009 - 2013**  
(in billions of CR)

Ministry/Agency	2009	2010p	2011p	2012p	2013p
<b>I. General Administration</b>	<b>1,332.589</b>	<b>753.098</b>	<b>806.954</b>	<b>855.005</b>	<b>902.580</b>
05.1 Council of Minister	331.037	190.571	203.616	214.923	225.929
05. 2 State Secretariat for Civil Service	2.737	2.751	2.939	3.102	3.261
05.4 CDC	4.743	5.354	5.720	6.038	6.347
Ministry/Agency	2009	2010p	2011p	2012p	2013p
07.2 Interior-Administration	47.044	51.430	54.950	58.002	60.972
08. Relations Assembly and Inspections	10.336	14.997	16.023	16.913	17.779
09. Foreign Affairs and Int'l Cooperation	71.931	69.774	74.550	78.690	82.719
10. Economy and Finance	556.665	83.653	89.379	94.343	99.174
14. Planning	14.829	22.794	24.354	25.707	27.023
26. Justice	22.826	34.978	39.679	45.119	51.223
30. National Election Committee	10.572	8.707	9.303	9.820	10.323
31. National Audit Authority	5.503	6.392	6.829	7.209	7.578
32. Affaire and Vocational Training	73.312	58.746	62.767	66.253	69.645
<b>II. Defence and Security</b>	<b>1,254.041</b>	<b>1,150.522</b>	<b>1,229.276</b>	<b>1,297.543</b>	<b>1,363.984</b>
06. National Defence	837.045	702.472	750.557	792.238	832.805
07.1 Interior - Security	416.996	448.050	478.719	505.304	531.179
<b>III. Social Administrative</b>	<b>1,505.845</b>	<b>1,770.619</b>	<b>1,987.623</b>	<b>2,232.454</b>	<b>2,504.342</b>
11. Information	39.326	40.912	43.712	46.140	48.503
12. Public Health	505.205	600.056	680.699	774.032	878.749
16. Education, Youth and Sport	689.723	824.879	935.737	1,064.039	1,207.989
18. Culture and Fine-Arts	23.622	26.436	28/246	29.815	31.341
19. Environment	17.054	19.562	20.901	22.062	23.191
21. Social Affairs, Labour & Vocational Training	195.882	215.671	230.434	243.231	255.685
23. Public Worship and Religion	11.686	15.194	16.234	17.136	18.013
24. Woman Affairs and Veterans	23.347	27.908	31.659	36.000	40.870
<b>IV. Economy Administrative</b>	<b>332.663</b>	<b>419.112</b>	<b>460.825</b>	<b>504.696</b>	<b>551.961</b>
05.3. State Secretariat for Civil Aviation	11.109	12.229	13.066	13.792	14.498
13. Industry, Mines and Energy	14.171	17.413	18.605	19.639	20.644
15. Commerce	33.989	52.867	56.486	59.623	62.676
17. Agriculture, Forestry and Fishery	78.192	87.485	99.242	112.850	128.117
20. Rural Development	54.596	83.156	94.332	107.266	121.777
22. Posts and Telecommunications	36.569	39.821	42.547	44.910	47.210
25. Public Works and Transport	29.227	32.139	34.339	36.246	38.102
27. Tourism	27.226	30.330	32.406	34.206	35.957
28. Urbanisation and Construction	21.555	26.876	30.488	34.668	39.358
29. Water Resources and Meteorology	26.029	36.795	39.314	41.497	43.622
<b>V. Miscellaneous &amp; Provincial Expenditures (net of subsidy)</b>	<b>171.927</b>	<b>1,079.523</b>	<b>1,177.803</b>	<b>1,273.266</b>	<b>1,373.897</b>
<b>Total</b>	<b>4,597.065</b>	<b>5,172.904</b>	<b>5,662.483</b>	<b>6,162.964</b>	<b>6,696.764</b>

Source: Ministry of Economy and Finance

## CHAPTER IV

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

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

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

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

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

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

long-term measures, the RGC priority is to continue to address long term issues through improved competitiveness. In order to build resiliency against the current economic recession in advanced economies and to sustain economic growth, RGC will be looking at ways to improve its competitiveness in the regional and international arena, as well as actively look for opportunities to diversify and expand the economic base.

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

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

322. Over the last two years, the Supreme National economic Council (SNEC) has commissioned a number of studies to examine: (i) the impact of the global financial and economic on the Cambodian economy; (ii) how to improve competitiveness of Cambodian exports in the regional and international markets; (iii) how to broaden and diversify the economic base in order to sustain the high economic growth level achieved over the last decade and sustain progress in reducing poverty. The findings of these studies highlight a

number of options that require concrete coordinated actions by implementing RGC institutions. Within the framework of the RGC priorities outlined in the Rectangular Strategy Phase II for the Fourth legislature, RGC institutions will give a high priority to developing and implementing programmes and activities to address the identified issues.

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

324. Effective implementation of a strategy to ensure a broad-based development of rural economies to create new jobs and increase incomes to uplift the economic status of rural communities and to enable them to make a greater contribution to the national economy will require coordinated planning and implementation of programmes by a number of RGC institutions. This broad-based development will be focused on enhancing the productivity and diversification of the agriculture sector, development of agro-industries, rehabilitation and construction of rural roads network to ensure that rural communities have access to market their products in the national and regional markets, and expansion of the education, technical and vocational training, and health services in the rural areas. The Council for Agriculture and Rural Development (CARD) has been tasked by RGC to develop strategies and policies to develop rural economies, and to coordinate, monitor and evaluate the implementation of planned strategies and policies by RGC implementing institutions. Putting in place effective inter-ministerial coordination mechanisms that will ensure that development programmes and projects are carried out by implementing RGC institutions in a coordinated and strategically sequenced manner to achieve a sustainable development of rural economies is a high priority of CARD. To improve food security and nutrition for the poor in the context of the current crisis, the RGC will intensify efforts in enhancing physical and economic access to sufficient, safe and nutritious food through targeted and coordinated investments across various sectors as outlined in the Strategic Framework for Food Security and Nutrition 2008-2012 developed by CARD.

325. Further strengthening trade facilitation and integration of the Cambodian economy in the dynamic regional markets, in particular within the ASEAN, GMS and CLV cooperation framework, will require RGC institutions to more closely coordinate their strategies and development programmes for areas -- such as transportation infrastructure (roads, railways, ports, and airports), private sector development (especially the planning and development of Special Economic Zones), trade facilitation, and industrial development (in particular creating the enabling conditions to integrate the informal sector small and medium size enterprises in the formal economy).

326. There is urgent need to strengthen the capacity of the RGC institutions to deliver their services efficiently and to foster a culture of transparency and accountability. The development and implementation of a comprehensive capacity development strategy covering all public sector institutions in close collaboration with these institutions is a high priority of the Council for Administrative Reform (CAR). To address the question, “What are we building capacity for?”, CAR will examine issues related to (1) the mandate of each institution and identification of potential overlaps in the mandate of institutions, and (2) the functional organisation of each institution to deliver mandated functions and the minimum staffing levels and skills required to carry out these functions.

327. To effectively deal with the implications of climate change, the capacity of RGC institutions needs to be strengthened to identify and develop a strategy to deal with the anticipated impact of the climate change, and strengthening disaster management capabilities.

328. There is also an urgent need to:

- Ensure that there is a greater net transfer of development cooperation grant resources targeted at the vulnerable and the poor in rural communities, especially remote rural communities;
- Significantly increase the proportion of development cooperation grant resources that are allocated and delivered to the vulnerable and the poor through programme delivery methodologies that are based on an active participation of the poor in the utilisation of these resources to improve their quality of life, incomes, and their contribution to the national economy; and
- Strengthen coordination among the four central agencies, MOP, MEF, CRDB/CDC, and SNEC in the planning, budgeting, and allocation of resources available for development from all sources.

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

- First:* Ensuring sustainability of peace, political stability, security and social order through specific measures aiming at promoting the rule of law, respect for human rights and dignity, liberal multi-party democracy in order to create a favourable security and political environment for long-term sustainable development.
- Second:* Ensuring sustainable long-term economic growth at around 7 percent per year on a broader and more competitive economic base in the context of low, single-digit inflation, stable exchange rate and steady increase in international reserves.
- Third:* Ensuring equitable distribution of opportunities and the fruits of the economic growth.
- Fourth:* Ensuring environmental sustainability, especially through sustainable management and use of natural resources.

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

- First:* The need to continue strengthening and expanding the achievements made by the Royal Government in implementing the “**Rectangular Strategy**” during the third legislature.

*Second:* As emphasised earlier, the implementation of the “Rectangular Strategy” during the third legislature has brought up numerous challenges requiring the Royal Government to improve and refine, its prioritised policies and to accelerate the implementation of this policy agenda during this legislature.

*Third:* Continued implementation of the “Rectangular Strategy-Phase II” is a further step to achieve the “Cambodian Millennium Development Goals”.

*Fourth:* The will and aspirations of the Cambodian people coupled with changes in the world and domestic situation in Cambodia need to be addressed by the improved and refined “Rectangular Strategy” and its implementation in the second phase.

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

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

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

### **I. FIGHTING CORRUPTION**

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

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

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

- *Preventative Measures:* The Royal Government will continue to raise awareness about all aspects of corruption, including its causes, impacts and consequences to encourage public participation in preventing and fighting corruption. Concrete measures will be pursued to encourage all levels of government officials to adhere to dignity, morality, professionalism and responsibility in fulfilling their duties.
- *Strengthening accountability and institutional capacity:* The Royal Government will focus on improving its effectiveness in avoiding conflict between the public and

private interests by adhering to the principle of incompatibility between functions, especially incompatibility between political and public servant positions; and between political or public servant positions and private activities. The Royal Government will also reduce and eliminate the use of public positions, influence and power which blur or bias the decision-making process.

- *Public support and participation: Public support and participation is sine qua non for effectively preventing, reducing and fighting corruption. For this, the Government will continue to further promote and protect the freedom to seek to obtain and to disseminate information on corrupt cases in the media. However, this should be done in a credible and responsible manner by respecting the rights, honour and dignity of people involved while protecting national security and public order.*
- *Private sector participation: The Royal Government will continue to develop and pursue implementation of policies, legal and regulatory framework and procedures to protect the integrity of the private sector in order to prevent collusion and to ensure fair competition between private companies/enterprises by ensuring proper behaviour, honourable conduct and dignity in all business transactions. The Royal Government will safeguard the balance between the rights and interests in the contracts made between the public and private sector.*
- *Strengthening of law enforcement: The Royal Government will take strict legal measures against culprits in order to eliminate the culture of impunity, reduce corruption, and increase public confidence.*

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

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

- Strengthen and speed up the work of education, dissemination of corruption-related regulations
- Encourage public participation in the fight against corruption.
- *Enforce* the law against the offenders.

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

- *Prevention*
  - Continue to raise awareness about all aspects of corruption, including its causes, impacts and consequences to encourage public participation in preventing and fighting corruption.
  - Concrete measures will be pursued to encourage all levels of government officials to adhere to dignity, morality, professionalism and responsibility in fulfilling their duties.
- *Strengthening accountability and institutional capacity*
  - Strengthen the effective implementation of principles in order to avoid conflict between the public and private interests.
  - Continue to build and strengthen the institutional capacity, including inspection tasks for management and enforce the effective implementation of the Anti-Corruption Law.
- *Public support and participation*
  - Continue to further promote and protect the freedom to seek to obtain and to disseminate information on corrupt cases in the media.
  - Continue and expand the organising of national and international seminars on corruption.
  - Continue international cooperation and partnership in order to prevent and combat corruption.



- *Private sector participation*
  - Continue to develop and pursue implementation of policies, legal and regulatory framework and procedures to protect the integrity of the private sector in order to prevent collusion and to ensure fair competition between private companies /enterprises by ensuring proper behaviour, honourable conduct and dignity in all business transactions.
  - Safeguard the balance between the rights and interests in the contracts made between the public and private sector.
- *Law enforcement strengthening*
  - Continue to take strict and severe legal actions against corrupt people in order to reduce corruption and to build confidence among people.

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

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

- *Strengthening law dissemination* for raising public awareness of the laws, their rights and responsibilities to maintain stability, social order, and rule of law to reduce social poverty and crimes. MONASRI has selected 9 priority laws (Land Law, Forestry Law, Fishery Law, Law on Domestic Violence and Protection of Victims, Law on Management of Private Medical, Paramedical, and Medical Aide Practice, Law on Pharmaceutical Management, Traffic Law, Law on Drug Control and Law on preventing the spread of HIV/AIDS), to disseminate to citizens in Capital City and all provinces.
- *Strengthening inspection and complaints handling unit* in order to fight against corruption, abuse of power and misconduct, aiming at ensure the enforcement of laws and the reduction of corruption, abuse of power, and misconduct. This assignment has been focusing on three key priorities of MONASRI, viz. inspection, monitoring of law enforcement, and complaint handling. The very task is not only a mechanism to prevent and combat corruption, abuses of power, and misconducts but it is also a mechanism to strengthen good governance as the core of the RGC's Rectangular Strategy. MONASRI has taken on three priority activities for its inspection programme: (1) the inspection of the state-property inventory management, revenues and expenditures of national budget and foreign aids, and general management within the line ministries and public institutions; (2) the monitoring of the law enforcement in different sectors, viz. agriculture, public works, education, health care, land management, urbanisation, and construction, commerce, industry, and social affairs; and (3) the handling of public complaints.
- *Strengthening institutions and human resources development* in order to increase its institutional capacity at national and sub-national levels through: (1) continuing drafting the laws, procedures, and policies on inspection; (2) organising training courses on different skills such as trainers for law dissemination, investigation skills, forensic accounting skills, human resource management skills, general administration skills, and planning skills; and (3) establishing offices of National Assembly-Senate Relations and Inspection Departments at sub-national levels.

## II. LEGAL AND JUDICIAL REFORM

### A. Policy Priorities for the Fourth Legislature

339. The Royal Government has improved legal and judicial systems by focusing on the development of a sound legal framework and modernisation of the laws, as well as by laying out necessary strategies and measures to enhance the competence, independence and impartiality of the judiciary, which are crucial to strengthening the rule of law. In the third legislature, a total of 140 laws were promulgated including three major codes– the Criminal Procedure Code, the Civil Procedure Code and the Civil Code. The Penal Code was promulgated on 30 November 2009. The Royal Government will continue implementing the legal and judicial reform strategy in order to achieve its seven strategic objectives. *It will also focus more on the early adoption of major fundamental laws such as the Penal Code, the Law on the Statutes of Judges and Prosecutors, the Law on the Organisation and Functioning of the Courts and the Law on the Amendment of the Law on the Organisation and Functioning of the Supreme Council of the Magistracy.* At the same time, the Royal Government will continue to organise programmes to disseminate knowledge of laws and procedures to the public and provide legal training to law-enforcement officials with the aim of improving awareness and proper enforcement of the laws.

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

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

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

#### 1. Legal Reforms

- *Continue to promote the adoption of the major fundamental laws* namely the Law on the Organisation and Functioning of the Court, the Law on the Statute of Judges and Prosecutors, the Law on the Amendment to the Law on the Organisation and Functioning of the Supreme Council of the Magistracy.
- *Training and Law Dissemination*
  - The Council for Legal and Judicial Reform, the Ministry of Justice, the Royal Academy for Judicial Professions, Lawyer Training Centre, the National Police Academy and other specialised institutions will be actively engaged in training citizens and law-enforcing bodies in law and law-enforcement related subjects and widely disseminating these subjects.
  - Establish legal and judicial information services for citizens at the municipal and provincial courts.

## **2. Judicial Reforms**

- *Strengthen the capacity of judges, prosecutors, court clerks and law enforcement officials through:*
  - Basic training courses and refresher courses.
  - Strengthening the Disciplinary Council of the SCM.
  - Implementing Model Court through strengthening court administration and management, expanding Model Court to other courts, and increasing funding support for court reform.
  - Collecting, compiling, analysing, and publishing court decisions.
- *Putting in place mechanism to assist the Judicial Sector Institutions*
  - Enact and implement statutes for court clerks, notaries, bailiffs, police and prison officers;
  - Strengthen the Training Schools for Court Clerks, Notaries and Bailiffs.
- *Provision of Legal Aid*
  - Prepare a Strategic Plan to implement key recommendations set forth by “Legal Aid National Survey: December 2006”.
  - Implement the Activity Plan for the provision of legal aid.
- *Continue to Promote Outside-Court Dispute Resolution Mechanism*
  - Strengthen the Centres for Legal Services Project;
  - Expand the implementation of Outside-Court Dispute Resolution Mechanism through strengthening the existing Centres for Legal Services in 20 districts, and expanding these services in all districts and cities in order to facilitate the dispute resolution in a fast-track and low-cost manner for the citizens in particular the poor and reduce the backlog of cases at the provincial/municipal courts.
  - Study and prepare legal framework for institutionalising the Outside-Court Dispute Resolution.
- *Expand the Judicial services by establishing:*
  - Special Chambers pertaining to some areas such as commerce, labour, minors, and administration as needed.
  - Regional Appeal Court to facilitate access to the judicial system services for citizens, in particular those living in remote areas and to reduce the backlog at Phnom Penh Appeal Court.
  - Courts at Pailin, Odormeanchey, and Kep provinces.
  - International cooperation in the legal and judicial areas especially mutual support through judicial means among ASEAN countries.

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

- Continuing training in related skills for officials involved in legal and judicial reform;
- Continuing training on planning guide for Justice Sector Institutions and prepare necessary mechanisms for strengthening and implementing the reform measures;
- Preparing indicators and monitoring the implementation of the legal and judicial reform;
- Continuing the dissemination of legal and judicial reform programmes to courts and local authorities.

### III. PUBLIC ADMINISTRATION REFORM

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

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

343. In the Fourth Legislature, the NPAR 2009-2013 will be implemented within the following framework:

- **Goal:** To serve people better for the well-being of the people and the prosperity of the Country.
- **Objective:** To transform public administration into effective public service providers by making public service more transparent, responsive, efficient, and enhancing motivation, loyalty, professionalism, and culture of services.

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

344. The Royal Government intends to continue to vigorously pursue the implementation of the National Programme for Administrative Reform (NPAR) to transform the Administration and the Civil Service into effective public service providers. Priority actions to achieve the above-mentioned priorities include:

##### 1. Making Public Service More Transparent, Responsive, and Efficient:

- Continue to disseminate the Policy on Public Service Delivery;
- Review, complete and disseminate the Compendium on Public Services;
- Improve access, simplify regulations and reduce bureaucracy;
- Complete and disseminate Governance Action Plan III;
- Continue deploying Special Operating Agencies (SOA);
- Promote the use of ICT (E-Government);
- Develop and establish user feedback and recourse mechanisms;
- Clarify roles and streamline internal procedures supporting delivery (Back Offices);
- Finalise and implement the Redeployment policy and guidelines;
- Deploy Priority Operating Costs (POC) schemes; and
- Establish databank of laws and regulations relating to the management of the Civil Service.

##### 2. Enhancing Motivation, Loyalty, Professionalism, and Culture of Services:

- Carrying out the headcount, updating the census and deploying the system of smart cards and attendance;
- Complete and disseminate the Booklet on values of behaviour, the Manual on obligations and the Handbook on Civil Service;
- Develop and implement a Civil Service Code of Service (quality standards);
- Promote recognition of best practices e.g. awards;

- Deploy tools to manage performance and enforce accountability (position descriptions, personal service contracts, periodic appraisals, evaluation);
- Strengthen Human Resources Management processes (planning, recruitment, career progression, retirement, etc.);
- Strengthen Human Resources Development (operational needs assessment, better use of existing skills, training programmes, promote continuous training, skill database, etc);
- Develop and implement a demand driven and cambodianised training and mentoring programmes for managers, trainers and specialists;
- Develop capacity of HR units within ministries and institutions to plan, manage and monitor trainings;
- Design and implement a programme to reform compensation (remuneration and benefits) across the Administration with due regard to principles of macro-economic stability, effective public services and equity; and
- Design and implement mechanisms to attract and retain high skills professionals.

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

346. GAPIII will, in effect, outlines how ministries and agencies will implement their reforms to improve the quality and delivery of public services. National programmes such as the NPAR and sectoral strategies and programmes will also provide methodologies and direction on reform activities. The GAP will focus on how ministries and institutions will improve their governance relating to public services. On the other hand, GAPIII will outline how ministries and agencies will transform practices and processes (planning, organising, management, monitoring) to meet the expected effectiveness of service delivery.

#### **DECENTRALISATION AND DE-CONCENTRATION REFORM**

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

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

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

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

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

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

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

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

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

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

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

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

**B. Planned Actions to Implement the Prioritised Policies**

353. In performing its civil and policing responsibilities, the Ministry of Interior (MOI) plays a critical role in ensuring an environment of peace, political stability, security and social order. To implement RGC's priority policies, the MOI will focus on strengthening the institutional capacity at national and sub-national levels to efficiently deal with emerging situations and to improve the public services deliveries falling within its civil and policing jurisdictions. The MOI will formulate a new sub-decree on the organisation and functions of the MOI and amend by-laws to ensure that its civil and police staff perform their duties with discipline, neutrality, code of ethics, and obedience to order.

354. To promote good governance, the MOI has been implementing a pilot programme of “One window service” at district level in two provinces: Siem Reap and Battambang. Under this programme the MOI has appointed “district ombudsman” who receive complaints from citizens, communities, civil society organisations, and district officials. The MOI will gradually expand the scope of this programme to cover all 23 provinces and the Capital City.

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

356. The MOI will continue to improve the conditions of prisons in accordance with that of international standards by renovating dilapidated prisons and equipping them with materials and equipments in proportion to the increased number of prisoners and to start the construction of new prisons in the provinces of Kratie, Kompong Cham, Battambang, Pursat, Mondulkiri, Stung Treng, Kompong Thom, Prey Veng, and Rattanakiri as well as the construction of the fourth re-education centres holding the status of the agricultural prison in Pursat Province. The MOI will put emphasis on the re-education and rehabilitation of culprits/prisoners by caring for their health

and living conditions in accordance with the policy framework on prison reform and the procedures on the management of industrial and agricultural prisons as well as on the education for the inmates on spiritual values, virtue and equity in order to turn them good citizens with skills once they re-integrate themselves into the community to embark on a new life after being freed. The MOI will prepare a draft of Royal Decree on the Statute of Prison Guards and continue to cooperate with the provincial/municipal authorities and NGOs to strengthen law enforcement and respect of human rights in prisons.

357. The MOI continues to strengthen the National Police Force in order to turn it a professionally-skilled force that is equipped with modern technology, courteous, capable to fulfil duties, accountable, law-abiding and has a firm stand on respect for human rights, keeping of security and social order, protection of citizens' life and properties, and honest service delivery to the citizens. The MOI will strengthen police force at administrative posts under the slogan "*police and community*". The MOI will also admit students to the Police Academy of Cambodia in order to train them in police profession and then recruit them to the national police force in accordance with the Ministry's annual needs. Besides, the MOI tasks the Police Academy of Cambodia with organising vocational training courses for prison guards and refresher courses for prison officers and management in all ranks.

### COMBATING DRUGS

358. The National Authority for Combating Drug (NACD) will continue to efficiently implement the five strategies of the 5-Year National Plan on Drug Control. Those strategies include: (1) Curbing Demand for Drugs; (2) Curbing Drug Supply; (3) Treatment, Rehabilitation, and Integration; (4) Strengthening Law-enforcing Capacity; and International Cooperation. The implementation of these five strategies will focus on:

- Increasing public awareness of the hazard of drugs in particular targeting at vulnerable groups by consistently using education and broadcasting measures in all forms and in well-targeted manner and through broad participation of national and international stakeholders including NGOs, religious organisations, philanthropists, aiming at curbing the demand for drugs.
- Enhancing the capacity of law-enforcing institutions in order to crack down the organisational structure of trans-bordering drug dealers in close collaboration with concerned parties as well as taking all multi-pronged legalised measures to combat planting, production, processing, trafficking, dealing, distribution, storing, and use of drugs, and enhancing the awareness, capacity, commitment, professional conscience and accountability of law-enforcing institutions in order to diminish the shortfalls in the implementation of the Law on Drug Control.
- Fostering the establishment of the National Centre for Treatment and Rehabilitation of Drug-Addicted People that is responsible for providing treatment, rehabilitation, vocational trainings to addicted people and for integrating those who have been treated into the family and community, through the formulation of policy documents on *treatment and rehabilitation of drug-addicted people*; *minimum requirements for the treatment and rehabilitation of drug-addicted people*; and *medical norms for the treatment and rehabilitation of drug-addicted people*, aiming at ensuring the sustainability of the National Centre.
- Strengthening health services at the currently existing centres with government support for recurrent expenditures of those centres.
- Identifying prioritised targets for intensifying measures in order to bring about drug-free models of schools, communities at city, district/khann levels, and border villages.



- Strengthening the capacity of concerned agencies at both national and sub-national levels and instructing sub-national drug-controlling institutions to establish consultative groups at commune/sangkat level for advising and communicating with government agencies, health centres, referral hospitals, monasteries, CSOs, and philanthropists in order to facilitate and grapple with drug issues in local communities in targeted communes/sangkats.
- Fostering the formulation of a new draft law on drug control to be approved by legislative bodies in 2010.

359. To reinforce the role of the family and religious values that are the foundation of the social fabric of the Cambodian society, the Ministry of Cults and Religions (MCR) will continue to actively promote the role of family and adherence to the traditional religious values of the Kingdom. To implement the initiative of Samdech Akka Moha Sena Padei Techo Hun Sen Prime Minister of the Kingdom of Cambodia, the MCR has established a programme called “Buddhism and Society” aiming at mainstreaming Buddhist education in to the general public in order to enhance the awareness of moral value and to prevent the use of drug, domestic violence, adultery, sexual exploitation, juvenile delinquency. The MCR has so far organised this programme 4 times whose performances have been produced as VCDs and DVDs and broadcast everyday. The MCR also encourages other religious beliefs to actively participate in the strengthening and enhancing the moral value and ethics.

360. In the fourth legislature, the MCR will strengthen the quality of Buddhist education at all levels (from primary to tertiary) through providing monk students with education services at the currently existing 515 Buddhist educational establishments including 470 Buddhist primary schools, 29 Buddhist lower-secondary schools, and 14 Buddhist upper-secondary schools, and 2 Buddhist universities comprising of total 12 Buddhist faculties located in Phnom Penh and three provinces). All the three Buddhist faculties in Battambang and Kampong Cham and Kampong Chhnang will be upgraded to Buddhist universities in 2010 and 2011 or 2012 respectively.

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

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

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

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

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

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

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

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

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

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

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

366. The Royal Government has succeeded in maintaining macroeconomic stability with economic growth averaging at 11.1 percent from 2004 to 2007, which is higher than the original target of 6 to 7 percent per annum. This has resulted in increase in the GDP per capita from 402 USD in 2004 to 623 USD in 2007. The international reserves have also more than doubled and reached 2,164 billion USD in mid 2008. Inflation has been kept under check, below 6 percent per annum, and the exchange rate has been broadly stable. Foreign Direct Investment (FDI) inflows increased more than six folds from 131 millions USD in 2004 to 867 millions USD in 2007. Since the implementation of the Public Financial Management Reform Programme, the budget revenues have increased on average by 26 percent per annum. The budget has been transformed from a *chronic cash deficit* to a *cash surplus*, thus making the budget become *more credible*. At the same time, the Royal Government has successfully implemented the action plan spelt out in the "*Vision and Financial Sector Development Plan 2001-2010*", which was updated into the "*Financial Development Strategy 2006-2015*".

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

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

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

370. The Royal Government will continue to deepen the implementation of the “**Public Financial Management Reform**”, especially the second platform of this programme in order to enhance the efficiency of the national budget, which is a key tool of the country’s development policy. The implementation of Platform 2 as planned will help to establish a climate of responsibility for the management of public resources at all levels in the administration. Strengths and weaknesses of the management of those resources will be recognised and differentiated. As a result of this step change, a foundation will be laid for the following developments in later Platforms: (a) To build on initial steps towards greater empowerment of budget entities managers to achieve improved results because there will be an improved control framework within which to exercise that empowerment and lessons will have been learned; (b) To begin to identify an alignment between the implementation of policies and the delivery of service improvements with the resources required to achieve those improvements because a foundation of information and analysis about how resources are being used in practice will be in place; and (c) To move on towards accountability for the management of results because the improved accountability for resource management can be built upon. The Platform 2 will focus on:

- Consolidating the credibility of budget through improved policies and management of revenues, debts, bank accounts and cash, and public of procurement.
- Improving budget credibility to achieve financial accountability that can be improved through better streamlining of accountability line as a tool to foster the responsibility for the financial management; consolidation of accountability; implementation of new budget classification and chart of accounts; process and execution of budget, accounting system, and financial report in order to ensure the transparency of internal audit and inspection, the implementation of decentralised financial policies and strategies, and development of institutional capacity and incentive measures.

- Preparing works necessary for the next steps through strengthening and expanding the implementation of programme budget and improving the inclusiveness and integration of the budget.

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

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

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

## **IV. PARTNERSHIP IN DEVELOPMENT**

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

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

374. Cambodia has succeeded in organising consecutive Consultative Group meetings with development partners and also turned this process into the "**Cambodia Development Cooperation Forum -CDCF**". The first and second CDCF meetings were held in Phnom Penh on 19 June 2007 and 4-5 December 2008 respectively, with the Government taking the lead and ownership. At the same time, progress in the implementation of reform programmes, especially the laudable performance of the first platform of the Public Financial Management Reform Programme is an example of such successful partnership between the Government, on the one hand, and the development partner community, the private sector, and the civil society on the other.

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

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

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

### *Towards a comprehensive Cambodia Development Forum*

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

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

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

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

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

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

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

*Towards a strengthened GDCC-TWG mechanism*

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

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

*Leadership as a foundation for partnership*

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

*Partnerships are accountable for development results*

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

*Information as a tool to guide partnerships*

385. The Royal Government considers the information that has been maintained on development cooperation activities as an important tool to guide dialogue with development partners. The Cambodia ODA Database, which is the Royal Government's information platform on development cooperation activities, will be customised to support the work related to planning and budgeting. Consistent with the global commitments in the Paris Declaration and the Accra Agenda for the Action, the Royal Government will continue to

work with development partners and NGOs to ensure timely, accurate and complete ODA information provision, and to support line ministries and TWGs in their efforts to use this information to strengthen their own planning and coordination processes as well as meeting their obligations to report to the national level.

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

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

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

*Strengthen the legal framework for CSOs*

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

*Strengthen mechanisms for responsible CSO participation in dialogue processes*

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

*Towards more effective use of development resources*

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

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

391. Experience of implementing the Harmonisation, Alignment and Results Action Plan emphasised the need for rigorous government leadership in enhancing the effectiveness of development resources at the sector level. The Royal Government will continue to

strengthen the joint process of identifying, agreeing, and monitoring jointly with development partners the implementation of the aid effectiveness priorities that are relevant to sector challenges and focused on achieving results. This prioritised and contextualized approach will continue to guide the aid effectiveness policies.

*Increased net transfer of development resources*

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

*Focus on effective capacity development*

393. The Royal Government recognises the primacy of strengthening human and institutional capacity to exercise ownership and leadership over the development processes. Partnerships with development partners must be steered toward this goal. The Royal Government will ensure that all externally supported technical cooperation will be primarily directed to develop national human and institutional capacities and systems in a manner that is consistent with Royal Government's capacity development strategies and policies and the National Public Administration Reform (2009-2013). The Guideline on Technical Cooperation will be implemented and used to manage these resources at sectoral level as well as to guide support for implementing the core reform programmes of the Royal Government.

*Increased use of programme-based approaches*

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

*Investing in partnerships*

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



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

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

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

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

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

398. The value-added of agriculture increased on an average by 7.2 percent per annum between 2003-2007, compared to 1.6 percent during 1998-2002 and 4.9 percent during 1993-1997. Cambodia has achieved 2.5 tons per hectare of rice yield during the period 2004-2008, the highest yield in Cambodian history, due to more attention to researches on and extension of agricultural technologies aiming at enhancing farmers' know-how in cropping practices; increased investments in irrigation network, improvement in water management, increase in credit made available by commercial banks and microfinance institutions, and increasing use of better cultivation practices. Agricultural intensification has gradually taken roots. Moreover, the increase in prices of rice, maize, soybean, cassava and rubber provides further incentives to the implementation of agricultural diversification policy.

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

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

**B. Planned Actions to Implement the Prioritised Policies**

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

- Improve soil fertility, conduct soil classification for crop zoning, and formulate land use plan;
- Implement the National Action Programme (NAP) to combat land degradation and desertification in Cambodia;
- Strengthen research on and development of crop seeds and crop production technologies;
- Conduct mainstreaming the use of high-quality and high-yielding crop varieties/ seeds;
- Promote crop intensification and diversification;
- Improve knowledge on crop protection;
- Improve quality of produces;
- Strengthen inspection capacity and services for quality and safety of agricultural products;
- Strengthen and expand agricultural extension structure and system through monitoring and evaluation on effectiveness of the agricultural extension works;
- Enhance the capacity of agricultural extension officers and village-based agricultural extension workers through education and training on agricultural extension methodologies;
- Foster the strengthening and development of Farmer Organisations and Agricultural Communities.
- Develop and strengthen agricultural management systems and norms for the technological application in order to contribute to the formulation of local development plans;
- Strengthen professional skills and talents of concerned agricultural officers at all levels;
- Improve structure, roles and responsibilities of the Ministry in order to ensure sustainable agricultural extension;
- Strengthen the effectiveness of the dissemination of agricultural information and technologies through public mass media;
- Increase food crop production and farmer families' income through the implementation of agricultural extension techniques in rural areas;
- Promote the dissemination of information on requirements and conditions of both domestic and external markets under the framework of global trading regime to all concerned stakeholders;
- Strengthen research and development on agricultural machinery techniques and agricultural tools;
- Expand the development and application of agricultural machineries and tools;
- Improve post-harvest preservation technologies;
- Strengthen and expand physical infrastructures necessary for agricultural research, development and technology transfer;

- Further implement the National Action Programme (NAP) in relation to the mainstreaming and raising of awareness of gender issues in agriculture sector;
- Promote effective enforcement of related legal and regulatory frameworks;
- Improve the attribute of rice varieties that have been released and are widely used so that they are able to be resistant to drought, flood, and insect pests of;
- Improve yield and quality of crops including rice crop, cereal crops, fruit trees, tuber crops, fibre crops, vegetable crops and ornamental crops, etc.;
- Strengthen capacity of laboratories for soil, water, insect pest and disease analysis as well as tissue culture;
- Collect, preserve and use germ-plasma of different crops;
- Develop sustainable land preparation techniques for flood-recession rice;
- Develop agricultural tools for seeding, weeding, and tools for harvesting peanut grains;
- Develop storage and packaging facilities for agricultural products;
- Develop technology package for farming systems to increase rice yield through the application of CARDI-released technologies by farmers in the resource-poor and vulnerable regions as well as promote and improve the model-farming system;
- Examine the long-term trends of soil fertility for rice production using organic fertilisers in the rain-fed lowland sandy soils;
- Manage, maintain and develop laboratories for soil, plants and water analysis;
- Examine the seasonal changes in water quality that affects crop production.
- Increase soil productivity in lowland areas for rice production with economic and environmental sustainability;
- Diversify lowland cropping with legumes after the harvest of wet-season rice;
- Increase soil productivity in upland areas for upland crop production with economic and environmental sustainability;
- Collect insect pests and diseases adversely affecting vegetables and cereal crops and preserve them at laboratories in institutes and provinces;
- Carry out researches to develop technology for increasing mushroom culture and production;
- Ensure that the organic and inorganic pesticides that are used meet appropriate standards and are effective in enhancing rice and vegetable production;
- Encourage training and agricultural technology transfer through training courses, workshops, conferences, publication and website;
- Develop legal and regulatory framework and human resource development;
- Reduce animal morbidity and mortality rates;
- Improving public health particularly in relation to zoonotic diseases and food safety;
- Promote animal feed production as well as improve the quality animal breeding stocks;
- Promote the use of animal manures for bio-gas production;
- Enhance and strengthen research and extension programmes on livestock production and veterinary activities.
- Improve credit services for livestock production;
- Promote the investment in livestock production and veterinary activities and foster the markets for animals and animal-originated products;
- Promote the development of and investment in rubbers (household-/private-based) and develop the rubber information system;
- Improve and strengthen the legal and regulatory framework and good governance in rubber sector.

402. In order to promote and growth agricultural production in 2009-2013, the Ministry of Agriculture, Fisheries and Forestry (MAFF) has drafted the laws and regulations as follows:

- Law on Agricultural Insecticides and Agricultural Materials;
- Law on Agricultural Communities;
- Law on Agricultural Management and Transfer of Agricultural Technology;
- Law on Animal Production and Animal Health;
- Law on Rubber;
- Law on Plant Protection;
- Law on Agricultural Product Quality and Safety;
- Law on Agricultural Land Management;
- Sub-Degree on Contractual Agricultural Production;
- Sub-Degree on Agricultural Machinery Management and Agricultural Tools;
- Sub-Degree on Establishment of National Forest Development Fund and Organisation and Functioning of National Forest Development Committee;
- Sub-Degree on Certificate of Agricultural Product Quality and Safety;
- Sub-Degree on Procedures on the Establishment or Dissolving of Controlled Fishing Areas;
- Sub-Degree on Boundaries of Fishing Areas;
- Sub-decree on the Legal Procedures on Investments, Public Bidding, Contractual Leasing, and Payment of Fishing Fees;
- Sub-Degree on Uniform, Sign and Ranks of Forestry Administration Officers; and
- National Policy on Rubber.

403. The key monitoring indicators of progress in the implementation of MAFF programmes are presented in Table 15.

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

KEY INDICATORS	Unit	2008 Actual	2009 Estimated	2010 Projected	2011 Projected	2012 Projected	2013 Projected
Land under crops (cash and industrial crops)	000 Ha	596	645	774	930	1000	1000
Paddy: cultivated area	million Ha	2.61	2.63	2.65	2.65	2.65	2.65
Yield per hectare	tons	2.74	2.77	2.80	2.83	2.87	3.00
Rice Production	million tons	7.17	7.28	7.42	7.50	7.60	7.95
Irrigated land area	000 Ha	1.120	1.145	1.170	1.195	1.220	1.245
Reduction of animal morbidity and mortality rates	%	6.0	5.5	5.0	4.5	4.0	3.5
Production of cattle and buffaloes	Million heads	4.20	4.29	4.32	4.38	4.44	4.50
Cultivated area of rubber	000 Ha	111.4	128.4	143.4	158.4	173.4	188.4
Yield per hectare	tons	0.95	1.10	1.10	1.15	1.20	1.30
Dried rubber production	000 tons	26.6	38.5	49.5	63.3	78.0	97.5
Fishing Lots	Sq. Kms	415	415	415	415	415	415
-Released to Fishery Community	%	56.4	56.4	56.4	56.4	56.4	56.4
Fish: Catch (from all sources)	tons	471	515	617	668	726	788
Forest cover -- % of land area	%	59.00	57.59	57.99	58.39	58.79	59.19
Reforested (cumulative total from 1985)	000 Ha	10.81	18.92	73	73	73	73
Fuel Wood Dependency -- % of households	% of households	73	67	61	59	56	54
Forest Boundary Demarcation	km	321	228	413	500	500	500
Forestry Community	No.	124	210	300	350	400	450

## II. LAND REFORM AND CLEARING OF MINES

### A. Policy Priorities for the Fourth Legislature

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

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

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

407. To ensure land use efficiency, the Royal Government will speed up the preparation of Land Use Map to enable orderly allocation of land for agriculture, industry, tourism, rural, urban, residential and reserved areas in order to prevent improper land use and land conversion. The Royal Government will review and regularly monitor the economic land concessions to ensure that they conform to the agreed upon priorities and to make them active as well as to avoid unproductive holding of land. The RGC continue to implement tax exemptions policy on agricultural land for farmers who till the land for family-based farming.

408. The RGC has adopted policies on the Development of the Indigenous People and the Registration and Use of the Indigenous People's Community Land in the Kingdom of Cambodia. The objectives are (1) to insure effective administration of state land and the conservation of state public properties, including forest land, natural resources and environment which are under the management of various state entities, (2) to expand and strengthen national economic base through promoting private sector investment in agro industry (e.g. rubber plantation), minerals and others, and (3) to mitigate risks of conflict of interest between the indigenous people and the appropriation of economic land concession in order to protect the best interest of the country and with participatory approach. In order to fully implement these policies, the Ministry of Interior, in collaboration with relevant ministries and institutions at all levels and based on requirements of all sub-national administrations, shall devise and adopt legal documents required to properly register selected indigenous community as legal entity. Currently, the RGC is conducting the identification of indigenous people areas and is conducting the formation of indigenous people's community through a participatory approach. As a result, the RGC has so far completed the registration of four (4) indigenous communities. The work plan is to continue more registration of selected indigenous people's communities identified in the country.

409. Progress in mine clearance is illustrated by a sharp drop in mine and ERW-related casualties, from 800 cases in 2003 to 243 cases in 2009. It also resulted in the expansion of road network, agricultural land and the accessibility to all corners of the country. During the fourth legislature, the clearance of mines and ERW will remain government priority, especially in remote areas, areas with landless farmers and areas with high potential for agricultural and infrastructure development. Moreover, the clearance of mines and ERW should be linked to the principles of equitable distribution of cleared land to landless farmers.

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

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

- Organise the implementation of the land reform programme through a sector-wide approach (land administration, land management, and land distribution) with a well-defined mechanism for the monitoring, evaluation, and mobilising DPs' support in order to foster and direct the implementation of the existing policy, legal and regulatory framework to meet the land reform objectives as stipulated in the RGC's Declaration on Land Policy.
- Further foster a conspicuous land registration in order to confer property rights and other rights for all immobile properties (state and private), transfer tenure rights for those properties, as well as to prevent and resolve land disputes, aiming at strengthening safety in land tenure and ensuring the effectiveness of and confidence in land market whilst further develop a policy, legal and regulatory framework to support the performance of all concerned institutions.
- Expedite land management planning at all levels and state land mapping for all cities/districts/khans in accordance with the transparent, participatory, consensual principle and by respecting the hierarchy, order, and the transparent, equitable, sustainable and effective procedures in planning process, as well as prevent the disputes in land use by regulating land development, alteration of land use form, land plot revision, and construction.
- Provide technical support under the framework of National-Level Social Land Concession Committee in order to foster the implementation of the distribution and use of state land in a transparent and equitable manner and based on types and natural favourable conditions of lands aiming at (1) serving public and private interests, (2) ensuring social stability, food security, investment facilitation, (3) responding to public interest, national defence, and citizens' needs for lands particularly poor citizens, vulnerable people, veterans and their families, poor families headed by women, landless and homeless families, indigenous people's communities, through (1) the implementation of Social Land Concession Programme, Sub-decree on Social Land Concession, Sub-decree on State Land Management, and Circular on Illegal Occupancy of State Lands, and (2) fostering the registration of collective lands of indigenous people's communities in the provinces where there are indigenous people's communities that have been already established officially.
- Collaborate with the institutions involved in providing social land concession in promoting partnership between smallholder farmers and owners of crop plantation and other agricultural production corporation and between economic land concession and social land concession aiming at encouraging poor families in agricultural production and in job and market creation for people living in those localities.

411. In terms of specific activities, the Ministry of Land Management and Construction will:
- Further develop the policy and legal and regulatory framework pertaining to the enforcement of Land Law and other related legislation with transparency and participation of governmental and non-governmental stakeholders and by ensuring that the rights and interest of woman and disabled are protected in an equitable and fair manner in order to support the strengthening of land administration, land management and construction, and land distribution that constitute the three sub-sectors of the land reform programme of the RGC. The priorities actions include:
    - Developing a Comprehensive Land Policy Paper (White paper) based on the current Interim Paper of Strategic Framework for Land Policy.
    - Further develop and put in place the policy and legal framework including Land Management Policy; National Policy on Housing; policy and legal framework for land price valuation; Law on Construction and Urbanisation; Law on Measurement and Mapping; Law on Pre-emption, Amended Law on Land Law to harmonise with Civil Procedure Code and Civil Code; Construction Code; National Construction Standards; Circular on Handling the Temporary Constructions on Illegally Occupied Lands in Urban Areas; Guiding Principles related to the Instituting of a Single Window for cadastral service delivery, land plot combination and partition, land price and land market valuation, and for the management of land development in rural and urban areas for the sake of agricultural production, construction, and appropriate limitation of the building height in urban areas particularly in Phnom Penh; and so on.
    - Provide technical support in the development legal and procedural framework for the collection of annual taxes on immobile assets, houses, and lands that are not the agricultural lands to be used for family-crop farming.
  - Expedite the formulation of regulations and technical norms for the staidly-growing construction sector especially for the high-rise building construction using modern technologies as well as for the response to the regional and international community requirements and the requirements for creating convenient conditions for disabled by equipping the MLMUC technical staff with appropriate means for researches on technological progress and for effective technical management and control.
  - Enhance effectiveness of the implementation of the Sub-decree on State Land Management in the Capital City and Provinces and stepwise develop a state immobile assets (lands and buildings) in an integrated data system in order to strengthen the administrations at all level in the area of state land management, use, and distribution, in particular the decentralised and de-concentrated administrations so that they can proceed in line with the actual land potentialities and in a transparent, accountable, equitable, sustainable, and efficient manner.
  - Expedite the registration of state land (public state land and private state land) and private land (individual private land and co-owned building) through the procedures being in force (systematic and sporadic) in a transparent and efficient manner and with the participation of all concerned governmental and non-governmental parties particularly female family heads. This land registration will give the priority to the areas with economic potential and the collective lands of officially recognised indigenous people's communities. Out of a total of 6-7 private land plots to be registered, for each province, the annual targets of the registration for 2010 and 2013 will be 32 percent and 38 respectively and the annual target of land registration for indigenous people's communities will be 2/5 of the land plots of all officially recognised indigenous people's communities.

- Collaborate with the MOI and MRD in examining temporary protective measures for the indigenous people's community lands officially recognised by MOI while waiting for the official registration of lands as collective property of the communities.
- Examine the establishment of a publicly-accessible Land Information System (LIS) as the basis for the development of a national geographic database and for other uses for legalised purposes.
- Collaborate with the MAFF and other concerned ministries and agencies in drafting a Law on Agricultural Lands, establishing a geological information system, and classifying land categories based on its natural characteristics in a unified manner throughout the country.
- Further set up the geodesy and altitude networks throughout the country and establish permanent GPS station.
- Expedite outside-court land dispute resolution through Cadastral Commission at all levels (national, capital city, provincial, city, district, khan) by (1) delegating the decision-making function to the Capital City and provincial administrations; (2) establishing mobile land dispute teams at the districts with a huge backlog; (3) strengthening the dispute-reconciling capacity of the disputing-party assistants; and (4) closely collaborate with National Authority for Land Dispute Resolution as regards multi-party disputes.
- Develop a land management planning system including a master plan or national, regional and provincial land management plans and sub-national land use plans (commune/sangkat and city/district/khan) with the participation of all concerned sectors and parties including civil society organisations and other stakeholders in particular female family heads and disabled people (if any) in order to support the decentralisation and deconcentration of land management, land development planning, well-defined identification of land use areas, particularly the areas with economic potential, viz. Phnom Penh, Kampong Cham province, Battambang province, and the provinces along coastal areas, as well as the preparation of a National Strategic Plan for Integration of Coastal Areas.
- Based on the availability of national budget, the MLMUC will distribute lands for social purposes to 10,000 landless poor families by 2013 pursuant to RGC's Circular on Social Land Concession Distribution Plan. If there are contributions from DPs, this target can be scaled up according to actual planned activities and fund availability and agreement with funding DPs. Under the framework of National Committee for Social Land Concession, the MLMUC has also promoted the implementation of RGC policies on the distribution of social land concessions to retired veterans and their families pursuant to the annual targeted number and actual action plans set out by the Government in order to contribute to RGC's efforts in addressing social issues and national defence.
- Collaborate with the MEF in drafting a Law on the transparent and accountable Management of State Properties.
- Strengthen the internal audit and the MLMUC's inspection team with an explicit work plan for the monitoring of the implementation of related plans and guidelines issued by the Royal Government.

**412. Clearing of Mines:** Although significant progress has been made in clearing mines and ERW's, large land areas remain presumably contaminated with landmines and explosive remnants of war (ERW), which constitute a serious impediment to socio-economic development and claim lives and limbs. Cambodia that had become a signatory of the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-



Personnel Mines and on their Destruction since 1999 has been fully complying with this Convention for 10 years (up to the end of 2009). Nevertheless, the targets set are still to be reached as the magnitude of landmine clearance is greater than the country's capacity. According to the Article 5 of this Convention, Cambodia has requested an extension of the period of time for landmine clearance, from 2010 to 2019 in order to clear the remaining affected land areas of around 470 square kilometres, which approximately requires 330 millions US dollars. In close collaboration with concerned institutions, the Cambodian Mine Action and Victim Assistance Authority (CMAA) has been formulating a National Mine Action Strategy in order to support the landmines/ERW clearance activities.

413. Sustained financial support from the government and DPs will continue to be required to achieve the mine action objectives of the NSDP, and increased support will be needed to carry out the execution of the Convention obligation within the next 10 years.

### **III. FISHERIES REFORM**

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

414. Fish, a natural renewable resource, is very crucial to the livelihoods of Cambodian people in terms of food, income, and safety net. The Royal Government has distributed fishing lots to the people, and has established 469 fishing communities, both marine and fresh water. The objectives of the Royal Government are to maintain sustainability and to ensure regeneration of natural resources including preservation of fish resources in order to contribute to economic development, as well as to ensure the livelihoods of fishing communities.

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

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

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

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

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

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

- The contribution of the fishery to national prosperity is high and sustained.
- The livelihoods of people in the sector are improving and above the national average.
- The fisheries domain and associated resources are in a healthy and resilient condition and sustainably managed.
- Fish is a plentiful, healthy and valuable source of food.
- Fishing businesses are profitable, sustainable and responsible.
- The fisheries domain is managed, developed and conserved in close cooperation with neighbouring countries.
- The policy, legislative and support environment for the sector is sufficient, appropriate and enabling.

420. It will take appropriate actions to:

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

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

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

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

422. The Royal Government considers forest communities to be an important element in forest management. Accordingly, the Royal Government of the Fourth legislature will continue to monitor and evaluate the effectiveness and efficiency of this programme in terms of the improvement of livelihoods of the rural people, the sustainability of forest resources, and the expansion of forest communities. Moreover, the Royal Government encourages the private sector to establish commercial forest plantations in degraded forest land based on agreed technical standards.

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

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

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

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

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

of the protected areas. The Royal Government will mobilise resources, support, and financing to participate in global efforts to address challenges of climate change in particular through mechanisms to reduce gas emission caused by forest degradation.

- Further strengthen capacity development, researches, and sustainable forestry sector development.

## ENVIRONMENTAL PROTECTION AND CONSERVATION AND CLIMATE CHANGE

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

- Ensure sustainable use of natural resources and implement measures that require the Environmental Impact Assessments of the proposed development projects before their implementation are licensed.
- Ensure that ecology system and water environment will not be polluted.
- Prevent and reduce environmental pollution.
- Strengthen NPA management of in order to eliminate anarchy in those areas, eliminate illegal exploitation of natural resources, and control land clearing for use and illegal cutting down of the forests.
- Ensuring the compliance with and enforcement of the Law on Environment.
- Seek for financial resources and support for dealing with climate change issues, both the adaptation measures and reduction measures for green-house gas emission.

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

- Preparing draft law on Genetic Access Benefit Sharing and Traditional Knowledge.
- Preparing law on Water Pollution Control.
- Preparing law on Management of Solid Waste and Hazardous Waste.
- Preparing law on Management of Air Pollution and Noise and Vibration Disturbance.
- Preparing draft law on Chemical Subsistence Management.
- Reviewing and amending law on Environmental Protection and Natural Resource Management.
- Preparing sub-decree on the Implementation of Law on Bio-Safety.
- Preparing sub-decree on NPA Funds.
- Preparing sub-decree on Demarcation of the Controlled Areas in PAs.
- Preparing sub-decree on Demarcation of PAs.
- Preparing sub-decree on Land Allocation to Local Communities and Indigenous People for Productivity Improvement.
- Preparing sub-decree on Demarcation of Phnom Koulén National Park.
- Preparing sub-decree on Demarcation of Marine National Park.
- Preparing sub-decree on Transformation of PAs.
- Preparing sub-decree on Establishing of PAs at Capital City/Provincial Levels.
- Further drafting guidelines on formulation of environmental impact assessment report by sector.
- Developing a National Policy on Solid Waste and Garbage Management to serve as road map for the concomitant implementation countrywide.
- Preparing guidelines on environmentally sustainable management of liquid waste.

- Preparing guidelines to promote the implementation of 3R (Reduce, Re-use, Recycle) through the application at some pilot areas.
- Preparing guidelines on management of air pollution and noise disturbance.
- Arranging activities for the hazardous waste management.
- Mainstreaming the action plan for sustainable management of chemical substances into national development process.
- Preparing guidelines on preparation of action plan for the management of each PA.
- Preparing guidelines on distinction of controlled areas in PAs.

428. In the area of *environmental impact assessment*, the MOE will, in collaboration with concerned ministries and agencies, ensure sustainable use of natural resources and socio-economic development by conducting environmental impact assessments prior to the implementation of development projects by:

- Strengthening technical capacity of technical staff at all levels on environmental impact assessment.
- Preparing and amending legal and policy framework related to environmental impact assessment.
- Strengthening the monitoring of the implementation of environmental management plan, which is presented in environmental impact assessment report, and, the implementation of environmental protection agreements of project owners in their development activities.

429. In the area of *environmental pollution control*, the MOE will:

- Prevent the pollution of environment, ecosystem and water.
- Control and reduce environmental pollution and assess the quality of environment.
- Control and reduce water pollution.
- Implement the environmentally-friendly management of solid waste and other hazardous wastes.
- Control and reduce air pollution and noise and vibration disturbance.
- Promote the implementation of 3R in order to reduce waste and to recycle for reuse or export.
- Examine the inclusion of environmentally- and health-harmful air substances in the air quality control effort.
- Strengthen laboratory capacity and quality.
- Strengthen the capacity of technical staff on environmental pollution control as well as enhance public awareness of the environmental protection.

430. In the area of management of natural resources and climate change, the MOE will:

- Strengthen natural resources management.
- Produce maps, install boundary poles, demarcate the boundary of controlled areas, and carry out data management in PAs.
- Establish National Flora Park and National Marine Park.
- Demarcate potential areas for enhancing livelihood of the communities living in PAs.
- Strengthen the management of PAs communities.
- Strengthen the management and conservation of wetlands, biosphere, and coastal zones.
- Continue to organise Wetland Day.

- Focus on the following priorities to in order to respond to climate change:
  - Strengthen the capacity of the Secretariat of National Committee for Climate Change Management.
  - Promote and coordinate the mainstreaming of climate change in concerned sectors.
  - Continue preparing a Second National Report under the United Nations Convention on Climate Change.
  - Prepare a National Strategy and Action Plan for Climate Change.
  - Promote the establishing of a national fund for climate change.
  - Promote the implementation and update the National Action Programme on climate change adaptation.
  - Further identify and foster the implementation of clean development mechanism and green-house gas reduction projects.
  - Educate and inform the public on climate change.
  - Mobilise resources and support to deal with climate change problems.
  - Decentralise the preparation of inventory of green house gases and set up a database management system.

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

- Facilitate and collaborate with concerned ministries and agencies in environmental education activities for sustainable development.
- Strengthen the efforts in human resource development in the area of environmental education for sustainable development
- Carry out the environmental awareness enhancing programmes and the exchange of up-to-date information in order to adapt to climate change.
- Promote the education and information dissemination on the danger of the use hazardous substances and its residuals in all steps including production, imports and exports, storage, transport, distribution, consumption, and disposal.

## DISASTER MANAGEMENT

432. In the Fourth Legislature of the National Assembly, the Royal Government of Cambodia will focus on implementing the “National Action Plan and Strategy on Disaster Risk Reduction 2008-2013” through strengthening a mechanism of effective participation of all concerned parties in the government, development partners, private sectors and civil society organisations. In order to achieve the strategic goals of disaster management, the National Committee for Disaster Management will carry out the priority programmes as follows:

- Conduct reform of Disaster Management System and Mechanism in order to meet the needs at all levels;
- Promote the establishing of a disaster management working group (DMWG) at ministries/agencies where it is to be set up and the restructuring of the DMWGs at ministries/agencies where they have already been set up, based on the Sub-decree on the Organisation and Functioning of the National Committee for Disaster Management that was approved in April 2002;
- Formulate legal and regulatory framework, Standard Operation Procedure (SOP), and policy guidelines for disaster management; and
- Formulate and implement 5-year strategic plan an annual action plan to promote the mainstreaming and integration of Disaster Risk Reduction (DRR) and Disaster Response Preparedness (DRP) into the development of social and economic sectors and the recovery/rehabilitation/reconstruction.

433. The Royal Government will strengthen the role of the National Committee for Disaster Management in coordinating and implementing “National Action Plan and Strategy on Disaster Risk Reduction 2008-2013” which includes six major components as follows:

- Ensure disaster risk reduction in preparedness for emergency response at both the national and grassroots levels,
- Strengthen the management of disaster risks and preparedness for emergency response at sub-national and community levels,
- Identify, assess and monitor disaster risks and enhance early warning systems
- Use knowledge, recent findings and education to build a culture of safety and resilience at all levels
- Mainstream reduction risk in policies and programmes of concerned ministries and institutions,
- Strengthen preparedness for effective response to disasters at every level.

434. In the framework of regional cooperation, the National Committee for Disaster Management shall implement the cooperation of the ASEAN funds for disaster management as of January 2010.

## **RURAL DEVELOPMENT**

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

435. The RGC for the fourth legislature of the National Assembly continue to attach high priority to alleviating poverty in a quick possible manner. Rural Development is central to poverty reduction since 85 percent of poor population live in rural areas. The RGC will further foster the implementation of integrated rural development programmes focusing on the factors that have positive impact on rural poor people, viz. institutional capacity strengthening and human resource development, implementation of the Integrated Rural Accessibility Planning (IRAP), rural road construction, rural water supply, primary health care and rural sanitation, community development, and development of rural economy, in order to enhance living conditions of Cambodian population in particular rural people.

436. To achieve the rural development goals, the RGC will further focus on:

- Institutional capacity strengthening by means of further consolidating and developing concerned institutions at national level through the development of adequate physical facilities and legal and regulatory framework as well as concerned institutions at sub-national level through strengthening Provincial/Capital-City Rural Development Departments and District/Khan Rural Development Offices.
- Human resource development through continued provision of trainings in different skills and enhancing the awareness on gender issues in development process for MRD officials and general citizens including indigenous people.
- Further implementation of IRAP that constitutes an important strategic framework for better identification of priorities and for preparation of public investment programmes on rural services and infrastructure.
- Provision of rural transport infrastructure in order to improve rural people’s accessibility to services and facilitate the transport of rural products to markets, in particular stepwise construction high-quality and durable roads.
- Further provision of support to commune/sangkat councils for the implementation of small-scale rural infrastructure projects in their localities.

- Improvement of accessibility to safe-drinking water and sanitation in particular in rural communities residing in water-scarce areas as well as waters to be used in households and for irrigation purposes.
- Promoting “one village one product” in order to encourage the development of high value-added products and attract private sector participation.
- Strengthening and supporting the existing mechanism of Commune/Sangkat Councils in order to lead community-based participatory village development process and foster village development of citizens particularly that of armed-forces families living along western and northern borders of Cambodia in order to transform to former battle fields to the regions with social and economic development in association with territorial defence strategies.
- Annual budget increase of ministries’ and agencies’ expenditure budgets by 1percent to be spent for development of the areas along CLV and CLT borders.
- Further promoting rural development through an increase of the scope of micro-finance and fostering the effective use of low-interest-rate rural credits.

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

437. To implement prioritised policies of the RGC for the fourth legislature, the MRD will continue to:

- Attach high priority to institutional capacity strengthening and development for MRD at both national and sub-national levels as well as the promotion of human resource development for MRD’s officials and general rural citizens including indigenous people.
- Implement the IRAP by completing ongoing works in the provinces that have been carrying out this mechanism and expanding this work to other provinces.
- Develop an inventory of all types of rural roads and incorporate those roads into the road map of MRD as well as install name and traffic signs.
- Improve road quality by stepwise transforming the laterite-covered roads to concrete-covered ones or asphalted ones to be constructed on solid and stable foundation soil by blending limestone and cement.
- Construct, repair and maintain all types of existing wells; provide ponds; and produce jumbo cement water jars in order to provide safe drinking water and water for household use as well as build small-scale irrigation system.
- Provide education on health and sanitation and construct toilets.
- Establish VDCs within the existing structures and systems of Commune/Sangkat Councils. The MOI and MRD are to collaborate to outline the procedures for the organisation and functioning of the VDC.
- Further carry out activities to raise people’s awareness of the benefit of “one village one product”.
- Foster the implementation of people’s village development projects in particular those of armed-forces families living along western and northern border areas of Cambodia through the construction of road network, small-scale irrigation system, wells, houses, schools, health centres, and markets as well as provide land for agricultural production.
- Establish community development centres at specific places in Capital City/provinces to serve as experimental locations that provide demonstration of agricultural-crop-farming technologies to farmer families in the community so that they can apply the successful experiences for the increase of their household incomes.
- Foster the implementation of food security programmes at farmer families in the village.



- Cluster farmer families to be associations for provision of low-interest-rate credits to be used for the purchase of fertiliser and seeds, cropping activities, animal husbandry or small business setup in order to increase family incomes, as well as provide guidelines on animal banks and rice banks so that they can help one another in the form of roster funds.

**TABLE 16: KEY INDICATORS OF MINISTRY OF RURAL DEVELOPMENT**

INDICATORS	2008 (Act.)	2009 (Est.)	2010 (Est.)	2011 (Est.)	2012 (Est.)	2013 (Est.)	2015 (CMDGs)
Rehabilitation of Rural Roads – out of total 28,000 kms	24,140	25,658	26,658	27,658	28,658	29,658	32,000
Access to Improved Drinking Water - % of Rural Population	40.49	41.99	43.49	44.99	46.49	47.69	50.09
Access to Sanitation - % of Rural Population	23.24	24.24	25.00	27.00	29.00	31.00	33.00

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

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

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

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

439. In the current context of Cambodia, transport network is “a Prime Mover of Economic Growth”. The transport network linking all parts of Cambodia makes it a cohesive economic body, and help to integrate the Cambodian economy into the region and the world. The RGC has so far almost completed the rehabilitation and reconstruction of important national roads. The Royal Government of the Fourth Legislature will continue to give high priority to the rehabilitation and reconstruction of multimodal transport network connecting all parts of the country, and with neighbouring countries. This will enable provision of convenient, stable, safe, economically efficient, lower cost transportation and logistics services network, aiming at trade facilitation, tourism promotion, rural development, regional and global economic integration as well as national defence.

440. The Royal Government will continue to accord high priority to the maintenance of national roads, the reconstruction of provincial and rural roads, the expansion of ports and the rehabilitation of railways, also in order to connect to the rail network of the neighbouring countries within the Greater Mekong Sub-region (GMS) framework. The Royal Government will make every effort to privatise the operations of Royal Cambodian Railway, and will encourage private sector participation in the rehabilitation of infrastructure and in transportation services.

441. The Royal Government will seek increasing private sector participation, through bidding processes, in routine and periodic road maintenance. It will further strengthen the management and technical supervision and audit capacity of the Provincial Departments of Public Works and Transport and the Provincial Departments of Rural Development. The Royal Government will continue to pursue the open sky policy, strengthen flight safety and enhance airport services.

442. The Royal Government will speed up the adoption of the Transport Policy, Law on Roads as well as supporting legal and regulatory framework for efficient management of transport infrastructure. The Royal Government will place emphasis on traffic safety and stricter measures against transportation offences, including overloaded carriers.

**B. Planned Actions to Implement the Prioritised Policies**

443. The MPWT is responsible for managing the implementation of national policy concerning construction of all public works by: (i) developing legal and regulatory frameworks and cooperate with ministries and agencies to develop the country; (ii) constructing and maintaining transport infrastructure such as roads, bridges, ports, railways, waterways; (iii) formulating regulations for the development of transport infrastructure such as roads, bridges, ports, railways, waterways; (iv) formulating regulations for road, railway and waterway transport and control of road, railway and waterway transport; (v) participating in and coordinating the formulation of laws and regulations pertaining to the construction of transport infrastructure and the transportation, (vi) accomplishing other constructions that are assigned by RGC; (vii) cooperating with the State Secretariat of Civil Aviation concerning all airport construction works; and (viii) promote the participation of women and men in those policies as well as enhance the duties and power on leadership, management and the protection of benefit-gaining rights of women as government officials and citizen in public work and transport sector.

444. The MPWT has organised services deliveries through its following functions/ programmes:

- **The General Department of Public Works** is responsible for the control of the construction, repairing and maintenance of the road, bridge infrastructure. There are five departments in the General Department of Public Works such as Department of Road Infrastructure, Heavy Equipment Centre, Public Work Research Centre, Department of Waterways, and Department of Air Infrastructure.
- **The General Department of Planning and Administration** is responsible for the communication and coordination of the ministry, the management of the affairs concerning the administration, personnel and Human Resource, materials and equipment, finance and accounting, training activities, and the planning. There are five departments in the General Department of Planning and Administration as Department of Planning and Investment, Department of Administration, Department of Personnel and Human Resources, Department of Accounting and Finance, and Department of International Cooperation.
- **The General Department of Transport** is responsible for the management and control of transport by road, by waterway, by sea and formulates regulations to facilitate and ensure traffic safety. There are three departments in the General Department of Transport as Department of Road Transport, Department of Water Transport, and Department of Merchant Marine.

445. To implement the prioritised policies for the Fourth Legislature, the MPWT will carry out the following activities:

**A. In the Road Sector, the MPWT will:**

- Continue Strengthening Management of Roads Network by:
  - Conducting routine and periodic maintenances.
  - Preventing overload transportation.

- Formulating policies on development of Public Works and Transport, especially roads.
- Formulating and updating and adopt strategies and Master Plans for the development of roads.
- Formulating legal documents and regulations for strengthening road management, viz. Law on Roads, etc.
- Preparing road numbering system managed by the MPWT.
- Maintaining and constructing of sewage systems in urban areas located along the national roads.
- Maintaining and installing road signs, lane markings and kilometre signs.
- Strengthening the control of the quality and structures of roads and bridges.
- Preparing a Master Plan for bypass road in Phnom Penh and some provinces and cities.
- Continue the Construction of the Main National Roads for the Integration of all Locations in the Country and the Region by:
  - Continuing the rehabilitation of remaining National Roads in order to connect provincial towns to the Capital and neighbouring countries.
  - Constructing and rehabilitating connecting roads from provincial cities to neighbour countries, especially, roads in the Cambodia-Lao-Vietnam Triangle Development Areas and Cambodia-Lao-Thai Emerald Triangle Development Areas, roads in cooperation framework of Cambodia-Lao-Myanmar-Vietnam, Cooperation framework of Ayeyawady-Mekong-Chaobraya etc.
  - Continuing to seek for funding sources for the enlargement of roads around Phnom Penh to have 4 lanes, for the construction of ring roads around major urban centres, and for the widening NR1, NR4, NR5, and NR 6 to 4 lanes.
  - Conducting studies and seeking for funding sources for the rehabilitation and construction of a number of roads, namely:
    - Road connecting Siem Reap - Preah Vihear - Stung Treng - Ratanak Kiri;
    - Road connecting Mondul Kiri - Koh Nhek - Ban Lung - Lao Border (NR 76, 78a, PR 378a1, 301b, and 301a);
    - Road connecting to the NR 7 - Dom Kralor - Siem Pang - Cambodia-Lao Border;
    - Roads along the borders in the North, North-West, and North-East.
- Collaborate with the MRD and provincial and city authorities in ensuring that the road networks are consistently and coherently organised.

*B. In the Road Transport Sector, the MPWT will:*

- Shorten the duration of time for the registration of vehicles and the issuance of licence plates and driving licence, etc.
- Strengthen the implementation and preparation of a new master plan for road traffic safety.
- Promote the implementation of Cross Border Transport Agreement by:
  - Fostering the transportation of goods with Viet Nam.
  - Fostering the implementation of the Cross Border Agreement with Lao PDR.
  - Fostering the implementation of the Cross Border Agreement with Thailand.
  - Fostering the implementation of a joint control and at-single-counter control with Viet Nam, Lao, and Thailand under the GMS framework.
  - Fostering the facilitation of trans-bordering goods transport and multi-modal goods transport between ASEAN states.
- Strengthen the management of public service deliveries for the management registration of road vehicles and driving licence for road vehicles under the decentralisation and de-concentration framework.

*C. In the Waterway Transportation and Ports sector, the MPWT will:*

- Promote human development in navigation sector through the investment in the creation of domestic establishments for education and training on sea and river navigations.
- Encourage private sector to contribute to developing naval transport and ports as well as create an enabling environment for private-public partnership.
- Enforce the laws and regulations of the Kingdom of Cambodia and the procedures articulated in the Agreements and International Conventions on maritime transport, inland waterway transport and port, which Cambodia is a signatory to.
- Draft laws and regulations on maritime transport, inland waterway transport and port.
- Put in place and strengthen the management mechanism for maritime transport, inland waterway transport and port.
- Ensure the safety and security for ships and ports as well as contribute to environment protection including measures to prevent and reduce the CO<sub>2</sub> emission in the navigation and port sectors.
- Foster the development and use of modern technological system to facilitate the control procedures in a timely and effective manner.
- Pay further attention on the management of transport along the Mekong River from Phnom Penh to the Sea via Viet Nam.
- Finalise the Waterways Master Plan and be prepared for the implementation.
- Continue the implementation of the 2<sup>nd</sup> Project at Sihanouk Ville Port, funded by JICA:
  - Construction of infrastructure for the settlement of a Special Economic Zone covering 70 hectares of port premises (in the first and second phases).
  - A Construction Project of a Multi-purpose Port for serving logistical supports to the off-shore crude oil exploration, and a berth for special cargo in bulk.

*D. In the Railways Sector, the MPWT will:*

- Foster the rehabilitation of railways in both directions and the connection with Thai railway system.
- Promote the final study on the project of a railway from Bat Doeung (Cambodia) to Lok Ninh (Viet Nam) under the ASEAN Railway framework (Singapore - Kunming Railway Link "SKRL").
- Enhance the management of the implementation of the agreement on granting of concessions of the management and operation of Cambodia Railway to private sector, which is a project under the scope of public-private partnership (PPP).
- Foster the setting up of a new Railway Department and promote human development.

*E. In Freight Sending Service, Multi-modal Transport, Logistics, and Shipping Services, the MPWT will:*

- Prepare, in collaboration with other concerned ministries-agencies, a master plan on logistics supply and multi-modal transport in the country and region in order to enable trade facilitation;
- Increase the efficiency of freight sending service, multi-modal transport, logistics, and Kampuchea Shipping Agency & Brokers (KAMSAB);
- Support and promote the activities of KASAB in order to enable it to play its roles as freight sender, representative and service provider, on behalf of ship owners or ship chartering entities or freight owners, and as logistics provider according to the needs, as well as ensure efficiency, safety, quality, timely delivery to the destination, reasonable cost with competitive advantages.

*F. Transportation in Urban Areas:*

- Strengthen and improve the environmental and urban transportation management.
- Foster the planning of urban and public transportation in major urban centres.
- Foster the preparation of a new master plan and the development of infrastructure for urban transportation including a construction project for commuter light train in order to contribute to reduction of CO<sub>2</sub> emission resulting in environmental pollution, global warming, and climate change.
- Foster the efficient, effective, and safe use of public and urban transportation infrastructure and services managed and owned by private sector.
- Put in place additional measures for the management of traffic in order to minimise the extent of traffic congestion.
- Enforce the Traffic Law and improve road safety.

*G. Strengthening and Improving the Management of Statistical Database and the Planning for Transport Sector:*

- Strengthen and improve the planning, statistics, and data management and dissemination for transport sector.
- Strengthen the human and institutional capacity in transport sector.

*H. In the Development of Policy, Legal, and Regulatory Framework and its Enforcement, the MPWT will:*

- Enforce the Road Traffic Law (promulgated on 8<sup>th</sup> February 2007) and the Sub-decree on the Management of Garages that Repair and Transform Vehicles.
- Draft policies and regulations that have already been submitted for approval include:
  - National Policy on Transport Sector.
  - Sub-Decree on the Management of Waterways Transportation (being revised).
  - National Policies, Strategies, and Action Plans on Road Traffic Safety.
- Draft policies, laws, and regulation that are being prepared and to be submitted for approval include:
  - Sub-Decree on the Management of Goods and Passenger Transport Businesses;
  - Sub-Decree on the Establishing of Joint Control Committee for Road Traffic Violation;
  - Law on the Multi-modal Transport;
  - Procedures on De-scoring of Driving Licence;
  - Law on River Transport;
  - Law on Road Traffic Law (being amended);
  - Master Plan on Inland Waterway Transport;
  - Sub-Decree on the Vehicle Registration and Issuance of Vehicle Identification Card, and Licence Plate;
  - Sub-Decree on Road Transport;
  - Sub-Decree on the Establishing of Road Traffic Safety Committee (being revised);
  - Sub-Decree on the Management of Transport Service Companies;
  - International Driving Licence (being created);
  - Sub-Decree on the Management of International Driving Licence;
  - Policies and Action Plans on Traffic Safety;
  - Law on Transportation (being formulated);
  - National Policy and Administrative Management System for Port Sector in Cambodia, 2009-2011 (being developed);
  - Policy on Maritime Transport;

- Procedures on Sea Vessels Registration;
- Maritime Navigation Code (being reviewed);
- Sub-Decree on the Establishing of Spilled Oil Combating Committee (being prepared);
- Sub-Decree on Issuance of Sailor's Book (being prepared);
- Law on Port (being prepared);
- National Policy on Ports (being formulated);
- Sub-Decree on Waterway Transportation (being prepared);
- Royal Kram on Maritime Transportation (being reviewed);
- Sub-Decree on the Establishing of a National System for Preventing Oil Spill and Cooperation to Deal With Oil Spill;
- Prakas on the Authorisation for Vessels' Docking at the Ports of the Kingdom of Cambodia;
- Prakas on the Security Within the Port Zones of the Kingdom of Cambodia;
- A National Plan to Prevent Risks Caused by Spilled Oil;
- A Master Plan on Waterway Transportation in the Mekong River System of Cambodia.
- A Master Plan Update on Development of Road Network in the Kingdom of Cambodia.
- A Master Plan on Maritime Transport and Seaport.
- Forster the ratification and the implementation of the Agreement on Waterway Transport with Vietnam.
- Forster the ratification and implementation of ASEAN Agreement on Inter-State Transport Agreement, First ASEAN Protocol on the Identification Cross-Border Check Points and Transit Passages, and other International Conventions and Agreements.

446. The State Secretariat of Civil Aviation (SSCA) is responsible for leading, managing and developing the Cambodia's civil aviation sector to ensure a safe, secure, efficient, quality, and cost-effective international and domestic air transportation services at international standards of performance, and to maximise the sector's vital contribution to Cambodia's economic and social development and international, regional, sub-regional cooperation. To contribute to further implementing RGC's Open Sky Policy and to strengthen flight security and safety and environmental sustainability as well as enhance airport services, the State Secretariat for Civil Aviation (SSCA) will be implementing the following prioritised activities:

- **Strengthening the international cooperation in civil aviation sector:**
  - Gradually integrating into and harmonising with ASEAN, GMS, CLMV Open Sky Policies and other international cooperation frameworks.
  - Promote the development and enhancement of institutional capacity particularly the management restructure of the SSCA to gradually transform the management system from a centralised to a decentralised and de-concentrated one as well as to meet the ICAO requirements.
- **Strengthening flight security and safety:**
  - To amend the Law on Civil Aviation which has been adopted and promulgated in order to meet the need to strengthen flight security and safety and to prevent the climate change caused by air transportation services.
  - To strengthen the roles of SSCA in updating and formulating regulations for technical and economic norms and for environmental sustainability in the civil aviation sector.
  - To enhance the capacity development for controlling security, safety and reduction of impact on environment in air transportation services based on the existing laws and regulations.
  - To institute official agreements on security, safety, and operation data exchanges with neighbouring countries.

- **Strengthening air navigation and aerodrome services :**
  - To improve and modernise the identified airports and related infrastructures including the implementation of the new system of Communication Navigation Surveillance/Air Traffic Management (CNS/ATM).
  - To promote the participation of private and public sector in the development of airport infrastructure and aviation services in particular foster private investment in activities that are directly and indirectly related aviation sector. Those include golf clubs, entertainment parks, and aero sports, etc., which are located nearby the airport and will be encouraged to increase incomes, ensure the sustainability of the airport, and to promote tourism sector.
  - To promote the participation in controlling and coordinating development process of businesses under concessional agreements.
  - To further enhance the capacity and knowledge of female employees in order to improve the role and status of women in air transportation services.
  - To develop information technology, meteorological information system, statistical data system, and conduct studies and researches.

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

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

447. The Royal Government has rehabilitated existing and constructed more irrigation networks and has taken other measures to maximise its full potential in order to solve the water needs of the agriculture sector. As a result, the capacity of water reservoirs has expanded and the ability to provide water for cultivation has increased. The Royal Government has established water user communities with increasing participation from farmers. Provision of potable water supply in the urban and rural areas has also been progressing well.

448. The Royal Government of the Fourth Legislature will continue to accord priority to the rehabilitation, construction, maintenance and efficient management of irrigation infrastructure, water reservoirs, canals, pipes, drainages, flood and sea protection levees, and water pumping stations to increase irrigated areas and boost agricultural production.

449. The Royal Government will pay more attention to the rights of access of people to clean water supply to ensure food safety and better livelihoods in accordance with the Cambodia Millennium Development Goals (CMDGs) and will also preserve the ecosystem of unpolluted water and clean environment. As part of the vision for the future in water management in the Mekong basin, the Royal Government will continue to take measures to rationalise water use in all water bodies, including rivers, lakes and the Tonle Sap Lake.

450. The Royal Government will enhance efficient management of the irrigation system by strengthening the institutional capacity of concerned ministries and agencies. It will further increase people's participation in the decentralised management and use of the irrigation systems in order to address water issues for cultivation, facilitation of navigation and promotion of aquaculture, and will strengthen the capacity of water user communities. Along with use of resources from development partners and its own resources, the Royal Government will encourage private sector participation in the development and the management of irrigation systems and clean water supply.

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

451. To implement RGC's priority policies for the Fourth Legislature, the Ministry of Water Resources and Meteorology's (MWRAM) actions will be focussed on the following five strategic areas:

- I. Water resources management and development and implementation of a hegemonic irrigation system.
- II. Flood and drought management.
- III. Fostering the enactment of laws and regulations and water sustainability.
- IV. Water resources and meteorological information management.
- V. Improvement of administration and human resource development.

452. In the area of *water resources management and development, and implementation of a hegemonic irrigation system*, the MWRAM will:

- Rehabilitate and construct the existing irrigation system to meet the urgent needs of water for agriculture.
- Promote dissemination of appropriate water management technologies in agricultural areas which depend on rain.
- Prioritise rehabilitation and construction of reservoirs, ponds, canals and drainage system to ensure the water supply for cultivated land areas, aquaculture, daily use and animals.
- Prioritise the rehabilitation and construction of irrigation system and drainage system in the areas where the poor reside.
- Strengthen technical and management capacity of MOWRAM staff to implement irrigation and drainage methodologies and techniques.
- Involve farmers, stakeholders, and private sector to participate in all stages of project improvement process as well as in irrigation and drainage system development.
- Promote studies and design a short-, medium- and long-term river basin development plan with the consideration of the change in river-water discharge, water current, and aquifers to ensure the use of water resources at present and in the future.
- Pay attention to prioritised river basin and conserving aquifers.
- Implement multi-approaches to water resources management and development thoroughly considering water resources which are linked to other aspects of environment, the change in environment, the change in the human needs for water resources and the needs for innovative approaches to sustainable water resources management.
- Increase the awareness of and encourage the preparation and implementation of river basin development and management plan in collaboration with concerned ministries/agencies and beneficiaries.
- Encourage the participation of Farmer Water User Community (FWUC), beneficiaries, and private sector at all stages of development and management of irrigation and drainage system.
- Improve FWUC capacity on how to manage, maintain, and operate irrigation system through a participatory management and development process.
- Encourage investments from international development partners and the private sector to support the development, maintenance, and management of the irrigation system through a participatory management and development process.
- Generate incomes through irrigated agriculture and continued investments in water resources sector for crop production.

453. In the area of *flood and drought management*, the MWRAM will:

- Promote and focus on studies and construction of flood controls and water drainage with the aim of minimising natural disasters caused by water.
- Undertake all actions to mitigate floods in all areas with high economic potential through providing education to communities and information to public via mass media.



- Urgently respond to the needs of people residing in the areas affected by drought, flood and other calamities caused by water.
- Further encourage all people and institutions to participate in flood reduction actions such as: arranging flood-safe raised grounds; providing materials and machineries, education; showing new technologies well suited to the concrete conditions.
- Actively participate in national and international programmes to mitigate the impact of disasters caused by water.
- Be prepared for water-pumping interventions to rescue dry season rice and rainy season rice for people in all provinces while water shortage prevails, especially in the areas near water sources and not covered by irrigation systems.

454. In the area of *fostering the enactment of laws and regulations and water sustainability*, the MWRAM will:

- Prepare sub-decrees to implement Law on Water Resources Management endorsed in June 2007, namely:
  - Sub-decree on Farmer Water Users Community.
  - Sub-decree on Water Licence and Water Distribution.
  - Sub-decree on River Basin Management.
  - Sub-decree on Water Quality.
- Strengthen the enforcement of Law on Water Resources Management and other related regulations to monitor and prevent all rehabilitation and construction projects that might have adverse impact on water resources and ecosystem.
- Formulate procedures for the assessment and reduction of impact on water resources and society.
- Maintain water discharge and minimum water level in rivers and lakes to ensure the sustainability of ecosystem and navigation.
- Prohibit and take actions immediately to deal with landfills, excavations or invasions in waterways or permanently inundated areas and coastal areas, which cause adverse impact on water resources, ecosystem and environment.
- Strengthen the conservation of reservoirs and natural lakes which are capable to store water to help reduce flood and maintain ecosystem.
- Further strengthen and expand the Farmer Water Users Communities to contribute to water management and distribution with the effective and sustainable maintenance of irrigation system.
- Prepare a Sub-decree on Demarcation of Geographical Positions of Irrigation System and Reservoir in order to prevent potential invasions in the areas covered by the irrigation system.

455. In the area of *water resources and meteorological information management*, the MRWAM will:

- Strengthen and expand meteorological and hydrological system including data collecting and broadcasting.
- Forecast and announce the emergencies to citizens residing in areas affected by drought, floods, and storm for a short, medium and long term.
- Improve and install meteorological and hydrological stations, rain gauge stations, and water staff gauges at important locations and rivers, including data collection and dissemination.
- Install hydrological observation system to provide accurate water level, and water discharge data for flood forecasting and hydrological data used for preparing project proposals and water resources management.

- Install meteorological observation system to receive accurate weather data for weather forecasting, and weather data required for preparing project proposals and other purposes.
- Provide public with weather forecast information, advice and education to enhance their understanding on how to prevent and minimise the impact of events caused by nature and climate change: storm, lightening storm, tsunami, and flood etc.
- Develop an inventory and geographical map for irrigation systems, flood control systems, polders, river basins, inundated land areas, and water resources management.

456. In the area of *improvement of administration management and human resource development*, the MWRAM will:

- Strengthen the administrative processes and provide on-the-job training to MOWRAM officials to meet national and international standards.
- Further strengthen officials' capacity at national and sub-national levels and the capacity of FWUC to be aware of the significance of water to daily livelihood and economic development and advise them to actively participate in preparing plans for effective and sustainable water resources management, maintenance, conservation, and utilisation in order to preserve good ecosystem, by using all means such as organising training programmes, workshops, and incorporating these issues in the curriculum of education institutions, and widely disseminate this information through bulletins, magazine, radio, TV and other medias.
- Create gender network in all provincial departments of the MWRAM.
- Increase the gender awareness and analysis in all provinces.
- Ensure the participation of gender working group in all activities of the Ministry.

457. In carrying out its functions, the MWRAM will focus on:

- Maximising the potential benefits of the irrigation system to solve water problems for agriculture;
- Ensuring that the FWUCs have a greater participation of farmers;
- Strengthening the process to prioritise the rehabilitation, construction, maintenance, and management of irrigation infrastructure -- reservoirs, drainage system, canals, flood control system, polders, and pumping stations -- in order to increase cultivated areas and agricultural production;
- Paying attention to citizens' opinions on and rights to have access to clean water and ensuring food security in people's daily life in order to achieve CMDGs and to secure an unpolluted ecosystem and unpolluted water in the Mekong River Basin and continue studies of the use of water resources in rivers, lakes and Tonle Sap River.
- Increasing irrigation management effectiveness by building capacity.
- Ensuring the participation of concerned institutions and the ownership of people in the use and management of irrigation system.
- Ensuring that sufficient lean water is available and water quality is well secured in order to meet the need for water of all sectors for the whole year and to protect the ecosystem.
- Maximising the mitigation of flood effects and build capacity to prevent floods from rain and sea water.
- Avoiding polluting water resources in order to protect the ecosystem especially fish resources.

## URBAN DRINKING WATER SUPPLY

458. To implement RGC's priority policies for the Fourth Legislature, the Ministry of Industry, Mines and Energy (MIME) actions will be delivered through the following three programmes:

- i. Enactment of regulations and building of partnerships with private sector to promote private sector participation and to provide protection and subsidies to the poor.
- ii. Reform of the management of public water work authorities in order to enhance their capacity.
- iii. Strengthen environmental protection and sanitation to preserve an unpolluted water ecosystem and clean environment.

459. In the programme area, *enactment of regulations and building of partnerships with private sector to promote private sector participation and to provide protection and subsidies to the poor*, the MIME will:

- Prepare a guideline manual on procedures and principles for private investment in drinking water supply.
- Prepare Prakas on production and supply of drinking water.
- Prepare Prakas on water-production cost policy.
- Examine the water production costs set by private water works in all urban centres.
- Strengthen the law-making capacity of regulators.
- Organise consultations with sub-national authorities in order to reach an agreement on the role and responsibility of each entity in the drafting and enactment of regulations for drinking water supply.
- Strengthen capacity of sub-national authorities in the drafting and enactment of regulations for drinking water supply.
- Enact regulations to promote private sector investment in drinking water supply.
- Strengthen private service providers' technical capacity in drinking water supply and in bookkeeping.
- Implement SME development projects for drinking water supply in Cambodia.
- Conduct studies on development programmes for drinking water supply and sanitation in urban centres.
- Promote partnership with private sector within the framework of Government-Private Sector Forum on drinking water supply and sanitation.

460. In the programme area, *reform of the management of public water works in order to enhance their capacity*, the MIME will:

- Conduct studies on improving quality, business efficiency, and governance of water works.
- Monitor the status of progress in the operations of public water works.
- Examine the drinking water production costs set by public water works except for the autonomous ones.
- Implement training and capacity building projects for public water works in 8 municipalities.
- Foster the establishment of Cambodia Water Works Association (CWWA).
- Implement drinking water supply and sanitation expansion projects for poor communities in 5 cities.
- Conduct studies on and developing drinking water supply and sanitation expansion projects for poor communities in 5 cities.

- Conduct studies on and develop rehabilitation projects for water works in Kratie and Stung Treng Provinces.
- Implement the rehabilitation and development projects in the Triangle Region in Rattanak Kiri and Mondul Kiri provinces under grants from Japanese Government.
- Conduct studies on and developing drinking water supply expansion project in Siemreap Town.
- Conduct studies on and developing drinking water supply in Prasat Sambo in Kampong Thom Province.
- Implement the rehabilitation and expansion project for drinking water supply in Kampot Provincial Town.
- Develop and implementing drinking water supply system rehabilitation and expansion project in 6 Cities.
- Develop and implement drinking water production capacity expansion project in Battambang Town and Kampong Cham Town.

461. In the programme area, *strengthen environmental protection and sanitation to preserve an unpolluted water ecosystem and clean environment*, the MIME will:

- Enhance the communities' awareness of the importance of safe water and sanitation through various types of broadcastings and educational activities.
- Coordinate the preparation of a plan for integration of environmental management and sanitation in 5 cities.
- Organise and carry out the coordination of the preparation of a plan for integration of environmental management and sanitation in 5 cities.
- Implement a study project on institutional framework relating to environmental management and sanitation.
- Implement a study project on financing strategies for environment, sanitation and safe water sector.

### **III. DEVELOPMENT OF THE ENERGY SECTOR**

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

462. In the Third Legislature, the Royal Government has succeeded in the rehabilitation of the electricity supply system and extended supply to some strategic regions. Some concrete achievements include: (1) the commencement of construction of the hydro-electric generating station at Kamchay and Atai and some transmission lines; (2) the rehabilitation and expansion of electricity supply system in Phnom Penh to meet actual demand; (3) the rehabilitation and reconstruction of electricity supply system in a number of provinces to meet local demand; (4) the construction of receiving system in the border areas to enable import of low cost electricity from neighbouring countries; and (5) the provision of electricity in rural areas from privately operated small-scaled generating units in accordance with the licensing arrangements under the Law on Electricity.

463. In the Fourth Legislature, the Royal Government will attach priority to increase electricity supply capacity and reduce tariff to an appropriate level while strengthening institutional mechanism and management capability. To this end, the Royal Government will encourage the construction of low cost electricity generating plants by using local energy sources such as hydro power, natural gas, and coal. In addition, the Royal Government will explore possibilities of developing high-tech power plants including nuclear and non-traditional

energy, and will pursue the import of electricity from neighbouring countries. The diversification of energy resources and the creation of the reserve generating capacity in the system are key to ensure energy security in Cambodia. Moreover, the Royal Government will encourage construction of electricity transmission lines covering all parts of the country to enable the supply of quality and low cost energy from all sources to meet the demand in cities, provinces, urban and rural areas; and will gradually integrate Cambodia's electricity energy system into the networks of the Greater Mekong Sub-region (GMS) countries and ASEAN.

464. In order to reduce poverty and ensure harmony in the lives of people in the rural areas, the Royal Government will continue to attach priority to accelerate rural electrification, including the use of renewable energy.

465. The Royal Government will accord high priority to encourage the private sector to invest in energy infrastructure, including generation, transmission and distribution. The Royal Government will make further efforts to mitigate adverse effects on environment and society in the implementation of energy projects while safeguarding economic efficiency of each project. Attention will also be paid to capacity building and institutional reform in the Electricity Authority of Cambodia (EAC), Electricity Du Cambodge (EDC) and other relevant ministries and agencies to improve management efficiency and the quality of electricity supply.

466. The Royal Government considers oil and gas resources as a unique potential to ensure energy security and as valuable resources for long term economic development of Cambodia. In this sense, the Royal Government will develop policy, legal and regulatory framework for the sector in order to ensure efficient management and resources utilisation for economic development and improvement in livelihoods of the Cambodian people.

467. The Royal Government encourages the use of efficient energy with minimal impact on the environment.

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

468. To implement RGC's priority policies for the Fourth Legislature, the Ministry of Industry, Mines and Energy (MIME) will focus on:

- Increasing electricity supply capacity and reduce tariff to an appropriate level while strengthening institutional mechanisms and management capability.
- Ensuring reliability of electricity supply in order to facilitate and attract investment in this sector and to foster economic development.
- Developing policy, legal and regulatory framework for energy sector in order to ensure efficient management and resources utilisation for economic development and improvement in livelihoods of the Cambodian people.
- Encouraging the use of efficient energy with minimal impact on the environment.

469. To meet the demand for electricity across the whole country, the MIME will:

- Promote the exploration of energy sources such as hydro power, natural gas, and coal for the electricity generation.
- Ensure the confidence and stability in electricity supply in order to facilitate the investment and socio-economic development.
- Encourage the efficient use of energy and mitigate adverse effects on environment resulting from energy supply and use.

- Encourage the private sector to invest in energy sector, including generation, transmission and distribution.
- Further foster the development of all types of renewable energy such as biomass, biogas, bio-fuel etc., and enhance the efficiency of energy through the use of energy-saving stoves in order to reduce the use of fuel, firewood, charcoal, etc.
- Promote regional energy trade through bi-and multi-lateral cooperation.

470. To increase the supply of available electricity during the next five years, 2009-2013, the MIME will:

- Commission Kamchay Hydropower Station (193 MW) in 2011;
- Commission Kirirom Hydropower Station 3 (18 MW) in 2012;
- Commission the First Phase (100 MW) of the Thermal Coal Power Plant 1 with the total capacity of 200 MW in Preah Sihanouk Province in 2011;
- Commission Stung Atai Hydropower Station (120 MW) in 2012.
- Commission the Second Phase of the Thermal Coal Power Plant 1 with the total capacity of 200 MW in Preah Sihanouk Province in 2012;
- Commission Stung Tatai Hydropower with one part of its total power of 246 MW in 2013.
- Commission Stung Russey Chrum Krom Hydropower with one part of its total power of 338 MW in 2013.

**TABLE 17: MINISTRY OF INDUSTRY, MINES AND ENERGY INDICATORS**

Indicator	Unit	2008	2009	2010	2011	2012	2013
Electricity generated	million Kwh	1,858.364	1,882.003	2,164.300	2,488.945	2,862.287	3,291.629
Household consumers	Nos	487,426	560,539	644,621	741,314	852,511	980,388
Per capita consumption/year	Kwhs	139	135	153	174	197	224
Transmission line network (22 KV)	Kms	1,450	1,595	1,914	2,201	2,531	2,911
Transmission line network (115 KV)	Kms	323	353	353	476	547.5	547.5
Transmission line network (230 KV)	Kms	0	100	100	269	1,182	1,407

*Source: Ministry of Industry Mines and Energy.*

471. To expand the electricity transmission network, the MIME will:

- Commission a 230KV transmission line (73 kilometres) connecting Takeo - Kampot and the Kampot Sub-station in 2011.
- Import electricity via a 115KV (58 kilometres) with the capacity of 20MW from Cambodia - Lao Border to Stung Treng Provincial Town and install a Strung Treng Sub-station in 2011.
- Import electricity via a 115KV (65 kilometres) with the capacity of 20MW from Cambodia - Vietnam Border to Kampong Cham Provincial Town and install three Sub-stations (Pognea Krek, Suong, Kampong Cham) in 2011.
- Commission a 230KV transmission line (89 kilometres) connecting Takeo - Preah Sihanouk Province and the Preah Sihanouk Province Sub-station in 2011.
- Commission a 230KV transmission line (175 kilometres) connecting Osom substation (a joint sub-station for connecting other hydropower stations in that region) with Pursat Sub-station in 2012.

- Commission a 230KV transmission line (302 kilometres) connecting Phnom Penh - Kampong Chhnang - Pursat - Battambang and three sub-stations (Kampong Chhnang, Pursat, Battambang) in 2012.
- Commission a 230KV transmission line (110 kilometres) connecting Phnom Penh - Kampong Cham in 2012.
- Commission a 230KV transmission line (120 kilometres) connecting Kampong Cham - Katie in 2012.
- Commission a 230KV transmission line (130 kilometres) connecting Kratie - Stung Treng in 2012.
- Commission a 230KV look line (71.5 kilometres) surrounding Phnom Penh.
- Commission a 230KV transmission line (225 kilometres) connecting Phnom Penh - Preah Sihanouk Province along the NR 4 in 2013.

472. To implement RGC's priority policies for the Fourth Legislature, the Cambodian National Petroleum Authority (CNPA) will focus on:

- Making further efforts to get maximum revenues to the Royal Government through multi-layered revenues such as royalties, production sharing, income taxes, etc, in order to increase the financial capacity of the government.
- Developing policy, law, regulations, and regulatory framework for petroleum sector in order to ensure efficient management and oil and gas utilization for long term economic development of Cambodia.
- Paying close attention to and preparing plans for the appropriate use of gas that is associated gas which will be produced with the oil production which might otherwise go to waste by flaring.
- Enhancing appropriate downstream activities for appropriate economic and commercial processing and use of the oil and gas resources of Cambodia so as to create value-adding opportunities.
- Promoting human resource development and institutional strengthening to improve management efficiency of oil and gas resources for economic development and improvement in livelihoods of Cambodian people.
- Managing and monitoring the implementation of petroleum agreements more efficiently.
- Promoting research and development focusing on oil and gas issues.

#### **IV. DEVELOPMENT OF INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)**

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

473. In the Third Legislature, the telecommunication sector has made remarkable progress through the expansion of the coverage of the post and telecommunication services and Internet, and the increase in the numbers of users.

474. This is a fiercely competitive sector. The Royal Government of the Fourth Legislature will continue to develop the post and telecommunication system and promote the development of information and communication technology (ICT) to ensure high quality conforming to international standards, low price and reasonably nation-wide coverage. The priorities are to: (1) speed up the adoption of the Law on Telecommunications and associated legal and regulatory framework; (2) build capacity of the sector; (3) improve and modernise the equipment and technology to ensure effectiveness and a wider coverage of the services; (4) foster competition in the postal and telecommunication services to ensure efficiency of this sector; (5) increase the efficient use of IT system and promote e-government, and (6) build and enhance efficiency of the backbone infrastructure for the information and communication technology sector.

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

475. To implement RGC's priority policies for the Fourth Legislature, the Ministry of Post and Telecommunications (MPTC) will take actions to expand telecommunications services and reduce fees by:

- Developing and providing information on investment opportunities to investors to build telecommunications infrastructure.
- Efficiently managing the implementation of development projects that are underway to ensure the completion of these projects on schedule. These projects include:
  - Rehabilitation of Sub-marine fibre optics cable.
  - Great Mekong Sub-region Telecommunication Backbone Network – GMTBN (Economic Corridor) of JICA Project CP-P5.
  - Rehabilitate the sub-marine fibre optic cables.
  - Projects in the Greater Mekong Sub-region to link fibre optics network from Siem Reap to Skun; Kampong Cham to Lao PDR boarder (Stung Treng); and improvement of telecommunications services in both urban and rural areas.
- Continuing to monitor and to take legal actions against telecommunication operators who are in violation of their contracts.
- Formulating and promulgating regulations related to this sector, which are required to guide the investment companies.
- Continuing to give priority to stop leakages of revenues from the mobile telecommunication system.
- Continuing to promoting the development of fibre optic cable network using underground and sub-marine cables to improve communication services within the country and to communication to international destinations.
- Enhancing and improving research and development focusing on gender issues.
- Constructing telecommunication offices at Ratanakiri, Takeo, Stung Treng, and Kampong Thom provinces.

476. To strengthen the regulatory framework, the MPTC will be continuing works to receive official approval for:

- Law on Telecommunication (2009).
- Law on Radio-communication (2010-2011).
- Law on Cyber (2011-2012).
- Law on Fibre Optic Cable Network.
- Sub-decree on the Establishment of Cambodia Telecommunication.
- Sub-decree on Establishing Universal Telecommunication Services (2009-2011).
- Ratification of Charter and Convention of International Telecommunication Union (2009).
- Ratification of the Adaption of Cambodia as Signatory of Memorandum of US Internet Association (2009-2010).
- Ratification of International Multilateral Partnership Against Cyber Threats (2010-2011).
- Policy on Management of Telephone Services through Voice over Internet Protocol (VoIP) and Internet Service Provider (ISP) (2010-2011).
- Announcement on Tabulation of National Frequency Plan (2009).
- Announcement on Establishing of Commission for Radio Frequency Usage Management (2010).
- Circular on Installing of Radio Antenna (2009).
- Prakas on National Telephone Numbering Scheme (2009-2010).
- Prakas on Costs of Using Telephone Numbering Scheme (2009-2010).
- Prakas on Connection of Public Telecommunication Network (2009-2010).



- Prakas on Management of Radio-communication Equipment and Cost of Radio Frequency Use (2011).
- Prakas on Technology Management, Setting-up and Usage of Telephone Service (Mobile and Fixed) 2009.

477. The growth targets set for the expansion of the telecommunications sector are presented in Table 18.

**TABLE 18: TARGETS FOR THE EXPANSION OF TELECOMMUNICATION SERVICES**

Targets	2008 Actual	2009 Actual	2010 Forecast	2011 Forecast	2012 Forecast	2013 Forecast
Mobile & Fixed Telephones (in '000)	4,143	6,447	7,100	7,700	8,300	8,900
Number of Internet Subscribers	20,108	291,413	350,000	400,000	450,000	500,000

478. To implement RGC's priority policies, the Ministry of Information will:

- Expand coverage and improve the quality and effectiveness of the national media to provide services to 95 percent of the population across the country, to the region and other continents, including North America.
- Continue construction of new provincial radio and television stations and improvement of their capacity to enable them to rely on live major events at the national level, and to be able to produce and broadcast programmes to more areas, especially on issues facing women and children.
- Build institutional and human resources capacity, with an emphasis to increase the number of female staff, to improve delivery of services to the public and to effectively interact and cooperate within ASEAN, in the region and with development partners.
- Enforce the Press Law in order to enhance the rule of law, and freedom of the press, of expression and of publications.
- Study, research and draft legal instruments in order to effectively regulate the media businesses and to support the development of audio information and information technology.
- Continue encouraging and opening up the participation of the public sector, civil society groups, and non-governmental organisations, and give priority to women to play their role in the audio information.

**TABLE 19: MINISTRY OF INFORMATION INDICATORS**

Main Indicator	Unit	2008	2009	2010	2011	2012	2013
<b>A. State Media</b>							
1. State Television (TVK)							
- Central Station	No.	01	01	02	02	02	02
- Provincial Stations	No.	05	05	07	07	08	10
2. State Radio (RN)							
- Central Station (AM)	No.	02	02	03	04	04	05
- Provincial Stations (FM)	No.	11	13	15	16	18	20
3. National News Agency	Location	01	01	01	01	01	01
<b>B. Private Media</b>							
1. Television Stations	No.	06	07	09	10	10	11
2. Cable TV (city/provinces)	Location	90	93	93	93	95	96
3. Radio Stations	No.	39	40	42	43	43	44
4. Print media (newspaper, bulletin, magazine, Cambodian and foreign languages)	Location	542	550	555	560	565	570
5. Printing House	Location	133	134	135	135	136	136

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

479. The four sides or sub-components of this component of the Rectangular Strategy Phase II deal with: (i) strengthening private sector and attracting investment; (ii) creation of jobs and ensuring improved working conditions; (iii) promotion of small and medium enterprises; and (iv) creation of social safety nets.

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

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

480. The Royal Government has ensured the reduction of business transaction costs, and expanded market access as well as reduced transportation costs and improved travel safety by improving physical infrastructure, thus ensuring integration of rural and urban economies. The Royal Government has developed necessary legal framework for private sector development and strengthened the “**Government-Private Sector Forum**” to function as an effective dialogue and dispute settlement mechanism. Reduced requirements for documents has facilitated trade and businesses, particularly through the implementation of "Single Administrative Document -SAD" system and "Single Window" service.

481. To facilitate private sector development, the Royal Government of the Fourth Legislature will continue to accord priority to improve physical infrastructure through increased public investment in transportation networks, including roads, railways, waterways (river, sea), and air routes; to increase the electricity generating capacity and expand the distribution network in urban and rural areas to provide energy at a reasonable rate; to strengthen and expand the modern telecommunication network to make services available at a reasonably low rate; to enhance and widen the clean water supply network; and to enhance and expand infrastructure system for cultural and natural tourism sector.

482. The Royal Government of the Fourth Legislature will make further efforts to expand international market access through concerted implementation of its obligations under the framework of WTO, ASEAN, and sub-regional and regional economic integration initiatives. In addition, the Royal Government will continue to strengthen the supportive legal framework for the private sector including laws and regulations, and administrative procedures and improve productivity through training for employees, technicians, and skilled labour; ensure fair competition; promote trade facilitation; enforce the labour law; and, strengthen the dispute settlement mechanism.

483. As an important part of the policy for diversifying the economic base, the Royal Government will promote a favourable climate for developing the agro-processing industry, and assembling industry including electronic and machinery assembly. In addition, the Royal Government will continue enhancing necessary legal framework, especially creating the law for the efficient operations of Special Economic Zones.

484. The Royal Government will continue promoting the public and private sector partnership for investment especially for physical infrastructure projects.

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

485. The Ministry of Planning is leading the process of preparation of Establishment Census 2011, which is the first historic economic census in Cambodia in response to managing, monitoring and evaluation of progress made in this sector. Establishment Census is one of the three censuses (Population Census, Establishment Census Agricultural Census) stipulated in

Statistics Law and in Statistical Mater Plan 2008-2015 and implemented by National Institute of Statistics of the Ministry of Planning. The Establishment Census that provide important statistical information for identifying economic activities and locations of businesses in the development of economic sector will be contributing to the implementation of the Royal Government policies such as preparation of and monitoring of the implementation of the national plan, reforms in good governance, poverty reduction, strengthening private sector development and attracting both domestic and foreign investors.

486. For the Royal Government, the private sector is the engine of economic growth and poverty reduction. The Royal Government recognises that improving the business climate and creating an enabling environment for private sector development are key pre-requisites for fostering growth, creating jobs, reducing poverty and achieving sustainable economic development. Strengthening private sector and attracting investment is a cross-cutting issue that involves a number of RGC institutions. *To implement RGC priority policies for the Fourth Legislature, the highest priority of all concerned RGC institutions is to support the creation of an enabling environment that fosters private sector development by taking measures to alleviate major bottlenecks to private sector development.*

487. The Cambodian Investment Board of the Council for the Development of Cambodia (CIB/CDC) has operated a “single window service” for investors for many years in order to reduce the administrative burden of seeking the RGC’s approval for new investment projects. During the Fourth Legislature, this mechanism will be further strengthened and streamlined and a new “Investor Aftercare” mechanism, as well as, an “Investor Tracking System” will be developed and implemented. The CIB/CDC and the Ministry of Commerce will continue to actively promote new investments in the priority economic sectors to diversify and broaden the economic base, develop and widely disseminate information on investment opportunities in priority sectors to potential private sector investors, and strengthen coordination among concerned RGC institutions to promote a sense of joint responsibility for enhancing the competitiveness of private sector businesses.

488. The Council for the Development of Cambodia will further strengthen the implementation of the Special Economic Zones (SEZ) and will ensure that the locations of the SEZ’s are suitable for maximising the integration of Cambodia’s economy into the region.

489. Since its establishment in December 1999, the Government-Private Sector Forum and the Committees under this mechanism have made important contributions in the processes of administrative and regulatory reforms to promote private sector development. This coordination mechanism has proven to be effective not only in building partnerships with the private sector but, more importantly, in providing inputs in the process of prioritisation of activities under the reform programmes. The Royal Government will continue to explore new ways to further strengthen this Government-Private Sector coordination mechanism and to build public-private partnerships.

**TABLE 20: MAIN INDICATORS OF THE TRADE SECTOR**

	2005	2006	2010	2013
Import Value (CR Billion)	15,281	18,040		
Import Value (US\$ Million)	3,727	4,400		
Export Value (CR Billion)	11,890	17,802		
Export Value (US\$ Million)	2,900	4,342		

	2005	2006	2010	2013
Clothing and Garment (CR Billion)	8,979	2,218	10,250	
Clothing and Garment (US\$ Million)	2,190	2,980	2,500	
Number of Factories Registered for Export under trade preferential treatment	224	293	295	350
Number of Workers (Males & Females) working in Factories Registered for Export under trade preferential treatment	263,941	351,340	350,000	400,000
Total Salary per month (CR Million)	73,800	11,750	110,700	123,000

490. During the Fourth Legislature, the Ministry of Commerce (MOC) will:

- Strengthen the implementation of the Trade Sector Programme that is based on a sector-wide approach, focusing on trade facilitation and the private sector development. The main indicators for the trade sector are presented in Table 20.
- Continue to promote exports of agriculture products, garments and other products as part of its poverty reduction strategy.
- Continue to strengthen integration into the regional and international export markets and to improve competitiveness.
- Organise more national and international trade fairs.
- Strengthen the effectiveness of market surveillance in order to protect the health and well being of consumers.
- Promote effective law enforcement.
- Strengthen partnership with international institutions and foreign countries in order to make Cambodia become a well-respected and trustworthy development partner.

491. During the Fourth Legislature, the Ministry of Commerce will submit the following laws for review and approval:

- At the end of 2009, the Ministry of Commerce will submit the following 3 draft laws to the Office of the Council of the Minister for review and approval: (1) the draft law on Commercial Contracts; (2) the draft law on Geographical Indications; (3) and the draft law on Commercial Court.
- In 2010, the Ministry of Commerce will submit the following draft laws for review and adoption: (1) the Law on Competition (being developed); (2) the Law on E-Commerce (being developed); (2) the Law on Consumer Protection (being developed); and (4) the Law on Trade Remedy (being developed).
- At the end of 2011, the Law on Commercial Agents will be submitted for review and adoption.

492. During the Fourth Legislature, the Ministry of Tourism (MOT) will focus on improving the quality of tourism services in order to attract visit, extension of stay, and new investments in the tourism sector. The MOT will focus on the following actions:

- Continue to implementing the Open Sky Policy and advertising **Cambodia – Kingdom of Wonder** and promoting the contest for “clean city”, “clean resort”, and “good service”;
- Examine the possibility of exempting entry visa for important countries in particular Japan and Republic of Korea;
- Develop a website to advertise tourism sector of Cambodia to the countries considered as major targeted markets;
- Continued disseminating the Law on Tourism to concerned institutions in particular private sector in order to effectively enforce this Law and improve the quality of tourism goods and services;

- Facilitate travel and transportation, and reduce unnecessary barriers that restrict tourist travel within the country;
- Develop innovative tourism products, tourism events, and attractive destinations (provided that tourism of Cambodia is the cultural and eco-tourism);
- Promote domestic tourism in order to contribute to poverty alleviation;
- Strengthen and further the cooperation with countries in the region and the world in tourism sector;
- Strengthen the close collaboration with concerned ministries and agencies, private sector, and national and international organisations in transforming the tourism sector of Cambodia into a sustainable and accountable tourist destination;
- Foster the capacity building and human resource development to conform to RGC's policies and to be in line with the current trend of tourism;
- Foster gender mainstreaming in tourism sector in public sector, private sector, and local communities;
- Conduct tourism survey and develop tourism statistics; and
- Further strengthen the security and social safety for tourists visiting Cambodia.

493. The MOT will finalise the formulation of policies, strategies, plans, and regulations necessary for the development of tourism sector. Those include:

- National Tourism Development Strategy 2010-2020;
- National Development Plan of Tourism 2010-2013;
- National Eco-Tourism Strategic Policy; and
- Regulations that are required by Law on Tourism and necessary for tourism activities.

494. The preservation and promotion of the rich Khmer heritage and traditions has been and will continue to be a high priority of the Royal Government during the Fourth Legislature. The Ministry of Culture and Fine Arts will continue to ensure the preservation of the ancient temples and the national museum, and actively promote Khmer arts including traditional Khmer dances, songs and other artistic endeavours; as well as promoting the revival, production and marketing of Khmer handicrafts as an important contribution to support the growth of the tourism sector.

495. During the Fourth Legislature, the Ministry of Culture and Fine Arts has planned to carry out 23 projects that involve:

- The repair and maintenance of ancient temples, as well as improvements to roads and bridges for easy access to the temples.
- The repair and maintenance of the national museum as well as the preservation and restoration of museum exhibits.
- The construction of offices in provinces and a Tribal Centre in North East.
- The construction of a cultural exhibition hall products and a hall for traditional Khmer dance performances.

## **II. CREATION OF JOBS AND ENSURING IMPROVED WORKING CONDITIONS**

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

496. In the Third Legislature, the number of enterprises and financial institutions increased to 2,400 entities and created 440,500 jobs. More than 50,000 Cambodian workers have found employment in foreign countries. The implementation of Open Sky policy has led to sharp increase in tourists, and job creation. The freedom of trade union has been promoted. Work inspection and conflict resolution mechanism has been tightened to monitor labour law enforcement and ensure decent working conditions.

497. The Royal Government of the Fourth Legislature will continue to ensure healthy linkage between trade and working conditions by: effective implementation of labour standards, norms, the Labour Law and international conventions; continuation of the "better factory" project; facilitating workers finding jobs abroad; capacity building through vocational training in response to market demands by mainly focusing on drop-out young students at secondary and high schools, disabled people, women, marginalized groups and minorities; development of a labour market statistical system and national qualification standards; conducting wide public awareness campaigns on labour market demands in order to assist labour mobility; and, strengthening existing mechanisms of labour dispute resolution such as Arbitration Council, and, demonstration and strike resolution committees at all levels.

498. The Royal Government will train volunteer arbitrators among local authorities aiming for peaceful conflict resolution. In addition, efforts will be made to ensure: sustainability of job creation and labour law enforcement through training, improved labour inspection at factories/enterprises to raise awareness about labour conditions including hygiene, health and safety; prevention of child labour; the adherence to the norms for foreign employees; freedom of union as prescribed in the Labour Law; and, progress towards adoption of a Law on Trade Unions and the legal framework on the Labour Court through comprehensive consultation with all related stakeholders.

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

499. To ensure good working conditions, proper safety, good hygienic conditions, fair and just terms of contract for labourers at the workplace is an important endeavour to foster the implementation of labour policies and strategies. The Ministry of Labour and Vocational Training (MLVT) has been performing this task through setting the minimum levels of monthly wages and holidays, reducing wage inequality between men and women, resolving disputes and differences peacefully without causing any disruptions to the production and wage losses of workers/employees. The MLVT have also improved gender equality in labour and vocational training in order to create appropriate job opportunities in both formal and informal sectors, develop technical and vocational education network for male and female labourers, establish statistical data system disaggregated by sex, improve working conditions both in country and overseas for male and female workers especially female, address wage disparities between men and women, and enforce the Labour Law and Law on Social Security. To implement RGC's priority policies, the Ministry of Labour and Vocational Training (MLVT) will take actions to:

- Develop a National Policy on Management of Employment and Manual Labour to improve the domestic labourer management system and overseas employment service management through the MLVT's legitimate agency, the establishment of public system of overseas employment services, and the protection of emigrating labourers as well as to contribute to creation of all types of jobs aiming at increasing incomes without any discrimination in particular enhancing the role of women in socio-economic development. This Policy will focus on:
  - Developing domestic employment and overseas jobs;
  - Developing proper jobs in the informal sector;
  - Designing the labour inspection uniform;
  - Establishing a Labour Institute; and
  - Setting up a committee for research on and providing information about business establishments.

- Ensure improved working conditions in order to enhance the basic working rights of workers/employees and maintain proper working conditions at workplace especially for amputees and female workers. The prioritised actions to be carried out in order to achieve the above-mentioned objectives include:
  - To enhance the basic working rights of workers/employees;
  - To maintain proper conditions at workplace;
  - To strengthen occupational health and safety system at national level;
  - To improve the inspection of occupational health and safety and enforce the existing laws;
  - To foster the occupational health and safety activities through employer and employee organisations;
  - To implementing special programmes for hazardous works.
  - To expand the occupational health and safety protection for small enterprises and rural workplaces and informal sector;
  - To promote trainings on occupational health and safety for farmers;
  - To take part in reducing renewed epidemic and impact of HIV/AIDS through the reduction of the vulnerability to HIV transmission among workers/employees at garment factories, business establishments and students of educational establishments;
  - To provide technical and vocational trainings to migrating people in order to facilitate their job seeking;
  - To enhance occupational safety for children aged 15 to 18 (minimum working age);
  - To eliminate the most severe forms of child labour by 2016;
  - To prepare municipal and provincial action plans to eliminate the most severe forms of child labour;
  - To monitor and conduct inspection of child labour in industrial areas;
  - To prevent and withdraw child labour as well as integrate child labour into the society aiming at eliminating its most severe reforms; and
  - To monitor and evaluate the efforts in eliminating child labour.
- Enforce the Law on Social Security for those who fall under the provisions of the Labour Law through the following prioritised actions:
  - To expand and consolidate the implementation of the occupational risk allowance in all business establishments;
  - To institute the health care allowance for workers/employees that fall under the provisions of the Labour Law; and
  - To institute the pension allowance for workers/employees that fall under the provisions of the Labour Law.
- Foster the development of technical and vocational capacity of the citizens aiming at contributing to poverty reduction in particular to enhance the rights of amputees and gender equality in the technical and vocational education sector. The prioritised actions in this area include:
  - To provide technical and vocational education appropriate to the needs of both domestic and overseas labour markets;
  - To develop a national qualification framework, national skill standard, testing system, and the recognition of training programmes and education establishments;
  - To expand technical and vocational education programmes through the training of apprentices, training with certificate, and national poverty reduction funds;
  - To develop labour market information system; and
  - To foster the broadcasting of gender equality and gender mainstreaming in labour and vocational training sector.

### III. PROMOTION OF SMALL AND MEDIUM ENTERPRISES

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

500. The Royal Government has reduced minimum requirements for the registration of small and medium enterprises and the company registration fee. Accounting system and financial report mechanism have been simplified. Loans provided by financial institutions to small and medium enterprises have increased considerably.

501. The Royal Government of the Fourth Legislature will continue to improve the business climate for small and medium enterprises development focusing on four main aspects: (1) *legal and regulatory framework* – facilitating registration particularly via internet system, defining procedures and principles for inspection and certificate of origin for import and export, and adoption of a sub-decree on trade facilitation through risk management; (2) *financing* – creation of financial leasing companies, and strengthening governance and financial reports; (3) *supportive actions for small and medium enterprises* – promoting innovation and technology as well as financing for small and medium enterprises, and strengthening and widening other supportive services, (4) *integrating small and medium enterprises* into a global value chain and preventing all kinds of smuggling.

502. In addition, the Royal Government will promote implementation of new measures including: establishing of the National Productivity Centre in order to improve productivity and reduce production costs; establishing a National Standards Institute to ensure product quality conforming with regional and international standards; establishing national testing laboratories for physics, chemistry, micro-biology, and mechanics in order to evaluate quality and set prerequisite criteria for products; strengthening industrial property rights protection mechanism in order to promote innovation, adoption of new techniques and new technology; imparting training to improve skills; and, strengthening the relevant legal framework.

503. The Royal Government continues to promote the “one village-one product” movement by encouraging inventions, entrepreneurship, and self-confidence in rural areas. This movement provides a comprehensive network linking production to the market, helps maintain regional identity, and encourages new initiatives for product diversification. The Royal Government will promote technical training for special products within some regions in the context of strengthening quality and expanding markets which are critical for further support to and participation in this movement.

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

504. To implement RGC’s prioritised policies, the Ministry of Industry, Mines and Energy (MIME) will focus on achieving the following four Objectives:

- i. Creating enabling business environment for the development of industry and manufacturing sector.
- ii. Promoting SMEs and developing businesses.
- iii. Private sector development and attracting investment.
- iv. Building human resource capacity and technology transfer.

505. These objectives will be achieved through the implementation of the following seven programmes:

- **Programme 1:** Strengthen institutional capacity and improve the quality and efficiency of public service delivery.



- **Programme 2:** Strengthen quality and efficiency of the enforcement of the Law on the Management of Factories and Handicraft Workshops.
- **Programme 3:** Strengthen partnerships with private sector and development partners.
- **Programme 4:** Formulate policies to support industry and SMEs.
- **Programme 5:** Promote the national products to be in compliance with national and international standards.
- **Programme 6:** Enhance the productivity and capabilities of Cambodian industrial producers.
- **Programme 7:** Formulate and implement policies to strengthen works on industrial property rights.
- **Programme 8:** Formulate and implement policies to strengthen works on metrological issues.

506. In Programme 1, *strengthen institutional capacity and improve the quality and efficiency of public service delivery*, the MIME will take the following actions with the focus on:

- Improving information management and sharing system and strengthening capacity on information technology;
- Strengthening capacity of the staff of General Department of Industry through various trainings;
- Reviewing and improving the existing legal procedures and regulations for industry sector aiming at strengthening quality and efficiency of the enforcement of the Law on the Management of Factories and Handicraft Workshops;
- Promoting best practices in dealing with regulations governing industry sector;
- Institutional strengthening and enhancing capacity of Cambodian Industry Laboratory Centre of Cambodia for conducting analyses and researches and improving product quality; and
- Strengthening Cambodian Standard Institute in order to develop a national standard that will serve as the basis for the issuance of product certification aiming at enhancing product quality and promoting exports.

507. In Programme 2, *strengthen quality and efficiency of the enforcement of the Law on the Management of Factories and Handicraft Workshops*, the MIME will focus on:

- Examining the needs for and issuing regulations, guidelines and procedures necessary for strengthening of law enforcement;
- Conducting dissemination campaigns of laws and regulations;
- Strengthening the management of factory concession contracts;
- Strengthening the inspection and monitoring pursuant to the law on industrial enterprises and manufacturing; and
- Broadcasting the implementation of industry sector regulations.

508. In Programme 3, *strengthen partnerships with private sector and development partners*, the MIME will take the following actions that are focused on:

- Strengthening partnership with private sector and implement the activities with the framework of the Government-Private Sector Forum.
- Strengthening the capacity of SME sub-committee to efficiently exercise its role.
- Facilitating and providing orientation to development partners in manufacturing sector.

509. In Programme 4, *formulate policies to support industry and SMEs*, the MIME will take the following actions:

- To monitor and take appropriate actions to improve fiscal and non- fiscal measures to support prioritised industries.
- To issue regulations necessary for promoting the investment in prioritised industries.

510. In Programme 5, *promote the national products to be in compliance with national and international standards*, the MIME will take the following actions:

- To develop necessary product standards in order to improve the quality of national products;
- To broadcast the importance of national and international standards and encourage Cambodian entrepreneurs to adopt them in order to ensure the quality of their products and services;
- To strengthen the quality assessment system in compliance with standards in order to support the export of national products;
- To organise the consultations with concerned industrialists on the compliance with the national standards and technical barriers to trade; and
- To promote the collaboration with the national, regional and international standard institutions.

511. In Programme 6, *enhance the productivity and capabilities of Cambodian industrial producers*, the MIME will take the following actions:

- To formulate policies and strategies to improve techniques and technologies;
- To disseminate productivity- and technique-related information;
- To foster trainings on productivity- and technique-related subjects to producers;
- To establish advisory services for productivity- and technique-related matters; and
- To enhance and expand the use of R&D.

512. In Programme 7, *formulate and implement policies to strengthen works on industrial property rights*, the MIME will take the following actions:

- To strengthen and provide protection services for industrial property rights;
- To foster the dissemination and trainings on the subjects related to industrial property rights;
- To establish and strengthen the performance and functioning of centres for innovations;
- To promote innovative activities.
- To promote and strengthen relationships with intellectual property right agents and applicants for innovation certificate, functional model certificate, and industrial design registration;
- To establish advisory services for industrial property rights.
- To foster the cooperation with national and international organisations in the implementation of industrial property rights.

513. In Programme 8, *Formulate and implement policies to strengthen works on metrological issues*, the MIME will take the following actions:

- To issue legal and regulatory framework and technical regulations for the management of national metrological practices.
- To establish metrological management structure including a national metrological centre and control and verification centres in 5 regions.
- To disseminate and provide trainings on metrology-related subjects.
- To cooperate with regional and international metrological organisations.

#### **IV. CREATION OF SOCIAL SAFETY NETS**

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

514. During the Third Legislature, the Royal Government succeeded in rescuing, and providing support to a large number of vagrants, vulnerable women and children, people with disabilities, victims of human trafficking, and victim families of natural disasters. These people have been provided with training and jobs to survive on their own.

515. The government has cooperated with national and international organisations and all relevant institutions to provide employment opportunities for, and reduce vulnerability of, the poor. Also, the Royal Government has improved and strengthened social safety nets for retired civil servants and veterans by increasing pensions and other benefits.

516. To continue to implement social safety policies, the Royal Government of the Fourth Legislature will: give priority to improve working conditions for workers and employees, enforcement of Social Security Law, implementation of the principle of benefit and pension scheme for people with disabilities and their dependents; ensure protection of those covered by the Labour Law; and make available to all employees insurance coverage against workplace accidents. The Royal Government will continue to strengthen support to disabled people and families of veterans who sacrificed their lives for the nation. Furthermore, the Royal Government will continue to support retired civil servants and veterans through implementing a comprehensive pension system under the National Social Security Fund. In this context, the government will work towards promulgation of a “Law on the Comprehensive Social Security Regime for common People” and a “Sub-decree on the Establishment of National Social Security Fund for Veterans”.

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

517. At the present time, the whole world is facing unprecedented challenges posed by a series of global crisis that include not only the on-going global financial crisis and the economic downturn but also issues related to the impact of climate change, wide fluctuations in food and fuel prices, epidemic diseases and so on. These developments have increased the level of urgency for RGC institutions to deal with social protection issues through a more coordinated approach in order to protect the significant gains that have been made in reducing poverty over the last decade; and to ensure that social safety nets are in place for workers (who make a contribution to the national economy) both in their working life and when they retire after reaching the legal retirement age.

518. The Royal Government remains committed to developing and implementing a comprehensive and sustainable social safety net system aimed at protecting the livelihoods of the poor and most vulnerable segments of the population. The Council for Agriculture and Rural Development (CARD) has taken some important steps to build consensus on the key concepts and broad direction for policy development on social safety nets for the poor and vulnerable segments of the population in collaboration with implementing line ministries. The findings and recommendations based on these consultations were presented at a National Forum on Social Safety Nets on 6-7 July 2009 and have been incorporated in the Strategic Framework on Social Protection System For Vulnerable and Poor People. CARD is currently mandated by the RGC to establish inter-ministerial coordinating mechanisms, to monitor and evaluate the implementation of interventions in social safety nets aiming at strengthening food security and nutritional status of the vulnerable and poor people.

519. To fulfil this important task, CARD will ensure that in planning for and implementation of social protection measures the following principles are adhered to:

- Within a resource scarce environment, where the demands will far exceed available resources, to take social protection measures that provides not only immediate relief but also contribute to building the beneficiary population's ability/capacity to contribute to the economic development of their communities; food for work programmes to build rural road infrastructure that enables beneficiary populations' to have greater access to education and health services and markets for their products; Health Equity Fund that provides relief through health fee waivers; scholarships for education to build the skills base; and targeted distribution of agriculture inputs to smallholder farmers to improve productivity of their holdings and to generate income (seeds, fertilizer, extension services etc.); are some good examples that are being implemented by RGC institutions and need to be further strengthened, in particular support to smallholder farmers.
- To ensure greater transparency and better targeting in the delivery of cash transfer schemes for poor households, all implementing RGC institutions will be encouraged/required to use the data from the on-going National Identification System for Poor Household that is being supported by the "Identification of Poor Households Programme (ID Poor)" of the Ministry of Planning. By the end of 2009, data for more than 7345 villages will be available from this source. The Programme will be expanded to cover the whole country and periodically updated to remain a reliable source of data for targeting social safety net measures aimed at poor households. At present, the ID-Poor covers only rural areas and a methodology for identifying poor households in urban areas will be developed.
- To enhance cross-sectoral coordination and integrate the social protection measures into decentralised development planning processes at the sub-national levels.
- To minimise the planning and delivery costs (overheads) of social safety net programmes to achieve a maximum net transfer of resources to the beneficiary populations.

520. A number of the RGC institutions are currently delivering social protection and safety net programmes to assist individuals, households, and communities to better manage risks, shocks and extreme poverty. The Ministry of Social Affairs, Veterans and Youth Rehabilitation (MOSAVY), Ministry of Labour and Vocational Training (MOLVT) and the Ministry of Women's Affairs (MOWA) are all mandated to deliver social services to the population, and to protect specific vulnerable groups against risks. Specific safety net interventions have been delivered by other RGC institutions; for example, MOH, MOEYS, MRD, and MEF are delivering programmes to address some major causes of vulnerabilities through health fee waivers, scholarships and exemptions that have helped households deal with health costs and keep their children in school. Other safety net interventions include food distribution, labour-intensive public works, and targeted transfers.

521. The programmes of the MOSAVY are focused on reducing vulnerability of the poor, assisting the most disadvantaged people, providing moral and material support, and strengthening and developing Cambodia's social security system. To implement RGC's priority policies to strengthen social protection and safety nets, the Ministry's works will be concentrated on the following six areas:

**Priority 1: Strengthen and Expand Social Welfare Services for the Vulnerable Poor**

- Continue to expand emergency programmes to provide assistance to the victims and the vulnerable;
- Strengthen the activities to address the problems of homeless people by continuing to effectively implement the nine-point strategy and the existing mechanism;

- Continue to combat human trafficking and promote rehabilitation and reintegration of victims into communities by providing better follow-up support and making a law protecting the rights of the victims of human trafficking; and strengthen centres for social affairs to ensure the provision of good services for the victims;
- Strengthen and expand good family movement, promote the roles of families and people in social development, and continue the annual organisation of International Family Day May 15; and
- Increase efforts to provide social services to the families of women and children affected by HIV/AIDS.

**Priority 2: Strengthen and Expand Child Welfare Services and Youth Rehabilitation**

- Strengthen and expand the implementation of the four basic rights of children; mobilise forces to address the problems of orphan children, disabled children and children from poor families;
- Further implement the Foster Care Policy for children and a minimum standards for centre-based child-care; strengthen state orphanages and those of NGOs and increase the effectiveness of child-care;
- Strengthen domestic and inter-country child adoption-related affairs;
- Push for the passage of the law on inter-country adoption and law on child rights.
- Strengthen and expand the activities of the Cambodian National Council for Children and community-based child protection networks;
- Promote three-good movement of children, viz. good children, good student and good friend and annually organise International Children's Day June 1;
- Strengthen and expand moral and integrity education programmes to prevent violence, crimes and drug abuse among children and youth;
- Strengthen and expand youth rehabilitation centres.
- Promote the protection of minor's rights in accordance with the convention on child rights within the legal and judicial system;
- Encourage sports activities, camping, and study tours for children and young people.
- Promote advocacy of the inclusion of the needs of children and young people into national development plans at all levels;
- Expedite the endorsement the Law on Minor's Justice; and
- Coordinate the multi-sector strategy for orphans and vulnerable children.

**Priority 3: Strengthen and Expand Welfare and Rehabilitation Services for Disabled People**

- Implement policies for the disabled; foster the enforcement of the Law on the Protection and Promotion of Disabled People's Rights; and promote the implementation of the International Convention on the Amputee Rights;
- Continue to sustain rehabilitation services for people with disabilities;
- Further strengthen Braille and sign language training services for disabled people and promote these services through IT systems;
- Promote vocational training; create jobs and provide community services; as well as encourage movement self-help for people with disabilities;
- Strengthen and expand disabled people's sports movement; organise sports, international events for people with disabilities; and include the needs of the disabled into development plans at all levels; and
- Continue to enhance the awareness of disabilities among families of disabled, communities, employees and competent agency in order to reduce the discrimination against disabled people; and continue to create more favourable environments for the disabled at all levels aiming at ensuring quality services and reduce potential social, economic and politic consequences.

**Priority 4: Strengthen and Expand the Social Security System and Welfare Services for Elderly, Civil Servants and General Citizens**

- Strengthen pension provision for former civil servants and expand the pension scheme in accordance with the availability of the national budget;
- Strengthen the implementation of the social national security fund for civil servants;
- Research and establish social security system for general people;
- Prepare a “Law on the Comprehensive Social Security Regime for General Citizens”; and
- Foster the establishment of civil servant alumni associations and elderly associations in communities; encourage families and communities to support the elderly without whom they can depend on; provide support services to the elderly; and annually organise Elderly International Day October 1.

**Priority 5: Strengthen and Expand Social Security System and Welfare Services for Veterans**

- Continue to implement national policies for veterans to recognise the good deeds of veterans who have made sacrifices for the country;
- Continue to promote more effective reforms in the management of provision of salary for veterans;
- Prepare a “Law on the Comprehensive Social Security Regime for Veterans” and a Sub-decree on the Establishment of National Social Security Fund for Veterans”;
- Introduce veterans’ villages using the model of disabled soldiers’ villages of Samdech Akka Moha Sena Padei Techo Hun Sen;
- Strengthen the operations of the Cambodian Veterans’ Association; and
- Promote the three good principles of veterans: *good use of salary, building of good living conditions for family and good participation in local development.*

**Priority 6: Strengthen and Expand Institutional Capacity, Partnership and Fund-Raising Capacity to Increase Effectiveness of Social Services**

- Strengthen the effectiveness of the social affairs administration and the quality of social services delivery;
- Strengthen good governance and the increase of effectiveness of by-laws and promote the management of civil servants according to the Law on Common Statutes of Civil Servants and the principles of public administrative reform;
- Further enhance civil servants’ capacity through training courses and the establishment of a national institute of social affairs; and enhance women’s capacity at work and support their decision;
- Establish a statistical system for the social affairs sector based on the six priorities set by the Ministry;
- Promote the utilisation of information technology (IT) and disseminate information about the achievements in the implementation of planned activities;
- Continue the implementation of decentralisation and deconcentration policy reforms through gradual transfers of some of authorities from the Ministry to its sub-national-level institutions and through the inclusion of social work into development plans at all levels;
- Strengthen the implementation of PFMRP; and
- Strengthen partnerships with NGOs, national and international humanitarian organisations and other philanthropists to seek their technical, material and financial support for the social services delivery to victims and vulnerable groups in society; strengthen and expand bilateral and multilateral international cooperation and call for the support and participation from development partners in the social affairs sector.

522. The Ministry of Labour and Vocational Training (MOLVT) is operationalising the National Social Safety Fund (NSSF) for workers/employees that was established in 2008. The Fund provides to private sector employees: *employment injury coverage (workmen's compensation); health insurance; and pension coverage*. The MOLVT will continue to further strengthen and broaden the scope of implementation of these three components. The Employment Injury Scheme has already started in December 2008, while the Health Insurance and Pension Schemes are scheduled to start in 2010 and 2012, respectively. All firms that have more than eight employees will be required to enrol in these schemes. As of February 2009, the NSSF had enrolled roughly 400 firms in the Employment Injury Scheme, about 250 of which are garment factories, covering a total of roughly 300,000 workers. Employers participating in the Fund are required to make a monthly contribution equal to 0.8 percent of the employee's salary. The benefit is partly in kind and in cash. The covered employees receive full medical assistance, plus 70 percent of the salary in order to compensate the forgone income during treatment.

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

523. The four sides or sub-components of this component of the Rectangular Strategy Phase II deal with: (i) strengthening the quality of education; (ii) enhancing health services; (iii) implementation of gender policy; and (iv) the implementation of national population policy.

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

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

524. The Royal Government has made significant progress in implementing the "Education for All" strategy by ensuring equity of access to and the basic nine year education for most Cambodian children. Other major achievements include the gradual increase in the number of schools and teachers, and the improved enrolment rates at all levels of primary and secondary education, particularly in the rural areas. Lower secondary schools have been built in almost all communes/Sangkat in the whole country. The number of technical and vocational training schools, universities and teaching staff increased as well. The government has also substantially increased budget for the education sector for which current budget expenditure has doubled in 2007 from 2003 level, accounting now for approximately 19 percent of the total current budget. The government has achieved remarkable progress in improving cooperation in education with development partners including NGOs and the private sector.

525. In the Fourth Legislature, the Royal Government will continue to implement the *Education Strategic Plan*, putting emphasis on ensuring that all Cambodian children and youth have equal opportunity for access to basic education, both formal and informal, without discrimination on grounds of race, skin colour, gender, languages, religion, political affiliations of parents, place of birth or social status. Equally, the implementation of the Strategic Plan is linked to imparting a culture of peace, respect for human rights and dignity, respect for the principles of freedom, democracy and justice, and instilling a culture against violence, drug use, child and women trafficking and social discrimination.

526. The Royal Government will pay attention to improve the quality of education by: providing incentives to teachers; improving curriculum; encouraging outstanding students; training teachers and upgrading teaching methodologies; improving class room conditions and learning materials; and, establishing libraries and laboratories. In order to ensure equitable opportunity, the government will continue to establish dormitories for students,

especially female students; to build schools for all levels, particularly in rural and remote areas; and to increase scholarship for poor students. As well, the government will continue to train qualified teachers in adequate number and effectively implement teacher deployment policy. The government will encourage teachers who work at primary and lower secondary schools and who have obtained bachelor degree at any age to take an exam to become high school teachers; and allow primary teachers who have not completed high school to take an exam to obtain certificate of equivalency of high school graduation. It will provide them an opportunity to study at bachelor as well as post-graduate levels and will thus increase their basic salaries.

527. The Royal Government will continue to strengthen its partnership with private sector and the national and international communities to enhance and improve the quality of education services, putting increased emphasis on information and foreign language training at all levels of general education, technical and vocational training, and in higher education, consistent with international standards and the country's development needs. Equally importantly, the government will expand technician and engineer training through technical and vocational training schools and higher education. In order to reduce the gap between demand and supply for jobs, the government will continue to implement a vocational training policy linked with the labour market in close cooperation with relevant parties through the following measures: (1) provide basic skills training to people in rural areas to increase income; (2) provide training or skill improvement to factory workers in cooperation with employers; (3) continue to expand technical and vocational training to provinces/municipalities, including entrepreneurship training programme; and (4) establish National Agency for Profession and Employment, and Employment Centres in provinces/municipalities as a mechanism for the dissemination of labour market information.

528. The Royal Government will continue to expand informal education through literacy and vocational programmes, establishment of community learning centres and implementation of equity programmes. The government will increase budget allocation for education and mobilise more financing to enable clear and strategic steps to improve the overall quality of education. In higher education, as noted in the previous NSDP, there is an ever-increasing need for tertiary graduates who will become the scientists, workers and citizens of the future, people who can think critically and make evidence-based decisions which will impact Cambodia's short and long-term future.

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

529. To implement the priority policies during the Fourth Legislature, MOEYS will continue to follow the development framework for the education sector outlined in ESP 2006-2010 with a sharper focus on ensuring the achievement of the goals of the priority policies. As a high priority, the MOEYS will begin the process of preparing an updated ESP 2009-2013 to ensure the harmonisation of the education sector plan with the mandate of the Legislature and to more sharply focus on achieving the goals and policies of the RGC for the education sector.

530. To achieve the goals of the prioritised policies for the education sector, the MOEYS will take appropriate measures within the three policies of ESP that are aimed at:

- **Ensuring equal access to education service** by building schools as close as possible to the residences, reducing the number of incomplete primary schools, increasing operational budgets to schools, increasing the supply of teachers,



providing scholarships to poor students and building dormitories for students, especially girls. Access will also be expanded for children in early childhood education, as well as those with disabilities and those from minority groups. Ensuring community/private engagement in this process is crucial for long-term success.

- **Improving quality and effectiveness of education service** by increasing provision of school instructional materials, libraries and laboratories, continuing to further reform the curriculum, increasing learning hours, enhancing teaching and management capacity, strengthening teachers' morality, improving schools' environment (supply of clean water and latrines), and expanding functional literacy. Increase inspection activities on administration, finance and educational quality assurance. Quality assurance of education services will be provided. Strengthening PRESET and INSET systems, and management training and linking with them career paths and promotion will enhance the motivation of teachers and management staff.
- **Enhancing institutional development and capacity building of education officers for decentralisation** by re-structuring working procedures, developing legislative instruments, and training education officers at all levels on technical skills. The continued emphasis on PFM, internal audit systems, planning, monitoring and evaluation systems will enhance institutional development and increase capacity to manage these systems.

531. To finance the delivery of educational services, the MOEYS will follow the Programme-Based Budgeting approach as set out in Budget Strategic Plan 2010-2012. This budgeting framework includes 5 main programmes and 21 sub-programmes, as follows:

#### **Programme 1: Development of general education and non-formal education**

This programme is focused on:

- Expansion of early childhood education;
- Strengthening quality and efficiency of primary education;
- Strengthening quality and efficiency of secondary education;
- Equitable access and scholarships for poor and disadvantaged students; and
- Expansion of non-formal education.

#### **Programme 2: Development of Education, Technical Training of Higher Education and Scientific Research**

- The primary focus of this programme is on strengthening the quality and efficiency of higher education.

#### **Programme 3: Development of Physical Education and Sports**

The main focus of this programme is on the:

- Development of public sports community;
- Development of student sports community;
- Training, physical education and sports research; and
- Development of advanced sports.

#### **Programme 4: Youth Development**

The main focus of this programme is on the:

- Enhancing youth awareness of HIV-AIDS and strengthening youth activities; and
- Strengthening capacity of planners and implementers of youth work in the country.

#### **Programme 5: Educational support and management**

This programme focuses on the:

- Policy development and strengthening the planning system.
- Teacher development and in-service training.
- Textbook and material development.
- Human resource management and efficiency.
- Capacity development in management of planning, finance, and basic materials.
- Internal audit.
- Sector performance monitoring and evaluation.
- Inspection on administration and finance.
- Development of information technology and ICT.

532. To support the implementation of the prioritised policies of RGC, the MOEYS will develop and submit for approval the following decrees/sub-decrees/regulations:

*Policy 1: Ensuring equal access to education service*

- Prakas on establishment, closing, integration, inaction, separation, and transforming of school or institution;
- Circular on dissemination of advertising regarding educational institutions;
- Sub-degree on classification of higher education and enrolment criteria; and
- Policy on scholarship and student loans.

*Policy 2: Improving quality and effectiveness of education service*

- Prakas on special education;
- Sub-degree on standard of national education, training and capacity;
- Guideline on the modality for educational quality monitoring and evaluation;
- Prakas on the core curriculum for general education;
- Policy on the detailed framework of curriculum for all cycle of education.
- Prakas on framework and level of certificates;
- Guidelines on core training material for educational staff;
- Sub-degree on the equivalency system of educational certifications;
- Guidelines on examination processes;
- Policy on science and technology in education;
- Prakas on health check for students and staff;
- Prakas on language identification for ethnic group; and
- Circular on procedures and application of a teacher professional code of conduct.

*Policy 3: Enhancing institutional development and capacity building of education officers for decentralisation*

- Prakas on Administrative hierarchy and educational management.
- Policy of physical and professional criteria for staff selection.
- Prakas on institution/school management.
- Royal decree on educational system.
- Circular on certificate and diploma provision.
- Prakas on complaint procedures and solutions.
- Guideline on contract or agreement procedure.
- Circular on educational information provision.
- Prakas on monitoring mechanism.

- Prakas on resource management in education.
- Sub-degree on using school and institution.
- Circular on autonomous organisation in management.
- Royal Krom on establishment of National Supreme Council of Education (NSCE).

533. To move forward in resolving the challenges faced in the implementation of NSDP 2006-2010 and based on lessons learned, the MOEYS will accelerate its efforts during the period of NSDP Update 2009-2013 to:

*Policy 1: Ensure equal access to education service*

- Make sure that all school-age children have easy access to schools through a well-coordinated facilities development planning in close cooperation with DPs and NGOs.
- Increase the number of teachers recruited from local areas, particularly disadvantaged areas to solve the urban-rural disparity of teacher deployment and effectively implement teacher deployment principles, especially for new graduates and proper staff management.
- Improve student retention in schools through eliminating parental cost barriers such as informal school fees and increasing the number of scholarships for students from poor families, especially girls.

*Policy 2: Improve quality and effectiveness of education service*

- Improve quality of education through strengthening early childhood education, strengthening and expanding child friendly schools, improving the school cluster systems, increasing school operational budget consistent with school development plan, improving the school curriculum closely responding to the socio-economic needs of the country, revising teacher training curriculum at all levels and all specialised subjects, expanding school libraries, increasing inspection activities on administration, finance and educational quality assurance and revising the standard and quality of grade-12 examination by seeking for new technology to control the exam.
- Establish female student councils in schools to deal with difficulties and to encourage female students.
- Provide alternative education opportunities to out of school children and youth through expanded NFE equivalency programmes, improved and expanded literacy/life skill programmes especially in rural and remote areas with a strengthened structure and strengthened staff capacity of NFE.
- Improve quality of higher education through revising the framework of higher education programmes to reflect national and market needs in accordance with the higher education vision and strategy 2020, developing guidelines on HEI governance and financial management, increasing the government budget for scholarships in essential areas especially for female students, improving research and science/technology education, and strengthening staff development at HEIs.
- Enhance youth activities through the finalisation of Cambodian youth policy in order to encourage ministries/institutions private and civil society to enable all youth especially poor, disabilities, minorities, vulnerabilities, etc. can access to professional training. Strengthening and expanding youth and children's councils at schools/institutions and enhance 3 good competition. Enhance volunteer group at national and sub-national levels. Improve youth centres over the country, and strengthening youth staff's capacity. Increase students' awareness of HIV/AIDS, violence, drug and sexuality, etc.
- Promote sports development with national policies/regulations for development of physical education and sport.

*Policy 3: Enhance institutional development and capacity building of education officers for decentralisation*

- Strengthen good governance at all levels including rationalising staff management on teachers' salaries, recruitment, promotion and replacement, preparing legislations on the use of budget resources in accordance with the budget allocation schedule, strengthening internal audit, administrative and financial inspection and monitoring mechanisms including improving accuracy and timeliness of statistical data.
- Further improve aid effectiveness through strengthened partnerships with development partners and civil societies and strengthened government systems.
- Strengthen management of capacity development initiatives through improved coordination of activities and with increased focuses on the sub-national levels.
- Accelerate gender mainstreaming with clear gender policies in the sector of education, youth and sport and the strategic plans.

534. The selected core indicators and targets that will be regularly monitored and periodically reported on by the MOEYS are presented in Table 21.

**TABLE 21: MOEYS SELECTED CORE INDICATORS AND TARGETS**

Selected Core Indicators for the education sector			2008 Actual	2009 Estimated	2010 Projected	2011 Projected	2012 Projected	2013 Projected
			School Year 2008-09	School Year 2009-10	School Year 2010-11	School Year 2011-12	School Year 2012-13	School Year 2013-14
1	Primary school (1-6)	No.	6,565	6,635	6,685	6,785	6,865	6,945
2	Net Enrolment %:	total	94.4	95.0	96.0	97.0	97.5	98.0
		male	94.8	95.0	95.5	96.0	96.5	97.0
		female	94.0	95.0	96.0	97.0	98.0	99.0
3	Net Enrolment % :	urban	94.0	96.0	96.5	97.0	97.5	98.0
		rural	94.7	95.0	96.0	96.5	97.5	98.0
		remote	90.3	92.0	94.0	96.0	97.5	98.0
4	Primary Completion Rate %	total	85.6	86.0	88.0	90.0	92.0	94.0
		male	85.4	86.0	88.0	90.0	92.0	94.0
		female	85.7	86.0	89.0	92.0	95.0	98.0
5	Lower secondary school	No.	1,451	1,521	1,600	one school per commune	one school per commune	one school per commune
6	Net Enrolment %:	total	33.9	40.0	43.0	46.0	48.0	51.0
		male	32.0	38.0	41.0	43.0	46.0	49.0
		female	35.0	42.0	45.0	48.0	51.0	54.0
7	Net Enrolment %:	urban	54.0	56.0	58.0	60.0	62.0	64.0
		rural	30.9	34.0	36.0	38.0	40.0	42.0
		remote	11.3	14.0	16.0	18.0	20.0	22.0
8	Lower Secondary Completion rate %	total	49.1	51.0	53.0	55.0	57.0	59.0
		male	52.2	54.0	56.0	58.0	60.0	62.0
		female	45.9	48.0	50.0	52.0	54.0	56.0
9	Literacy rate age 15-24 %		87.5	88.0	89.0	90.0	91.0	92.0

## **II. ENHANCING HEALTH SERVICES**

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

535. The Royal Government recognises that healthy people constitute the key basis for human resource development and sustainable socio-economic progress. The Royal Government has placed emphasis on enhancing the general well-being of all citizens, particularly the poor, women and children. To ensure systematic development of health services delivery to the population, the RGC adopted a Sector Wide Management (SwiM) approach and developed its first Health Sector Strategic Plan (HSP) for 2003-2007. It has been implemented in close cooperation with external development partners (EDPs) who were engaged in this sector. A new HSP for 2008-2015 has been developed. It is now being implemented in close cooperation with all EDPs; as well as, work on implementing the Minimum Package of Activities (MPA) is progressing well. Health is one of the four priority sectors for PAP, which ensures adequate allocation and timely releases of budgetary funds both for current and capital expenditures. In the third legislature, the current budget for health doubled, accounting for about 10 percent of the total current budget in 2007.

536. In the Fourth Legislature, the Royal Government will continue to implement the *Health Strategic Plan* to reduce maternal mortality rate and infant mortality rate, and improve other health indicators by enhancing and expanding health services, especially reproductive, maternal, and infant and children health services.

537. The Royal Government is focused on the implementation of the programme for prevention and cure of communicable diseases; construction of referral hospitals and health centres throughout the country that could provide effective, equitable and sustainable basic health services; and enhancement of quality of health professionals. The Royal Government will ensure better distribution of doctors, medical workers and midwives in the health system; increase allowances for health staff working in rural areas; and increase the number of doctors, medical workers and midwives. The Royal Government will continue to pay attention to health and sanitation education; widely disseminate health information especially in rural areas; and provide services to the poor through the Equity Fund and health insurance system.

538. The Royal Government will continue to take measures to: make health services more responsive and be available closer to people through decentralized service provision and devolution of management authority to sub-national levels such as national hospitals, referral hospitals and health centres; increase investment in physical infrastructure, medical equipment and technologies; enhance support services and health research for policymaking, planning, performance monitoring and evaluation; and, strengthen governance in the health sector by implementing the Sector-Wide Approach emphasizing national ownership and partnership with the international community. Also, the Royal Government will continue to promote private sector participation in order to increase investment in health sector and strengthen public health intervention.

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

539. The implementation of priority policies for health sector over the next five years will be guided by the strategic framework outlined in the Health Strategic Plan 2008-2015 (HSP2), RGC's policy on public services delivery, the policy framework for decentralization and de-concentration, and national budget strategic framework. The strategic priorities for the health sector fall into two broad interrelated areas that the Ministry of Health and all stakeholders will pay particular attention to. These two areas are: population health problems and essential services, and challenges in relation to functional areas of the health system on both the "supply-side" and the "demand-side". The building blocks of the HSP2 strategic framework are the following three main health programmes of the MoH:

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

540. In each of these three programme areas the MoH will focus on implementing the following five cross-cutting health strategies that include both “supply-side” and “demand-side” measures:

- **Health Service Delivery:** Actions will be taken to:
  - Expand coverage of the Minimum Packages of Activity (MPA) and the Complimentary Packages of Activity (CPA) based on Health Coverage Plan with a focus on meeting client needs;
  - Strengthen health Service delivery support systems in an integrated manner;
  - Target public health services provision and public health interventions according to need;
  - Develop and apply consistent standards of quality across the entire health sector (public, private and non-profit); and
  - Develop contracting models as part of a comprehensive approach to health services delivery.
- **Health Care Financing:** Actions will be taken to:
  - Seek increased funding from National Budget and improve efficiency in utilizing government resources allocated for health;
  - Align development cooperation funding with MOH strategies, plans and priorities and strengthen coordination of development cooperation funding for health;
  - Reduce financial barriers at the point of care and develop social health protection mechanisms;
  - Account for the main sources and uses of national resources allocated for health Strategic interventions at service delivery level; and
  - Collect data and information required to develop and monitor health sector financing policy.
- **Human Resources for Health:** Actions will be taken to:
  - Improve technical skills and competence of health workforce;
  - Strengthen staff professionalism, ethical conduct, and quality of work;
  - Improve staff distribution and retention, with priority to personnel essential to health sector priorities; and
  - Improve staff remuneration, salaries, and performance incentives.
- **Health Information System:** Actions will be taken to:
  - Increase the availability of accurate, timely, and complete health data of high quality from public and private sources, together with enhanced coordination, and resources for the Health Information System (HIS);
  - Improve data sharing, management, analysis, dissemination and use across all levels of the health system, including population and socio-demographic data;
  - Improve the national disease surveillance system, public facility patient medical record system, and strengthen the case reporting, monitoring and response to non communicable diseases; and
  - Expand participation in the national HIS by the private sector, and facilitate data use for planning, resource allocation and management of human resources, infrastructure, and supplies.
- **Health System Governance:** Actions will be taken to:
  - Harmonise and align all activities within MOH and across the Health Sector to achieve HSP2 goals;
  - Build public Private Partnerships;

- Enhance capacity to conduct research, Policy analysis, and to draft Regulations and Legislation;
- Strengthen institutional capacity as part of MOH's institutional development efforts.
- Strengthen MOH health sector stewardship through decentralisation and de-concentration; and
- Mobilise multi-sector responses to enhance national health system accountability for access to quality health services for all.

541. The goals and objectives of the actions that the MOH will take are:

*Goal #1: Reduce maternal, new born and child morbidity and mortality with increase reproductive health*

Objective 1: To improve the nutritional status of women and children.

Objective 2: To improve access to quality reproductive health information and services.

Objective 3: To improve access to essential maternal and newborn health services and better family care practices.

Objective 4: To ensure universal access to essential child health services and better family care practices.

*Goal #2: Reduce morbidity and mortality of HIV/AIDS, Malaria, TB, and other communicable diseases*

Objective 1: To reduce the HIV prevalence rate.

Objective 2: To increase survival of People Living with HIV/AIDS.

Objective 3: To achieve a high case detection rate and to maintain a high cure rate for pulmonary tuberculosis smear positive cases.

Objective 4: To reduce malaria related mortality and morbidity rate among the general population.

Objective 5: To reduce burden of other communicable diseases.

*Goal #3: Reduce the burden of non-communicable diseases and other health problems*

Objective 1: To reduce risk behaviours leading to non-communicable diseases (NCD): diabetes, cardiovascular diseases, cancer, mental illness, substance abuse, accidents and injuries, eye care, oral health , etc.

Objective 2: To improve access to treatment and rehabilitation for NCD: diabetes, cardiovascular diseases, cancer, mental illness, substance abuse, accidents and injuries, eye care, oral health, etc.

Objective 3: To ensure that the MoH has the capacity to effectively perform its essential public health functions: environmental health:, food safety, disaster management and preparedness.

542. To implement the priority policies of the RGC for the health sector, the day-to-day activities of health managers and staff of the MoH at all levels will be guided by the following five working principles:

- i. Ensure social health protection, especially for the poor and vulnerable groups.
- ii. Maintain a client focused approach to health services delivery.
- iii. Follow an integrated approach to high quality health care delivery and public health interventions.
- iv. Make human resources management as the cornerstone for health system.
- v. Ensure good governance and accountability.

543. Based on these five working principles, the efforts of the management and staff of the MoH, at all levels, will be focussed to:

- Implement decentralised service delivery and management functions.
- Strengthen sector-wide governance.
- Scale up access to and coverage of health services.
- Implement pro-poor health financing systems.
- Reinforce health legislation, professional ethics and code of conduct, and strengthen regulatory mechanisms.
- Improve quality in service delivery and management.
- Increase competency and skills, including allied technical skills, of health workforce.
- Strengthen and invest in health information system and health research.
- Increase investments in physical infrastructures and medical care equipment and advanced technology with improvement of non-medical support services.
- Promote quality of life and healthy lifestyles of the population.
- Prevent and control communicable and chronic and non-communicable diseases, and strengthen disease surveillance systems.
- Strengthen public health interventions to deal with cross-cutting challenges.
- Promote effective public and private partnerships in service provision.
- Encourage community engagement in health services delivery and quality improvement.
- Systematically strengthen institutions at all levels.

544 The MOH's operational framework, and its monitoring and evaluation functions are important tools to monitor and evaluate the overall health sector performance on a regular basis, to prepare information required for policy decision-making and to realign programme services delivery, if necessary, to achieve the targeted goals and objectives of the programmes; as well as to provide inputs for the preparation of Annual Progress Reports on the implementation of NSDP Update 2009-2013. The key planning tools for carrying out these functions are: the MOH's Three Year Rolling Plan linked to the Budget Strategic Framework and Public Investment Programme, and MOH's Annual Operational Plan and programme based budget. It is envisioned that all health partners will use this framework (including a set of agreed core indicators) to review progress of their programmes/projects in the health sector. The MOH will prepare annual progress reviews, a mid term review followed by end-cycle evaluation to report on the impact of the HSP2 in improving the health status of the targeted populations.

545 The selected core indicators for each of the three MOH programmes (Reproductive, Maternal, New Born and Child Health; Communicable Diseases; and Non communicable Diseases and other health problems) that the Ministry will periodically report on are presented in Table 22.

546 **HIV/AIDS:** The National HIV/AIDS Authority (NAA) will contribute to implementation of strategies, programmes and projects to further reduce the number of new HIV infections by focusing on targeted prevention interventions; increase coverage and quality of care, treatment and support for people living with and affected by AIDS; and alleviate the socio-economic and human impact of AIDS on the individual, family, community and society. Those programmes and projects will be targeted to:

- Increase coverage of effective prevention interventions and develop additional interventions.
- Increase coverage of effective interventions for comprehensive care and support and develop additional interventions.



- Increase coverage of effective interventions for impact mitigation and develop additional interventions.
- Strengthen leadership of government institutions and NGOs for the implementation of the national response to HIV and AIDS at both national and sub-national levels.
- Ensure a supportive legal and public policy environment for the national response to HIV and AIDS.
- Increase the availability of information for policy makers and programme planners through monitoring, evaluation and research.
- Increase and ensure the sustainability and efficiency of the mobilisation and allocation of resources for the response to HIV and AIDS at both national and sub-national levels.

**TABLE 22: SELECTED CORE INDICATORS (OUTPUT AND OUTCOME<sup>9</sup>) AND TARGETS OF MOH**

Selected Core Indicators	2008 <sup>10</sup>	2009	2010	2011	2012	2013
<b>Reproductive, Maternal, New Born and Child Health (RMNCH)</b>						
2 or more ANC health personnel consultation	81	85	88	90	92	94
% births delivery by trained health personnel	58	65	70	75	80	85
% births delivery by trained health personnel at health facilities	39	45	50	55	60	65
% of deliveries by C-section	2	2.2	2.5	3	3	3.2
Contraceptive prevalence using modern contraceptive method (%)	26	37	40	45	46	49
Proportion of children under 1 fully immunised	87	85	86	87	88	89
% of children under one year immunised against measles	91	90	91	93	95	95
Consultations (new cases) per person per year						
<i>General population</i>	0.54	0.5	0.6	0.6	0.7	0.8
<i>Child under 5</i>	1.1	1.3	1.5	1.7	1.7	1.8
<b>Communicable Diseases (CDC)</b>						
% PLHAs on ART survival after a 12-month treatment	n.a	>85	>85	>85	>85	>85
Selected Core Indicators	2008 <sup>11</sup>	2009	2010	2011	2012	2013
Case detection rate of smear (+) pulmonary tuberculosis (%)	69	>70	>70	>70	>70	>70
Tuberculosis cure rate (%)	90	>85	>85	>85	>85	>85
Malaria case fatality rate per 100,000 pop	2.10	1.50	1.20	1.10	0.99	0.90
Dengue hemorrhagic fever case fatality rate reported to public health facilities	0.68	0.7	0.6	0.6	0.6	<0.6
<b>Non communicable Diseases and other health problems (NCD)</b>						
Prevalence of adult with diabetes reported by public health facilities per 1,000 adult population	3.5	4.0	4.5	5	5.5	<5.5
# of mental health cases reported by public health facilities	15,320	15,000	18,000	19,000	20,000	21,000

### III. IMPLEMENTATION OF GENDER POLICY

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

547 The Royal Government considers women as the backbone of the society and the economy. The Royal Government has succeeded in implementing the Strategic Plan “Neary Rattanak II”. The government is implementing the Law on Prevention of Domestic Violence and Protection of the Victim and the Law on Suppression of Human Trafficking and Sexual Exploitation. The Royal Government has reduced the gender gap in the education sector through increasing enrolment rates for girls. In terms of health services, the Royal Government has improved the overall access to primary and reproductive health, prevention of malaria and HIV/AIDS. In the economic sector, the Royal Government has defended the

<sup>9</sup> Impact indicators are included in NSDP Update 2009-2013's socio-economic indicators table (Cambodia at Glance).

<sup>10</sup> Year of baseline value.

<sup>11</sup> Year of baseline value.

rights of female workers through advocacy and policy interventions. Moreover, women are being equipped with skills and they have the capacity to participate in decision making at all levels of governance. In general, the proportion of women elected as members of parliament increased from 19 percent in 2003 to 22 percent in 2008. In 2007 Commune Council elections, 15 percent of the elected members of Commune Councils were women and currently 30 percent of village chiefs are women.

**548** The Royal Government of the Fourth Legislature will continue to implement its policy aiming at increasing education opportunity for female students through increased scholarships, additional training programmes, providing accommodation and safe transportation, and increasing the number of female teachers. The Royal Government continues to increase women's role and capacity in decision-making at all levels of governance and pays attention to skills training for women at all levels. The Royal Government will strive to increase the ratio of women at all government levels, by providing employment opportunities for women, using advocacy at the village and commune levels throughout the country, and by protecting the rights of working women.

**549** To contribute to poverty reduction, the Royal Government continues to provide small and medium credits to women and communities for their livelihoods. To prevent violence against women and human trafficking, the Royal Government will effectively enforce the Law on Domestic Violence and Protection of Victims by providing effective and timely legal protection to victims, who are mostly women and children, in collaboration with all relevant institutions and development partners.

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

**550.** To implement RGC's priority policies for the Fourth Legislature, the Ministry of Women's Affairs in collaboration with the Cambodian National Council for Women has prepared a five year strategic plan, Neary Rattanak III (2009-2013), which focuses on five strategic areas, a gender mainstreaming programme in national and sectoral policies, reform programmes and implementation of international conventions; as well as a cross-cutting area that deals with strategic management, capacity development and aid effectiveness. The five strategic areas are:

- i. Economic empowerment of women.
- ii. Promotion of women and girls' education and attitude and behaviour change.
- iii. Legal protection of women and girls.
- iv. Promotion of health, nutrition and combating HIV/Aids among women and girls.
- v. Promotion of women's participation in decision-making in the public and political sector.

**551.** In the strategic area of **Economic Empowerment of Women**, the MOWA in cooperation with key sector line ministries and other relevant stakeholders will take the following actions:

- Support and advocate for expansion of opportunities and employment creation for women, including the informal sector by supporting needs assessments; facilitating partnerships to set up support mechanisms for women entrepreneurs; develop programmes on capacity and skills development and advocate for scholarships for women; advocate for and monitor mechanisms for providing decent jobs to women including vulnerable, disabled and indigenous women; and establish a consultation and information centre for women.
- Strengthen business development services to support and develop micro, small and medium enterprises for women by developing and transforming the traditional Women in Development Centres (WIDs) into integrated Women's Development Centres (WDCs) that provide vocational training responding to market needs, along

with enterprise consultation and development services, and livelihood skills development for women; designing pilot projects in communities to increase employment opportunities for women, and setting up women's associations and entrepreneur networks; and support access to information on micro finance and credit services for women entrepreneurs.

**552.** In the strategic area of **Promotion of Women and Girls' Education, Attitude and Behaviour Change**, the MOWA in cooperation with relevant stakeholders will take the following actions:

- Promote formal and informal education for women and girls by raising awareness among the public of the value and importance of girls' education; advocating for and monitoring the expansion of the programme of early childhood education and community based preschools, especially in remote areas; raising awareness of importance of education among parents and families; promoting expansion of informal education including programmes on literacy, livelihood and vocational skills for adult women and girls who have dropped out of school; advocating for the expansion of scholarship programmes at high school and higher education levels.
- Foster harmony in the family and society and promote the status of women by implementing the National Programme on Social Morality, the Value of Women and Family; increasing public awareness of, and taking action to prevent indecent acts and the spread of pornographic material.

**553.** In the strategic area of **Legal Protection of Women and Girls**, the MOWA in cooperation with relevant stakeholders will take the following actions:

- Promote legal protection from domestic violence, rape, sexual assault, human trafficking, sexual and labour exploitation and punishing offenders by implementing the DV and Human Trafficking Law and the National Action Plan to Combat Violence against Women and the National Action Plan to Suppress Trafficking in Humans and Sexual Exploitation; developing database and information systems on all forms of violence against women and girls, human trafficking, sexual and labour exploitation; and raising public awareness and support for preventing violence against women and children.
- Increase the capacity of relevant institutions for effective legal protection for victims of violence, rape, human trafficking, and sexual and labour exploitation and punishment for perpetrators by capacity building and awareness raising of relevant authorities including judicial officials at all levels on laws and regulations related to prevention of violence against women and children, and human trafficking; supporting networking among victims, officials of police, court and health institutions to respond to cases of violence against women and children and human trafficking; advocating for an increase in the number of women police, and prisons officers; capacity development of judicial police officers; facilitating the development and implementation of all necessary regulations to implement the DV law, including administrative decisions and protection order to protect the victim.
- Improve access to and provision of social and health services for victims of violence, rape, human trafficking, and sexual and labour exploitation by promoting an increase in the number of centres and shelters and the implementation of the National Minimum Standards for Protection of the Rights of Victims of Human Trafficking; preparing and revising regulations on care provision for victims, and guidelines for social services for victims at centres; promoting capacity development of staff at the centres and staff providing consultation services.

- Strengthen international and regional cooperation to prevent trafficking in humans, labour exploitation, and sexual exploitation by implementing activities and monitoring the National Action Plan; continuing to implement international agreements and regional commitments and action plans such as the MOU of the Greater Mekong Sub regional committee; and monitoring and reporting on national and international commitments, including to the United Nations.

**554.** In the strategic area **Promotion of health, nutrition and combating HIV/Aids among women and girls**, the MOWA in cooperation with relevant stakeholders will take the following actions:

- Support improved access to information and knowledge on reproductive health in communities, especially among disabled and pregnant women.
- Promote better nutrition for women and girls especially women of child bearing age by raising awareness on food security and nutrition among communities through information education communication materials and media.
- Raise awareness among women at the community on the prevention and combating of transmission of disease through the implementation of information campaigns, training and the provision of basic information on malaria dengue and other mosquito-transmitted diseases to target volunteers and communities.
- Support prevention of HIV/Aids transmission in women and girls by facilitating the implementation of the strategic plan on women, girls and HIV/AIDS and increasing knowledge and support among communities to fight against immediate risk to women and girl child.

**555.** In the strategic area **Promotion of women's participation in decision making in the public and political sector**, the MOWA in cooperation with relevant stakeholders will take the following actions:

- Increase the number of active women representatives in decision making in government institutions and at all sub national levels through lobbying of political parties and relevant institutions to increase the proportion of women standing for elections and putting their candidacy higher up in the list for senate, parliamentary and sub national councils; encourage political dialogue and develop strategies and advocacy for affirmative action and set quotas for women at all levels; raising public awareness of the importance of women's participation at the senior level as lower house representative, provincial, municipal, district and Khan board of governors and commune councillor; and capacity development for elected and appointed women by the public at national and sub national levels including female candidates standing for commune council elections 2012 and the next national elections.
- The promotion of women's participation in decision making in the public sector at all levels by pushing for the implementation of policies and procedures for promotion and recruitment of government officials in response to gender equality; cooperating with the Royal School of Administration in setting up gender responsive curriculum and increasing the number of female students – Cooperating with the women civil servant association and relevant players in improving the effectiveness of performance and rights protection, and the well being of women civil servants; capacity building and skills at Leadership and Management as well as other related skills for women leaders.

### **Gender Mainstreaming Programme**

**556.** “Gender equality and the empowerment of women” is a development goal in its own right. The Ministry of Women's Affairs has a clear mandate to advocate and monitor progress, but the mechanisms and methodologies for achieving this development goal, i.e. through “gender mainstreaming” by definition cross-cut all sectors and policies. This follows the NSDP 2006-2010 and the Rectangular Strategy Phase II (2009-2013), which requires each sector to promote gender equality within its mandate.

- **Gender mainstreaming in national policies and the statistical system** by focusing mainly on gender mainstreaming in the process of developing, monitoring and evaluation of national policies and sectoral policies; strengthening and scaling up the mechanisms of gender mainstreaming at the national and sub national levels; capacity development on gender mainstreaming for relevant government institutions at the national and sub national levels; advocating and lobbying for integrating gender issues in the process of sectoral planning, budgeting and reporting; improving preparation and implementation of sector gender mainstreaming plans at the national and sub national level; and gender mainstreaming in the national statistical system.
- **Gender mainstreaming in sectors** by focusing specially on gender mainstreaming through the gender mainstreaming action groups and their respective gender mainstreaming action plans in the line ministries. This includes work in the following key sectors:
  - Economic and Finance sector, by gender mainstreaming in macro-economic policies and other policies and services for poverty reduction, agricultural and rural development, land and natural resource management and the protection of rights and welfare of female workers as well as women's economic welfare in the informal sector.
  - Education sector, by mainstreaming gender in the national policy and plan on the Education for All to improve the effectiveness of the implementation of the policy and in response to gender equality considerations such as: increasing the number and capacity of female teachers; increasing the survival rate of girls in school especially from grade 9 onwards; and integrating gender equality issues in analysis into discussion of education policies including education for disabled children and indigenous and ethnic minority girls and women.
  - Legal sector, by advocating for the development and adoption of any necessary legislation, regulations or law amendments to promote gender equality and protect women's rights; carry out research and promote dialogue to also promote improved access to legal protection including disabled women and indigenous and ethnic minority women.
  - Health sector by advocating for and monitoring improved access of women to health care and reproductive health services, especially focusing on addressing maternal mortality, and also increasing access to modern birth spacing methods and services; and increased water supply and sanitation facilities; supporting educational information campaigns; advocacy and monitoring and supporting information and awareness campaign for preventing HIV/AIDS transmission.
- **Gender mainstreaming in government reform programmes** by analysing, advocating for, and monitoring the development and implementation of gender responsive national reform programmes, including legal and judicial reform, sub-national democratic development (D&D reform); public administration reform, and public financial management reform.
- **The implementation of the CEDAW** and other relevant conventions and regional commitments relating to gender equality and women's rights by supporting dissemination and understanding of the conventions, and monitoring and reporting on their implementation; and for CEDAW, disseminating the concluding comments to the official report submitted by the State party. The Cambodia National Council for Women is the lead agency in regard to the CEDAW.

**Cross-cutting area of internal strategic management, capacity development and improved aid effectiveness.**

557. In this cross-cutting area the MOWA will take the following actions: Develop effective and efficient internal and external information and communication; develop capacity for, and implement results based management principles and practices; produce quality plans, budgets and reports as required by RGC and regional and international commitments; carry out a capacity assessment and develop a capacity development strategy for MOWA effectively engage in GDCC dialogue through the TWG-Gender; and promote enhanced partnerships and coordination around gender equality and women's empowerment.

558. The Ministry of Women's Affairs has set Gender targets/indicators set by the Ministry of Women's Affairs are presented in Table 23.

**TABLE 23: GENDER TARGETS/INDICATORS**

Major Goals: Targets/Indicators		Baseline 2008	Target 2010	Target 2013
<i>Gender Equity</i>				
1	Mainstream gender in all spheres <sup>1</sup>	-	-	
1a	<i>Number of ministries/institutions that have formulated a Gender Mainstreaming Action Plan</i>	15	20	27
1b	<i>Number of ministries/institutions that have implemented their Gender Mainstreaming Action Plan</i>	10	15	27
2	Female share of wage employment <sup>1</sup> (%)			
	- <i>Agriculture</i>	52.5	50	50
	- <i>Industry</i>	53.5	50	50
	- <i>Services</i>	27.0	37	50
3	Level of awareness that violence against women is wrongful behaviour and a crime (%) <sup>1</sup>	30	50	70
3a	<i>Number of protection orders issued by courts, based on the Law on the Prevention of Domestic Violence and the Protection of the Victims</i>	-	40 <sup>2</sup>	120 <sup>2</sup>
3b	<i>Number of victims of domestic violence who received counselling by qualified personnel.</i>	600 <sup>2</sup>	900 <sup>2</sup>	2000 <sup>2</sup>
4	Combat trafficking in humans <sup>3</sup>			
4a	<i>Policy measures adopted to protect the rights of victims of trafficking</i>			
i	<i>Proportion of shelter homes that adopted Minimum Standards (%)</i>	0	30	70
ii	<i>Proportion of social workers of DoSAVY trained to use the Minimum Standards effectively (%)</i>	0	30	70
4b	<i>Number of partnerships established to combat human trafficking</i>			
i	<i>Number of MOU's signed for regional and cross-border collaboration</i>	2	4	5
ii	<i>Number of country level institutions set up to combat trafficking</i>	0	-	3
iii	<i>Number of Provinces that have multi-stakeholder institutional structures to combat trafficking</i>	3	8	12
5	Increase women in public decision making <sup>4</sup> (%)			
5a	<i>Proportion of seats held by women in the national assembly</i>	22	24	30
5b	<i>Proportion of ministers that are women</i>	7.7	12	15
5c	<i>Proportion of provincial governors that are women</i>	0	6	10
5d	<i>Proportion of board of provincial governors that are women</i>	16.8	-	28
5e	<i>Proportion of judges that are women</i>	6.9	10	15
5f	<i>Proportion of chiefs of commune/ sangkat councils that are women</i>	4	-	10
5g	<i>Proportion of civil servants that are women</i>	34	35	38

<sup>1</sup> Existing indicators in the Table 3.2 of NSDP Mid-Term Review 2008.

<sup>2</sup> Proposed new targets with agreement from MoJ, Mol and MoSAVY through a TWG-Gender meeting on 25 September 2009.

<sup>3</sup> Proposed new indicators and targets of trafficking with agreement from Mol and MoSAVY through a TWG-Gender meeting on 25 September 2009.

<sup>4</sup> Proposed new indicators with agreement from all stakeholders of TWG-Gender to align with CMDG indicators.

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

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

559. Final results from the ten-yearly population census conducted in March 2008 place the total population of Cambodia at 13.4 millions, with a female ratio of 51.4 percent and rural-urban population shares of 19.5 percent and 80.5 percent. This data shows an average growth rate of 1.54 percent per annum during the decade. The main achievements under population policy implementation were (1) most women are aware of birth spacing control; (2) total fertility rate decreased from 4.0 in 2000 to 3.4 in 2005; and (3) the average number of desired children per woman is 3.3 which will lead to decrease in the average family size.

560. In the Fourth Legislature, the Royal Government will continue its efforts to integrate the population policy into socio-economic policy, plans and programmes at all levels.

561. The Royal Government continues to introduce necessary measures to enhance the quality of life of people through developments in education, health, gender equity, and rural development as priority. With 54.1 percent of Cambodian population aged below 24 years of age, it is important that we adopt measures to turn youth to be an important driving force for development of all sectors. The Royal Government will strengthen urban and agglomeration management to make cities clean without litter, with full sanitary facilities, with fresh air, green park and gymnasium complexes; and organise cultural entertainment publications to support enhancement of quality of physical and moral human health.

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

562. All line ministries and agencies play a role in implementing Royal Government's population policy. The ministries and agencies who are more actively involved include: the National Institute of Statistics of the Ministry of Planning, that is responsible for regular collection of the population data and preparing analysis of these data; the General Directorate of Planning of the Ministry of Planning, that is responsible for ensuring that population issues are dealt with in planning processes including those at the line ministry level; the National Committee for Population and Development at the Council of Ministers, that is responsible for advocating and promoting the population policy issues. During the Fourth Legislature, the efforts of these institutions will be focused on:

- Enhancing the capacity of policy makers, parliamentarians, planners, and development programme managers at the national and sub-national levels to take into account the data and analysis on key population and poverty issues.
- Formulating guidelines for integrating key population and poverty variables in the design of all development programmes.
- Strengthening capacity of planning officers at the national and sub-national levels to integrate population issues in planning processes.
- Strengthening institutional capacity to identify emerging population issues by periodically carrying out analysis and to monitor and update the population policy.
- Developing and widely disseminating disaggregated population data at the national and sub-national levels.
- Continuing work on carrying out the CDHS 2010, and the CIPS 2013 in a timely manner.
- Integrating population, RH, gender, and poverty parameters into the progress reports on the implementation of NPP, NSDP, CMDGs, sectoral and sub-national plans.
- Building capacity of planners at national and sub-national levels to utilise data related to population, RH, gender, and poverty as well as their linkages with the development programme and plan formulation and reporting of the implementation of those programmes and plans.
- Formulating guidelines on the integrated data utilisation and population variables to support the sustainable development programme and planning preparation and the reporting of the implementation of those programmes and plans at both national and sub-national levels.
- Preparing a comprehensive training manual and other advocacy materials on population, RH, gender, poverty and development linkages.
- Sensitising and training on population, RH and gender, poverty and development linkages to relevant students in the universities.
- Conducting research and disseminating population-related needs and problems to the Royal Government and other relevant institutions.
- Conducting research to support data needs on population, RH, gender and poverty.

## CHAPTER V

### COSTS, RESOURCES AND PROGRAMMING

563. The RGC will further strengthen and broaden the nature and scope of partnerships within Royal Government's institutions, with external development partners, national and international Non-Government Organisations, and other civil society stakeholders to maximize the benefits for the people of Cambodia of the resources that will be available for development programmes. An important outcome, that is a high priority of RGC, is to achieve a *significant increase in a net transfer of development resources to the targeted beneficiary populations, in particular the vulnerable and the poor households in rural communities; and a strengthened capacity of RGC institutions to deliver their programmes and services efficiently.*

564. The Royal Government is taking concrete actions to further strengthen and refine the *harmonisation of planning, public investment expenditures and development cooperation financing* among RGC institutions within the framework of RGC's Public Financial Management Reform Programme. To ensure an improved alignment of development cooperation financing resources with NSDP Update 2009-2013's priorities, RGC's focal point for aid coordination and ODA allocation/utilisation, will take concrete actions to further strengthen coordination with and among development partners and civil society stakeholders to enhance accountability and transparency in the utilisation of available development cooperation financing resources.

#### I. TOTAL PUBLIC INVESTMENT REQUIREMENTS

565. To collect information, through a bottom up process, on the costs of public investment requirements to implement RGC's prioritised policies for the Fourth Legislature (on-going development programmes and projects as well as planned high priority pipeline projects), the Ministry Planning had asked each line ministry/agency to provide information on their Public Investment Requirements for 2009-2013. Unfortunately, this bottom up approach cannot be applied as not many ministries/agencies were able to provide the information that is needed<sup>12</sup>. The Royal Government will further strengthen and refine the planning and resource allocation processes and the capacity of RGC institutions will be strengthened to ensure that the data required for development planning and public investment resources allocation purposes is readily available. The three-year rolling Public Investment Programme (PIP) for 2011-2013 will be prepared based on a methodology that enables the harmonisation of PIP, public investment expenditure, and development cooperation financing. The PIP 2011-2013 will be prepared within the time schedule for the preparation of the National Budget for 2011.

566. In Chapter III on the "Macro-economic Framework for NSDP Update 2009-2013" projections of key macroeconomic variables are presented. Also included in the analysis are projections of "capital" investments that will be required from both the public and private sector sources to achieve the projected GDP growth rate. This top down methodology, however, does not include all the requirements for public sector investment expenditures for social sectors required to achieve the socio-economic goals to reach the CMDGs, expenditures for strengthening the capacity of RGC institutions, and expenditures that will be required to mitigate the adverse effects of the global financial crisis and economic downturn on Cambodia's real economy and the vulnerable and the poor. Nevertheless, these top down estimates of "capital" investment requirements do constitute a major share of the total investment needs over the next five year.

<sup>12</sup> To implement the methodological refinements described in paragraph #10.



567. To make the text reader friendly, the information presented in Chapter III on projections of “capital” investment requirements over the next five years, 2009-2013, is summarised again in the following text. To achieve the overall and sectoral GDP growth targets for the period covered by the NSDP Update 2009-2013, total capital investment of 62,020.7 billion CR (US\$ 15.127 billion) will be required. In terms of private and public sources of financing of total capital investments required:

- Private sector capital investments are estimated to be 44,480.1 billion CR (US\$ 10.848 billion) – accounting for 71.7 percent of total capital investments.
- Public sector capital investments are estimated to be 17,540.6 billion CR (US\$ 4.278 billion) – accounting for 28.3 percent of total capital investments.

568. In terms of domestic and foreign sources of financing of total capital investments required:

- 34,849.0 billion CR (US\$ 8.499 billion) or 56.2 percent of total capital investments are projected to be financed from domestic sources.
- 27,171.7 billion CR (US\$ 6.627 billion) or 43.8 percent of total capital investments are projected to be financed from foreign sources.

**TABLE 24: CAPITAL INVESTMENT REQUIRED TO ACHIEVE GDP GROWTH TARGETS AND POTENTIAL SOURCES OF FINANCING THE NEEDED INVESTMENT: 2009 - 2013**  
(In billions of CR)<sup>1</sup>

SOURCE OF FUNDING	2009	2010	2011	2012	2013	TOTAL 2009-2013
<b>TOTAL CAPITAL INVESTMENT</b>	<b>9,914.6</b>	<b>11,307.5</b>	<b>12,394.9</b>	<b>13,564.4</b>	<b>14,839.2</b>	<b>62,020.7</b>
• Public Capital Investment	2,917.1	3,290.8	3,448.2	3,770.6	4,113.9	17,540.6
> Financed by Domestic Resources	737.7	762.6	799.1	873.8	953.4	4,126.7
> Financed by External Resources <sup>2</sup>	2,179.4	2,528.1	2,649.1	2,896.7	3,160.5	13,413.9
• Private Capital Investment	6,997.5	8,016.8	8,946.7	9,793.8	10,725.3	44,480.1
> Financed by Domestic Resources	4,887.2	5,559.6	6,173.6	6,741.1	7,360.7	30,722.3
> Financed by External Resources <sup>2</sup>	2,110.3	2,457.1	2,773.1	3,052.7	3,364.6	13,757.8
<b>TOTAL CAPITAL INVESTMENT</b>	<b>9,914.6</b>	<b>11,307.5</b>	<b>12,394.9</b>	<b>13,564.4</b>	<b>14,839.2</b>	<b>62,020.7</b>
• Public Capital Investment	2,917.1	3,290.8	3,448.2	3,770.6	4,113.9	17,540.6
• Private Capital Investment	6,997.5	8,016.8	8,946.7	9,793.8	10,725.3	44,480.1
<b>TOTAL CAPITAL INVESTMENT</b>	<b>9,914.6</b>	<b>11,307.5</b>	<b>12,394.9</b>	<b>13,564.4</b>	<b>14,839.2</b>	<b>62,020.7</b>
> Financed by Domestic Resources	5,625.0	6,322.3	6,972.7	7,614.9	8,314.1	34,849.0
> Financed by External Resources <sup>2</sup>	4,289.6	4,985.2	5,422.2	5,949.5	6,525.1	27,171.7
<b>PUBLIC CAPITAL INVESTMENT</b>	<b>2,917.1</b>	<b>3,290.8</b>	<b>3,448.2</b>	<b>3,770.6</b>	<b>4,113.9</b>	<b>17,540.6</b>
• Financed by Domestic Resources	737.7	762.6	799.1	873.8	953.4	4,126.7
• Financed by External Resources <sup>2</sup>	2,179.4	2,528.1	2,649.1	2,896.7	3,160.5	13,413.9

Source: Ministry of Economy and Finance

<sup>1</sup> The CR-denominated figures in this Table are converted from US\$-denominated projections against an average exchange rate of 4,100 CR = 1 US\$;

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

569. Successful and timely implementation of NSDP Update 2009-2013's prioritised policies, and achievement of its targets call for substantial and well-directed additional investments and their focused, efficient and effective use. These investments would have to be made both in the *private sector* to sustain and foster growth and diversification of the economic base, in particular of the rural economies; and in the *public sector* to provide coordinated support to expand and diversify the economic base, in particular of the rural

economies to alleviate poverty in rural areas, to mitigate the adverse effects of the global financial crisis and economic downturn on the vulnerable and the poor and the real economy, to support expansion and efficient delivery of social sectors services to achieve CMDG targets, and to strengthen the capacity of RGC institutions to deliver their programmes and services efficiently.

570. The availability of foreign private capital investments to developing countries world wide remains uncertain due to the global financial crisis and uncertainties about economic outlook in advanced economies. RGC will implement measures to encourage financing of private sector economic activities from domestic financial sector to secure the private sector capital investment requirements. Borrowing levels from financial institutions for long-term investments are still quite low. A sizeable part of US\$ deposits with the commercial banks in Cambodia is still not being fully availed of for investments within the country, some of it even going to investments elsewhere. Tapping financial sector funds to work for Cambodia's growth is therefore an important priority and would be possible by increasing demand for domestic investments.

571. The primary focus in this chapter is the availability of resources for *public sector investments* for implementing NSDP Update 2009-2013's prioritised policies. The total public sector investment requirements include:

- Public sector capital investments requirements;
- Resources required to provide targeted support for the development and diversification of rural economies to alleviate poverty in rural and remote areas, and to mitigate the adverse impact of the global financial crisis and economic downturn on the vulnerable and the poor;
- Resources required to expand social sectors services to achieve CMDGs targets; and
- Resources required to strengthen the capacity of RGC institutions to deliver their programmes and services efficiently.

572. The Royal Government has set a target of 25,740.6 billion CR (US\$ 6.278 billion) for public sector investments to implement RGC's prioritised policies for the Fourth Legislature. It includes: public sector capital investment requirements (17,540.6 billion CR or 4.278 billion US\$); resources required to provide targeted support for the development and diversification of rural economies to alleviate poverty in rural and remote areas, and emergency support to mitigate the adverse impact of the global financial crisis and economic downturn on the vulnerable and the poor (4,100.0 billion CR or 1 billion US\$); resources to expand social sectors services to achieve CMDGs targets (2,050.0 billion CR or 500 million US\$); and resources required to strengthen the capacity of RGC institutions to deliver their programmes and services efficiently (2,050.0 CR or 500 million US\$).

**TABLE 25: RESOURCE MOBILISATION TARGETS FOR PUBLIC SECTOR INVESTMENTS 2009-2013**

PUBLIC SECTOR INVESTMENT TARGETS	2009-2013	
	CR billions	US\$ billions
1. Public sector "capital" investments (Macro-Economic Projections)	17,540.6	4.278
2. Targeted support for the development and diversification of rural economies to alleviate poverty in rural and remote areas, and to mitigate the adverse impact of the global financial crisis and economic downturn on the vulnerable and the poor.	4,100.0	1.000
3. Expansion of social sectors services to achieve CMDGs targets.	2,050.0	0.500
4. Support to strengthen the capacity of RGC institutions to deliver their programmes and services efficiently.	2,050.0	0.500
<b>TOTAL</b>	<b>25,740.6</b>	<b>6.278</b>

## II. POTENTIAL SOURCES OF FUNDING THE PUBLIC SECTOR INVESTMENT EXPENDITURES

573. Within the framework of the Medium-Term Expenditure Framework (MTEF), the Royal Government has allocated 4,126.7 billions CR (US\$ 1.006 billions) for public sector capital expenditures that will be leveraged to attract financing from traditional and non-traditional development partners and the private sector to implement RGC's priority investment projects during the Fourth Legislature. The balance of the total public sector investment requirements (total investment – domestic financed by RGC = 25,740.6 – 4,126.7), that accounts for 21,613.9 billion CR (US\$ 5.271 billion) for 2009-2013 or about 4,321 billion CR (US\$ 1.054 billion) per year, is expected to be financed from:

- Grant-Aid from traditional external development partners (bilateral, multilateral and NGOs).
- Concessional terms loans from external development partners (mainly Multilateral Financial Institutions).
- Resources from non-traditional sources, including non-traditional partners (both grants and semi-concessional loans).
- Potential new income from development of extractive industries (oil, Gas, and Minerals) when commercial production in these sectors get underway.

574. The Royal Government is confident that the public sector investment requirements of around 4,321 billion CR (US\$ 1.054 billion) per year can be reached with the continuing support of its traditional and non-traditional development partners, supplemented by any new income from oil, gas and mineral sectors when commercial production in these sectors get underway.

575. In accordance with the partnership agreements between the developed and developing countries in the OECD/DAC arena, RGC would like to see its development partners take urgent actions to deliver their development cooperation financing resources through "budget support" linked to measurable qualitative and quantitative performance in each chosen sector. Adopting a budget support approach would help in three ways: (a) it will enhance government ownership and leadership of development priorities, policies and programmes; (b) it will enable proper tracking and transparent accounting of external assistance; and (c) it will enhance in-country oversight and accountability through democratic institutions for receipt and use of external funds. The RGC will continue to highlight the importance of moving towards "budget support" as the most preferred mechanism for providing external support to its development partners.

576. To strengthen the alignment and harmonisation of development cooperation programmes with NSDP Update 2009-2013's priorities, RGC urges its development partners to provide support to the development of sector-wide or programme-based approaches for the key sectors of the economy and to deliver their assistance in a coordinated manner to implement the sector-wide programmes to achieve cohesion and synergy and to avoid overlap and/or duplication. The RGC recognises that the operations of the sectoral TWGs need to be reviewed and strengthened to carry out this important task.

577. RGC will work with its development partners to strengthen the existing Technical Working Groups (TWGs) mechanism in order to enhance efficiency, especially on technical cooperation for the development of human resources and institutional capacity and to strengthen cooperation among all relevant stakeholders; as well as to alleviate concerns about the added burden of participation in the TWGs by both the development partner agencies and the line ministries and agencies. RGC will examine all options, including:

- Limiting the membership of external development partners in a TWG to those who are delivering financial support to the TWG sector. Other development partners could decide to attend TWG meetings as observers.
- To improve the quality and level of discussion at the Technical Working Groups, RGC would like to see the participation of personnel who are technically qualified to provide advice and support in the sector of the TWG. The participation of development partner agency's junior and/or administrative staff will be strongly discouraged. Development partners are strongly encouraged to make use of the technical experts in the area of TWG sector that they finance to work in the country. The benefit of such an approach for the development partner agencies is the elimination of added costs of recruiting additional personnel for participation in the work of the TWGs.

578. There is a high level global partnership compact to help poorer countries to achieve CMDGs and to provide the needed funds for this purpose. In the spirit of these global partnerships, RGC will continue to urge its development partners to strive to ensure that their assistance is fully aligned to achieving NSDP Update's priority policies at a detailed operational level and not just at a broad thematic level. RGC also urges development partners to speedily reallocate resources away from less priority areas now receiving funds, make a serious effort to significantly reduce various forms of "free standing technical assistance" and work towards achieving a greater "net real transfer" of development resources to the targeted vulnerable and poor beneficiaries, and to strengthen capacity of RGC institutions to deliver their programmes and services efficiently to achieve CMDGs targets.

### **III. PROGRAMMING: PUBLIC INVESTMENT EXPENDITURES AND DEVELOPMENT COOPERATION FINANCING**

579. As mentioned earlier, the Royal Government is taking concrete measures to strengthen and refine harmonisation of planning, public investment expenditures planning, and allocation and utilisation of development cooperation resources. A Task Force comprised of four key RGC institutions, Chaired by Ministry of Planning, has been established within the framework of the RGC Public Financial Management Reform Programme (PFMRP). The mandate of the Task force is to:

- Review the roles of RGC institutions and the mechanisms and approaches pertaining to the planning process, and the process for managing, coordinating and implementing public investment expenditures and development cooperation resources.
- Propose measures to harmonise public investment expenditures and allocation and utilisation of development cooperation resources to ensure consistency between these two processes in order to prepare a sound and inclusive National Budget expenditure plan that is consistent with the Rectangular Strategy II, the National Strategic Development Plan, and Sectoral Strategies as outlined in the Action Plan on Harmonisation, Alignment and PFMRP.

580. As mentioned earlier in Chapter III, the Royal Government is now in the process of strengthening linkages between the processes that: (i) identify high priority public investment requirements, which include the five-year National Strategic Development Plans (NSDP) and the three-year rolling Public Investment Programme (PIP); (ii) the mobilisation of external resources from traditional and non-traditional development partners; and (iii) the preparation of the Budget Strategic Framework. The Royal Government will further refine the methodology in preparing future National Strategic Development Plans, and the

preparation of a public investment resource envelope that will serve as an operational and financing tool to implement policy priorities identified in the NSDP. The process of preparing the three-year rolling PIP will be strengthened to ensure that: (i) additional recurrent expenditure requirements of proposed projects that have implications for the Annual Budget are an integral part of information collected in the formulation of the PIP; and (ii) projects included in PIP are prioritised - RGC institutions will assign a sequenced priority ranking to projects for which they are seeking resources to implement over the planning period of PIP, taking into account the overall macroeconomic environment and an awareness of the scope to mobilise external resources based on recent trends.

581. As the quality of PIP information improves, RGC will ensure that only those programmes and projects that are part of the PIP are included in a consideration for funding during the formulation of the Budget Strategic Framework. RGC will also ensure that its resource mobilisation activities are focused on seeking funding for programmes and projects included in PIP. To ensure a better alignment of the development cooperation resources with RGC's public investment priorities, the data collected annually by RGC from development partners on actual and planned disbursements of their assistance will be analysed by ministry/agency and each ministry/agency will be provided this information to: (i) review and verify that the information on disbursements are reported for their ministry/agency, and (ii) provide feedback on programmes/projects financed that are aligned with NSDP priorities and those that are not.

582. These methodological refinements will on the one hand ensure a closer linkage between Royal Government's policy priorities, the actions, programmes and projects that line ministries and agencies plan to carry out to implement the prioritised policies, and the public investment resources required to implement the planned activities. On the other hand, this will forge a closer linkage between the public investment requirements identified through the planning process and the Royal Government's public investment budget and development cooperation resources that will provide a medium term financing outlook for the Royal Government in the implementation of the NSDP. These, linked with and aimed at improved comprehensiveness of the national budget, which covers recurrent and capital budget, will also ensure enhanced allocation efficiency and effectiveness.

583. For the NSDP Update 2009-2013, the allocation of recurrent expenditure by ministry/agency within the framework of the Medium-Term Expenditure is presented in Table 14 in Chapter III. Allocation of capital expenditure and the costs of special measures to mitigate the adverse effects of the global financial crisis and the economic downturn on the real economy and the vulnerable and the poor by sector are presented in Table 25.

**TABLE 26: NSDP UPDATE 2009-2013 ALLOCATIONS BY SECTOR**

Sector	Allocation		% of Total	Rural Areas CR billions	% for Rural Areas	Urban Areas CR billions	% for Urban Areas
	CR billions	US\$ millions					
<b>Social Sectors</b>							
Education: (of which Basic Education to receive 60%) <sup>2</sup>	3,088.9	753.4	12.0%	1,853.3	60%	1,235.6	40%
Technical and Vocational Training	1029.6	251.1	4.0%	514.8	50%	514.8	50%
Health	3,088.9	753.4	12.0%	2,162.2	70%	926.7	30%
Programmes to mitigate the adverse impact of global financial crisis on the vulnerable and the poor	1029.6	251.1	4.0%	823.7	80%	205.9	20%
<b>Sub-Total</b>	<b>8,237.0</b>	<b>2009.0</b>	<b>32.0%</b>	<b>5354.0</b>	<b>65%</b>	<b>2883.0</b>	<b>35%</b>
<b>Economic Sectors</b>							
Agriculture & Land Mgmt: other than crops <sup>3</sup>	1,029.6	251.1	4.0%	978.1	95%	51.5	5%
Seasonal Crops: Rice & others	1,029.6	251.1	4.0%	1,029.6	100%	0.0	0%
Rural Development <sup>4</sup>	3,088.9	753.4	12.0%	3,088.9	100%	0.0	0%
Manufacturing, Mining & Trade <sup>5</sup>	1,029.6	251.1	4.0%	411.8	40%	617.8	60%
<b>Sub-Total</b>	<b>6,177.7</b>	<b>1506.8</b>	<b>24.0%</b>	<b>5,508.4</b>	<b>89.2%</b>	<b>669.3</b>	<b>10.8%</b>
<b>Infrastructure</b>							
Transportation (Roads, Ports, Rlys., Civil Aviation) <sup>6</sup>	3,088.9	753.4	12.0%	1,544.4	50%	1,544.5	50%
Water and Sanitation (excluding rural) <sup>7</sup>	1,029.6	251.1	4.0%	257.4	25%	772.2	75%
Power & Electricity <sup>8</sup>	1,029.6	251.1	4.0%	514.8	50%	514.8	50%
Post & Telecommunications <sup>9</sup>	257.4	62.8	1.0%	128.7	50%	128.7	50%
<b>Sub-Total</b>	<b>5,405.5</b>	<b>1318.4</b>	<b>21.0%</b>	<b>2443.3</b>	<b>45.2%</b>	<b>2,962.2</b>	<b>54.8%</b>
<b>Services &amp; Cross Sectoral Programmes</b>							
Gender Mainstreaming <sup>10</sup>	386.1	94.2	1.5%	115.7	30%	270.4	70%
Tourism	514.8	125.6	2.0%	128.7	25%	386.1	75%
Environment and Conservation <sup>11</sup>	1,029.6	251.1	4.0%	926.8	90%	102.8	10%
Community and Social Services	1,029.6	251.1	4.0%	772.2	75%	257.4	25%
Culture & Arts	386.2	94.2	1.5%	193.1	50%	193.1	50%
Governance & Administration <sup>12</sup>	2,059.2	502.2	8.0%	823.7	40%	1,235.5	60%
<b>Sub-Total</b>	<b>5,405.5</b>	<b>1318.4</b>	<b>21.0%</b>	<b>2,962.2</b>	<b>54.8%</b>	<b>2,443.3</b>	<b>45.2%</b>
<b>Unallocated<sup>13</sup></b>	<b>514.8</b>	<b>125.6</b>	<b>2%</b>	<b>257.4</b>	<b>50%</b>	<b>257.4</b>	<b>50%</b>
<b>Grand Total<sup>14</sup></b>	<b>25,740.6</b>	<b>6,278.2</b>	<b>100.0%</b>	<b>16,525.4</b>	<b>64.2%</b>	<b>9,215.2</b>	<b>35.8%</b>

**Explanatory Notes:**

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

## CHAPTER VI

### MONITORING, EVALUATION AND KEY INDICATORS/TARGETS

584. Regular monitoring and evaluation of the actions taken by ministries and agencies to achieve the goals and targets of RGC's priority policies for the Fourth Legislature is an integral part of the planning process. An effective monitoring and evaluation protocol that provides periodic assessment of progress and identifies bottlenecks experienced in the implementation of planned actions/programmes/projects is an important feedback mechanism for policy makers and the managers in line ministries and agencies (responsible for the implementation of planned actions/programmes/projects) to periodically realign and refocus the development efforts to achieve the targeted goals and objectives. The monitoring and evaluation activities that need to be carried out fall in two distinct categories. The first category includes regular monitoring and evaluation of the implementation of planned actions/programmes/projects by implementing ministry/agency. These monitoring and evaluation reports provide important information on progress made and constraints/bottlenecks experienced in the implementation of planned activities. The findings of these monitoring and evaluation reports provide the necessary information required by programme managers to realign and refocus activities to achieve the targeted goals and objectives of actions/programmes/projects that are being implemented. The second category consists of periodic monitoring and evaluation of progress in achieving the overall development results and outcomes of NSDP 2009-2013, as well as, identifying the challenges faced in achieving the targeted results and outcome – based on the “core monitoring indicators/targets of NSDP Update 2009-2013”.

585. The Royal Government would like all ministries and agencies and development partners who are financing any action/programme/project to give a high priority to carrying out periodic monitoring and evaluation of the implementation of the action/programme/project and to promptly provide copies of these reports to the Ministry of Planning after they have been finalised to enable the Ministry of Planning to reflect the findings of these studies in its overall assessment of progress in achieving the targeted development results and outcomes of NSDP Update 2009-2013.

586. Establishing “core monitoring indicators/targets” is an important part of the NSDP planning process. Over the last two years many reviews, discussions and consultations on NSDP 2006-2010 monitoring indicators have taken place, and lessons have been learned in carrying out work to monitor implementation of NSDP 2006-2010. Learning from past experiences, it is was agreed that it is critical to ensure that the core monitoring indicators/targets for NSDP Update 2009-2013 meet two important criteria: (i) that each proposed indicator/target is measurable and to ensure that data to monitor the indicator/target is readily available or can be collected within acceptable time frame, (ii) an RGC institution has been identified and has agreed to monitor and evaluate progress on the indicator/target. A Sub-Group of the TWG-PPR was established to develop a potential list of core monitoring indicators for NSDP 2009-2013 building on the work that has been done. The Ministry of Planning provided the following guidelines to the Sub-Group for preparing its recommended list of potential core indicators/targets:

- The NSDP 2006-2010 targets and indicators included a selection of CMDGs and additional targets and indicators on RGC's reform programmes and key socio-economic development priorities. Based on lessons learned in carrying out work on

actual monitoring of these indicators, where there is evidence that an indicator needs further refinement or is not easily measurable appropriate, action will be taken to refine it or to eliminate it from the list (*Cambodia at a Glance and Tables*), as necessary. Also, based on revision of targets and indicators of global MDGs, that became effective as of 1 January 2008, the targets and indicators of relevant CMDGs will be updated to incorporate any changes in the global MDGs.

- Any new indicator, that is, an indicator that is not included in the final list from step #1 must meet the following criteria to be considered for inclusion as an indicator in NSDP Update 2009-2013:
  - i. **Identify WHO will be Responsible for Monitoring the Indicator:** A line Ministry/Agency that will be responsible for monitoring the indicator must be identified, and the willingness of the concerned Ministry/Agency to carry out this work must be secured.
  - ii. **Assurance** that data required to monitor the proposed indicator is available from administrative statistic or could be collected by NIS.
  - iii. **Assurance** that the Ministry/Agency taking the responsibility has the **capacity** and **resources** available to carry out the analysis and report monitoring results.
- The consolidated list of indicators compiled based on outputs of steps 1 & 2 will constitute the potential list of monitoring indicators that could be included in NSDP Update 2009-2013.
- The final list of indicators that will be included in the NSDP Update 2009-2013 will be established by a decision of the four central agencies, i.e., MoP, MEF, CRDB/CDC, and SNEC to ensure relative balance between various goals of the CMDGs, RGC's reform programmes, and other key socio-economic development priorities.

587. The Sub-Group has worked hard to try to complete this task and the Ministry of Planning would like to thank them for their efforts. Unfortunately, because of time constraints the Sub-Group was unable to complete the task. Therefore, for the time being, the "core monitoring indicators/targets of NSDP 2006-2010" have been left unchanged (Table 24). It is, however, a high priority of the Ministry of Planning to continue work on developing an update set of "core monitoring indicators/targets" for NSDP Update 2009-2013, and to complete this task before work on the first overall assessment of progress on the implementation of NSDP Update 2009-2013 is carried out.

588. The practical considerations that have a bearing on establishing a schedule for the overall assessments of progress by the Ministry of Planning include: (i) the likely date of approval of NSDP Update 2009-2013 by the Legislature is around the end of the first quarter of 2010; and (ii) the mid point of the NSDP Update 2009-2013 is mid 2011. In practical terms, therefore, the first assessment of progress that could be carried out is for the years 2009 and 2010 in early 2011. However, given the fact that a mid-term review of NSDP Update also needs to be carried out in mid 2011, the Ministry of Planning has decided to focus on preparing a more comprehensive mid-term review of NSDP Update 2009-2013. The work on the preparation of the mid-term review will begin on 1 April 2011 and completed by the end of September 2011. The work on the preparation of the next progress assessment report will begin in September 2012 and completed by the end of December 2012. The work on the preparation of NSDP 2014-2018 will begin in January 2013 with a target completion date of end of December 2013.



**TABLE 27: NSDP 2006-2010's CORE INDICATORS (TARGETS)**

(\*) - CMDG goals and targets

Targets/Indicators		2005	2008	2010	CMDG-2015
<b>Eradicate - Poverty &amp; Hunger (*)</b>					
1*	Poverty levels -- % of population	34.7	30.1	25	19.5
2*	Poverty levels -- % rural population	39.2	34.7		
3*	People below food poverty line -- % of population	19.7	18	13	10
<b>Enhance Agricultural Production and Productivity</b>					
4	Paddy yield per hectare (tons)	1.97	2.74	2.8	3.0
5	Irrigated area – including supplemental irrign., (% of rice area)	20	-	33.5	
6	Land Reforms: Land Titles to farmers -- % of Total agri. land	12	20	24	
<b>Improvements in Health (*)</b>					
7*	Infant Mortality Rate per 1,000 live births	66	66	60	50
8*	> 5 Mortality Rate per 1,000 live births	82	82	75	65
9*	Maternal Mortality per 100,000 live births	473**	461***	350	250
10*	Births attended by skilled health personnel -- %	44**	58	70	87
11*	HIV/AIDS prevalence, % of adults 15-49	1.0	0.7	0.7	<0.6
12*	Malaria Cases – fatality per 100,000	2.70	2.10	1.20	0.78
13*	TB smear positive cases, per 100,000	676	617	564	464
14*	Married women using modern birth spacing methods (%)	20.1	26	40	60
<b>Improvement in Nutrition</b>					
15	% of children aged 0 – 59 months who are moderately or severely stunted (height-for-age more than 2 standard deviations below normal)	37	39.5	28	22
16	% of children aged 0 – 59 months who are moderately or severely wasted (weight-for-height more than 2 standard deviations below normal)	7	8.9	10	9
17*	% of women aged 15-49 years with anaemia	47	NA	32	19
18	% of children aged 0-59 months with anaemia	62	NA	52	42
<b>Improvements in Education (*)</b>					
19*	Net Enrolment: Primary Schools -- Total; Boys; Girls -- %	91.9; 93.0; 90.7	94.4; 94.8; 94.0	96.0; 95.5; 96.0	100 for all
20*	Net Enrolment: Lower Sec. Schools -- Total; Boys; Girls -- %	26.1; 27.1; 24.8	33.9; 32.0; 35.0	43.0; 41.0; 45.0	100
21*	Gross Completion Rate Grade 6 -- %	53.1	85.6	88	100
22*	Gross Completion Rate Grade 9 -- %	30.18	49.1	53	100
23*	6-14 years out of school (%)	18.7	17	15	10
<b>Rural Development</b>					
24	Rural Roads rehabilitated – Kms (out of total 28,000)	22,700	24,140	26,658	32,000
25*	Safe Drinking water access -- % rural population	41.6	40.49	43.49	50.09
26*	Sanitation access -- % rural population	16.4	23.24	25	33
<b>Environmental Sustainability (*)</b>					
27*	Forest Cover -- % of total area	60	59.09	57.99	60
28*	Fuel Wood dependency: Households -- %	83.9	73	61	52
29*	Access to safe water source -- % of urban population	35 <sup>1</sup>	51	75 <sup>1</sup>	80
30*	Access to improved sanitation -- % of urban population	55	-	67	74
<b>Gender Equity (*)</b>					
31*	Mainstream gender in all spheres				
a	Number of ministries/institutions that have formulated a Gender Mainstreaming Action Plan	2	15	20	27
b	Number of ministries/institutions that have implemented their Gender Mainstreaming Action Plan	2	10	15	27
32*	Female share of wage employment -- agriculture, industry, services (%)	52.5; 53.5; 27.0	52.5; 53.5; 27.0	50; 50; 37	50; 50; 50
33*	Level of awareness that violence against women is a crime (%)	4.5	30	50	70
a	Number of protection orders issued by courts, based on the Law on the Prevention of Domestic Violence and the Protection of the Victims	0	NA	40	120
b	Number of victims of domestic violence who received counselling by qualified personnel.	0	600	900	2000
<b>Reforms</b>					
34	Accelerate Governance Reforms	To be developed			
<b>Sustain high Macro-Economic Growth (*)</b>					
35	Annual GDP Growth at constant prices - %	13.3	6.7	3.0	
36	Per Capita GDP at constant prices (000 Riels)	1,400	2,998	3,284	
37	Rate of Inflation %	6.2	19.7	6.0	
<b>Improve Budget Performance</b>					
38	Total Government budget revenues - % of GDP	11.80	13.3	12.6	
39	Total Government budget expenditure -- % of GDP	14.9	15.7	15.4	

Targets/Indicators		2005	2008	2010	CMDG-2015
<b>Accelerate Industrial Growth &amp; Employment</b>					
40	Annual Growth in manufacturing - constant prices (%)	10.2	3.1	14.2	
41*	Working children aged 5-17 years -- %	22.3	-	10.6	8
<b>Tourism</b>					
42	Annual Tourist arrivals nos -- 000s	1,421	2,125	2,276	4,450
<b>De-mining, Victim Assistance (*)</b>					
43*	Casualties (deaths and injuries) -- nos.	797	271	212	125
44*	Area affected cleared of mines and ERW -- %	30	48	58	87
<b>Infrastructure</b>					
45	Length of paved roads (primary & secondary) out of 11,618-kms	2,100	2,186	2,580	4,100
<b>Energy</b>					
46	Per capita use of electricity - Kwh	54	139	153	350

## Sources:

\*\* CDHS 2005

\*\*\* Population Census 2008

†MTR 2008

## CHAPTER VII

### CONCLUSIONS

589. The NSDP Update 2009-2013 presents a roadmap for the implementation of RGC's priority policies for the Fourth legislature that have been articulated in Rectangular Strategy Phase II. It has been prepared to accomplish two primary goals. First, to synchronise the time period covered by the NSDP Update with the term of the Fourth Legislature of the Royal Government in order to ensure that the actions, programmes, and projects of all Ministries and Agencies are aligned to implement the prioritised policies of the RGC that are outlined in Rectangular Strategy Phase II. The second goal is to ensure that the roadmap to implement these prioritised policies by Ministries and Agencies has taken into account the potential impact of the global financial crisis and the economic downturn in advanced economies on Cambodia's economy. These negative developments in the external environment have resulted in declining demand for Cambodia's export and have increased macro-economic and financial risks, presenting unexpected new challenges for Cambodia. The Royal Government is taking systematic and sequenced measures to mitigate the negative impact of the International Financial Cataclysm and the economic downturn in the advanced economies on Cambodia's financial and economic system, and to protect the hard earned achievements. These external developments have made it necessary for all Ministries and Agencies to re-examine their plans to implement the prioritised policies of the Rectangular Strategy - Phase II for the Fourth Legislature. This NSDP Update 2009-2013 has been prepared to accomplish these two primary goals.

590. As has been noted many times earlier, NSDP Update is the implementation tool or roadmap for the implementation of RGC's priority policies for the Fourth Legislature that are outlined in the Rectangular Strategy – Phase II (RS II). The NSDP Update has been prepared using a methodology that has been further refined (see para #10). Briefly, these refinements were aimed at compiling information through a bottom-up process to address the issues of *who* is responsible, *what* actions will be taken, and *how* much it will cost to implement the proposed actions; as well as a top-down perspective based on econometric analysis of economic trends. In addition to refinements in the methodology, the Ministry of Planning (MOP) has taken concrete steps to ensure the active participation and ownership of inputs from line ministries and agencies (LMs&As), while at the same time also ensuring that development partners, NGOs, and other civil society stakeholders are provided opportunities to actively participate in the process of preparation of inputs by LMs&As.

591. To further refine the “core monitoring indicators/targets” for reporting progress on the implementation of NSDP Update, the MOP had established a Sub-Group of the TWG-PPR, Chaired by MOP. As noted in Chapter VI, the Sub-Group has worked hard to complete this task. Unfortunately, the Sub-Group was unable to complete this task; however, the Sub-Group will continue to do its work and will complete the task before the first overall assessment of progress on the implementation of NSDP Update is carried out.

592. The uncertainties in the global financial markets and the timing of economic recovery in advanced economies, the increased incidences of natural disaster caused by global climate change, and epidemic have serious implications for a small country like Cambodia. The Royal Government recognises that in this challenging environment the implementation of NSDP Update to achieve the goals and targets of its priority policies, in particular

continued progress in reducing poverty in rural areas will require periodic adjustments in resource allocations to respond to on-going and emerging challenges caused by changes in the external environment. However, the Royal Government is confident that with the continuing support of its traditional and non-traditional development partners, the domestic private sector and international investors, as well as improvements in the delivery of public services by all line ministries and agencies, we will achieve the development goals and targets set for the Fourth Legislature.

## ANNEX I

## ABBREVIATIONS &amp; ACRONYMS

ADB	Asian Development Bank
AIDS	Acquired Immune Deficiency Syndrome
APR	Annual Progress Report, 2006 (on NSDP)
ASEAN	Association of South-East Asian Nations
CAR	Council for Administrative Reform
CDC	Council for the Development of Cambodia
CDCF	Cambodia Development Cooperation Forum
CDHS	Cambodia Demographic and Health Survey, 2005
CDM	Clean Development Mechanism (Forestry)
CDRI	Cambodia Development Research Institute
CF	Community Forestry (Forests)
CHDR	Cambodia Human Development Report, 2007
CIB	Cambodia Investment Board
CMB	Cambodia
CMDGs	Cambodia Millennium Development Goals
CPA	Complementary Package of Activities (Health)
CR	Cambodian Riel (Currency)
CRDB	Cambodia Rehabilitation and Development Board
CSES	Cambodia Socio-Economic Survey, 2007
CSF	Commune/Sangkat Fund
D & D	Decentralisation and Deconcentration
DCR	Development Cooperation Report
DP	Development Partner (internal and external, including NGOs)
EDP	External Development Partner
EITI	Extractive Industry Transparency Initiative
ELC	Economic Land Concession(s)
ERW	Explosive Remnants of War
ESP	Education Sector Plan, 2006-2010
FDI	Foreign Direct Investment
FTA	Freestanding Technical Assistance
GDCC	Government-Development Partner Coordination Committee
GDP	Gross Domestic Product
GMS	Greater Mekong Sub-Region
GSP	Generalised System of Preferences
GWH	Giga Watt Hour
Ha	Hectare(s)
HIV	Human Immunodeficiency Virus
HSP	Health Sector Strategic Plan
IMF	International Monetary Fund
IPM	Integrated Pest Management
IT	Information & Communication Technology
JMI	Joint Monitoring Indicator
KWH	Kilo Watt Hour
M	Metre
MAFF	Ministry of Agriculture, Fisheries and Forestry
MBPI	Merit Based Pay Initiative
MEF	Ministry of Economy and Finance
METF	Medium-Term Expenditure Framework
MF	Monitoring Framework (Chapter V)
MLMPUC	Ministry of Land Management, Urban Planning and Construction
MOC	Ministry of Commerce

MOEYS	Ministry of Education, Youth and Sports
MOH	Ministry of Health
MOI	Ministry of Interior
MOINF	Ministry of Information
MOJ	Ministry of Justice
MOP	Ministry of Planning
MPA	Minimum Package of Activities (in health sector)
MRD	Ministry of Rural Development
MT	Metric Ton(ne)
MTR	Mid-Term Review
MWA	Ministry of Women's Affairs
NBC	National Bank of Cambodia
NCDD	National Committee for the Management of D & D
NER	Net Enrolment Rate (schools)
NGO	Non-Government Organisation
No.	Number
NSDP	National Strategic Development Plan, 2006-2010
OD	Operational District (MOH)
ODA	Official Development Assistance
PAP	Priority Action Programme (for ministries)
PFMRP	Public Finance Management Reform Programme
PIP	Public Investment Programme
PMG	Priority Mission Group
RGC	Royal Government of Cambodia
RS	Rectangular Strategy
SEZ	Special Economic Zone
SME	Small and Medium Enterprise
SNEC	Supreme National Economic Council
SRI	System of Rice Intensification
SWAP	Sector Wide Approach
TA	Technical Assistance
TV	Television
TWG	Technical Working Group
UN	United Nations
US \$	United States Dollars
VDC	Village Development Committee
WB	World Bank
WTO	World Trade Organisation

## ANNEX II

## Royal Government of Cambodia

## Websites of Ministries and Agencies

Short Title	Full Title of Ministry/Organisation	Website (www)
CAR	Council for Administrative Reforms	car.gov.kh
CARD	Council for Agricultural and Rural Development	foodsecurity.gov.kh
CDC	Council for the Development of Cambodia	
a. CRDB	Cambodia Rehabilitation and Development Board	cdc-crdb.gov.kh
b. CIB	Cambodia Investment Board	cambodiainvestment.gov.kh
CMAA	Cambodia Mine Action Centre	cmaa.or.kh
COM	Office of Council of Ministers	pressocm.gov.kh
MAFF	Ministry of Agriculture, Fisheries and Forestry	maff.gov.kh
MCFA	Ministry of Culture and Fine Art	mcfa.gov.kh
MEF	Ministry of Economy and Finance	mef.gov.kh
MIF	Ministry of Information	information.gov.kh
MIME	Ministry of Industry, Mines and Minerals	mine.gov.kh
MLMUC	Ministry of Land Management, Urban Planning & Construction	mlmupc.gov.kh
MLVT	Ministry of Labour and Vocational Training	mlv.gov.kh
MOC	Ministry of Commerce	moc.gov.kh
MOND	Ministry of National Defence	mond.gov.kh
MOE	Ministry of Environment	moe.gov.kh
MOEYS	Ministry of Education, Youth and Sports	moeys.gov.kh
MOFA & IC	Ministry of Foreign Affairs & International Cooperation	mfaic.gov.kh
MOH	Ministry of Health	moh.gov.kh
MOI	Ministry of Interior	moi.gov.kh
MOJ	Ministry of Justice	moj.gov.kh
MOP	Ministry of Planning	mop.gov.kh
MOPNH	Municipality of Phnom Penh	phnompenh.gov.kh
MOSALVY	Ministry of Social Affairs, Veterans and Youth Rehabilitation	mosalvy.gov.kh
MOT	Ministry of Tourism	mot.gov.kh
MOWA	Ministry of Women's Affairs	mwva.gov.kh
MPAI	Ministry of Parliament Affairs and Inspection	mnasrl.gov.kh
MPT	Ministry of Post and Telecommunication	mptc.gov.kh
MPWT	Ministry of Public Works and Transport	mpwt.gov.kh
MRC	Ministry of Religions and Culture	morac.gov.kh
MRD	Ministry of Rural Development	mrd.gov.kh
MWRM	Ministry of Water Resources & Meteorology	mowram.gov.kh
NAA	National AIDS Authority of Cambodia	naa.org.kh
NBC	National Bank of Cambodia	nbc.org.kh
NCDD	National Council for Decentralisation and Deconcentration	ncdd.gov.kh; seila.gov.kh
NCDM	National Committee for Disaster Management	ncdm.gov.kh
NIS	National Institute of Statistics (MOP)	nis.gov.kh
SCA	Secretariat for Civil Aviation	civilaviation.gov.kh
SNEC	Supreme National Economic Council	sneec.gov.kh
SPS	State Secretariat for Public Services	sspf.gov.kh