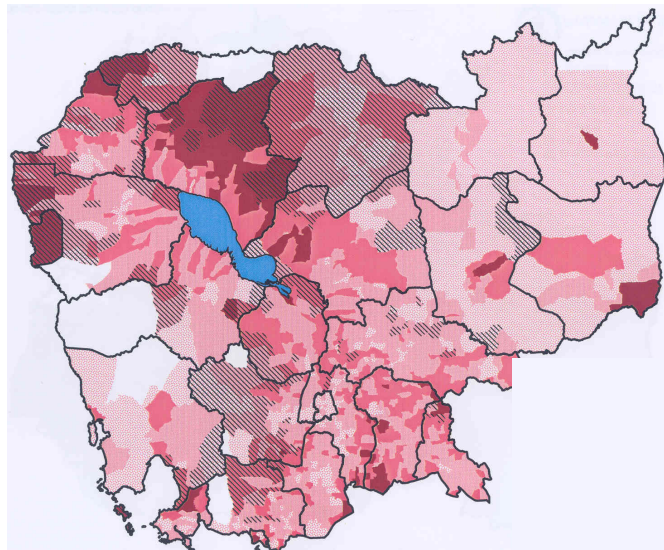
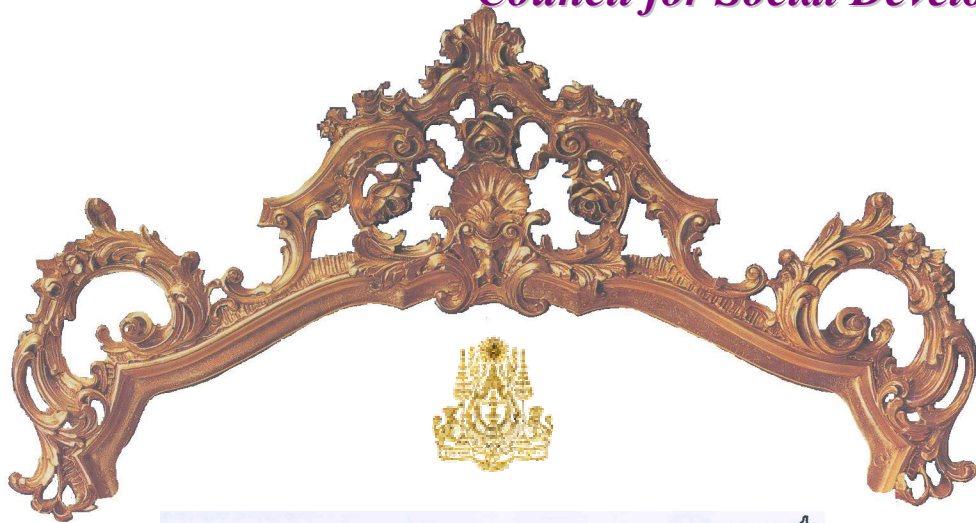




KINGDOM OF CAMBODIA

Council for Social Development
CSD

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20 Dec 2002

**NATIONAL POVERTY
REDUCTION STRATEGY
2003 - 2005**

FOREWORD

The Royal Government of Cambodia (RGC) is proud of having produced and presented the first National Poverty Reduction Strategy (NPRS). The NPRS is formulated with Royal Government's total commitment, leadership, responsibility and ownership. Moreover, it is the product of a participatory process, which involves consultations and discussions with all stakeholders including governmental institutions, executive and judiciary bodies, donors, NGOs, CSOs, academia/researchers, private sector, trade unions, the media, and the poor.

The Royal Government has perceived rapid poverty and inequality reduction as an integral part of its mission to achieve national reconciliation and cultural renewal, and a prerequisite for maintaining political and social stability. Also, poverty and inequality reduction will help the Royal Government realise gradually its commitment towards the Millennium Development Goals.

The participatory process used in formulating the NPRS does not just improve the understanding of the dimensions of poverty and inequality but also enrich the elaboration of the strategy, ensure rightful selection of pro-poor actions, and ensure the consideration of varied concerns of different stakeholders as well as consolidate the relationship and cooperation between the RGC and all the stakeholders in the fight against poverty and inequality.

This National Poverty Reduction Strategy will be used by the Royal Government to achieve its poverty and inequality reduction objective. Even though this first NPRS is not perfect, and some of the recommendation of the stakeholders could not be accommodated, however, it will be improved in the future since it is a rolling strategy and continued effort from all stakeholders is needed to ensure that its objectives are reached. Hence, the RGC looks forward to receiving further active support and participation in the implementation, monitoring and evaluation of the NPRS. The RGC is thankful to all stakeholders for their effort in helping the RGC realise this NPRS document, and hope their commitment and effort will go on.



Hun Sen
Prime Minister
Royal Government of Cambodia

EXECUTIVE SUMMARY

Cambodia: National Poverty Reduction Strategy

The Royal Government of Cambodia (RGC) is committed to reducing poverty and inequality, and improving the quality of life of the vast majority of Cambodia's rapidly growing population, so that all Cambodians can enjoy the benefits of economic growth and participate in the development process.

1. The RGC's Vision for Poverty Reduction

The *Triangle Strategy* for the sustainable development of Cambodia launched by Prime Minister Hun Sen following the 1998 elections is:

- The building of peace, stability and security;
- Cambodia's full integration into regional and international relations; and
- The promotion of economic and social development through the implementation of various reform programmes within the environment created by these policies.

The rapid reduction of poverty is perceived by the RGC as an integral part of this strategy. The RGC's vision of Cambodia is a socially cohesive, educated and culturally vibrant nation without poverty, hunger, illiteracy, and ill health. To achieve this vision, the RGC will implement the SEDPII and NPRS with the full support by all stakeholders.

This NPRS is the result of a truly national effort, reflecting the state of knowledge and capacity of the RGC. Further interactions will incrementally improve the quality of the NPRS. The next Socio-Economic Development Plan covering the period 2005 onwards will enfold the NPRS, building on the successes and lessons learned from current efforts to reduce poverty.

2. The Participatory Process of NPRS Formulation

The development of the Poverty Reduction Strategy started in early May 2000, parallel to work on the Second Socio-Economic Development Plan (SEDPII). The Interim-Poverty Reduction Strategy Paper was coordinated by the Ministry of Economy and Finance, while the SEDPII was prepared under the supervision of the Ministry of Planning. The SEDPII was approved by the Council of Ministers in December 2001 and by the National Assembly in June 2002.

Responsibility for the full PRSP was transferred to the Council for Social Development (CSD), an inter-ministerial body chaired by the Minister of Planning. The CSD is assisted by a General Secretariat (GSCSD), established in August 2001, which is chaired by an Under Secretary of State of the Ministry of Planning (MOP). A series of consultation and participation activities were developed and implemented by the GSCSD:

- In April 2002, the **first PRSP National Workshop** discussed the process of consultation, with strong and lively NGO participation.
- The **second National Workshop** of 28-29 May 2002, saw most of the line ministries present their draft PRSP matrices.
- The Poverty Monitoring and Analysis Technical Unit of the Ministry of Planning held a **National Poverty Forum** in early July to discuss plans for monitoring and analysis.
- The first draft of the NPRS was released at the **third National Workshop** of 26-27 August 2002 attended by over 200 people.
- The NGO Forum of Cambodia organized dialogues on development issues, culminating in a National NGO Workshop held on 24-25 October 2000 and attended by 85 NGO representatives, mostly Cambodian.
- The second draft of the NPRS was presented at a fourth and **final National Workshop** of 12 November 2002 to provide any additional inputs and comments prior to the finalisation of the NPRS, and to collectively discuss next steps in implementing the NPRS.

3. The Multiple Dimensions of Poverty in Cambodia

In 1990, the first year of the *Human Development Report*, Cambodia's Human Development Index was calculated at only 0.501, placing the country at the "low human development" status. Today in 2002, Cambodia's HDI is 0.543, having moved up to the "medium human development" category, placing Cambodia at 130th place out of 173 nations. Poverty in Cambodia, however, remains widespread.

- 36 percent of the Cambodian population lives below the poverty line of US\$0.46-0.63 at the current exchange rate.
- Poverty in Cambodia has largely resulted from high population growth, inadequate opportunities, low capabilities, insecurity, exclusion, and vulnerability.
- Although more than 70 percent of Cambodia's population are employed in agricultural production, between 12 and 15 percent of them have no agricultural land.
- The access of the poor to other natural resources such as forest- and fishery-related resources is constrained.
- The majority of the poor (79%) are those with household heads employed in the agricultural sector.
- In the period between 1998 and 2000 the average growth rate of agricultural employment only 1.6%. Employment opportunities in secondary and tertiary sectors are still limited (only 8% and 18%, respectively). Average employment growth for the service sector was only 1.08%, while that in the industry sector was a substantial 43.29% during 1998-2000. In spite of such industrial growth, only 8.4% of the population has benefited.
- Poor health is the major cause of impoverishment and other forms of social deprivation (e.g. loss of educational and employment opportunities). The cycle of poverty, ill health, and high health care expenditure by households economically cripples poor Cambodian families.
- Poverty rates are higher for households in which the head of the household has had either no formal education or only some primary schooling. The share of education in household consumption expenditure of the poor is less than 1.1 per cent.

- The poor have little access to basic social services and facilities. About 21 percent of people in the poorest quintile have to travel more than 5 kilometres to reach a health clinic. About 6 percent of the poorest two quintiles live more than 5 kilometres from the nearest road.
- Illiteracy is a barrier for the poor to improve their lives for they are excluded from the development process.
- Women in Cambodia do not enjoy equal access to education, paid employment, land ownership and other property rights. Women also suffer from poor to non-existent reproductive health services. They are generally in a disadvantaged position in both family and society.
- Ethnic minorities are disadvantaged due to lack of representation at the management and legislative levels, and because of language barriers.
- Lack of access to government information and decision-making has prevented the poor from participating in community activities, contributing to gaps between government policies and their implementation.
- Lack of access to law and rights is a serious issue, since the poor are not able to understand the law, unaware of their rights and vulnerable to exploitation.

4. Priority Poverty Reduction Actions

The priority poverty reduction actions are:

- maintaining macroeconomic stability;
- improving rural livelihoods;
- expanding job opportunities;
- improving capabilities;
- strengthening institutions and improving governance;
- reducing vulnerability and strengthening social inclusion;
- promoting gender equity; and
- priority focus on population.

Maintaining Macroeconomic Stability

The central objective of the Royal Government's policy is to promote broad-based sustainable economic growth with equity, with the private sector playing the leading role. Economic growth is central to the promotion of income opportunities for the poor. As set out in the SEDPII, the RGC aims to achieve a sustainable real rate of inclusive broad based economic growth of 6 to 7 percent per year. Such an achievement translates into income per head (in 2000 prices) of approximately US\$320 at the end of 2005. This represents an annual growth rate in real income per head of 3.5 percent.

Achieving macroeconomic stability with high economic growth of 6-7 percent would require serious actions in implementing the reform programs and supporting policies. This includes:

- no monetisation of fiscal deficit,
- sound financial system oversight,
- deepening banking reform,
- improvements in revenue,

- spending increase for social and economic sector, sound budget and treasury management,
- improving the investment climate,
- civil service reform, and
- legal and judicial reforms.

Improving Rural Livelihoods

A stable macroeconomic environment and sound financial sector policies are important, but these will not guarantee improvements in livelihoods in the countryside, where the vast majority of Cambodia's poor live. The NPRS sets out the existing constraints and policy agenda in a series of key areas, with the overall objective of increasing incomes of Cambodians living in rural areas: land, water, agriculture, forestry and fisheries and transport. Improvements in these areas will contribute to improvements in other aspects of poverty, through better access to basic services, for example. There are also important links between actions in other areas, including decentralisation and rural livelihoods.

Improved rural livelihoods depend also on reduced poverty in other dimensions. Poor health, poor education, lack of agriculture infrastructure, and low productivity lead rural people to poverty.

Expanding Job Opportunities

The poor work long hours for low returns; productivity is low and there is limited security. The generation of jobs and improved conditions of work are key to reducing poverty. The Royal Government's policies are intended to improve work opportunities specifically through:

- facilitating private sector development;
- expanding exports and
- expanding tourism.

The extent to which these policies will be effective is closely related to success in improving the capabilities (education, skills and health) of the Cambodian people, as well as efforts to improve governance and transparency.

Improving Capabilities

The NPRS highlights the priorities that will particularly affect poor Cambodians in education, health and nutrition.

- To achieve EFA, that is completion of nine-year basic education for all, the education sector will address simultaneously supply, demand and quality, and efficiency constraints, focussing especially on the poorest and the groups at risk. Education policy will facilitate economic growth through increasing equitable access to quality and relevant post-basic education, and sustain institutional development towards pro-poor sector planning and management.
- The Health Policy Statement 2003-2007 seeks to provide high quality, evidence-based health services, with equity, and no discrimination by gender, age, place of residence, or ability to pay, that are pro-poor, and are based on trust between providers and users.
- To address the specific causes of malnutrition, the focus will be on prevention of malnutrition at the early years of life, with interventions starting before birth and focus on the first two years in life. It is also necessary to improve nutritional status of women in

childbearing age and pregnant women for their health and in relation to prevent intra-uterine growth retardation.

Strengthening Institutions and Improving Governance

The RGC is committed to implementation of the Governance Action Plan (GAP), a rolling strategic framework that provides a consistent and transparent approach to coordinate efforts in eight priority areas:

- Legal and Judicial Reform,
- Administrative Reform and Deconcentration,
- Decentralization and Local Governance,
- Public Finance Reform,
- Anti-corruption,
- Gender Equity,
- Demobilization and Reform of the Armed Forces, and
- Reform of Natural Resources Management (Land, Forestry and Fisheries).

The fight against corruption is crucial to reducing poverty. Cambodia will face difficult challenges to meet its objectives. Competition for investments is fierce among countries and industries. Cambodia controls few of the parameters for success. The only one it controls and that can make a significant dent in poverty is the pursuit of good governance and the fight against corruption. The Royal Government has elected to approach corruption with a holistic set of measures that address root causes. Increasing the risks associated with corrupt practices is an integral part of a strategy. But codes, rules and laws cannot do it alone. Effective and fair enforcement mechanisms are the necessary complement to any legal framework. The Royal Government is actively building such capability while it is putting the finishing touch to what would become an enforceable legal framework.

Reducing Vulnerability and Strengthening Social Inclusion

Increasing environmental sustainability and improving natural resource management is a key dimension in reducing vulnerability. Priority issues are:

- Disaster management – especially in the face of floods;
- Land mine clearance, a legacy of long years of war;
- Vulnerability of the disabled, those affected by HIV/AIDS, orphans, street and abandoned children, and the homeless;
- Food security; and
- Safety net programmes, limited by budget and capacity constraints.

Promoting Gender Equity

Since 65 percent of agricultural labour and 75 percent of fisheries production are in the hands of women, poverty cannot be reduced unless policies and programmes equitably address the situation of Cambodian women. The RGC priorities, led by the MOWVA are:

- to reduce gender-based disparities and improve gender equity in health, education, control over agricultural resources, socio-economic and political empowerment and legal protection;

- to ensure that women and girls receive full legal protection, as well as legal education concerning their rights and benefits such as access to land titles and natural resources
- to promote gender mainstreaming in all government departments;
- to collaborate with MOH for health, MOEYS for education, and MAFF, MOWRAM and MRD for agriculture and rural income generation;
- to address legal barriers to women's equal rights; and
- to direct gender education and awareness at key officials of the RGC at all levels.

The Royal Government will encourage political parties to place women on party lists in positions, which will allow them an equitable chance with men of being elected to parliament. It will adopt affirmative action policies in the recruitment and promotion of women into decision-making positions in the public service. It will ensure that in all consultative processes, and in monitoring and evaluation teams, there will be an equal number of women and men.

Priority Focus on Population

The NPRS recognises the central, critical and crosscutting role of population as is reflected in three primary programmes with priority focus on:

- specially targeted reproductive health and family planning services for the poor by the Ministry of Health;
- increasing primary education enrolment for the poor by the Ministry of Education; and
- creating rural employment opportunities for the poor by the Rural Development sector Ministries.

5. Public Resources Requirements and Management

A critical aspect of NPRS implementation is that:

- budget allocations need to be consistent with the NPRS; and
- the execution and management of the budget must follow as intended.

Revenue mobilisation has been the key element in the RGC's fiscal policies and the RGC has rigorously implemented reforms aimed at achieving the targeted increase in revenue ratio from 9 percent of GDP in 1998 to 14 percent by 2005. Meeting the revenue target of 14 percent of GDP by 2005 is critical for implementation of poverty reduction programmes:

- Over the next three years, Cambodia aims to **increase revenue** by 2 percent of GDP to finance growing social spending and debt services. This will require consistent implementation of existing fiscal measures (both tax and non-tax) and improvement in governance.
- The total costs of **NPRS action plans** for the next three years 2003-2006 are estimated at **US\$1.5 billion**. Government has to spend a minimum of US\$500 million per year to have a real impact on poverty alleviation in Cambodia. These planned expenditures will be financed by Government's own capital budget resources (US\$230 million), Foreign Direct Investment (US\$250 million) and Overseas Development Assistance (US\$1.08 billion).

- The Government intends to spend more than US\$1 billion over the next three years on expanding job opportunities and strengthening capabilities of the poor, by focusing on health and education.
- To increase opportunity, the NPRS proposes **more investment in the energy sector**, part of which can be financed by the private sector under the BOT project. The NPRS proposes to spend US\$216 million on **promoting income opportunities, especially on road and transport projects**.
- Moreover, the Government intends to spend US\$102 million and US\$174 million respectively on **institutional strengthening and governance and reducing vulnerability**.

6. Monitoring and Evaluation

Monitoring and evaluation (M&E) and capacity-building activities, including poverty and social impact analysis, are a critical component of the NPRS. These activities are essential if the NPRS is to be periodically modified and improved, and established on a sustainable basis. The Poverty Monitoring and Analysis institutional framework was established early in 2002.

The NPRS monitoring and evaluation process will involve the participation of all stakeholder groups. Participation will be complemented by clear identification of the institutional responsibilities of the central and local administrative bodies and complete transparency. All stakeholders have free access to both preliminary and final information and data that they need to carry out their responsibilities.

The monitoring and evaluation process also requires the establishment and strengthening of relevant institutional capacities.

- **Ministry of Planning (MOP)** is the principal agency responsible for coordinating efforts in monitoring the NPRS.
- Within MOP, the **National Institute of Statistics** is responsible for designing and conducting socio-economic surveys, while the General Department of Planning (GDP) is in charge of policy analysis.
- The **Council for Social Development (CSD)** is responsible for promoting, coordinating and monitoring development policies and programs related to the poverty reduction goals. The CSD has 14 members who are Secretaries of State. In the future nine additional members, representing eight other ministries and the Municipality of Phnom Penh will join the CSD.
- The **Poverty Monitoring and Analysis Technical Unit (PMATU)** is the research arm of the GSCSD, and will coordinate data collection and analysis, and help strengthen national capacity in data collection and analysis.
- The **Ministry of Economy and Finance (MEF)** will monitor budget execution and implementation of the MTEF, i.e., in monitoring whether necessary financial inputs have been made available to the line ministries to enable them to implement the Priority Public Actions.
- **Line ministries and other government agencies** responsible for implementing SEDPII and NPRS in their respective sectors will participate in monitoring of their own performance in terms of inputs and outputs, and for collecting and maintaining needed data.

- **Four key line ministries** have been designated by the RGC to play a key role in poverty reduction: **MAFF, MOH, MOEYS and MRD**. These key line ministries have established working groups to set up and strengthen their technical units to monitor their own performance, collect data, and work with GSCSD to ensure the effectiveness of NPRS implementation.
- On an overall, strategic basis, the **Supreme National Economic Council (SNEC)** will assess the effectiveness of the NPRS and recommend necessary adjustments to the Prime Minister.
- The **Parliament and Senate** will be responsible for reviewing the progress of NPRS implementation, and for providing feedback and recommendations for necessary adjustments to the NPRS. They will also participate in meetings, workshops and national poverty forums organised by CSD and GSCSD.
- **Commune Councils and civil society** are the representatives of the targeted beneficiaries, and will provide feedback and be the source for signals in the NPRS “early warning system”. The commune councils and civil society will also provide information on natural disasters.
- **NGOs**, including both local and international organisations are expected to be key partners in monitoring and evaluating the NPRS. In addition to providing comments on the results of socio-economic household surveys and monitoring the progress of NPRS implementation, NGOs are expected to provide useful data and information from their own micro-level surveys and evaluation studies.
- The RGC looks to **the private sector**, through such organisations as the Chamber of Commerce and Worker Federations/Trade Unions, to play a crucial role in poverty reduction, especially, through job creation.
- Finally, **the media** will be key to poverty monitoring exercises. The media will be able to help provide regular information on the progress of and issues faced during the implementation of the NPRS as well as intermediate outcomes of the NPRS execution.

NPRS Monitoring and Indicators

Monitoring of annual progress towards NPRS poverty reduction goals is a key component for the NPRS process. Appropriate indicators and targets for the various Priority Public Actions in the NPRS will be sex disaggregated, and to the extent possible, will be consistent with those of other key RGC planning documents (SEDPII, MTEF), as well as the longer-term Millennium Development Goals.

The indicators for monitoring and evaluating the NPRS as presented in the Action Plan Matrix and M&E framework are selected to account for:

- resources from the RGC sources and donors;
- delivery capacity of institutions,
- timeframe of the NPRS,
- measurable and monitorable characteristics,
- poverty-sensitivity of the indicators,
- baseline information, and
- capacity of the line agencies in collecting, maintaining and analysing relevant information.

Annual Progress Reports on Implementation of the NPRS will be prepared by CSD.

7. Conclusions and Next Steps

The NPRS has laid out the key priorities for Cambodia to implement over the next three years in order to meet the poverty reduction goals of the RGC. The NPRS has adopted a comprehensive approach, outlining pro-poor actions to improve rural livelihoods, promote job opportunities, ensure better health, nutrition and education outcomes, and to reduce vulnerability.

It is envisioned that the next *Socio-Economic Development Plan* and the corresponding NPRS will be merged and formulated and presented as a single document in 2005 building on the successes and lessons learned from the current efforts to reduce poverty, managed by the **Supreme National Economic Council (SNEC)** and the **Council for Social Development (CSD)**. The SNEC will exercise its role consistent with its nature as support to the Prime Minister in the area of strategy and policy, and thus contribute to the NPRSII with regard to overall strategy and policy formulation. The CSD will manage the monitoring of operational activities and implement the consultative processes that will ensure that the NPRS continues to be participatory in formulation as well as execution.

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ACRONYMS

ACHR	Asian Coalition for Housing Rights
ACO	Agricultural Cooperative Officer
ACT	Agreement on Clothing and Textiles
ADB	Asian Development Bank
ADD	Accelerated District Development
AE	Allocative Efficiency
AEA	Agro-Ecosystem Analysis
AFD	Aggregate Fiscal Discipline
AIT	Asian Institute of Technology
ANC/AN	Antenatal Care
APIP	Agricultural Productivity Improvement Project
AUSAID	Australian Agency for International Development
BMI	Body Mass Index
bn	Billion
cal	Calories
CAP	Community Action Planning
CAR	Council for Administrative Reform
CBO	Community-Based Organisation
CC	Commune Council
CCC	Cooperation Committee for Cambodia
CDC	Council for Development of Cambodia
CDMC	Community Development Management Committee
CDRI	Cambodia Development Resources Institute
CF	Commune Fund
CFB	Commune Fund Board
CG	Consultative Group
CGA	Cooperative Guidance Agent
CIDA	Canadian International Development Agency
CL&JR	Council for Legal and Judicial Reform
CLP	Council for Land Policy
CMAA	Cambodian Mine Action Authority
CMAC	Cambodian Mine Action Centre
COM	Council of Ministers
CSD	Council for Social Development
CSES	Cambodia Socio-Economic Survey
CSO	Civil Society Organisation
DAHP	Department of Animal Health and Production
DANIDA	Danish International Development Agency
DFID	Department for International Development
DFW	Department of Forestry and Wildlife
DHS	Demographic and Health Survey
DOF	Department of Fisheries
DPSIC	Department of Planning, Statistics and International Cooperation

EFA	Education for All
EPZ	Export Processing Zone
ESIA	Environmental and Social Impact Assessment
ESSP	Education Sector Support Programme
EU	European Union
EW	Extension Worker
EW	Extension Worker
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FFS	Farmer Field School
FPL	Food Poverty Line
FWUC	Farmer Water Users Community
FX	Foreign Exchange Reserve
g	Gram
GA	General Administration
GAP	Governance Action Plan
GDP	Gross Domestic Product
GSCSD	General-Secretariat of Council for Social Development
GSP	Generalised System of Preferences
HCI	Headcount Index
HIPC	Heavily Indebted Poor Country
HRMIS	Human Resources Management Information System
IDA	Iron Deficiency Anaemia
ILO	International Labour Organisation
IMTC	Inter-Ministerial Technical Committee
IO	International Organisation
IPM	Integrated Pest Management
IPRSP	Interim Poverty Reduction Strategy Paper
IQ	Intelligent Quotient
IT	Information Technology
JICA	Japan International Cooperation Agency
kg	Kilogram
kV	Kilo Vat
LBAT	Labour-Based Appropriate Technology
LD	Local Development
LTU	Large Taxpayers Unit
m	Million
M&E	Monitoring and Evaluation
MAFF	Ministry of Agriculture, Forestry and Fisheries
MAG	Mine Advisory Group
MDG	Millennium Development Goal
MEF	Ministry of Economy and Finance
MFI	Micro-Finance Institution
MFN	Most Favoured Nations
MIME	Ministry of Industry, Mine and Energy

MLMUPC	Ministry of Land Management, Urban Planning and Construction
MOC	Ministry of Commerce
MOE	Ministry of Environment
MOEYS	Ministry of Education, Youth and Sports
MOH	Ministry of Health
MOI	Ministry of Interior
MOJ	Ministry of Justice
MOP	Ministry of Planning
MOSALVY	Ministry of Social Affairs, Labour, Vocational Training and Youth
MOT	Ministry of Tourism
MOWRAM	Ministry of Water Resources and Meteorology
MOWVA	Ministry of Women and Veteran Affairs
MPP	Municipality of Phnom Penh
MPTC	Ministry of Post and Telecommunication
MPWT	Ministry of Public Works and Transport
MRD	Ministry of Rural Development
mt	Metric Tonnes
MTBF	Medium Term Budget Framework
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MTU	Medium Taxpayers Unit
NAA	National AIDS Authority
NBC	National Bank of Cambodia
NCSC	National Committee to Support the Commune
NFE	Non-Formal Education
NGO	Non-governmental Organisation
NIS	National Institute of Statistics
NPAR	National Programme for Administrative Reform
NPFS	National Programme on Food Security
NPRS	National Poverty Reduction Strategy
NTFP	Non-Timber Forest Product
OD	Operational District
OE	Operational Efficiency
OPL	Overall Poverty Line
PADEK	Partnership for Development of Kampuchea
PAP	Priority Action Programme
PER	Public Expenditure Review
PFO	Provincial Forestry Office
PGI	Poverty Gap Index
PIP	Public Investment Programme
PMATU	Poverty Monitoring and Analysis Technical Unit
PMG	Priority Mission Group
POLA	Provincial Departments for Local Administration
PPA	Participatory Poverty Assessment
PRDC	Provincial Rural Development

PRSP	Poverty Reduction Strategy Paper
PSI	Pre-Shipment Inspection
PTP	Poverty Targeting Programme
R&R	Rules & Regulations
RCAF	Royal Cambodian Armed Forces
RDB	Rural Development Bank
RGC	Royal Government of Cambodia
SAO	South-East Asian Outreach
SCSR	Supreme Council for State Reform
SEDPII	Socio-Economic Development Plan II
SIDA	Swedish International Development Agency
SME	Small and Medium Enterprise
SPFS	Special Programme on Food Security
SNEC	Supreme National Economic Council
SPSF	Special Programme on Food Security
SRI	System of Rice Intensification
SSWG	Social Sector Working Group
SUPF	Solidarity and Urban Poor Federation
TNA	Training Needs Assessment/Analysis
TOT	Training of Trainers
TVET	Technical and Vocational Training
UNDP	United Nations Development Programme
UNESCO	United Nations Education, Scientific and Cultural Organisation
UNFPA	United Nations Fund for Population
UNICEF	United Nations Children's Fund
UNTAC	United Nations Transitional Authority in Cambodia
UPDF	Urban Poor Development Fund
UPRS	Urban Poverty Reduction Strategy
UPRU	Urban Poverty Reduction Unit
US\$	U.S. Dollars
USG	Urban Sector Group
UXO	Unexploded Ordnance
VAD	Vitamin A Deficiency
VAHW	Village Animal Health Worker
VAT	Value-Added Tax
VDC	Village Development Committee
WB	World Bank
WFP	World Food Programme
WHO	World Health Organisation
WTO	World Trade Organisation

CHAPTER 1: VISION FOR POVERTY REDUCTION

The fundamental development challenge facing the Royal Government of Cambodia (RGC) is to reduce poverty and inequality, and improve the quality of life of the vast majority of Cambodia's rapidly growing population. The RGC considers poverty to be economically wasteful, morally unacceptable, and socially divisive. Accordingly, alleviating poverty in Cambodia has become the RGC's overriding development objective. The RGC has affirmed its commitment to making an intensive and sustainable national effort to free Cambodia from the yoke of poverty, so that all Cambodians can enjoy the benefits of economic growth and participate in the development process. Rapid poverty reduction is perceived as an integral part of the process of national reconciliation and cultural renewal and a pre-condition for maintaining political and social stability.

Following the 1998 elections, Prime Minister Hun Sen set out a strategic agenda for the next decade for Cambodia, known as the Triangle Strategy. The first side of strategy is building peace, stability and security for the people. The second side relates to Cambodia's integration into the region and international relations. The third side of the Government's strategic triangle is to promote economic and social development through the implementation of reform programs, within the environment created by the afore-mentioned policy directions.

The RGC's vision is to have a socially cohesive, educationally advanced, and culturally vibrant Cambodia without poverty, illiteracy and ill health whereby all Cambodian citizens live in harmony with a decent living free from hunger, inequity and disparity, exclusion, and vulnerability. Poverty reduction effort has developed out of the Government's experience since the three decades of conflict ended its formation and the Government has sought to reduce poverty alongside other development goals like peace and stability. The challenges and policy directions are set out in a series of key programmes and plans since 1993,¹ most recently in the Second Socio-economic Development Plan, 2001-2005 (SEDPII) that sets out the broader framework for this strategy.

Although considerable progress has been made over the past ten years, particularly in the rapid rate of economic growth and preserving macroeconomic stability, the available estimates (see Chapter 3) suggest that progress in poverty reduction has not been as rapid as hoped for.

Poverty in Cambodia has many dimensions. As confirmed in participatory studies and consultations underpinning preparation of this strategy, poverty means lack of decent work and inadequate subsistence, it also means ill health and malnutrition for many, lack of education, and vulnerability to climatic and environmental risks. It also means that people are vulnerable to corruption and weak governance.

This complex set of causes and effects of poverty suggests that the Government's efforts to reduce poverty will be broad ranging and interlinked. Government efforts will need to be complemented by the private sector, NGOs and international development partners, as well as by efforts by the people themselves.

¹ See the National Programme to Rehabilitate and Develop Cambodia (1994); Implementing the National Programme to Rehabilitate and Develop Cambodia (1995); First Socio-economic Development Plan, 1996-2000 (SEDPI); Royal Government's Political Platform for its Second Term, 1998-2003; the Interim Poverty Reduction Strategy Paper (2001), and the Consultative Group documents (dated June 2002)

This document presents the RGC's first National Poverty Reduction Strategy (NPRS). The NPRS was developed through a participatory process over a period of more than one year that included different agencies within Government, NGOs, Cambodia's development partners, the private sector, and the poor themselves (see Chapter 2). The NPRS is a rolling strategy, with the current document covering the period 2003-2005.

The NPRS builds directly on recent planning documents with a poverty reduction focus, including the Interim Poverty Reduction Strategy (IPRSP), which was a road map for the full strategy, and the SEDPII. However, the NPRS goes beyond both documents in several respects in seeking to more clearly define and operationalise the Government's approach to poverty reduction. First, it incorporates a more comprehensive set of performance indicators and establishes mechanisms for tracking progress in achieving these targets over time. Second, it attempts to cost the Government's priority poverty reduction policies and programs and relate these cost estimates to the overall budget. Importantly, implementation of this strategy will be closely linked to the national budget. Third, the NPRS was developed on the basis of a broader participatory process than was used to develop either of these predecessor documents.

It is also noted that the NRPS is not intended to be as comprehensive as SEDPII, particularly in its coverage of line ministry activities. Instead, it identifies and focuses on a subset of policies and programs that were ranked as most critical for poverty reduction. The NPRS gives attention to those policies and programs that contribute to overall economic growth with an emphasis on those that directly enhance the likelihood that the poor will share in the fruits of rapid and sustainable economic growth.

In addition to its importance as a key RGC strategic document, the NPRS is also critical because Cambodia's development partners have indicated globally that they will increasingly align their assistance with country owned poverty reduction strategies. Through finalization and continuing improvements in its NPRS, the Royal Government is seeking support of partners for implementation. As has happened in other low-income countries, it is hoped that the NPRS will give some impetus to a shift, over time, from fragmented projects to budget support. To this end the Government intends to link the NPRS process to the Consultative Group process.

The following (provisional) targets for the initial NPRS have been adopted from the SEDPII. These targets will be adapted as appropriate over the coming year as a result of the work to localize the Millennium Development Goals (MDG) to Cambodian conditions.

Table 1.1: Targets for Poverty Reduction (in % unless otherwise indicated)

Objective and Indicator	Baseline (year)	Target for 2005
Poverty headcount index	36 (1999)	31
Real GDP average annual growth rate	5.4 (2000)	6-7 (2001-2005)
Infant mortality rate	95 per 1,000 live births (2000)	90 per 1,000 live births
Maternal mortality ratio	437 per 100,000 live births (2000)	372 per 100,000 live births
Children under 5 with moderate/severe stunting	44 (2000)	38
12 year-olds successfully completing Grade 6*	33 (1998)	90
Share of the population with access to safe drinking water		
Rural	29 (1999)	40
Urban	69.5 (1999)	87
Share of the population with access to sanitation facilities		
Rural	8.6 (1999)	20
Urban	49 (1999)	90

Source: SEDPII, p. 49. Note: *functionally literate and numerate

This NPRS was a truly national effort of the Royal Government that naturally reflects the state of existing knowledge and capacity constraints. Improvements in knowledge and capacity as well as feedback and learning from experience will, over time, improve the quality of this strategy. Proposed next steps are set out in the Chapter 7.

It is envisioned that the next Socio-Economic Development Plan and the corresponding NPRS will be developed and presented as a single document in 2005 building on the successes and lessons learnt from the current efforts to reduce poverty.

CHAPTER 2: PROCESS OF PARTICIPATION

“The NPRS participatory development process has been truly exemplary for Cambodian standards.” ODI 2002².

2.1 INTRODUCTION

The RGC’s Poverty Reduction Strategy process was launched in early May 2000, while preparations were being made for the second Socio-Economic Development Plan (SEDPII). The process for the Interim-Poverty Reduction Strategy Paper was coordinated by the Ministry of Economy and Finance, and was completed on schedule, while the SEDPII was prepared under the supervision of the Ministry of Planning. A period of consultation followed, and the SEDPII was approved by the Council of Ministers in December 2001, and by the National Assembly in June 2002.

The process for the full PRSP was launched during a National PRSP Workshop on 25-26 April 2001. At this workshop fundamental questions were raised about the relationships between the different strategic plans and multi-year budget instruments. There was discussion as to what the difference between the PRSP and the SEDPII was; and about how the detailed costing and priorities in the PRSP were to relate to the projects in the Public Investment Plan (PIP). As a result, it was decided that the National Poverty Reduction Strategy (NPRS) would be focused on reducing poverty and promoting growth, setting out priorities consistent with macroeconomic and fiscal constraints as well as implementation capacity, and be put together in an open and participatory process. The SEDPII will be used as the key building block for the development of the PRSP. Key areas where additional work were needed to build on SEDPII to develop the PRSP included:

- Improving monitoring and evaluation mechanisms;
- Developing more comprehensive performance indicators and targets;
- Improving the costing of priority public policies and programs and their linkage to the budget; and
- Integrating the macroeconomic framework and the overall poverty reduction strategy.

It was also suggested that in the first full PRSP, the Government needed to focus on prioritising policy actions and on strengthening the process to ensure better coordination and participation. A structure was therefore strengthened to achieve these aims, based on the Council for Social Development and its Secretariat.

2.2 LESSONS LEARNED FROM SEDPII AND IPRSP

Prior to the commencement of the full NPRS process a good deal of participation had already taken place to develop the IPRSP and SEDPII. This provided an important basis on which to continue participation with stakeholders for the full NPRS process, such as an NGO Forum workshop on IPRSP (October 2000), National SEDPII Forum (March 22, 2001), a second National SEDPII Forum (October 15, 2001) and Cambodian Institute Cooperation and Peace

² Overseas Development Institute (2002). Result Oriented Public Expenditure Management in Cambodia. Volume I – Main Report (Draft)

“Roundtable on Governance and Poverty Reduction” (October 21, 2001). At this time a comprehensive participatory poverty assessment was conducted with the support of the ADB (as described in section 2.2.2 below). More recently as part of the SEDPII process, a Cambodian NGO, Centre for Social Development conducted a ‘Public Forum’ in Kampot province to disseminate information on the SEDPII.

Feedback from stakeholders on these participation process included; too much consultation had been in the form of circulating drafts for comment and workshops held in Phnom Penh and that there was inadequate time for meaningful consultation. There was also some criticism about the SEDPII and INPRS being prepared in English without timely translations into Khmer. It was also learned that it is important to understand the capacity of stakeholders to engage in dialogue. For example, Cambodian NGOs may need assistance in terms of understanding the NPRS process so they can effectively contribute. Unfortunately, neither of these problems was solved in time for the NPRS process, and it was not possible to circulate drafts in Khmer.

Based on this important experience the GSCSD prepared a “Participation Action Plan” in January 2002. This action plan was used to define all participation activities, which underpinned the preparation of the full NPRS. The participation action plan included measures to conduct participation at the provincial and village level, improving participation processes conducted by key line ministries and to allow for more time more stakeholders to prepare comments. The participation process was further discussed and refined at a National Workshop held in April 2002.

2.3 THE STRUCTURE FOR PARTICIPATION: THE COUNCIL FOR SOCIAL DEVELOPMENT AND ITS SECRETARIAT, AND CONSULTATION MECHANISMS

Responsibility for the full PRSP was transferred to the Council for Social Development (CSD), an inter-ministerial body chaired by the Minister of Planning. The CSD is assisted by a General Secretariat (GSCSD), established in August 2001, which is chaired by an Under Secretary of State of the Ministry of Planning (MOP).

The GSCSD holds monthly meetings attended by the General Secretariat, staff from the Poverty Monitoring and Technical Unit (PMATU) of the Ministry of Planning, and nominations from the Working Groups from the line Ministries, the Working Group nominated by the NGO’s, and the donor Social Sector Working Group.

In January 2002, a full time local Participation Consultant was hired by the GSCSD, so that, in addition to the monthly GSCSD meetings which were to have representation by government and civil society nominees, continuous dissemination and feedback could be provided.

2.3.1 Engaging the Stakeholders: The Participation Process

A series of consultation and participation activities were developed by the GSCSD, as defined in the Participation Action Plan, including national workshops, the Consultative Group Meeting, consultations organised by line ministries, direct consultations with the poor, and provincial consultation meetings.

NATIONAL WORKSHOPS

In April 2002, the **first PRSP National Workshop** discussed the process of consultation, with strong and lively NGO participation. The NGOs previous input on the IPRSP and SEDPII was distributed to the participants of this workshop. NGOs recommended at that workshop that NGOs be invited to attend meetings of the GSCSD, which was accepted (see above). At this stage GSCSD staff also individually contacted different NGO groups, and met with all the donors to elicit views about the NPRS.

At the first GSCSD meeting in early May the ministries were asked to share their matrices. It was decided that a joint National Workshop would be held at the end of May to involve NGO's, government, and long-term technical experts in the different sectors to come together and debate the matrices.

The **second National Workshop** of 28-29 May 2002, saw most of the line ministries present their draft PRSP matrices. Many of the sessions illustrated clearly the differing views of who the poor really were, and how they could best be reached. The matrices also showed the work still ahead in deciding the priorities.

The first draft of the PRSP was released at the **third National Workshop** of 26-27 August 2002 attended by over 200 people. The workshop had discussants from different NGOs and this time from the private sector. It appeared that one of the critical issues which will need further discussion is micro-finance under which umbrella would come banking and legal issues, land rights, health etc. At this point a focal point for the private sector was also identified.

The second draft of the PRSP was circulated before a fourth and **final National Workshop** of 12 November 2002. The purpose of this workshop was for government agencies to present the NPRS second draft after incorporating comments provided by various stakeholders, for stakeholders to provide any additional inputs and comments prior to the finalization of the NPRS, and to collectively discuss next steps in implementing the NPRS.

THE CONSULTATIVE GROUP MEETING, JUNE 2002

A further opportunity for discussing the PRSP was the CG meeting in June 2002. The Secretary General of the GSCSD presented some of the difficulties the ministries were facing in trying to prioritise their actions.

The NGO Statement to the Consultative Group Meeting would focus on poverty reduction, and that this statement would be the main source of new input to the NPRS.

SECTOR AND LINE MINISTRIES

An important lesson learned from the IPRSP and SEDPII formulation experience was the importance of active engagement of line ministries and to build on the existing participation processes they already have in place. For example;

In September 2002 the Ministry of Education, Youth and Sports held extensive consultations to prepare and review their strategic plan. This was actively participated by NGOs and donors. It was from these consultations and the revised ministry wide strategic plan that the NPRS education inputs are based. Similarly, the Ministry of Health also held extensive consultations

with civil society and international donors to develop their recent Health Sector Strategic Plan (August 2002) from which the NPRS inputs are based.

Other ministries in the rural development sector also conducted internal workshops to promote awareness and ownership of the NPRS within their ministries. The ministries' internal consultations were either informal (MLMUPC, MOWRAM), or organized through specific meetings (MRD, MAFF).

With regards to the crosscutting issue of gender, the Ministry of Women's Affairs actively participated in the NPRS. A PRSP "Gender Action Plan" was developed by a delegation that attended a World Bank supported "Regional Gender Mainstreaming in Poverty Reduction Strategy" conference in Hanoi Vietnam in March 2002. Following this, the Ministry hosted a number of discussions between donors and NGO leaders on the PRSP and they developed comments on various drafts.

PROVINCIAL CONSULTATIONS

Using the data from the poverty map developed by the World Food Program, the GSCSD organised three provincial consultations in Siem Reap, Prey Veng and Kep. A report on these consultations is available from the GSCSD office.

In an effort to ensure poor women's active participation, an NGO Women for Prosperity, in close collaboration with MOWVA, conducted consultations with poor women in Pailin, Battambang, Pursat and Phnom Penh in June 2002. This was followed by a "Gender issues in the NPRS Roundtable" held on October 29, 2002. This was a one-day workshop organized by Women for Prosperity, the NGO Forum, and MOWVA where the findings from the grassroots consultations and recommendations were presented to the PRSP teams from four priority ministries.

CONSULTATIONS WITH THE POOR

An in-depth and comprehensive study of 154 villages had been completed just a few months earlier (the ADB Participatory Poverty Assessment) in 2001. The most important qualitative work was to provide constant feedback to the ministries, and focus attention on their own understanding of the problems of delivering services to the poor.

Towards the end of June/early July, GTZ joined in assisting with a series of consultations for the poor with the Ministry of Health in Kampong Thom province and in Anlong Kngan, the resettlement area from the Tonle Bassac. The primary purpose was for the health officials involved in the NPRS process to extend and expand their personal perceptions of the needs of the poor and how the NPRS process will directly respond to these.

FORUM ON NPRS MONITORING

Whilst various consultations have been going on at the national and field levels, in Phnom Penh the Poverty Monitoring and Analysis Technical Unit of the Ministry of Planning, attached to the GSCSD, held a **National Poverty Forum** in early July to discuss plans for monitoring and analysis and to describe the monitoring tools they planned to operationalise. For details on the participatory monitoring process to be undertaken during the implementation of the NPRS refer to Chapter 6.

2.3.2 Civil Society Stakeholders: NGOs, the Private Sector and Donor Participation in the NPRS

NGOS FORUM

The NGO Forum on Cambodia is an organised forum of local and international NGOs that seeks to discuss, debate and advocate the concerns of NGOs regarding Cambodia's development.

Activities/reports of NGOs include:

- Interviews and workshops in Phnom Penh and four provinces with NGOs to discuss the IPRSP. Efforts were made to meet with other civil society informants, such as indigenous hill tribe leaders, industrial workers, commercial sex workers and urban poor community leaders. This two-month activity culminated in a National NGO Workshop held on 24-25 October 2000 and attended by 85 NGO representatives, mostly Cambodian.
- The Forum's report "Cambodia's draft Poverty Reduction Strategy Paper - Has NGO Input Been Included?" (September 2002) summarises much of the relevant NGO input to date. This includes:
 - Results of Initial Discussions among NGOs/CSOs on the National Poverty Reduction Strategy of Cambodia (November 2000), a publication of the NGO Forum on Cambodia, produced after two months of sectoral discussions and the holding of a national workshop on the IPRSP in October 2000 involving 85 NGO representatives.
 - Results of NGO Discussions on the Draft Socio-Economic Development Plan (August 2001), produced following a meeting of 32 NGO representatives from a variety of sectors in July.
 - The NGO Statement to the 2002 Consultative Group Meeting in June 2002 (see above).
 - NGO Recommendations to Enhance the Success of the RGC's Governance Action Plan (June 2002), a publication of the NGO Forum on Cambodia.
- And finally, a rapid comparison of the NGO Statement to the 2002 CG Meeting and the second draft of the PRSP in Cambodia was completed which was used to revise the final draft of the NPRS.
- NGOs were active participants of all the National Workshops (as described above) and GSCSD meetings.

THE PRIVATE SECTOR

The private sector has a focal person liaising with GSCSD who assisted with dissemination meeting with the GSCSD, provided excellent material from their database on topics such as agro industry.

DONOR INVOLVEMENT

The donor Social Sector Working Group in particular has provided representatives (from UNICEF, World Food Programme, UNESCO and WHO) to attend the monthly GSCSD meetings to provide technical input. From May 2002 GSCSD staff have gone out to meet with different donors. The Canadian Cooperation agreed to fund a consultant who could work as the link

between GSCSD and the line ministries to ensure that there was continuous feedback from the GSCSD and indeed from the line ministries. UNFPA provided an assistant for the Secretary General and also agreed to assist with transport and the provision of small office supplies. UNESCO assisted with a consultant to work at the Ministry of Education, and also agreed to fund the education ministry personnel at different level to attend dissemination workshops in the different provinces.

PARLIAMENTARIANS

Between 28 and 29 October 2002 CIDA project in collaboration with the UNDP and World Bank Institute organized a workshop on role of parliaments and PRSP where senators, parliamentarians, certain NGOs and a number of representatives of the poor from Takeo, Pursat, Kampong Thom, Kratie, Kampong Speu were involved. These poor people represented different sectors important to their livelihoods including access to forestry resource, fishery resource, rice farming, the sex trade, the impact of drug addiction, and garment factory. The workshop was briefed about the NPRS process in Cambodia by a Cambodia World Bank officer, the General Secretary of GSCSD and the Deputy Secretary General of MEF who has been involved in the NPRS process. The workshop participants were also discussing briefly the contents and certain substances of interest of the NPRS. The workshop can be considered as part of the effort to involved the parliamentarians in the NPRS process and their capacity building.

TRADE UNIONS

Soon after the August 2002 national workshop a number of trade unions formed a ‘Union Committee for PRSP.’ The committee became actively involved in the process; the committee met monthly, presented their views at the final workshop, prepared comments on second draft of the NPRS. Their contributions focused on labour conditions (especially related to reducing minimum wages), employment issues, and corruption.

MEDIA

The media was identified as a stakeholder in the NPRS process. Journalists were invited to attend all the National Workshops and some important events in the NPRS process were reported in the local press. The media will play an important role in monitoring the implementation of the NPRS.

THE NPRS TRUST FUND GRANT

A major part of the Cambodia submission to the PRSP Trust fund is specifically to strengthen capacity of broader stakeholders to contribute to the development, implementation and monitoring of the NPRS. Funds are requested to facilitate exchange among different stakeholder groups of techniques and experiences with planning, implementing and assessing poverty reduction activities in Cambodia and internationally. In addition support is requested for the participatory monitoring of cross-cutting aspects of poverty reduction strategy including budget execution, access to services, quality of services, participation in planning processes, responsiveness to locally expressed demand, etc. Stakeholders who receive grant assistance will be responsible to report on the progress and outcomes of these activities to the overall GSCSD. In addition, implementation of any specific activity is open to all qualified stakeholders outside RGC, including NGOs, donors and the private sector. It is anticipated that at least 45 percent of the Trust Fund grant will support activities outside the Ministry of Planning, and 20 percent outside RGC.

2.4 CONCLUSION

Relative to the starting point of May 2002 significant progress has been made to promote participation between the Government and the people of Cambodia. During the on-going PRSP process the GSCSD has achieved significant participation from Government sectoral Ministries, donors, NGOs, communities, the private sector, communities of the poor, and other civil society. In addition to the World Bank, the Government's other key donor partners including UNDP, UNFPA, WHO, UNESCO, UNICEF, DFID, CIDA and GTZ, have actively supported the NPRS process. The process has so far ensured broad country ownership and extensive stakeholder consultation. However, not all of the activities planned in the Participation Action Plan were implemented for a variety of reasons, including limited time and lack of financial resources and capacity constraints.

The GSCSD will continue to serve as the principal stakeholder coordination mechanism to ensure that line ministries, NGOs, private sector and donors are aware of opportunities for assistance and progress of grant supported activities.

CHAPTER 3: DIMENSIONS OF POVERTY

3.1 MULTIPLE DIMENSIONS OF POVERTY

“Being poor is not just about having enough food to eat, ...Rather being poor is also about being ignorant, to have people look down on you, and to not be able to support your own family. ...”, PPA 2001, p. 14

Cambodia is ranked 130th, in the human development index, just below Myanmar and India. This has slightly improved over the period 1990-2000 moving from 0.501 to 0.543. It has a gender development index of 0.537, the lowest in Asia, and a human poverty index of 43.3 percent. Life expectancy in Cambodia is only 56.4 years. Adult literacy rate is 67.8 percent. Clearly, Cambodia's socio-economic indicators are not good. Cambodia's per capita GDP in the year 2001 was estimated to be US\$ 259.

Among other factors prolonged civil conflict, internal displacement and discriminatory development processes are the main causes of poverty in Cambodia. It is now widely recognized that poverty is a multidimensional problem and should be viewed in a broader context than merely in terms of low levels of consumption and income. Lack of food, uncertainties about access to natural resources, powerlessness and hopelessness, social exclusion, lack of education, etc. are all dimensions of poverty. Within Cambodia these were encapsulated in the Cambodia Participatory Poverty Assessment published by the Asian Development Bank in 2001 (PPA 2001).

Poverty in Cambodia is widespread with some 36 percent of the Cambodian population living below the poverty³ line of US\$0.46-0.63 at the current exchange rate. Generally, people move in and out of poverty, which makes definition of poverty lines and better knowledge about cyclical, seasonal and unexpected shocks important. Current level of poverty largely results from high population growth, inadequate opportunities, low capabilities, insecurity, exclusion, and vulnerability. Therefore, before we technically measure poverty we should first and foremost understand the multidimensional nature of poverty. For the moment we focus in turn on lack of opportunities, lack of capabilities, social exclusion, and vulnerability in the sections that follow. Technical measurement of poverty will be dealt with later in Section 3.2.

3.1.1 Lack of Opportunities

“Poor households usually just rely on the cultivation of rice and often have poor harvest ...”, PPA 2001, p. 14

More than 70 percent of Cambodia's population are employed in agricultural production (Table 3.1). However, between 12 and 15 percent of them have no agricultural land⁴. The CDRI in its Discussion Paper No. 16 published in 2000 using different datasets⁵ constructed a Lorenz curve

³ Ministry of Planning (2001): Human Development Report.

⁴ Cambodia Development Resource Institute (2001): Land Tenure in Cambodia “ A Data Update”. (Working Paper No. 19)

⁵ The datasets used for this paper include (1) Household Socio-Economic Survey in Fishing Communities 1995-1996 by the Mekong River Commission Secretariat; (2) Cambodia Socio-Economic Survey 1997 by the NIS/MOP;

and computed the Gini coefficient for land distribution. The curve revealed that the lowest quintile received almost no farmland, and the Gini coefficient calculated based on these various datasets ranged from 0.47 to 0.66⁶. The paper noted that land distribution in Cambodia is inequitable and that the minority who are rich/well off occupy large areas of land, while the large majority of the poor/worse off have only small pieces of land to live on. While access to land by the poor is limited their access to other natural resources such as forest- and fishery-related resources is degraded and constrained. A former Khmer Rouge soldier in Bantey Meanchey was quoted in the PPA 2001 as saying “I am living in a poor family of 12 members. My mother fell ill years back. We did not have anything but rice land and draft animals. In order to save our mother’s life we had to sell them to pay for the cost of her treatment. Afterward, we became hired labourers and at the same time went to the forest to cut wood to sell. However, now the government does not allow us to do that, and we do not know what to do anymore...” (PPA 2001). In the period between 1998 and 2000 the average growth rate of agricultural employment is very small (1.6%). The overwhelming majority of the poor (79%) are those with household heads employed in the agricultural sector. Thus a good choice of pro-poor strategy in the agricultural sector is critical for poverty reduction.

Employment opportunities in secondary and tertiary sectors are still limited (only 8% and 18%, respectively). This means that the agricultural sector, which is faced with low productivity, will continue to absorb the prospective labour force until the secondary and tertiary sectors become expanded and decentralised. Average employment growth for the service sector was very limited, while that in the industry sector was very substantial during 1998-2000 (Table 3.1). In spite of this growth though, only a small percentage of the population is as yet in this sector. Those who are in households with the heads employed in the industry and service sectors are less likely to be poor (3.8%, and 11% respectively).

In 1999, only 15 percent of employed Cambodians were in wage employment, though the share is as high as 53 percent in Phnom Penh and as low as 11 percent in rural areas. For wage earners, the average monthly salary was US\$43. About 46 percent of the labour force describes themselves as unpaid family workers⁷. By type of employer, poverty is most prevalent among the self-employed accounting for 39 percent of all poverty, and lowest among public sector employees⁸. A significant percentage of women, 20 percent in Phnom Penh and 68 percent in rural areas, are unpaid family workers while the corresponding indicator for men is considerably lower (6% in Phnom Penh and 30% in rural areas).

(3) Cambodian 1998 Baseline Survey of Community Action for Social Development Project and WFP Target Areas by the UNICEF-WFP; and Protracted Emergency Target Survey 1998 by the WFP.

⁶ The value of Gini coefficient of 1 denotes perfect distribution or equality, while the value smaller than 1 denotes degree of inequality.

⁷ Ministry of Planning (2000). Report on the Cambodia Socio-Economic Survey 1999.

⁸ Ministry of Planning (2000). *A Poverty Profile of Cambodia, 1999* (draft).

Table 3.1: Employment by Economic Sector

Sector	Percentage to total employment, 2000 a/	Average growth, 1998-2000 (%) b/	Distribution of poverty by employment of household heads, 1999 c/
Agriculture	73.7	1.55	78.9
Industry	8.4	43.29	3.8
Services	17.9	1.08	11.0
Total	100	3.66	

Note: a/ MOP: Cambodia Statistical Yearbook 2001. b/ computed based on data of MOP: Cambodia Statistical Yearbook 2001. c/ computed from data of MOP: A Poverty Profile of Cambodia 1999. The figures exclude the unemployed and the not-in-the-labour force heads of households.

3.1.2 Lack of Capabilities

“... If you want to live without hardship, Study hard is a tip, Don't get less educated, Don't be ignorant, If you are well educated, Wealth will come to you even without you wanting it ...”, Phirum Ngoy⁹, 1865-1936 (Kram Ngoy's Recommendations, Institut Bouddhique 1998, p. 7)

Lack of capabilities always makes it impossible for the poor to move out of poverty. Cambodia's indicators of capabilities, like health, nutrition, mortality rates, educational attainment, etc. are generally poor by regional standards. This is shown in Table 3.2.

Table 3.2: Comparisons of Key Human Development Indicators in Cambodia and the Western Pacific Region, 1998

Indicator	Cambodia a/	Western Pacific Region b/
Primary enrolment	78	97.8
Secondary enrolment	14	58.3
Adult literacy rates c/	71	...
Infant mortality rates	80 d/	38
Life expectancy	54	73
Underweight children under five	40	...
Access to safe drinking water	29 d/	...

Note: a/ Ministry of Health (1999). Health Situation Analysis 1998 and Future Direction for Health Development 1999-2003. b/ UNDP Human Development Report 1999. c/ MEYS/UNESCO survey reported the adult literacy rate of 37 percent, but the definitions of the two figures are not comparable as the semiliterate category is excluded. d/ Ministry of Planning (1999). General Population Census of Cambodia.

⁹ Phirum Ngoy (1865-1936) is a well-known poet in Cambodia's modern history. His masterpieces are always the subjects for general education system of the country.

ILL HEALTH

“We were born to die. You see in this village there are too many elders and orphans without sup.orts. Now the village is almost quiet because diseases have taken tolls.” PPA 2001, p. 41

Ill health has many implications that can lead to poverty. Poor health is the major cause of impoverishment and other forms of social deprivation (e.g. loss of educational and employment opportunities). The cycle of poverty, ill health, and high health care expenditure by households (11% of household income) economically cripples Cambodian families. The Joint Health Sector Review 2000 found that substantial household resources that are channelled into the health sector are not used effectively. An OXFAM study of landlessness found that 40% of new landlessness was related to ill health.

The poor always tend to have worse health. The Cambodian poor bear a heavy burden of ill-health and diseases. The poor are less likely to know about good health habits and hygiene, and less likely to have the resources to ensure healthy life-styles, e.g. water, sanitation, choices of foods, prophylaxis, etc. They are more likely to live in unhygienic over-crowded conditions. Major preventable, but life-threatening ailments frequently faced by the majority of the poor include malaria, tuberculosis, dengue fever and HIV/AIDS. High prevalence of these communicable diseases lays a heavy disease burden on all, and particularly the poor.

“Malaria-carrying mosquitoes bit two children of mine. I spent all of my money on treating their illness, but it did not work. ... Eventually they died, and now I have neither my two children nor any money...” PPA 2001, p. 26

Malaria is a major cause of morbidity and mortality, especially for forest dwellers and marginalized tribal people. It is estimated that the actual death toll due to malaria is 5-10 times the officially recorded figures. Malaria deaths occur quite often in very poor, remote areas of the Kingdom.

Tuberculosis (TB) incidence rate of all forms is currently estimated at 540/100,000. The number of new TB cases seen at public health facilities has trebled over the last decade. TB affects especially the poor, who live in unhygienic, overcrowded condition. The spread of HIV has dramatically increased the prevalence of TB. According to the World Health Organization (WHO) Cambodia is one of the world's 22 high-TB burden countries. The TB cases of all forms may double in the next five years.

HIV/AIDS prevalence rate in Cambodia, though now falling, is still among the highest in Asia. In view of the limited access to health services available to the poor, the high costs of a series of chronic, life-threatening illnesses associated with HIV/AIDS are likely to be very burdensome on the poor. HIV/AIDS poverty-related issue will be examined further in Section 3.1.4 under HIV/AIDS heading.

MORTALITY AND MALNUTRITION

Infant, under-five, and maternal mortality rates are high in Cambodia. Infant mortality and under-five mortality rates are 95 per 1,000 live births, and 124 per 1,000 live births, respectively (MOH), while the maternal mortality ratio is 437 per 100,000 deliveries. Common with other parts of the world, it is assumed that they are higher among the poor. The infant mortality rate

among the poor is 110 per 1,000 live births compared with 50 per 1,000 live births among the well off (DHS 2000).

Although Cambodia is now declared polio-free, morbidity and mortality from the other childhood diseases are still high. Cambodia's under-five mortality rate nearly doubles Indonesia's, and triples Vietnam's or the Philippines'. This is so because of poor coverage of immunization and limited access to trained medical service providers for treatment of childhood illnesses. For example, only 38 percent of the rural poor population were covered by measles immunization programme compared with 63 and 66 percent respectively for the rural and urban rich population (DHS 2000). Disturbingly, the coverage for girls in the poorest quintile of the population is even less (35%).

Protein Energy Malnutrition is a widespread problem in Cambodia, affecting 45 percent of children aged 6-59 months and at least 20 percent of the women. Malnutrition is a silent emergency, leading to economic losses and deaths in the family. It is both a major *cause* and an *outcome* of poverty. By the second year of life, nearly half of Cambodian children are already malnourished (stunted) and micronutrient deficiency is widespread. Generally, children in the rural poor population are more likely to be severely underweight (16%) than those in the rural (6%) and urban (5%) rich population (DHS 2000). Girls in the poor population are the most affected group (19%).

It is estimated that two out of three of the under-five mortality rate are associated with malnutrition. Among women of childbearing age, low Body Mass Index (BMI <18.5 kg/m²) is reported for 20 percent (DHS 2000). Low birth weight (less than 2500 g), which is an indicator of poor health and nutrition status of mothers leading to poor development or high neonatal and infant mortality, is reported at around 15 percent. These figures are mostly estimated given the low percentage of newborns that get weighed. Protein energy malnutrition is commonly associated with micronutrient deficiencies.

Vitamin A Deficiency (VAD) is a public health problem among children and women in many provinces. National data on night blindness among pregnant mother is reported at 8 percent. Vitamin A deficiency is the leading cause of preventable childhood blindness and is indirectly responsible for a large proportion of child morbidity and mortality and its related, high expenses.

Iron Deficiency Anaemia (IDA) prevalence rate in children under 5 years of age is 63 percent; for women the rate is 58 percent and for pregnant women it is higher at 66 percent. It is a factor associated with a high maternal mortality rate. The anaemia in children is highest among the poor. Seventy percent of children of the rural poor are anaemic (DHS 2000).

Iodine Deficiency can reduce intelligence by as much as 13-21 IQ points. The first National Goitre Survey (MOH 1997) reported a projected national average total goitre rate of about 12 percent in the age group 8-12 years, but with some areas having as much as 45 percent total goitre rate. Limited availability or lack of iodised salt for consumption is one of the contributing factors. The data of DHS 2000 showed that 8 percent of the rural poor had access to iodised salt compared with 29 and 39 percent of the rural and urban rich, respectively.

LACK OF EDUCATION AND SKILLS

“Educated knowledge is better than manual labour”, Khmer saying

Poverty rates are higher for households in which the head of the household has had either no formal education or only some primary schooling. These two groups account for 77 percent of the poor. The prevalence of poverty among households in which the head has completed lower secondary schooling and higher secondary education falls to 32 and 24 percent, respectively. This rate falls further to just 7 percent for households where the head is a university graduate.

In rural areas, the poorest quintile has a net primary school enrolment rate of 50 percent, significantly below the 75 percent of the richest quintile. Less than 5 percent of rural children aged 12–14 in the poorest quintile are enrolled in lower secondary schools, as compared to 25 percent in the richest quintile. The low education enrolment and achievement of the children of the poor today suggests that poverty will be passed along from this generation to the next.

The problems that hamper increased education enrolment and achievement of the children of the poor are multifaceted. All of these children tend to have lower levels of resources, both public and private/household, devoted to their schooling, as compared to the children of the rich, even when they are enrolled (i.e. the enrolment differentials do not give the whole picture). The share of education in household consumption expenditure of the poor is less than 1.1 percent compared to about 1.5 percent for the richest households (World Bank Cambodia Poverty Assessment 1999). Another issue is that the children of the poor are deprived of their opportunities for schooling because they are needed for household chores or income earning jobs to support the families and their young siblings (see Box 1). Other reasons for limited schooling among children of the poor as reported by the MOEYS/UNESCO 2000 include parents’ poverty, needed at home, poor teaching, distance to school, schooling is not useful, and family migration, among others (Table 3.3). This survey also found that adult education encourages education of the children. It reported: “People who live in an illiterate environment tend to forget what they have learnt at school and relapse into illiteracy. By contrast, dropping out is less frequent and knowledge is retained longer by those who, thanks to their families, have the opportunity to read and to maintain their acquired store of knowledge.” Therefore, any good education programme that would ensure enrolment and continuing enrolment by the children of the poor should address all of these issues and other relevant issues.

Box 1: Children of the Poor and Opportunities for Education

Child labour is very important for poor households, but is considered harmful to the future of children and a hampering factor to poverty alleviation effort. Among Southeast and East Asian countries, Cambodia has the largest proportion of children aged 10-14 years who are economically active (MOP/HDR, 2000). However, this proportion is just higher than Thailand's by 0.1 percentage point. This report found that the proportion of children aged 5-9 years who worked or had a job was about 3 percent while 10 percent of children aged 10-13 years worked or had a job during the survey reference week. This suggests that many children lost their schooling opportunities in order to support their families.

The NIS/LFS 2000 estimated the labour force participation rate of children aged 10-14 years at 9.1 percent. It reported that the labour force participation rate in rural areas is higher by 11 percent compared to urban sector, and concluded that higher participation in the agricultural sector and lower proportion of school attendance in rural areas could be some of the reasons for the differentials. The MOP/HDR 2000 also reported that at ages older than 5-9 years the school attendance rate of working children is significantly lower than that of non-working children, and that work of the type performed by most Cambodian children aged 10-17 years, especially girls, interferes with their schooling. Thus, the children of the poor are completely deprived of their education. However, unless alternatives are found the situation will continue.

Table 3.3: Reasons for Dropping Out from School

Reasons	Male (%)	Female (%)
Parents' poverty	22.3	19.0
Needed at home	21.6	21.1
Poor teaching	0.4	0.4
Distance to school	2.9	2.9
Schooling is not useful	0.4	0.3
Family migration	3.9	3.9
Other reasons	11.0	8.8
No response	37.5	43.6

Source: MOEYS/UNESCO (2000): Report on Assessment of the Functional Literacy Levels of the Adult Population in Cambodia.

LACK OF ACCESS TO BASIC INFRASTRUCTURE

"In the dry season there is very little water so we have to get up early in the morning to compete with one another to get what water there is. The water is not very clean and often some of our children get diarrhoea..." PPA 2001, p. 30

In Cambodia, the poor barely have any access to basic social services and facilities. About 21 percent of people in the poorest quintile have to travel more than 5 kilometres to reach a health clinic, while only 14 percent in the richest quintile have to travel that far. About 6 percent of the poorest two quintiles live more than 5 kilometres from the nearest road, compared to only 1.4 percent in the richest quintile. The PPA 2001 for Cambodia found that there was no functioning

health centre in 85 percent of the 154 poor villages studied, and that less than 30 percent of them could be reached by vehicular traffic during wet season.

Only 4 percent of people in the poorest consumption quintile have access to piped water compared to 17 percent in the richest consumption quintile. While almost 20 percent of the richest rural quintile has access to publicly provided electric lighting less than 1 percent in the poorest quintile receive the same service. Similarly, access to sanitation facilities by the poor is very limited or non-existent. In rural areas, where the majority of the poor live, about 84 percent of people have no access to or do not use toilet facilities.

3.1.3 Social Exclusion

Social exclusion can be defined as the barriers preventing the poor from fully participating in the social mainstream of the society, due to such factors as illiteracy, lack of access to decision-making and law, discrimination on the basis of gender and ethnicity, corruption, and so forth.

Illiteracy is a barrier for the poor as they are excluded from the development process either intentionally or unintentionally. Whilst the illiterate persons may not be looked down upon in Cambodian society the feeling of self-exclusion is strong for the illiterate persons themselves. In addition the illiterate persons are perceived as lazy and considered always having bad moods and vices. In his poem, Phirum Ngoy wrote the following:

“... a person is illiterate because of his laziness, he looks healthy and handsome, but stupid if uneducated... the educated is superior and the illiterate is unlucky and has no dignity, if compared, ...”

Women in Cambodia do not enjoy equal access to education, paid employment, land ownership and other property rights. Women also suffer from poor reproductive health services. They are generally in a disadvantaged position in both family and society. This issue of gender is further addressed in Section 3.6.

Ethnic minorities are in a disadvantaged position in the development process due to lack of representation at the management and legislative levels. They are also disadvantaged and marginalized because of the language barrier. For example, most ethnic minorities in Cambodia, except Vietnamese and Cham, do not have scripts for their own languages, and speak little or no Khmer—the official language and are thus unable to voice their concerns. The PPA 2001 quoted the Kuy ethnic minority as saying “Few of us speak the Khmer language well enough to communicate directly with the government officials even if we wanted...” The Phnong expressed similar concern in the PPA 2001 “Not being able to speak the Khmer language, let alone read and write it, puts all of us at a major disadvantage with Khmer-speaking people...”

HIV/AIDS over the past decade has threatened the very survival of the Cambodian society. The HIV/AIDS has stripped most of the victims of their future and hope, and their ability to live on equal stance as ordinary citizens. The Phnom Penh Post July 19 – August 1, 2002 issue displayed a picture of a 26-year old female AIDS victim who was banished by her family and became homeless on the streets in Phnom Penh in 2000. More about this issue of HIV/AIDS is elaborated in Section 3.1.5 under HIV/AIDS heading.

3.1.4 Lack of Good Governance

Good governance entails the elements of participation, transparency, accountability and predictability. Although, the RGC has attempted in the past to improve governance within the public system these elements are in fact still lacking in Cambodia. This lack of good governance has actually strong impact on the poor, and is the roadblock to the RGC's fight against poverty. Below are some of the issues of governance that deserve mentioning.

Lack of access to government information and decision-making has prevented the poor from actively participating in community activities, contributing to gaps between government policies and their implementation and resulting, in some cases, in conflicts between local population and local authorities and private interests. Such conflicts always deprive the poor rather than help them. "This logging company came to our commune and told us that it had exclusive rights to log the trees in the forest. It showed us a signed document from the Government, which we could not understand, ... less than a month later soldiers employed by that company burned the carts of some of the villagers and shot dead a person ... We were very frightened but there was nothing we could do..." PPA 2001.

Lack of access to law and rights is a serious issue for the poor. Many existing laws and regulations have been adopted without consultations with the local communities. People are excluded because of the default system and language barrier. A Kroeng villager was quoted as saying "We have heard recently that the land law is being redrafted. We want to have our concerns considered and incorporated in the new land law. ... To make this happen we need outside organizations to help us deal with the government, because we rarely see government officials here in our village", by Chanthy and Gabrielle in *Cambodia: Revising Land Law in Advocacy for Social Justice*, Kumarian Press 2001.

In addition the poor are not provided with sufficient conditions to access laws and their rights. Since they are poorly educated or totally illiterate they are not able to understand the law and cannot solve legal problems by themselves. Therefore, the interests of the poor are not protected. There are many instances where the poor end up losing their cases in the courts, and being exploited, e.g. land grabbing.

Cambodia's burgeoning population adds to the problem. "Before we had enough to raise the children but my family has fallen into poverty because we have eight children, ... when you have eight children you cannot give them all much land", PPA 2001.

Corruption exists almost everywhere across the globe. There is no exception for Cambodia as evidenced by the Khmer saying (*cf.*), "Gaur and Kouprey¹⁰, while the small take their small part, the big take their big part". Corruption has involved mostly public servants as Phirum Ngoy (1865-1936), in his poem, wrote: "... *buying a title as a district governor, bribing to be a master, wanting to be indulgent by spending government's money. Cheating and deceiving, getting it under the table, thinking you're clever, fooling around and putting seals, ...*". Corruption in contemporary Cambodia was known to exist again perhaps in the 1960s and has continued since

¹⁰ Gaur and Kouprey are now endangered and extinct species of wildlife. Gaur is Tunsong and Kouprey is Ko Prey, in Khmer.

(see Box 2). It has, at all times, been one of the major factors that breed poverty, and social turmoil; and contributed to the collapse of some of the former governments.

The RGC has initiated reform programmes since its first term in the early 1990s. Despite this, corruption remains rampant and widespread in Cambodia and costs Cambodia millions of dollars every year. Such loss of public resources has taken away the RGC's opportunity for alternative uses to fight poverty. Over the past years, the RGC seems to recognise the severity of corruption (see Box 3). More than 80 percent of Cambodians believe that bribery is the normal way of doing businesses in sectors such as education, health care, traffic, and judiciary (National Survey on Public Attitudes towards Corruption, CSD 1998). At many public hospitals Cambodians are subjected to high under-the-table fees and other costs. Corruption has been identified as Cambodia's leading problem ahead of other major problems that include weak governance, problems with safety and crime, the cost of living, unemployment, the high cost of health care, political instability, the high cost of education, and drug abuse and trafficking¹¹. Corruption continues to exist in Cambodia and hijack Cambodian government and society of their efforts to fight poverty.

¹¹ Cambodia: Governance and Corruption Diagnostic: Evidence from Citizen, Enterprise and Public Official Surveys, World Bank, May 2000.

Box 2: When Was Corruption Known to Emerge in Contemporary Cambodia?

With the French, in the 19th century, came extensive, Western-style bureaucracy. In 1945, the idea of voting, if not voting itself, was introduced. Seeking to legitimise his regime, Son Ngoc Thanh organised a national referendum asking Cambodian men if they wanted the French to return or to remain “as free as they were under (King) Jayavarman (1178-1220)” (Chandler, 1991:13). The vote was 540,000 to 1 in favour of Thanh’s government. According to Chandler, little to no balloting occurred. Instead provincial governors forwarded the expected results to the capital on their constituent’s behalf. It was a sign of thing to come.

Over the next few years, scandals broke out over government officials illicitly selling rationed cotton thread, fishing licenses for Tonle Sap and other issues. Investigations were road-blocked and files destroyed. By the early 1960s, much of the rural population regarded the word government as synonymous with the word corruption. For any kind of government service, money changed hands. Cambodian slang named these transactions “bonjour”. For example, in 1968 during the Sihanouk era, a Sangkum Reastr Niyum Party membership card—required for any government employment—cost 1,000 riels, about a week’s salary for a civil engineer (Chandler, 1991).

New opportunities for corruption arose when the United States began footing Cambodia’s military bills. Officials padded their payrolls by adding fictitious soldiers and by failing to report deaths and desertions. In 1972, military spokesmen admitted that every month commanding officers pocketed the pay of some 100,000 non-existent men and women. In 1973, several new provinces were created to collect payoffs from applicants seeking governorships so they could siphon off U.S. funds. Soldiers and politicians were selling guns, petroleum, equipment, and other supplies to whomever handed over the largest sum, no matter which side they were on (Chandler, 1991). An investigative agency apparently was established, but was ineffective (CSD, 1995).

With the disappearance of currency during the Pol Pot era, corruption diminished. But, gold, jewellery, and other items continued to be bartered for lives or bowls of rice. The limited amount of money in circulation, a relatively ineffective entrepreneurial class and an almost totally shattered infrastructure kept a lid on corruption in subsequent years. But after the Paris Peace Accord was signed in the early 1990s, internal fighting diminished, and the Soviet Union collapsed. Cambodia began the transition to a free market economy and opportunities for corruption skyrocketed.

By 1986, the government had begun encouraging private economic activities. Three years later, it restored private ownership of land and allowed farmers to sell surplus produce on the free market. Government employees started receiving cash instead of in-kind benefits (IMF, 1994). Joint industrial ventures between the state and private (primarily foreign) owners were launched. In the early 1990s, the easing of real estate restrictions triggered a mini-boom in speculation, restoration and rebuilding. Construction activity multiplied; so did the sale of raw materials. Unfortunately, much of the timber, gems, dried fish and other exports flowed to Thailand and Vietnam illegally. At a fast clip, environmental damage verged on the catastrophic (Chandler, 1993). Some have interpreted the frenzied activities coupled with the corruption boom as a psychological response to the deprivation under Pol Pot.

Source: Centre for Social Development (1998). National Survey on Public Attitudes Towards Corruption

Box 3: How Much Does Corruption Cost to Cambodia?

In a 1995 speech at the conference on Corruption and Its Impact on National Reconstruction and Reconciliation, Finance Minister Keat Chhon estimated that the state was losing up to US\$100 million a year to corruption, primarily because of illegal logging, rubber exportation, and fishing (CSD, 1995).

In 1997, the International Monetary Fund cancelled US\$60 million in loans to Cambodia because of corruption in the timber industry. Taking its lead from the IMF, the World Bank declined to renew its budgetary support. Over three years, that support had amounted to roughly US\$85 million (Reuters, 9/3/97). Global Witness, a British environmental group, has accused the military of participating in illegal logging (Reuters, 2/6/98).

About the same time, Second Prime Minister Hun Sen warned 1,000 to 2,000 customs officials that they risked losing their jobs if they continued cheating the country out of badly needed tax revenues. According to Hun Sen these practices cost the country millions of dollars each year (Associated Press, 10/17/97).

Recently, a scandal about corrupt monies was reported in the local newspapers, which involved millions of dollars. An implication of corruption to the World Bank funded demobilisation project was also reported. A summary of Supervision Mission Findings, and Joint Agreement between World Bank and the Council for the Demobilisation of Armed Forces for Cambodia Demobilisation and Reintegration Project dated October 2002 reported some problems that may be related to corruption. It found that the competition to get onto the list for demobilisation is high and has apparently resulted in soldiers paying to be included in the list of soldiers to be demobilised. Its other finding involved database issues. It discovered: "All of those registered, and whose names are in the database, carry cards that legally identify them as soldiers. However, there is a growing body of evidence, including the findings of several field visits by Bank missions, that suggests that despite the efforts, some of those on the database have never served in the armed forces or received salaries from the military, and other have served in the armed forces but do not receive their whole salaries.

Source (Paragraphs 1-3): Centre for Social Development (1998). National Survey on Public Attitudes Towards Corruption

3.1.5 Vulnerability

Although Cambodia now achieves peace and stability, and enjoys some development fruits, majority of her population remains vulnerable to poverty and food insecurity. The most vulnerable groups consist of internally displaced people and returnees, HIV/AIDS victims, war widows and female-headed households, orphans, street children, squatters, people with disabilities and isolated ethnic minorities. Other vulnerable groups include those who live in areas contaminated with landmines and UXOs, and in areas affected by natural disasters such as flood and drought.

FOOD INSECURITY

"Poor households never have enough food to eat ...", PPA 2001, p. 14

Food insecurity and poverty are closely linked. Participants at all PPA 2001 sites strongly defined poverty as being persistent hunger, a chronic condition from which the poor could not escape

except perhaps on a temporary basis. Because of hunger they are unable to satisfy their other basic needs, such as being able to send all their children to school, pay for necessary health care and meet cultural obligations.

In rural Cambodia, having enough rice and other foodstuffs to eat 12 months a year is synonymous with being not poor or food insecure. Food insecurity may be either chronic or transitory. Those affected by chronic food insecurity include: subsistence farmers, the landless or marginal land holders, the urban poor, and other vulnerable groups (e.g. expectant and nursing women, children under five, and the elderly). Transitory food insecurity affects people facing natural disasters, such as flood and drought.

During 1998/99-2001/02 Cambodia produced rice surpluses of 30,000-364,148 metric tonnes. Yet, not everyone in Cambodia has enough rice to eat since food security involves a complex interplay of factors and goes far beyond rice/agricultural production. This is especially true for the poorest, most food insecure and vulnerable groups in the rural areas. A recent study shows that even within large rice producing provinces 30 percent of communes face chronic food shortages.

The poor are not able to access the surpluses simply because they have low or no purchasing power, are often in high debt burden, and lack access to adequate credit. Furthermore, access to food is also hindered by poor marketing/distribution systems, price variations, poor transportation and communication infrastructure, very limited off-farm employment opportunities, and low investment in agriculture.

STREET CHILDREN

Street children belong to one of the most vulnerable groups, who generally gather in Phnom Penh and in highly economic active towns. Currently, estimates of the number of street children in Phnom Penh range from 10,000 to 20,000¹², of whom some 976 are abandoned children. Two thirds of the abandoned children come from the provinces. The phenomenon of abandoned children is usually due either to the break-up of families and/or poverty. Street children are increasingly vulnerable to drugs¹³, "big brothers", HIV/AIDS, prostitution, other health risks, and to feelings of no future and social exclusion. Following is a quote from the street children in the PPA 2001 "Our mothers abandoned most of us when we were very young... But here we are on the street... Sometimes it looks as though life on streets is exciting, but this is after we sniffed glue, drank leftovers from liquor bottles, ..."

HIV/AIDS

Since the first case of the epidemic in 1992, it is estimated that out of the population of 11 million, Cambodia now has 169,000 people living with HIV/AIDS. Statistics of KHANA showed that 30,000 children have been orphaned because of AIDS and this could increase to 140,000 in 2005. The estimated HIV/AIDS prevalence rate is 3.9 and 2.8 percent in 1997 and 2001, respectively, among adult aged 15-49.

¹² Mith Samlanh/Friends (2000). This data include children who have their own home but have to depend on the streets for survival because their families are very poor.

¹³ Mith Samlanh/Friends (2000). Survey on Substance Use Among Street Children in Phnom Penh

WFP (2000)¹⁴ noted that HIV/AIDS ruins the health and eventually takes the lives primarily of people in their most productive years (15-50), it, by that very fact, exerts a devastating impact on the food security of most affected individuals and households. For most households, HIV/AIDS means decreased income through morbidity and mortality of one or more members. For rural households, morbidity negatively affects agricultural productivity as they are forced to reallocate labour from agriculture to patient care. Increased sickness also causes greater expenditures for care and treatment squeezing whatever resources the household has for food. The little savings households have are quickly depleted and assets are sold off. Livestock will be sold to generate cash for patient care or as compensation for a loss of labour. When households lose livestock they lose keys to their food security: animal traction, fertilizing manure, milk for the family, and savings on food.

Now HIV/AIDS increasingly receives priority attention from government, NGOs and external partners because of better understanding of the epidemic and increased recognition of its possible impact on human security, economic development and national stability.

It is also increasingly recognized that vulnerability to infection especially for women, stems from influence of socio cultural, economic and political factors. These factors include discrimination and marginalisation of certain groups of people such as sex workers and people living with HIV/AIDS, illiteracy and lack of educational opportunities and ignorance about STI/HIV/AIDS.

Studies of the impact of HIV/AIDS have revealed the inadequacy of current social protection mechanisms, and suggest the need for specific policy proposals (“The Economics of HIV and AIDS; the case of South and South East Asia”, Bloom and Godwin, eds., OUP, 1997. Among those mentioned are proposals to improve the access of the poor to free or subsidized health care and basic social services, to improve credit markets and expand existing formal sources of credit, to enhance insurance schemes, to protect human rights by safeguarding the confidentiality of health records (thereby permitting HIV positive people to continue working as long as they can), and to initiate government –sponsored campaigns against discriminations.

NATURAL DISASTERS

“When the water rises the fish will feed on the ants, and when the water recedes the ants will feed on the fish”, Khmer saying.

Apart from being vulnerable to daily difficulties and occurrence of shocks that may strike an individual and a country, the poor are highly vulnerable to natural calamities such as flood and drought. Flood and drought have occurred more frequently in the past seven years. The occurrence of these disasters has put life of the poor in total collapse. “Most households in this village are poor. We have a small piece of land, and some have one or a pair of draft animals. Some lucky households may have a meal of rice or porridge per day after natural disasters [such as flood and drought]. Unlucky households have to sell or pawn their land or sell their draft animals. Some finally end up being landless and poorer and poorer...”, WHO unpublished report on disaster study in selected communities of Cambodia 2001. Box 4 is an excerpt of the NPRS consultations with the poor (2002) that illustrates their plight related to natural disasters.

¹⁴ World Food Programme (2000). Food Security, Food Aid and HIV/AIDS Study

Box 4: The Poor and Natural Disasters

The story starts from the poor harvest. As these poor rely entirely on the harvest, the consequences of the flood have a tumultuous effect on their family food security situation for the whole year. When they face a shortage of food, the poor borrow food from better off families, who often charge high interest rate. Nevertheless they have to borrow by hoping that next year they will have a better harvest so that they can pay back all the debt. But unfortunately, they got hit by floods again. So to avoid accumulation of the interests and debt they resort to selling draft animals. If they are lucky at this stage (no flood) they still have their land but they have to spend double labour forces in exchange for borrowing the draft animals from others. But if the flood occurs again then they have no other option but to pawn land and sell labour for food. With diminishing food and weakened immunity, they get sick and are unable to work; then there is no food, so they sell land for food and for health care. If the situation does not get better they sell houses. At this stage some of them may end up living in a small hut boat relying on daily fishing subsistence, some migrate to Phnom Penh, to Koh Kong and eventually to Thailand, and the story goes on and on!

LANDMINES AND UXOS

“My family had about 20 ha of land, three tractors, a sedan, a motorbike, and a full range of farming implements, ... One day my workers drove over anti-tank mines that we did not know about and the tractors were destroyed. Later, the drivers died, and I had to sell other assets to provide compensation to their families and organize their funerals. Not long after, my husband fell ill with depression and died. There is nothing we can do about the fact that we have become poor”, PPA 2001, p. 27.

After more than three decades of wars, landmines are the main obstacles to access by the poor to agricultural lands and create vulnerability for people living in rural areas. It is estimated that about 4-6 million anti-personnel and anti-tank mines and unexploded ordnance (UXOs), including about 539,129 tonnes of air-to-ground bombs are lying hidden underground and scattering across the country. According to National Level 1 Survey of CMAA about 2.5 percent of the Cambodia's territory is affected by landmines and UXOs.

Between 1979 and September 2002 about 54,400 mine- and UXO-related accidents were reported. Incidence of injuries is most likely to happen in forest (33%), villages in former conflict areas (24%) or rice fields. Mine casualties create a distinct vulnerable group in the country, the amputees. CSES 1999 reported that landmine explosions were the cause of disability of 11 percent of the disabled population, which is currently estimated at 169,000 or 1.5 percent of the total population.

OPTIMISATION OF DEVELOPMENT BENEFIT

Optimisation of development benefit always leads to vulnerability for and exclusion of some communities. In development process, to ensure optimality of the resources used and maximum benefits of the intended development government and donors tend to unintentionally pay less attention to certain communities. It is being so for the fact that these communities are sparsely populated, and remote or inaccessible due to poor infrastructure, thus making the development impact insignificant, operation impossible, and development spending cost-inefficient/ineffective. As such, these communities generally remain the most disadvantaged and marginalized for there

is little or no development activities are channelled in. These communities include, but not limited to, those in Mondulhiri, Preah Vihear, and Steng Treng provinces, where the majority of ethnic minorities live.

LACK OF SOCIAL CAPITAL

Lack of social capital deprives the poor of their opportunities to attack poverty. The social capital could be in the form of norms, trust, reciprocity network, association, legally recognized traditional community, and social bond that could reduce vulnerability of the poor. The social capital in Cambodian society was totally destroyed by the Khmer Rouge and protracted civil conflict. The situation is even worse where community or societal infrastructure is lacking.

SPATIAL CONCENTRATION OF POVERTY

Poverty mapping was initiated in Cambodia by joint effort of the World Food Programme (WFP) and the MOP/RGC in 2001, which has now become a regular exercise. The exercise attempts primarily at identifying core poor areas in Cambodia using “small area estimation technique.”¹⁵ Cambodia is the first country in Asia that applies this methodology to derive poverty measures at such a geographically disaggregated level as the commune level achieved through combining data of Socio-Economic Survey 1997, General Population Census 1998, and GIS. The estimate has yielded consumption poverty situation in Census year, 1998¹⁶. The exercise results in poverty map, which is used for targeting purposes of the WFP-cum-RGC food intervention and emergency relief operation. The most recently completed poverty map and its relevant report “Estimation of Poverty Rates at commune-level in Cambodia” will be due out and distributed by early November 2002.

The poverty map of the MOP/WFP 2002 (Annex 1) reflects that poverty concentrates generally in the rural areas, but not all. The map shows that 104 communes in rural areas constitute a poverty headcount rate above 75 percent, while 394 others constitute 50-75 percent of the poverty headcount rate, which totally make up about 27 percent of Cambodia’s communes.

According to MOP/WFP’s Estimation of Poverty Rates at Commune-level in Cambodia the provinces with high incidence of poverty (39.1-53.7%) above national average include Oddar Meanchey, Banteay Meanchey, Siem Reap, Kampong Chhnang, Pursat, Prey Veng, Svay Rieng, and Krong Kep (Annex 2). Krong Pailin has the highest poverty incidence (97.2%). However, the estimate of poverty incidence for the latter—Krong Pailin—may not be realistic for the fact that it was mainstreamed into the national economic development process only recently, and that it was not covered representatively by many surveys and the CSES 1997 used by the MOP/WFP to derive the poverty rate estimate and to predict consumption expenditures for all households. Some 31.9 percent or 1,638,960 poor people inhabit the above provinces, out of a total of 3,031,500 poor people in the country (Annex 2).

Seem Reap, Oddar Meanchey and Banteay Meanchey are among the poorest provinces, which may be due to the fact that they are in former conflict zones where people lived in a conflict situation longer than the rest of the country except for Pailin and parts of Battambang, Kampot

¹⁵ The technique was recently developed by a group of researchers at the World Bank and has been applied to several countries in the world.

¹⁶ To capture changes in poverty situation in recent years due to rapid economic development in some areas and recent drought and floods in the others, the Ministry of Planning and the United Nations World Food Program is planning to conduct ground-truthing exercise very soon.

and Pursat, and because many of the population are returnees, and most of the land is contaminated with landmines. Many parts of Kampong Chhnang and Pursat are also affected by landmines. For Svay Rieng and Prey Veng the fact of high rate of poverty is perhaps owing to small agricultural landholding and non-existing access to natural resources year round. Other facts common for all of these poor provinces are that most of their agricultural land is not fertile, while majority of the people live on farming, and they are frequently stricken by natural disasters, in particular drought and flood. For example, this year alone drought and flood cost more than US\$30 million in damages, and affected about 3.4 million people nationwide with more than 1 million left homeless.

3.2 DEFINITION OF INCOME/EXPENDITURE POVERTY

The multidimensional nature of poverty greatly complicates the problem of measuring and monitoring progress in reducing poverty. As a first step toward this objective, consumption-based absolute poverty measures are widely used to monitor progress in reducing poverty over time. The purpose of these measures is not so much to obtain a perfect and comprehensive estimate for any one period but rather to develop a uniform yardstick for measuring changes over time and for profiling differences in poverty rates among key sub-groups of the population. Some of these measures are examined below.

3.2.1 Poverty Lines

Poverty line is the line below which a given population is believed to live in poverty. It is a line taken to imply an adequate income for a person to consume a food basket that provides at least 2100 calories of energy per day with a small allowance for non-food items such as shelter, and clothing.

Generally, two poverty lines can be drawn, namely food poverty line and overall poverty line. The food poverty line does not provide allowance for non-food consumption. Monetary values of the poverty lines vary from time to time and region to region depending on economic situation. Given in Table 3.4 below are monetary values of poverty lines for different regions in Cambodia at current exchange rate. The values of poverty lines in rural area are generally smaller than those in other urban and Phnom Penh reflecting different level of cost of living.

Table 3.4: Monetary Value of Poverty Lines

Sector	FPL		OPL	
	Riel	US\$	Riel	US\$
Phnom Penh	1,737	0.45	2,470	0.63
Other Urban	1,583	0.41	2,093	0.54
Rural	1,379	0.35	1,777	0.46

Source: A Poverty Profile of Cambodia 1999 (MOP)

3.2.2 Poverty Indices

A person with individual consumption below the poverty line is classified as poor. A series of indicators may be derived for the purpose of describing and comparing situations. The indicators

most often used include headcount index (HCI), poverty gap index (PGI), and poverty severity index (PSI).

The **HCI (incidence of poverty)** gives the percentage of the population classified as poor. According to the Human Development Report 2001 of the MOP the poverty headcount index for 1999 was between 40 and 45 percent (see Box 5). Table 3.5 below provides estimates of the poverty headcount indices for Cambodia by region for 1993/94, 1997 and 1999.

Table 3.5: Headcount Indices

Regions	1993/94		1997 (Adjusted)		1999 (Round 2)		1999 (Both Rounds)	
	OPL	FPL	OPL	FPL	OPL	FPL	OPL	FPL
Phnom Penh	11.4	6.2	11.1	3.4	9.7	3.3	14.6	5.2
Other Urban Areas	36.6	19.6	29.9	15.4	25.2	13.7	42.4	28.4
Rural Areas	43.1	21.9	40.1	20.0	40.1	12.1	56.1	31.5
Cambodia	39.0	20.0	36.1	17.9	35.9	11.5	51.1	28.9

Source: A Poverty Profile of Cambodia 1999 and A Poverty Profile of Cambodia 1997 (MOP)

Apart from the estimates based on both rounds of the 1999 CSES, it appears that the percentage of the population that is poor has been steadily declining (except for rural areas in 1997 and 1999, where the headcount index remained constant at 40.1%). However, various features of the three surveys on which the above estimates are based make it difficult to draw firm conclusions about the evolution of poverty during the nineties¹⁷.

¹⁷ First, the geographical coverage (particularly in rural areas) was quite low in the 1993-94 survey and still far from complete in the 1997 survey. Second, there were major differences in the way consumption and price data were collected in the 1993-94 and 1997 surveys (leading to some necessary adjustments in the 1997 survey). The estimates for 1997 were also prepared with preliminary data (by comparison, the estimate of the national poverty headcount index based on the officially released data, using the same adjustments, is 39.5 percent). While similar adjustments were unnecessary in the 1999 survey (due to revisions in the questionnaire), there were substantial unexplained differences in the level of per capita household consumption between the survey's two rounds.

Box 5: Which Poverty HCI Should Be Used?

The Human Development Report of the MOP 2001 was based on the data from the Cambodia's Socio-Economic Survey 1999 (CSES 1999), the data quality of which is believed to be problematic. The survey was carried out in two rounds. Round 1 was conducted during January-March 1999, and Round 2 June-August 1999.

The HCI reported based on the use of data from the Round 1 and Round 2 of the survey is 64.4 and 35.9, respectively. The HCI calculated based on the data from both Rounds (i.e. pooled data) is 51.1 percent. Based on these estimates the HDR 2001 concluded that between 40 and 45 percent of the Cambodian population subsist below the poverty line, and that there is no evidence that this situation is improving. However, as mentioned above, the reliability of the CSES 1999 data is questionable. Among major problems of the CSES 1999 data quality include the inconsistencies in measured consumption between the two Rounds of the survey. These inconsistencies, as the MOP's Poverty Profile of Cambodia noted, indicate the potential presence of widespread and systematic measurement error. It further noted: "Although some have argued that data on Round 2 are more reliable, their reasons given are not fully convincing to warrant choosing Round 2 over Round 1. Any choice of the two Rounds or both is very judgemental and subjective.

Although, it is observed that the HCI estimated based on Round 2 of the CSES 1999 is always preferred and widely used rather than the ones estimated based on Round 1 and the pooled data. This is being so perhaps for the fact that Round 2 captured and reflected the latest picture and conditions of the households surveyed and the nation as a whole.

The **PGI (intensity of poverty)** measures the average gap between the poor population's level of income and the poverty line, expressed as a percentage of the poverty line. The poverty gap is able to indicate the minimum cost of eliminating poverty, i.e., the percentage of total household income (in relative to the poverty line) that would need to be transferred to bring each poor household's income up to the poverty line (assuming that transfers could be perfectly targeted). The poverty gap index estimated based on both rounds of CSES 1999 was 15.4. The estimate based on the data of the CSES 1999 second round was 6.5, which declined from 8.7 in 1997. The PSI estimates based on the data of the CSES 1999 second round for Phnom Penh, other urban and rural areas were 2.0, 6.8 and 6.9 percent, respectively.

The **PSI (inequality of poverty)** is sensitive to the distribution of living standards among the poor. As such, it gives more weight to the poorest of the poor. This index was unchanged at 3.1 in 1993-94, ranging in the latter year from 0.6 in Phnom Penh to 2.7 in other urban areas and 3.4 in rural areas.

A key message from the estimation of the latter indices is that on average the poor are living close to the poverty line and that consequently there is considerable potential for poverty reduction through growth with equity.

3.3 INCOME/EXPENDITURE POVERTY ESTIMATES

Absolute measures of poverty are based on an individual's income level relative to some minimum level of income, called "poverty line." Poverty lines generally reflect variations in the cost of living by region, e.g., Phnom Penh, other urban and rural. The first step in developing

consumption-based estimates of poverty is therefore the calculation of the appropriate poverty lines. The second step is to calculate indicators that characterise the population's income in relation to the poverty line. Estimates of absolute poverty are updated over time by collecting new data on incomes and by comparing individual incomes once again to the same poverty lines, updated for price changes.

One of the characteristics of the poor, which is important to understand, is the composition of their consumption and how it differs from the non-poor. For example, by identifying the items consumed mainly by poor households, it may be possible to design indirect tax reforms that avoid undue increases in the cost of living for the poor. Such a design is important where countries lack comprehensive income tax and transfer systems, which can be used to compensate for the burden of indirect taxes and government charges. Another long-term benefit of identifying the items consumed mainly by the poor is that it can help to give research and investment strategies a pro-poor bias. For example, investments in production or processing technology for foods whose consumption is most heavily concentrated amongst the poor will tend to reduce disparities in living standards.

One simple way of finding out which items are relatively more important to the consumption of the poor is to compare the average budget shares of poor and non-poor households. An increase in the price of an item that has a large share in the budgets of the poor but only a small share in the budgets of the non-poor is likely to cause large increases in the cost of living for the poor relative to everyone else.

Table 3.6 presents a selected number of items that provides a snapshot of the more significant differences between consumption of the poor and non-poor. The item with the largest difference between the poor and non-poor is rice. Rice makes up 25-32 percent of the total budget (including imputed values for consumption out of gifts and self-production) for poor households in both Rounds, but only about 16 percent of the budget for non-poor households. In Round 1 the difference between consumption of the poor and non-poor is 17 percent, and in Round 2, the gap is 9 percentage points. Other food items also take a larger share in the budgets of the poor than the rich, which include fish, and fresh vegetables. At the other extreme, items that are the least important in the budgets of the poor, but occupy a large share in non-poor budgets are house rent and repairs (including imputed rent for owner-occupiers), medical care, transport, and communication.

Table 3.6: The average value and budget shares of selected commodities in household consumption

Commodity	Average value of household consumption ^a (in Riel/day)		Difference in the budget shares of poor versus non-poor (%)	
	Round 1	Round 2	Round 1	Round 2
Rice (all varieties)	2343	2492	16.78	9.17
Fish (fresh, fermented, salted, canned etc)	1187	1411	1.92	1.14
Fresh vegetables (trakun, cabbage etc)	500	680	1.1	1.06
Transport & communication	447	455	-1.86	-1.57
Medical care (doctors fees, drugs etc)	872	818	-4.41	-2.82
House rent (incl. Imputed) and repairs	1419	1784	-3.47	-2.85

Source: Cambodia Poverty Profile, 1999

^aIn 1999 Phnom Penh prices, with the food poverty line used as the spatial deflator.

If a few easily monitored poverty indicators are available, small rapid-appraisal surveys could be used to predict the poverty status of far larger populations without the need for costly and time-consuming integrated household surveys. These poverty indicators are a potentially useful tool for monitoring progress in poverty reduction and targeting poverty alleviation programs. Table 3.7 includes selected statistical descriptions of indicators for the average poor person and the average non-poor person that are robust between both rounds of the CSES 1999. This is only a sample of the comprehensive list in Section 7 of the *1999 Cambodia Poverty Profile*. The means and standard errors for each indicator are calculated by poverty status: below the food poverty line (*food poor*), between the food poverty line and the poverty line (*other poor*), above the poverty line (non-poor) and the overall population.

In terms of employment and income characteristics there is a lower percentage of *food poor* household members working in the previous week, compared to the non-poor. The difference is, however, not significantly different between poor and non-poor. The value of land owned shows significant differences among *food poor*, *other poor*, and non-poor, with the land value of the non-poor being several times greater than that of the poor. Village-level characteristics such as distance to the district town and travelling time to primary school do not display significant difference across the three groups: *food poor*, *other poor*, and non-poor households. A significance difference between the poor and non-poor can be found in some of the health indicators. For instance, the average number of outpatient visits is much higher among non-poor, and the difference is significant. The number of children born to women of childbearing age in *poor* households is significantly higher than in non-poor households.

Table 3.7: Selected Poverty Indicators

Description of indicator	Averages (standard errors)							
	Poor				Non-poor		Total	
	Below food poverty line		Between food poverty line and poverty line					
	Survey Round 1	Survey Round 2	Survey Round 1	Survey Round 2	Survey Round 1	Survey Round 2	Survey Round 1	Survey Round 2
Percent of household members who worked during the past week	48.9 (0.9)	44.5 (1.3)	50.1 (1.4)	50.4 (1.2)	51.2 (0.9)	52.8 (0.8)	49.9 (0.6)	51.3 (0.6)
Value of land owned (residential + farm, in millions of Riel)	1.76 (0.31)	2.91 (0.33)	3.25 (0.57)	2.72 (0.26)	15.93 (3.61)	10.71 (0.95)	7.45 (1.40)	8.11 (0.64)
Average distance to the district town (km)	9.64 (0.62)	8.40 (1.02)	11.78 (1.07)	11.83 (1.53)	10.85 (1.28)	10.21 (0.74)	10.48 (0.70)	10.40 (0.77)
Average travelling time to the nearest primary school (minutes)	20.19 (1.50)	14.33 (1.28)	20.05 (1.34)	19.37 (1.32)	18.05 (1.18)	19.29 (1.28)	19.32 (1.03)	18.81 (1.05)
Number of outpatient visits per person per year	0.99 (0.09)	1.27 (0.13)	1.33 (0.11)	1.10 (0.12)	1.73 (0.11)	1.49 (0.07)	1.31 (0.07)	1.37 (0.06)
Children ever born to women ages 15-49 ^a	2.22 (0.07)	2.55 (0.15)	1.98 (0.12)	2.41 (0.10)	1.76 (0.07)	1.91 (0.06)	2.00 (0.05)	2.10 (0.05)

Source: Cambodia Poverty Profile, 1999

Note: Results are from the 3000 households surveyed in Round 1 and 3000 households surveyed in Round 2 of CSES 1999, with household sampling weights used in the calculation of the percentages. Standard errors in () are corrected for the effect of clustering, stratification and weights.

^a Includes those who have had no children.

3.4 GENDER DISPARITIES

“While men are gold, women are cloth”, Khmer saying

Poverty and gender are inextricably intertwined. It was clear that, at the “Poverty Reduction for Women” forums organized by the NGO Women for Prosperity, women shared similar concerns with men, such as food security, rural roads and transport, water supply, security of title to land they worked and land mines. They also stressed their concern about the absence of rural health services and in Battambang, they spoke eloquently about the spread of drugs (*yama*) and its contribution to poverty and domestic violence. A representative of the poor from Takeo province at the Workshop on Parliaments and PRSP organised at the Senate between 28 and 29 October 2002 voiced her misery: “My family is very poor. My brother is addicted when he moved to the border with Thailand for job. Now we have to take care of him day and night. We have to spend a lot for his medication, and he does not yet recover. As we have to look after him, we do not have

enough time for our livelihood work. Thus we become poorer and poorer.” In some places, parents decide not to send their children to school, as this is a common site for drug abuse. Parents are reluctant to send their girl children far from home to attend school because of security considerations, as well as using the labour of girls for productive and domestic work. It was clear from these consultations that women bear a "triple burden" of labour outside the house, cooking and other household duties, and care of children, the elderly and the sick. They are therefore "time poor", as well as lacking material resources.

Poverty cannot be reduced unless policies and programmes address the situation of Cambodian women. This is a gender issue, which cuts across many other sectoral issues. Therefore, improving the status of women would not only address equity issues, but would also strengthen/sustain efforts for development and poverty reduction. It is universally recognized that education and the empowerment of women have a positive correlation with better nutrition, uptake of birth spacing, better education and health of children and the income of the household.

Tradition plays a significant role in perpetuating gender disparity in many societies. Old traditions, customs and lifestyles have long set a pattern of discriminatory attitudes against women. However, this is not so much the case for Cambodia. ‘In the Khmer kinship system, daughters and sons have generally had equal rights to shares in property and inheritance. Traditionally all members of the same kinship could inherit land. Parents often made the transfer of land to children after the marriage of children with equal parts transferred to daughters and sons. It was common for the son-in-law to move in with the family of the wife and to work for the father-in-law for a certain period after marriage before the married couple established its own household’, PPA 2001.

The Khmer saying given above, in actual meaning, seems to clearly reflect the contrasting view and the biasness toward men. Another Khmer saying, “Never can women leave the kitchen”, seem to support this¹⁸. This is however not so much true for the whole Cambodian society, as the history can prove. Indradevi, the Queen of King Jayavaram VII (1181-1218), was a famous writer and leader of the nation during her day.

In the past one of the factors that did not enable Cambodian girls or women to go to school or work outside the house was because the parents feared for their security and vulnerability. Traditions have taught women to obey their husbands even if women are the main breadwinners in the family. Many Cambodian families consider daughters essential in performing household chores as can be seen from the Khmer saying above; thus development works such as involvement in politics, social action and culture, are discouraged. This has changed. Now, many Cambodian families believe that promoting girls’ education would benefit the family since daughters would carry out housework even if they have completed higher education. The role of national and community leaders, as well as government interventions is very critical to bring about more changes.

¹⁸ Khmer literature may be very different from other Asian and Western style literatures, which also reflects the reality of its society. Therefore, in interpreting a Khmer saying one should be very careful. The fact is each Khmer saying always carries two senses, i.e. actual and contrasting/abstract meanings, or both positive and negative senses. If the Khmer literature style is applied for the interpretation of the first saying (in this text) related to gender, it would mean, in abstract sense, that cloth is so fragile and sensitive to dirtiness, i.e. it is easily damaged, while gold is not in the situation it refers to. As such, cloth or “women” must be well protected and taken care of.

Workload is always high for women compared with men because of their productive and reproductive role in the society. Nowadays, women have even more workload than in the past. Two decades of war and civil strife have further placed extraordinary strains on the status of women in the country. “Women today do more non-traditional works than they did in the past, including ploughing and climbing palm sugar trees [a dangerous activity that often results in injury and sometimes death]. The widow has to do this more so than the woman who still has her husband or some older men living in the same household with her...” PPA 2001.

Employment condition for women is often not good. Women constitute slightly more than half of the total population (51.6%) and are 65.9 percent of the economically active population. In addition, 19.6 percent of Cambodian households are headed by women. The World Employment Report 2001 reported that Cambodia has one of the highest female labour force participation rates in the region (73.5%). They comprise 54 percent of the skilled agriculture and fishery workers and also make substantial contributions in non-agricultural sectors of economy. They contribute 75 percent of the primary labour force in wholesale and retail trade, and two thirds of the labour force in manufacturing. A great deal of this employment is, however, in the informal sector. Women are often in low-paid, unskilled positions and vulnerable to many forms of exploitation in the work place. Women tend to be primarily responsible for home-based businesses that allow them to balance their responsibilities for childcare and housekeeping with their economic activities.

Education is always limited for women. Gender disparities are evident in the adult literacy rate (female: 61.1% and male: 82.9%). Girls’ education opportunity is reported to be less than boys’ as well. One of the factors is child labour. The MOP/HDR 2000 found that the difference in school attendance rate between working and non-working children is significantly greater for girls than boys. For example, in the age group of 14-17 years only 15 percent of working girls, but 87 percent of non-working girls, attend school while 33 percent of working boys, but 95 percent of non-working boys, attend schools (MOP/HDR 2000).

Only 12 percent of women over the age of 25 have more than a primary school level of education. This gap is being perpetuated by a low retention rate of girls in formal education with 50 percent higher male enrolment in schools by age 15. In rural areas, the school enrolment rate of the male population aged 5-19 is 55.6 percent while the female population is 45.7 percent. The percentage of population 5 years and over in the rural area with no grade completed is 28.1 percent for the male and 41.5 percent for the female. The low education of women has ramifications for many aspects of the well being of the households, as well as family income.

Health for women is a complicated issue. Women always face higher risk to ill health. They are, through the natural human reproductive lifecycle, exposed to regular, specific and possibly life-threatening health risks (pregnancy, labour and childbirth). According to the DHS 2000, 32 percent of births in Cambodia are unplanned; and 24 percent unwanted. Five percent of women in Cambodia reported having had an abortion, one percent having had two or more. Nearly 30 percent of these abortions took place at home. Again, while these figures refer to all women, it is likely that the situation for the poor is even worse. Frequent delivery and inappropriate abortion practice always deteriorate women’s health and expose them to life-threatening risk. A woman was quoted in the PPA 2001 as saying “I think I do have too many children... It would be good if I did not have to have one child after another because it makes me feel weak; but of course I dare

not discuss this issue with my husband...” In addition women are often, through gender bias and social inequity, less likely to have priority for health care. The data of DHS 2000 showed that only 12 and 25 percent of the poor girls were medically seen for diarrhoea and ARI (cough), respectively.

Health care service for women is generally limited. The DHS 2000 again found that the percentage of women who reported they could not access health care services due to financial constraints was high, 88.1 percent. There are significant regional differences in the availability of maternal health care services worth noting. Percentage of those who received no antenatal care is the highest in Mondulakiri/Ratanakiri and Prey Veng (80% and 79% respectively) and the lowest in Phnom Penh (16%).

HIV/AIDS epidemic has diversified and multiplied burdens on women. As of 1998, 2.4 percent of pregnant women, 42.6 percent of commercial sex workers, and 19.1 percent of indirect commercial sex workers were infected with HIV. At the same time as progress has been made on the use of condoms in the sex industry, there is evidence of an increasing incidence in married women the group of which should not be overlooked by HIV/AIDS strategy and programme. Women also bear primary responsibility for caring for family member with HIV/AIDS, as they do for victims of land mines and other disabilities and illnesses.

Trafficking and sex trade always target vulnerable women and children. Cambodia has become a sending, receiving and transit country for trafficking of the women and children. About 88,000 Cambodian women are trafficked into Thailand and between 40-60 percent of sex workers (14,000) in Cambodia say they were forced or tricked into the business. Other young girls turn to the sex industry as they have few viable alternatives. Poverty, social upheaval, underdeveloped legal infrastructure and weak law enforcement are all contributing to the rapid growth of the sex industry and trafficking of women and children.

Domestic violence continues to represent a threat for Cambodian women. The PPA 2001 found that 76 percent of participants of its focus group discussions believed that much more domestic violence occurs now than in the past. “Under the Khmer Rouge, discipline was strict and a man did not speak strongly to a woman as the Khmer Rouge respected the rights of women. This is not true today because women are having no real rights”, ... “I would only hit my wife if she hit me first”, ... “They say men never beat women in the past –that is untrue. But we also beat men who were no good. What you are seeing today is men beating up women and not using nice language with them even when women use sweet language. This is not whether you are rich or poor but how you choose to deal with other people. Being poor today means having not enough food to eat and money to pay for things that are needed. Being poor in the past meant using bad language. PPA 2001.

Women are affected by domestic violence in many ways, especially by poverty. Unpublished report on disaster study in selected communities in Cambodia of WHO 2001 showed how women are affected by domestic violence by quoting the women’s FGD as saying, “We do not have enough food to feed the families in general. Some families have 10 children. During and after disasters we always work harder to get food for the families. Yet, our children suffer from not having enough to eat. They cry persistently. We are stressed and depressed. As such sometimes we argue aloud. For we could not comfort our children we sometimes beat them. In some instances, husbands and wives get into fights. Women hurt more in such situations”.

CHAPTER 4: PRIORITY POVERTY REDUCTION ACTIONS

Within the overall framework established by IPRSP and SEDPII, the Government intends to pursue a strategy focusing on the main causes of poverty. Since the IPRSP was adopted in October 2000, some policy recommendations have been implemented, including reforms in fisheries, forestry and many other areas.

This Chapter presents the priority actions required to implement the Government's poverty reduction strategy. The priority actions are designed to promote opportunities, expand capabilities, strengthen institutions and improve governance, reduce vulnerability and strengthen social inclusion, and promote gender equity. Table 4.1 summarises the approach and pillars of the Government in developing this national strategy for reducing poverty during the period 2003-2005, with illustrative example.

It should be noted that the strategy presented in this Chapter, in some instances, is very general and comprehensive, for certain aspects and sectors. However, strategic and actionable measures given in the Action Plan Matrix in Annex 3 that will ensure achievement of the RGC's poverty reduction objective during 2003-2005 are more selective and pro-poor, and appropriate indicators/targets are given accordingly. Therefore, the Action Plan Matrix does not necessarily cover everything presented in the text in this Chapter. The implementation and achievement of the strategy and the actionable measures will be monitored and evaluated regularly. Issues of and arrangements for the monitoring and evaluation is dealt with in Chapter 6, which also sets out proposal for indicators to be monitored and evaluated and provides baselines for some sectors, e.g. education and health, wherever available.

Table 4.1: Summary Approach to Cambodia’s National Poverty Reduction Strategy, 2002-2005

Causes of Poverty (examples)	Government Policies to Address Poverty (examples)
LACK OF OPPORTUNITIES	CREATING OPPORTUNITIES
Limited access of the poor to land	Land reform; Land titling; Mines clearance
Limited access of the poor to jobs	Rapid and balanced economic growth; Macro-economic stability; Trade; Private sector development; Pro-poor investments (e.g., to support eco-tourism)
Limited access of the poor to common resources	Community forestry and fisheries; Strengthened enforcement of environmental laws; Reduced population growth
Lack of infrastructure serving the poor	Rural roads; Mine clearance
VULNERABILITY	ENHANCING SECURITY
Crop failure	Safety net programs (e.g., food for work programs); Improved irrigation and drainage; Improved crop varieties
Violence against women, trafficking in women and children	Judicial reform
Child labour	Scholarships for poor children to attend secondary school
Risk of catastrophic health care costs	Effective exemption mechanisms and equity funds for the poor at government hospitals; Effective HIV/AIDS prevention
Risk of HIV/AIDS infection	Effective HIV/AIDS prevention; Empowerment of women
Landmines and UXOs	Mine clearance; Mine/UXO clearance; Awareness education and Victim assistance
POOR CAPABILITIES	STRENGTHENING CAPABILITIES
Poor education	Fee exemptions for children of the poor; Rural roads; Higher salaries for teachers and civil service reform
Poor health	Increased utilization by the poor of cost-effective preventive health services; Higher salaries for health workers and civil service reform; Expanded access to safe water and sanitation; Rural roads
Poor nutritional status (stunted growth)	Improved access for the poor to cost-effective preventive health interventions; Nutrition education (as part of basic education programs for adults)
SOCIAL EXCLUSION	EMPOWERING THE POOR
Specially vulnerable populations (e.g. orphans, homeless, female-headed households)	Special programs for education, training and rehabilitation; Social safety nets
Women and ethnic minorities	Improved access to government health and education services; Appointment of women and ethnic minorities to key decision-making positions
Lack of participation	Expanded coverage of Village Development Committees (VDCs)

Development and implementation of these actions are the responsibility of the national line agencies, which contributed to this strategy and indicated their priorities for poverty reduction. Several agencies also have broad, crosscutting mandates, including Ministry of Women and Veterans Affairs (MOWVA), Ministry of Rural Development (MRD) and the Council of Administrative Reform (on civil service). MOWVA is a national agency with a mandate to advocate, facilitate and coordinate for gender concerns in policies and programmes. MRD is a coordinating and implementing agency whose objectives are to alleviate poverty in rural Cambodia through implementation of integrated rural development programs and projects. Both agencies are working with Ministry of Health (MOH), for example, to integrate community-

based health activities into the existing community development project; and to integrate gender responsive approaches into community-based health activities.

The critical crosscutting issues will significantly affect the likelihood of overall success of poverty reduction strategies. HIV/AIDS is one such issue. Another relates to population growth (see Box 6).

Box 6. Population Challenges

The demographic profile of Cambodia is characterised by high fertility and a high population growth rate. This means large families and a rapidly growing population – both closely related to poverty. Households need enough resources to feed, clothe, educate and take care of large numbers of children. Poor children who do not have the opportunities for education, good health care and adequate nutrition cannot contribute effectively to the economic growth of the society, and simply replenish the poverty burden. Households who cannot provide for all their children themselves tend to become impoverished, trying to spread the little they have among too many hungry mouths and minds. Similarly, at a macro level, the country cannot afford to invest in education, health and labour infrastructure quickly enough to provide full opportunities to its rapidly growing population.

The poor particularly carry the burden of high fertility and a high population growth rate. They are least likely to have access to education and family planning services necessary for them to regulate the size of their families: the average number of children born (TFR) to a rural woman in the poorest quintile is nearly double that of a woman in the richest urban quintile – 6.77 as opposed to 3.65 respectively. Only 11% of the poorest rural women practice modern contraception, against a national average of 19%. At the macro level, providing extra or alternative services to meet the special needs of the poor is an additional burden on a country already over-stretched trying to provide basic services for the whole population. Only 15% of the poorest quintile among rural women were attended by a medically trained person at their last birth as compared to 30% of the middle quintile, and 75% of the richest. Only 58% of the rural poorest 7-125 years olds are in school, compared to 71% and 78% of the next and middle quintiles respectively.

The rapid growth of Cambodia's population (2.4% per year) will immediately add unemployment pressures. The National Poverty Reduction Strategy recognises the central, critical and crosscutting role of population as is reflected in three primary programmes with priority focus on:

- Specially targeted reproductive health and family planning services for the poor by the Ministry of Health;
- Increasing primary education enrolment for the poor by the Ministry of education; and
- Creating rural employment opportunities for the poor by the rural development sector Ministries.

4.1 PROMOTING OPPORTUNITIES

The central objective of the Royal Government's policy is to promote broad-based sustainable economic growth with equity, with the private sector playing the leading role. Economic growth is central to the promotion of income opportunities for the poor.

This section begins with an overview of recent macroeconomic performance and proposed policies, which are needed to establish an enabling environment for growth. This is

complemented by measures targeted at improving livelihoods in rural areas, then followed by policies to promote job creation through trade.

4.1.1 Maintaining Macroeconomic Stability

The Royal Government's recipe for sound economic management includes an appropriate blend of macro-economic stabilisation policies and microeconomic structural reforms. Recent trends in key macroeconomic performance are summarised in Table 4.2. As set out in the SEDPII, the RGC aims to achieve a sustainable real rate of inclusive broad based economic growth of 6 to 7 percent per year. Such an achievement translates into income per head (in 2000 prices) of approximately US\$320 at the end of 2005. This represents an annual growth rate in real income per head of 3.5 percent.

Since 1999, Cambodia has followed and made significant progress in implementing a macroeconomic framework aimed at achieving equitable long-term economic growth and sustainable development. The focus of this framework has been on maintaining macroeconomic stability, strengthening the banking and financial institutions, implementing fiscal reform measures, ensuring a sound management of public property, and increasing public investment to develop the physical and social infrastructure and human resource of our nation. Cambodia has made impressive strides in strengthening political and economic stability and re-integrating itself into the international community.

For the RGC, growth is the most powerful weapon in combating poverty and it remains committed to pursuing policies that encourage macroeconomic stability, shift resources to more efficient sectors, and integration within the global economy. The renewed political stability, a greater sense of security in the country and the pace and pattern of economic recovery in the region have helped Cambodia consolidate, broaden and deepen the reforms underway and to maintain the momentum for sustainable social and economic development.

This subsection reviews the recent record and projected trends in growth, debt, monetary and fiscal policy and the financial sector, drawing attention to key challenges and policy response.

ECONOMIC GROWTH

Since the establishment of the Royal Government of Cambodia in 1993 average GDP growth was 5.6 percent and during the last three years it was 7 percent. Agriculture is the most important sector, accounting for 40 percent of GDP, and employing more than 70 percent of the labour force. The sector is growing on average by 3.6 percent, but agricultural output experienced large year-to-year fluctuations, reflecting insufficient investment in the sector, over-exploitation of natural resources, and precarious weather conditions.

The Industrial sector has been the main engine of growth, increasing annually by average of 16 percent. The sector consists mainly of the manufacturing sub-sector (78.5 percent) and the construction sub-sector (18.8 percent). The textile and garment sub-sector led this spurt, displaying a remarkable dynamism. Cambodia's garment industry has displayed a dramatic growth in its exports during the last four years, following the US granting the Most Favoured Nation (MFN) status in 1996 and the Generalized System of Preferences (GSP) in 1997. During 1996-98, garment exports increased by 70-190 percent, but slowed down to 13-75 percent in 1999-2001 after the US imposed quotas on 12 categories of garment products. Employment in

garments and textiles has been a major stabilising force for the population and the economy in recent years, as the sector has absorbed a large number of skilled and semi-skilled labour, especially poor female workers who would have otherwise been unemployed or underemployed.

The output share of services sector's output has contracted gradually as the industrial sector has expanded. It fell from 39 percent of GDP in 1993 to 31 percent in 2001. Tourism related activities – hotels and restaurants – grew at an average annual rate of 30 percent over the 1994-95 period. It slowed down during 1996-98, but picked up again in 1999 when it grew by 20 percent. Over the last few years, the development in the tourism industry has made a significant contribution to economic growth by attracting foreign investments, creating jobs and generating income for the local people. This is one of the most promising sectors of the economy with great potential for growth and has a significant multiplier effect on other sectors of the economy.

Cambodia is facing serious challenges in the coming years. We have seen a declining trend in garment exports, due to the global economic slowdown and US granting preferential trade arrangements to other countries, including Vietnam. Moreover, the phasing out for the quotas under the WTO Agreement on Clothing and Textiles (ACT) in 2005 will mean massive changes in the Cambodian garment industry.

Fundamentally, the abolition of quotas would leave Cambodia without a guaranteed market for its garments exports. Cambodia still suffers from poor infrastructure and high utilities costs. While the "cheap, productive workforce" approach will be used to maintain and attract new foreign investments, Cambodia will face great difficulties in competing with large-scale producers such as India or China.

Cambodia faces several constraints in dealing with the abolition of garments quotas including: (1) declining competitiveness; (2) reliance upon quota categories (60 percent of garment exports fall under the quota and only 40 percent are outside of quota); (3) high concentration on a few markets; and (4) heavy reliance on imported inputs/materials.

The current trends in the Cambodian garment industry show a slowdown in market growth, which could cause damage to the industry if measures are not taken to address this backward trend. Moreover, attention should be paid to labour costs in Cambodia in the next three years. Electricity prices, transportation and port handling costs in Cambodia, are high when compared to other countries in Asia.

It is crucial that Cambodia maintains its competitive advantage as a low-cost production centre by tackling high costs of transportation, utilities and handling of containers at the ports. Mechanisms to mitigate any wage increases should also be focused upon. Within the industry itself, expansion of both product range and markets is essential if the industry is to continue and grow. Attention should be given to the further expansion of garment products outside of the quota system.

It is important to promote the development of ancillary industries in order to reduce Cambodia's dependence on imported inputs. In this case, supporting industries that produce garment accessories and the initial processing of imported grey fabric.

Although there is an apparent abundance of labour in Cambodia, there is insufficient level of skills when it comes to the use of many high-speed machines used in the industry. Far too little has been spent on training of staff with skills that are transferable across the industry. Better skilled staff will lead to a happier staff and more productive staff, which in turn will lead to an increase in production.

Diversification within the garment industry as well as the development of new industries is also essential. The development of new industries should however, be strategic, sustainable and evaluated in terms of their benefit to Cambodian people. Diversifying product range is essential. The development of high quality products will require investments in technology, training, and quality control.

Moreover, the RGC needs to urgently diversify toward other industries to reduce its dependence on the garments and textile trade. On 15 May 2002, while meeting investors, Prime Minister Samdech Hun Sen unveiled the RGC's strategy to diversify the Cambodian economy. He emphasized that apart from assisting in the adjustment and further development of the garment industry, the RGC will give priority to the development of other labour-intensive enterprises, such as toys, footwear and assembly of electrical and electronics appliances for domestic and industrial uses.

Thus, the RGC has set out a comprehensive policy to increase Cambodia's international competitiveness by focusing on development and improvement in physical infrastructure to effectively respond to the increasing needs for basic services, such as low-cost water and power supply, financial, information and telecommunications services.

Overall, the RGC's industrial policy concentrates on the following:

- First, continue to develop labour-intensive industry, such as garment, toys and footwear industries;
- Second, promote the development of agribusiness by strengthening legal framework for longer-term land management. Moreover, the government will provide tax incentives to establish factories to process agricultural products, such as cotton, jute, sugar, palm oil, cashew nuts, rubber, cassava and fruits;
- Third, develop industries based on the utilization of basic natural resources, mainly by processing the existing natural resources in the country such as fish, meat, cement production, brick and tile;
- Fourth, promote small and medium enterprises (SMEs), micro-enterprises, and handicraft;
- Fifth, promote industries that produce appliances and electronics products for domestic and industrial uses and improve product quality. It is necessary to establish a system of quality control of export products to meet international standards and enforce the intellectual property laws.
- Sixth, establish industrial and export processing zones by developing infrastructure, improving service quality and encouraging investments. These zones can be established on the outskirts of Phnom Penh, Sihanoukville, Banteay Meanchey, or Koh Kong. The RGC will build road network, develop power and water supply, ensure waste management and environmental protection, provide education and vocational training, upgrade health services, establish warehouses and reduce customs procedures and other actions to ensure an environment conducive to business profitability and growth;

- Seventh, increase the production of goods for import substitution to some extent by encouraging the development of paper, chemical industries, such as the production of fertilizers, acid, as well as daily consumption goods such as soap, paint, electrical appliance, water pump, and agricultural inputs, etc.; and
- Finally yet importantly, the RGC's policy is to promote "cultural and natural tourism" development in Cambodia.

Growth in these areas will help to absorb Cambodia's rapidly growing labour force. In order for the poor to take advantage of these opportunities, they need appropriate skills and also mobility to move to growing sectors and areas. The RGC will ensure, through the revenue measures set out in Chapter 5, that the private sector meets its tax obligations, thus allowing for redistribution via the budget.

Referring to the strategy enunciated by the Prime Minister, the Royal Government has exerted tremendous efforts to rehabilitate and develop road and bridge infrastructure, airports, seaports and other physical facilities, such as water supply and power distribution systems, as well as telecommunications networks.

Even if these challenges are successfully addressed, there remain downside risks for growth including a significant global economic downturn, the abolition of quotas (discussed above), climatic risks (like flooding) and reduced foreign direct investment (FDI) in Southeast Asia. Although FDI is expected to be around US\$100 - US\$150 million, Cambodia has to further improve investment climate to attract more investments. Strong efforts are needed to improve basic economic infrastructure, the delivery of government services, and the overall governance environment. Failing to address the impediments mentioned earlier, namely high transaction costs, poor infrastructure, and hidden costs, it is likely that the country will lose the opportunities, reflected in the drop of annual growth rate between 1 to 1.5 percent of GDP.

The Royal Government also acknowledges the need for more debate on the macroeconomic framework, its social impact, especially on the poor and its relation to poverty reduction in order to expand Cambodia's future macroeconomic policy options. The high case scenario of 6-percent growth will ensure significant poverty reduction if it includes agricultural and rural development, so that income-earning opportunities are available to the rural poor. If the growth rate of rural GDP accelerates to match that of total GDP, and income distribution remains unchanged, it is estimated that per capita income growth of 3.5 percent per year would reduce the poverty headcount index from 36 percent to around 20 percent in 2005. Hence the NPRS provides a number of measures to improve rural development and agriculture in particular (see below).

However, if the growth rate of rural GDP lags behind that of total GDP, the reduction in poverty would not be so substantial. For the period 2001 - 2005, agricultural GDP is projected to grow at the average annual rate of 3.5 percent, compared with a rate of 6.1 percent for GDP as a whole. On such basis and allowing for increase in poverty due to the 2000 floods, the poverty headcount index is expected to fall to approximately 31 percent by the end of 2005. The impact of growth on poverty obviously depends on the rate of population growth as well as the distribution of income.

Table 4.2 summarises projections of key macroeconomic parameters and variables, which are discussed below.

Table 4.2: Cambodia: Key Macroeconomic Indicators, 2000-2007
(In percent of GDP, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007
Real GDP growth, %	7.7	6.3	4.5	5	6	6	6.3	6.5
Per capita GDP nominal	261	259	273	284	295	303	313	324
GDP (CR, B, current prices)	12932	13357	14377	15650	17087	18656	20426	22406
GDP (US\$, M, current prices)	3351	3404	3663	3891	4111	4357	4630	4933
CR/US\$, average official rate	3859	3924	3925	4022	4156	4281	4409	4542
CPI (% increase, Q4/Q4)	0.5	-0.5	3.0	4	4	4	4	4
Budget revenues	11.2	11.7	12.1	12.7	13.4	13.9	14.3	14.5
Budget expenditures	16.4	17.7	18.9	19.0	19.1	19.4	19.7	20.2
Current budget deficit	1.5	1.2	0.9	1.1	1.3	1.3	1.3	1.2
Overall budget deficit	-5.2	-6.0	-6.8	-6.3	-5.7	-5.5	-5.5	-5.6
Domestic exports (US\$, M)	1,206	1,295	1,434	1,571	1,723	1,911	2,107	2,328
Retained imports (US\$, M)	-1,664	-1,777	-1,880	-2,041	-2,242	-2,462	-2,705	-2,977
External current account (US\$,M) 1/	(412)	(456)	(391)	(405)	(431)	(470)	(481)	(493)
External current account/ GDP, US\$	-12.3	-13.4	-10.7	-10.4	-10.5	-10.8	-10.4	-10.0
Gross FX Reserves (US\$, M)	485	550	642	696	742	810	904	1011
(FX reserves, in months of imports)	2.8	2.9	3.3	3.3	3.2	3.2	3.3	3.4

Notes: 1/ Excludes official transfers.

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

MONETARY, FISCAL AND EXTERNAL POLICY

Monetary developments in 1999-2002 have reflected Cambodia's improved fiscal position. The principal mission of the National Bank of Cambodia (NBC) is to determine and direct the monetary policy with the aim of maintaining price stability in order to facilitate economic development within the framework of the economic and development policy. Prudent monetary policy and fiscal discipline have been successful in achieving and maintaining macroeconomic stability with very low inflation. Monetary and external performance has been in general favourable.

Inflation has remained low for several years, which is important because high inflation is bad for the poor. For the 12-month period ending October 2002, prices increased by 2.8 percent. Prices of food, beverages and tobacco, which account for 42.6 percent of the total household spending, rose by 2 percent. Prices of other items, except housing and utilities (up by 6.8 percent) and medical care, declined during the same period.

Inflation is expected to be below 3 percent and the exchange rate will remain stable. Key challenges for fiscal policy include the need for increased domestic revenue, improved budget management and improved governance more generally. Increases in revenue are important to finance poverty reduction efforts (see Chapter 5 for detail). Such upbeat macroeconomic development is essential for poverty reduction.

The value of the domestic currency has been broadly stable since 1999. The low rate of inflation as well as the high degree of dollarisation and small foreign exchange market in the country, have contributed to maintaining stability of the value of riel, while the managed floating exchange rate

policy supports the NBC's efforts to accumulate the country's foreign international reserves. Looking ahead, existing policies on this front will be maintained.

Cambodia had an overall balance of payments surplus of US\$20 million in 2001. As a result, gross foreign reserves have increased to a level sufficient to finance about 2.9 months of total imports. The current account deficit for 2001, excluding official transfers, increased from -12.3 of GDP to -13.4 of GDP to US\$ 456 million.

Official (external) transfers received in 2001 were estimated to be US\$276 million, a slight increase of 2.9 percent relative to 2000. Foreign investment flows were estimated to be flat at US\$95 million due to global economic slowdown that began even before the events of September 11. Based on current projections, with implementation of above measures to improve the investment climate, FDI is expected to increase to around US\$120-US\$150 million. Capitalisation of the banking sector rose by US\$27 million, showing the banking sector's efforts to comply with the provisions of the new Banking Law requiring higher minimum capital requirements.

Box 7: Debt Sustainability Analysis

At present, it is difficult to determine the exact amount of Cambodia's external debt, as the authorities are conducting negotiations with the Russian Federation and the United States on the rescheduling of its pre-1993 financial obligations. Technical discussions have taken place with a view to reconciling outstanding issues. The government is currently reviewing documentation from the United States to determine the exact amount of claims. The U.S. insisted that they would not write off any debts contracted by Cambodia during the war of 1970-75.

In the 1980s Russia granted interest-free loans for the rehabilitation of Cambodia from the scourges of war and genocide. The Russian Federation participated in the Paris Club as a creditor. Countries that have obtained, or will obtain in the future, a concessional rescheduling from Paris Club creditors receive an up-front discount of 70 percent on all pre-1992 debts to Russia before the application of Paris Club terms.

The amounts remaining after the up-front discount are denominated in a mutually agreed currency and are considered commercial debt (non-concessional) for Paris Club purposes. The remaining amount after the exchange rate uncertainty reduction, Russia applied Naples Terms under the Paris Club Agreement for most of the countries, including the non-HIPC. The final balance will be negotiated to (i) reschedule, (ii) change the term of loan (interest rate, grace period and payment modality).

Even with the assumed debt relief with Russia, the fiscal burden of the debt is heavy (given the low revenue to GDP ratios), with debt service amounting to more than 15-20 percent of revenue over the next ten years. Favourable rescheduling terms are needed to lower these later ratios to more manageable levels.

Sensitivity analysis indicates that Cambodia's external sector will continue to be vulnerable and external viability will require sustaining reform policies. The main risks are sustainable decline in global economic activities, a delay in WTO accession, slower export growth or deterioration in economic and political stability that would undermine donor assistance and potential FDI inflows. However, it is important to note that additional debt servicing will have serious impact on the budget and poverty reduction goals. The results also underscore the need for prudent external debt management policy, strictly avoiding non-concessional financing.

Achieving macroeconomic stability with high economic growth of 6-7 percent as stated earlier would require serious actions in implementing the reform programs and supporting policies. This includes no monetization of fiscal deficit, sound financial system oversight, deepening banking

reform, improvements in revenue, spending increase for social and economic sector, sound budget and treasury management, improving investment climate, civil service reform, legal and judicial reforms.

To this end, actions have been taken to strengthen tax policy and administration in order to (i) increase tax revenue, (ii) improve design of the tax system, (iii) enhance capacity for tax analysis, (iv) improve administration of the real regime, (v) improve administration of the estimated regime, and (vi) expand training and learning in tax administration.

Moreover, attention has also been given to strengthening customs administration in order to (i) maximize return from pre-shipment inspection operations, (ii) strengthen general customs administration (laws and regulations, enforcement capabilities, modernize and streamline procedures, enhance organization and human and material resources), (iii) computerize customs operations.

Strengthening budget management critical in order to (i) rationalize and modernize the MEF's structure and functions, (ii) improve quality of budget formulation and implementation, (iii) modernize budget execution, (iv) design and implement effective internal and external audits, (v) improve quality; motivation; and professionalism of public finance officials, (vi) strengthen public financial management, and (vii) strengthen budget decentralization and performance budgeting in the Health sector. This will have far-reaching impact on poverty reduction.

The government understands that institutions matter in promoting development. Therefore, in order to rationalize the civil service, the government undertook a census and functional review of all ministries and completed the computerization of the payroll system to establish budgetary control. Following this review, the government introduced a new job classification system, which includes four basic categories based on education levels and a "super category" comprising senior officials. A new compensation system consists of base wages with a compression ratio of 4.5 and five categories of allowances to account for job complexity, level of responsibility and hardship. The system is designed to align the average compensation level with the minimum wage in the private sector of US\$45. This is designed to attract qualified employees for technical and managerial positions. To this end, the government intends to carry out the analytical work necessary for proposed options for pay and employment reform using a pooled donor support mechanism and rationalization salary supplementation practices.

Legal and judicial reforms are expected to have favourable impact on poverty reduction, as it provides legal protection for the poor, as well as attract more investments to Cambodia. A Council for Legal and Judicial Reform (LJR Council) was established to steer and monitor the reform program, and it is supported by permanent structures acting as the implementation mechanism. Since 1993 a total of 154 laws have been enacted. Another 23 draft laws are awaiting adoption by the National Assembly. Attention is also being directed to economic and investment laws, particularly those related to Cambodia's impending membership in the World Trade Organization. Moreover, human resources are crucial in our efforts to overhaul the judicial system. To boost the performance of the Courts, a Trade Tribunal and an Administrative Tribunal will be established. Furthermore, a "model" court will be piloted to promote integrity, impartiality and professionalism of judges.

The introduction of the Medium Term Expenditure Framework (MTEF) would provide certainty in spending for social and economic sectors, which constitute the thrust for growth. Table 4.3 summarises recent trends and expected levels of public spending and revenue as a share of GDP, as set out in the MTEF. These fiscal targets can only be attainable with the implementation of the reform programs discussed earlier. The MTEF is designed to improve the RGC's fiscal position and pro-poor allocations. The overall deficit will decline from -6.8 percent of GDP in 2002 to -5.5 percent in 2005. Spending is expected to rise slightly. Given tight budget constraints, and the increasing demand for social services by a young and fast growing population, the Government is faced with hard decisions on how to strategically allocate public resources. Consistent with the priorities stated in the NPRS, the intention of the proposed MTEF is to allocate more resources to priority areas like education, health, agriculture, and rural development.

Taxes, defined as taxes as percent of GDP, is expected to increase from 8.5 percent in 2002 to 8.8 percent by 2005 while non-tax revenue effort will remain around 3.5 percent from 2002 to 2005. Overall fiscal revenue as percent of GDP will grow steadily though slowly from 12.1 percent in 2002 to 13.9 percent in 2005. It is assumed that the significant increase in fiscal revenues in absolute terms will be driven mainly by high and sustained growth of the Cambodian economy and implementing reform measures rather than a dramatic improvement in revenue effort.

Table 4.3: Cambodia: Medium Term Fiscal Plan, 2003-2005

(% of GDP; 1999-2001 are actual data, 2002 – 2005 are projected)

	1999	2000	2001	2002	2003	2004	2005
Fiscal Revenues	10.6	11.2	11.7	12.1	12.7	13.4	13.9
Of which: Tax revenue	7.7	8.2	8.4	8.5	8.5	8.7	8.8
Non-tax revenue	2.8	2.8	3.2	3.5	3.6	3.6	3.4
Total expenditure	14.7	16.4	17.7	18.9	19.0	19.1	19.4
Current expenditure	8.9	9.5	10.4	11.1	11.4	11.9	12.2
Capital expenditure	5.8	6.9	7.3	7.8	7.3	7.2	7.1
Current surplus	1.6	1.5	1.2	0.9	1.1	1.3	1.3
Overall surplus/(deficit)	-4.0	-5.2	-6.0	-6.8	-6.3	-5.7	-5.5

As percent of GDP, total expenditure is expected to increase moderately – from 18.9 percent in 2002 to 19.4 percent in 2005. The planned level of capital expenditures shows the commitment of the RGC to invest in physical infrastructure. Capital expenditures will account for about 7.1-7.8 percent during the three-year period. This is impressive considering the low overall budget ceilings. Capital spending as percent of GDP is slightly less than 2001 and 2002, years of reconstruction after the floods in 2000 and 2001, but higher than during ‘normal’ years. If spent on carefully selected public infrastructure projects, and with minimum delay and rent seeking, this level could contribute immensely in achieving the targeted growth rate for the Cambodian economy.

Meeting the above revenue target will require tremendous efforts in implementing fiscal measures and improving governance, which we will discuss at length in Chapter 5. These revenue measures include expanding the VAT; improved collection of existing taxes, such as excise taxes, profit tax, payroll tax and turnover tax; and strengthening tax and customs administration. Tax administration can be strengthened by building up the capacity of tax

auditors and improving the institutional arrangements, such as improving the functioning of the Large Taxpayers Unit (LTU).

Customs reform and modernisation are needed to meet the requirements of the RGC for revenue collection and for protection at the border, and that also meets the needs of the private sector for fast, straightforward and reliable international trade. Combating smuggling constitutes a top priority for the government in improving revenue collection. Actions will be taken to introduce an IT system for the Customs and Excise Department in order to improve efficiency.

Two factors will have considerable implications on the expenditure side for the NPRS period. The increase in civil service and defence/ security wage rates will absorb considerable proportion of current costs for line ministries. Wage increase would give more incentives to public servants in improving service delivery in rural areas, where most of the poor live. However, this will have some impact on the expenditure side.

As stated earlier in the external debt analysis, the fiscal burden of the debt is heavy, with debt service amounting to more than 15-20 percent of revenue over the next ten years. Additional debt servicing will have serious impact on the budget and poverty reduction goals. Therefore, the government should take serious actions to ensure prudent external debt management policy, strictly avoid non-concessional financing.

Contribution of Financial Sector to Growth: A sound and efficient financial system is essential for achieving broad-based economic growth and socio-economic objectives, including poverty reduction. A well-functioning financial system is the key to ensuring macroeconomic stability, mobilising savings, allocating resources for productive purposes, promoting private sector development, and in turn generating employment opportunities and reducing poverty. A viable, pro-poor and effective rural finance system is essential for providing affordable financial services to enable the poor to enhance rural income and reduce poverty, which is dealt with in Section 4.2.5. A transparent financial system is also essential for attracting foreign direct investments, which have been the driving forces for economic growth in Cambodia. The RGC recognizes that future banking reform should aim to protect the poor.

At present, there are several constraints to the financial sector fulfilling its potential, including inadequate legal framework, the lack of skilled personnel, low income and high-risk environment.

The Royal Government is conscious that high dollarisation limits the ability of the National Bank of Cambodia to effectively use the traditional tools of direct monetary policy. The control by the NBC of the base money is constrained and refinancing or rediscount facility is not being used by commercial banks. Money supply is determined by the behaviour of those holding foreign-denominated assets, including cash. The use of indirect monetary policy tools, such as controls on base money and reserve requirements, is also limited. Moreover, the NBC is not in the position to effectively use the interest rate for policy purposes since it does not refinance banks. Net claims on the government have been used as an indicator for measuring monetary stability, since these claims reflect the status of central bank financing of the budget deficit. Under such circumstances, the Ministry of Economy and Finance (MEF) has adopted a policy of avoiding central bank's financing of budget deficit, which could have immediate impact on the exchange

rate, prices and inflation. Inflation has a disproportionate impact on the poor and makes their plight more difficult.

The efforts of the NBC to strengthen the banking sector will contribute to poverty reduction through following transmission mechanisms, which was identified in the financial sector blueprint:

- Relieving uncertainties and risks stemming from lack of legal and financial infrastructure that should contribute to increasing credit availability. With banks more willing to lend, bank excess liquidity will be reduced, banking intermediation will be improved, and as a result, more funds will be channelled from sectors with excess funds to sectors that need to borrow funds to finance investments;
- Reducing the operating costs of banks and financial institutions that should lead to cheaper banking services for the economy. With lower lending rates, more rural people will be able to borrow money from banks;
- Enhancing public confidence in the banking system through, among others, a successful completion of the bank restructuring programme, strengthening prudential regulations and supervisory capacity, improving payment system, etc. This would improve fund mobilisation by banks, as a result more funds would be available for lending and the lending rates would be reduced;
- Developing a transparent and efficient financial system with reliable means for conducting financial transactions to facilitate domestic and foreign investments, which have been the driving forces for economic growth in Cambodia; and
- Developing legal infrastructure and accounting systems that ensure the rule of law in commercial and financial transactions, and support good governance by promoting transparency, accountability, and predictability (see Section 4.4).

Policies and actions to promote micro-finance are set out in Section 4.2.5 below.

4.1.2 Improving Rural Livelihoods

A stable macroeconomic environment and sound financial sector policies are important, but these will not guarantee improvements in livelihoods in the countryside, where the vast majority of Cambodia's poor live. As explained in Chapter 3, there are multiple dimensions and causes of poverty in rural areas. For this reason, the range of policies and programmes needed to address poverty are also broad ranging. This section sets out the existing constraints and policy agenda in a series of key areas, with the overall objective of increasing incomes of Cambodians living in rural areas. These cover land, water, agriculture, forestry and fisheries and transport. Improvements in these areas would also be expected to contribute to improvements in other aspects of poverty, through better access to basic services, for example. There are also important links between actions in other areas-including decentralisation- and rural livelihoods.

Improved rural livelihoods depend also on reduced poverty in other dimensions. Poor health, poor education, lack of agriculture infrastructure, and low productivity leads rural people to poverty. Primary health care is very crucial for rural people. The MRD works to promote more health education in rural areas, in close cooperation with the Ministry of Health. According to the 1997 Human Development Report, the majority of Cambodian people do not have access to sanitation and the rate of health service utilization is among the lowest in the world. At present,

some 47 percent of the population does not have adequate access to health care service. The 1998 Census found that only 8.6 percent of the rural populations have access to improved toilet facilities, compared with 49 percent of urban population. These other dimensions are addressed by policies set out in Section 4.2 and Section 4.3.

IMPROVED ACCESS TO LAND

Land and water are the two fundamental natural resources, which are the basis for economic development and poverty reduction, especially in the rural areas where people rely on them for agriculture. Due to the Khmer Rouge, collective system of agriculture and protracted civil war combined with land grabbing, and disputes access to land for particularly most poor Cambodians become a major issue. Up to 15 percent of farm households do not have agricultural land, many of which are headed by women. As such secure access to land for the poor in Cambodia's countryside will greatly contribute to reducing poverty and ensuring economic growth with equity. To deal with issues of land use and management, the Ministry of Land Management, Urban Planning and Construction (MLMUPC) was created.

The objectives of the RGC's land policy are to promote sustainable economic and social development, to decentralize land management, and to reduce poverty. The vision of land policy as expressed in the Interim Paper on Strategy of Land Policy Framework has three main aspects, which—when well integrated with other sectoral strategies—will help to improve the economic opportunities for and reduce vulnerabilities of the poor. These three aspects are: (1) land will be administered in a way which makes property rights legally clear and secure, (2) concessions for social purposes will be made to distribute vacant State's land to socially needy households, and (3) land will be managed in an environmentally sustainable way, which provides the poor with the opportunities for secure access to natural resources (especially land), to secure housing, to credit, and to employment, and for investment.

The focus of the Interim Paper on Strategy of Land Policy Framework that will contribute to poverty alleviation therefore will centre on these three core aspects of land policy. The relative sequence as well as the prioritisation of programs and actions of land administration, management, and distribution will be determined according to the requirements of each respective area of application, which will be determined through surveys and analyses. For example, in areas where land has heretofore been undistributed, distribution will take precedence over administration. Where titles already exist and ownership is undisputed, administration and management will come before distribution. These aspects are further discussed below.

Land Administration: Land administration will improve economic opportunities and reduce vulnerability for the poor by creating secure property rights. Secure property rights will (1) protect the poor from land grabbing and aid in dispute resolution, (2) improve incentives to invest in land for agricultural or other productive purposes, and (3) improve the ability of the poor to use their land as a collateral and as a marketable asset. Improved land administration is therefore a contributing element to the goal of agricultural improvement for poor households and an element of urban and industrial development.

The overall policy goal of land administration policy is to clarify and record ownership and other rights of all properties (belonging to public and private) in accordance with the Land Law. Specific objectives of land administration policy are to define types of ownership and land rights, way of acquiring rights, and to implement a nation-wide land registration system, which is

transparent, equitable and accountable. Other elements of this land administration system include a linkage of land registration to dispute resolution, demarcation of administrative boundaries, regulation of land markets, and operation of the Council for Land Policy (CLP) to promote and monitor the implementation of land policy in accordance with the direction of the Supreme Council of State Reform (SCSR).

Land Distribution: The objective of the State is to promote equitable land distribution. To achieve this a sub-decree on social land concessions is being prepared, and the implementation and pilot projects are scheduled to begin in 2003.

The land distribution programme will distribute idle land in the private domain of the State to households identified with priority needs for social land concessions. The programme is expected to include schemes, which are initiated both at local and national levels. It is expected to respond to the needs for land of the poor households that are landless, households with inadequate shelters, and victims of natural disasters, among others.

Land Management: Land management measures are intended to protect the access of the poor to natural resources, which will reduce vulnerability, and to support access to affordable housing and economic opportunities in urban areas. The objectives of the land management policy are to ensure that land and natural resources are used in an efficient manner in order to support sustainable and equitable socio-economic development. Measures are being adopted that will protect land, natural resources, and human settlements from deterioration or undesirable use, and support the decentralization, effectiveness and accountability of governance in land use planning.

Specific elements of land management being implemented to achieve these objectives are: coordination of land use planning with socio-economic development plans and natural resources management, decentralization of land management and planning authority, development of land use plans for priority areas, implementation of procedures for urban land management; creation of housing policy, informal settlement upgrading and adoption of resettlement policy.

PROMOTING AGRICULTURAL DEVELOPMENT

Majority of Cambodian population (85 percent) is living in rural areas and depending mostly on agriculture for their livelihood. Their livelihood has mainly revolved around agriculture and natural resources use and management. Over the period 1993 – 2001, agriculture was the major sector of the economy, which, on average shared 46.4 percent in the total GDP. During that period agricultural crops shared 45 percent, animal production 14 percent, fisheries 30 percent, and forestry 10 percent in the agricultural GDP.

In poverty reduction effort agriculture remains a priority sector for the RGC, which involves, to some extent, many national agencies, including Ministry of agriculture, Forestry and Fisheries (MAFF), Ministry of Water Resources and Meteorology (MOWRAM), Ministry of Rural Development (MRD), and Ministry of Land Management and Urban Planning and Construction (MLMUPC). In promoting agricultural development for poverty reduction the RGC faces challenges as to (1) how can agricultural productivities be improved at the farmers' household level that would contribute to better food security and living standard of the rural families, (2) how can natural resources be managed in a sustainable manner when demand increases, (3) what linkages can be established to deal with agricultural commodities, and (4) what supports are needed to achieve the three afore-mentioned challenges.

The agriculture sector's goal of the RGC in the NPRS is to maximize food self-sufficiency of the rural households through improving performance of agriculture and increasing agricultural productivity, and to ensure sustainable natural resources management and conservation leading to increased food security and income generation. In order to achieve this goal and contribute to poverty reduction of the rural households, the strategic objectives for agriculture sector are to: (1) ensure an adequate legal framework and institutional environment; (2) strengthen capacity and improve knowledge system within the Government, stakeholders, and especially small-scale farmers; (3) promote intensification, diversification and security of agricultural production; (4) promote sustainable natural resources management and conservation; and (5) promote agricultural product processing and investment in agro-industries and strengthen agricultural marketing system and market access.

The approach is to invigorate and modernize the agricultural sector, generate employment, enhance household incomes and improve the access of the less privileged to food. Modernization in the context of Cambodian agriculture is to strengthen smallholders and promote dynamic agriculture making use of appropriate technological innovations involving both the public and private sector with farmers having control over their production environment. Among other approaches, the maintenance of a consistent macro-economic and agricultural policy framework is important to promote an environment conducive to increased private sector participation in agricultural development, and to encourage public and private sector investment in essential infrastructure, provision of public goods and human resources development. The RGC will seek to promote rapid and sustainable increase in agricultural productivity through the adoption of suitable, productive and cost-effective technologies such as small-scale, farmer-controlled, private irrigation facilities, and to encourage crops diversification and intensification practices.

At the same time, the agriculture development should focus on empowering farmers, rural poor and other vulnerable groups to enhance their ability to participate in the growth process. It should focus on improving this group access to land, water, and other production inputs for sustainable livelihood, food security and overall socio-economic development.

Given the priority to poverty alleviation, food security, environmentally friendly sustainable growth, and integration in global competitiveness the principle of equitable agricultural development would centre on the following components: (1) maintenance of an appropriate macro-economic and policy framework, and a favourable legal, and institutional arrangement, (2) accelerated and sustainable irrigation development, (3) accelerated program for titling and distribution of idle agricultural land which is under MAFF, (4) development of an export market for rice and other agricultural products, and processing and product quality control facilities, (5) strengthening essential agricultural support services and functions including extension, research and development, marketing, credit and input distribution, (6) expansion of livestock production with emphasis on animal health services, nutrition and range management and establishment of meat processing plants, (7) improved management and introduction of appropriate technologies for rice fish farming and aquaculture, (8) promotion of community-based forestry and fisheries management, (9) strengthening the capacities at all levels of MAFF, MOWRAM, MRD and MLMUPC.

A favourable policy environment would, among others, preserve and maintain a liberal and market-oriented trade environment, deregulate further the exportation of agricultural products,

develop products quality standards by encouraging private investment in appropriate infrastructure and facilities for post-harvest handling, storage and processing, and legislate and enforce appropriate commercial laws and institutional arrangements for efficient and cost-effective resolution of conflicts to enhance transparency and accountability, and reduce transaction cost.

The RGC will implement pro-poor strategies for the development of the agricultural sector adopting Special Programme for Food Security as a vehicle toward poverty reduction. The strategies will target those areas with higher incidence of poverty and food insecurity. The available maps (including WPF/MOP poverty assessment) should be used for this purpose. To address the afore-mentioned strategic objectives following actions will be undertaken:

Capacity Building: MAFF will seek to improve knowledge and skills of all stakeholders, especially small-scale farmers on agricultural productivities through establishing a capacity building and extension programme. Important aspects, which should be addressed, include improving farming systems, quality of seeds and fertilizers, and fertilizer application in region-specifics in order to maximize agricultural production that would ensure achievement of food security and income generation for the farmers. The capacity building programme is not only to enhance the knowledge system and skills of the service providers, and general stakeholders, but also to strengthen knowledge and skills of farmers, and rural organisations (e.g. farmer cooperatives) as well as extension service institutions accessible to the farmers including research and farmer learning centres. Other support services include reliable information on agricultural market, and agro-meteorology. This capacity building will be part of the National Programme “Special Programme for Food Security” (see Section 4.5.1).

The MAFF will improve and strengthen extension management systems through participatory, transparent and decentralized planning and implementation approach to ensure that needed technologies are transferred to and adopted by farmers. This will include developing guidelines and extension methods that are appropriate to the needs of local people and markets; establishing monitoring and evaluation systems that would help in measuring the achievements, identifying qualified and experienced personnel who will be motivated and promoted, identifying the most effective extension methods for transferring technologies to farmers, and regular reporting; strengthening and expanding permanent links with national and international institutions; fostering cooperation with other stockholders for supports and assistance, techniques and information required for extension work; developing human resources and building their capacity on agricultural extension methodologies, techniques and market economy for improved skills and enabling leadership in the sector; and establishing and strengthening government’s capacity and partners (private sector, NGOs, etc.) in extension at all levels in order to implement extension work and support farmers effectively.

Agricultural Research and Extension: The RGC will ensure that research centres and extension systems be oriented towards small-scale farmers. To the extent that resources are available, the research centres will be set up in each specific agro-ecosystem including rain-fed lowland, upland, annual flooded agro-ecosystems. Research will be linked with a decentralized extension team based in the rural areas. Farmer-managed trials and demonstrations will become one of core extension activities. Research and extension systems will go beyond increasing the effectiveness of the use of agrochemicals and improved seeds and will put emphasis on the use of improved tools and management practices (e.g. plant, water, soil and nutrient management). Priority will be

given to diversification and intensification of sustainable agricultural production with few external inputs as well as to cost-effective management practices.

Access to Quality Inputs: MAFF has put emphasis on researches to produce quality seeds and on seeds quality control. In order to ensure the access of farmers to quality inputs, legislations need to be developed and strengthened. These legislations should motivate private sector to invest in manufacturing and import of quality agricultural inputs. The quality inputs should be introduced with appropriate growing technique.

The RGC is concerned with the widespread use of agrochemicals, which may contribute to increased production but at a higher cost on imported inputs, especially fertilizers and pesticides. The broader and longer-term effects of use of agrochemicals should be considered in the assessment of the costs and benefits. Where appropriate and economical, MAFF will help promote such better methods of production as the System of Rice Intensification (SRI), which allows for increased production with reduced use of agrochemicals.

The RGC is concerned that dangerous pesticides are still used in Cambodia. Farmers continue to use extremely toxic and banned pesticides, including DDT. In addition to the enforcement of the sub-decree on agricultural material standards, there is a need for public education programs (e.g. Integrated Pest Management (IPM)) to ensure that farmers and consumers are aware of pesticide and agrochemical hazards.

Reduced Dependency on Natural Conditions: Largely Cambodia's agriculture still weather-dependent. As such there is no stability and security for production. To address this issue the MAFF should contribute to strengthening water control and management systems, promote intensification, diversification and security of production by extending SPFS as a National Program, which will be led by a National Steering Committee.

Strengthening Water Control and Management Systems: Agricultural production has so far depended on rainfall pattern because of lack of irrigation system. Only 12.4 percent of 2.06 million hectares of wet season rice land, and more than 55 percent of 259,919 hectares of cultivated dry season rice land receive irrigation water (ADB, 2002¹⁹). Annually, agricultural production is threatened by natural disasters such as drought and flood, which cause damages to thousand hectares of paddy rice and other crops. The natural disasters have affected many people and have caused food deficit. To minimize the dependency on natural conditions, and improve agricultural production, the priority activity should be accorded to improvement of water control and management through the rehabilitation of existing irrigation schemes. The emphasis should be also given to small-scale schemes using small lift-pumps capable to irrigate up to 10 ha, where the beneficiary farmers can be involved in contributing to management, operation and maintenance costs.

Support for Intensification and Diversification: Rice production alone will not realise the objective of poverty reduction. Crops diversification, crops rotation and industrial crops need to be developed for smallholders, and local industries and export in order to improve value-added and generate income. Rubber is not an exception, but needs further development, especially smallholder rubber plantations. Vegetables production needs to be promoted in order to meet

¹⁹ ADBTA 3695-CAM (2002) Agriculture Sector Development Program. Draft Final Report.

local consumption requirement and step-by-step replace the imported produce. It is expected that the development of agro-industry will provide more jobs opportunity in the rural areas and for income generation. It can be started from post-harvest technology and agro-processing of seasonal agricultural production through building the capacity of responsible institutions and rural households. Crops and agricultural zoning, and development of appropriate programme and policy are needed to support such a development.

Livestock Development: Livestock is another important sub-sector that provides protein intake and cash income for rural households. However, animal production is characterized by the lack of veterinary services and is strongly affected by flood; which causes widespread deaths and losses of farm animals. On the other hand, marketing and competition have posed threats to the development of animal production. In supporting this emerging sub-sector development, the RGC has recently adopted a sub-decree on establishment and management of Village Livestock Workers, which allows the Department of Animal Health and Production (DAHP) of MAFF to expand its support and linkages countrywide that would provide direct assistance to smallholder farmers. To help realise the RGC's policy on economic development and poverty alleviation, animal production service has paid attention to following key measures: (1) reduce rate of animal disease and mortality through the implementation of countrywide village livestock programme, (2) establish National Livestock Research Centre and regional/provincial farmers' livestock learning farms, which allow for the development of appropriate technology for animal raising and feeding, and (3) control animal traffic.

Aquaculture Development: Fish supplies from nature are not enough to meet the demands of the people due to population increase. To supplement these needs, the Department of Fisheries (DOF) has identified the possibility of small-scale aquaculture development in rural areas with financial and technical support from Food and Agriculture Organisation (FAO) and many NGOs including Asian Institute of Technology (AIT), Mekong River Commission Secretariat/Danish International Development Agency (MRCS/DANIDA), Partnership for Development in Kampuchea (PADEK), and South-East Asian Outreach Organisation (SAO). The DOF has provided extension service and training to farmers in fishpond culture as well as rice-fish culture in some provinces including Kandal, Prey Veng, Svay Rieng and Takeo. The DOF is pursuing assistance from the WFP to provide food for work to farmers to make ponds for small-scale aquaculture. Moreover, the DOF will expand small-scale aquaculture to cover other provinces. Pond culture and rice-fish culture play important roles in providing food security and increasing income to improve standard of living of small-scale farmers. Small-scale aquaculture will help to provide farmers with secondary occupation to rice cultivation.

Sustainable Natural Resources Management and Conservation: Sustainable natural resources management and conservation has become an integral part of RGC's strategy for sustainable economic growth and development. The RGC recognises that sustainable economic growth and development cannot be achieved without wise management and conservation of country's renewable and non-renewable natural resources. Among other things, attention will be paid to improved management and conservation of fisheries and forest resources the impact of which on the poor are very significant.

Fisheries Resource Management and Livelihood Improvement: Fish is a staple diet of Cambodians, second only to rice in assuring food security. Fisheries contribute as much as 8-10 percent to GDP. Cambodian people eat fish everyday; especially people in the rural areas rely on

fisheries for their subsistence. Also, fish provides some 40-60 percent of animal protein intake for people in the rural areas – even those far from the water body. In the areas close to the Tonle Sap Great Lake, along the rivers, and in flooded areas, fish provides 70-75 percent of animal protein intake. On average, fish consumption accounts for 30 percent of animal protein for all Cambodians, adding up to consumption of 30 to 40 kg per capita per year. Moreover, fishery is an important source of livelihood for the rural poor. It is important to note that approximately 75 percent of the work in fisheries from post-catch to marketing is done by women so that policies to improve the quality of production and its presentation to the buyer will have to take account of the role and needs of women in the industry.

Increased population, evolving needs of the society and environmental changes have put strong downward pressure on the natural resources, which cannot generate enough supply to meet the increasing demand of humankind, if not wisely used and managed. The natural resources are now heavily threatened and conflicts quite often occur everywhere among user groups. The natural resources have been severely destroyed and the poor become poorer and poorer. To achieve the above-mentioned goal and to avoid the negative impacts on the environment and conflicts among user groups, the Department of Fisheries (DOF) of MAFF is determined to implement following strategies:

Community Fisheries: The failure of methods based only on legal procedures to preserve natural resources has led to increased conflicts between subsistence and small-scale family fishing, and commercial fishing lot owners as well as among small-scale family fishing themselves. As a result, for subsistence the poor fishing families have no way, but to use illegal fishing techniques and gradually fisheries resources have been damaged. To reverse the practice, the RGC has recently decided to make fishing lot reform programme urgent by releasing 56 percent of commercial fishing lot areas to local fishing communities for small-scale family fishing, and community fisheries have been established and strengthened. The fishing lot reform is to ensure sustainable use of natural resources and to improve the standard of living of the rural poor.

The system of fisheries management is now changed from state monopolistic management style to co-management style. In this new system the state empowers the local people, who are encouraged to participate in the management of conservation activities in order to ensure better use of the natural resources. This will provide a good opportunity for the local people for their subsistence, employment, and income generation. Moreover, the RGC has stopped collecting lease fee from the medium-scale fishing gears. This will provide fishermen with more opportunities for savings and enhancement of their living.

However, the management and governance in fisheries sector require further strengthening. The capacity of the fisheries sector should be built up not only through formal training sessions but also through exposure to successful experiences in other countries. The fisheries officials should be encouraged to learn from local community experiences. Participatory mechanisms for monitoring and evaluation, and enforcement of equitable and sustainable use may also be established.

Actions to control destructive practices and phenomena should be considered. Undesirable practices include illegal fishing, use of destructive and inappropriate fishing methods and equipment, and improper and excessive use of highly toxic pesticides. A careful review of

fisheries trade should also be launched by MAFF. Policies that would balance incomes of fishermen against sustainability of resources and local food requirements should be formulated.

Improved Forestry Management and Use: The forestry sector contributes around 5 percent to GDP, with potential for expansion. Forestry management reform has been implemented by the RGC to respond to the need for sustainable management of forest resources. A draft sub-decree on community forestry has been developed through a nationwide, participatory, and multi-stakeholders process. Such an action has enhanced local community participation in forest management decision-making process, facilitating the initial steps in the development of a forest policy statement and the restructuring of forest administration undertaken by the DFW/MAFF. This provides a potential for better support to forest development community.

The RGC is now focusing on the enforcement of the Forestry Law, including aspects on procedures, forest demarcation, elimination of illegal logging, and enlargement of natural forest conservation areas for eco-tourism. These actions will ultimately stabilise the annual forest revenue stream received by the RGC at a level compatible with long-term sustainable forest resources management.

The RGC has achieved significant progress in forest concessions management to ensure the sustainable management of forest resources. However, further improvement is required to bring such management up to international standards. The RGC has taken aggressive steps toward promoting conservation, including the suspension of logging activities. Further steps are planned to further promote good governance and transparency in the forestry sector.

The RGC is currently reviewing the status and system of forest concessions and has already taken action on the most important issues. Dialogue is also continuously maintained with the local governments and NGOs to ensure that issues are addressed with regard to the impact of forest policies on the local communities and the poor. Local communities will be empowered to participate in the community forestry programmes. Specific policies to support community forestry management will be established in all forest areas. Local participation can serve as an independent monitoring mechanism in forestry issues.

The sustainable management of forest will require careful classification of forest for alternative use, such as non-timber forest products (NTFP) and timber. To improve present concession system, the development of sustainable management plans, including Environmental and Social Impact Assessment (ESIA), has to be made transparent and stakeholder participation needs to increase. The Forestry Law will be reviewed as information on its effectiveness and implementation is gathered. The system of fee and permits on NTFPs will also be reviewed in consultation with local user groups. Additionally, efforts should be made to remove barriers to marketing NTFPs (especially resin), since NTFPs can be harvested without negatively affecting the forest and are of great importance for the rural household economy.

In order to achieve above-mentioned strategic objectives and strategies MAFF is determined to do the following: (1) revise existing legislations and formulate policies to ensure benefits to small-scale poor farmers (e.g. sub-decrees on community forestry, community fisheries, etc.) and for emergency response that would cope with natural hazards reflecting current situation; (2) promote agro-processing industry and agricultural marketing through establishing adequate legislations, policies, plans and programmes; (3) strengthen institutional capacity and

arrangement through establishing and providing a well targeted and comprehensive capacity building programme, based on training needs analysis (TNA), for all relevant stakeholders; (4) strengthen agricultural extension activities by developing a system for rural education on agriculture for Cambodia's population, which would aim especially at the rural youth; (5) extend support for livestock production through developing appropriate veterinary and animal production technologies with an emphasis on small animals that will be introduced to small-scale farmers; (6) encourage small scale-aquaculture development that will cover rice-fish and fish pond cultures; (7) provide support for and promote crops intensification and diversification giving due consideration to agro-ecological zones, varieties of crops, farmers' production capabilities and land size; (8) establish and strengthen community forestry through increasing awareness and understanding of forest, building capacity for community forestry management and planning at DFW and PFO, and assisting forest user groups in implementing and enforcing community forestry management plans; (9) promote sustainable community-based fishery resources management to be realized in the lower Mekong basin and coastal provinces, and through establishing freshwater and marine protected areas in the lower Mekong basin and coastal provinces; (10) establish agricultural system analysis and ensure improved technical input; and (11) strengthen agricultural marketing system and market access for small-scale farmers and rural producers.

THE PROMOTION OF ONE VILLAGE ONE PRODUCT MOVEMENT

The one village, one product movement has existed in almost provinces, districts and communes in Cambodia where they have their own potential products; however, so far the Royal Government of Cambodia has not focussed on promoting this movement as the development strategy yet. Furthermore, at the first stage, this movement should be developed at the Provincial level namely "One Province, One Product" before spreading to the District and Commune level. The selection of the province's one, two, or three potential products which is in line with the financial availability, technology transfer, know-how, human resources training for the project implementation, the improvement of the quality of products and the access of the products to the markets with the participation from the private sector through the credit availability and the strengthening of capacity in the small and medium enterprises.

WATER RESOURCE MANAGEMENT AND IRRIGATION AND DRAINAGE DEVELOPMENT

The importance of effective management and sustainable exploitation of the nation's water resources as a vital tool in reducing poverty is becoming more widely accepted. Recognizing the importance of water resources, the RGC created the Ministry of Water Resources and Meteorology (MOWRAM) as the lead agency for water resources management in 1999. To better manage the water resources, the RGC has to regulate the investment (or development) in the sector to ensure equity in the access to natural resources, to avoid unsustainable use of these resources, and finally to avoid any damages to these resources that could endanger the development of the country in the long run. These issues are addressed in the MOWRAM strategic plan 2001-2005.

About 75.6% of the total cultivated area is fully dependent on rainwater, but given the temporal variability of rainfall patterns crop production is often threatened by drought, so that the production of supplementary crops is not possible. Although Cambodia has attained food self-sufficiency food security remains a goal to be achieved. Irrigation plays a key role in the efforts

to achieve this goal, which is part of the overall national goal of poverty reduction through socio-economic development.

It is believed that Cambodia is rich in water resources with its Mekong, the Great Lake and other river systems. However, agricultural area under irrigation is very limited and flood, over the past few years has caused a lot of damages to the national economy. The issue of flood and flood control is presented in Section 4.5.4 on Disasters Management.

The area recognized as receiving irrigation is estimated to be only about 19.5% of the cultivated area in Cambodia. This is land irrigated in the classic sense of canals or pumps conveying water directly to fields from the sources. It is estimated that there is the physical potential to approximately double this area²⁰. The irrigation can be classified in three types: (1) wet season supplementary irrigation for rained lowland rice (12.5%), (2) supplementary irrigation for dry season flood recession rice (5.8%), and (3) irrigation of dry season lowland rice (1.2%).

These irrigated areas (19.5%) currently produce approximately 31.4% of the total rice production of Cambodia. This shows the importance of irrigation and the effect on yield and crop security that is provided where there is water available for farming. The area of dry season irrigated rice cultivation is low and most existing irrigation occurs during the wet season to provide supplementary water either at the start or end of the rainy season or during periods of drought. This supplementary irrigation is extremely important to allow timely planting of crops and to enable the plants to survive the common periods of drought that occur during growing season. More than this, farmers need improved drainage of flood flows facilities and access to their fields also. This gives the farmers both crop security and reduces the risk of using inputs leading to improve reliability and yields.

No large-scale irrigation works have begun since the Prek Thnot project was abandoned in 1974. There have been a number of unsuccessful medium-scale projects since the end of the Khmer Rouge regime. Most of these were rehabilitation of schemes originally implemented under the Pol Pot time, which were not properly designed in the first place. Large areas are negatively affected by the Pol Pot interventions that have caused increased flooding or uncontrolled drainage.

These and many older schemes that previously worked but have become damaged or neglected now require rehabilitation of agricultural hydraulic structures and earthworks to provide improved drainage, flood protection or access to water for supplementary irrigation.

According to geographical, topographical, natural resources and financial condition, Cambodian irrigation management is classified into several types, which are adapted with the three major areas: flooded, lowland, and highland.

The flooded area is located in area prone to flood of the Mekong, Tonle Sap and Basac Rivers and is generally inundated in the wet season. When water recedes, farmer cultivates in multi-cropping system using simple method (mostly small scale) and easy way to manage water such as colmatage canal, intake canal from the main river with installation of different kinds of pump, medium and small scale storage reservoir for supplementary irrigation mainly to recession rice

²⁰ Halcrow (1994a) Land Resources Inventory for Agriculture Development and Agricultural Statistics in 1991/00

cropping. However, most farmers can use their own pumps within this area because it can provide high yields thanks to the soil fertility.

Floating rice is also cultivated in the flooded areas, mainly around the Great Lake. But it is affecting the flooded forest by extended cropping area. According to the agricultural statistics, within a seven year period the recession rice-cropping area (including floating rice) was extended by 150,000 ha (100,000 ha in year 1994 and 250,000 ha in 2001).

Lowland area is a key component in the RGC poverty reduction and economic development strategy in the medium and long-term. This very large area of agricultural land is located between the flooded area and the highland area, which has less expectation of small-scale development because it suffers from shortage of water resources in the dry season. According to the result of previous studies by the Mekong committee all tributary rivers, inside and outside the Mekong Basin, could provide a very large potential of irrigation (more than 1.5 million ha) in combination with the creation of storage reservoir for hydropower development.

This area has the highest potential to respond to the RGC's policy on poverty reduction, market commitment, and preservation of natural resources as a whole (protection of the watershed against forest degradation and erosion).

Constructing earthen embankments across streams or depressions has formed reservoir, so that water is pounded behind, with a maximum depth of about 4 m. The reservoirs often form a complicated system, in some cases including several interconnected reservoirs. Some reservoirs are filled from runoff during the rainy season from the higher land, depending on the influence of Khmer Rouge canals and embankments and the operation of structures. They provide supplementary irrigation for wet season rice on upland soil upstream, and may also irrigate a second rice crop (late wet season/dry season) over a small part of this area. In some cases they may provide irrigation for flood recession rice in flooded areas downstream. Rice is also planted inside the reservoirs.

High land area is mostly located in the north and northeast of the country, where water resource management is more depending on the weather/rainfall, but there are some possibilities to develop small-scale irrigation by creating small storage reservoirs for providing supplementary irrigation with high consideration to preserve the natural resources including protection against the erosion.

The overall national water resources policy is part of a comprehensive framework that provides a basis for the protection, management and use of freshwater, brackish water, and marine water resources, in a way that is sustainable, equitable, and effectively serves the public interest. Its purpose is to foresee and address issues that will face institutions working in the water sector during the next twenty years, and help them to take appropriate measures to deal with these issues. It complements the Constitution, the [draft] Law on Water Resources Management, the Law on Environmental Protection and Natural Resources Management, and a number of other laws and sub-decrees. It provides an over-arching context within which a national strategy for water resources management will be implemented, and sub-sectoral policies and strategies are prepared. It is, emphatically, a national policy, that will guide the actions of all RGC ministries and agencies, government at sub-national levels, the private sector and civil society, as they

develop, use and manage the Kingdom's water resources to achieve national goals for poverty alleviation and sustainable economic development.

The RGC has expressed its long-term goals for effective and sustainable management of water in a *vision for water* in Cambodia: (1) access for all to safe, adequate, and affordable drinking water, hygiene, and sanitation, (2) freedom for all from the threat of loss of life and livelihood as a result of water-related hazards, (3) sufficient water where it is needed, to provide for food security, peoples' livelihoods, and economic activity, and (4) a water environment that is unpolluted, and supports healthy fisheries and aquatic ecosystems.

The water sector will contribute to achieving the RGC's poverty reduction goal within a strategic framework promoting the sustainable use and management of water resources, the protection thereof, and the abatement or reduction of the effects of harmful situations such as floods and drought.

Since water plays a key role in all sectors of the national economy it is difficult to provide only one response to all issues that may arise; it is difficult to define a single overall strategy. Thus, the strategies are:

- To prevent conflicts among water uses for different purposes and in different areas, and create an environment conducive to satisfaction of present and foreseeable demands consistent with environmental protection including planning water resources use and development for the various different purposes within priority areas, licensing of water uses, controlling groundwater abstraction and use and cooperation with the other Parties to the 1995 Mekong Agreement in the implementation of the provisions.
- To expand the irrigation area in providing job opportunities and increase the income of the rural population through irrigation improvement and to mitigate the effects of floods and other emergency situations. The short and medium term development is rehabilitation of irrigation schemes mainly in flooded areas and priority reservoirs located in lowland areas, while medium and long term development is improvement and expansion of areas covered by medium and large irrigation systems in the lowland areas, as the institutional capacity for planning, construction and O&M of such systems becomes improved.
- To exploit the country's potential to improve the standards of living of the population, agro-factory/industry and reduce the present cost of energy, consistent with environmental protection requirement.

The short and medium term development consists of review of data and information on water resources development and investment of country's potential for multipurpose dam development and setting of priorities. The medium- and long-term development is planning of water resources development within the framework of overall water resources plans, which are:

- To ensure the financial sustainability of hydraulic infrastructure including introduction of the concept of water user fees to cover the costs of service delivery and O&M and promotion of private sector involvement in the construction of hydraulic infrastructure for the short and medium term.
- To improve water quality including surface and ground water to be able to satisfy present and future demands and ensure that water bodies have the capacity to sustain aquatic and fish life and to protect human and animal health in the short and medium term.

- To create the enabling environment for integrated water resources management and development including formulation and adoption of a coherent and comprehensive legal framework for the water sector, institutional coordination, strengthening to MOWRAM on data base and information system to facilitated the management of water quantity and quality and strengthening MOWRAM capacity on water resources information management, project planning design, O&M and monitoring.

According to the pass experience, life of irrigation project seems to be rather short, because of limitations of budget for investment from both local and external sources. As such only rehabilitation of head works and reservoirs (incomplete system) was considered and the rest were given to the farmer communities. To ensure longer effective use of irrigation system, four main points will receive more attention.

Improving planning, design and quality of construction management: For most existing irrigation systems, particularly for the system constructed during the Pol Pot Regime, few documents and drawing of irrigation planning and design are available at present. Therefore, it is difficult to grasp concept of the original plans and designs of the existing facilities. For rehabilitation and reconstruction plan of existing irrigation system, it is necessary to grasp characteristics of the system at the very beginning of the work. Outline of the original plan, design standard, and basic information for the design should be confirmed either by site reconnaissance, survey or interview in relation to the previous uses of the facilities. In this connection establishing basic standard is one way to improve.

There are two points to ensure appropriate construction management. One is to build up the capacity of engineers in supervision and quality control. Another is to change project cost estimation system. For example, necessary cost for construction management (considered as benefit of contractors) and supervision engineers into the project cost.

Promoting and encouraging local communities to participate in operation and maintenance: MOWRAM recognizes importance of this issue and issued circular No. 1 to promote establishment and strengthening of Farmer Water Users Community (FWUC). This effort needs time that will help change farmer's mind. And it is almost impossible to establish FWUC without the actual project implementation and completed schemes. Then to ensure the proper O&M after the project, FWUC should be established before project implementation following circular #1 or at least commitment to establishing FWUC by leaders of farmers and/or communes should be a condition of the project implementation.

Promoting and monitoring inventory and implementation plan: As mentioned above budget is quite limited, then it is very important to select cost-effective project. To select project it is necessary to have basic information of every irrigation system. This suggests that updating and improving the national inventory of irrigation system is urgently needed.

Moreover to implement irrigation project properly and effectively, to get more assistance from donors and to submit MOWRAM's strategy to the SEDPII (2001-2005) it is very important to make implementation plan following above-mentioned basic policy. The implementation plan should be more concrete than Public Investment Plan (PIP), and should include names of projects, scales, project costs, studies and implementation schedules, etc.

Improving institutional arrangement: To match the MOWRAM's human and physical resources to its responsibilities, the Ministry will seek to develop its capacity, in terms of people, physical facilities and ongoing recurrent expenditure, required to carry out its responsibilities. It will anticipate probable future trends, in particular a declining percentage of development assistance funds and an increasing involvement of private enterprise and beneficiaries in water use and management, to establish the capacity that will be needed and sustainable in the future.

A staff development programme will be designed, to provide skills in a wide range of growing areas, such as irrigation and drainage planning, financial management, administration of water use and other licenses, law enforcement, and provision of community support. Staff development will be based on formal appraisal of competencies and training needs, to match the capabilities of employees to the work that they do.

The Ministry will also explore and promote mechanisms that will remove barriers to understanding, communication and collaboration among institutions with water-related responsibilities.

In order to enable the use of water resources for irrigation and drainage in a sustainable manner, a comprehensive strategy for participatory irrigation and drainage management incorporates approaches that efficiently achieve the RGC's strategic objectives. The matters that will be addressed to benefit the poor include, inter alia:

- Means of assuring competent management and long-term financial and technical sustainability of schemes in public ownership, e.g. practical stakeholder participation in all aspects of irrigation and drainage implementation, financial and other incentives, etc.
- The readiness of schemes that are to be handed over to Farmer Water User communities for operation and maintenance.
- Private sector involvement in the provision and management of irrigation and drainage, and related services.
- Applying in practice the concept of sustainability to irrigated agriculture in Cambodia.
- Ensuring property rights to land and water that encourage individual investment.
- Predicting and mitigating the impacts of irrigation (including, in particular, the cumulative impacts of several or many schemes) on water resources and aquatic ecosystems.
- Deriving from the draft Law on Water Resources Management practicable arrangements for administering rights to water use, particularly for large numbers of small-scale users.

Moreover, the Ministry needs to have plan and secure investment funding for priority irrigation schemes, and will make appropriate arrangements for design, construction and, on completion, operation, management and maintenance.

The goal of the MOWRAM is to increase the irrigated area from 20 to 24 percent of the cropped area from 2002 to 2007. Based on a current irrigated area of 400,000 ha, this lead to an increase in both irrigated and drainage areas of around 30,000 ha per year. The investment is estimated at US\$880/ha for irrigation rehabilitation including infrastructure and farmer community organization costs. The total investment required will be US\$52 million per year (including drainage and flood control).

The current irrigation project portfolio of MOWRAM totals about US\$75 million for short to medium term investment (until 2006). There is a short-term financing gap of US\$81 million. The action plan focuses on the means necessary to reach this objective in a sustainable manner. It would be preferable to slow down the pace of implementation of new projects if the institutional and technical capacity is not adequately strengthened in MOWRAM.

ROADS AND TRANSPORT

As with much of the economic infrastructure, the transport sector was severely damaged by the war. Since the early 1990s, a concerted effort by the government and the donor community has been made to reestablish the kingdom's basic infrastructure especially in transport sector. Success has been achieved in number of areas, but much still remains to be done.

The transport sector in Cambodia consists of Roads, Rail, Inland Waterway, Port and Shipping (mainly under the responsibility of the Ministry of Public Works and Transport (MPWT), with the Ministry of Rural Development (MRD) responsible for rural roads and transport) and Air transport (under the responsibility of the State Secretariats of Civil Aviation). Road transport is the only mode, which has nation-wide coverage, and it carries about 65 percent of passengers and about 70 percent of the freight moved within the country. Road transport services are mainly carried out by the private sector.

The road sub-sector in Cambodia consists of primary, secondary, tertiary, and sub-tertiary, and urban roads. Most of the roads, apart from the primary network, which is improving, and some of the main urban roads, can be described as "poor to bad" with many sections impassable to traffic.

Rural Transport: The rural people have poor access to roads and other transport infrastructure and services. Roads facilitate progress in rural areas—access to markets and employment, education, and health care, particularly in case of emergencies, often hinges on available and affordable transport with connection to small towns. Recent socio-economic studies conducted by MRD with the assistance of the ILO in Siem Reap province showed that after rural roads were rehabilitated and maintained: (1) traffic doubled on rural roads (motorised traffic increased by 10%), (2) trip numbers from rural areas to community centres increased by 20 percent, (3) travel time decreased by 43 percent (from one hour to 25 minutes), (4) fare costs decreased by 38 percent (from 1,000 Riels to only 620 Riels), (5) there was a 103 percent increase in the goods transported along the rural roads, and (6) trade activities in rural markets increased by 600 percent.

Rural transport development and maintenance are essential to improved quality of life and reduced poverty of rural people in Cambodia. However, the rural transport network is inadequate. So far, among the total length of rural roads in the country estimated to be 28,000 km, we have just rehabilitated and constructed around 11,000 km (with earth fill and laterite surfacing). This network provides only about half a km of rural road for every 10 square km (1,000 hectares). Most of the remaining rural roads are impassable, particularly during the wet season.

Urban Transport: While the 80 percent of the population is located in rural areas, the growth of population in the urban centers of Phnom Penh, Battambang, Siem Reap, and Sihanoukville is expected to exceed the average for the nation. In Phnom Penh, 59 percent of streets are in poor to bad condition. Poor road conditions cause long journey times, high transport costs, and an increasing number of accidents, which impact the poor more than any other socio-economic

group. Associated with the poor condition of the roads are localized flooding during rainstorms and inadequate and unreliable transport services. Public transport services are mainly provided by motorcycle taxis resulting in congestion, high accident rates, and air pollution. Cambodia's cities will be facing major traffic and transport related problems in the coming years if the development of their infrastructure does not keep pace with the growth of population.

Intercity Transport and Regional Links: Transportation costs are higher than necessary because goods and people are not moved by the most economic modes. Transport between and within provinces of passengers and goods are mainly provided by the private sector operating small trucks, minibuses, pick-ups, cars, and motor-trailers. The lack of competition with and between the sub-sectors is a general problem, as is lack of trained and qualified managers to formulate and implement policy resulting in long delays and indecision. Other impediments to regional trade include high informal handling and transshipment charges.

Railway: The railroad network consists of two lines, one to the north from Phnom Penh towards the Cambodian-Thai border, and another to the south from Phnom Penh to Sihanoukville. The condition of the rail bed is poor, and the locomotive and rolling stock are old; there are frequent derailments and service level are low. At present, there are only 7 trains per day operating on both lines. Because of the unreliable service, the number of passenger traffic has dropped from 881 thousand in 1993 to 336 thousand in 2001.

Ports, Shipping, and Inland Waterway Transport: There are two international seaports (Sihanoukville and Phnom Penh) and a minor domestic port at Koh Kong. Sihanoukville serves large ocean going vessels and is the principal port of the Kingdom, with a nearby oil terminal. Over the last few years, throughput has grown at a double-digit rate. There is a major project underway to expand capacity of this port, which is largely funded by soft loan from Japan. Traffic growth at the port of Phnom Penh, however, has stagnated and, in order to be vitalized would require dredging as well as an agreement with Vietnam regarding transit charges. Hidden costs at port are a major impediment to increased exports and trade competitiveness (see section on Trade below).

Inland Waterways was traditionally one of the main modes of transport in Cambodia, but currently there are no reliable statistics on water traffic except at the ferry crossing. The river system consists of the Tonle Sap Lake, and the Mekong and Bassac River with a total navigational length of 1,750 kilometres. The water depth varies considerably between the dry and wet season. Dredging would be needed to maintain adequate water depths in the dry season. Additional problems include the lack of port/berthing infrastructure throughout the country, lack of storage facilities, and high transport costs.

The Government with external assistance from ADB, Japan, EU, UNDP, World Bank, other bilateral agencies, and several NGOs has focused development efforts on rehabilitation of the primary road network including bridges and ferry crossings in order to facilitate goods transport and the integration of markets. Gradually donor support has been more forthcoming for the lowest level of the road network—sub-tertiary and tertiary roads leaving a gap in the network for the rehabilitation of the secondary roads. The shortage of local funds for maintaining the rehabilitated roads in order to prevent premature destruction is one of the principal challenges of the transport sector.

The RGC's long-term objective in the transport sector is to provide safe and efficient transportation at reasonable cost with Cambodian cities, towns, and rural communities with priority being given to the movement of people. However, there is no formally adopted road and transport policy in Cambodia. While the Ministries have strategies, especially for road investments (see below), the lack of a clear policy direction results in inadequate attention to maintenance and inefficient allocation of the transport budget (local and foreign). Critical issues for the transport sector include lack of a reliable management and financing mechanism for road maintenance, the need to consolidate public expenditures in the sector, increased transparency, and better relationship and clear functions of ministries and institutions concerned with the management and financing of road maintenance and private involvement. Currently investment decisions are made and contracts awarded directly by authorities other than the transport agencies, and the transport agencies, at times, receive only a fraction of their official budget allocation. The agencies, as a result, are not able to efficiently plan and manage the country's road assets.

The MRD's rural transport strategy aims to increase rural access by giving priority to cost-effective maintenance and rehabilitation of rural roads, and promoting the use of labour-based appropriate technology (LBAT) with the involvement of the local private sector (small and medium sized contractors) in the execution of the works.

The MPWT road rehabilitation strategy seeks to strengthen the linkage between the three broad economic zones or triangle into which the country is divided for transport planning process:

- The tourism zone, formed by the triangle of Siem Reap, Preah Vihear and Kampong Thom,
- The industrial zone, defined by the entire northern coastal zone of the country, and
- The agro-industrial and eco-tourism zone, covering the eastern region of the Mekong River, including Rattanakiri and Mondulkiri.

The first priority of the transport sector is the maintenance and development of the road sub-sector, the dominant mode of transport in Cambodia, and the mode with the most direct links to the poor. However, required actions to ensure that the transport sector contributes effectively to growth and poverty reduction go beyond prioritisation of civil works expenditures. Required actions include the following: (1) a reliable, steady and adequate source of funding for road maintenance (all roads in maintainable conditions are critical public assets), (2) transparent management of all public funds to the transport sector by the official transport agencies, (3) upgrading and repair of rural, provincial, and national roads, (4) competitive bidding for all government and donor funded contracts, coupled with public outreach to the local private sector and civil society, (5) a program for institutional strengthening and capacity building at all levels in the public transport agencies, (6) adoption of clear sector policies and strategies in support of the NPRS, (7) encouragement of public transit services using low cost methods including jeepney service by the private sector, (8) Development and strengthening of regional links (ASEAN/ASIAN) to facilitate the border trade with Vietnam and Thailand, (9) increasing private sector participation in port and rail management, and transparency in the management of the port and infrastructure concessions, and (10) facilitating passenger inland water transport by constructing a minimum number of landing facilities.

4.2 EXPANDING JOB OPPORTUNITIES

About three-quarters of Cambodians work in agriculture related activities. At the same time, it is important for the Government to support developments outside agriculture, to enable diversification of incomes and better returns to labour. In rural and urban areas, many of the poor are working for long hours for low returns; productivity is low and there is limited security. As the International Labour Organisation emphasized in its comments, generation of jobs and improved conditions of work are key to reducing poverty.

The sections below set out the Royal Government's policies in key areas that are intended to improve work opportunities, in particular, through facilitating private sector development, expanding exports and increasing tourism. It is recognized that the extent to which these policies will be effective is closely related to success in improving the capabilities (education, skills and health) of the Cambodian people, as well as efforts to improve governance and transparency.

4.2.1 Private Sector Development

The private sector in Cambodia has been described as the 'engine of growth'. It is Cambodia's largest employer and is the long-term contributor to development in Cambodia. Obstacles to the private sector, many of which are addressed elsewhere in this strategy, lead to subdued investments and fewer jobs. This section examines general obstacles to private sector activity, and also sets out government's industrial policies designed to support pro-poor growth.

The private sector consists mainly of individual entrepreneurs (often informal), and small and medium enterprises (SMEs), as well as international companies active in Cambodia. Since 1991 increasing business activity has provided tangible evidence that the society is moving forward and out of the cycle of war and devastation. The introduction of the garment industry in the mid 1990's and the ongoing development of the tourism industry (Section 4.2.3) have provided a steady stream of income for tens of thousands of Cambodians.

A number investment studies identified the following issues as impediments to private sector growth: poor physical infrastructure, high costs of transportation, electricity and telecommunications, safety and respect of signed contracts, limited human resources, increasing labour cost, high transaction costs, and the lack of proper legal and judicial system.

Encouraging developments in the small and medium enterprise sector particularly in the densely populated cities of Phnom Penh, Sianoukville, Siem Reap and Battambang suggest that local entrepreneurs are willing to take the risks free from donor funding. However, these companies operate in an environment of limited regulatory development, and have little or no recourse to the judiciary. Infrastructure such as electricity, roads and water are expensive and/or often poorly maintained (see Section 4.1 under Roads and Transport heading, and Section 4.2.7). Access to credit is limited to either high interest rates from official institutions or credit from the limited resources of family and friends. The lack of land reform and land titling has restricted growth in the credit sector.

Although foreign investors have been welcome in Cambodia, in an increasingly competitive international business environment the influx of foreign businesses has slowed due to a variety of

reasons. The competitiveness of neighbouring countries in terms of legal reform, a strong judiciary and low-cost utilities means that Cambodia has to continue to work hard at instituting and implementing reform in these areas. The cost of business for registered legitimate businesses is also a deterrent factor.

Legal and judicial reform where it relates to the private sector is intrinsically linked to investment. Without recourse to an implementable law the risk associated with investment for a foreign company is too great. For local companies investing in Cambodia means that they are susceptible to corruption from competitors and from officials. A strong legal framework and a judiciary (Section 4.4.3) that will impart fair and equitable decisions on matters concerning business-to-business disputes and business-to-government disputes will promote private sector confidence.

The cost of doing business in Cambodia relates not only to utilities but also to unofficial transaction costs. Hidden costs at port mean that the cost from importing a container of goods from Europe to Sianoukville costs the importer the same amount of money as importing a container from Sianoukville to Phnom Penh via National Route Number 4.

Tax revenue is being undermined by a broad range of factors including cross border smuggling and the narrow tax base. The narrow tax base should not imply that unregistered companies are making unofficial payments to officials. All too often unregistered companies are paying taxes on an unofficial basis. The broadening of the tax base and the breaking of the cycle of a dual official/unofficial tax system will go a long way towards supporting private sector development in Cambodia.

A parallel tax structure exists in Cambodia where the current number of registered businesses does not reflect the number of businesses in Cambodia. These same businesses are relied on to support the government's debt and civic structure. This is neither a sustainable nor enviable position for the RGC (who is losing revenue), the registered tax base (who are not 'playing on a level playing field') or unregistered businesses (who, whilst certainly paying unofficial 'taxes' are not benefiting from being a member of the acknowledged business Community). A structured process needs to be implemented to close the revenue and Competitive gap that exists within the tax paying structure in Cambodia; reforms in this area are presented in Chapter 5.

4.2.2 Trade Development

The RGC has confirmed trade as a critical component of its poverty reduction effort, with the endorsement by the Council of Ministers of the "Pro-Poor Trade Development Strategy" in February 2001, and its presentation to the donor community in Tokyo in June of that year. The Ministry of commerce is, by sub-decree, the designated focal point for the implementation of the strategy, working through an Inter-ministerial Steering committee.

The pro-poor trade development strategy necessarily includes embracing globalisation and the increasing openness of the world trading system, and work on Cambodia's accession to the WTO is well advanced. However, complying with WTO requirements is very demanding for a small developing country like Cambodia, and technical assistance is greatly needed in several areas: legislative framework, valuation procedures, trade policy evaluation and reporting, assessing the impact of trade protection.

Support is also needed to improve the competitiveness of Cambodian industry in the world market place. With the assistance of the donors of the “Integrated Framework” group (IMF, ITC, UNCTAD, UNDP, World Bank, and WTO) and other development partners, the RGC has carried out and published a diagnostic study of Cambodian trade competitiveness, covering developments in trade policy (trade barriers, ASEAN membership, poverty and other impacts of tariffs, and WTO accession), and a selection of sector studies (rice production and marketing, diversified agriculture and agro-processing, handicrafts, freshwater fisheries, garments, tourism, and labour services). A matrix of technical assistance (TA) requirements for pro-poor trade mainstreaming was developed, which lays out a range of policy, program and capacity building initiatives and their resource needs. The report may be found on the Ministry of commerce website at (www.moc.gov.kh).

In the past decade, Cambodia’s internal and export trade has increased dramatically, both in traditional products (fish, timber, rubber, labour services) and in garments and tourism. For example, domestic exports for 2001 amounted to US\$1,198.8 million, an increase of 10 percent over 2000. Key to the increase was the rise of 13 percent in exports under the Generalized System of Preferences. Retained imports increased slightly, up by 5.2 percent in 2001.

Major constraints to further trade growth include macro issues of the global trading system, weaknesses in the Cambodian legal, judicial and administrative systems, poor infrastructure, lack of access to technology and financial capital, and poorly developed human capital especially private sector institutions and skilled workers.

The RGC has embarked on a comprehensive program of economic and trade policy reforms. Key areas include fiscal reform, banking sector restructuring, civil service reform and improved governance. Much has been accomplished but much more remains to be done. All quantitative restrictions on trade were eliminated in 1994. The tariff regime was again reformed in April 2001. High rates were reduced from 120 percent to 35 percent. In addition, the system was simplified with the number of bands being reduced from 12 down to 4. At the same time excise taxes were raised on excisable products. This meant that revenues could be maintained without inadvertently providing high protection to these products. Compared with the countries Cambodia exports to, its trade regime is relatively open.

Customs administration has significantly improved in recent years. However establishing a low cost formal trade facilitation system faces many difficulties. The administrative task is daunting given the porous borders with three neighbours and a long coastline. The institutional framework for border control is opaque, with unclear mandates among different agencies. Various trade arrangements (rules of origin requirements, preferential trading arrangements) complicate this task. Limited resources constrain the capacity of the customs department to carry out its functions. Civil service salaries are low, physical support facilities are inadequate, and management information systems are poor. These difficulties are reflected in high unofficial payments, widespread smuggling, unreliable clearance and processing times, and tariff revenue collection that is significantly lower than is implied by the official tariff. Customs reform is underway, with support from the IMF.

Apart from the difficulties associated with external trade facilitation, ‘behind the border’ constraints are also significant deterrents to exporting. Shipping charges in Cambodia are the

highest in the region and four times the cost for shipments of comparable size in Thailand. Internal transportation costs are high due to poor quality infrastructure and unofficial charges for road users (up to 17% of total transport costs). Functions of government agencies related to trade are often overlapping or duplicated.

Initial analyses have been carried out on a number of sectors in which Cambodia has opportunities to enhance its trade, both domestically and internationally, and is presented in detail in the IF report cited above. Cambodia's highly labour intensive garments and textiles industry has been critical in expanding job opportunities, especially for female workers from the rural areas. Given Cambodia's small domestic markets, exports have driven government's efforts to create more jobs. The garments and textiles sub-sector has seen its share of GDP increase steadily from 1.1 percent of GDP in 1993 to almost 11.9 percent in 2000. The sector is now the most dynamic industry in Cambodia, with an annual growth rate close to 65 percent for the 1995 - 2001 period. It is now a US\$1.2 billion industry with nearly 200 companies employing close to 200,000 people, on a total monthly payroll of about US\$12 million.

This spectacular export growth reflects a combination of limited access to the currently highly restricted US and EU markets (set to expire in 2005), a hospitable policy environment and competitive production costs. In the case of the US, preferential access means that Cambodia has some access to a tightly restricted market. While Cambodia has US market access for a large number of duty items and quota under GSP, for the items it does export—garments, MFN rates apply and for those garments where Cambodia has shown itself to be especially competitive quotas now apply. For the EU, preferential arrangements are such that Cambodia can export without duty and quantitative limits so long as rules of origin requirements are met. These requirements are in most cases not met given the limited development of Cambodia's textile sector. However substantial production from Cambodia is sufficiently competitive to be able to sell on the UK market without the concession.

Domestic manufacturers still say the cost of doing business in Cambodia remains high. Cambodian labour law requires companies to pay workers overtime or double wages for work during the evening or at night; companies in Cambodia must pay relatively high minimum wage; the cost of transport is very high; red tape and corruption continue to be pervasive.

Agriculture is significant among Cambodia's opportunities for poverty reduction, through increased employment from export-oriented production. An evolution is occurring from rice production for food security to rice production for trade and income. Rice trade both within the country and across the border is currently constrained by poor post-harvest and transport infrastructure, and access to commercial credit. Export procedures and 'facilitation fees' pose a significant tax on rice exports. Fluctuations in the price of rice have had negative impacts on the Cambodian poor – sometimes in opposing directions. Measures to reduce price fluctuations, or to protect poor producers (or poor consumers) from the impacts of these price fluctuations, need to be considered, e.g. carefully paced reduction of tariffs, subsidies and other complementary measures.

Cambodian agriculture is now diversifying away from subsistence rice toward conventional and niche commodities for the market, and this trend is a key opportunity within the pro-poor trade development strategy. Cambodia can benefit from the increasing world demand for niche agricultural products, such as spices, herbs, specialty tropical fruits, essential oils, and "green" or

organic products. Promotion of agricultural development, as a means for improving rural livelihoods, must include investment in small and medium enterprises with value-added processing capacity, so that agricultural products can access national and export markets and rural people can have jobs. Farmer organization and access to credit and business development skills, improved transport infrastructure, and access to market information are also required. Understanding and enhancing the value-chain for agricultural products is required, to assist farmers to produce the right products with appropriate quality for local and international markets. Analysis and action are required at local, provincial, and national levels. The strategy is consistent with and supports MAFF's focus on promotion of private agro-industry.

Handicraft production is hampered by the loss of traditional skills and design during the war years. Craftspeople lack critical information on market demand, quality standards and trends. Support is required in the same manner as for agricultural processing capacity that is technical and business training, credit, organization and access to information.

The fisheries sector development is hindered by inappropriate intervention of government agencies in almost every aspect of market transactions, and by inefficient marketing mechanisms especially at the Thai border. Building a competitive and market responsive fisheries sector will require a change in the corporate culture in the sector to nurture market-based transactions. Regulation of management regimes to control over fishing is also required.

The WTO is seen as the best available forum for the development of a rules-based world trading regime. Accession to WTO will be complemented by increased regional and South-South trade linkage. However, it is crucial that Cambodia continues to enjoy the national sovereignty necessary to manage international and domestic economic policy, based on the interest and needs of the majority of its people. It is also crucial that Cambodia is able to benefit from the various provisions within the WTO framework, appropriate to its status as an LDC. The role of Cambodia's agricultural exports in poverty reduction is particularly significant in this respect.

The trade strategy aims at access for the poor to the resulting employment and income benefits, especially but not exclusively in rural areas and in urban areas beyond Phnom Penh. Sustainable use of natural resources, and improved conditions for workers (gender equity, health, safety, and appropriate wage levels) are also key objectives. Ex-ante poverty and social impact analyses will be conducted in order to better predict both the positive and negative consequences of the trade strategy, as well as ensure that the benefits are directed to the poorest, and the RGC will carefully monitor impact on the most vulnerable groups.

Indeed, Foreign Direct Investment (FDI) and export activity will not provide opportunity for poverty reduction if concerns about types and conditions of investment, ownership, labour standards and environmental regulations and accountability mechanisms are not adequately addressed. For example the spatial concentration of export-oriented enterprises in export processing zones (EPZs) would provide a business incubator environment in which ideas and experiences could be exchanged; and would also permit better control of environmental impacts of specific business activities. However EPZs risk the export of all the benefits along with the products, if they do not guarantee backward linkages and address the possible intensification of income inequalities between rural and urban areas, increased rural to urban migration, and the creation of urban and peri-urban slums.

For continued successful expansion of trade, product quality is key. The promotion of technology transfer and the upgrading of products will require a quality control system for export products that sets internationally accepted standards. In addition, the transfer of technology will require the RGC to develop an appropriate legal and regulatory framework covering copyright, trademarks, and so on.

Current activity in developing the trade strategy includes: (1) broad and multi-donor support to strengthening the capacity of the Ministry of commerce, as the designated focal-point institution, to lead and manage the formulation and implementation of the pro-poor trade strategy, and the WTO accession; (2) development of indicators and predictors for the poverty impacts of trade policies, and means to ensure proper assessment and monitoring of poverty reduction targets; (3) engagement with the private sector to promote and support supply-side responses and productivity increases; and (4) a national legislation implementation action plan to meet WTO accession requirements, including more than 40 new laws either recently passed or under consideration.

A list of actionable measures for the pro-poor trade development strategy is provided under the trade segment of Action Plan Matrix in Annex 3. Many of these are underway or already recently completed, and more are under discussion with various partner agencies. Costing and specific targets for over 50 different initiatives in the program are difficult to specify without being misleading. Many are cross-sectoral and represent activities of more than one agency, with MOC as the focal point. Also the range of sizes is very large. The negotiations with Thailand on the export processing zones are considering an investment of over US\$200 million. The ADB support now ongoing for the development of a secure transactions law represents over US\$600,000. The MOC capacity building component of the Japan funded Integrated Framework (IF) project is less than US\$200,000, and there are a number of initiatives, which are smaller but still very important.

4.2.3 Tourism Development

Cambodia's tourism sector is playing a crucial role and is the key to country's development. The sector generates about US\$200 million per year in income, creating about 100,000 jobs. Thus, tourism has significantly contributed to the country's economic development and poverty reduction. With the assumption that a visitor spends at least US\$500 then it helps to feed two of Cambodian people for one year.

Estimates suggest sustained development in the tourism sector as passenger arrivals into Cambodia continued to rise, in 2001 by about 30 percent. The increase is thought to be the result of much improved stability, safety and security in the country, as well as the "open skies" policy in air transport since 1998. Tourism activities grew by 30 percent in 1994 – 1995. Over the last decade, developments in the tourism industry have made a significant contribution to economic growth by attracting foreign investments, creating jobs, and generating income for the local people.

With Cambodia's enormous cultural and natural heritage, tourism policy will be geared towards cultural and eco-tourism. It will ensure the sustainable development of cultural and natural environment as well as the protection of the environmental without becoming an impediment to development. The important issue is how to effectively and efficiently manage and/or balance

between protection and development and establish a zoning plan for tourism development to ensure sound management of the sector.

There are many historical sites in Cambodia. The Angkor temple complex is the world's priceless heritage and belongs to all mankind. There is a need to develop a proper master plan for its restoration, development and protection. The development of this area is considerably slow. At present, there are only some road signs for direction, some rest rooms and other facilities to serve visitors. The work on the master plan has to be done as soon as possible by preparing a plan for its development and making the plan available to private investors for their participation.

Besides the Angkor area, the Royal Government has taken action to develop other cultural and eco-tourism destinations such as the Kulen Mountain, Kos Ker temple, Preah Vihea temple, and Ta Mok house in Anlong Veng, which can be used as a historical tourist destination. These areas can be developed as a big cultural, historical, and ecological recreation zone, which should not be limited to Angkor. In addition, Tonle Sap Lake has a great potential for developing eco-tourism, such as the water bird area and the fishing villages. In the central zone, there is the Sambo Prey Kuh temples to which a road has been built. Other tourist sites include Phnom Penh and the Coastal zone.

The Government's policy thrust on Culture and Fine Arts is to enrich the national culture in a way that supports the expansion of services and the creation of employment opportunities for the people and thus contributing to the national goal of poverty alleviation. Developing the cultural resources of Cambodia, especially the Angkor temples sites that have been attracting increasing number of tourists, is a priority of the RGC not only as a socio-cultural development goal but also because of the economic/revenue generating potential of these historical sites. The conservation and development of the national cultural resources will require that other areas where ancient temples are located should also be repaired in order to transform them into cultural tourist zones.

The strategies being put forward are designed to allow Cambodia to use tourism as strategy in its overall goal of relieving poverty. It is important that government officials as well as others are educated about the potential role of tourism in economic development and poverty reduction. Tourism can generate different types of local cash income from wages from formal employment, casual labour and earnings for selling goods; dividends from profits arising from locally owned enterprises; and collective income: this may include profits from a community run enterprise, dividends from private-sector partnership and land rental paid by an investor.

A pro poor tourism policy implies a change in direction from objectives concerned with increasing overall tourism numbers and revenues to one that stresses forms of tourism that are of benefit to the poor. Adopting pro poor tourism policies requires more than simply inserting the word poverty in various government policies and strategies. It requires a fundamental shift in thinking about the forms of tourism development that will benefit the poor. However, the poor face a number of barriers including lack of relevant skills, lack of access to credit, as well as red tape.

The RGC will exert its best efforts to minimizing the possible negative impacts of tourism. Tourism development should not undermine the unique socio-cultural and environmental assets of those areas of Cambodia, which will receive the greatest concentration of tourists. In particular, the strategy will discourage the perception of Cambodia as a suitable destination for

sex tourists and establish Cambodia's position against child sexual exploitation. Additionally, attention should be paid to the effects of domestic tourism and cross border links on human and drug trafficking as well as gambling.

A series of measures are proposed to maximise the potential benefits of tourism for poverty reduction.

- In order to begin to understand the important role that tourism can play in poverty reduction and to put into place pro poor development strategies it is recommended that an inter-ministerial working group be established by the Ministry of Tourism. This working group would seek to work with other ministries who have a common objective in reducing poverty. The working group should be small with high-level support, and the necessary research and operational budget. The working group should be led by a senior Ministry official and report directly to the Minister. The working group should be entrusted with coordinating all poverty related activities in order to ensure an integrated approach to dealing with tourism and poverty;
- A series of poverty reduction development zones could be set up with characteristics including high poverty levels and a situation where tourism can contribute to the local economic growth; a location where the government is seeking to encourage tourism for development purposes and cross-economic linkages; and where there is an opportunity for environmentally friendly forms of tourism to be developed that can contribute to cultural and natural resource preservation, conservation and sustainable use;
- A public-private partnership should support the creation of tourism oriented small and medium-sized enterprises. It would be designed to assist the poor in the development of enterprises or in some cases support the development of an enterprise with employment of poor as its central focus;
- The government may seek to adopt policies in the case of new tourism development projects or in the expansion of present ones that contain explicit strategies for reinvesting portions of an enterprise's profit into the community;
- Given the lack of knowledge about which practices that will best help to reduce poverty through tourism, a number of demonstration projects would help to provide evidence about the property/tourism relationship. An effective way of gaining more knowledge is through "learning by doing;" and
- Domestic tourists are particularly important clients for self-employed sellers and owners of small establishments. Budget and independent tourists and backpackers are also more likely to use the cheaper guesthouses than luxury tourists, home stays, transport and eating services provided by local people. Destinations must look very carefully at the backpacker market since in effect they can become an important source of the income that is suited to the tourism infrastructure of an area.

4.2.4 Post and Telecommunications

Post and telecommunication services have been available only in populous and large township areas. It has been so because of issues of security, infrastructures, and costs as well as the knowledge of Cambodians for the importance and usefulness of the services. If well operated and established, and low-cost the sector would be able to contribute a lot to reducing poverty. It will be able to provide better connection for the rural population to the urban and rich areas. This

would mean that the sector could help engage and promote the rural subsistence economy in producing to supply the growing demand of urban and international markets.

The RGC's goals and objectives are to establish an efficient commercial low cost telecommunications network of adequate capacity and coverage in line with the Master Plan together with an efficient public postal service and a public broadcast network. For the medium term the objectives are to: (1) provide telecommunications network that can adequately cover Phnom Penh, Sihanoukville and Siem Reap and to expand services to the urban cores of provincial towns; (2) establish national standards for the design, construction and operation of all telecommunications services; (3) strengthen postal organizational structure and institutional capacity to improve service delivery; and (4) expand the television and radio network. Sector development hinges on improvement of the telecommunications regulatory and legal framework and more efficient use of resources in the postal and information services. Strengthened regulatory framework will encourage additional private investment and alternate financing and technical shortages.

Over the next five years, the RGC is committed to establish the Cambodia Telecom (CT), rehabilitate and extend customer telephone networks of Phnom Penh, and construction of a transmission link between: (1) Kampong Cham - Phnom Penh – Takeo - Kampot – Sihanoukville; (2) Kampong Cham - Kampong Thom - Siem Reap – Sisophon; Kampong Cham – Kratie - Stung Treng; and (3) Mondukiri, Pailin, Preah Vihear, Udom Mean Chey. The goals are to provide adequate network capacity and coverage to at least one line per 100 people to fully cover Phnom Penh, Sihanoukville and Siem Reap and to expand services to the urban cores of the other provincial towns.

Other activities include: preparation and enactment of a Telecommunications Act to provide the legal framework for the industry; maintaining the existing MPTC database and incorporating all relevant information related to the existing networks to allow for monitoring of demand; execution of studies needed for the development of a long-range comprehensive plan for networks extension in provincial towns; development of this plan to incorporate priorities for development of the provincial system; execution of studies by CT to identify and elaborate on project sites in coordination with town planning authorities; development by CT of administrative units for procurement of equipment, supplies and materials, and establishment of proper accounting and monitoring systems for rehabilitation and new local area networks; establish national standards and practices for the design, construction and operation of all telecommunication systems, and for customer services.

Over the next five years RGC will: (1) strengthen organizational structures and institutional capacity in order to ensure efficient delivery of services; (2) develop the administrative capacity for procurement of equipment, supplies and materials; (3) establish proper accounting and monitoring systems; (4) establish a database of all physical assets and manpower as a basis for planning of maintenance, training and redeployment; (5) carry out studies to assess the requirements for improving and extending postal services into the communes; and (6) promote competition in bulk mail transport to and from the provinces. The Government will ensure that funds are made available and properly managed to maintain constructed facilities. Commercial charges will be applied to telecommunications operators utilizing post office services.

4.2.5 Micro-Finance

Rural people always have poor access to rural credit. Access to formal rural credit with low interest rates for them is extremely limited. A widespread, informal credit market which charges high interest rates – around 10-15 percent per month – demonstrates the need for rural credit in Cambodia. Credit is needed to replace exploitative consumption loans covering household rice deficit and to facilitate and improve rice production and yield by providing money for necessary productive, farm inputs such as fertilizers and seeds. These loans will help provide food security among poorer groups allowing more productive, sustainable farming. Loans are also needed for income diversification through small-scale enterprise/business activities and petty trades.

The purpose of the RGC is to achieve rural development through accelerating economic progress and through increasing the living standard of the people in rural areas. The National Bank of Cambodia's policy towards rural finance has been one of support, in line with its concerns and responsibilities, for preserving the integrity of the financial system, promoting public confidence, protecting depositors, preventing fraud, and encouraging best management practices.

Professional bankers are rare in rural financial institutions. As a result the main challenge facing rural finance revolve around loan portfolio management and risk assessment. Moreover, rural finance has to operate in the context where the legal framework is still incomplete and the judicial system is not completely efficient.

On the other hand, opportunities are huge: around 80 percent of the Cambodian population lives in rural areas, constituting about 1.87 million households. As of December 2001, the total loans disbursed by the commercial banks amounted to US\$10.27 million for agriculture, representing 4.19 percent of the total of their loans disbursements. Most of the commercial banks do not have branches at the provincial level. Even banks that have established their branches in some provinces are confined to big centres and there is virtually no presence at district, commune or village levels. Also the possibilities of expanding their services to those levels appear very limited.

Micro finance institutions (MFI), NGOs and specialized banks have been providing credit services to the needy in rural areas for some time. A present, those institutions have loaned funds to 264,452 rural households. The total amount of loan outstanding at present is estimated to be around US\$41 million. It is estimated that an additional credit of US\$10-15 million has been supplied by friends, relatives and moneylenders. The total rural credit portfolio of these institutions in the last 10 years has increased from US\$100,000 to US\$41 million and from 4,000 to 264,452 end-borrowers. However, the shortage of credit capital still remains between US\$ 60-90 million to respond effectively to the accumulated demand throughout the country.

There is still little savings mobilization in Cambodia. As a result most rural financial institutions fund their lending activities with grants from donors and from bank borrowing. The Rural Development Bank (RDB) is a major source of loans to licensed MFIs and registered NGOs as micro credit operators.

To support micro-finance and rural finance sector the RGC established a Rural Development Bank (RDB). The RDB plays an important role in financing, refinancing and providing technical assistance to MFIs. The mission of the RDB is to enhance agricultural and rural development to reduce poverty. RDB has played an important role in mobilizing domestic and foreign financial resources to support the provision of rural credit for micro-finance activities. The RDB was

capitalized with a fund of US\$5 million from the RGC including 1 million Euros from AFD (French Development Agency) as paid-up capital. Later, RDB received an additional grant of around 0.9 million Euros from AFD for supporting family rubber plantations in Kampong Cham province, and US\$1.3 million loan from the IFAD (International Fund for Agricultural Development) for the implementation of Agricultural Development Support to Seila Program in four provinces (Pursat, Battambang, Banteay Meanchey and Siem Reap). In the year 2000, a new agreement was signed with ADB for US\$20 million Rural Credit and Savings Project to start in year 2001, but several strict conditions of the loan has to be met that have hindered access to these resources. As of December 2001, RDB has approved rural credits amounting to US\$4.6 million through micro-finance operators (MFIs and NGOs), benefiting 38,000 rural households.

RDB is carrying out a feasibility study on the credit needs of small and medium enterprises (SME) in Cambodia. In the framework of the financial cooperation between the RGC and German Government, KfW (German Development Bank) is willing to provide RDB through the MEF a financial grant of approximately 8 million DM for the SME scheme in Cambodia. As a wholesale bank, RDB has provided credit to its partner commercial bank to lend to their end-borrowers for supporting the pilot projects of water supply in Takeo province. In addition, the World Bank (WB) has planned to provide the investment capital as loan in the sectors of rural water supply and electricity, as well as for local processing of agricultural products.

The MRD will provide vocational training to rural people, especially women, and make possible the effective use of credit to increase their income. Moreover, the MRD will cooperate and coordinate with the Rural Development Bank, relevant institutions, external agencies and NGOs to promote small businesses.

It is worth noting that micro credit schemes based in communities and run by women for women have proved very successful both in Cambodia and other countries. The default rate is very low and the cushion these schemes provide in times of emergency are often essential in saving family assets. In addition, they can be the basis for small income generating activities, which often provide the only cash available to families living at subsistence level. The only constraint on their further expansion is the credit capital and the mechanism to ensure that this capital is placed in the hands of women. This model will be explored and expanded where appropriate.

4.2.6 Labour and Vocational Training

Labour and training policies have several dimensions, including migration opportunities, new skills like IT and vocational training. Vocational training is linked to the education policies set out in Section 4.3.3.

Labour export has been an important option for reducing poverty in several of Cambodia's Asian neighbours, such as the Philippines, Sri Lanka, Thailand and Vietnam. The Royal Government policy is to encourage official labour exports to increase welfare, enhance skills, reduce unemployment and increase state revenues. Constraints to increased exports of workers include, low education and limited foreign language skills, an increasingly competitive market for export labour, and complex regulatory and administrative requirements. Developing appropriate government policies and regulations and bilateral arrangements, which do not prohibitively raise costs yet adequately protects the interests of export workers poses a challenge. Technical

assistance is needed in these areas and should draw on the considerable regional experience in developing labour markets and regulations.

Information Technology has much to offer in enabling all these sectors to move to more productive systems. Already some of Cambodia's many young people are embracing IT based activities. In some cases IT systems are being used to convey market information and expedite transactions of handicrafts produced in villages far from urban centres. In other cases Cambodians are processing data from other countries and thereby effectively exporting data processing services.

To draw maximum benefits from the ever changing global market, Cambodia needs to tackle inter-related actions at three levels: significant improvements in market access, linked to a coherent program of technical assistance and capacity building, and based on continuing domestic policy reforms and adjustments.

Low-skilled people are especially vulnerable to under-employment (SEDPII, 2001). An effective labour code and increased skill training opportunities are essential to address this problem. The directorate of vocational training and labour ensures increased access to income generating opportunities, though ensuring vocational training that corresponds to the labour market and through the development of protective work conditions for employees.

Concomitant with economic growth is the increased demand in urban and rural areas for a broader range of relevant technical skills. At present the capacity of the public technical and vocational education and training (TVET) system is limited and its orientation is largely divorced from the needs of a market economy. In recent years, student enrolment and the number of courses have been declining because of a perception of poor quality of training and lack of opportunities for employment in public administration. The weakness in public sector TVET system have encouraged a robust private sector response with an increasing number of private sector institutions providing training, on a fee basis, in information technology and foreign languages. However, most private sector TVET activities are confined to Phnom Penh and TVET capacity in rural areas remains dependent on external assistance through non-formal TVET delivery.

The RGC recognises that TVET institutions need to improve performance. A number of areas have been identified that need to be addressed to make vocational training yield higher returns and be able to support the process of economic and social development. A policy priority of the Government is to strengthen financial, regulatory and management systems alongside improved quality assurance mechanisms, linked to increased operational autonomy for the institutions.

In early 2001, a Strategic Plan for the development of the TVET system has been approved by the National Training Board. The first priority of the Government is to put in place the needed regulatory and quality control mechanisms and to support the growing public/private partnerships, and to ensure an increased operational autonomy for the institutions. TVET plans for 2002 include expansion of the provincial training center network to underserved provinces, sustainable financing of the TVET operations and the national training fund, as well as support for building capacity of the public sector TVET system.

The framework for strengthening the relevance of higher education and TVET to changing economic needs is provided by the ongoing implementation of strategic plans. These plans specify training delivery systems and roles and responsibilities of a reformed TVET system as well as identification of targeted groups. The Departments of Higher Education and TVET and National Training Board are the main institutions supervising and monitoring the implementation of these plans. In addition to reform of these systems, the Government will strengthen its investment appraisal mechanisms with a view to ensuring that instance external assistance programs as well as foreign direct investment incorporate structured training modules for transfer of technical specialization's to national staff.

The Government recognizes that provision of TVET services is a rapidly growing segment of the education and training sector. As most of these services are increasingly being provided by the private sector the Government will play a supporting role rather than establishing competitive organizations at ministry level. The Government has an important role to play in complementing the emergence of vocational and technical training by modernizing curricula and upgrading teacher's skills in core science and technology areas, business studies and languages in secondary schools. Schools science will be strengthened and courses on self-employment, income generating activities and small business management will be developed and introduced into secondary schools and higher education curricula. Emerging entrepreneurs will be trained in finance and investment analysis, business management and accounting through closer links to the technical and vocational programs of business and non-government organizations. The private sector and NGOs will take the lead role in service provision in entrepreneur enterprise and development training.

4.2.7 Industrial Development

The Royal Government intends to promote private sector development through selected and carefully designed industrial policies. These can be summarized as follows: (1) encouraging expansion of the SME sector, especially through provision of medium and long term finance, (2) improving the performance of State-Owned Enterprises through corporatisation and privatisation, (3) stemming the flow of illegally imported products, (4) reducing barriers to export such as export taxes and inefficient provision of trade facilitation services (e.g. licensing), (5) reducing barriers to importation of business inputs, (6) providing infant-industry protection in carefully selected instances, (7) enhancing the linkage between SMEs and large industries, (8) promoting a national productivity centre that will assist small and medium size firms to increase productivity and reduce production costs, (9) establishing a National Institute of Standards that will ensure product quality matches regional and international standards, (10) establishing a National Laboratory with the technical capacity to undertake physical, chemical, microbiological, and mechanical testing that will establish the quality and other specifications of these products, (11) establishing an industrial property rights bureau that would protect new products, designs and technologies from illegal copy, (12) promoting vocational training domestically and overseas, , (13) promoting of one village one product movement and (14) upgrading the legal framework in the areas of factory law, industrial zone law, patent and industrial design law, weights and measures, industrial safety.

The Royal Government's industrial development action plan (1998-2003) had two goals, which remain current: supporting the development of export-oriented industries, and the development of import-substituting production of selected consumer goods. These goals are to be achieved by

promoting: (1) labour-intensive industries, (2) natural resource-based industries, (3) small and medium enterprises, (4) agro-industries, (5) technology transfer and upgrading the quality of industrial products, (6) establishment of industrial zones, and (7) the development of import-substituting production of selected consumer goods.

The promotion of labour-intensive manufacturing will continue to focus on the textile and garments sub-sector, where the ready supply of mostly female labour underpins cost competitiveness. However, the Government recognizes that retaining and increasing market share in an increasingly competitive international environment requires the upgrading of product quality, as well as greater productivity through improvements in technology and management. The development of better industrial relations within the established legal framework is also needed; and ways of increasing the multiplier effect of garment manufacturing need to be investigated. Currently, most of the garment sector operates on cut, manufacture and tailor basis, with fabric and accessories (zippers, buttons, thread) being imported, and the purchase of local inputs limited to transportation and freight clearing services, utility-type services to run factories, and construction to build factories.

In order to diversify the manufacturing export base, the Government will encourage toy production, whether under license or through foreign direct investment. Such manufacturing is considered to be well suited to the country's relatively large endowment of low skilled labour. A second area that will be promoted is assembly of electronic products, where all parts and components are initially fully imported.

The promotion of natural resource-based industry will focus on identifying and exploiting opportunities in processing of natural resources, including non-metallic mineral resources, timber, and fisheries. The development of animal and fish breeding may permit their supply as a raw material for reprocessing factories. However, the main prospects in this area are in the use of non-metallic resources for manufacture of construction materials.

Cambodia's Power Sector Strategy (2001-2005) sets out the priorities and a major investment program to lower tariffs and bring reliable electricity supplies to considerably more Cambodians. The planned investment program includes: (1) the development of a generation and transmission grid to link large electricity generation units between Phnom Penh and the provincial capitals; (2) provincial towns electrification plan to rehabilitate supplies; and (3) the development and implementation of a rural electrification plan. Rehabilitation and expansion of Phnom Penh's electricity supply system is being continued. Generation capacity is also being expanded with an interconnection from Vietnam and over the next five years from a new gas turbine combined cycle power plant in Sihanoukville. These improvements will allow a reliable and security of electricity supply to the outer regions of Phnom Penh.

The Program to establish a National Generation and Transmission Grid commenced in 2000. The first stage of this program is the construction of transmission line between Vietnam and Phnom Penh through Takeo Province. The second stage is the construction of a transmission line from Kampot province to Takeo province and the third stage is the transmission line from Sihanoukville to Kampot province. It will allow generating units to be established in Sihanoukville to provide supplies to provincial cities between Sihanoukville and Phnom Penh and also increase the capacity available to Phnom Penh. By establishing generation in Sihanoukville, which is expected to be a gas power plant, it will lessen the need to transport fuel

on the Mekong reducing the danger of oil spills and environmental damage. The portion of the transmission line from Phnom Penh to the border of Vietnam through Takeo will be established first to import electricity from Vietnam in year 2003. The 220 kV Interconnection from Vietnam will supply power to communities in the South and increase capacity available to Phnom Penh.

A Five-Year Rural Electrification Program including renewable energy will also be scheduled. The total cost of this first portion of power transmission and rural electrification project is estimated at US\$89 million. Another 115 KV interconnection transmission line is also planned to connect from Thailand to Banteay Meanchey, Battambang and Siem Reap provinces to support the provincial and rural electricity program. The plans also include developing hydropower project in Kamchay and there after Stung Battambang, Stung Atay and Russey Chrum.

Consideration of hydropower stations in Cambodia will require close attention to the necessary balance between growth, environment and social equity objectives. Efforts should be made to avoid the mistakes of neighbouring countries, where the development of hydropower has led not only to environmental and social but also to economic problems. The dynamics of rural electrification and rural employment creation should be maximized to generate alternative incomes for the poor.

In regard to small-scale industry and handicraft production, the Government intends to give priority to the promotion of traditional art and crafts for the tourist market in both rural and urban areas. Another area with potential for expansion is the small-scale tobacco producer who can contribute to increasing the supply of raw materials to the large manufacturers. However, in order to succeed it will be necessary for these enterprises to ensure sustained product quality. In addition, because they do not have access to credit other than from high-cost moneylenders they will need to be provided micro-finance credit facilities.

The core strategy for agro-industry development is to grant concession land plots to both domestic and foreign companies on a long-term basis, and to encourage the participation of local small landholders through contract growing for processing factories in the area. The development of agro-industry initiatives will require close co-ordination between the ministries of Industry, Mines and Energy, Agriculture, Fisheries and Forestry, and local authorities, as well as technical assistance in the full assessment of development potential. Strengthening the economic linkage between agriculture and industry within the context of sound environmental management is seen as essential to the creation of incomes and employment.

ENERGY DEVELOPMENT

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The programme to establish the National Generation and Transmission Grid commenced in 2000. The first stage of this programme is the construction of transmission line between Vietnam and Phnom Penh through Takeo Province. The second stage is the construction of transmission line from Sihanoukville to Kampot province. It will allow generating units to be established in coastal area to provide supplies to provincial cities between Sihanoukville and Phnom Penh and also increase the capacity available to Phnom Penh. By establishing generation in coastal area, it will lessen the need to transport fuel on the Mekong reducing the danger of oil spills and environmental damage. The portion of transmission line from Phnom Penh to border of Vietnam through Takeo will be established first to import electricity from Vietnam in 2005. The 220 kV interconnection from Vietnam will supply power to communities in south and increase capacity available to Phnom Penh.

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Consideration of hydroelectric stations in Cambodian will require close attention to the necessary balance between growth, environmental and social equity objectives. Efforts should be made to avoid the mistakes of neighbouring countries, where the development of hydropower has led not only to environmental and social but also to economic problems. The dynamics of rural electrification and rural employment creation should be maximised to generate alternative incomes for the poor.

4.2.8 Urban Development

From the perspective of the Municipality of Phnom Penh (as in municipalities in many other Asian cities) there has never been any direct relationship between urban development and poverty alleviation. In stark contrast to rural development (which is explicitly intended to benefit the rural poor), urban development has been perceived essentially as the physical modernisation and expansion of the city through the installation of infrastructure and the construction of housing, commercial buildings, industrial zones, schools, hospitals, government offices and other facilities. The resulting buildings, infrastructure, facilities and services are mainly intended to serve the better off sections of the city's population, particularly the business sector. The urban poor, who are predominantly squatters, or even worse, street dwellers, have been seen as an obstacle to urban development because they often hinder the development of infrastructure by occupying state public land and because their rural appearance and habits are out of step with modern city life.

Poverty forces the urban poor to live in squatter settlements, which, as illegal settlements, are denied security of tenure and access to most basic services. Consequently squatter settlements are disorderly and densely clustered networks of shacks along the sides of lakes, canals, railway lines and road. Both the authorities and the better off city dwellers tend to blame the poor for their wretched conditions and stigmatise the poor as socially undesirable, criminally inclined, even mentally defective. The usual response from middle class people and from officials is that

the urban poor should be sent back to the rural areas where they belong. Unlike the rural poor who constitute the vast majority of the poor in Cambodia and who are considered to be innocent victims of poor administration and underdevelopment (lack of infrastructure and basic services), the urban poor are deemed to be responsible for their predicament. They are given a much lower priority for assistance because, on paper at least, they are much better off than their rural peers in terms of incomes, nutrition and proximity to basic services like education and health. Even well informed personnel in donor agencies ironically downplay the privations of the urban poor by using crudely conceived statistical comparisons with the rural poor to justify anti-urban grant and lending policies. By so doing the donor community often reinforces prevailing local confusion and prejudices against the urban poor.

The 1999 Urban Poverty Reduction Strategy (UPRS) of the Municipality of Phnom Penh rightly acknowledged that urban poverty was more than simply an economic problem resulting from low income or low productivity. It identified three root causes of poverty: (1) *economic*, i.e. low income, or lack of subsistence means, (2) *social*, i.e. inadequate housing conditions and living environments, including lack of access to basic services, and (3) *political*, i.e. when some citizens do not have a voice in decision-making, or are not recognised as having the same rights as others. In reality though, this definition is still not understood or accepted by most levels of the national and municipal government. It has remained mainly on official documents unknown to most municipal officials. Most officials still consider the city's poor as being responsible of their own situations. Having “decided” to live in slums, they “created” their own living conditions, and “should go back to their provinces”.

Until 1998-1999, the Municipality of Phnom Penh had maintained a rigid policy of not recognising “squatters” as legitimate inhabitants of the city and it did not support development activities to reach slum dwellers. Instead the Municipality evicted squatters, often violently, without compensation or support for the evicted to relocate elsewhere.

The first significant step towards triggering community-based urban poverty reduction from 1995 to 1999 was the development of some basic level of community organisation through savings mobilisation, and the setting up a federative structure among such community organisations. The second was the implementation of small-scale in-situ upgrading, and the organisation of a few successful voluntary relocation programs outside the city. The two main civic organisations representing the urban poor (among a dozen or so smaller NGOs), the Solidarity and Urban Poor Federation (SUPF) and the Urban Sector Group (USG), have organised about 180 squatter settlements in total, federated them with other communities and significantly empowered many of them in the process.

The most stable communities learned how to prepare proposals for local improvement plans, to raise funds from the communities and external donors, and to implement their projects. The training of some leaders by local advocacy groups on human rights and certain aspects of civil and criminal law has also enabled communities to negotiate with the MPP and to enforce a semblance of rule of law in some settlements formerly plagued by crime and insecurity.

From 1996 onwards, a few high-level municipal officials collaborated with a UN-Habitat project and various Community-Based Organisations (CBO) and NGOs to improve the living conditions of the urban poor through a series of community-based in-situ upgrading projects. In 1999 the Asian Coalition for Housing Rights (ACHR), SUPF and the Municipality of Phnom Penh set up

the Urban Poor Development Fund (UPDF) as a credit institution for the urban poor. In so doing, the Municipality had begun to recognise the potential of many poor communities to help solve their own problems of low incomes and sub-standard living conditions.

After extensive consultations with organised communities, NGOs and CBOs, the MPP and UN-Habitat jointly developed an *Urban Poverty Reduction Strategy* in 1999. This strategy, based on lessons from the earlier collaborations, aims at:

- Improving access to basic services for the urban poor – by securing affordable land and housing, enabling the delivery of physical infrastructure (water supply, drainage, roads, sanitation, electricity, transport, solid waste collection), of social infrastructure (education, health care, family planning) and the implementation of disaster management (against fire and floods);
- Enhancing local economic potentials (especially for women) – by providing education, vocational and business skills, credit and savings, industrial employment, marketing information, and space for small businesses and marketing; and
- Strengthening participatory urban governance mechanisms – by facilitating community organisation and leadership, setting community development management committees, creating land and housing policies for the urban poor, simplifying procedures for government services, eliminating corruption, and securing tenure.

The implementation of the Municipality's UPRS relies upon decentralising decision-making from the MPP to the *Khan*, Sangkat and community levels. This is being achieved through Community Development Management Committees (CDMCs) established at the Khan level comprising representatives from urban poor communities, NGOs, Sangkats, the MPP and on occasion, the private sector. CDMCs are intended to support the development and implementation of poverty reduction action plans at the community level through Community Action Planning (CAP). One of the first outcomes of the CAP process in each community is the election of a Community Development Committee. The CAP activities have been funded mainly by the current DFID/UNDP/UN-Habitat Phnom Penh Urban Poverty Reduction Project. The communities themselves, with project or NGO support, implement resulting action plans. Through this approach, the Municipality has been enabling poor communities to implement the projects they have planned themselves, on the condition that their plans fit with the Municipality's guidelines.

However, efforts to implement the UPRS over the last 3 years have been hampered by shortcomings on both sides. Though the MPP has created an Urban Poverty Reduction Unit (UPRU) and the Urban Health Project (now called Health Services for the Urban Poor project) to work for and with the poor, there is still a great need for fundamental changes in official attitudes towards the urban poor. In particular there is an urgent need to curb the still prevalent corruption that plagues many projects with the urban poor, and prevents the full implementation of the official poverty reduction policies and guidelines. Another limitation of the UPRU has been its inability to provide substantive and timely advice to the MPP, to guide the formulation of pro-poor policies and to coordinate the activities of the different departments of local and national government as well as other development actors in the city.

On the community and civil society side there has been limited outreach to other unorganised groups of poor people achieved through NGO and CBOs activities. There is growing evidence that the scale and impact of the savings and loans programmes maybe overstated. Most savings

groups formed thus far do not engage with a majority of their community and there has been a considerable amount of mismanagement of savings by savings group leaders. There is also still no mechanism to reach the poorest households within communities who cannot participate in the savings groups.

Another cause for concern is the very limited capacity of many community organisations in ensuring community ownership of their projects and commitment to their operation and maintenance. Despite their relative success, local organisations have faced serious limitations in reaching out and representing the interests of all of their neighbours in their respective settlements or the poor in Phnom Penh as a whole. Their interventions have sometimes reinforced existing social and political inequalities as they organised settlements into “communities” by supporting existing power structures of clienteles, without always providing the mechanism to care for the excluded. At times, some leaders have only supported politically affiliated community members, limiting access to project benefits to the latter, their friends and families. Overall even successful programs have only tended to benefit the economically stable sections of poor settlements, and not adequately considered the needs, capacities and constraints of the most excluded and vulnerable households.

Conspicuously absent in the implementation of the UPRS to date has been the recognition that rural to urban migration will continue for decades to come. Consequently Municipal efforts have focused excessively on 'voluntary relocation' of inner-city squatters to the Municipality provided sites on the city's periphery. Now that participatory monitoring and evaluation of the impacts of such relocations have revealed that they are more likely to exacerbate the livelihoods and living conditions of the poor, there is a clear need to pursue squatter *in situ* upgrading programmes more seriously. Squatter upgrading not only protects the economic assets and livelihoods of the poor, it is also a much more affordable poverty alleviation approach for a revenue deficient municipality. At the same time there is an urgent need to develop programmes of land banking, sites and services and the like, for future incoming migrants so that they will not be forced to squat and create a new generation of problems for the Municipality. Part of a forward looking strategy for urban poverty alleviation will have to include closer collaboration with secondary and tertiary cities on ways and means of stimulating their development. Through such development smaller cities can help to meet the inevitable need for off-farm employment and urban land and housing opportunities for rural populations over the coming decades. Without such collaboration Phnom Penh will have to continue absorbing the bulk of such migration with negative consequences for itself and the other cities and towns.

In 2002, between 228,400 and 241,600 people live in low-income communities. Most of the households are considered as “squatters”, while a few urban poor groups live in slum-like conditions, but claim occupancy rights. Almost all live on marginal, seasonally or permanently flooded land, or in multi-occupancy dilapidated buildings in the city centre. Squatters and urban poor form at least 20 percent of the city's population.

NUMBER OF HOUSEHOLDS/PEOPLE TARGETED IN 2003-2005 PERIOD

Improved housing and living conditions = 7,500 households or 37,500 people

Improved economic opportunities= At least 6,000 persons

In order to achieve these, the strategic measures include:

Adequate housing and living conditions for the urban poor:

- Create a supply of affordable land for low-income families in suitable locations;
- Stimulate the formation of affordable housing on such locations;
- Provide access to water, electricity and solid waste services *in situ* and on relocation sites;
- Provide adequate drainage systems *in situ* and on relocation sites;
- Provide adequate sanitation in upgradeable settlements and relocation sites;
- Improve transportation networks and services for low-income populations in existing upgradeable settlements and on relocation sites; and
- Develop disaster prevention and mitigation programme for existing settlements (whether upgradeable or not) and on relocation sites.

Adequate economic opportunities/income generation: (in particular for women):

- Promote non-formal education and vocational training for the poor (especially women);
- Promote and support innovative savings and credit/micro-finance for the poor;
- Improve understanding of informal sector and apply measures to regularise it;
- In close collaboration with key ministries, employers associations and unions identify jobs for urban poor women and men including community and household level 'piece work';
- Review policies and practices in city markets and city streets to ensure affordable space for poor vendors: make regulations and charges known to the poor and monitor implementation;
- Promote SMEs in building materials production for poor entrepreneurs and skilled artisans;
- Introduce labour intensive methods of constructing infrastructure like roads and drainage;
- Pilot the use of community/CBO enterprises for the provision of goods and services (e.g. furniture for schools, public transport services, garbage collection and street cleaning) for the MPP as well as national government offices and departments; and
- In close collaboration with the Ministry of Tourism identify potential business opportunities for the urban poor and pilot them within different fields like transport, handicrafts, street food, entertainment, culture, etc.

Improved local governance:

- Promote genuine community organizations, and empower them with legal status to benefit their members;
- Recognise the role of NGOs and CBOs and create institutional partnerships with them;
- Work with MLMUPC, other municipalities, civil society and community groups to develop pro-poor land and housing policies and public awareness (especially for low income groups) of land and housing policies and land law;
- Prioritise administrative reform in poverty alleviation programmes and projects: link to other cities through the formation of an association of cities for exchanging experiences on administrative reform and poverty alleviation;
- Simplify procedures for obtaining government services and permits;
- Initiate issue based consultations to develop frameworks and institutional mechanisms for partnerships between different actors on poverty alleviation;

- Target capacity building opportunities to the appropriate level and to the most committed representatives of the Municipality, NGOs and communities: share opportunities with other cities and compare impacts through an association of cities; and
- Make participatory monitoring and evaluation an integral part of all poverty alleviation measures whether they are laws, policies, capacity building or actual programmes or projects.

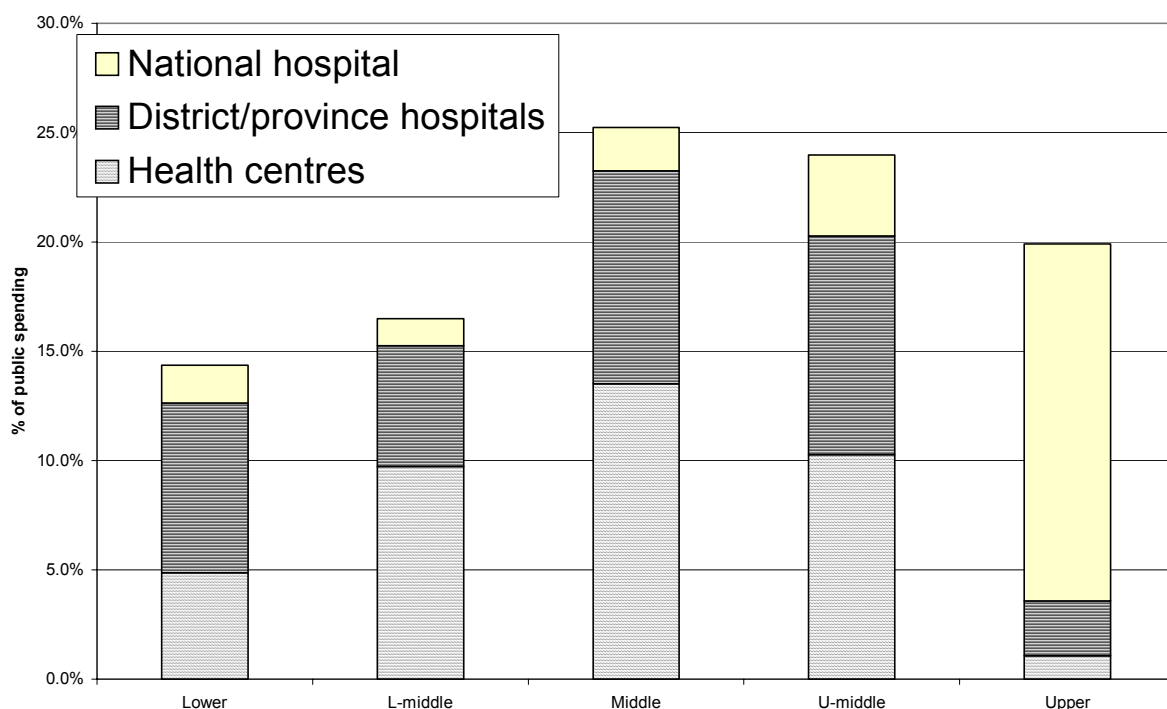
4.3 IMPROVING CAPABILITIES

Chapter 3 highlighted the poor outcomes and disparities that particularly affect poor Cambodians in the areas of education, health and nutrition. Addressing this is a primary objective of the Royal Government, which has been supported by development partners. This section sets out the main aspects of pro-poor policies that are needed to improve the capabilities of the people, through priority actions in the areas of education, health and nutrition, and safe water and sanitation.

4.3.1 Health

SEDPII recognised that the proportion of public health spending captured by the poor is very low and efforts so far to improve the equity of the health sector have not been effective, as the poor use government services far less than the non-poor. This is confirmed by poverty and social impact analysis in the recent Public Expenditure Review, as shown in Figure 1. It shows that the poor benefit only 2/3 as much as what would be the case with equal distribution whereas the richest receive double that expected. Poverty prevention, as well as poverty alleviation, therefore hinges crucially on a reform of the fee and exemption system, and providing access to good quality care for the poorest.

Figure 1: Benefits Incidence Consumption Group (RGC spending)



Notes: Tim Ensor (2002): Draft Public Expenditure Review of the Health Sector in Cambodia.

The analysis indicates that whereas the lowest income quintile (bottom 20%) consumes 13 percent of the resources, the top quintile uses almost 40 percent²¹. This disparity is even greater if the relative health need of the poor is considered to be greater than that of the rich. Inequality in resource distribution is most evident for the national facilities, where relatively wealthy urban Cambodians make most use of these services. By contrast, district hospitals appear to provide the greatest benefit to the poorest group.

Understanding the reasons for this distribution requires an analysis of the multiple determinants of health sector use. This remains an important area for future investigation. A preliminary multivariate investigation, based on the 1999 data, suggests that location of facility is extremely important both in determining how long people wait before consulting a practitioner in the event of illness and in affecting which facility is chosen for treatment. It is likely therefore that choice of health centre or hospital is strongly determined by population concentration. It is also the case that in the event of illness the poor wait longer before seeking treatment, perhaps exacerbating the condition and making treatment at a higher-level facility necessary.

Public sector resources available for service delivery are still very limited, however, and can be expected to remain so for many years. While there is uncertainty about the actual figures, the share of government in total health spending is estimated at only about 10 percent, with donors contributing about 20 percent and households contributing the balance and therefore the bulk of expenditure on health (PER 2002). The current staffing of the MOH is appropriate (in the mix of skills represented, but not in quality) to its needs as a direct provider of comprehensive health services. The MOH is less adequately staffed, however, in relation to its key non-service delivery functions.

A variety of important financing and management innovations are underway. In addition to the contracting-in and contracting-out pilots undertaken, innovative management initiatives and financing reforms include the New Deal in Sot Nikum of Siem Reap, and those in Takeo, Svay Rieng and Pursat Hospitals. The results to-date of most of these pilots appears promising. This policy and strategy is being continued, but with increasing emphasis on the dual challenges of improving the efficiency and equity of government health services.

In 2002, the Ministry of Health produced a sector-wide strategic plan for 2003-2007 that outlined the overall policy direction for all inputs in health sector from domestic, external and private sector resources. The plan has a strong focus on health outcomes and gives priority to enhancing the health status of poor and socially disadvantaged Cambodians. The strategic plan, endorsed by the RGC, is the basis to enhance sector-wide management capacity of the MOH and provides the umbrella framework for health sector activities through the NPRS.

The Health Policy Statement 2003-2007 seeks to provide high quality, evidence-based health services, with equity, and no discrimination by gender, age, place of residence, or ability to pay,

²¹ Implying that the poor benefit 65 percent of what would be expected if resources were distributed equally, while the rich almost double that expected.

that are pro-poor, and are based on trust between providers and users. The working principles include ensuring social protection for vulnerable groups, listening to what people want, at appropriate, sustainable cost, focusing on rural areas, involving capacity building and human resources development, and partnership.

A critical underlying need, which has been addressed by the RGC, is to increase public support for health care. The share of the current budget directed to health is projected to increase from 9.5 percent in 2001 to 13 percent by 2005, a rise of more than 30 percent, to be accompanied by better public management (see Chapter 5). The MOH has established the targets to be achieved based Millennium Development Goals (MDG). These are impact and outcome indicators, which are presented in the NRSP Monitoring and Evaluation Framework in Table 6.1.

To reach the set targets the MOH is going to **target service delivery at poor people, including reallocating resources in favour of poorer geographical areas**. The key strategic objectives are to (1) promote health service coverage and utilisation, (2) enhance accessibility and affordability of key essential services, and (3) provide information, improve participation and empower the poor to make informed choices.

To promote coverage, the MOH will strengthen current and wherever necessary, alternative delivery strategies that will extend key priority services to the poor and vulnerable with a strong emphasis on preventing/limiting serious conditions particularly among women and children. The priority areas include: (1) location of health facilities will be wisely planned to effectively reach the poor and the underserved in rural and remote areas, (2) child health services including immunisation, management and prevention of preventable diseases, acute respiratory infections, diarrhoeal diseases, dengue, etc, will be strengthened and expanded through integrated management of childhood illnesses (IMCI), (3) breastfeeding, appropriate feeding practices and prevention of micronutrient disorders (also included in IMCI) will be promoted, (4) maternal health services including birth-spacing, ante and postnatal care, safe deliveries and emergency obstetric care, safe abortions and post-abortion counselling, and prevention and control of sexually transmitted infections will be promoted through ensuring adequate services at facility and community level and enabling appropriate behaviours and community linkages, and (5) management, prevention and control of communicable diseases and the key diseases which disproportionately affect the poor including HIV/AIDS, TB, malaria, dengue will be strengthened and expanded through extension of service delivery strategies including home and health centre based care, active distribution of prevention commodities such as bed-nets, water jar lids, abate, condoms, etc. These services will be delivered through outreach, health centres and referral hospitals as the cornerstone of the minimum and complementary package of activities (MPA and CPA). The emphasis is on outreach and community based measures to reduce high levels of unmet need for contraception and enable poor women to control and regulate their fertility. Likewise, outreach is an important measure for child health particularly to improve utilisation of preventive and promotive services.

The next group of activities relate to enhancing accessibility to, and affordability of low-cost high impact services through different targeting mechanisms. The following strategies are aimed at reducing financial barriers to access among the poor and improving management capacity within the public sector: (1) regulatory mechanisms for price control through official user fee schemes with community participation in setting prices, identifying the poor for exemptions and monitoring quality will be established, (2) Equity Funds to further promote access to priority

services such as emergency obstetric care as well as protection against catastrophic expenditures especially at referral hospitals will be established and implemented. Such financing mechanisms would be dovetailed with field level efforts to ensure quality and promote low cost primary care services that either prevents or limits the effects of catastrophic illnesses on household expenditures, (3) NGOs will be contracted to provide primary and secondary care services (MPA/CPA) for poor, remote areas. Such initiatives are on-going and will further expand to cover twelve districts in Takeo, Kampong Cham, Prey Veng, Mondulhiri, Ratanakiri, Preah Vihear and Koh Kong, (4) support from NGOs will be mobilised for other non-contracted areas to extend services through MPA and CPA to poor and marginalised communities, and (5) incentives to staff working in remote areas will be effectuated through performance-based measures.

Additionally, to protect low-income, vulnerable groups from sliding into poverty on account of high treatment costs, the MOH will explore the feasibility of piloting community-based health insurance and pre-payment schemes in partnership with NGOs.

Last, but not the least, the third strand of actions of the health sector will focus on mobilizing resources available among the poor, enabling informed choices to take appropriate actions for their health and well-being and promoting their participation in decisions on health and health-related services.

Further, the strategies contributing to achieving the objectives of the health sector in alleviating poverty are to be implemented through: (1) setting up community/village health support groups to harness grass-roots leadership into decisions and actions for improving health centre functions and eliciting feedback and opinions regarding service availability, quality and prices from among the poor, (2) providing adequate information through communication strategies that enables consumers to make appropriate choices and adopt healthy practices such as exclusive breastfeeding, immunization, the intake of micro-nutrients, energy and vitamin-rich foods, and seeking advice and treatment from trained providers and responding to warning signs in pregnancy and childhood infections, (3) promoting the use of public sector health services through community networks, field-level health providers and other available channels, including information on where to go and whom to consult for treatment and advice for certain specific conditions, (4) mobilising health resources and actions through measures to promote political participation among the poor in connection with commune councils, village development committees, etc; and (5) promoting participatory research and appraisal within grassroots communities to set in motion a process that periodically brings in opinions and perceptions from the poor and socially disadvantaged.

Crosscutting themes within the overall health sector strategy for poverty reduction also include harnessing the potential of private sector in extending services. This includes birth spacing, ORS (Oral Re-hydration Salts) promotion, iodised salt distribution and immunization. Regulation of commercial providers, in particular those in the informal sector, is important as they would continue to attract the poor. In conjunction, the MOH would expand partnership with the non-profit sector in expanding coverage, accessibility and also behavioural change communication based on their comparative strengths in serving the poor and the hard-to-reach.

Notwithstanding, the health sector pro-poor efforts will be connected with inter-ministerial initiatives to break the cycle of poverty leading into ill health that contributes to loss of

productivity and family income. Whenever possible, health strategies would link in with rural and urban livelihoods and skills promotion programmes, micro-credit schemes, education sector initiatives and measures to expand basic services including food aid, safe water, housing and sanitation services.

The strategies presented require further validation and detailing through diagnostics to determine the effects of current health service delivery measures disaggregated by income quintiles and socio-economic groups. It would be important to continue health systems research that analyses the wealth of data amassed through the Cambodian Demographic and Health Survey 2000 and the Cambodian Socio-economic Survey 1999. Operations research on evaluating the existing pilots on equity funds, user fees schemes, innovative service delivery and behavioural change strategies will contribute to refining the pro-poor health strategies for 2003-2005. Work will continue on costing of pro-poor interventions including cost-effectiveness analysis of service delivery strategies.

The health component of the NPRS will benefit from additional direction and oversight from the National commission on Macroeconomics and Health, a joint initiative between the MOH and the MEF. The commission is planned to be formed in 2003 and will focus on investment in the health sector. A variety of sub-themes are envisaged, including the analysis of public policies affecting poverty and health and the effects of government-wide reforms and public financing on health sector performance. The national commission will lead advocacy on increasing priority and investment to health as the centre stage of Cambodia's social and economic development.

4.3.2 Nutrition

Chapter 3 outlined the extent of seriousness of malnutrition problem in Cambodia. Among the general population, especially children and women, the main underlying causes of malnutrition are not primarily related to food availability, but rather to poor feeding and caring practices and low access to health and environmental sanitation. Women therefore will be the key target group for nutrition programme. Vitamin A deficiency is the leading cause of preventable childhood blindness and is indirectly responsible for a large proportion of child morbidity and mortality and its related high expenses. Deficiency of iodine can reduce intelligence by as much as 13-21 IQ points. Children who are anaemic learn poorly in school and their intelligence can be reduced as much as 5 to 10 IQ points. Protein energy malnutrition Commonly associated with micronutrient deficiencies underlies low productivity and reduces earning capacity in the family.

Experience from ongoing community based Seth Koma programmes, has shown that the cost of reducing malnutrition can be as low as US\$1.78 per child in Cambodia (CNIP2003-2007). Using integrated intersectoral nutrition planning and community mobilization processes, it has been possible to maximize resource utilization to ensure positive outcomes. Investing in nutrition in Cambodia has high economic returns. The cost benefit ratio is estimated to be 1:8, i.e. for every dollar spent on improving nutrition, it produces US\$8 in return as benefit. Addressing the issue of malnutrition can make substantive and effective contribution to poverty reduction in Cambodia.

To address the specific causes of malnutrition, it is necessary for the communities to make their own assessment and analysis of the problems they face before appropriate actions can be taken at all levels. The communities need to become active participants in the eradication of poverty and not passive recipients of commodities and services. The existing sectoral programmes by

different ministries will have to support these efforts by the communities in a convergent manner. The focus will be on prevention of malnutrition at the early years of life, with interventions starting before birth and focus on the first two years in life when about 50 percent of children become malnourished. It is also necessary to improve nutritional status of women in childbearing age and pregnant women for their health and in relation to prevent intra-uterine growth retardation.

The policy response to malnutrition will also include the following, which will become the joint efforts of MOH, MRD, and other NGOs and UN agencies such as WFP and UNICEF.

- Extend programmes for distribution of micronutrient supplements (Vitamin A, Iron/Folic Acid) to target groups, particularly women and children,
- Increase production of iodised salt to achieve the Universal Salt Iodisation (i.e. all the salt for human and animal consumption is to be iodised) and promote consumption of iodised salt among all households. Where goitre prevalence rates are identified as particularly high, iodised oil capsules will be distributed,
- Outreach activities to poor areas will include regular growth monitoring focusing on children under 2 years old, regular de-worming, and targeted IEC for appropriate infant and young child feeding;
- Improve family behaviour and care practices for young children and pregnant mothers including health-seeking behaviour,
- Food supplementation remains one of the strategies to deal with malnutrition among the very poor. The target groups will children 6-59 months, and pregnant and lactating women. Supplementation will be on a monthly basis, where growth monitoring and nutrition education sessions will be conducted, and
- Explore the possibility of food fortification with micronutrients as one of the strategies to sustain elimination of micronutrient malnutrition.

4.3.3 Education

In the 1990s, the main characteristics of the education system were: (1) under-representation of children from poor families, girls and other disadvantaged groups at all levels, especially for secondary and post secondary education²²; (2) limited internal efficiency, especially high repetition and dropout rates in primary grades and inefficient secondary and post-secondary staff deployment; (3) uncertain quality of education, including limited availability of instructional materials and trained and motivated teachers; and (4) limited resources for the education sector. Limited public resources for education system result in unaffordably high costs for especially poor families, a barrier to access, and low wages for teachers. Further, lack of relevant post-basic education limit the contribution of the education sector to economic development and growth.

Under-served groups are a result of poverty, geographic isolation and social exclusion. In particular, poor rural and ethnic minority areas are affected by lack of schools in rural areas, longer distance from students' homes, poor classroom conditions, and schools without a full range of basic education grades. These factors also contribute to uncertain quality of education in rural/remote areas, made worse by the difficulty in attracting qualified teachers to work in these

²² PER 1998 estimated that 20 percent of the poorest quintile enrolled at primary level, 2 percent at upper secondary level and none at tertiary level.

areas, due to absence of targeted salary incentives. The situation is also affected by the shortage of non-formal re-entry education and literacy programs where school dropout is high.

The three key policy objectives of education sector are: (1) to achieve EFA, that is completion of nine-year basic education for all, through addressing simultaneously supply, demand and quality, and efficiency constraints, focussing especially on the poorest and the groups at risk, (2) to facilitate economic growth through increasing equitable access to quality and relevant post-basic education, and (3) to sustain institutional development towards pro-poor sector planning and management.

In order to address the above-mentioned issues and achieve the sector objectives, education policy, strategy and program were clearly set out in the Education Sector Support Programme (ESSP) for 2001/05, jointly endorsed by RGC and donors/NGOs in mid 2001. The ESSP is based on a rolling approach with an annual joint review by the RGC and its partners. The programme adjusted annually based on ESSP review recommendations and budget allocations set out in the MTEF. The ESSP is geared towards poverty reduction through a combination of a systematic reform ensuring that public resources are primarily used for the programmes benefiting the poor more than the wealthier, additional interventions targeting the most vulnerable and groups at risk, and measures aimed at increasing the relevance of the education and training system for the Cambodian economy in order to help accelerate economic growth. The long-term goal is to achieve Education for All (EFA) by 2015. The medium-term goal is to provide nine years of quality basic education for all by 2010 alongside strengthening the pro-poor policy development and sector management, and improving the relevance of post-basic education.

The RGC and MOEYS have already taken a number of policy measures to implement pro-poor education reforms. In 2000/01, the abolition of start of year parental contributions for grades 1 to 9, has already resulted in 18 percent increase in enrolment nationally, and even higher increases in remote areas. The education recurrent budget share has increased from 15.7 to 18.2 percent in the past two years, allowing for provision of operational budgets to around 6000 primary and secondary schools.

For basic education, the target for the next 8 years is to reach 100 percent net enrolment for 9 years of high quality education through increasing representation of the poor, girls, and other disadvantaged groups. For post basic education, the target is to expand opportunities for upper secondary and post-secondary education, through growing public and private provision, and to increase the participation of the poor and girls. Another important target is to reach at least 95 percent progression and transition rates over 2005/10 at all levels, and reduce drop out rates to under 5 percent in primary and secondary schools. Other efficiency targets are to reduce the proportion of non-teaching staff to around 15 percent, and increase pupil/teacher ratios for secondary to 35 and post secondary to 25.

In order to implement these policies, the target will be to continue to increase the share of education in the recurrent budget to at least 20 percent by 2005, with around 70 percent for basic education. In order to raise and sustain quality, the target will be a non-wage share of between 40 – 45 percent over the next five years, while maintaining increases in the salaries of teaching and non-teaching staff in line with civil service guidelines.

Increases in budget allocations for education are planned for the NPRS period, building on the trends of the past two years. As shown in Chapter 5, expenditure is projected to increase very substantially from 16.2 percent of current expenditure in 2001 to 18.5 percent in 2003 and 20 percent in 2005. The ESSP provides the framework within which these resources are allocated together with donor support. The government recognises that the intended improvements in public expenditure management (see Chapter 5) will also be key. Alongside specific measures planned in the ESSP, sustained progress in pay reform for the overall civil service will be critical to help address constraints on teachers' performance, particularly in rural and remote areas.

Access is to be increased by reducing the cost burden on the poor, and off-set informal payments by parents by providing operating budgets to schools and institutions. A related basic education strategy is to provide additional facilities in under-served areas, and poverty-indexed incentives/scholarships for primary and secondary students that will help address access and retention issues. A related strategy is to improve the effectiveness of the services delivered in particular in rural and areas through ensuring availability of trained and motivated teachers and core instructional materials more equitably across the country. Strategies facilitating entry and re-entry in the formal system (ECCD re-entry programme) will be complemented through measures providing alternative non-formal, literacy and vocational training opportunities for out-of-school youth and adults. For post-basic education, the strategy will be to promote both private sector involvement, user charges for students and trainees, while providing performance-based scholarships and dormitories for the poor, girls and other disadvantaged groups. Additionally, action will be taken to ensure that girls go to school at the correct age and complete their basic education, and that the high level of illiteracy among girls and women is progressively addressed.

This approach will be based on continued use of the recurrent budget priority action program mechanism, under budget Chapter XIII, with extensive capacity building in technical and financial management and monitoring at central, provincial, district and school levels. Targeted efforts will include specific training programs for senior managers to teacher trainers, inspectors, non-formal officers, and community leaders in managing education programs that specifically help the poorest groups. The strategy for the use of external assistance will be promoting a mix of targeted sector budget support, investments in facilities and capacity building and specialised technical assistance.

The priority action programs, will be expanded to cover (1) quality and efficiency programs focused on provision of operational budgets and other activities for all primary and secondary schools, TVET, teacher training and higher education institutions and expanded teacher development and instructional materials provision; and (2) improved access programs including continuation of primary school remedial classes, expanded non-formal education programs, and HIV/AIDS awareness, as well as targeted incentives/ scholarships for the poor, girls and ethnic minorities.

In addition, there will be an expansion of education facilities programs, especially providing additional primary and secondary schools and classrooms in under-served districts and communes. Criteria will include (1) villages and communes without schools; (2) incomplete primary and secondary schools; and (3) over-crowded schools. The facilities program will also provide additional TVET facilities in under-served provinces, new multi-purpose rooms in secondary schools, dormitories in selected secondary schools, teacher training colleges and higher education institutions as well as some teacher accommodation in remote areas.

The capacity building program will strengthen sector wide and program management operations at central, provincial and district levels. One priority will be to ensure effective technical and financial planning, monitoring and audit capabilities. Equally important is the strengthening of the sector governance framework at all levels including mechanisms that are accountable to communities.

4.3.4 Safe Water and Sanitation

As pointed out in Chapter 3 above the rural people have very poor access to rural water supply and sanitation. Despite abundant groundwater resources, access to potable water is limited. DHS 2000 data showed that 54 percent of poor rural households relied on pump or well as a source for water supply compared with 15 and 6 percent respectively of rich rural and urban households. According to the 1998 Census, only 23.7 percent of rural households have access to safe drinking water, compared with 60 percent of urban households. For the poorest 20 percent of the rural population, the percentage with access to safe water falls to 4 percent. Infant mortality rate (IMR) surveys indicate an increase in IMR from 88/1000 to 95/1000 over the 1990 to 1997 period, a situation that is likely to be due, at least in part, to the low level of access to safe rural water supply.

Rural water supply is a key effort of the RGC's policy aimed at poverty reduction, which has been carried out through the provision of small-scale irrigation for both household rice production and the supply of safe drinking water to the population in rural areas. The RGC has established a water supply and sanitation policy framework, which will focus on financial autonomy, tariff adjustment to initiate cost recovery, private sector participation, donor coordination, water resource allocation, and regulatory responsibilities. High priority is accorded to the development of this sector as a means to improve the health of the population and reduce poverty in rural areas. Attention is given to making better use of the existing water resources, strengthening institutional capacity, upgrading the production level of existing clean water processing plants to design capacity, and improving their performance and expanding connections to end-users. Managerial autonomy and financial independence will be further enhanced to allow the utilities to finance their own maintenance and investment programs. Rural wells will be expanded through increased government budget allocations and donor support with a focus on active participation of the local beneficiaries, particularly women who are primary collectors and users of water, in their operations and maintenance.

Care will be taken by MRD to ensure that rural water supply projects will take all key considerations into account, namely existing rate of coverage, the incidence of poverty, the state of the village environment, gender issues and geography.

4.4 STRENGTHENING INSTITUTIONS AND IMPROVING GOVERNANCE

More than 25 years of instability and conflicts have led to the near collapse of governance institutions and systems in the country. Cambodia has resolutely embraced principles of liberal democracy and human rights, free enterprise and market economy, and full integration into the regional and world economy as cornerstones to socio-economic development, social justice and poverty reduction. The Rule of Law and upholding good governance principles, such as

transparency, predictability, accountability and participation, are fundamental requirements to achieving the RGC's political agenda.

Cambodia is a democratic society, a market economy and a land at peace, opened to the world. Peace and security have been secured and the RGC has been transforming State institutions systematically. Yet, the country is in the early stages of a long road paved with high expectations and severely limited resources. The change agenda as outlined in various official documents such as the SEDPII and this NPRS is demanding. Success will depend on the extent to which shared principles of good governance are upheld. The RGC consulted widely before approving its Governance Action Plan (GAP) in March 2001.

The importance of good governance to the poor is clear from the PPA. NGO Forum and other stakeholders have also emphasised the importance of good governance and institutional strengthening. The RGC is committed to implementation of the GAP, which covers several crosscutting areas.

The GAP is a rolling strategic framework that provides a consistent and transparent approach to coordinate efforts better in eight priority areas: the Legal and Judicial Reform, Administrative Reform and Deconcentration, Decentralization and Local Governance, Public Finance Reform, Anti-corruption, Gender Equity, Demobilization and Reform of the Armed Forces, and the reform of Natural Resources Management (Land, Forestry and Fisheries). Most initiatives singled out as early priorities have been completed and medium-terms initiatives are well underway. The plan is being updated to take stock of progress after two years and to set priorities for the next three years. It is also being expanded to focus on social development issues better.

Domestic capabilities are limited. Within the planned Fiscal Framework, personnel budgets are severely constrained and available funds to meet operational priorities are inadequate, let alone to bring about required change. Management and staff skills must be strengthened. The working environment must be upgraded. For the foreseeable future, the Government will continue to depend on external assistance unless significant front-end investments are made early and current assistance practices are overhauled towards ownership and optimising the transfer of skills and knowledge. The priorities, particularly the most urgent of them, are the basis of a broad-based consensus on what needs to be done. The issue is one of means and sustainability. Will requisite resources be available on time?

This section of the NRPS on strengthening institutions and improving governance is about four critical cross-cutting areas to strengthen institutions and governance in support of poverty alleviation including (1) a justice system that supports development and rights; (2) a system of local governance that empowers people and communities; (3) an Administration that is an effective provider of public services and a trusted partner in development; and (4) an environment where corruption does not impede development and social justice. Together, these four objectives are mission-critical to good governance becoming the backbone to development and poverty reduction and to meeting the Millennium Development Goals.

Other objectives pursued to reform fiscal, monetary and finance governance and the management of the country resources, for instance, are no less important but they are treated in others sections of the NPRS. Specifics for the medium term are still scanty in important areas. Much of the work underway consists of securing and strengthening achievement and in completing the knowledge

base for follow-up actions to: (1) provide Justice for all; (2) empower communities; (3) accelerate pay and employment reform in the Civil Service; and (4) uproot and eliminate causes of and opportunities for corruption in institutions of the State. These are closely intertwined objectives.

Such reforms are long-term in nature. It will take time for impact and outcomes to materialise. The general approach is, thus, to urgently build foundations for sustainability and address the most urgent issues of concern and interest to citizens.

4.4.1 Reforming the Justice Sector

The Khmer Rouge regime was particularly harsh on the country's legal and judicial systems and ruthless with the men and women who operated them. With peace, security and stability restored the Legal and Judicial Reform takes central stage as a critical element of the Royal Government change agenda. The ultimate objective is to provide the conditions necessary for the promotion of personal and property rights and a robust private sector as agent of growth. Reforming Justice is an ongoing and incremental process that must be sustainable. It therefore must be firmly anchored into such values and principles as a liberal democracy, separated state powers, the rule of law and the rights of citizens.

The RGC has undertaken what will become a broad-based participatory process to prioritise initiatives and mobilize necessary resources. The Justice sector is a cohesive whole of legal texts, institutions, people and processes glued by widely shared values and principles. It covers a wide front from processes and practices to develop laws and regulations, and to implement them in cooperation with other sectors of society. Studies have been completed and resources are being mobilised. Management and coordination mechanisms are being strengthened.

By the end of these upcoming consultations, the RGC will commit even further to a strategy and programme of action to accelerate the reform of the legal and judiciary systems. It will set a clear vision of values and priorities and how best to uphold them and monitor progress. Already, partnerships are in place and others are being concluded.

For a variety of reasons, progress has not been as rapid as was desired. Yet, with limited resources, there has been, nonetheless significant achievements. On the legal side, important laws were enacted from laws relating to investment, trade and commerce to a law on land management and laws on basic rights. Numerous decrees and sub-decrees have been promulgated in support of due process and effective implementation. The Land Law itself is a significant achievement of participatory democracy to address a core cause of poverty, landlessness. Laws governing broad sectors of society and to curtail trafficking and violence will soon be adopted. The Penal Code and Procedures are being readied for presentation to the Council of Ministers and referral to the Legislative Branch early in 2003, with the Civil Code and Procedures following within a matter of months. Processes and practices to formulate legal texts are being revamped to favour participation. All State institutions, the Royal Government, the National Assembly and Senate, together with the Judiciary, the private sector, civil society and development partners will need to work closely to accelerate the pace.

There is also important progress in reforming the Judiciary. Foremost, the Statute of the Magistracy is reaching the final stages of approval; the remuneration of key court officials has been increased to levels commensurate with that of most senior officials in the Civil Service. The

Supreme Council of the Magistracy is being strengthened to reinforce due process, behaviour and discipline, and to build capacity. The Royal School of Magistracy has been established to train and develop magistrate and their staff. Law enforcement officers and lawyers are being trained at the School for Lawyers. Budgets for the Judiciary are being reviewed and, starting in 2003, will be separated from that of the Executive. Ways and means to improve access such as circuit courts or tribunals and specialized courts are under investigation. Resources are being mobilised to undertake projects that would strengthen the capacity of institutions and staff with a view to accelerating pace significantly.

The Council for Legal and Judicial Reform (CL&JR) was established by Royal Decree to direct and coordinate efforts to reform Justice. The Council will do so in full collaboration between the three branches of the State and willing development partners.

For GAP purposes, the reform of Justice was articulated along two major thrusts: (1) completing the legal framework to sustain rapid development and to promote and protect rights; and (2) strengthening the Judiciary to ensure transparent and equitable justice for all. Immediate policy priorities are to align the Justice Sector to poverty alleviation efforts, to complete the work relating to both the Civil Code and the Penal Code and to facilitate Cambodia's integration into the world economy. Immediate operational priorities are to strengthen capacity to manage the reform, to mobilise requisite partnerships and to secure required financing.

The strategy and programme being articulated are anchored into the values and principles enshrined in the Constitution. They are targeted at seven primary objectives:

- Accelerate the reform of Justice;
- Improve the protection of fundamental rights of all Cambodians;
- Modernise the legal framework to support development and poverty alleviation;
- Provide better access to legal and judicial information and facilitate understanding;
- Enhance the quality and accessibility of legal and judicial services;
- Introduce alternative dispute resolution mechanisms; and
- Provide requisite conditions for an effective Justice Sector.

The approach is comprehensive and participative. It is long-term, but the action plan being prepared focuses on the first three years to 2005. The Legal and Judicial sections of the GAP now being updated will provide the framework. Early next steps are to strengthen the capacity in planning and managing the reform; launching extensive consultations before finalising the strategy and work programme; and securing required financing.

As for other reforms to strengthen governance and institutions, it is not yet possible to specify expected results, when and at what cost. Much depends on individual partnerships yet to be put in place.

Early initiatives, however, target the following:

- Implementing the Reform Strategy and Programme in full consultations with partners;
- Strengthening institutions such as the Supreme Council for the Magistracy and the Ministry of Justice including the approval of the Statute for the Magistracy and a Code of Ethics;

- Building the capacity of support institutions such as the Secretariat to the CL&JR;
- Making the law formulation process a participative, predictable and effective process;
- Completing fundamental and urgent elements of the legal framework such as the civil and criminal codes and laws and regulations relating to investment, commerce and trade;
- Strengthening mechanisms to promote access to and understanding of legal and judicial information;
- Building capacity of the Judiciary (HRD, motivation and discipline); and
- Implementing a participative programme in support of human rights.

In the medium-term, attention will turn to:

- Ensuring that the legal framework and conflict resolution mechanisms meet the needs of the poor and standards for full involvement in international fora such as WTO and ASEAN;
- Implementing the civil and criminal codes and their procedures;
- Strengthening the Justice Sector through improving community confidence and the development of alternative conflict resolution mechanisms e.g. Ombudsman Office;
- Establishing new courts and tribunals to improve access and to enhance conflict resolution in specialized areas (commerce, administration);
- Publishing a “Bench Book” to ensure uniform legal practice and due process including an electronic data base on texts and decisions;
- Assuring the broad dissemination and understanding of laws and legal texts including the establishment of a justice knowledge centre;
- Strengthening capacity of the judicial police; and
- Strengthening the management and independence of the Judiciary including the provision of adequate means.

4.4.2 Reforming the Administration and the Civil Service

Another necessary condition to sustainable development, social justice and poverty alleviation is a neutral, transparent, responsive, competent and responsible Administration and Civil Service. The National Programme for Administrative Reform (NPAR) is designed to turn them into forceful partners in the implementation of the RGC agenda. The NPAR is a multi-year programme to adapt the Administration to the needs and means of the Nation. It is articulated in three phases: setting the foundations to sustain the course, reorganization and redeployment, and strengthening capacity and developing human resources. Initiatives are grouped into four axes: strengthening institutions and their legal framework, good governance and service delivery, enhancing human resources management; and building capacity in change management.

Phase 1 of the programme is for all practical purposes completed. It was designed to achieve five major results: to document and control the composition and distribution of the Civil Service workforce; to develop essential instruments to manage and motivate personnel; to assess needs of ministries relating to corporate services (back office); to complete preparatory work to move the Administration closer to citizens; and to strengthen the capacity to plan and manage the reform.

Now that the foundations are in place, attention turns to adapting the Administration and Civil Service to needs and means. The needs are clear – quality public services when and where

needed, and effective implementation of laws and regulations, foundations to poverty reduction, and social development. The means are also clear – they include a transformed public administration, closer to the people, more effective, accountable and transparent.

Over time, the Civil Service and the Administration will be made up of men and women, of institutions that have a clear sense of purpose, that have tools and resources adequate for the tasks at hand, that operate in an environment conducive to professionalism and productivity, and that respect principles of good governance. The focus is on providing quality public services when and where they are needed, strengthening regulatory functions and building capacity through pay and employment reform among other instruments. But such a reform can only be done using most effective tools and best practices in ways that ensure ownership and sustainability. Results need to be carefully timed using a mix of interlinked partnerships. An Information Technology (IT) programme to streamline service delivery and administrative (regulatory) processes and procedures, to enhance communications and to build capacity is an essential complement to the Operational Review which, in turn, is critical to accelerating pay and employment, for instances.

The challenges are formidable. The current Civil Service results from the amalgam of previously autonomous administrations. The means are scarce and capacity is lacking. The foreseeable MTEF and Fiscal Framework limit options that would allow sustainability without significant front-end investments by development partners. Reforms such as those envisaged will require difficult political and policy choices and necessary information for decision making is not yet available. Capacity must be built and human resources developed urgently. The programming of actions is not less challenging. Simply to maintain the size of the Civil Service at current levels will require major reallocation of resources towards Education and Health and from major centres to rural areas.

The challenges are particularly difficult when it comes to raising salaries to levels that would both motivate and meet cost of living. Current simulations show that to increase the minimum wage in the Civil Service to levels in the garment industry, for instance, Cambodia's GDP would need to increase considerably if the increase was to be financed through government revenues alone. Alternatives are limited too and require longer-term partnerships among all concerned and a significant commitment of resources over and above the Fiscal Framework. The current scenario presupposes that GDP growth is at least 6 percent a year through to 2006. Under this scenario, the vast majority of civil servants, particularly those outside major centres, will receive an adequate remuneration for a living. Senior management in ministries, provinces and districts, professional staff working on priority missions, teachers and medical staff outside major centres will receive adequate salary. And, incentives will be in place to favour remote areas and difficult jobs. Yet, the Royal Government intends to do all that is possible and sustainable to accelerate pay and employment reform.

This work can only proceed in full collaboration with ministries and external partners. Already key ministries are well on their way to reforming both themselves and the delivery of their services. Building on work in progress and capturing all possible synergies, the CAR Secretariat is finalising partnership arrangements that will establish the specifics of actions and the funding mechanisms.

The Administrative Reform has had important successes in the last two years, essentially completing the NPAR first phase. The characteristics and distribution of the workforce are

known. Over 9,000 irregular civil servants were removed from the payroll. Mechanisms to control the workforce are in place. The RGC approved a strategy to rationalise the Civil Service and the implementation of three early initiatives. Key applications of Human Resources Management Information System (HRMIS) to control and pay the workforce are in place. New classification and remuneration regimes more conducive to motivation and career progression have been introduced. A programme of Priority Mission Groups (PMG) is being implemented prudently in support of reform initiatives and improving service delivery. A project to strengthen the capacity of Civil Service management and of key strategic functions is being readied for implementation. Studies have been undertaken to complete the design of next reform initiatives and prepare for implementation (essentially accelerating pay reform, rationalising employment and building capacity).

Following are specifics of selected achievements:

- The new classification system is fully operational. Particular Statutes are in place. Required sub-decrees specify the structure and organization of ministries and agencies. The Common Statute and the Manual on the Obligations of Officials set the legal framework. Per the Governance Action Plan a Code of Ethics will be introduced as an early initiative;
- Starting in 2002, average remuneration increased by 44 percent on average with take-home pay more than doubling in some instances. This increase in salary took place within the existing fiscal framework and is being financed out of savings achieved through improvements in human resource management and a more efficient use of the Chapter X envelope. The RGC is also introducing performance-inducing elements that, over the years, will become more important. The basic pay based on one's classification is being complemented by a set of allowances to account for things such as risks associated with a job, its remoteness and difficulties. Special allowances are in place for teachers, medical staff and senior officials down to district governors;
- The PMG programme is being readied for launch in early 2003. The legal framework is now in place with the approved Sub-decree 83/ANK/BK (August 2002). Management and financial mechanisms are being put in place in cooperation with MEF, SSCS and target ministries and councils. Early PMGs will target change initiatives underway;
- The development and operationalisation of the HRMIS are progressing well: the payroll is computerized for all of the civil service; assigned positions (down to unit chiefs) and staffing grades and levels (new classification) are set; pay lists are produced automatically; discussions are ongoing with Education and Health to make the database more useful to them and more accessible; the migration to a Windows-base platform has been completed. Further improvements are needed but they can only be gradual in line with available means. It is expected that the system will be deconcentrated to ministries starting in 2004; in the meantime, capacity need to be built. The development of a realistic project to follow through is one of CAR Secretariat priorities to support pay and employment reforms;
- The CAR Secretariat and its partners have launched a study programme to be completed by August 2003, to investigate ways and means to accelerate pay and employment reforms where possible. Deconcentrated corporate and service delivery processes are being piloted. The review of back-office operations is being completed. An operational review of front offices is being readied for launch. A methodology for business process improvement is being finalized to complement other tools such as functional analysis.

Consultations are ongoing with early target ministries (Education, Health and Justice); and

- Examples of studies underway or to be undertaken immediately include: a study to support the articulation of a Service Delivery Policy and Program, one for a Remuneration Policy and Programme, the Operational Review, deployment mechanisms and building capacity. Arrangements are being made to fund elements of the Operational Review to complement projects underway in Education, Health and Justice in a first wave. However, assistance is required urgently for the CAR Secretariat to meet its deadline for informed decisions on the next steps by mid-2003.

Since 1998, the Royal Government has been committed to the emergence of a strong private sector, engine of economic growth, with the State (and its institutions) being a strategist, a partner and a facilitator. It has been committed to opening the country and its economy to that of South East Asia and the world. It has been committed to spreading the benefits of wealth through providing access to basic services in health, education, agriculture and, more generally, through the development of rural areas. It has been committed to rehabilitating the country infrastructure, to strengthening institutions and to good governance.

The Administrative Reform impact all these. But such a reform is long-term even in the best of circumstances and, in many respect, is an on-going process. The CAR circulated at the last CG in Phnom Penh, a matrix outlining expected results under the SRCS over the period to 2006 (it is now being updated to reflect new partnerships). In addition to completing work underway, the CAR Secretariat's rolling Operational Plan targets the design and implementation of next steps as the core of its activities. Policies and programmes to be developed in the coming months will cover such issues as accelerating pay reform, deconcentrating public services, developing human resources, optimising the organisation of work within the Administration, and designing mechanisms to facilitate required adjustments. A project to build the capacity of the Civil Service to plan and manage will be launched in the coming months. And, Khmer character codes are being standardised to enhance compatibility among IT networks and databases, not an insignificant condition to success, in itself.

PAY REFORM

As an integral part to its Strategy to Rationalise the Civil Service, approved in October 2001 following extensive consultations, the Royal Government identified pay and employment reform as an early priority of the Administrative Reform. The first actions authorised by the Council of Ministers relate to providing civil servants with an environment conducive to productivity and performance. Not only is remuneration being increased as much as possible within available means but it is also being targeted at priority needs: senior management, strategic processes and missions, teachers, medical staff and the vast majority of civil servants working outside major centres. The RGC's general pay reform was articulated in a context of sound fiscal management whereby economic growth will average 6 percent year and the salary envelope (Chapter X) is not to exceed 40 percent of current expenditures. It is by pushing the boundaries of available means, that the strategy will increase average salaries to \$51.5 per month by 2006 should the Fiscal Framework allow. Already, average remuneration increased from \$19.5 a month in October 2001 to \$26.9 in January 2002 (a 37.9% increase) and to \$28.1 in May 2002 (a 44.3% increase over October) thus meeting targets set as part of the strategy approved by the Government. The RGC does what it can within a severely constrained envelope of known available resources.

Yet, recognising that adequate remuneration is central to the future of reforms and to the Civil Service becoming an effective provider of public services and a reliable development partner, the Government is systematically investigating ways and means to accelerate pay reform within the confine of macro-economic stability, sound fiscal management and sustainability. Every possible avenue will be explored and there is no panacea. The need to maintain relativity among various state institutions severely constrains options relating to improving remuneration within the Civil Service (the price tag multiplies as relativity is maintained). There are no easy solutions and difficult choices will need to be made.

All agree that adequate and motivating remuneration is a necessary condition for the Administration to become an effective partner in poverty reduction and an efficient provider of public services. It is not sufficient though. It should be done gradually, within prudent parameters and, in tandem with enabling measures to encourage performance (payment in full and on time, for example). Expectations must be carefully managed. Timing is critical to success. The Government will neither mortgage the future nor risk sustainability.

Of equal importance, the playing field must be fair. The RGC simply cannot base its remuneration policy on dysfunctional practices followed by external partners as stressed at the last CG meeting. Market discipline is another necessary condition of success. The CAR Secretariat is commissioning a study to survey the market, document the needs and expectations of civil servants, document practices and suggest corrective measures. The study will complement other studies on options to accelerate pay and employment reform.

THE APPROACH

Under the general direction of the Supreme Council of State Reform, chaired by the Prime Minister, the Council for Administrative Reform CAR guides and spearheads administrative reform efforts. CAR's primary mission is that of a catalyst, coordinator and facilitator. It is supported by a General Secretariat assisted by inter-ministerial teams responsible for implementing projects to enhance ownership and to focus and coordinate efforts better.

The Strategy to Rationalise the Civil Service covers such issues as the size, composition and deployment of the workforce, and the remuneration of civil servants. These could only be determined once the current study programme is completed. Studies relating to the labour market and service delivery (including deconcentration and the use of alternative service delivery means) are early requisite to set the stage to others such as the Operational Review and to articulating a sustainable remuneration policy. Other critical work relate to developing a strategy and programme to develop capacity and needed human resources.

In the short-term, the RGC will:

- Consolidate progress to date in establishing foundations for the administrative reform, in particular, tools to control and manage the workforce (HRMIS) and mechanisms to enhance motivation including pay and employment reforms;
- Implement the PMG programme in full consultation with all line ministries and external partners;
- Develop a Service Delivery Policy to guide the provision of public services and the use of fees by the Administration complete with a deconcentration programme and implement early initiatives;

- Finalise the Capacity Building Strategy and start implementing the EPSCB project;
- Complete necessary analysis to improve business processes and the organisation of work to enhance service delivery particularly outside major centres and to accelerate pay and employment reform;
- Fully develop the IT Strategy with a view to enhancing transparency in the public services and generally improve productivity (E-Government), particularly in service delivery and regulatory functions;
- Based on the study program underway, seek approval of a cohesive programme to fully implement NPAR phase 2 and 3;
- Overhaul internal and external communications with a view to improving participation and ownership among partners; and
- Continue to strengthen the management of reforms.

In the medium-term, the RGC will follow up on initiatives undertaken and implement cooperative programs to accelerate pay and employment reform in support of service delivery in the following areas:

- The Remuneration Policy and Programme including requisite sustainable funding mechanisms;
- The Priority Mission Groups Policy and Programme including the active involvement of development partners;
- The Service Delivery Policy and Programme including deconcentration and alternative service delivery mechanisms;
- The Policy and Programme to reconfigure the Administration including facilitation mechanisms;
- The Policy and Programme to build capacity including implementing the EPSCB;
- The IT Strategy and Programme with a view to facilitating transactions and improving communications and transparency;
- The establishment of a knowledge centre to hook Cambodia to the world's knowledge base; and
- Ensuring the sustainability of the reform including strengthening its management.

The upcoming revised Governance Action Plan will be more specific as to expected results and when. The Aide Memoire on Administrative Reform to be presented to development partners in January 2003 will propose a programme of action thereby improving coordination and understanding. The CAR Secretariat Work Programme for 2003 will detail actions, their timing and expected costs.

4.4.3 Decentralization and Local Governance

Cambodia were ruled and governed in most part of its modern history by centralized power. The trend shifted its course at the onset of the new millennium when the RGC realised its first step of decentralisation process. Nation-wide local elections to achieve a first-ever complete decentralisation in the country were carried out on 3 February 2002 when voters decided on their local governments. To support and strengthen the decentralisation the RGC has been working hard on deconcentration process.

The devolution of power carried out through decentralisation and deconcentration will shift the focus of development towards the people with the view to implementing structural adjustment, strengthening grassroots governance, reducing poverty and inequality, and promoting gender equity at all levels. Decentralization and deconcentration, with the resources and power shifted from the centre to the local communities, has already enhanced democracy and has potential to improve the efficiency of public services at the grassroots level.

Decentralisation has three objectives in Cambodia:

- Promote pluralist participatory democracy at local level (inclusive local democracy and good governance) by creation of popularly mandated and autonomous local governments (Commune/Sangkat) that are responsible to the citizens, represent their interests and make decisions over delivery of public goods and services,
- Promote the culture and practice of participatory development (planning, management, resource mobilization) at local level through the Commune Councils (CCs) for social and economic development of people, and
- Contribute to reduction of poverty in the country through improvement of service conditions, create and access opportunities to poor and deprived ones in local development and delivery of services (inclusiveness in practice).

The RGC also realizes that a correlation between poverty reduction and decentralization is not automatic. Decentralization needs to lead to a greater capacity of the poor to protect their interests. A correlation exists only if certain conditions exist. International experience shows that pro-poor decentralization can be achieved only if: (1) the rural poor have the capacity to protect their own interests; (2) government agencies for rural development and NGOs do not overpower the councils and grow too big; (3) programs target specific groups of the poor and training programs for rural development; (4) projects emphasize informal on-the-job training; and (5) the roles of NGOs are clearly defined.

The RGC recognizes that political decentralization undoubtedly contributes to increase of people's participation in local level political and development decisions to effectively deal with poverty, decentralization must be accompanied by resources, accountability of service providing agencies including deconcentrated agencies to people, improvements in service quality contributing to human development must be made. In addition, systems and processes must be established to ensure participation and voice of poor and weaker sections of society in resources, benefits and services.

Local development program should increase local ownership and participation of the people in the national development efforts and strengthened the bonds between the State and civil society. For decentralization to become meaningful, it is essential to strengthen the capacity of government officials and the people at the grassroots level in order to allow them to make an informed decision-making. Where the local authorities are strong the Royal Government would devolve power to the people to allow them to take an active part in the development process. However, where the local authorities are not strong the government will assist them to strengthen their capacity through training and secondment of officials from the central government to help them exercise effectively their rights.

The RGC expects to strengthen local planning capacities so that the indicators relating to poverty reduction, equitable distribution of resources, gender, children, ethnic minorities and disabled persons must be incorporated into commune development planning and plans. These indicators must be regularly monitored and results contained in the annual reports.

The government decentralization's strategy is based on the bottom-up, integrated, participatory, decentralised rural development. It includes an expansion in the number of Village Development committees (VDCs) - an elected body whose function is to represent the village to government, non-government and international organisations in the management of rural development projects (Box 7). To promote gender equity the membership composition of the VDC has to comprise 30 percent women. The government intends to increase the coverage of the SEILA program to 1,216 villages in 17 provinces by 2005, which will account for 80 percent of rural communes across the country. This will allow active community participation in grassroots institutions and increase the ownership of development projects, by shifting decision-making and accountability closer to individuals, households and communities. Policy and institutional reform is being supported by strategic public investments including village water supplies and rural roads, to support the restoration and maintenance of essential rural infrastructure and to generate rural employment.

Box 8. Village Development Committees and Empowerment at the Grassroots Level

The rural community, particularly the Village Development committees (VDCs), have a key role as local institutions to ensure sustainable rural development. The Village Development committee (VDC) is an independent local rural development institution working in the direction, administration and management of village development activities. Each VDC is created through the democratic, secret and free election by the villagers themselves. VDC is the main agent of the commune Council at the village level. VDCs are also part of the planning and budget committee of the commune Councils where two VDC representatives sit, one of each gender.

Under the new decentralized structure of government, VDCs are directly responsible to commune Councils for sub-project identification and implementation at the village level. VDC seek to promote sustainable rural development through the participation of the population in need assessments, planning, design, implementation, monitoring & evaluation and community development management in the village. The participation of VDC in maintenance of village roads, wells, small-scale irrigation structures and schools to help ensure the sustainable development of Rural Development programs and projects.

There are about 8,000 VDCs among 13,694 villages in the whole Kingdom of Cambodia. According to the 1999 survey conducted by MRD however, the VDCs are still weak in terms of competent human resources, management capacity and financial resources for village development. This is being tackled through orientation training for VDC members on community leadership and management, social mobilization and on the roles and responsibilities of VDCs. Facilitators are also being trained.

Furthermore, coordination between political decentralization (i.e. an additional level of democratically elected government is formed: the commune council) and deconcentration (i.e. central government responsibilities are delegated to the new commune level of local government) is necessary. Transferring the funds to allow commune councils to function must go hand in hand with defining the policy for dividing decision-making responsibilities among all the levels of authority.

As the decentralization process unfolds, the strict definition of duties and tasks at all government levels: national, provincial, district and commune will evolve.

In order to achieve successful implementation, capacity building will be crucial at all levels. The national government's capacity, expertise, resources and experience in implementing and managing a system of local government delivered to 1,621 communes. Those government officers who are charged with facilitating decentralization should be given substantial capacity building, including helping make the cultural shift in decision making processes and the decentralization of power to local levels.

Capacity building for the Provincial Offices of Local Administration (POLAs) and other provincial level authorities involved in decentralization, particularly Departments of Planning.

Capacity building for district level officials involved in decentralization. Commune councillors must be trained on commune development with special emphasis on participation of constituencies. Training would include not only knowledge and skills but also attitude change.

Capacity building for some NGOs working at the grassroots level is also important. Participation by an active grassroots civil society and capacity building of civil society: Civil society in Cambodia has little experience in interacting with local authorities as advocates or monitors and capacity building is essential. All citizens must be informed of their rights, the means of exercising those rights and how to provide feedback to government. Citizens must know the powers and duties of the Councils in order to develop the capacity to hold their elected representatives accountable.

Funding and programming: Commune Councils require sufficient funding in order to establish legitimacy within their communities. Funding of Commune Councils must be a transparent process. No pro-poor strategy will be successful without adequate emphasis on good governance at all levels of authority.

The Government proposes to reduce poverty over the medium term through various inter-linked strategies, related to decentralization, as follows:

- Promotion of participatory, responsible, accountable and transparent government at local level: Under these arrangements CCs are required to inform citizens CC decisions, resources, allow citizens to participate in CC meeting and build capacity of communities. It is expected that with this practice the poor will have direct access to CC decision-makings, resources and services.
- Avail development grant assistance to CCs to execute local level development programs and deliver services: Decentralization of authority must go together with resources to enable local governments to address poverty reduction at local level. The government proposes to allocate administrative and development grant assistance to CCs. The development grant assistance is to finance local development and service needs ranging from basic infrastructure development to focused programs on poverty reduction. The government has already proposed to allocate percentage of its revenue for this purpose and all CCs will be entitled to receive grant assistance this year. Hence, when authority to

decide on the use of resources and services moves closer to people, the government believes that accountability to poor in general increases.

- Practice participatory and bottom-up planning process: In order to ensure the needs and aspirations of poor deprived and vulnerable groups are sufficiently reflected in local plans, CCs are required to follow a detailed participatory planning process. The process has to cross five stages and eleven steps of planning. It begins with direct involvement of villagers/communities in need identification and local priority setting and goes through series of consultative processes before the CC plan is formally approved and implemented. The planning process thus designed is not only to ensure participation of poor in articulation of needs but also make the local government actually endeavour to meet the articulated needs of poor. Expected resource transfers to the communes under the base case for the Medium Term Expenditure Framework are set out in Table 4.3.

Table 4.4: Proposed Intergovernmental Transfers to Communes, 2001-2005

	2001	2002	2003	2004	2005
	Actual	Budget	Projected		
In Billions riel	0	20.000	40.693	57.148	63.684
As a share of recurrent revenue	0	1.11	2.0	2.5	2.5

Source: Medium Term Expenditure Framework, MEF***

- Promote capacity building of CCs and communities: With the support of National committee for Support to CCs and mobilization of sectoral ministries and external partners, the government proposes to provide regular support services to CCs and communities to plan and manage affairs effectively. It is believed that capacity building of CCs and communities is essential for poverty reduction.
- Promote partnership among CCs, NGOs/civil society and private sector in local development and poverty reduction: RGC recognizes and encourages NGOs /civil society and private sector as key partners of for poverty reduction. In decentralization context, government encourages partnership among CCs, NGOs and private sector in planning, resource mobilization, capacity building, investment and delivery of services.
- Promote linkages and coordination between CCs and sectors in local development and delivery of services: In order to link human development and poverty reduction, it is imperative to establish effective linkages among community, CCs and various units and offices of ministries that provide services. Therefore, government has incorporated various planning integration and coordination process between the CCs and sectoral agencies of the government.
- Delegate agency functions to CCs with support system and resources: The RGC proposes to delegate agency functions to CCs for increased efficiency, effectiveness and accountability. In this regard government believes that agency functions must accompany support systems and resources. As most of the agency functions are related to meeting basic service needs of all citizens, delegating them to CCs over time can be expected to substantially contribute to poverty reduction in Cambodia.

4.4.4 Anti-Corruption

The fight against corruption is the fourth crosscutting issue that is critical to reducing poverty. Cambodia will face difficult challenges to meet its objectives. Competition for investments is

fierce among countries and industries. Cambodia controls few of the parameters for success. The only one it controls and that can make a significant dent in poverty is the pursuit of good governance and the fight against corruption and “facilitation fees”.

Shortly after the 1999 Tokyo Consultative Group meeting, the Royal Government commissioned or facilitated studies to gauge the state of governance within State institutions and point to early elements of solution to further the cause of good governance. One such study on governance and corruption was conducted by a local NGO, with World Bank support. Another on governance and sustainable development was conducted by CDRI, with ADB support. They complemented and built upon numerous consultants’ reports on governance-related issues in almost every field of government activity.

As for good governance, the case for fighting corruption need not be made. All agree that corruption is a threat not only to democratic institutions and fundamental rights and freedoms, but that it also undermines socio-economic development and deepens the poverty of millions the world over. It provokes irrational decision-making, disrupts the development of the private sector and undermines the environment for sustainable development. The issue is not whether corruption should be fought but rather how and with what means.

The Royal Government has elected to approach corruption with a holistic set of measures that address root causes of corruption. Indeed, ways and means to increase risks associated with corrupt practices are an integral part of a strategy. But codes, rules and laws cannot do it alone. Effective and fair enforcement mechanisms are the necessary complement to any legal framework. The Royal Government is actively building such capability while it is putting the finishing touch to what would become an enforceable legal framework.

The Governance Action Plan itself was designed as a sweeping instrument to correct causes of corrupt practices as identified in the survey and other studies. Most planned actions, over a hundred of them, address aspects of the problem. The GAP is, in effect, a comprehensive and ambitious program to combat corruption. Systematic and sustained efforts are arduous. The Royal Government is now preparing an anti-corruption strategy to better focus efforts (much like this NPRS does for SEDPII). External partners will be consulted before the strategy is finalised and approved.

However, fighting corruption within the Civil Service is only part of the answer. External partners such as the private sector and civil society must also discipline themselves. It takes two to engage in corrupt practices, a corrupter and a corrupt.

The Royal Government’s efforts are sweeping. However, as experience shows all over the world, controlling and eliminating corrupt practices is a long-term and difficult process. Increasing risks associated with corrupt practice is only one element of a multi-faceted strategy. Laws and regulations are only as good as the mechanisms to implement them.

A lot of progress has been made; yet, expectations are high. Very important headway has been made in sectors such as in forestry, fisheries and land management, in education and in health. Pay and employment regimes are being adapted to needs. Remuneration is being increased as quickly as possible within available means but by itself it will never be sufficient. These are

enabling pre-conditions focusing on opportunities. Other initiatives relating to behaviour and risk include:

- The Anti-corruption Law is being prepared for consultations before being endorsed by the Council of Ministers and referred to the National Assembly and Senate for approval. The scope and content of the law is the subject of intensive inter-ministerial consultations. With a few exceptions, modalities are the subject of broad consensus. The issue is how to ensure fair and effective implementation and with what means;
- Conditions precedents are being met to enforce the legal framework and codes of ethics. The drafting of laws, regulations and codes is easy, but the implementation is much more difficult;
- The management of public funds is becoming more transparent and effective most urgently in those areas critical to poverty alleviation. Already important projects are underway in such areas as budget planning and control and decentralisation and deconcentration of financial management systems;
- Critical elements of the sub-decree on procurement are systematically being enforced, initially, in PAP ministries;
- Checks and balance mechanisms such as the National Audit Authority (NAA) and ministerial inspection services are being strengthened. The NAA is now operational and it is governed by special statutes that ensure its independence and effectiveness. Programmes to build its capacity are ongoing;
- Codes of ethics are being drafted for the Civil Service and the Magistracy and will be submitted to public consultations; and
- An anti-corruption strategy and action plan is being drafted and will be the subject of extensive consultations.

Many initiatives under the aegis of the Council for Administrative Reform complement these activities and were designed to support these actions. Pay and employment reform and the reform of service delivery are cases in point.

Corruption is an endemic problem worldwide that can only be mitigated through close cooperation among countries. Corrupt activities are the result of opportunity, behaviour and risks. The approach can only be holistic, participative, gradual and sustainable.

Fighting corruption will be long and arduous, initiatives are underway or being prepared along the following objectives:

- The legal framework and procedures are set in ways that respect principles of good governance particularly as they relate to the management of public funds and the delivery of public services;
- The general public and clients of public services are aware of and understand the legal framework, procedures and their rights and obligations;
- Civil servants understand them and have the necessary skills and means to implement them effectively and fairly;
- Oversight mechanisms are in place and institutions to control and monitor implementation are empowered and fully operational;
- Mechanisms to sanction or prosecute wrongdoers are fair, predictable and effective;

- Requisite logistical support in terms of equipment and operating budgets, for example, are in place and timely; and
- Cambodia takes full advantage of joint international efforts such as those of the ASEAN.

The obvious point of entry is to gain an understanding of the underlying causes, loopholes and incentives, which feed corrupt practices. The strategy needs to address not only enforcement and prosecution, but also prevention and community education. A strategy that focuses only on enforcement is almost certain to fail. Programmes and procedures must be simplified to make them more efficient, eliminate "gatekeepers" and generally reduce discretion. Ways must be found to ensure due process in the respect of such principles as voluntary compliance and the presumption of innocence.

The full collaboration of all is essential to success and the quality of the means will determine the pace. Early priorities to complement activities underway include:

- Finalising the Governance Action Plan II in full consultations with stakeholders;
- The development of an integrated anti-corruption strategy in consultation with stakeholders;
- The passage and implementation of the necessary legal framework including the referral of the Anti-corruption Law to the National Assembly and Senate and the adoption of codes of ethics by State institutions;
- The establishment of an Ombudsman Office to protect the interests and rights of clients of public services but it would require the active involvement of external partners;
- The streamlining and computerisation of service delivery processes to improve transparency, responsiveness and accountability and thus reduce opportunities for corrupt practices;
- The strengthening of expenditure management and procurement processes per widely shared principles of transparency, value for money and fairness and its strict enforcement, particularly in PAP ministries; and
- The continued use of information and dissemination campaigns about corruption.

Medium-term initiatives will focus on:

- Implementing a cohesive programme to build capacity to sustain anti-corruption efforts within the Administration;
- Further developing and empowering the system of checks and balance to fight corruption and particularly continue to build NAA capacity;
- Fully participating in international fora combating corruption;
- Implementing the legal framework and enforcement programmes; and
- Facilitating the adoption of anti-corruption codes by external stakeholders.

4.5 REDUCING VULNERABILITY AND STRENGTHENING SOCIAL INCLUSION

Reducing the vulnerability of the poor has to deal with several aspects. Increasing environmental sustainability and improving natural resource management is one key dimension. Disaster management – especially in the face of floods – is critical for the rural poor. In Cambodia, land mine clearance, a legacy of long years of war, is also needed. Especially vulnerable groups

include the disabled, those affected by HIV/AIDS, orphans, street and abandoned children, and the homeless. Safety net programmes play a role limited by budget and capacity constraints. Food security is also a poverty challenge to be addressed by the RGC. This section presents policy, strategy and priority actions that will deal with these issues.

4.5.1 Food Security

Food Security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food which meets their dietary needs and food preferences for an active and healthy life.

Cambodia is an overwhelmingly agrarian society with 95 percent of the poor living in the rural areas. Consequently, food security and poverty are closely linked. As pointed out in the PPA 2001, a lack of food security is the dominant characteristic in rural farmers' definitions of being poor (see Chapter 3). Food insecurity is generally defined as "a situation that exists when people lack secure access to sufficient amounts of safe and nutritious food for normal growth and development and an active and healthy life. It may be caused by the unavailability of food, insufficient purchasing power, inappropriate distribution, or inadequate use of food at the household level." Therefore, it is a complex interplay of a variety of factors: including food availability, access and utilization. An effective national poverty reduction strategy must therefore address each of these elements, and involve close coordination between a number of relevant line ministries.

Food Availability: Rice is key to food availability in Cambodia. Although there were serious shortages in rice production in the 1980s and early 1990s production thereafter improved, and surpluses have been maintained since 1995/96 when rice productivity rose significantly, contributing to the sharp growth in output. Although the country has been severely hit by natural disasters in the last 6-7 years annual rice production has fluctuated between 3.5 and 4 million tonnes providing surpluses ranging from 30,000 mt in 1998-99 to 260,700 mt in 1999-2000. This suggests that the country's food security at an aggregate, national level could be sustained at least in the medium term.

However, having sufficient rice at the national level does not mean that everyone in Cambodia has enough rice to eat. While farmers in some areas produce a significant surplus of rice, others suffer severe food shortages. The fact is agricultural production, which largely determines food availability, is currently constrained by limited irrigation, small land holdings, poor soil fertility, limited coverage of agricultural extension services, and low productivity.

Food Access: For those living below the poverty line, their expenditures are insufficient for them to obtain a recommended daily intake of 2,100 cal per capita, the accepted international standard set by the WHO. The poor cannot afford to access food should it be available. The access to food by the poor is constrained by many factors, which are generally outside of their control (see Chapter 3). This situation has been exacerbated for many poor farming families who suffered severely from floods in 2000, droughts and floods in 2001 and continue to suffer from natural disasters in 2002. In addition, a growing number of families face increasing food insecurity as a result of reduced access to fishery and forestry resources.

Food Utilization: Rice is the predominant staple food for Cambodians, providing an estimated 68 percent of daily calorie intake with the rest derived from fish, meat, tubers, vegetables, fruits

and others. This lack of dietary diversification is one of the factors contributing to high levels of malnutrition and micronutrient deficiencies in the country (see Nutrition, Section 4.3.2). Other contributing factors include: low levels of education (particularly of girls and women), poor awareness of good health and nutrition practices, inadequate childcare and inappropriate weaning practices, high exposure to disease and lack of access to basic public health care infrastructure and services (DHS 2000). The lack of nutrition and health education in particular, appears to be a major constraint influencing the poor nutritional status of vulnerable groups.

The goal of the RGC is to “enhance food security for all Cambodians at all levels (national, community and household) and to reduce malnutrition among women and children”. Any strategy to effectively address issues of food security for the poorest must therefore focus on a collaborative, co-ordinated effort to address the root causes of vulnerability and to improve food availability, access and utilization. In this, food aid has an important role to play in the short and medium term. It can help meet the immediate food needs of the most vulnerable at critical times in their lives while allowing them to invest in activities which will help improve their food security prospects in the longer term. For example, this could mean investing in human resources through vocational training or school feeding, or creating community assets through food for work in support of activities such as constructing and rehabilitating roads, ponds, irrigation canals, schools or health centres. In addressing household food security special consideration must be given to ensuring that females actively participate in and benefit from proposed measures, and that the specific food security needs of vulnerable female headed households are given due attention (for example through targeted programmes such as the Special Programme on Food Security).

In addition to the food aid approach mentioned above the RGC will also put focus on other strategies to ensure long-term stable food security. These entail the following:

- Establishing Food Insecurity Vulnerability Information Mapping System (FIVIMS) to enhance food security for all, especially women. FIVIMS will be able to provide the RGC with necessary information about areas that are vulnerable to food insecurity. This information is critically important for the RGC’s food emergency preparation and response, and developmental intervention to reduce the vulnerability. It will enable the RGC to properly identify the vulnerability areas, to identify and design appropriate measures of emergency and developmental interventions, to take a pro-active approach, and to target the right areas; and
- Expanding the Special Programme on Food Security (SPFS) and promoting it as a National Programme on Food Security (NPFS). To expand and promote the current SPFS as the NPFS systematic and strategic plans will be formulated by 2003. Since food security is very important not just only for the poor, but also for the whole nation the NPFS will become an instrument for the RGC to coordinate and guide all agricultural development projects in the country. Under the NPFS the SPSF will be expanded to reach poor farmers to improve their food security; and income generation; an integrated development project in support of the SPFS will be implemented on 5,050 ha; demonstrations, Farmer Field Schools (FFS), and short-course training will be conducted for farmers; and diversification of agricultural production into small animal production such as pig and poultry will also be promoted (also see Section 4.1.2 under Promoting Agricultural Development).

Improving food security has also other elements, a number of which are detailed elsewhere in the NPRS. Below is a brief outline of what the RGC wants achieve through its line agencies:

Increased Food Availability: MAFF, MOWRAM, and MOWA (see Sections 4.1.2; and 4.5.4).

Improved Food Access: MAFF, MRD, MLMUPC, MOC, and MOWA. Actions here would be focused on increased employment and income generating opportunities for the rural population to ensure food accessibility, including access to land, forest and fisheries (see Sections 4.1.2; 4.2; and 4.3)

Better Food Utilization: MOEYS, MOH, MRD, and MOWA. Efforts should be made to increase crops diversification and intensification to ensure food diversity and better nutrient and micronutrient mix and expanded and improved nutrition and health, and education (see Sections 4.1; 4.2, 4.3, 4.5 and 4.6).

Food security in rural areas is a mandate of MRD. As such the MRD will conduct pilot activities to encourage communities to establish their own self-managed, private cooperatives for food security. Village Development Committees would manage these cooperatives, which will establish rice banks, family garden demonstration plots, promote appropriate technologies and cooperative shops, as well as set up markets. These activities will complement those of MAFF in promoting agricultural production. The pilots will be run in the villages selected on the basis of poverty-oriented criteria.

4.5.2 Social Protection and the Fight Against Human Trafficking

Domestic violence continues to represent a threat for Cambodian women. Research in 1996 showed that violence against women in the family was a serious problem experienced by significant number of women. While it is difficult to determine the actual incidence of domestic violence, some indicators suggest that the number of cases is increasing. This too, reduces the well being and productivity of a family. Researchers in social science believe that unequal access to wealth and goods, frustration due to economic competition, pressure to earn a higher income, work-induced migration and the increasing use of drugs are contributing factors to domestic violence. Poverty, cash economy, limited availability of jobs and rises in the price of basic goods and services, act as additional challenges for the already challenged familial and social structures.

Rape against women is an infringement of their rights, causes psychological trauma and opens them to the risk of sexually transmitted infections. Domestic or intimate partner violence undermines the status of a woman, making them less able to negotiate condom use. Domestic violence creates high costs for families, communities and the state and is a significant impediment to development. Women's labour is essential to the survival of many Cambodian families and family income suffers when the woman is incapacitated. Children's education may suffer because there is less money to spend on schooling, or because they must take on their mothers' work burden. Furthermore, violence in one generation is very often perpetuated in later generations.

Trafficking of humans is another important vulnerability factor. Cambodia has become a sending, receiving and transit country for trafficking of the women and children. There are estimated to be 88,000 trafficked Cambodian women in Thailand and between 40-60 percent of sex workers

(14,000) in Cambodia say they were forced or tricked into the business. Other young girls turn to the sex industry as they have few viable alternatives. Poverty, social upheaval, underdeveloped legal infrastructure and weak law enforcement are all contributing to the rapid growth of the sex industry and trafficking of women and children. Gender clearly affects the degree of risk and exposure to HIV/AIDS, as trafficked women are more often deceived or coerced into situations of sexual exploitation.

Strategies to deal with trafficking need to be multifaceted, dealing with both "push" factors and "pull factors". The law will be strengthened and effectively enforced. An agreement will be entered into with Vietnam, similar to that concluded with Thailand, to reach a common approach to cross-border trafficking issues. Law enforcement authorities will be educated both in the law and in its consistency/enforceability, and in the case of the victims, its sensitive application. Women and girls will not be doubly victimised. Public awareness campaigns conducted by MOWVA, in collaboration with the MOI, will be expanded. The role of the police in detecting the criminal elements managing trafficking, including their cross-border operations, will be strengthened. Finally, however, a most significant contribution will be made by addressing poverty, which is the principle "push" factor behind trafficking.

4.5.3 HIV/AIDS

Poverty is unequivocally linked with HIV/AIDS in a two-way pattern. Those who are poor are vulnerable to risky activities that make them vulnerable to HIV/AIDS. They are less likely to be informed of how to protect themselves and less able to access health and HIV/STI services. At the same time, HIV/AIDS has an enormous effect on the economic growth of a country in terms of loss of production and costs involved in addressing the issue of HIV/AIDS. Those in rural areas are poorer than their urban counterparts and further disadvantaged by limited access to health facilities and the incomplete decentralization of services and government.

Women are particularly vulnerable to HIV infection, as gender relations form part of the broader set of social relations in society, and are essentially relations of power between men and women. It is commonly acknowledged that gender inequalities fuel the HIV epidemic in Cambodia. For women, risk taking and vulnerability to infection are increased by norms that make it inappropriate for women to be acknowledgeable about sexuality or to suggest condom use.

Since the first case in 1992, it is estimated that out of the population of 11 million, Cambodia now has 169,000 people living with HIV/AIDS. Among adult aged 15-49, the estimated prevalence has shown a steady decline from 3.9 percent in 1997 to 2.6 percent in 2002. The Cambodian response to HIV/AIDS is now based on better understanding of the epidemic and increased recognition of the possible impact on human security, economic development and national stability. HIV/AIDS is increasingly receiving priority attention from government, NGOs and external partners.

The high rate of growth of HIV/AIDS prevalence is a major national concern. As of 1998, 2.4 percent of pregnant women, 42.6 percent of commercial sex workers, and 19.1 percent of indirect commercial sex workers were infected with HIV. Women also bear primary responsibility for caring for family member with HIV/AIDS, as they do for victims of land mines and other disabilities and illnesses.

It is also increasingly recognised that vulnerability to infection especially for women, stems from influence of socio cultural, economic and political factors. These factors include discrimination and marginalization of certain group's people such as sex workers and people living with HIV/AIDS, illiteracy and lack of educational opportunity and ignorance about STI/HIV/AIDS. From the civil war the social fabric of the society has been broken, family bonding is weak where men are obliged to seek additional or temporary jobs far away from their families. With the abrupt change from planned economy to free market economy a large number of the population are on the move inside the country and passing the border to seek better job and employment.

The National AIDS Authority is responsible for policy development, strengthening partnership relations with all stakeholders and coordinating the multi-sectoral response to HIV/AIDS, mobilization resources from national and international institutions and agencies, advocating for legislative support and for research on the socio-economic impact of HIV/AIDS and coordinating the research agenda, and reviewing and approving IEC program in all sectors. It aims to lessen the vulnerability of women and girls to HIV/AIDS and to increase their status by seeking to offset prevailing discriminatory attitudes in society especially among men.

In terms of HIV/AIDS prevention it has been shown that public information and education has had a great impact on the general awareness of HIV/AIDS among Cambodian population. More and more people are aware of HIV/AIDS, but behavioural change in some population groups remains limited. In this regard, there should be specific programs for different population groups so that appropriate methodologies can be used for the various target audiences.

Health education should be introduced under the guise of general awareness including media, while behavioural change communication strategies should focus on those who are having risky behaviour and at the same time bridging infection to the general population. The success of these interventions depends on community participation, while social marketing activities of condoms and the creation of an enabling environment can provide synergistic effects on behavioural change.

As the HIV infection rates among pregnant women grow, it is essential to introduce programs of prevention for mother-to-child transmission. There has also been positive contribution of other programs such as peer education, blood safety, and universal precautions.

Regarding the care of people living with AIDS, home-based and community care are the most relevant approaches. The Government acknowledges the extra burden this places on women and the need for community-based support services. Since the number of AIDS patients is rapidly increasing, there is also a need for increasing the number of institutional facilities to provide all care needs. A campaign should be launched to convince people to take good care of and provide social support for people living with AIDS.

In view of the limited access to health services available to the poor, the high costs of a series of chronic, life-threatening illnesses associated with HIV are likely to be very burdensome on poor families and especially on women who are the primary carers. Priorities for poverty reduction involve:

- Extension of the continuum of care, aimed at enabling those infected with HIV, and particularly the poorest, to access appropriate, low-cost care and support in forms that are most acceptable and effective;
- Targeted community prevention programmes for fishing villages, source communities for migrant workers, and migrant labour, among which the poor are to be found;
- Significant political commitment to HIV/AIDS prevention and care; and
- A budget decentralization strategy exists, and provincial structure composed of PAC, PAS (Provincial Aids Secretariat) and District Aids committee.

The National Strategic Plan will guide the development of specific activities within the national programs, and will serve as the basis for evaluating the national response. It is expected that each ministry of NAA will develop and evaluate its own response, and that NGOs and other partners will similarly expand and evaluate the effectiveness of their efforts.

4.5.4 Disasters Management

Over the past few years drought and flood, which are the major natural disasters in Cambodia, have caused a lot of damages to life and the economy. These disasters thus require proper early warning and management system.

Flood protection works are inadequate, and there are no means of control of those human activities that are at the origins or aggravate the effects of floods. These activities include, among other things, the filling of reservoirs, the construction of buildings on the banks of rivers and the shores of lakes and reservoirs, the obstruction of rivers, forest degradation, poor land drainage, and the extraction of sand, gravel, rock and other materials from the beds and banks of water bodies. The Mekong River Basin has experienced several major floods within this century.

The damage caused by the flood in 2000 was devastating in Cambodia, with 347 persons reported dead and more than 3.5 million people affected by the floods, with many people needing to be evacuated from their flooded homes for several weeks. The agricultural production in the lower Mekong Basin was severely reduced by the floods and thousands of kilometres of national and rural roads were damaged.

The total flood damage in Cambodia amounted to US\$ 145 million. Agricultural production losses of approximately US\$ 64 were reported. However, the effects of the floods are not limited to a single year. The floods cause regular damage to the irrigation infrastructure, destroying flood protection dikes, eroding embankment dams, breaking spillways or irrigation outlet works and washing away canals and field irrigation works.

The rehabilitation and development of flood control projects plays a very important role in poverty reduction in both the rural and urban communities - flood polders have protected rural agricultural livelihoods and urban infrastructure and lives from catastrophic events. The Emergency Flood Control and Irrigation Rehabilitation Projects supported by the ADB and World Bank aim to protect these communities from the major effects of floods, which cause loss of life and social disruption on an almost annual basis. Flooding of the Mekong River is a recurrent event, as can be seen from the two satellite images in September 2000 and 2001.

An effective approach to emergency relief anticipation and damage reduction requires a qualified and well-functioned central body to coordinate among ministries to carry out action plans set forth. This body serves as a focal point to raise fund from international community as well as from public within the country. In response to this need, the Royal Government established the National committee for Disaster Manager (NCDM), which should have qualified and capable personnel with high skills to effectively undertake this assignment.

The establishment of the NCDM is in recognition of and response to the effects of natural hazards such as floods or crop failure – particularly on vulnerable groups. In addition to articulating a clear strategy for disaster preparedness, relief, mitigation and rehabilitation, the RGC will also firmly establish mechanisms for coordination, monitoring and review.

To prevent the damage that may occur as a result of floods, drought, watershed degradation, erosion and sedimentation improvement and development of flood control dike for priority areas such as town and wet season agriculture areas will be carried out, and weather and hydrological forecasting and prevention of watershed degradation and of both erosion and sedimentation will be established. In cooperation with institute concerned including Mekong Basin Countries, MOWRAM will develop a comprehensive, long-term flood management and mitigation strategy, based on accurate assessment of the communities and assets at risk and realistic (financial and social) costs of flood damage in the future. The strategy will include the full range of measures (i.e. climate and weather forecasting, structural measures such as flood embankments, and non-structural measures such as floodplain zoning) that might be realistic for Cambodian circumstances. The strategy will address related matters, including land drainage, regulation of construction and other activities on river/lake beds and banks, and the regulation of obstruction and infilling of water courses (e.g. for land reclamation) that might cause flooding upstream. MOWRAM will appraise the likely future impacts of climate variability, particularly drought, drawing on all available climatic and river flow records, and taking account of global climatic change. The appraisal will guide the development of an irrigation management strategy, and if necessary a more comprehensive strategy to mitigate the effects of non-agricultural drought. The investment for flood control and drainage is estimated at US\$680/ha with a target of 10,000 ha/year.

To foster emergency relief operations, the RGC embarked an approach to improve the accuracy of meteorological forecasting to be able to give warning to people in advance of both flood and draught circumstances. Therefore, it is important that MOWRAM has adequately trained staff and equipped with high-tech, weather forecasting equipment. This will enable this institution to get an accurate forecast and give warning a week in advance so that responsible agencies as well as people can be ready for emergency relief operation.

The RGC has taken a proactive approach to flood relief operations by not only distributing food and shelter but also a short-term variety rice seed for farmers to immediately grow after water begin to recess. This effectively reduced the magnitude of damaged farms and rice fields. In fact, even with the severe flood that Cambodia had never experienced over the last 70 years, economic growth was still high (4.5%) for year 2000, compared to the forecast of 5.5 percent, due to the efforts deployed by the RGC and the support by our external development partners, international organizations, the private sector and NGOs.

To mitigate the vulnerability of crop failure, it is sensible to conduct a feasibility study and research on the establishment of a crop insurance system in order to introduce risk control/management stemming from natural disasters in Cambodia. All key players should come on board with the government in this scheme, including donors, the private sector, the civil society, NGOs and the farmers themselves in order to foster ownership and self-mechanism to ensure the sustainability of the project. Nevertheless, over the short to medium term, government should continue to earmark funds for eventual natural disasters in the reserve funds.

However, the effects of the floods are not limited to a single year. Floods cause regular damage to irrigation infrastructure, destroying flood protection dikes, eroding embankment dams, breaking spillways or irrigation outlet works and washing away canals and field irrigation works.

4.5.5 Mine Action: Action Against Land Mines & Unexploded Ordnance

Due to the legacy of the decades-long period of conflict, Cambodia is one of the most highly landmine and UXO affected countries in the world, with one of the highest civilian casualty rates. Mine Action is therefore considered as a top priority in the rehabilitation and development of the Kingdom, in particular for achieving effective poverty reduction in rural areas. Recognizing the importance of this sector, Cambodia became a signatory to the 1997 Ottawa Convention on the Prohibition of the Use, Storage and Transfer of Anti-Personnel Landmines and the Destruction of All Kinds of Landmines. The very large number of landmines and unexploded ordnance in Cambodia is a major hurdle to several social and economic development sectors.

Mine action activities in Cambodia began during the UNTAC era in 1992 with international technical and financial support. So far the four main de-mining operators in the Kingdom, namely the Cambodian Mine Action Centre (CMAC), Royal Cambodian Armed Forces (RCAF), the Mine Action Advisory Group (MAG) and the HALO Trust, have cleared 18,500 hectares and removed more than 350,000 landmines and 800,000 UXO's.

The current estimate of combined costs for these de-mining operations stands at around US\$30 million per year, including technical assistance and in kind contributions, and resulting in the clearance of about 30 million square metres of land per year as of 2002 (estimate).

Despite the relatively large volume of de-mining operations, the level of contamination and the number of civilian accidents continue to be among the highest in the world, indicating the extraordinarily high level of contamination in the country as a result of decades of conflict. A general survey – Level One Survey - of the impact of mines/UXOs in the entire country was completed in May 2002. Furthermore, complete research into U.S. bombing data since 1970 was achieved in July 2002. These comprehensive studies indicate that more than 3,000 suspected areas, amounting to 4,466 km², could be contaminated by mines or UXOs, i.e. 2,5 % of the country's surface area. Furthermore, 61% of the suspected areas are concentrated in the five provinces of Battambang, Banteay Meanchey, Otdar Meanchey and Preah Vihear, and Pailin municipality, which constitute the northwestern and northern regions of the country.

An estimate of casualties shows that 54,453 people have been killed, maimed or wounded from 1979 to September 2002. Presently the number of casualties is still very high, in spite of a slight decrease in 2000 and 2001, with an average of 75 cases per month from January to September 2002. The current casualty trend indicates more frequent accidents being caused by tampering

with UXO's rather than by land mines. Among a total of 13,868 villages, about 1,640, i.e. 11.8%, have to cope with high contamination by land mines and UXO's, and more than 5,500 have UXO's scattered on their land. Consequently, many accidents happen during livelihood activities – 476 out of 832 in 2000, i.e. 57% - or in the dry season because of the pollution of the forest.

Action against land mines and UXOs significantly and concretely contributes to the reduction of poverty in the Kingdom of Cambodia by (1) reducing the number of casualties which have negative economic consequences on affected families, (2) providing access for the worst-affected communities to essential services and infrastructure such as water resources, schools, hospitals and roads, (3) distributing safe land for settlement and agricultural purposes, contributing to the economic reintegration of landless populations in rural areas, (4) marking contaminated areas and educating and raising awareness on the dangers of land mines and UXO's among the populations of suspected areas, (5) ensuring that the prioritisation and distribution of cleared land are monitored in a participatory, equitable and pro-poor manner at the provincial level, and (6) providing assistance to the reintegration and rehabilitation of victims of land mines and UXO's and their affected communities.

In order to ensure the development and implementation of an effective and co-ordinated national policy on mine action, the Cambodian Government established the Cambodian Mine Action and victim assistance Authority (CMAA) in September 2000. This was an important step forward for mine action in Cambodia. The CMAA, *inter alia*, has responsibility for ensuring that mine action programmes in Cambodia contribute to the Royal Government's poverty reduction policies and priorities.

The CMAA is developing a Five Year Mine Action Strategic Plan as of 2003. With regard to poverty reduction, the main objectives of this plan will be as follows.

- The principal purpose of mine action, managed, regulated and co-ordinated by the CMAA, is to alleviate poverty through the provision of safe access to productive resources and social services, clearing land mines and UXO's, and educating the public on the risks of land mines and UXO's. This objective will be the backbone of the socio-economic rationale for the inter-sectoral national mine action strategy being developed by the CMAA in partnership with the stakeholders.
- To contribute to sustainable economic growth in order to help the general development of the country to the benefit of poor people by reducing the negative impact of landmines/UXO, the CMAA will help to achieve national development goals in sectors such as tourism or infrastructure.
- To address socio-economic issues, the CMAA will institute a specific unit essentially dedicated to the poverty reduction. At the national level, the selection of national priorities in mine action activities will be co-ordinated with line ministries and provincial authorities to ensure adequate co-ordination, alignment of demining operators' work plans with national development priorities and pro-poor policies, as well as efficiency in the use of scarce resources. At the provincial level, to ensure that land mine and UXO clearance is implemented to the benefit of the poor, the CMAA will set up specific units in each relevant province to select, prioritise work and distribute the land to appropriate beneficiaries. These units will be co-run by the province's governors and the CMAA, which will monitor their achievements as well.

- Mine action efficiency and effectiveness will be improved by the adoption of new standards and technical regulations issued by the CMAA. A total of sixteen standards have been completed in English and reviewed by the Technical Advisory Board with an additional two standards completed after re-draft. Of these sixteen standards, fifteen have now been translated into Khmer. The national mine action standards will be finalised in 2002 to be applied as of 2003.
- The national database on mine action, set up by the CMAA, will be utilized to prioritise de-mining operations and work plans in suspected mined areas with the highest risks, inline with international mine action information standards.
- Mine Risk Education, including Mine Awareness, will be developed to address the proportionally greater number of accidents due to tampering with UXOs'. Indeed, from June 2001 to May 2002, 54% of casualties were caused by UXOs, while 33% were due to tampering and 31% of them were involving children. A plan has begun to be developed toward the end of 2002 in co-operation with the Ministry of Education.
- As the victims of mines are an important part of the disabled people in Cambodia, the CMAA, according to the Sub-Decree, has delegated the responsibility of co-ordination to the ministry of Social Affairs, Labour, Vocational Training & Youth Rehabilitation in order to carry out, in co-operation with all relevant NGOs, specific interventions for victims and affected communities and to continue to build on the work in victim assistance.

4.5.6 Sustainable Management and Use of Natural Resources and the Environment

Significant progress has been made in the areas of environmental management and natural resource conservation. The RGC's efforts have been guided by the National Environmental Action Plan (1998-2002) and the Ministry of Environment's (MOE's) strategic planning activities. The focus of the National Environmental Action Plan (NEAP), that was prepared through a participatory process involving a variety of government and non-government stakeholders, has been the following six priority areas: forest policy; fisheries and floodplain agriculture in the Tonle Sap region; coastal fisheries management; biodiversity and protected areas; energy development and the environment; and urban waste management. The NEAP implementation has been an iterative process and therefore, its priorities and strategies on environment and natural resource management have been reviewed annually.

The Ministry of Environment's overall objective is to effectively manage, conserve and protect Cambodia's environment and natural resources in an ecologically sustainable manner that will assist in alleviating poverty throughout the nation. MOE's medium-term objectives are to: (1) develop coastal zone management, (2) reduce urban and industrial pollution, (3) strengthen protected areas management, (4) enhance forest concession management, (5) improve management of the Tonle Sap ecosystem, and (6) build the environmental planning capacity of core institutions.

The MOE's efforts are guided by four principles. The first is the recognition of the link between poverty alleviation and the environment. The relationship between poverty reduction and environment is crucial. Increasing opportunities for the poor is the key elements in protecting environment since natural resources are eroded when the poor do not have alternative means. Natural resource degradation is in part due to exploitation by the rural poor, who are seeking to

satisfy their basic needs. Reducing rural poverty is therefore essential to achieving sustainable development in Cambodia. There is a need to strengthen capacity however. Inter-ministerial coordination is also important. The second principle is the recognition of the importance of communities. Structured interventions to provide local communities with the skills to manage the natural resources base on which their livelihoods depend is the most effective way of achieving sustainable management of these resources. The third principle is the recognition of the need for institutional capacity building. The MOE and other Government agencies involved in environmental management at present lack the technical skills to effectively protect, preserve and manage Cambodia's environment. The fourth principle is the recognition of the importance of an integrated approach to environmental planning. Environmental issues are cross sectoral and different institutions have responsibilities and undertake activities that affect the environment. The MOE will promote an integrated and multi-disciplinary approach to environmental management. These principles will serve as the framework for addressing environmental priorities identified by MOE.

Given that effective environmental protection and natural resources management is a cross-sectoral concern, many of the Government's actions to protect the environment and manage environmental impacts are integrated with investment and policy priorities in other sectors. There is a need for monitoring the implementation of all public investment projects to ensure that their implementation is environmentally sound and to strengthen the links between development planning and environmental protection. There is also a need to incorporate environmental impact assessments (EIA) and compliance procedures in new project screening procedures. A high priority of the RGC is to strengthen the capacity of MOE to plan and implement policies and projects, monitor, enforce, and strengthen compliance according to existing environmental legislation. The MOE will be promoting public participation in environmental protection and natural resources management so that people are able to provide information and to participate in the decision-making process concerning the environment.

In the area of bio-diversity, which is one of six priority areas of NEAP, MOE has focused on strengthening the management, developing infrastructure, drafting legislations and demarcating boundaries of national park. Two examples of the activities undertaken have included: management of Virak Chey National park (Rattanakiriy province) funded by GEF/ World Bank & RGC and the preparation of the Bio-diversity National Action Plan that was funded by GEF/UNDP and FAO and has now been submitted to Council of Minister for approval. Some forest concessions in Cardamom mountain area have ended and transferred to forest reserve by the government. The Government has paid special attention to national parks and wildlife sanctuaries to which necessary equipment, such as fire trucks, have been provided by the Government. The protection of Tonle Sap ecosystem is a very important component of conservation and the sustainable use of natural resource strategy. The establishment of Tonle Sap Bio-sphere reserve and the allocation of 500,000 ha of fishing lots to the communities are important steps that will allow communities to participate in the conservation and sustainable use of natural resources and particularly fish resources. Through support provided by DANIDA, IMO, IDRC, MOE has made significant progress in implementing activities in the coastal zones.

Urban waste management has been improved by upgrading facilities for solid waste disposal and transportation. The government is trying, despite some difficulties, to enhance Stung Mean Chey's landfill to prevent adverse impact on human health and the environment. The construction of landfill for industrial waste is completed. The management of solid waste from garment

factories has been improved. Seventy percent of existing factories now have their own waste water treatment plant.

The development of alternative energy sources to ensure environmental protection and the sustainable use of natural resources is an important element of MOE's strategy. MOE has participated in the review of the EIA report for the planned projects on the construction of the electrical transmission line from Vietnam to southwest provinces and the project on the construction of hydropower dam in Kirirom.

The MOE will work closely with all other Ministries and agencies on environmental-related issues and concerns in agriculture, rural development, forestry or fisheries, industry, commerce and other sectors.

For example, pesticide use in agriculture continues to be a great concern, and thus MOE will take as part of its tasks to the reduction of the environmental impact of widespread use of agrochemicals as well as the elimination of use of dangerous pesticides (including DDT). The MOE will perform not only the enforcement of regulations, but will also undertake public education programs to ensure that farmers and consumers have access to information on pesticides and their hazards.

The MOE will, to the extent allowed by its limited resources, also pay attention to: air pollution – both indoor and outdoor, degradation of natural habitats, widespread public littering (e.g., plastic bags thrown from boats into the Tonle Sap Lake are killing the fish), illegal logging and resource extraction, and land and fishery concessions are big threats to the natural resources.

4.5.7 Ethnic Minorities

Historically the ethnic minorities are not included in any policy, decision-making and development process. They are therefore in many ways inferior in the society in terms of status, position and living standards. In the past the ethnic minorities of Cambodia were neglected and treated as second-class citizens. They were excluded from almost all development and decision-making process due partly to their insignificant composition in the total society, ways of life and traditions, and remoteness of their societies. This has changed since the 1980's, but not much only until recently. To develop themselves the ethnic minority people need more helps. To help them develop themselves the RGC sets out following policy and strategy.

Ethnic minority development is being highly considered by the RGC in the implementation of Poverty Reduction Policy. However, little is understood about the ethnic minorities in Cambodia by the majority and by national decision-makers. Therefore, further researches and studies need to be done to identify the ethnic minority groups, to understand their living conditions, cultures, and their development needs, and to improve and finalize the unfinished ethnic minority policy. Strategies and actions given in Chapter 4 will be streamlined and sensitised, to the extent possible, to benefit the ethnic minorities, in particular in the Northeast. MRD will cooperate and coordinate with relevant institutions and international agencies to implement the ethnic minority development programmes in Cambodia. Also, MRD will work closely with line ministries of the RGC to ensure that ethnic minorities' rights and development needs are streamlined and sensitised. For example, MRD will work with MAFF on aspects related to community forestry

and forest concessions management, and MLMUPC on aspects related to community ownership of land all of which will have direct implications for the ethnic minorities.

4.6 PROMOTING GENDER EQUITY

The major contribution, which women make to agricultural production, must be acknowledged so that interventions can be properly targeted. Since 65 percent of agricultural labour and 75 percent of fisheries production are in the hand of women poverty cannot be reduced unless policies and programmes equitably address the situation of Cambodian women. This is a gender issue. Chapter 3 set out the gender dimensions of poverty in Cambodia. Specific attention must also be provided for women who are the most vulnerable – the disabled, HIV-positive, women caring for the HIV-positive and the disabled, and so forth.

Gender equity priorities have been linked to the proposed sectoral interventions. It is essential that gender disparities in Cambodia be well understood and reflected in all aspects of policy planning and development. More importantly, interventions must address the barriers to women making the most of opportunities presented so that they can also enjoy the benefits of development. The MOWVA has been active in advocating gender equality and equity through gender mainstreaming, which must be the responsibility of all line ministries. Further, it is recognised that gender mainstreaming will be ineffective as a strategy if it is not supported by budget allocations for interventions, which address gender disparities.

The RGC, led by the MOWVA aims to reduce gender-based disparities and improve gender equity in health, education, control over agricultural resources, socio-economic and political empowerment and legal protection. This includes ensuring that women and girls receive full legal protection, as well as legal education concerning their rights and benefits such as access to land titles and natural resources. The main strategies to be adopted by MOWVA for poverty reduction include general measures such as promoting gender mainstreaming in all government departments, and specific measures such as collaboration with MOH for health, MOEYS for education, and MAFF, MOWRAM and MRD for agriculture and rural income generation. Legal barriers to women's equal rights are being and will continue to be addressed. Gender education and awareness will also be directed at key officials of the RGC at all levels.

The exclusion of women from participation in many sectoral consultations, whether at the community level or in government decision-making, means that their needs are not considered and addressed and that sectoral policies and programmes are partial and incomplete. Awareness of the disparities, which exist between women and men, is limited and old stereotypes, for example, that women only work in the domestic sphere while men go out to work in the fields, factories and offices. This might be a cultural ideal but it is far from the reality. Where the reality is (reluctantly) recognised, it is considered something, which should be corrected towards the ideal. These views contribute, sometimes consciously, more often unconsciously, to assumptions about what women can or should be able to do. Thus, they are poorly represented in decision-making positions at all levels of government. In turn, this means that women's perspectives do not make a contribution to policy making, implementation of programmes and in monitoring and evaluation.

Good governance depends on more women being represented at all levels of government. It also depends on the inclusion of women in all consultative forums. Sometimes this may mean separate

meetings of men and women until women have the education and the confidence to participate in public discussions.

The Royal Government will encourage political parties to place women on party lists in positions, which will allow them an equitable chance with men of being elected to parliament. It will adopt affirmative action policies in the recruitment and promotion of women into decision-making positions in the public service. It will ensure that in all consultative processes, and in monitoring and evaluation teams, there will be an equal number of women and men.

In the decentralisation of local government, efforts were made prior to the commune council elections to encourage women candidates to stand and 954 were elected. The capacity of these newly elected women is being strengthened by the MOWVA and NGO training programmes which will be continued with donor support. The new Planning and Budget committees are composed of one woman and one man from each village covered by the commune. In other community committees, for example, Water Users Associations, the RGC recognises that a "critical mass" is necessary to give women the confidence to participate actively. Thus, it will aim for 50 percent women members over time, starting with a concerted effort to have at least 20 percent membership in the next three years.

CHAPTER 5: PUBLIC RESOURCE REQUIREMENT AND MANAGEMENT

A critical aspect of NPRS preparation and implementation lies in the link to the budget. Budget allocations need to be consistent with the NPRS and, just as importantly, the execution and management of the budget must follow as intended.

The Royal Government recognizes that there are major constraints on this front. National income per capita is low, and the share of domestic revenue in GDP, though rising over time, is also low by international standards. This means that there are large budget constraints that limit the scale of activities, which are partly alleviated by the support of external partners. Cambodia's experience also shows that public expenditure management has significant weaknesses, even if these are being addressed over time.

Public resources are mobilized through the budget process. As a tool of **macroeconomic policy**, fiscal policy and the budget plays a critical role in maintaining macroeconomic stability, which is essential in ensuring continued good economic performance and achieving sustainable economic development.

This Chapter presents the estimated needs and proposed expenditure allocations to enable implementation of the NPRS, reviews measures on the revenue side to increase resource availability, and sets out institutional links to the budget. Proposed measures to improve budget management, in particular execution and disbursements, are reviewed.

5.1 REVENUE MOBILISATION

The current low level of revenue effort reflects deficiencies in tax and customs administration, the narrow tax base, inadequate non-tax revenues and a persistent culture of non-compliance. Thus, revenue mobilisation has been the key element in the RGC's fiscal policies and the RGC has rigorously implemented reforms aimed at achieving the targeted increase in revenue ratio from 9 percent of GDP in 1998 to 13.9 percent by 2005.

Meeting the revenue target of 13.9 percent of GDP by 2005 is critical for implementation of poverty reduction programmes. Over the next three years, Cambodia aims to increase revenue by 2 percent of GDP to finance growing social spending and debt services. This will require consistent implementation of existing fiscal measures (both tax and non-tax) and improvement in governance.

These revenue measures include the following: (1) expanding the VAT; (2) improved collection of existing taxes, such as excise taxes, profit tax, payroll tax and turnover tax; and (3) strengthening tax and customs administration. As part of the measures to expand the tax base, it is envisaged to expand the real regime tax collection system to five more provinces on top of the existing five provinces: Sihanoukville, Battambang, Siem Reap, Kompong Cham and Koh Kong.

The RGC is conscious that VAT has an impact on the prices of agricultural inputs, thus affecting the poor. In this regard, the RGC decided in 2001 to provide VAT exemption on the imports of agricultural inputs and machinery. Since the early 1990s the RGC also abstained from the introduction of land tax, which would affect many rural poor. The RGC recognises that it is not

always easy to assert the distributional impact of taxes and considers that there is a need for conducting a study on the impact of tax policies on the poor. Unfortunately available data do not presently permit rigorous analysis of these issues. Looking ahead, the RGC does plan to undertake analysis of the poverty and social impact of specific revenue measures, and/or support analysis by partners and others, to provide further information to inform decision-making.

Tax administration can be strengthened by increasing the number of qualified tax auditors and the number of companies subject to tax audits. In anticipation of further expansion of the real regime, the Tax Department has taken steps to improve the administration of real regime by reorganizing the Real Regime Unit into two distinct bodies: (1) a Large Taxpayers Unit (LTU), which monitors large corporations and aims to improve audit operations, strengthen collection enforcement and improve compliance; and (2) a Medium Taxpayers Unit (MTU) to monitor medium businesses.

Customs reform and modernisation are needed to meet the requirements of the RGC for revenue collection and for protection at the border, and that also meets the needs of the private sector for fast, straightforward and reliable international trade. To strengthen customs administration, the Steering Committee for Pre-Shipment Inspection (PSI) was established to oversee and strengthen the current PSI mechanism. The following is a package of reforms aimed at strengthening customs administration and facilitating trade:

Revised Customs Legislation: The development and implementation of a revised Law on Customs to provide the legislative base for reform and to meet the WTO commitment and standards.

Modernized and Streamlined Procedures: The introduction of simplified customs clearance procedures that enhance trade facilitation and improve effectiveness of operations through the application of risk management techniques.

Introduction of the WTO Valuation Agreement: The amendment to the methods of determining the value of imported goods for customs purposes by moving to "transaction value" or the price actually paid for goods as is required under the WTO Valuation Agreement. The development of post clearance audit will be an essential part of the introduction of this agreement.

Strengthened Enforcement: The development and implementation of an enforcement strategy and programme based on the principles of risk management in order to reduce smuggling and other illegal cross border activities.

Automated Systems and Procedures: The use of Information Technology to improve business systems, operating efficiency and service to client. The long-term goal is fully automated systems for all customs business processes.

Maximum Return from PSI Operations: The re-introduction of PSI is to minimize opportunities for fraud and fiscal evasion through mis-description, mis-classification and under-valuation of goods by importers, and to facilitate trade. Attention is being given to training in customs techniques and management skills, as well as the development of an automated customs clearance system.

Non-tax revenue will also play an important role in revenue mobilisation efforts. To increase non-tax revenue collection, actions have been taken to introduce visa stickers, review the terms of contract for collecting the entrance fees at the Angkor complex; monitor the leases of state assets and increase efforts to collect arrears and payments due on leases of state assets; recover arrears and payments due on telecommunications; and stringent collection of casino fees.

Around 30 percent of the budget or 6 percent of GDP is financed by external assistance in the form of budget support, concessional loans and grants. Project loans and grants amounted to 2.6 and 2.8 percent of GDP respectively. The remaining is the budget support grants and loans provided by external donors. Hence, external grant and debt is expected to have strong implications on expenditure management and poverty reduction, which is discussed later in the next NPRS.

5.2 ESTIMATED NEEDS AND PROPOSED EXPENDITURE ALLOCATIONS

On the expenditure side, since 1999, a series of actions have been taken to improve the poverty focus of public expenditures, including rationalizing expenditures on social and economic sectors, and reducing defence and security spending; introducing the Priority Action Programme (PAP) to increase budget disbursement to the priority sectors; and removing ghost workers and ghost soldiers from the civil service payroll. Although progress has been achieved in reorienting government spending away from defence and security, social sector spending has not been fully executed, reflecting primarily inefficient cash management and operation of the treasury at the national and provincial levels. Moreover, expenditure for 2000 and 2001 flood relief and for organizing the commune council elections further constrained budget execution in 2001.

To improve disbursement from the Treasury, the Royal Government needs to (i) improve accuracy and quality of recording government financial transactions by introducing computerization of treasury operations (2) implement a simplified chart of accounts combining current budget codes and treasury account codes to facilitate generation of budget reporting and financial statements from a single data base and (3) provide training to Treasury officials in new financial management practices.

As noted already, the NPRS is closely linked to the Medium Term Expenditure Framework (MTEF), which has developed a set of spending allocations for the medium term. With respect to the NPRS, it was not possible to fully cost all the measures in a bottom up way in every area of activity, although estimates were developed for health, education and a few more sectors. Box 8 illustrates the linkage between the actions outlined in the NPRS and the budget and MTEF in the case of education, which is a key priority sector for the Royal Government of Cambodia. The strong link, in this case, was underpinned by the very good prior and ongoing work on the sector strategy (ESSP).

Box 9: Linking Sector Strategies to the Budget and MTEF: The Case of Education

As explained in the previous chapter, the approach to education in the NPRS is founded in the sector strategy (ESSP). The ESSP financing framework was developed so as to link costs to results through agreed and annually reviewed, result-based priority programs. A joint agreement signed by MOEYS and MEF on key sector performance indicators included targets in terms of financing of the ESSP from the government budget. The costs of the programmes were established through an iterative process of bottom-up, “need-based” planning and top-down, resource-constrained budgeting. For example, the commitments to “cut costs to parents” and provide operational budgets to schools were cost using estimate basic education unit costs and reversing, over 5 years, the ratio of public versus private finances. This was facilitated by (1) early indications from MEF of a broad medium term “resource envelope for education” in documents such as the IPRSP, (2) improved information on donor support.

The ESSP financing framework is closely linked to the government budget. The majority of the priority programmes are implemented through the PAP under the recurrent budget of MOEYS. It is expected that this link will be continuously enhanced with further development of the MTEF by MEF, and better integration of external financing in government budget/MTEF, whichever is the modality chosen by the donor agency. In education currently external financing is provided through budget support, project support for capital investment, project support for capacity building and project support to some recurrent priority programmes.

There remain some differences between estimated needs for the ESSP and the MTEF; these will need to be further discussed to ensure convergence over time. The differences include inconsistencies in budgeting personnel costs, and difficulties in reflecting in the current MTEF format the inputs from projects to recurrent programmes. To summarise, on the costing of the NPRS actions in education:

- Most of the costs for the actions set out in the matrix (Annex 3) can be met, provided that the government budget for 2003, 2004 and 2005 is allocated in line with the projections as of September 2002.
- However there is a critical financing gap as regards the provision of priority infrastructure. While the Ministry is currently improving both, the assessment of priority needs and the identification of available and potentially available resources, the gap estimated in August 2002 amounted to at least 37m US\$ over the period 2003-05
- As noted by MEF at the Third NPRS workshop, a number of weaknesses in the budget and MTEF remain to be addressed. In education, for instance, it has not yet been possible to fully integrate in the education MTEF 2003-05 the costs of, and inputs to recurrent programs financed by projects. As a consequence, these inputs are not included in the costing of education actions in the matrix. The ESSP work plan for the upcoming year includes measures aimed at addressing these issues jointly with MEF and MOEYS donor partners

Overall, the NPRS is considered as a good expression of the poverty reduction characteristics of the education ESSP. The NPRS financing framework in the case of education is entirely consistent with the government budget and MTEF. There is a mechanism to adjust the ESSP priorities annually, in a broadly consultative manner and based on a thorough review of progress against identified performance indicators. The Ministry of Education is confident that the clear advantages of this approach will be fully exploited in the context of NPRS implementation.

Sustainable fiscal policy is important for poverty reduction. Large fiscal deficits would hurt the poor because they lower growth and are not cost-effective.

The objectives and strategies of fiscal policy allow the budget to effectively fulfil its redistribution function and to contribute efficiently to poverty alleviation, in addition to the resource mobilisation and allocation. Such a result will remain uncertain unless the budget is implemented with a strict fiscal discipline and a rationalised management.

In this sense, the RGC will further rationalise its **spending priorities** to develop the social and economic sectors, more importantly, Education, Health, Agriculture and Rural Development, with the ultimate goal of attaining poverty alleviation.

The public expenditure has been used as one of many forms of government intervention and as *a macroeconomic policy instrument* designed to compensate for the failure of competitive markets and to secure distributional equity. *Since the level and composition of public expenditure can have impacts on growth, inflation, and the balance of payments*, the government will determine an appropriate blend of macroeconomic stabilisation policies and microeconomic structural policies to ensure a sound economic management. The government ensures a level of spending consistent with macroeconomic stability, and then restructure expenditure as part of a systemic reform package aimed at promoting domestic saving, productive investment, and efficient resource allocation. This will be achieved by continuing to rigorously implement fiscal reforms, focusing on revenue mobilisation and expenditure rationalisation. The thrust of this policy is to ensure equity and efficiency in expenditure by allocating more and more to social and economic sectors; and finally, strengthening the foundation for implementing performance budget in priority ministries.

Cambodia has therefore rigorously embarked on expenditure rationalisation. The thrust of this policy is to implement a «**New Social Policy Agenda**» for Cambodia. The thrust of this social policy agenda is that growth must take a pro-poor path. Having implemented this «**New Social Policy Agenda**» for Cambodia, the RGC has increased budget allocations for the priority sectors such as education, health, agriculture and rural development, which are the foundation of future growth, equity and progress. The RGC is pursuing reforms in the educational system and promote other modes of human capital formation to make Cambodians more productive and competitive in the global economy. The «**New Social Policy Agenda**» envisions creation of a socially connected, educationally advanced, and culturally vibrant society in Cambodia. This requires dealing with the problems of poverty, illiteracy, and disease.

After two decades of conflict the political environment in Cambodia is now conducive to reduced spending on security and defence. As part of this shift in spending priority, defence-security spending has been reduced from 6 percent of GDP in 1994 to 2.6 percent of GDP in 2003. This has been accompanied by increased funding of the social sectors. Education, health, agriculture, and rural development have been identified by the RGC as priority areas. Social spending will continue to increase dramatically. The lion share of this increase will be used to boost the education and health spending.

A major objective of MTEF 2003-2005 is to sustain the shift in resource allocation from defence and security to the priority ministries, especially education and health. This pattern is evident in several ways, with a rising share going to priority ministries, in absolute terms, as a share of the budget and as a share of GDP. This is shown in Table 5.1. It is noted however that whether these plans can be realised depends largely on the RGC's ability to meet its revenue targets (see Section 5.1), as well as improvements in public expenditure management (see Section 5.4.).

Table 5.1: Rising Share of Priority Ministries, Falling Share of Defence and Security
(As percent of current expenditures)

	2000	2001	2002	2003	2004	2005
	Actual	Actual	Budget		Projected	
Health	8.4	9.5	10.9	12.0	12.5	12.9
Education	14.0	16.2	18.2	18.5	19.5	20.0
Defence and security	37.1	30.1	24.7	22.0	20.8	19.4
Health and education	22.4	25.7	29.1	30.5	32.0	32.9
Health, education, agriculture, rural dev	25.3	30.3	32.9	33.9	35.8	37.3
Memo						
Current expenditure, in million riels	1,228,540	1,389,128	1,595,847	1,784,100	2,033,353	2,276,032

Source: Ministry of Economy and Finance

In line with the macroeconomic framework outlined in the NPRS, the 2003 budget will provide for a further improvement in social spending and improved resource mobilisation. The 2003 budget will be based on increasing domestic revenue to 12.7 percent of GDP, containing current expenditure to 11.4 percent and maintaining a current surplus of 1.1 percent of GDP. The overall deficit will be limited to available concessional assistance, with no domestic financing of the budget. Maintaining current budget surplus will be important to ensure continued good economic performance. Fiscal and structural reforms mentioned earlier will increase revenue's growth potential. Part of the fiscal dividend from this improvement can be allocated to increase social and economic spending, and targeted new spending, while still maintaining a sound budget position (Table 5.2).

Table 5.2: Budget Expenditure by Ministry 1999-2003

<i>Million CRs</i>	1999	2000	2001	2002	2003
Current Expenditure	1,095,899	1,215,477	1,415,634	1,575,400	1,745,000
General Administration	181,992	229,395	325,793	228,965	285,695
-Royal Palace	20,442	19,775	19,014	21,200	22,740
-National Assembly	13,158	20,650	31,665	33,160	35,190
-Senate	6,394	10,140	14,932	16,600	18,050
-Constitutional Council	1,673	2,165	2,782	3,050	3,300
-Prime Minister's Office	43,434	75,275	99,683	47,250	57,750
-Secretariat of public service	400	613	704	1,040	1,250
-C.D.C	1,127	2,030	2,408	3,100	3,980
General Administration	6,875	8,574	22,241	12,990	16,400
-Relations with Parliament	473	939	1,037	1,480	2,660
-Foreign Affairs and International Co operations	36,472	36,199	41,286	48,145	52,000
-Economy and Finance	42,706	41,515	35,913	22,900	50,530
-Planning	2,202	3,247	3,714	4,285	5,375
-Justice	4,454	5,784	6,377	8,315	9,650
-NEC	2,181	2,490	36,897	2,800	3,235
-NAA				2,650	4,585
Defence and Security	468,061	450,724	406,556	390,000	414,500
-National Defence	335,744	308,560	267,856	255,000	268,300
-Interior-Public Security	132,317	142,165	138,700	135,000	145,200
Social Administration	300,595	368,803	455,538	582,735	664,150
-Information	4,653	8,943	8,215	8,400	12,615
-Health	75,366	101,808	130,294	171,700	202,000
-Education Youth and Sports	149,781	165,816	212,306	286,200	323,000
-Culture and Fine Arts	5,136	7,092	8,246	11,115	14,640
-Environment	2,190	3,852	4,499	6,980	8,675
-Social Affaires, Labour, Vocation Training and Youth	18,870	26,452	29,605	32,920	33,630
-Religious and Cults	1,440	1,860	2,342	2,935	3,615
-Women Affairs and Veteran	43,155	52,980	60,033	62,485	65,975
Economic Administrative	93,764	112,512	150,652	173,300	190,155
-Civil Aviation	3,340	3,826	5,149	5,300	7,300
-Industry, Mine, and Energy	4,137	5,487	6,045	7,055	8,155
-Commerce	3,896	6,239	11,877	13,960	18,000
-Agriculture Forestry and Fishery					
-Rural Development	21,178	23,414	31,387	40,000	43,340
-Posts and Telecommunication	3,256	7,558	12,513	20,000	21,000
-Public Works and Transport	37,998	28,766	39,945	38,640	42,750
-Tourism	9,322	20,317	21,456	22,940	15,030
-Territorial Organization, Urbanization and Construction	5,106	6,396	8,718	9,840	12,140
-Water Resources and Meteorology	2,354	4,311	4,743	5,610	8,005
	3,176	6,199	8,819	9,955	14,435

Source: Ministry of Economy and Finance

As part of this expenditure policy, the 2003 budget aims to reduce Defence-Security spending from 3.03 percent of GDP in 2001 to 2.64 percent of GDP in 2003. Social spending will continue to increase dramatically (Table 5.2). The lion share of this increase will be used to boost the PAP budget of the priority ministries. To support the social policies mentioned earlier, the 2002

budget provides for an increase in Education budget to 18.3 percent of current budget and an increase in Health budget to 11.4 percent of current budget.

The estimated costs for programmes in the NPRS were developed by the line ministries. In the cases of education and health, these estimates had been developed as part of the sectoral strategies that now underpin policies in these areas. As noted above, some of the programmes are ongoing, others are being expanded and a number are new initiatives. These estimated costs are subject to further analysis and should still be viewed as preliminary. More detail on the costs of different programmes is presented in the Action Plan Matrix in Annex 3. Table 5.3 provides a summary of the costs of the different programmes by main pillars of the policy actions.

On the expenditure side, it is important to make sure that the composition of spending contributes to broad-based growth and protect vulnerable groups. It is possible, but often difficult, to evaluate the efficiency and equity of government spending. The RGC recognises that cost recovery could help improve efficiency by avoiding wasteful over consumption, but may restrict access by the poor to public services. For this reason, the RGC has introduced an exemption scheme for the poor to enable access to health and education services, though there is a need for an independent evaluation of the status of those who can or cannot pay.

Finally, the RGC intends to address the situation of women, not only in policy and activities but also in its budget provisions. This does not only mean making provisions for programmes targeting women but also importantly, analysing policies for their effects on both girls and boys, women and men, and addressing disparities through reflection of budget provisions. This area requires further analysis and should be reflected in future budget allocations.

Improved equity and efficiency in expenditures will be achieved by allocating greater proportions to the social and agricultural sectors. Furthermore, a performance-based budget for priority ministries will be introduced. All of these initiatives will be implemented with full transparency, accountability, and speed in every sphere of government activity. These actions and approaches are consistent with the effort to mitigate corruption that the government is determined to root out under the Governance Action Plan (GAP).

Table 5.3: The Cost of NPRS Action Plans for 2003-2005

(In US dollars)

1.	Promoting Income Earning Opportunities	216,000,000
1.1	Maintaining Macroeconomic Stability	2,000,000
1.2	Improving Livelihoods for the Poor	
1.2.1.	Improved Access to Land	12,000,000
1.2.2.	Promoting Agriculture Development	27,000,000
1.2.3.	Water Resources Management and Irrigation Development	15,000,000
1.2.4.	Road and Transport Development	160,000,000
2.	Expanding Job Opportunities	570,000,000
2.1.	Private Sector Development	4,000,000
2.2.	Trade Development	4,000,000
2.3.	Promoting Tourism	10,000,000
2.5.	Micro finance	10,000,000
2.6.	Increasing Labour Skills	26,000,000
2.7.	Improved Energy Availability	500,000,000
2.8.	Urban Development	16,000,000
3.	Improving Capabilities	509,000,000
3.1.	Better Health Outcomes	129,000,000
3.2.	Nutrition	42,000,000
3.3.	Education	338,000,000
4.	Institutional Strengthening and Improved Governance	102,000,000
4.1.		10,000,000
4.2.	Reforming Justice Sector	40,000,000
4.3.	Reforming the Administration and the Civil Services	50,000,000
4.4.	Decentralization and Improving Local Governance Anti-Corruption	2,000,000
5.	Reducing Vulnerability	174,000,000
5.1.	Ensuring Food Security	8,000,000
5.2.	Social Protection and Fight Against Human Trafficking	
5.2.1.	Social Protection	14,000,000
5.2.2.	Social Safety Net	2,000,000
5.2.3.	Combating Child Labor and Trafficking and Child Protection	26,000,000
5.3.	HIV/AIDS	40,000,000
5.4.	Disaster Management	42,000,000
5.5.	Mine Action	30,000,000
5.6.	Sustainable Management and Use of Natural Resources	10,000,000
5.7.	Ethnic Minority Development	2,000,000
6.	Promoting Gender Equity	7,000,000
7.	Public Resource Requirement and Management	6,000,000
	TOTAL	1,584,000,000
	FINANCING	
	Government's Budget	230,000,000
	<i>of which capital expenditure</i>	195,000,000
	Foreign Direct Investment	250,000,000
	Official Development Assistance	1,084,000,000
	<i>of which MTEF</i>	665,000,000

Source: Ministry of Economy and Finance

The shifting defence and security expenditure is critical for increasing spending for social and economic sectors with the view to reducing poverty. In this regard, the NPRS is inextricably linked to the national budget for financing. The total costs of NPRS action plans for the next three years 2003-2005 are estimated at US\$1.5 billion (See Table 5.3.). It means that the government has to spend a minimum of US\$500 million per year to have a real impact on poverty alleviation in Cambodia. These planned expenditures will be financed by government's own capital budget resources (US\$230 million), Foreign Direct Investment (US\$250 million) and Overseas Development Assistance (US\$1.08 billion).

The government intends to spend more than US\$1 billion over the next three years on expanding job opportunities and strengthening capabilities of the poor, by focusing on health and education. To increasing opportunity, the NPRS proposes more investment in the energy sector, part of which can be financed by the private sector under the BOT project. The NPRS proposes to spend US\$216 million on promoting income opportunities, especially on road and transport projects. Moreover, the government intends to spend US\$102 million and US\$174 million respectively on institutional strengthening and governance and reducing vulnerability. The proposed NPRS costs are linked to the budget, which we will discuss below.

Good governance is at the core of the RGC's reform programmes. The RGC adopted in March 2001 the GAP in order to bring governance-related initiatives under a common umbrella framework to ensure smooth and coherent implementation. This calls for a predictable and enforced legal system that is both conducive to attracting foreign investment and protecting individual freedoms as well as workers' rights. It also implies improving the quality of the public services, a mechanism for greater accountability and transparency in the society and an everlasting war against corruption.

At the present time, given data and capacity constraints, it has not been possible to fully cost the actions included in the NPRS. However the RGC has developed an aggregate fiscal plan for the medium term, which is broken down by broad sectors (see Section 5.4). It has also been possible to provide good costing in several key areas, in particular education, and health.

5.3 MEASURES TO IMPROVE BUDGET MANAGEMENT (INCLUDING EXECUTION/DISBURSEMENT)

The budget execution system in Cambodia is highly centralized. It ensures a high level of expenditure discipline. However, these controls make proactive management of programmes by line agencies difficult and also reduce the technical efficiency of the budget process, as centralisation reduces budget flexibility and entails that much effort be expended on processing paper. Moreover, budget execution is facing more problems such as the 'back-loading' problem (spending deferred to the later part of the fiscal year) and the lack of coordination of capital and recurrent budgets.

Part of the back loading reflects the timing of procurement and seasonal spending, such as school examinations. Back loading creates unpredictability in the budget, which has adverse effect on the quality of services. The unpredictability of the timing of disbursement from the Treasury, combined with its lateness in the budget year, severely compromises the effectiveness of budget spending on key services for the poor. Therefore, correcting the timing of disbursement through

the course of the year is probably the most urgent reform in budget execution in order to get value for money from the social sector budget.

Back loading is linked to inefficient cash management. This appears to be a key area for progress in improving the trade-off between macro controls and allocative and technical efficiency of the budget. To address this problem, it is important to improve cash management and the financial management information system.

Another problem affecting budget execution is the lack of coordination between the current and capital budgets. This leads to inconsistencies between priorities in a ministry's investment budget and its annual budget submission, resulting in failure to match recurrent resources to new infrastructure and under-spending on operations and maintenance.

The RGC has already taken the initial steps needed to make budget execution in Cambodia more transparent, flexible and responsive to poverty reduction. The introduction of the Accelerated District Development (ADD) in 1996 and the PAP in 2000 allowed for increased social spending in remote provinces and improve performance of referral hospitals, health centres and schools across the country (see Box 9). The PAP mechanism also allowed for the teachers to give additional classes, especially to students from poor background, leading the decrease in dropout and repetition rates.

Box 10: ADD and PAP

As part of the drive to reduce poverty, the Royal Government Cambodia has embarked on reforms with the view to improving the financial management and the budget formulation and execution, and the procurement system to ensure transparency and accountability of the spending units. This includes a range of activities. The RGC intends to conduct a tracking study to identify how much resources reach the grassroots level of schools and clinics in order to take remedial actions.

To improve budget execution and disbursement, the RGC intends to take action to further strengthen the PAP mechanism by strengthening line ministries capacity to prepare programmes before the year of execution and allow for automatic disbursement during the year. The release of the third tranche of the PAP will be conditional on the clearance of the expenditure of the first tranche, thus allowing the line ministries to have more time for reporting.

The RGC has introduced a number of ad hoc solutions to the above problems (ADD and PAP) through the implementation of the PAP and the Accelerated District Development programme. The two mechanisms are designed to channel budget funds to health and education which by-pass the rigidities, delays and leakages of the normal budget execution process.

Accelerated District Development program

The ADD scheme allows participating districts to collect cash directly from the Ministry of Health in Phnom Penh, by-passing the provincial governors and the provincial treasury system altogether. Operating funds (excluding wages and drugs) are provided in a single block, which can be spent according to district needs.

Although ADD is close to a 'petty cash' scheme, it introduced a package of modern budget execution principles for the first time, including post audit of spending rather than pre-audit by MEF, and the creation of budget management centres at the district health levels with authority to decide how to allocate their (non-wage and non-drug) budget.

Priority Action Programme

The ADD scheme is viable only for small expenditures. A parallel and broader attempt to deliver funds to health and education through a recalcitrant budget execution system was the PAP. The PAP was intended to ensure that specific activities gain access to their full budget allocation by removing PAP funding from the discretionary cash allotment system (in contrast to ADD, funds were to be received automatically on a quarterly basis); introducing budget management centres in spending agencies, which manage their own budgets in accordance with pre-approved plans; replacing pre-audit of spending actions by post audit; and creating dedicated accounts in provincial treasury offices which were not subject to Treasury discretion about cash release.

Coverage of the PAP was restricted to certain programme budget lines in health (in seven provinces and some national hospitals) and education (all schools). Higher disbursement ratios were achieved for PAP funded activities than the same activities funded through the old budget processes. A study of school progression indicates much lower repetition rates for students in PAP provinces than non-PAP provinces in 2000 due to the additional funds available for remedial teaching.

The introduction of PAP was a big jolt to the entrenched budget execution system in Cambodia. It has introduced for selected activities most of the elements of a long term budget execution system used in more developed countries – post-audit rather than pre-audit of spending unit decisions, and avoiding remaking the budget through cash allotment decisions during the course of the budget year.

Despite the gains under PAP and ADD there is a need for a review of the spending behaviour of the associated budget centres and the capability building needed to achieve devolution of financial management without unacceptable losses of accountability and control.

In the last budget, the RGC launched a **Poverty Targeted Programme (PTP)** to address the needs of poor population directly. This used the same financial procedures applied to the PAP by providing block grants to Cambodia's poorest provinces, such as Preah Vihear, Oddor Meanchey, Rattanakiri and Mondulkiri, to address the problem of micro-nutrient malnutrition among the population and improve education service delivery in those provinces. Apart from providing scholarship schemes for the children from poor families, the PTP will focus on providing remote allowances to school teachers increased budget for school facility development programs and more support for running costs of schools in remote areas. The PTP increased access for the poor, girls and ethnic minorities wishing to go to school. In Rattanakiri, enrolment rate increased by more than 30 percent in 2001.

FROM PAP TO BROAD-BASED BUDGET REFORM

PAP is the thin edge of the wedge of budget reform in Cambodia. It is a significant step to devolving responsibility to spending agencies. However in both health and (initially) education it was introduced only in better managed spending units. It was not only selective with regard to sector, but selective with regard to spending units within the sector to be moved from the centrally control regime to the more devolved budget execution processes. PAP is therefore an intermediate step. Devolved responsibility needs to be accompanied by improved capability and improved accountability.

Looking ahead, a better trade-off between macro efficiency of the budget and allocative and technical efficiency is still needed. Ideally, instead of administering funds according to rules, funds should be managed to achieve goals or targets. This can involve tracking of performance indicators over time or comparison of performance between spending units delivering the service in different parts of the country. Eventually, it provides a path to output and performance budgeting. A key element in migrating beyond the PAP is the gradual introduction of accountability for results. This is the intended future direction once the necessary capacity is built up.

To streamline procedures and facilitate disbursement, discussions are underway to deconcentrate financial responsibility from the MEF to the line ministries by posting financial controllers at the line ministries and shifting limited authority over financial control to the line ministries. At the same time, attention is given to improved cash management and the reduction of arrears that have built up in the Treasury system.

Procurement is integral to budget execution. A proportion of public expenditure at every level of government is incurred in the procurement of goods and services and construction. The performance criterion for evaluating procurement activities is economy, i.e., acquisition at the lowest price without sacrificing quality and timely delivery. To improve procurement procedures, in early 2002 the government decided to fully implement public procurement procedures for four priority ministries, Education, Health, Agriculture and Rural Development in the acquisition of

goods, services and construction activities. Competitive bidding resulted in considerable savings for the national budget, which can be used for poverty reduction purposes.

5.4 LINKS OF THE NPRS TO THE ANNUAL BUDGET AND THE MEDIUM TERM EXPENDITURE FRAMEWORK

Improving public expenditure management is critical to NPRS implementation. Complementary to these reforms is the MTEF, a multi-year public expenditure planning exercise which is used to set future resource requirements for existing services based on projections for the total resource envelope available to government from domestic and external resources.

MTEF is a planning and budget formulation process within which the RGC establishes credible commitments on fiscal targets and the allocation of public resources. The process aims to achieve three desirable outcomes:

- **Aggregate Fiscal Discipline (AFD)** that simply means that the government should not live beyond its means. Operationally, AFD means that within a given time frame government expenditures should equal revenues (including external grants) plus sustainable borrowing. Overall fiscal discipline can be ensured by the steady increase in revenue collection and containing current expenditure at a reasonable level, as outlined above;
- **Allocative Efficiency (AE)** that means that the government should spend money on the right things. In principle, money should be allocated such that social marginal benefit is equal to or greater than social marginal cost. The strategic reallocation of resources toward priority sectors – especially education and health – and away from defence and internal security is part of the proposed MTEF; and
- **Operational Efficiency (OE)** that means that taxpayers get the best value for their taxes. Once government has decided to provide a certain level and quality of public services, such services should be provided at the least cost.

In the context of the NPRS, the MTEF helps to establish a close link between the medium and long run national objectives set out in the NPRS with the annual budget process.

Likewise, because the NPRS has actions programmed in the medium term, any decisions with an impact on the State budget should be considered from a multi-year perspective. The budget then becomes a mechanism for forward planning – that is, collecting information, considering options, and then choosing among alternative solutions.

The MTEF aims to organise information to enable the programming of all resources and expenditures together and so as to clearly reveal the implications of decisions or priorities on resource allocation. MTEF preparation distinguishes between three concepts:

- **Medium Term Fiscal Framework (MTFF)**, which establishes the broad resource envelope for government based on best available estimates;
- **Medium Term Budget Framework (MTBF)**, which allocates resources over time according to sector and national priorities; and
- **Medium Term Expenditure Framework (MTEF)**, which adds the dimension of activity and output based planning to the process.

However, full introduction of MTEF processes faces constraints and will take time to implement. International experience and Cambodia's own MTEF experience to-date reveals a number of problems which need to be addressed, some of which require cooperation of development partners. Among the conditions needed for full MTEF functioning are:

- Comprehensive picture of the budget, including on the revenue side. As noted above for a significant share of resources from partners MEF needs to know about the level and nature of commitments well in advance, and disbursement should be as predictable as possible;
- Integrated capital and current budgets (which is not yet the case in Cambodia);
- Good functional classifications, working towards program based budgeting (this is currently only done for education and health); and
- Good budget execution.

For these reasons, the MTEF is being only gradually introduced for health and education. Based on an assumption of at least 6 percent of annual economic growth, the MTEF includes the aggregate level of public resources – taxes, non-tax revenues, and borrowing – that may be allocated among the RGC's priority programmes over the medium term consistent with the targeted level of overall fiscal balance (surplus or deficit).

MEDIUM TERM BUDGET FRAMEWORK

The RGC is committed to using the MTEF to fulfil its desire to allocate its limited resources to its strategic priorities. As percent of current expenditures, the allocation for the ministries of education, health, agriculture and rural development will increase from 30.3 percent in 2001 to 37.3 percent in 2005, while the allocation for defence and security will decrease from 30.1 percent to 19.4 percent during the same period.

The total expenditure ceiling that is based on the MTEF and the computed allocable ceiling is shown in Table 5.4.

Table 5.4: Total Expenditure and Allocable Ceiling

Particulars	2003	2004	2005
Nominal GDP, in million riel	15,650,000	17,087,000	18,656,000
Total expenditure, as per cent of GDP	19.0	19.1	19.4
Current expenditure, as per cent of GDP	11.3	11.9	12.2
Capital expenditure, as per cent of GDP	7.3	7.2	7.2
Overall budget ceiling, in million riels	2,973,500	3,263,617	3,619,264
Current expenditure, in million riels	1,768,450	2,033,353	2,276,032
Capital expenditure, in million riels	1,142,450	1,230,264	1,343,232
Adjusted budget ceiling, in million riels	2,410,582	2,564,500	2,752,825
Allocable ceiling= Total expenditure - aggregate baseline ceiling	562,918	699,117	866,439
Allocable ceiling as per cent of GDP	3.60	4.09	4.64

The expenditure ceilings by sector and spending ministries based on the foregoing methodology but adjusted for commitments made by the Government to donors and lending institutions, are shown in Table 5.5.

Table 5.5: Allocation by Sector and Priority Ministries

	2003	2004	2005	2003	2004	2005
	In percent of GDP			In millions of riels		
General administration	1.54	1.44	1.35	241,010	246,052	251,856
Defense and security	2.53	2.49	2.40	395,945	425,466	447,744
Social services	4.22	4.55	4.79	660,430	777,458	893,622
Of which: Health	1.38	1.49	1.59	215,970	254,596	296,630
Education	2.13	2.33	2.47	333,345	398,127	460,803
Rest of social services sector	0.71	0.72	0.73	111,115	123,026	136,118
Economic services	1.12	1.24	1.36	175,280	211,878	253,721
Of which: Agriculture, forestry and fishery	0.26	0.30	0.35	40,690	51,261	65,296
Rural development	0.13	0.15	0.20	20,345	25,630	37,312
Rest of economic services sector	0.73	0.79	0.81	114,245	134,987	151,113
Contingency reserves	2.19	2.18	2.49	342,735	372,496	464,344
Externally financed capital expenditures	5.30	5.20	5.10	829,450	888,524	951,456
Locally financed capital expenditures	2.00	2.10	2.00	313,000	358,827	373,120
Memo item:						
GDP in million riels				15,650,000	17,087,000	18,656,000
Externally financed capital expenditures, in million US\$				207.4	221.8	237.1

As already noted, a major objective of the MTEF is to sustain the shift in resource allocation from defence and security to the priority ministries, especially education and health. Table 5.6 shows how this will involve in the specific case of education. The annual rates of increase in budget allocation have been very high, increasing to about a 15 percent in 2005 relative to 2004.

Table 5.6: Government Funding for the Education Sector 2001-2005

Particulars	2001	2002	2003	2004	2005
	Actual	Actual	Baseline	Baseline	Baseline
	Year -1	Year 0	Ceiling	Ceiling	Ceiling
Government funding, In million riels	229,653	286,200	333,345	398,127	460,803
Growth rate, in percent	35.2	24.6	16.5	19.4	15.7
In percent of GDP	1.71	1.99	2.13	2.33	2.47
As percent of current expenditure	16.2	18.2	18.8	19.6	20.2
<i>Memo items:</i>					

The total public spending for education is the sum of government funding and donor programme, and project support.

The MOEYS' goal is to develop an inclusive, easily accessible and high quality service that is available to all. The MOEYS' vision includes an understanding of the critical need for education and training systems to enable economic growth, improved employment prospects and income generating opportunities.

As noted above, the RGC is aiming to increase the results-focus of its activities, including budget allocations. To this end, based on the MTEF 2003-2005 budget ceilings for the Ministry of Education, Youth and Sports, the Ministry is committed to allocating its limited budgetary resources to selected priority programmes aimed at reaching the following medium term targets:

Table 5.7: Selected Performance Indicators and Targets 2003-2005

Indicators	2003	2004	2005
<i>1. Equitable access</i>			
a. Net enrolment rate, primary, nationwide%	90	92	95
b. Net enrolment rate, primary, remote areas, %	72	76	80
c. Promotion rate: Grade 1, Grade 2, Grade 3, %	84,87,86	86,88,87	88,89,88
d. Net enrolment rate, lower secondary, remote areas, %	6	10	15
e. Net enrolment rate, upper secondary, %	10	11	15
f. TVET enrolment: public	9,410	9,710	10,110
Private	15,000	17,000	19,000
<i>2. Quality and internal efficiency</i>			
a. Repetition rates: Grade 1, Grade 2, Grade 3	8,5,5	7,5,5	6,5,5
b. Transition rate: primary to secondary, %	83	85	87
c. Pupil teacher ratio: primary	53	52	51
Lower secondary	20	23	26
Upper secondary	26	27	28
d. Non teaching staff share of total education sector workforce, %	18	17	16
e. Spending on core textbooks per pupil in Riels	5,200	5,700	5,800
<i>3. Improved sector management and decentralization of education services</i>			
a. Education sector share of total government recurrent expenditure, %	18.5	19.5	20.0

Table 5.8 shows a similar detailed breakdown of trends in the health budget through 2005. This is also underpinned by a sectoral strategy oriented toward key goals.

Table 5.8: Government Recurrent Budget for FY 2003-2005 (Health)

Particulars	2000	2001	2002	2003	2004	2005
	Actual	Actual	Actual	Budget Ceiling	Budget Ceiling	Budget Ceiling
	Year -2	Year -1	Year 0	Year 1	Year 2	Year 3
In million riels	102,227	134,040	171,700	215,970	254,596	296,630
Growth rate, in percent	35.1	31.1	28.1	25.8	18.0	16.5
In percent of GDP	0.79	0.98	1.2	1.38	1.5	1.6
As percent of current expenditure	8.4	9.5	10.9	12.2	12.5	13.0

Much of public spending on health is donor financed. National programmes account for 14 percent of spending, incorporating both donor and government resources. In 2001 bilateral funding accounted for around 46 percent of external aid, while multilateral and NGO (core funding only) accounted for 32 and 22 percent, respectively. Approximately, 57 percent of external aid directed to health is allocated to national programmes, facilities and projects and the Ministry of Health. The remainder is distributed through project aid to provinces and NGO providers.

FINANCING DECENTRALISATION

The RGC's decentralisation programme outlined in Chapter 4 includes a commitment to decentralising expenditure responsibilities to communes. At the moment, the main source of financing for commune/sangkat responsibilities is the Commune Fund (see below).

For fiscal decentralisation to be credible, local governments should have a predictable, preferably sufficient source of financing to carry out its mandated responsibilities. At this early stage of decentralisation, the RGC is committed to transferring budget resources equivalent to a certain percent of total domestic recurrent revenue. In order to ensure predictability, the intergovernmental grant system should be imbedded in the MTEF.

After organising the commune elections in February 2002 and the subsequent establishment of Commune Councils across Cambodia, a commune budget was created to allow communes to fully operationalise. The RGC has set up a Commune Fund (CF), consisting of block grants from the government, tax and non-tax revenues to be assigned to the communes by the Parliament and donor's assistance. The CF will be used to finance the following:

- General administration of commune's affairs;
- General development of the commune's social and economic infrastructure; and
- Delivery of local public services.

The MEF and the Ministry of Interior (MOI) will hold further discussions on how the CF will be managed. A Commune Fund Board (CFB) can be established at the MEF with representation from MEF, MOI, MRD, MOP, the Seila Secretariat and the local communities. The CFB can work in close cooperation with the National Committee to Support the Commune (NCSC) to manage the CF. The establishment and the early stage of operation of the CF should offer an opportunity to create incentives for the newly established Commune Councils and Administrations to increase their capacity and adopt accountable, transparent, effective and efficient local governance practices. This will require the creation of a strong capacity in the provincial governments for support and oversight of the communes. This capacity is crucial for the development of local institutions. As stated by Prime Minister Samdech Hun Sen, the commune elections "... will strengthen democracy at the grassroots level, improve the efficiency of the public services to those in need and reduce poverty. It will engender the devolution of power and responsibilities from the central government to the people. This form of empowerment of the local people will have a far-reaching effect in the years to come."

Both, decentralisation and public expenditure management reforms are anticipated to help tackle poverty through more efficient, effective and accountable management of "public affairs". The fiscal decentralisation system must be designed accordingly. Decentralisation in Cambodia also stems from the political will of government to deepen good governance and to give stronger roots to a culture of tolerance and mutual understanding at local level. Furthermore, decentralisation has huge implications for the State's institutional and organizational set up. Thus, the fiscal decentralisation agenda cannot be separated from the broad developmental, political and institutional ones.

Fiscal decentralisation usually entails a transfer from central to local governments of certain revenue raising powers, and a transfer of central budgetary resources to complement what local governments can raise as own revenues. Cambodia makes no exception to this rule.

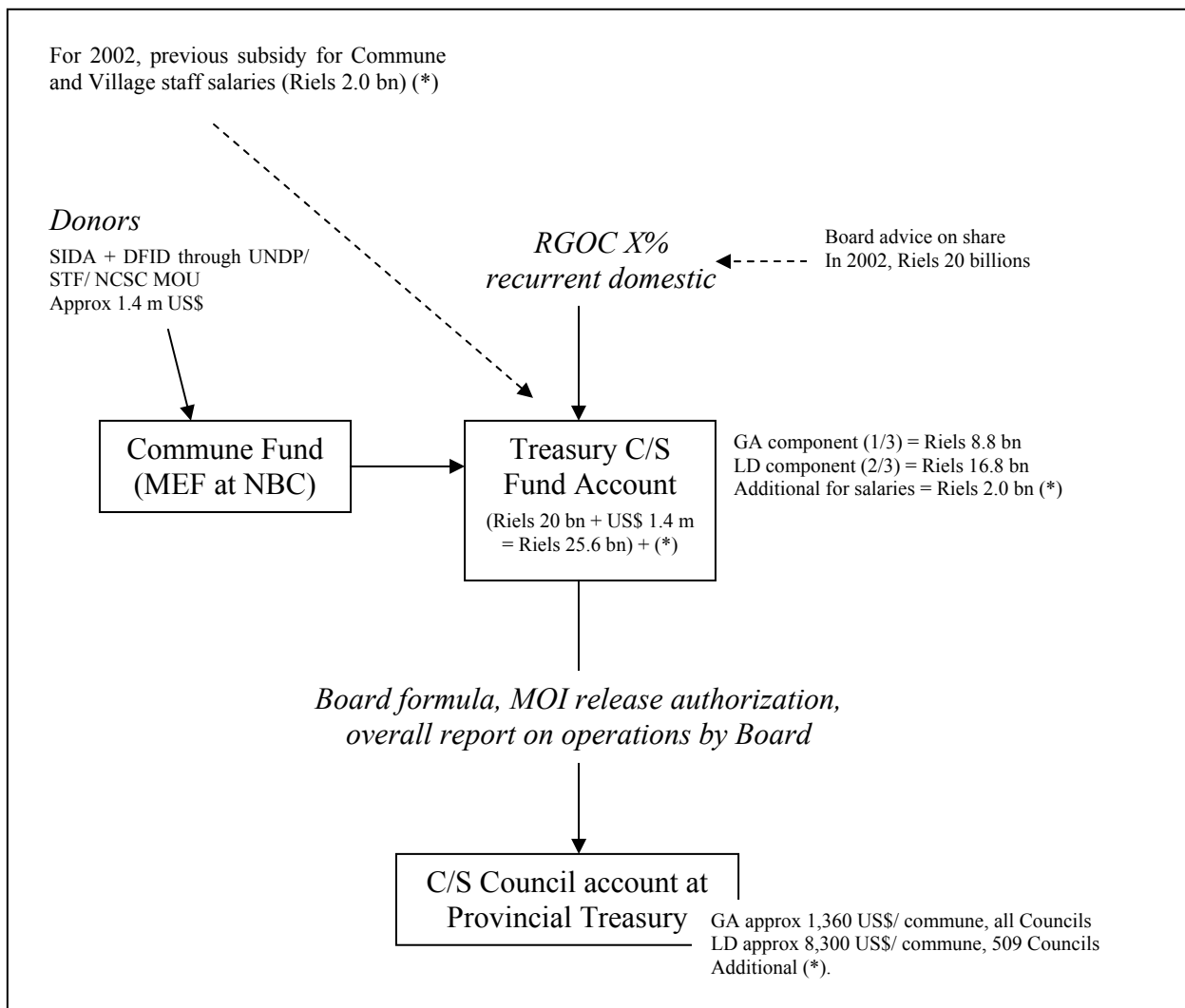
The CFB is responsible for negotiating similar medium term commitments from **donor agencies** that would channel their funds through the C/S Fund. According to the draft Fund Rules and Regulations (R&R), the Board would also aim at doing the same for resources channelled differently but with the same broad purpose of contributing to “general” C/S financing. Depending on how “general” C/S financing is being defined, this may cover the substantial funding for rural/local development channelled under the Seila programme umbrella through individual ministries.

The first achievement in mobilising external resources for the S/C Fund is a tri-partite (NCSC/Seila Task Force/UNDP) agreement that **Seila core resources for the C/S** will be channelled through the CF from 2002 onwards²³. Importantly, this represents a shift from the Seila mechanism of commune resource allocation by the provincial level Provincial Rural Development Committee (PRDC), towards the C/S Fund system of national level allocation. It is foreseen that terms and conditions of the agreement will be reviewed for future years, to take account of further developments of the financial decentralisation framework.

The diagram below outlines key characteristics of the C/S Fund in terms of capitalization and resource allocation. Specific information is given for the year 2002.

²³ Refer to “Memorandum Of Understanding between the NCSC, Seila Task Force and the UNDP on the Contribution of the UNDP Partnership for Local Governance to support the C/Ss”. Signed in May 2002.

Figure 2: Channel of Commune/Sangkat Fund



GENERAL ADMINISTRATION AND LOCAL DEVELOPMENT COMPONENTS

The Fund comprises two components (considered as two “virtual sub-Funds”):

- **GA** – General Administration component covering allowances to Councillors, local staff expenditure, purchase or rent of Council office, furniture and equipment for Council facilities, repair and maintenance of the same, utility charges, purchase/rent of vehicles and maintenance and operation of vehicles, and other consumables should be no more than 1/3 of the total Fund envelope.
- **LD** – Local Development component covering recurrent and capital expenditures for development of infrastructure and delivery of local economic and social services should be no less than 2/3 of the total Fund envelope.

In 2002, the RGC has committed to the Fund Riels 20 bn from its domestic recurrent revenues. The Fund has also been allocated US\$1.4 m out of Seila core resources (SIDA & DFID). This gives:

- Riels 8.8 bn of GA funding has been allocated to all 1,621 C/S Councils with an average of US\$1,360 per Council; and
- Riels 16.8 bn of LD resources have been allocated to 509 Councils, of which capacities are deemed sufficient for using these efficiently with an average of US\$8,300 per Council.

The NCSC/Seila Task Force/ UNDP MOU for 2002 suggests that donor resources are earmarked for local development for a sub-set of Councils – a possibility which is explicitly provided for in the draft Fund R&R. The availability of these additional LD resources has influenced government decision of granting access to the Fund's LD component to 159 Councils in addition to the 350 Councils, which were initially eligible for LD resources from the government Riels 20 bn.

The GA component is allocated proportionally to the number of Councillors in each C/S. LD resources are apportioned through a formula combining three factors: (1) equal share, (2) population, and (3) poverty rank. In 2002 the three factors counted for 50, 30 and 20 percent, respectively (i.e. equal share, population, and poverty). The lesser weights given to the population and poverty factors reflect the RGC's caution, as it does not have undisputed information on population and poverty for all C/S. It is important to fill this information gap with reliable data as soon as possible.

CHAPTER 6: MONITORING AND EVALUATION

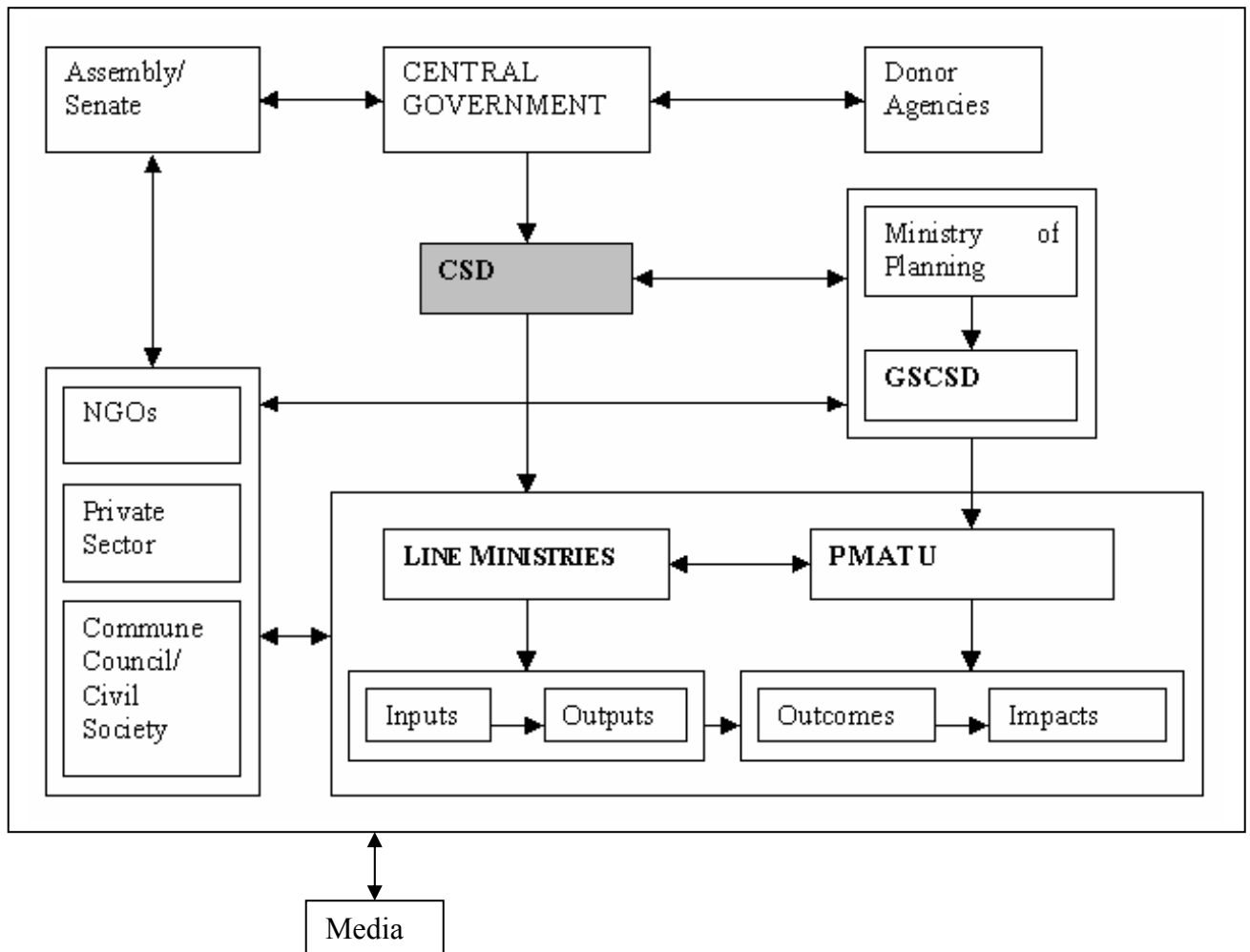
Having NPRS and implementing it alone is not enough unless monitoring and evaluation exercises are integrated that will help to provide information about the progress of the implementation towards its objectives and about issues arising from inappropriate strategies and implementation process, and to gather lessons that can be learned for future efforts. Therefore, monitoring and evaluation (M&E), and capacity-building activities, including poverty and social impact analysis, are a critical component of the NPRS. These activities are essential if the NPRS is to be periodically modified and improved, and established on a sustainable basis. At the same time, it is important that these activities are closely coordinated with other monitoring activities in the country so that there is no duplication of effort. The Government has taken major steps over the past two years to build its institutional capacity for formulating, monitoring and further developing the NPRS. The Poverty Monitoring and Analysis (PMA) institutional framework, which is described below, was established early this year (with UNDP support). The NPRS needs to include suitable training and other institution-building activities in monitoring and evaluation in order to ensure that these capabilities are sustainable.

6.1 INSTITUTIONAL ARRANGEMENTS FOR MONITORING AND EVALUATION

The NPRS monitoring and evaluation process will take place through the broad participation of all stakeholder groups. The participation of civil society, private sector and the poor will be accompanied with the clear identification of the institutional responsibilities of the central and local administrative bodies and complete transparency. The need for transparency requires that all stakeholders have free access to both preliminary and final information and data that they need to carry out their responsibilities. The monitoring and evaluation process also requires the establishment and strengthening of relevant institutional capacities.

Below is a schematic diagram of the institutional arrangement for M&E. Further detailed development of the chart will indicate how this process relates to monitoring of SEDPII and the Medium Term Expenditure Framework (MTEF). The intention is that SEDPII and the NPRS monitoring process be, as far as possible, merged. The Ministry of Economy and Finance (MEF) has the central role in monitoring budget execution and implementation of the MTEF, which is in turn critical to the NPRS.

Figure 3: Schematic Chart for Institutional Arrangement for Poverty Monitoring and Evaluation



6.1.1 Ministry of Planning

Ministry of Planning (MOP) is the principal agency responsible for coordinating efforts in monitoring the NPRS. Within MOP, the National Institute of Statistics (NIS), the technical agency within MOP, is responsible for designing and conducting socio-economic surveys, while the General Department of Planning (GDP) is in charge of policy analysis.

6.1.2 Council for Social Development

Council for Social Development (CSD) was established by the RGC under Sub-decree NB.89. The CSD is responsible for promoting, coordinating and monitoring development policies and programs related to the poverty reduction goals of the RGC. The Minister of Planning chairs the CSD. Presently, there are 14 members who are Secretaries of State from 14 ministries. It is

envisaged that nine additional members, representing eight other ministries and the Municipality of Phnom Penh, will join the CSD in the future²⁴.

The CSD will play a leading role in implementing the NPRS. Its responsibilities include: (1) reviewing annual poverty assessment and poverty impact evaluation studies; (2) preparing recommendations for necessary adjustments to the SEDPII and the NPRS to achieve better targeted and more cost-effective anti-poverty programs; (3) monitoring the poverty components of the SEDPII, the NPRS and the PIP; and (4) reviewing budgetary allocations and their impact on poverty reduction programs. The CSD will be responsible for preparing and submitting Annual Progress Reports on Implementation of the NPRS.

6.1.3 General Secretariat of Council for Social Development

General Secretariat of Council for Social Development (GSCSD) is the implementing unit of CSD. It will be responsible for preparing the draft Annual Progress Reports on Implementation of the NPRS for consideration by CSD. An Under-Secretary of State of MOP chairs GSCSD. It includes focal persons from the line ministries that are represented in the CSD. GSCSD is responsible for: (1) coordinating poverty policy and program formulation, implementation and monitoring; (2) facilitating capacity development in poverty monitoring and analysis; (3) consensus building on pro-poor policies among stakeholders.

The GSCSD meets on a regular basis to discuss technical issues related to questionnaire design and methodology and findings of the socio-economic surveys. The GSCSD identifies data and analytical needs for national policy formulation purposes, decides on the information to be collected in each socio-economic survey and how it will be analysed. In carrying out these activities, the GSCSD coordinates with policy makers, NGOs, CSOs, academic and research institutions and international agencies to ensure a demand-driven approach to data collection and analysis. The GSCSD will coordinate to also ensure that duplication of efforts in data collection exercises will be avoided and data collected by various agencies are widely and publicly accessible.

6.1.4 Poverty Monitoring and Analysis Technical Unit

Poverty Monitoring and Analysis Technical Unit (PMATU) is the research arm of the GSCSD. PMATU is headed by a National Director and composed of 10 national professional staff. PMATU provides support to GSCSD in the following NPRS-related activities: (1) coordinates data collection by other national institutions e.g. NIS, and the statistics units of the line ministries; (2) coordinates other data collection activities (e.g. qualitative studies, impact assessment studies, specific case studies) and strengthens national capacity in data collection and analysis; (3) supports, and in some cases conducts (along with academic and private researchers), data analysis requested by decision makers; (4) provides overall capacity-building support in poverty-related monitoring and evaluation. PMATU will compile the information on the current status of NPRS indicators to be included in the Annual Progress Reports on Implementation. Further, the PMATU will coordinate for a central database facility, which will store and maintain

²⁴ The members of CSD are expected to include Secretaries of State from MOP, MEF, MAFF, MRD, MOH, MOEYS, MOWVA, MLMUPC, MOC, MSALVY, COM, MPWT, CDC, NBC, MIME, MOI, MOJ, MOT, MOE, MOINFO, MOWRAM, MOPT and a governor of MPP.

existing and prospective information/data collected by various agencies including government, NGOs, CSOs, and academic and research institutions, for the purpose of NPRS M&E, and will ensure that available databases will be shared with and accessed by all involved parties and the public.

6.1.5 Ministry of Economy and Finance

Ministry of Economy and Finance (MEF) has the central role in monitoring budget execution and implementation of the MTEF, i.e., in monitoring whether necessary financial inputs have been made available to the line ministries in a timely fashion to enable them to implement the Priority Public Actions in the NPRS.

6.1.6 Line Ministries

The line ministries and other government agencies represented on the CSD are responsible for implementing SEDPII and NPRS in their respective sectors for performance monitoring of their own performance in terms of inputs and outputs, and for collecting and maintaining data needed for further poverty analysis. Line ministries, including MOWVA, will work closely with the four key line ministries' technical units and with GSCSD to ensure that crosscutting issues, such as gender, are part of the implementation and analytical process.

6.1.7 Key Line Ministries

Four key line ministries have been designated by the RGC to play a key role in poverty reduction and in the NPRS. They are the Ministry of Agriculture, Forestry and Fisheries (MAFF), Ministry of Health (MOH), Ministry of Education, Youth and Sport (MOEYS) and the Ministry of Rural Development (MRD). At present, the key line ministries have established working groups to work with GSCSD for NPRS formulation. During implementation of the NPRS, the key line ministries will establish and/or strengthen as necessary technical units for monitoring their own performance, collect necessary additional data, and work very closely with GSCSD to ensure the effectiveness of NPRS implementation.

6.1.8 Parliament/Senate

The Parliament and Senate will be responsible for reviewing the progress of NPRS implementation, and for providing feedback and recommendations for necessary adjustments to the NPRS. They will also participate in meetings, workshops and national poverty forums organized by CSD and GSCSD.

6.1.9 Commune Councils and Civil Society

Commune councils and civil society are the representatives of the targeted beneficiaries for the NPRS. They are expected to play a key role in providing feedback and information for monitoring and evaluation and for providing an “early warning system” for any problems arising during NPRS implementation. In addition, commune councils and civil society will provide monitoring information on natural disasters. They also will participate in meetings, workshops and national poverty forums.

6.1.10 Non-Governmental Organizations

NGOs, including both local and international organizations with a strong focus on poverty reduction, are expected to be key partners in monitoring and evaluating the NPRS. In addition to providing comments on the results of socio-economic household surveys and monitoring the progress of NPRS implementation, NGOs are expected to provide useful data and information from their own micro-level surveys and evaluation studies. NGOs are also expected to participate actively in meetings, workshops and national poverty forums.

6.1.11 Private Sector

The RGC looks to the private sector to play a crucial role in poverty reduction, especially, through job creation. The private sector is therefore expected to be actively involved in the process of monitoring and evaluating the NPRS. Through such organizations as the Chamber of commerce and Worker Federations/Trade Unions, the private sector is expected to participate actively in meetings, workshops and national poverty forums.

6.1.12 The Media

Like many other agencies the media will be key to poverty monitoring exercises. The media will be able to help provide regular information on the progress of and issues faced during the implementation of the NPRS as well as intermediate outcomes of the NPRS execution, if well involved. They may not be involved directly in the actual monitoring exercises but they can perform their reporting task by putting some focus on poverty-related issues. The media is expected to participate actively in meetings, workshops, and national poverty forums, and to report on those events and outcomes of the NPRS implementation while carrying out their professional duties.

6.2 NPRS MONITORING

Monitoring of annual progress towards NPRS poverty reduction goals is a key component for the NPRS process. This requires careful selection of appropriate indicators and targets for the various Priority Public Actions in the NPRS. The indicators and targets should be sex disaggregated where appropriate to ensure that disparities are addressed. To the extent possible, NPRS indicators and targets should be consistent with those of other key RGC planning documents (SEDPII, MTEF), as well as the longer-term Millennium Development Goals (MDGs). Progress toward meeting NPRS targets will be monitored on two levels, i.e. implementation level and objective level and reported in Annual Progress Reports on Implementation.

6.2.1 NPRS Indicators

There are basically two categories of indicators used to monitor progress in implementing the NPRS. The first category of indicators, which includes input, process, and output indicators (collectively referred to as performance indicators), is designed to monitor directly the performance within sectors toward achieving NPRS targets and objectives. These indicators are calculated from data that are routinely collected, maintained and analysed by the various line

ministries and agencies, and are specifically given and indicated in the Action Plan Matrix of the present NPRS. They are the core indicators that will be reported in the Annual Progress Reports on Implementation.

The second category of indicators, which includes outcome and impact indicators, are measured at the population or household level and are based on data collected in periodic household surveys (e.g., demographic and household survey, labour force survey, and the socio-economic surveys conducted by the NIS) or in the decennial Census of Population and Housing. Many of the indicators in this second category are among those used to monitor progress toward total achievement of NPSP *per se* and the attainment of the long-term MDGs (see Annex 4). Outcome and impact indicators may reflect the activities of other sectors, as well as those that are beyond the control of government (e.g., climate, regional financial conditions). A list of the NPRS outcome and impact indicators and targets is provided in Table 6.1.

The indicators for monitoring and evaluating the NPRS as presented in the Action Plan Matrix and M&E framework are very selective to reflect and verify the nature of the NPRS pro-poor policy response, activities, outputs, outcomes and impacts. The choice of these indicators is based on certain criteria and principles that can be outlined briefly below.

The input and output indicators monitored at the implementation level that are chosen for the Action Plan Matrix take into account (1) commitment of resources from the RGC sources and funding agencies for various policy actions, programs and projects, (2) delivery capacity of the line institutions, (3) timeframe of the NPRS, (4) measurable and monitorable characteristics of the indicators, (5) sensitivity of the indicators to poverty, (6) available/existing baseline, and (7) existing capacity of the line agencies in collecting, maintaining and analysing relevant information, which can be in survey or administrative format.

The outcome and impact indicators monitored at the objective level that are selected for the M&E framework are based on following principles: (1) available/existing baseline for comparisons, (2) poverty-sensitive characteristics, (3) current capacity in collecting and analysing the information, which can be in survey or administrative format, (4) measurable and monitorable characteristics of the indicators, and (5) contribution to achieving the MDGs.

Some of the indicators (for inputs, outputs, outcomes and impacts) are taken directly from the SEDPII since they are poverty related, and are dedicated to by the RGC, and the SSWG Report to the Consultative Group Meeting in June 2002. It should be noted that some targets in the M&E framework (Table 6.1) are not yet decided. Works are in progress to set these targets. Their figures will be available during the implementation of the NPRS. During implementation, and in the next NPRS more indicators may be added as information becomes available or the list may be deducted as the implementation of the NPRS reveals. Further, attention is paid to sex disaggregated data for effective monitoring and evaluation as well as future targeting. Box 10 further illustrates as to how the indicators and targets are selected in the case of education.

Box 11: The Selection of Indicators and Targets in the Case of Education

Given the underpinning for the education section and proposed actions in the NPRS matrix, in the jointly agreed (MOEYS/Donors/NGOs/MEF) sector strategy known as ESSP, most of the indicators and targets are extracted from the key sector performance indicators that are the basis for the ESSP monitoring through the annual Review. This has the advantages of ensuring regular data collection and minimising additional transaction costs on the responsible agency (MOEYS).

In response to comments made by stakeholders MOEYS has reviewed indicators and targets in the matrix with a view to clearly highlighting the gender dimension of the ESP/ESSP policies.

In a few cases, there is neither baseline nor target value because these correspond to areas/sub-sectors for which the ESSP does not currently have fully worked out strategies and programmes to ensure that the ESP/ESSP policy objectives are achieved (especially, NFE, higher education and TVET). The ESSP forward work plan for 2002/03, however, does include further policy analysis and development work in these areas. It is anticipated that this work will help ensure that by the first annual NPRS Progress Report it will be feasible to include the indicators for these areas (e.g. those proposed in the NPRS matrix or others that would have been identified as more relevant) in the ESSP performance monitoring framework.

It is also noted that MOEYS is in the process of strengthening its management information systems so that it is able to report on the agreed key sector performance indicators on an annual basis. The NPRS broad monitoring framework, outlined in Chapter 6, has been adjusted to take advantage of this, and ensure consistency between the outcome indicators that will be annually reviewed through the education review process and those that will be reviewed through the broader NPRS process.

6.2.2 NPRS Targets

Targets are used in the NPRS for two reasons: to facilitate the establishment of priorities and to foster a culture of accountability among those organizations responsible for implementing the NPRS. Targets may also be helpful in mobilizing resources. In order to achieve these objectives, it is essential that the chosen targets be realistic and consistent with available resources (including implementation capacities, institutional arrangement/coordination mechanism, funding, etc.).

6.3 POVERTY IMPACT EVALUATION

The purpose of poverty impact evaluation is to determine the real contribution of the policy or measures in the NPRS in changing the level of well being of the people involved, of their households and their communities. Impact assessment implies addressing a series of methodological challenges, including the isolation of the impact on poverty of the policy or program under examination from all other endogenous and exogenous factors that may affect the poverty-related outcomes. The notion of impact assessment also implies tracing the indirect effects on non-target group welfare (e.g., children benefiting from an income generation project for women) as well as the medium and long-term sustainable effects of the policy or program.

Quantitative impact assessments can be very demanding in terms of data needs and analytical capabilities. Given the limited availability of both inputs in Cambodia, this initial NPRS does not include a formal program of quantitative impact evaluation. However, it does envisage a series of

rapid assessments and localized qualitative studies similar to the PPA exercise to document poverty reduction impact and to identify possible problems in implementation. Although some of these evaluative studies may be undertaken by MOP staff, others will be subcontracted to universities and private research institutes or conducted by NGOs and other Development Partners with their own resources.

6.4 ANNUAL PROGRESS REPORTS ON IMPLEMENTATION

Annual Progress Reports on Implementation (APRI) are prepared and submitted by CSD. The APRI should address the following three points:

- Information about achievements and shortfalls in NPRS implementation,
- Discussion of any proposed changes to the NPRS, and
- Information about the involvement of domestic stakeholders and partners in the process of report preparation.

Achievements and shortfalls: Each APRI should include complete information and analysis regarding the achievements and shortfalls experienced to date with respect to the achievement of poverty reduction targets, priority actions, and the establishment of the monitoring and evaluation systems described in the NPRS. In order to achieve this reporting objective, the APRI should include the following specific information:

- Comparison of any recent data, including social and sex disaggregated data, on indicators relative to key targets set forth in the NPRS. Analysis of the reasons for any shortfalls with respect to key targets and a summary of measures for improving effectiveness of priority public actions,
- Highlighting of key macro, structural, and sectoral policy measures implemented or not implemented relative to those presented in the NPRS policy matrix,
- Discussion of any recent analysis of how growth can be accelerated, and whether more systematic analysis of the poverty and social impact of reforms has been carried out,
- Summary of the execution of the budget during the past year compared to plans presented in the NRPS. This should include data on changes in the composition of spending towards poverty reducing programs,
- Status of monitoring and evaluation systems, including the adequacy of data collection and analysis, and
- Progress on institutional development, especially on public expenditure management, and monitoring and evaluation systems, and remaining technical assistance needs.

Proposed changes to the NPRS: The APRI should propose any important changes in the NPRS and, if so, explain why these changes are appropriate in light of implementation experience to date, changes in exogenous factors, and new data and analysis regarding poverty and its determinants. In order to achieve this reporting objective, the APRI should include the following specific information:

- Analysis of the extent to which components of the strategy that were missing or weak in the NPRS, including those identified in the Joint Staff Assessment (JSA) of the

World Bank and IMF, have now been completed or improved, including as a result of analysis of the poverty and social impacts of policies and programs,

- Implementation approach and capacities as well as delivery of inputs and outputs,
- Inclusion of an updated matrix with priority policy actions for the coming year, including any revisions to the macro framework, budgetary allocations, external financing requirements, and to poverty indicators/targets and growth targets, and
- Update on the risks to implementation—such as those related to growth projections, vulnerability to external shocks and from financing shortfalls—and contingency plans.

Involvement of domestic stakeholders and partners: In order to achieve this reporting objective, the APRI should include the following specific information:

- Extent to which stakeholders (including the role of parliament and civil society organizations) were engaged in monitoring and reporting on the NPRS,
- Extent of discussion of the annual progress report to the public and to donor forums,
- Degree of public access of key underlying data, and
- Progress and constraints faced in harmonizing donor assistance.

6.5 CHALLENGES FOR NPRS MONITORING AND EVALUATION

The long-term success of NPRS monitoring and evaluation depends on four key elements that affect the capacity of the RGC to continue to deliver needed estimates of poverty-related indicators on a regular basis: (1) transition of managerial responsibility and continuous upgrading of skills of national staff in survey and data analysis, (2) increased allocations from the national budget to the statistics and economic analysis units of both the MOP and the key line ministries, (3) refining and standardizing survey methodology, tools and socio-economic analysis, and (4) developing a permanent role for GSCSD/CSD as a focal point for coordinating and integrating poverty monitoring and evaluation within an overall socio-economic policy framework.

Several potential problems are likely to confront NPRS monitoring and evaluation, including:

- Obtaining information at the level of the various ministerial departments. In fact, in certain sectors, there is no systematic gathering of a number of important types of data. When data are available, they do not necessarily correspond to the measures or groups of beneficiaries targeted. Further, not enough resources are committed to maintain the collected data, which are frequently not shared and not readily accessible.
- The shortage of technical skills among national managerial personnel responsible for collecting, processing, maintaining and disseminating information. Strengthening capacities in this area must become a priority.

Table 6.1: Indicators to Be Used for NPRS Monitoring²⁵ and Evaluation

OBJECTIVE	INDICATOR	MOST RECENT VALUE (YEAR)	TARGET ²⁶ (2005)	SOURCE OF DATA/TIME INTERVAL
PROMOTING OPPORTUNITIES				
	Poverty headcount index	36% (1999)	31%**	MOP (socio-economic household survey), 2-5 years
	Growth rate in real GDP	7.7% (2000)	6-7%** (2003-2005)	National Accounts, annual
	Tax revenue as percentage of GDP	8.5% (2001)	10.1%	National Accounts, annual
IMPROVING RURAL LIVELIHOODS				
	Percentage of rural households that are landless	12-15% (2002/CDRI)	7-10%	MOP (Socio-economic household survey), 2-5 years
	Growth rate in real value added in agriculture	-2.7% (2000)	3.5%** (2003-2005)	National Accounts, annual
	Average paddy yield per hectare, mt	2.07 (2001-2002)	2.2 * (2010)	MAFF, annual
	Non-rice crop production as percentage of total planted area	9% (2001-2002)	15% (2005)	MAFF, annual
	Total production of fish, mt	385,000 (2001-2002)	Not set	MAFF, annual
	Total production of animal	204,330 (2001-2002)	Not set	MAFF, annual
EXPANDING JOB OPPORTUNITIES				
	Value of exports (in billion riels)	6,768.6 (2001)	Not set	National Accounts, annual
	Value of export as % of GDP	50.6% (2001)	Not set	National Accounts, annual
	Rural non-agricultural employment	15.3% (1999)	Not set	MOP (Socio-economic household survey), 2-5 years
	Rural female non-agricultural employment	19.8% (2000)	Not set	MOP (Socio-economic household survey), 2-5 years / Labour Force Survey, 2-3 years
	Industrial employment in urban areas other than Phnom Penh	9.2% (1999)	Not set	MOP (Socio-economic household survey), 2-5 years
	Urban female non-agricultural employment	68.4% (2000)	Not set	MOP (Socio-economic household survey), 2-5 years / Labour Force Survey, 2-3 years
	Rural unemployment rate	2.3% (2000)	Not set	MOP (Socio-economic household survey), 2-5 years / Labour Force

²⁵ Other indicators for monitoring should include those output and input indicators presented in the Action Plan Matrix in Annex 3.

²⁶ Targets are set by RGC's line agencies. For those targets, which are not set, works are in progress, and figures for these targets will be available during implementation of the NPRS.

OBJECTIVE	INDICATOR	MOST RECENT VALUE (YEAR)	TARGET ²⁶ (2005)	SOURCE OF DATA/TIME INTERVAL
				Survey, 2-3 years
	Rural female unemployment rate	2.7% (2000)	Not set	MOP (Socio-economic household survey), 2-5 years / Labour Force Survey, 2-3 years
	Growth rate in real value added in industry	29.0% (2000)	7.0%** (2003-2005)	National Accounts, annual
	Growth rate in real value added in services	3.1% (2000)	8.0%** (2003-2005)	National Accounts, annual
EXPANDING CAPABILITIES				
EDUCATION AND TRAINING				
	Percentage of 12 year-old who have completed primary education	33% (1998)	90%**	MOP (Socio-economic household survey), 2-5 years
	Primary gross enrolment ratio	109.8 (2000-01)	Not set	MOEYS (Education Management Information System), annual
	Female primary gross enrolment ratio	103.2 (2000-01)	Not set	MOEYS (Education Management Information System), annual
	Lower secondary gross enrolment ratio	27 (2000-01)	Not set	MOEYS (Education Management Information System)
	Female lower secondary gross enrolment ratio	20.3 (2000-01)	Not set	MOEYS (Education Management Information System)
	Primary net enrolment ratio	83.8 (2000-01)	Not set	MOEYS (Education Management Information System)
	Female primary net enrolment ratio	80.7 (2000-01)	Not set	MOEYS (Education Management Information System)
	Lower secondary net enrolment ratio	16.6 (2000-01)	Not set	MOEYS (Education Management Information System)
	Female lower secondary net enrolment ratio	13.7 (2000-01)	Not set	MOEYS (Education Management Information System)
	Female adult literacy rate, age 15 and above	61.4% (1999)	Not set	MOP (Socio-economic household survey), 2-5 years
	Completion rate in G5	45% (1997/98)	G6 & G9: 90% * respectively (2005)	MOEYS (Education Management Information System), annual
	Literacy rate 15-24 yrs Female Male	76% 71% 82% (1998)	90% * (2005-2007)	MOP (Socio-economic survey), 2-5 years
	Primary education Female Male	46% 54%	50% 50% *	MOEYS (Education Management Information System), annual

OBJECTIVE	INDICATOR	MOST RECENT VALUE (YEAR)	TARGET ²⁶ (2005)	SOURCE OF DATA/TIME INTERVAL
			(2005-2007)	
	Lower secondary school Female Male	37% 63%	45% 55% * (2005-2007)	MOEYS (Education Management Information System), annual
HEALTH				
	Infant mortality rate	95 (2000)	90	DHS
	Infant mortality rate of the poor	110 (2000)	100	DHS
	Under 5 mortality rate	125 (2000)	118	DHS
	Maternal mortality rate	437 (1998)	372 (390 in MOH strategy)	DHS
	Under 5 mortality rate, ratio of richest wealth quintile to poorest girls	0.5 (2000)	0.8	DHS
	Percentage of children under 1 year of age who are fully immunized	40% (2000)	70%	DHS
	Reduced proportion of underweight children aged 6-59 months	45%	38%	DHS
	Percentage of births attended by skilled health personnel	32%	46%	DHS
	Health expenditures among poor and vulnerable households as % of household income	11% (1999)	5.5%	MOP (Socio-economic survey), 2-5 years
NUTRITION				
	Percentage of children under 5 who are moderately or severely stunted	44% (2000)	36.5%	DHS
	Protein energy malnutrition in children under 5	45% (2000)	31%	DHS
	Malnutrition among women of reproductive age	21% (2000)	15%	DHS
FAMILY PLANNING				
	Total fertility rate	4% (2001)	3.8%	DHS
	Total fertility rate for the poorest	6.8% (2000)	Not set	DHS (disaggregation)
	Contraceptive prevalence rate (modern methods), women aged 15-49 years	19% (2000)	27%	DHS
	Contraceptive prevalence rate (modern methods) for the rural poorest, women aged 15-49 years	11% (2000)	Not set	DHS (disaggregation)
HIV/AIDS				
	HIV/AIDS prevalence rate, age 15-49	2.6% (2002)	2.3%	MOH (estimated by HIV/AIDS program)
SAFE WATER & SANITATION				
	Percentage of rural population with access to safe drinking water	29% (1999)	40%**	MOP (Socio-economic household survey, Census), 2-5 years
	Percentage of urban population with access to safe drinking water	69.5% (1999)	87%**	MOP (Socio-economic household survey, Census), 2-5 years
	Percentage of rural population with access to sanitation facilities	8.6% (1999)	20%**	MOP (Socio-economic household survey, Census), 2-5 years

OBJECTIVE	INDICATOR	MOST RECENT VALUE (YEAR)	TARGET ²⁶ (2005)	SOURCE OF DATA/TIME INTERVAL
	Percentage of urban population with access to sanitation facilities	49% (1999)	90%**	MOP (Socio-economic household survey, Census), 2-5 years
	Percentage of children under 5 that are moderately or severely stunted	44% (2000)	36.5%**	DHS
CHILD LABOR				
	Labour force participation rate of children age 10-14	8.3%	5.3%	MOP (Socio-economic household survey, and labour force survey), 2-5 years
REDUCING VULNERABILITIES				
DISASTER MANAGEMENT				
	Planted area damaged by flood (paddy), ha	190,773 (2000-01)	Not set	MAFF, annual
	Planted area damaged by flood (seedling), ha	5,930 (2000-01)	Not set	MAFF, annual
	Damage by flood, US\$	40 million (2002)	Not set	NCDM
	Planted area damaged by drought (paddy), ha	55,623 (2000-01)	Not set	MAFF, annual
	Planted area damaged by drought (seedling), ha	9,922 (2000-01)	Not set	MAFF, annual
	Number of people affected by drought	2 million (2002)	Not set	NCDM, annual
MINE ACTION				
	Annual casualty (death and injury)	813 (2001)	Not set	CMAA (CMAC/MAG/Halo Trust/RCAF)
	Monthly casualty (death and injury)	68 (2001)	Not set	CMAA (CMAC/MAG/Halo Trust/RCAF)
SUSTAINABLE RESOURCE/ENVIRONMENTAL MANAGEMENT				
	Percentage of land area covered by forest	58.6% (2002)	58%	DFW/MAFF
FOOD SECURITY				
	Milled rice surplus, mt	364,148 (2002)	Not set	MAFF, annual
	Rice planted area, ha	1.93 (2001-02)	2.5	MAFF, annual
	Food consumption as a % of household expenditure	61.6% * (1999)	Not set	MOP (CSES), 2-3 years
	Ratio of the price of rice between the most expensive district and the cheapest district	11.1 * (2001)	Not set	MOP (CSES), 2-3 years
SOCIAL SAFETY NET PROGRAMMES				
	Number of people in safety net programme	NA	Not set	MOSALVY
ETHNIC MINORITIES				
	Gross primary school enrolment ratio among ethnic minority children	NA	Not set	MOEYS (Education Management Information System), annual
	Gross lower secondary school enrolment ratio among ethnic minority	NA	Not set	MOEYS (Education Management Information

OBJECTIVE	INDICATOR	MOST RECENT VALUE (YEAR)	TARGET ²⁶ (2005)	SOURCE OF DATA/TIME INTERVAL
	children			System), annual
	Male literacy rate, %	5.3 (2000, MOEYS)	Not set	MOP (CSES), 2-3 years
	Female literacy rate, %	0.0% (2000, MOEYS)	Not set	MOP (CSES), 2-3 years
INSTITUTIONAL STRENGTHENING AND IMPROVED GOVERNANCE				
LEGAL AND JUDICIAL REFORM				
	Percentage of provinces and municipalities with at least 3 judges and prosecutors	NA	Not set	MOJ, annual
	Percentage of female prosecutors	0 (2002)	Not set	MOJ, annual
CIVIL SERVICE REFORM				
	Average monthly salary of public servants, US\$	20 (2001)	Not set	MEF, and line agencies, annual
	Reduced size of public/civil administration	163,529 (1999)	Not set	COM, Secretariat for Public Function, MEF, and line agencies, annual
	Reduced size of the armed forces	248,600 (1998)	Not set	Ministry of Defence, annual
DECENTRALISATION, LOCAL GOVERNANCE AND DEMOCRATISATION				
	Number of VDCs established and functional	8,000 (2002)	9,000	MRD / Seila, annual
	Percentage of seats in national parliament held by women	9.3% (2002)	Not set	MOWVA, annual
ANTI-CORRUPTION				
	Formulation and approval of anti-corruption legislation by 2003			RGC / COM
PUBLIC RESOURCE MANAGEMENT				
	Foreign X reserves, in months of imports	2.9 (2001)	3.2	MEF, annual
	Disbursement for PAP	67% (2001)	95% * (2005)	MEF, annual
	Defence expenditure as % of current expenditure	30.1% (2001)	19.4%	MEF, annual

* SSWG Report to CG Meeting, June 2002

** SEDPII targets

CHAPTER 7: CONCLUSION AND NEXT STEPS

As stated at the outset, the fundamental development challenge facing the Royal Government is to reduce poverty and improve the quality of life of the vast majority of Cambodia's rapidly growing population. The RGC considers poverty to be economically wasteful, morally unacceptable, and socially divisive.

This strategy has laid out the key priorities for Cambodia to implement over the next three years in order to meet the poverty reduction goals of the RGC. Given the complex and inter-linked nature of the causes of poverty, the proposed actions range across many areas of activity. The NPRS has adopted a comprehensive approach, outlining pro-poor actions to improve rural livelihoods, promote job opportunities, ensure better health, nutrition and education outcomes, and to reduce vulnerability. The measures to improve governance and social inclusion should have a positive impact across all dimensions of poverty.

At the same time, however, the aim is to be realistic, limiting the focus to those policies and programs that are within the human resource, institutional and financial constraints of the RGC. In particular, Chapter 5 set out the available resources and proposed allocations for priority sectors; other activities, also important but not as high priority for the poor, will be financed as additional resources become available. Successful implementation will also involve improvements in governance, service delivery and expenditure management. There are additional risks to success, including floods and external economic shocks, which the RGC will try to manage to the extent possible. The support of external partners is welcome to help alleviate these constraints and assist Cambodia in realizing its goals.

This NPRS was a truly national effort of the RGC that naturally reflects the state of existing knowledge and capacity constraints. As the NPRS is a rolling strategy which permits the RGC to further enhance and revise the document continuous and wide consultation, and expanded coverage and discussion with stakeholders regarding priority actions to be supported over the coming years will be done in a variety of ways. Improvements in knowledge and capacity as well as feedback and learning from experience will, over time, improve the quality of this strategy.

While this first NPRS has tried to incorporate existing knowledge and reflects current capacity constraints, additional, ongoing studies, and feedback and learning from experience will, over time, hopefully improve the quality of this strategy. The RGC is committed to working in the period ahead on (1) better costing and prioritisation linked to the budget and the development of the medium term expenditure program; (2) mechanisms for regular ongoing participation and consultation on poverty reduction issues, particularly at the provincial and commune level; (3) localization of the Millennium Development Goals; and (4) monitoring of progress in poverty reduction in a timely and transparent way.

The outcome of these additional activities will be described in the first Annual Implementation Report, which will be prepared by the end of 2003. The Implementation Report will also include amendments and improvements to policies, priority actions, indicators and other aspects of the NPRS.

This on-going process has this tentative outline of activities over the coming years.

2002:

- November-December 2002. Translation of the final NPRS into Khmer and start work on synthesizing the document.
- End December 2002: Discussion of NPRS at Council of Ministers.

2003:

- January to December 2003: Ongoing work on localisation of MDGs in conjunction with working groups, civil society organizations and local communities.
- January-March 2003: Initiate dissemination at grassroots level with theatre, puppet shows etc. Start production of mass media materials.
- March 2003: Launch of the NPRS.
- January to December 2003: GSCSD stakeholder meetings.
- February 2003: Cambodia Country Gender Assessment Workshop.
- March 2003: Workshop to discuss consistency of SEDPII and NPRS with commune and provincial investment plans.
- April 2003: Dissemination of Consultations with the Poor at the National Health symposium in April as part of the 5th Anniversary of the National Institute of Public Health.
- March to September 2003: Strategy workshops at national and provincial levels to further review and refine NPRS sectoral action plans, and indicators.
- November 2003: Stakeholder workshop to discuss draft NPRS Implementation Report.

These activities will require the continued feedback, and technical and financial support of key stakeholders. In addition to the current support from the World Bank, GTZ has offered a grant to support training of the core staff of the GSCSD and to assist with the initial dissemination. ADB will be providing funding for ongoing dissemination of SEDPII with the NPRS. The GSCSD is seeking additional support for these activities from the multi-donor PRS Trust Fund (Japan, Netherlands, UNDP and World Bank), and other donors and NGOs.

Also, the RGC will consider the suggestion made by the NGOs that “plans to study the poverty impacts of different macroeconomic strategies, and plans for national debate on macroeconomic policy” be carried out. Issues to be discussed should include public financial reform, trade policy, government debt, and the impact of these on poverty.”²⁷

It is envisioned that the next Socio-Economic Development Plan and the corresponding NPRS will be merged – that is, formulated and presented as a single document in 2005 building on the success and lessons learned from the current efforts to reduce poverty.

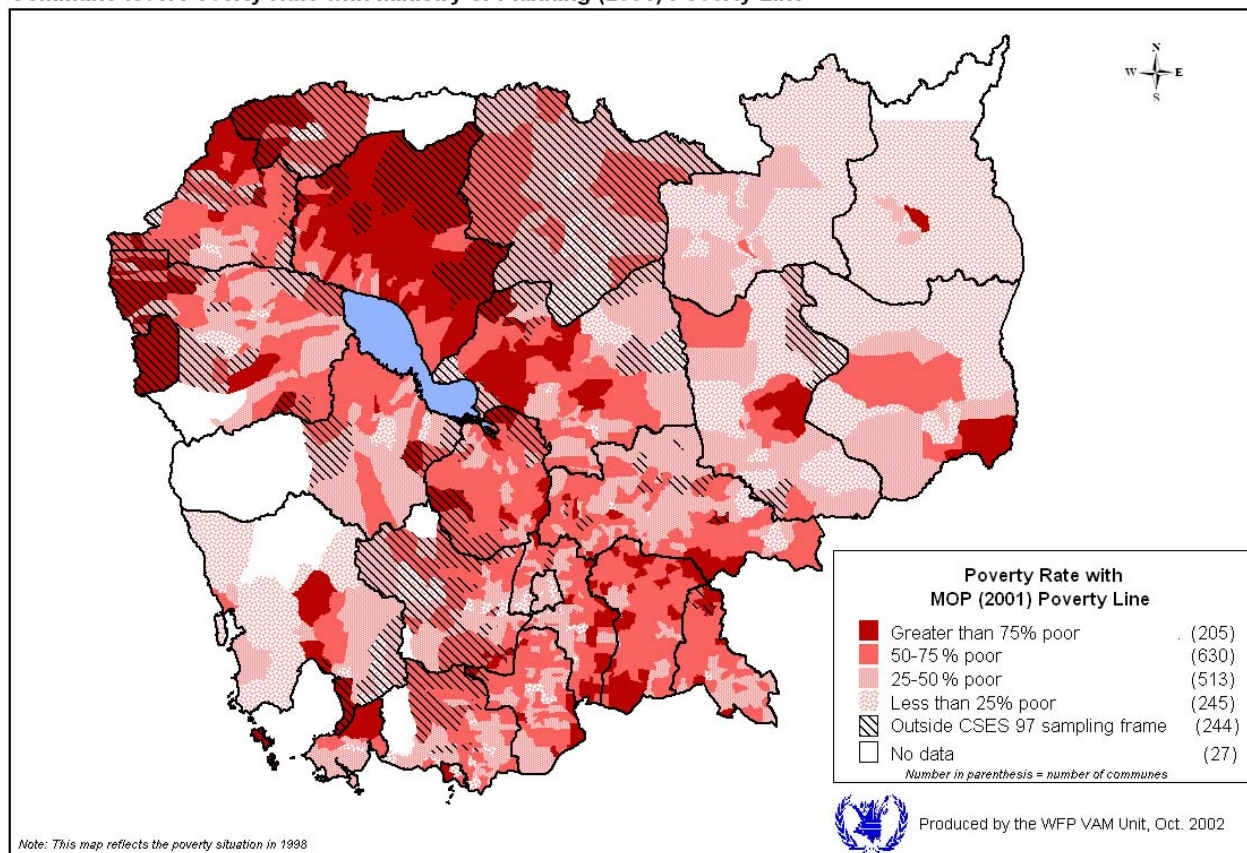
The key offices that will be engaged in the process of formulating the next NPRS will be the Supreme National Economic Council and the Council for Social Development. The Supreme National Economic Council will exercise its role consistent with its nature as support to the Prime Minister in the area of strategy and policy, and thus will contribute to the NPRSII with regard to overall strategy and policy formulation. The CSD will manage the monitoring of operational

²⁷ NGO Forum

activities and implement the consultative processes that will ensure that the NPRS will indeed be participatory in formulation as well as execution.

ANNEX 1: POVERTY MAP OF CAMBODIA (2002)

Commune-level Poverty Rate with Ministry of Planning (2001) Poverty Line



ANNEX 2: PROVINCIAL LEVEL ESTIMATE OF POVERTY MEASURES

No.	Province Name	HCI, %	PGI, %	PSI, %	HCISE, %	PGISE, %	PSISE, %	% of Total Population	Poverty Share, %	Est. # of Poor People (000)
1	Pailin	97	62	42	2	7	7	0.06	0.2	6.0
2	Siem Reap	54	19	9	2	1	1	6.04	11.77	356.8
3	Prey Veng	53	16	7	2	1	1	8.45	16.28	493.6
4	Krong Keb	49	18	9	5	3	2	0.18	0.32	9.6
5	Kampong Chhnang	45	13	5	2	1	1	3.67	5.93	179.9
6	Svay Rieng	43	12	5	3	1	1	4.3	6.78	205.5
7	Banteay Mean Chey	41	13	6	3	1	1	5.09	7.55	228.8
8	Pursat	41	12	5	3	1	1	3.13	4.63	140.2
9	Kracheh	39	12	5	2	1	1	2.31	3.23	97.8
10	Otdar Mean Chey	39	14	6	3	2	1	0.57	0.81	24.5
11	Krong Preah Sihanouk	34	11	5	3	1	1	1.34	1.66	50.4
12	Kampong Thom	29	8	3	2	1	0	4.97	5.24	158.9
13	Preah Vihear	29	7	3	4	1	1	1.03	1.08	32.9
14	Battambang	26	7	3	2	1	0	6.84	6.55	198.7
15	Mondol Kiri	20	6	2	5	2	1	0.28	0.2	6.2
16	Kampot	19	5	2	2	1	0	4.74	3.21	97.3
17	Kampong Speu	18	4	2	2	1	0	5.27	3.47	105.3
18	Kandal	18	5	2	2	1	0	9.51	6.34	192.3
19	Stueng Treng	16	4	1	3	1	0	0.7	0.42	12.6
20	Takeo	15	4	2	2	1	0	7.05	3.89	117.9
21	Kampong Cham	12	3	1	2	1	0	14.33	6.27	190.1
22	Phnom Penh	12	3	1	1	0	0	8.35	3.61	109.4
23	Rotanak Kiri	9	3	1	3	1	0	0.83	0.27	8.1
24	Koh Kong	8	3	1	1	1	0	0.97	0.29	8.7

Note:

HCI: Headcount Index; PGI: Poverty Gap Index; and PSI: Poverty Severity Index

SE: Standard Error

Source: MOP/WFP (2002) Database on Estimation of Poverty Rates at Commune Level in Cambodia

ANNEX 3: ACTION PLAN MATRIX

In Chapter 4 strategies and policies for poverty reduction are clearly set forth. Chapter 6 sets out proposals for indicators and monitoring. In this Annex a summary of strategic objectives, actionable measures and associated costs and indicators are presented in a matrix format. The actionable measures are presented under headings corresponding to the structure of Chapter 4 and Chapter 5.

Chapter 4 outlines general sectoral strategies of the line ministries and agencies, which are not necessarily pro-poor. In this Annex the actionable measures are selective and somehow more concrete with proposed indicators for monitoring purposes. Below is the summary of the main headings of the measures:

Section	Page
1. Promoting Income Earning Opportunities	163
1.1. Maintaining Macroeconomic Stability	163
1.2. Improving Livelihoods for the Poor	164
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1.2.2. Promoting Agriculture Development	164
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1.2.4. Road and Transport Development	176
2. Expanding Job Opportunities	178
2.1. Private Sector Development	178
2.2. Trade Development	181
2.3. Promoting Tourism	182
2.4. Post and Telecommunication Development	183
2.5. Micro-Finance	183
2.6. Increasing Labour Skills	184
2.7. Improved Energy Availability (Industrial Sector Development)	184
2.8. Urban Development	186
3. Improving Capabilities	190
3.1. Better Health Outcomes	190
3.2. Nutrition	194
3.3. Education	198
3.4. Safe Water and Sanitation	202
4. Institutional Strengthening and Improved Governance	202
4.1. Reforming the Justice Sector	202
4.2. Reforming the Administration and the Civil Service	203
4.3. Decentralisation and Improving Local Governance	204
4.4. Anti-Corruption	206
5. Reducing Vulnerability	206
5.1. Ensuring Food Security	207
5.2. Social Protection and Fight Against Human Trafficking	208
5.2.1. Social Protection	208
5.2.2. Social Safety-net	208
5.2.3. Combating Child Labour and Trafficking, and Child Protection	208
5.3. HIV/AIDS	210
5.4. Disasters Management	211
5.5. Mine Action: Action Against Landmines and UXOs	213
5.6. Sustainable management and Use of Natural Resource and Environment	214
5.7. Ethnic Minority Development	215
6. Promoting Gender Equity	216
7. Public Resource Requirement and Management	218

The actionable measures under each heading are a select list from the range of line ministry and agency programmes. The principles underlying the selection of priority actions are:

- Expected impact of activities on the poor;
- Geographic location of activities (e.g. rural vs. urban);
- Involvement and empowerment of the poor (to ensure direct benefits to them);
- Gradual contribution over time to achievements of the MDGs;
- Expected availability of resources, and
- Institutional capacity and need to sequence activities over the timeframe of the NPRS (2003-2005).

It should be noted therefore that the actionable measures containing herein are not necessarily all the actionable measures given by the line ministries and institutions involved in formulating the NPRS. Instead, they represent a set of actions, which can be achieved within the given timeframe of the NPRS and can have direct implication for poverty reduction. It should be ensured that actionable measures can be added to or removed from the matrix if appropriate and relevant while the process of implementing, monitoring and updating the NPRS is ongoing and continuing. This is so for the fact that the NPRS is a rolling plan.

The RGC recognises that her line ministries and limited resources alone would not be able to put all the measures into practice to achieve poverty reduction target over the period of the NPRS but with the assumption that donor and NGO communities will be able to contribute to this poverty reduction effort. This suggests therefore that from this matrix actionable measures can be picked up by donor and funding communities as well as NGOs for support and implementation. The NPRS will be achievable unless there is a strong concerted and coordinated efforts of all stakeholders.

ACTION PLAN MATRIX

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
1. Promoting Income Earning Opportunities				
1.1. Maintaining Macroeconomic Stability				
(1) Maintain macroeconomic stability	<ul style="list-style-type: none"> • Promote sustainable broad-based economic growth • Stabilize prices of goods and food items • Ensure current budget surplus • Decrease overall deficit • Increase FX reserves from 2.9 months to 3.2 months of imports 	<ul style="list-style-type: none"> • (Unidentified) 	Targets: <ul style="list-style-type: none"> • 6 – 7% during 2003 – 05 • 0.5 – 1% CPI • About 1.5% of GDP • From –6% in 02 to –5.0% in 05 • 3.2 months of imports 	MEF & NBC
(2) Develop monetary policy	<ul style="list-style-type: none"> • Develop market-based monetary program • Establish legal framework for inter-bank/money market 	<ul style="list-style-type: none"> • NA (ADBTA No. 3769) 	<ul style="list-style-type: none"> • Law on negotiable instruments and payment transactions adopted • 	NBC
(3) Establish a competitive, integrated, and efficient banking system that is properly regulated and supervised, and effectively mobilizes savings to provide financing for the private sector	<ul style="list-style-type: none"> • Revise existing regulations and phase in new regulations consistent with international standards • Establish surveillance and inspection procedures • Establish fully staffed supervision department • Establish a bank uniform chart of accounts and disclosure rule consistent with IAS • Establish a prompt corrective action (PCA) 	<ul style="list-style-type: none"> • NA (ADBTA No. 3769) 	<ul style="list-style-type: none"> • Regulations revised and adopted • Regular surveillance & 7 banks regularly examined • 5 additional staff • Banks' full compliance • Banks' full compliance 	NBC

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Restructure state-owned commercial bank • Complete bank re-licensing process • Close non-viable banks 		<ul style="list-style-type: none"> • Number of state-owned commercial banks privatised • Sound banking system existing • Liquidation completed 	
1.2. Improving Livelihoods for the Poor				
1.2.1. Improved Access to Land				
(1) Land Administration: Improve tenure security over urban and agricultural land	<ul style="list-style-type: none"> • Prepare necessary laws and regulations for implementation of the New Land Law by 2003 • Develop and implement land registration systems 	<ul style="list-style-type: none"> • 710 (ADB, 2003) • 10,005 (IDA, 2002-2007) 	<ul style="list-style-type: none"> • Necessary land legislations completed • LMAP project implemented during 2002-2007 • Number of land titles increased to 1 million 	MLMUPC
(2) Land Distribution: Improve access to land for agriculture and housing	<ul style="list-style-type: none"> • Formulate Sub-decree on Social Concessions for the poor for residence or agriculture • Conduct study on Land Distribution Procedures and pilot of social concessions and identify key constraints 	<ul style="list-style-type: none"> • No cost • 1,300 (IDA, 2004) 	<ul style="list-style-type: none"> • Sub-decree on social land concessions completed in May 2003 and implemented • Operations and procedures manual on land allocation and development drafted and implemented 	MLMUPC
(3) Land Management: Establish land use planning integrated with natural resources management and decentralise land use planning and management	<ul style="list-style-type: none"> • Draft Sub-decree on Land Use Plans which clarify management responsibilities and user rights over land surrounding natural resources areas • Produce Provincial Land Classification Maps 	<ul style="list-style-type: none"> • 100 (Germany, 2003-2004) • 212.3 (Germany, 2003-2004) 	<ul style="list-style-type: none"> • Sub-decree on Land Use Plans completed and implemented • Provincial Land Classification Maps produced 	MLMUPC
1.2.2. Promoting Agriculture Development				

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
(1) Establish appropriate legal framework and institutional arrangement	<ul style="list-style-type: none"> • Revise existing legislations to ensure benefits to small-scale poor farmers (e.g. sub-decrees on community forestry, community fisheries, etc.) • Promote agro-processing industry and agricultural marketing through establishing adequate legislations, policies, plans and programmes • Formulate agricultural policies and plans, which focus on rural households (including policies and plans supporting small-scale agri-businesses, small-holder rubber and perennial crops plantations, crops diversification, aquaculture, and agricultural produce processing, etc.) • Improve performance of agricultural extension staff with clearly defined job descriptions at district, provincial and national levels • Redefine and reorient roles and responsibilities of Agricultural Research Centres and Stations toward small-scale farmers • Establish Agricultural Statistics and Market Information System • Develop Law on Plant Phyto-sanitation and Plant Quarantine 	<ul style="list-style-type: none"> • 30 (NA, 2003) • 81 (NA, 2004) • 41 (NA, 2004) • 540 (NA, 2003-05) • 15 (NA, 2003-05) • ??? (WB/APIP3, 2003-04) • 10 (NA, 2004) 	<ul style="list-style-type: none"> • Pro-poor legislations adopted in 2004-2005 • Legislations, policies, plans and programmes approved by 2004 • Pro-poor policies and plans adopted by 2004 • Legislations on agricultural extension defined by 2003 • Agricultural Research Centres and Stations accessible by small-scale farmers • Agricultural Statistics and Market Information System established • Law on Plant Phyto-Sanitation and Plant Quarantine implemented • Agricultural marketing information reaching small-scale farmers 	MAFF

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Develop adequate regulation and legislation for livestock trade and food safety • Establish a Monitoring and Evaluation Unit within MAFF • Rehabilitate Agricultural Research Centres and Stations and ensure that small-scale farmers have access to these facilities • Establish Research & Development Satellite Station for Cambodia Agricultural Research and Development Institute • Establish veterinary sanitary and disease control facilities • Establish nucleus farms to support household livestock-based farming system for small-scale farmers 	<ul style="list-style-type: none"> • 90 (NA, 2003-05) • 15 (NA, 2003) • 423.070 (NA, 2003-05) • 428.641 + 857.282 (RGC/NA, 2003-05) • 330 (NA, 2003-05) • 700 (NA, 2003-05) • 1,200 (NA, 2003-05) 	<ul style="list-style-type: none"> • Laws on livestock trade and food safety developed by 2004 • M&E unit established at MAFF/DPSIC by 2003 fully staffed and well equipped • 2 Research Centres and 9 Research Stations Rehabilitated and accessible to small-scale farmers • 2 Satellite Stations established in Pailin and Oddar Meanchey • 5 international checkpoints and a national disease control unit established by 2003 • 24 demonstration models conducted nationwide by 2003 	
(2) Improve capacity and knowledge system within MAFF and increase knowledge and skills of farmers	<p><u>Establish a well targeted and comprehensive capacity building program based on Training Need Analysis (TNA) that will:</u></p> <ul style="list-style-type: none"> • Improve agricultural mechanization 	<ul style="list-style-type: none"> • 30 (NA, 2003-05) 	<ul style="list-style-type: none"> • Each year, 2000 farmers (50% women) trained 	MAFF

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Promote appropriate management practices of plant, water, soil, nutrients, and use of agro-chemicals and understanding of their impact • Provide technical support for agricultural production and agri-businesses • Ensure effective capacity for Monitoring and Evaluation at all levels • Improve vegetables production and home gardening • Collect, manage and analyse and disseminate data and statistics on agricultural production, marketing, and agri-businesses • Provide training on agro-food processing technology for rural households • Conduct pilot study on vegetables production community 	<ul style="list-style-type: none"> • 30 (RGC/WB 1/3) • 121.922 (NA, 2003-05) • 1,200 (NA, 2003-05) • 1,200 (NA, 2003-05) • 274 (NA, 2003-05) • 50 (NA, 2003-05) • 15 (NA, 2003-05) • 60 (NA, 2003-05) • 198 (NA, 2003-05) 	<ul style="list-style-type: none"> • 40 Farmer Field School (FFS) Training on Soil Fertility Management and Conservation conducted for 1200 farmers. 150 FFS on Pesticide Safe Use conducted for 4500 farmers (including 30% women in all FFS) • Each year 200 farmers trained (including 30% women) • Each year 6 staff (3 women) from DPSIC trained • 5000 farmers trained (30% women) • Each year 5 staffs trained • Each year 600 farmer trained • 5 TOT conducted and 200 households (30% woman) trained and information disseminated in 5 provinces • Two communities studied and organized (Near Phnom Penh and Siem Reap) 	

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<p><u>Accelerate agricultural extensions activities by:</u></p> <ul style="list-style-type: none"> • Training Extension Workers (EW)/farmers on improved agricultural technologies • Developing and conducting Agro-Ecosystem Analysis (AEA), and updating agro-ecosystem information • Disseminating messages through media programme • Establishing infrastructure and strengthening extension management system • Building Agricultural Extension Training Centres • Forming selected farmers as Village Animal Health Workers (VAHW) • Training livestock officers and farmers on livestock production and feeding using local renewable feed resources <p><u>Develop a system of agricultural education for rural people, especially the youth by:</u></p>	<ul style="list-style-type: none"> • To be defined • 1,575.89 (AUSAID/RGC, 2003-05) • 141.6 (AUSAID/RGC, 2003-05) • 999.75 (NA, 2003-05) • 540 + 600 (AUSAID/RGC, NA, 2003-05) • 1,200 (NA, 2003-05) • 1,500 (NA, 2003-05) 	<ul style="list-style-type: none"> • 2,000 TOT conducted/ 4000 Extension Workers trained (50% women) • AEA completed in target communes/1 district profile/target district (in 16 provinces) completed • 36000 copies of publication, 3744 times of Radio Broadcasting Programme aired, and 4680 times of TV Shows aired • Job descriptions of staff at district, provincial and central level clearly defined • 3 regional agriculture extension training centres built in Takeo, Siem Reap and Stung Treng provinces • 1000 farmers/year trained to become VAHW • 49 livestock core trainers and 4600 farmer families trained and assisted 	

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> Establishing public education programs that will raise awareness of farmers and consumers of agrochemical hazards 	<ul style="list-style-type: none"> To be defined 	<ul style="list-style-type: none"> Each year 6000 households benefited from the program (40%women) 	
	<ul style="list-style-type: none"> Reclaiming land in Svay Rieng province for poorest, and landless farmers Provide scholarship to students from remote provinces, esp. the Northeast provinces, for agricultural training and study 	<ul style="list-style-type: none"> To be defined (2003-05) 5,900 (FAO, 2003-05) 	<ul style="list-style-type: none"> Each year 1500 ha of land reclaimed for poor, landless farmers in Svay Rieng province 100 students from remote and NE provinces trained at School of Agriculture at Prek Leap, School of Agriculture in Kampong Cham, and Royal University of Agriculture in associate and bachelor degrees in agriculture 	
(3) Promote intensification and diversification and ensure security of agricultural production	<ul style="list-style-type: none"> Strengthen water control and management systems to reduce dependency on natural condition (see MOWRAM) 	<ul style="list-style-type: none"> 278,639 (see MOWRAM, 2003-05) 	<ul style="list-style-type: none"> 1,702 small-scale projects including studies and designs of irrigation systems, rehabilitation of irrigation systems, installation of pumping stations, and establishment of Farmer Water Users Committees 	MOWRAM (double counted)
	<p><u>Provide support for intensification and diversification by:</u></p> <ul style="list-style-type: none"> Implement agriculture productivity improvement project in Battambang province 	<ul style="list-style-type: none"> 3,500 (APIP, 2003-05) 	<ul style="list-style-type: none"> The second phase of APIP implemented on 1500 ha 	MAFF

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Improve the development of fruit tree production 	<ul style="list-style-type: none"> • 100 (NA, 2003-05) 	<ul style="list-style-type: none"> • 2 pilot sites selected and organized in Kampong Cham province 	
	<ul style="list-style-type: none"> • Increase the effectiveness of the use of agro chemicals and improved seeds • Extend IPM program from 14 to 16 Provinces • Promote small holders' rubber plantations and production of other perennial crops 	<ul style="list-style-type: none"> • 10 (NA, 2003-05) • 1,600 (DANIDA/FAO) • 100 + 2,150 (WB/NA, 2003-05) 	<ul style="list-style-type: none"> • Farmer field schools on IPM conducted for 1,650 farmers (50% women) in Kratie Province and Phnom Penh • Reports on smallholder rubber plantations available and 500 ha of perennial crops per year developed 	
	<p><u>Support for livestock production by:</u></p> <ul style="list-style-type: none"> • Reducing mortality and mobility of livestock through strengthening veterinary services and disease prevention programme • Developing technologies for livestock raising and feeding using local renewable feed resources 	<ul style="list-style-type: none"> • 180/300 (RGC/WB, 2003-05) • 1,200 (NA, 2003-05) 	<ul style="list-style-type: none"> • Mortality of pig and poultry reduced by half. 100% registration and licensing of existing villages animal health workers: 2-3 VAHW for each commune (2,000 VAHW with 30% women) • 24 farm demonstrations able to produce technologies based on agro-ecological condition 	

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> Improve livestock trade and marketing 	<ul style="list-style-type: none"> 300 (NA, 2003-05) 	<ul style="list-style-type: none"> At least 2 private firms developed to export livestock to international market 	
	<p><u>Encourage small-scale aquaculture development activities that will include:</u></p> <ul style="list-style-type: none"> Support for small-scale aquaculture development Support for rice fish culture Support for fish cage culture 	<ul style="list-style-type: none"> 1,200 (NA, 2003-05) 	<ul style="list-style-type: none"> Fresh water aquaculture development in Banteay Meanchay, Oddar Meanchay, Battambang, Pursat, and Siem Reap provinces: (Each year in each province - 300 ponds, 100 rice-fish fields, and 100 cages) Costal aquaculture development in Koh Kong Kampot, Sihanoukville and Kep (200 ponds and 50 cages/year) 	
(4) Promote sustainable natural resources management and conservation	<ul style="list-style-type: none"> Establish and strengthen community forestry through increasing awareness and understanding of forest, building capacity for community forestry management and planning at Department of Forestry and Wildlife and Provincial Forestry Offices, and assisting forest user groups in implementing community forestry management plans Ensure sustainable forest management through requiring proper management plans including environmental and social impact assessments (ESIA) 	<ul style="list-style-type: none"> 814.4 (NA, 2003-05) No cost 	<ul style="list-style-type: none"> 6 communities established in 5 provinces of Kampong Thom, Kampong Cham, Kratie, Prey Veng, and Svay Rieng All forest concessions having good management plans with ESIA 	MAFF

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Continue effort of sustainable community-based fisheries resources management practices in the lower Mekong basin and costal provinces • Fresh water and Marine protected areas in the lower Mekong basin and costal province of Cambodia. The activity includes: PRA, workshops, consultation, meetings, demarcation, poles, trainings, facilitation, base line survey and M/E reports • Improve agricultural land use based on soil classification, mapping and soil degradation prevention measures 	<ul style="list-style-type: none"> • 1,500 (NA, 2003-05) • 3,000 (NA, 2003-05) • 1,000 (NA, 2003-05) 	<ul style="list-style-type: none"> • Community fisheries in Prey Veng, Takeo, Kampong Cham, Rattanakiri established and strengthened (each year 5 freshwater community fishery established) • Each year 3 community fishery in coastal areas established and strengthened in Sihanoukville, Koh Kong, Kampot and Kep • Each year 2 fish sanctuaries established in Rattanakiri, Stung Treng and Kratie • Each year one protected area established in Sihanoukville, Koh Kong, Kampot and Kep • Soil classification and mapping done nationwide • 4,500 households trained (women 40%) on soil degradation prevention measures 	

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> Establish a systematic analysis of agro-ecosystem and meteorology, and agricultural crop zoning 	<ul style="list-style-type: none"> 120 (FAO-TA, 2003-05) 	<ul style="list-style-type: none"> Set up central agro-meteorological stations in research stations. Zoning and mapping of active flooded zone conducted 	
(5) Strengthen market and market access	<ul style="list-style-type: none"> Strengthen existing farmer organizations Help establish and support model agricultural cooperatives Provide capacity building for agents responsible for supporting development of cooperatives Build 2 regional agricultural cooperative training centres Identify exportable products with high value added and distinct features 	<ul style="list-style-type: none"> 142.59 (NA, 2003-05) 135.80 (NA, 2003-05) 61.11 (NA, 2003-05) 250 (NA, 2003-05) 10 (NA, 2003-05) 	<ul style="list-style-type: none"> 60 pre-cooperatives strengthened in 6 target provinces 6 model agricultural cooperatives established in 6 target provinces Annually 10 cooperative guidance agents and 5 agricultural cooperative officers formed in 6 provinces and Department of Agricultural Extension 2 regional agricultural cooperative training centres built in Kampong Thom and Prey Veng provinces Reports on potential commodities export of 10 provinces available 	MAFF
1.2.3. Water Resources Management and Irrigation Development				
(1) Develop and implement an I & D information system	<ul style="list-style-type: none"> Improve the information base for assessment of I&D potential and program formulation and train MOWRAM (central and provincial) staff for regular updating Mapping of irrigation systems using satellite imagery and/or aerial photography 	<ul style="list-style-type: none"> 2,400 (NA, 2003-05) 	<ul style="list-style-type: none"> Inventory produced by Dec. 2003 and assessment of water resources made by Dec. 2004 Mapping of the irrigation schemes by Dec. 2004 	MOWRAM

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Develop a groundwater monitoring network and research capability for groundwater-based irrigation in areas which lack surface water • Establish a monitoring and evaluation system for irrigation and drainage within MOWRAM, based in a first step on benchmarking in a sample of schemes and a sample of farms inside these schemes • Collect all possible information about small-scale private irrigation from NGOs and Provincial Departments • Establish guidelines for auditing the management of I&D schemes and build an audit capacity 		<ul style="list-style-type: none"> • A groundwater monitoring network and research programme designed by June 2004 • Monitoring and evaluation system implemented for a sample of schemes by Dec. 2003, and generalized nationwide by Dec. 2005 • Information on private irrigation gathered by June 2003 • Guidelines for audit established by June 2003 and audit team created by Dec. 2004 	
(2) Strengthen the national capacity in project formulation and implement sustainable I & D projects using a participatory approach	<ul style="list-style-type: none"> • Establish criteria for selecting interventions and project formulation, including beneficiaries' commitment as a condition and poverty alleviation as an objective of projects/interventions • Define flexible standard design procedures for different kind of irrigation, drainage and flood protection systems • Adopt a comprehensive set of guidelines and the necessary regulations about farmer's involvement in irrigation development and management 	<ul style="list-style-type: none"> • 9,000 (NA, 2003-05) 	<ul style="list-style-type: none"> • Flexible set of criteria for sub-project selection defined by Dec. 2002 and adapted for each project • survey, design, construction and O&M operational manuals and guidelines for participatory approach in developed 2003, and regularly updated and improved • Water Law in 2003 and sub-decree on FWUC in 2004 	MOWRAM

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Strengthen capacity in planning, survey, design, and construction supervision for rehabilitation of existing I&D schemes with attention to completing schemes with easy operation and maintenance (O&M) • Develop courses at the institutes and universities that fit with the ministry and private sector requirements 		<ul style="list-style-type: none"> • On-the-job training provided to the technical staff during project implementation • Courses available for initial education or training that fit with ministry requirements by Dec. 2005 and at least have 3 to 4 engineers and some technicians in every Provincial Department in the medium term 	
(3) Implement selected integrated projects with focus on agricultural development and sustainable management	<ul style="list-style-type: none"> • Establish clear guidelines and regulations for beneficiary involvement in development and management of I&D • Ensure the necessary coordination at the appropriate level (national, provincial or local, according to the size of the project) among line ministries involved (agriculture and rural development) • Ensure participatory approach in project implementation 	<ul style="list-style-type: none"> • 101,700 (NA, 2003-05) 	<ul style="list-style-type: none"> • Guidelines and regulations adopted and applied to all newly constructed I&D schemes and to 80% of existing schemes by Dec 2005 • Every new rural development project coordinated by an appropriate committee • Reports by beneficiaries regarding their participation available for all new projects 	MOWRAM, MAFF & MRD

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Implement a programme of rehabilitation, improvement, and construction of irrigation and drainage systems (using Labour-Based Appropriate Technology (LBAT), where appropriate) • Establish O&M manual and system management • Establish the meteorological and hydrological networks in the project area and inter-connection in the basin for better design of the I&D projects • Promote private sector involvement in irrigation system management and development • Provide legally defensible water rights to beneficiaries of community I&D schemes, and if necessary mitigate the environmental impacts of I&D development, and provide fair compensation to the other users of the same resource • Establish training guidelines for financial aspects of operation and maintenance of I&D facilities after completion of the construction 		<ul style="list-style-type: none"> • Area served by fully functional irrigation and/or drainage systems increased by 30,000 ha/year, by 2005 • O&M manual and management system handed over to local committees upon completion of project construction • Facilities installed in 2005 • Private enterprise contributing investment funds to and involved in system management and O&M by Dec 2005 • An appropriate environmental impact assessment (EIA) done before any new construction and 100% of FWUC receive water right before transfer • 100% of FWUC receive appropriate training before and after transfer of responsibility 	

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Establish guidelines for financial aspects of operation and maintenance of I&D facilities • Provide financial support to the FWUC when farmers face hazard and large damage 		<ul style="list-style-type: none"> • A FWUC with a fee collection system linked with the level of performance implemented on 80% of the irrigable area by Dec. 2005 • Both financial and technical support provided by government to farmers 	
(4) Facilitate and promote small-scale, private investment in I & D development	<ul style="list-style-type: none"> • Analyse the information and assess the potential for further development of small-scale private I&D and the needs for complementary studies • Develop a joint MOWRAM-MRD strategy for small-scale irrigation development (with a focus on areas with high incidence of poverty) • Train the Provincial Department staff on their roles regarding this issue 	<ul style="list-style-type: none"> • 3,200 (Unidentified, 2003-05) 	<ul style="list-style-type: none"> • Coordination taking place between NGOs and Government for the definition of the policy regarding small-scale private irrigation by June 2003 • A strategy developed and approved by RGC by June 2004 • 100 km of tertiary canals built • Training of the Provincial staff starts in 2004 and continue regularly 	MRD & MOWRAM
1.2.4. Road and Transport Development				
(1) Improve accessibilities of road networks, and ensure cost-effective and safe transport	<ul style="list-style-type: none"> • Restructure inter-city public transport to enable better, more cost-effective and safer services • Reconstruct roads aligned with international standard • Rehabilitate roads for connection between South East region to North West region 	<ul style="list-style-type: none"> • (Unidentified) • 37,500 (NA, 2003-05) • 22,500 (NA, 2003-05) 	<ul style="list-style-type: none"> • Restructuring plan done in 2000 • 50 km/year of road constructed • 500 km/year of road rehabilitated 	MPWT

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> Maintain roads for a sustainable and efficient road network in cost efficiency Conduct study on cross-border facility Review a road code including road safety initiatives for preparing a national road safety plan and reviewing an efficient road transport vehicle inspection system which is to be put in place in the interests of safety 	<ul style="list-style-type: none"> 6,000 (NA, 2003-05) 500 (NA, 2003-05) 500 (NA, 2003-05) 	<ul style="list-style-type: none"> 2,000 km/year of road maintained Study finalized by 2005 Study and review finalized by 2005 	
(2) Ensure that transport policy support government poverty reduction objectives	<ul style="list-style-type: none"> Formulate (in a participatory manner), adopt and implement a national transport policy including rural and urban transport and a strategy for private sector participation 	<ul style="list-style-type: none"> 1,500 (NA, 2003-06) 	<ul style="list-style-type: none"> A policy and a strategy formulated in 2003-2004 Policy and strategy adopted and implemented in 2005 	MPWT & MRD
(3) Improve rural transport through maintaining existing road assets and enhancing rural access and mobility	<ul style="list-style-type: none"> Prepare rural roads inventories and mapping Sustain and improve living standard of people by maintaining existing rural roads using LBAT Maintain and rehabilitate rural transport infrastructure using LBAT to increase rural access and generate rural employment for people in a sustainable and environmentally friendly way Review availability, affordability and safety of rural transport services, and implement recommendations 	<ul style="list-style-type: none"> 900 (Loan 1445 ADB 2003-2005); 1,500 (NA, 2003-2005) 7,300 (NA, 2003-2005) 35,200 (Loan ADB, 2003-2005); 5,000 (Grant KfW, 2003-05); 8,500 (Loan WB, 2003-05); 35,000 (NA, 2003-05) 500 (NA, 2003-2005) 	<ul style="list-style-type: none"> 60% of total 31,000 km road length and its policy developed by 2005 4,500 km of rural roads maintained in good condition by 2005 3,000 km of tertiary and sub-tertiary roads improved by 2005 and 5.7 million working days of employment generated (45% female) Road accident in rural area reduced by 25% by 2005 	MRD
(4) Provide low-cost transport and enhance access through rehabilitating and maintaining railway network	<ul style="list-style-type: none"> Reconstruct, rehabilitate and maintain railway network Increase private sector participation in railway management 	<ul style="list-style-type: none"> Unidentified Unidentified 		MPWT

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> Restructure railways management system 	<ul style="list-style-type: none"> 150 (NA, 2004-05) 	<ul style="list-style-type: none"> 10% increase in freight volume 10% increase in number of passengers 	
(5) Promote development of the port and shipping	<ul style="list-style-type: none"> Review and study management of two major ports Work out issues between Cambodia and Vietnam on Mekong access 	<ul style="list-style-type: none"> 150 (NA, 2004-05) 	<ul style="list-style-type: none"> Review done by 2005 20 % increase in the throughput of Phnom Penh Port 	MPWT
(6) Establish the inland waterways as the leading all-weather mode of transport to provide the crucial link between rural and urban centres	<ul style="list-style-type: none"> Review and study to increase investment in port infrastructure, building new and improving existing port/landing facilities Increase private sector participation in port and landing facility management 	<ul style="list-style-type: none"> 150 (NA, 2005) Unidentified 	<ul style="list-style-type: none"> Study available by Dec 2005 	MPWT
2. Expanding Job Opportunities				
2.1. Private Sector Development				
(1) Ensure a competitive, and efficient investment climate for foreign and domestic businesses	<ul style="list-style-type: none"> Reduce administrative and regulatory barriers to entry, including business registration, licensing, permits, visa processing, and export/import documentation Further strengthen the impact of the PS Forum by extending its reach to provincial and rural business issues Establish clear priorities and timeline for legal reform, including commercial dispute resolution and secured lending laws 	<ul style="list-style-type: none"> \$250,000 (Investment Climate Assessment/NA) 	<ul style="list-style-type: none"> Cost/time to obtain domestic business registration and licenses across a variety of categories equal to ASEAN average Follow-up fora held in rural areas by 2003 	<p>MOC / CDC / World Bank / FIAS / IFC / MPDF / PS Forum</p> <p>CDC / MOC / IFC / PS Forum</p> <p>World Bank</p>

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
(2) A substantial role for the private sector in delivering public services, including infrastructure, health and education, and increased service delivery	<ul style="list-style-type: none"> • Agree, publish and disseminate national governance framework for public-private partnerships, including clear definition of the roles of state, the private sector and municipal authorities • Strengthen rules and capacity for public procurement, including the ability to conduct competitive tenders for concession • Strengthen institutional capacity, including independent sector regulation, defining service requirements, and monitoring performance 	<ul style="list-style-type: none"> • \$200,000 	<ul style="list-style-type: none"> • Fully-competitive concessions • Independent regulators (or multisector regulators) exist for power, telecom 	MEF / CDC / World Bank / ADB / AusAID
(3) Ensure an enabling environment that facilitates a vibrant micro, small and medium-sized enterprise sector able to increase productivity and employment	<ul style="list-style-type: none"> • Encourage formation of industry associations as sources of policy feedback and market information for SMEs • Build skills and capacity of SMEs as suppliers to strategic industries, particularly tourism, agribusiness, construction/infrastructure, and light manufacturing • Develop policy framework for building supply chain linkages between SMEs and EPZs, as well as technology transfer with foreign firms 		<ul style="list-style-type: none"> • Increase in average employment per firm • Increase in volume and value of purchases from suppliers to multinationals operating in Cambodia 	MOC / MPDF / GTZ
(4) Agriculture: National administrative and land reform to increase sustainable agriculture and increase opportunities for agricultural diversity	<ul style="list-style-type: none"> • Implement Land Reform / Land Law (including cadastral mapping and land titling) 			MLMUPC / MAFF / MOC

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> Complete Land management and administrative project (2002 – 07) which will complete the registration of land throughout Cambodia & will strengthen legal institutional aspects of land management 		<ul style="list-style-type: none"> Passing of Land Law. Enforcement of Land Law through judicial and administrative system 	
(5) Export development through crop diversity, two phased import replacement – export development planning and crop diversity	<ul style="list-style-type: none"> Identify and reduce barriers to entry for rural producers to domestic & export markets e.g. infrastructure, lack of markets, affordable transport etc Strengthen national farmer extension and education programmes including market information systems Undertake a detailed assessment of crop diversification opportunities and capacity building needs 		<ul style="list-style-type: none"> Domestic barriers to entry study and action plan. Increased number of markets. Increased provision of rural services to enhance movement of products to market. Increased specific market access support (e.g. temporary market supplements for transport to stimulate market development. This argument relies on the fact that bad infrastructure is distorting the market and supplying cheaper transport will provide a more accurate reflection of the nascent market place) 	MAFF, (Donors) NGOs
(6) Agricultural extension targeting farm production workers and market vendors	<ul style="list-style-type: none"> Gender specific extension programmes focusing on woman as dominant players in traditional farming (e.g. rice), fishing (i.e. post catch production roles - 75% of post catch to market is women) and as market vendors 		<ul style="list-style-type: none"> Increased variety of product for domestic and export sales Increased Cambodian content at local markets for fruit and vegetable produce Increased Agriculture based export revenue 	MAFF, Donor, PS

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
			<ul style="list-style-type: none"> Development and implementation of programme 	
(6) Increase both tourist arrivals, average days per stay, average revenue per tourist, and increasing revenue for domestic firms	<ul style="list-style-type: none"> Develop and agree, in consultation with the PS Forum, a public-private partnership to enhance the tourism industry including (a) security for heritage sites (b) regional integration, and (c) increasing domestic supply to the tourism industry 		<ul style="list-style-type: none"> Policy formulation and implementation 	MOT, UNESCO, Donor, PS
	<ul style="list-style-type: none"> Eco tourism policies to develop an internal tourism network using road, rail, river and air infrastructure providing safe access to Cambodia's cultural and environmental heritage Development of Promotions Board Increase health and sanitary awareness 		<ul style="list-style-type: none"> Policy formulation and implementation. Implementation of Promotions Board 	MOT, MPWT, MOE MOT, ADB
2.2. Trade Development				
(1) Trade Environment: Economic Integration of Cambodia with its AFTA member states and the world through WTO	<ul style="list-style-type: none"> Complete legal and judicial reform requirements of WTO accession, including sanitary and phytosanitary issues, sector regulation, intellectual property rights, and due process rights Build capacity in government and private sector to analyse trade policy and conduct social impact assessments of trade policy reforms Implement MIME action plan for technical barriers to trade through enactment of Law on Industrial Standards Establish WTO-consistent customs valuation procedures 		<ul style="list-style-type: none"> WTO accession package completed in 2003 Social impact assessments completed independently Enactment by 2004 	MOC/EU
	<ul style="list-style-type: none"> Simplify and reduce tariffs in line or ahead of AFTA commitments 			

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Deepen transportation linkages with Thailand, Laos and Vietnam 			
(2) Trade Facilitation: Enhancing Cambodian firms' ability to export competitively through low-cost, efficient trade facilitation which is harmonized with trade partners	<ul style="list-style-type: none"> • Rationalize overlapping administrative responsibility for border inspection • Reform and computerize customs compliance procedures • Harmonize customs and trade facilitation procedures with neighbours within GMS framework 		<ul style="list-style-type: none"> • Reduce cost/time of compliance and registration to ASEAN average • Internet-capable customs clearance installed by 2004 	CDC/MOC/FIAS IMF ADB/GMS
(3) Export Diversification: reduce Cambodia's dependence on GSP exports and prepare for full trade liberalization	<ul style="list-style-type: none"> • Execute market creation and capacity-building activities for non-traditional industry, including tourism, high value agribusiness, and light manufacturing • Promote MOC/MSALVY/private sector cooperation in labor policy development, in line with ILO analysis • Identify and carry out a program of sector support for those firms and employees most impacted by trade reform to facilitate adjustment (including current exports and those potentially impacted in increased imports) 		<ul style="list-style-type: none"> • Increased local investment indicators and FDI • Legislative consultation and commitment to Labour Advisory Council • Business process application improvements • Trade sector support assessment • Increased diversity of industry and Agricultural sector outputs 	CDC ILO / PS / MOC / MSALVY CDC / MOC Donors PS
2.3. Promoting Tourism				
(1) Increase value-added in tourism	<ul style="list-style-type: none"> • Establish exhibition centres in tourist areas to encourage tourist to use locally produced agricultural and industrial products • Train farmers on agricultural product standards 		<ul style="list-style-type: none"> • Number of exhibition centres set up • Number of farmers trained 	MOT MAFF

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
(2) Diversify tourism into sustainable eco-tourism	<ul style="list-style-type: none"> • Formulate national eco-tourism plan (for mountain and coastal regions) • Promote and advertise eco-tourism • Promote private investment in eco-tourism (in mountainous and coastal regions) • Invest in tourist infrastructure in these regions • Train local peoples and communities on hospitalities 		<ul style="list-style-type: none"> • Plan, brochures and guidebooks produced • Number of eco-tourism investment projects implemented • Number of tourists (in mountain and coastal regions) increased • Number of peoples trained 	MOC MOT
(3) Create rural employment	<ul style="list-style-type: none"> • Use LBAT to maintain the temples, tourist sites, and tourist infrastructure 		<ul style="list-style-type: none"> • Number of employment generated 	MOT
2.4. Post and Telecommunication Development				
(1) Improve rural telecommunication and postal services	<ul style="list-style-type: none"> • Expand telecommunication to non-covered rural areas • Build, operate and maintain district post offices, and establish low-cost Public Call Offices (PCO) at district level 	<ul style="list-style-type: none"> • 7,000 (JICA, World Bank, 2003-06) 	<ul style="list-style-type: none"> • PCO operational in 32 districts in Battambang, Banteay Meanchey, Preah Vihear, Oddar Meanchey and Palin by 2003 • PCO operational in 33 districts in Kompong Chhnang, Pursat, Kompong Thom and Siem Reap by 2005 	MPTC
	<ul style="list-style-type: none"> • Promote private sector to provide telecommunication services at district level at affordable prices to the rural people 		<ul style="list-style-type: none"> • PCO operational in 118 districts in central, flat plain and mountain regions by 2008 • 1 public telephone line in each of 183 districts in 2006 • 1 post office in all districts by 2006 	

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
2.5. Micro-Finance				
(1) Establish viable, pro-poor and effective rural finance system and infrastructure / facilities that provide affordable financial service to the poor to enhance rural income and reduce poverty through implementing and enhancing rural credit policy	<ul style="list-style-type: none"> • Develop a system to support and supervise MFIs • Introduce appropriate prudential norms for licensed MFIs • Strengthen Rural Development Bank • Improve capacity to support licensed MFIs • Enhance off-site and on-site supervision for rural finance 	<ul style="list-style-type: none"> • ADBTA No.3270 & TA No.3769) 	<ul style="list-style-type: none"> • A system developed • Norms introduced • Number of staff trained • Reports available 	NBC & RDB
(2) Promote rural economic development through provision of affordable financial service for investment in SME to expand employment and income opportunities in rural areas	<ul style="list-style-type: none"> • Conduct assessment of micro-finance needs of villagers and rural entrepreneurs for micro-finance 	<ul style="list-style-type: none"> • 700 (NA, 2003-05) 	<ul style="list-style-type: none"> • Assessment in 15 provinces • 	NBC & RDB MRD
2.6. Increasing Labour Skills				
(1) Strengthen government capacity to deliver flexible skill training program	<ul style="list-style-type: none"> • Review existing institutional capacity, roles and responsibilities, and programmes on labour market, and training issues 	<ul style="list-style-type: none"> • 26,000 (NA, 2003-05) • 600 (ILO, 2003-05) 	<ul style="list-style-type: none"> • Report available by 2003 	MOLSALVY
	<ul style="list-style-type: none"> • Build capacity of MOLSALVY staff involved in Technical and Vocational Education and Training (TVET) • Strengthen capacity of National Training Board 		<ul style="list-style-type: none"> • Report available by 2003 • Report available by 2003 	

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
(2) Improve labour productivity and skills of Cambodians through provision of vocational training responding to the demands of labour market	<ul style="list-style-type: none"> • Prepare new policy and regulations based on researches on labour market and training needs, existing documents (e.g. ILO analysis) including on Vocational Training for Employment Generation • Need assessment of village labour market • Set up new programs in response to demand with special attention to female and vulnerable people • Rehabilitate existing vocational training schools and build new vocational training schools • Establish pilot mobile training program at village level based on cost recovery principles 		<ul style="list-style-type: none"> • Policy and regulations available by 2003 • Training need assessment conducted in Jan 2004 • Report available by 2003 • Number of schools built • Project starting in 2004 	MOLSALVY
2.7. Improved Energy Availability (Industrial Sector Development)				
(1) Provide an adequate, and reliable supply of energy for household uses and development of agriculture related industries through public investment	<ul style="list-style-type: none"> • Construct National Grid across Vietnam border to P. Penh via Takeo province to supply power to the southern segment of the country • Construct National Grid across Thai border to Banteay Meanchey, Battambang and Siem Reap • Integrate Cambodian power system with ASEAN interconnection 	<ul style="list-style-type: none"> • 60,000 (Co-finance WB&ADB) • 22,000 (joint venture EDC&EGCO, Thailand) • Propose to IAI for T.A 3,500 for conducting feasibility study 	<ul style="list-style-type: none"> • 20% decrease in power tariff • Increased percentage of households using electricity • National grid from Vietnam established 2005 • National grid from Thailand established in 2004 	MIME

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Establish of Rural Electrification Fund (REF) • Develop small-scale energy to facilitate job creation in rural communities by installing small-scale solar systems at village level 	<ul style="list-style-type: none"> • 33,750 (WB, GEF and IFC, 2002-2007) • 2,000 (NA, 2003-05) 	<ul style="list-style-type: none"> • Cambodia power system integrated/interconnected 2020 • REF established in 2003 • 200 rural communities receiving power supply 	MRD / MIME
(2) Ensure reliable, secure electricity supply to (environmentally and socially acceptable standards) at price, which facilitates investment in Cambodia and development of the national economy	<ul style="list-style-type: none"> • Seek financing/investment for construction of gas turbine combined cycle power plant 180 MW • Seek financing/investment for construction of hydropower plants with low generation cost • Kirirom I investment by CETIC (2002) • Import power from Thailand and Vietnam to supply to communities close to the border areas • Seek financing/investment for studies and construction of hydropower plants in Kampot (Kamchay), Battambang, etc. 	<ul style="list-style-type: none"> • 150,000 (Concessional loan or private) • 2,140,000 (Concessional loan or private) • 26,000 (Private) • 7,200 (Private, EDC & ADB) • 364,000 (NA) 	<ul style="list-style-type: none"> • Percentage of electricity generated by private sector 60% • Percentage of electricity output by hydro-electric • Decline in tariff by 30% 	MIME
	<ul style="list-style-type: none"> • Study and install renewable energy facilities such as: solar, wind and micro-hydro power structures • Encourage use of electrical saving and efficient appliances • Seek fund to study and implement Energy Efficiency Projects • Explore options for improved energy efficiency through relevant analysis 	<ul style="list-style-type: none"> • 5,750(GEF in the component of REF) • (NA, 2003-2005) • 1,000 (NA) • 	<ul style="list-style-type: none"> • Study available in 2004 • Reduce the investment cost in the construction of the Power Plants • Reduce the negative impact on the environment 	

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
2.8. Urban Development				
(1) Relocate the urban poor to improve their living condition	<ul style="list-style-type: none"> • Review costs and impacts of relocation on poverty alleviation • Optimise selection of land for relocation including ensuring proximity to job opportunities and availability of piped water and basic services • Ensure water and electricity supply for relocation sites • Ensure that all weather access roads are ready prior to relocation of households 	<ul style="list-style-type: none"> • 600,000 (NA, 2003-05) • 90 (Community, MPP & Donors 2003-05) • 150 (MPP & Donors, 2003-05) 	<ul style="list-style-type: none"> • 1,500 hh relocated • 1,500 hh relocated • 1,500 hh relocated 	MPP & relevant agencies
(2) Upgrade urban poor communities through improving water and sanitation, and economic infrastructure	<ul style="list-style-type: none"> • Develop policy on maximising <i>in situ</i> upgrading and minimising relocation • Revise regulations for low cost services connections for the poor • Revise regulations on eligibility for water connections in favour of poor • Lower water connection costs for the poor • Provide house improvement loans • Provide city garbage disposal services to low income settlements at affordable prices • Revise regulations to enable upgraded communities to link to sewerage systems • Improve roads to & in upgraded settlements • Ensure proper sanitation at relocation sites 	<ul style="list-style-type: none"> • 600 (RGC/MPP & Donors, 2003-05) • 480 (MPP, HH & Donors, 2003-05) • 75 (MPP & Community, 2003-05) • 90 (Community, 2003-05) • 1,200 (RGC, PS, 2003-05) • 90 (MPP, Donors & HH, 2003-05) • 120 (MPP, PWSSA & HH, 2003-05) • 300 (MPP, HH & Donors, 2003-05) • 150 (MPP & Donors, 2003-05) 	<ul style="list-style-type: none"> • 6,000 hh in situ completed • 6,000 hh in situ completed • 6,000 hh in situ completed • 6,000 hh in situ completed • 6,000 hh in situ completed • 6,000 hh in situ completed • 6,000 hh in situ completed • 6,000 hh in situ completed • 1,500 hh relocated 	MPP & relevant agencies

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
(3) Make social services available to the urban poor	<ul style="list-style-type: none"> • Provide incentives to teachers to work in schools for low income communities • Utilise existing school facilities instead of creating special ones for relocation sites • Establish health posts through MHD's • Human Settlement for Urban Poor project 	<ul style="list-style-type: none"> • MOEYS • No cost (use Municipality Education System) • 70 (Donors, 2003-05) • No cost (use MHD service) • 45 (for health posts and medical workers) • 30 (NA, 2003-05) 	<ul style="list-style-type: none"> • 6,000 hh <i>in situ</i> completed • 1,500 hh relocated • 6,000 hh <i>in situ</i> completed • 1,500hh relocated 	MPP & relevant agencies
(4) Ensure land and housing access for the urban poor	<ul style="list-style-type: none"> • Make some state private and state public land available to the poor for residential use • MLMUPC/MPP develop policies to enable the urban poor to obtain land and housing ownership rights • Introduce measures for medium and long term tenure like “temporary occupancy permits” and community titles and provide long-term refinancing financial institutions to enable them to offer housing loans on their own risk • Promote training on land law and housing policies for the urban poor communities 	<ul style="list-style-type: none"> • 100 (UNDP, 2003-05) • 1,200 + 600 (NA, 60,000 UPDF, 2003-05) • 150 (Donors, 2003-05) 	<ul style="list-style-type: none"> • Areas of land given to the urban poor • No. of urban poor having ownership rights • 6,000 hh <i>in situ</i> and 1,500hh relocated • 120 communities 	MPP & relevant agencies
(5) Generate employment opportunities for the urban poor	<ul style="list-style-type: none"> • Send team of stakeholders to learn from innovations on livelihoods abroad 	<ul style="list-style-type: none"> • 450 (MPP & Donors, 2003-05) 	<ul style="list-style-type: none"> • 1,500 persons 	MPP & relevant agencies

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Hold series of consultations between stakeholders, officials and private sector to develop livelihoods framework • Implement vocational training • Strengthen savings groups as vehicles for extending housing loans • Conduct review of urban micro-finance to identify good practices and promote pro-poor lending • Promote innovative micro-finance for small scale entrepreneurs • Promote associations of vendors, transport workers, scavengers, etc • Adopt policies to stop the harassment of poor self-employed, and provide legal support to them • Promote understanding of informal sector among city officials • Consult with employers associations, chambers of commerce, unions, etc. • Develop market information service for the poor 	<ul style="list-style-type: none"> • 600 (RGC & Donors, 2003-05) • 300 (UPDF, Donors & Savings Groups 2003-05) • 150 (Donors, 2003-05) • 30 (Donors & PS, 2003-05) • 25 (Donors, 2003-05) 	<ul style="list-style-type: none"> • Report available in 2004 • No. of saving groups strengthened • 15,00 households • About 750 persons • 600 persons 	
	<ul style="list-style-type: none"> • Reform management of municipal markets to make stalls/space affordable to the poor • Work with specialised NGOs, professional MFIs and banks, etc. to provide training and start up loans for SMEs • Promote small-scale building materials industry: provide space on relocation sites • Use community contracts for infrastructure building 	<ul style="list-style-type: none"> • 30 (MPP & Donors, 2003-05) • 60 (Donors & NGOs, 2003-05) • 150 (UNDP, MPP & Donors, 2003-05) 	<ul style="list-style-type: none"> • 400-500 persons • 45 SMEs • 60-100 persons • 300 persons 	

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Conduct review of existing arrangements and explore possibilities and pilot some • Collaborate with NGOs and poor artisans to provide such goods/services e.g. in transportation, street cleaning; ensure that privatisation does not exclude the community sector • Review innovations in neighbouring countries to identify possibilities and pilot them: provide training and support to low income entrepreneurs and provide space for poor • Ensure that land of relocation sites are closer to job opportunities and services 	<ul style="list-style-type: none"> • 30 (Donors, 2003-05) • 90 (Donors, 2003-05) • 600 (RGC & MPP, 2003-05) 	<ul style="list-style-type: none"> • 300 persons • 300 persons • 1,500 hh relocated 	
(6) Disasters management in urban poor settlement locations	<ul style="list-style-type: none"> • Introduce measures for medium and long term tenure like “temporary occupancy permits” and community titles • Integrate upgraded communities into drainage and flood protection plans of city • Integrate relocation sites into overall drainage and flood protection planning • Train communities in disaster prevention measures: reform City Fire Department • Provide protection measures and organize communities in disaster prevention and mitigation measures groups. (Link to City Fire Dept. Service) 	<ul style="list-style-type: none"> • 1,200 (MPP & Donors, 2003-05) • 3,000 (MPP, Donors & HH, 2003-05) • 3,000 (MPP & Donors, 2003-05) • 30 (MPP, Donors and HH, 2003-05) • 15 (NA, 2003-05) 	<ul style="list-style-type: none"> • 6,000 hh • 6,000 hh <i>in situ</i> completed • 1,500 hh relocated • 6,000 hh <i>in situ</i> • 1,500 hh relocated 	MPP & relevant agencies
(7) Improve local governance	<ul style="list-style-type: none"> • Initiate programme of Community Action Planning to develop genuine CDCs 	<ul style="list-style-type: none"> • 90 (MPP & Donors, 2003-05) 	<ul style="list-style-type: none"> • 60 communities 	MPP & relevant agencies

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Engage the Khan level community development management committees to monitor leadership performance • Establish formal mechanisms to enable CBOs, NGOs and city to work in equal partnership • Through Ministry of Interior and network of cities, develop reform learning cycle and network; develop disciplinary measures and incentives; and conduct information campaign on rules for civil servants • Make information on revised rules and procedures available to the public • Experiment with “one stop shop” measures to cut red tape and corruption opportunities • Hold issue based consultations and institutional mechanisms for effective administration: create association of cities to develop learning network 	<ul style="list-style-type: none"> • 15 (Donors, 2003-05) • 150 (Donors, 2003-05) • 15 (MPP & Donors, 2003-05) • 50 (MPP & Donors, 2003-05) • 40 (MOI, MPP & Donors, 2003-05) 	<ul style="list-style-type: none"> • 15-20 NGOs and CBOs • Information campaigns delivered • One-stop shop piloted in Phnom Penh in 2004 	
3. Improving Capabilities	<ul style="list-style-type: none"> • Select and promote people on the basis of their role, performance and interest in gaining knowledge: share training opportunities and learning through association of cities • Use participatory monitoring, planning and implementation processes; and disseminate results to all stakeholders and the public 	<ul style="list-style-type: none"> • 80 (MPP, UNDP & Donors) • 90 (MPP, UNDP & Donors, 2003-05) 	<ul style="list-style-type: none"> • 30 officials, 30 CBO and NGO personnel • Monitoring system linked to national NPRS monitoring system 	
3.1. Better Health Outcomes				

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
<p>(1) Promote health service coverage and utilization among poor and socially excluded Cambodians emphasizing prevention and low-cost high impact curative services</p>	<ul style="list-style-type: none"> • Further improve coverage and access to health services especially for the poor and other vulnerable groups through planning the location of health facilities in consultation with those in poverty • Strengthen the delivery of quality basic health services through health centres based upon minimum package of activities through outreach and facility-based services especially to poor communities • Strengthen the delivery of quality care, especially for obstetric and paediatric care, at hospitals in remote areas through complementary package of activities 	<ul style="list-style-type: none"> • 1,669 (NA) • 28,602 (NA) • 33,048 (NA) 	<ul style="list-style-type: none"> • Health coverage plan increased from 80% to 100% by 2005 • Percentage of births attended by skilled health personnel increased from 32% to 46% • Contraceptive use increased from 19% to 27% among women 15-49 years • Coverage of fully immunized children increased from 40% to 60% • Deliveries by trained health staff increased from 32% to 46% 	MOH
			<ul style="list-style-type: none"> • Rate of children with ARI and/or fever brought to a qualified provider increased from 35% to 45% • ORS use among children with diarrhoea increased from 18% to 25% • Contact rates at public sector facilities increased from 38% to 42% 	

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Strengthen the management and cost-effective interventions to control communicable diseases including TB, malaria, HIV/AIDS, dengue targeting poor, remote areas • Effective public-private partnership to improve accessibility, quality and affordability of basic health services and strengthen regulation of private providers 	<ul style="list-style-type: none"> • TB costs – 3,732, HIV/AIDS – 11,809, Dengue, malaria – 3,593 (NA) • 16,043 (NA) 	<ul style="list-style-type: none"> • HIV infection rates reduced from 2.8% to 2.5% among those aged 15-24 years • Malaria incidence reduced to 7% and mortality to 7% • Prevalence and mortality from tuberculosis reduced to 25%, i.e. 540 to 472 per 100,000 inhabitants • Dengue case fatality rate reduced to less than 1% nationwide, and annual morbidity to less than 72 per 100,000 inhabitants • Household health expenditures reduced by 50% among poor and vulnerable groups 	
(2) Enhance accessibility and affordability of key essential services through alternative health financing schemes and social safety nets that protect the poor from catastrophic expenditures	<ul style="list-style-type: none"> • Identify the poor and provide government subsidies for those who are exempted from fees • Scale up equity funds with partnerships in poor communities to promote access by the poor 	<ul style="list-style-type: none"> • No extra costs required (except for MPA/CPA basic costs) • 31,108 (NA) 	<ul style="list-style-type: none"> • Household health expenditures reduced by 50% among poor and vulnerable groups • Contact rates at public sector facilities increased from 38% to 50% • Household health expenditures reduced by 50% among poor and vulnerable groups 	MOH

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Scale up official user fee schemes with strong regulatory mechanisms on staff performance and fee exemption to the poor • Continue contracting with appropriate providers in poor, remote operational districts • Pilot health insurance to protect the vulnerable and lower income groups from catastrophic expenditures • Enable incentives to staff working in remote areas through performance-based measures • Provide opportunities to recruit and train health staff from rural remote areas 	<ul style="list-style-type: none"> • No extra costs required • 21,491 (NA) • 124 (NA) • 6,041 (NA) • NA 	<ul style="list-style-type: none"> • Same • Same outcome indicators • Contracting expanded from 5 to 11 ODs in poor, remote areas • Health insurance pilots expanded from 13 villages to 20 villages • Same outcome indicators • Contact rates at public sector facilities increased from 38% to 50% 	
(3) Provide information, improve participation and empower the poor to make informed choices	<ul style="list-style-type: none"> • Promote healthy lifestyles and disease prevention through IEC, social marketing, etc. 	<ul style="list-style-type: none"> • 5,329 (NA) 	<ul style="list-style-type: none"> • Same outcome indicators 	MOH
	<ul style="list-style-type: none"> • Use community structures and multi-sectoral approaches to influence healthy practices and increase the utilizations of cost-effective interventions (i.e. women's associations, village support groups, mothers' clubs, youth groups) 	<ul style="list-style-type: none"> • NA 	<ul style="list-style-type: none"> • Increase exclusive breastfeeding for infants under five months from 5% to 15% • Proportion of health centers who have regular meetings with village health support groups increased by 30% 	

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> Support the formation of community level support groups to enable the poor in making decisions on health service delivery and identify priorities for health programme planning and implementation at local level 	<ul style="list-style-type: none"> NA 	<ul style="list-style-type: none"> Reduce the proportion of underweight children aged 6-59 months from 45% to 38% Increase modern contraceptive use from 19% to 27% among women 15-49 years Increase ORS use among children with diarrhoea from 18% to 26% Increase the rate of children with ARI and/or fever brought to a qualified provider from 35% to 45% 	
(4) Improve community-based health care (both physical and mental health issues)	<ul style="list-style-type: none"> Basic health education, including mental health activities HIV/AIDS awareness education Promote household hygienic latrine construction 	<ul style="list-style-type: none"> 7,500 (NA, 2003-2005) 2,000 (NA, 2003-2005) 1,500 (NA, 2003-2005) 	<ul style="list-style-type: none"> Rural people in 10 target provinces have access to basic health care education by 2005 10% decrease in new HIV/AIDS infection in 10 target provinces in rural area by 2005 146,250 households provided with sanitary facility in 13 target provinces by 2005 30% of rural households in 13 target provinces have access to facilities by 2005 	MRD

3.2. Nutrition

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
(1) Put priority emphasis on improving infant and young child feeding practices at household and community level	<ul style="list-style-type: none"> Establish national and provincial level nutrition training teams with participation of relevant departments for integrated nutrition training at all levels Implement Baby Friendly Hospital Initiative (BFHI) and strengthen capacity for management of severe malnutrition in selected Referral Hospitals Strengthen nutrition services including Growth monitoring and promotion, nutrition counselling, micronutrient supplementation and mebendazole distribution, ensuring reach to poor communities 	<ul style="list-style-type: none"> (NA, 2003-2004) 1,000 (CNIP, 2003-07) 	<ul style="list-style-type: none"> Training teams established by 2007 Level of Protein Energy Malnutrition (PEM) in children under 5 years of age reduced from 45% (DHS 2000) to 31% (underweight) Number of mothers giving colostrum increased from 11% (DHS 2000) to 35% 	MOH, UNICEF & WHO
	<ul style="list-style-type: none"> In very poor areas, provide food supplementation to children 6 –59 months with malnutrition following growth monitoring, and for pregnant and lactating mothers 		<ul style="list-style-type: none"> Number of mothers exclusively breast-feeding their infants for five months of age increased from 5% (DHS 2000) to 25% 	WFP
	<ul style="list-style-type: none"> MOH provides technical inputs and contributes to nutrition training of multi-sector staff and volunteers including teachers, VDCs etc. to match the pace of the rapidly growing demand and expansion of community-based nutrition improvement programs 	<ul style="list-style-type: none"> 600 (CNIP, 2003-07) 	<ul style="list-style-type: none"> Levels of malnutrition among women of reproductive age reduced from 21% (DHS 2000) to 15% as measured by a body mass index (BMI) of below 18.5 kg/m² 	MOP/Inter-ministerial Technical Committee of 16 ministries & NGOs

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> Ensure 80% investment funds are for Commune/Village action plans CAP/VAP), to cover multisector plans for nutrition improvement including appropriate behaviours and practices on child care and feeding and health seeking behaviours for young children, pregnant mothers and lactating mothers 	<ul style="list-style-type: none"> 32,400 (CNIP, 2003-07) 		
(2) Active promotion to increase iodised salt production to achieve national requirement for human and animal consumption	<ul style="list-style-type: none"> Increase awareness on ill effects of IDD especially related to low intelligence, learning capacity and productivity for local authorities and communities Improve IDD training for different categories of trainees including multi-sector staff, teachers and volunteers 	<ul style="list-style-type: none"> 2,600 (CNIP, 2003-07) 	<ul style="list-style-type: none"> Iodine deficiencies virtually eliminated over 5 years (by 2007) 65,000 metric tons of iodised salt for human and animal consumption produced locally by 2005 	National Sub-Committee on IDD (NSCIDD) with members from 8 ministries
	<ul style="list-style-type: none"> Continuous advocacy for high level policy support to USI 		<ul style="list-style-type: none"> household use of iodised salt increased from 12% (DHS 2000) to 80% by 2007 	WHO
	<ul style="list-style-type: none"> Sustain good partnership between government and private producers and traders to increase iodised salt production and use at household level especially in poor remote areas 			UNICEF
	<ul style="list-style-type: none"> Legislation on USI and enforcement Monitor and support implementation of local regulation in Kampot which prohibits release of non-iodised salt from the province 			Private Salt producers and traders, and NGOs

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
(3) Strengthen the vitamin A capsule distribution in the outreach services	<ul style="list-style-type: none"> • Improve health staff training on VAD and strengthen Vitamin A supplementation to reach poor and disadvantage areas • Conduct advocacy and awareness programmes at national and community level on VAD problems and promote dietary approaches to vitamin A 	<ul style="list-style-type: none"> • 1, 000 (CNIP, 2003-07) 	<ul style="list-style-type: none"> • Training by 2007 • Vitamin A deficiencies virtually eliminated over five years • Coverage of Vitamin A supplements for children under 5 years increased from 29% (DHS 2000) to 80% • Coverage of vitamin A supplements to post partum women within 8 weeks of delivery increased from 11% (DHS 2000) to 80% 	<p>MOH (Nutrition and EPI+ programmes)</p> <p>WHO</p> <p>UNICEF</p> <p>HKI</p>
(4) Develop and implement policy on control of IDA to cover children and women of child bearing age	<ul style="list-style-type: none"> • Conduct operational research for policy development • Develop and implement policy on control of IDA for children and child bearing age women • Procure appropriate iron/folate supplements and distribute to target groups 	<ul style="list-style-type: none"> • 1,500 (CNIP, 2003-07) 	<ul style="list-style-type: none"> • Research done in 2007 • IDA in children 6-59 months reduced from 63% (DHS 2000) to 42% • IDA among childbearing age women (15-49 years) reduced from 58% (DHS 2000) to 40% 	<p>MOH (NCHP, NCM, Nutrition)</p> <p>MOEYS (School Health Department)</p>

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> Support inter-sectoral collaboration for the control worms and malaria by National Center for Malaria Control (CNM), including impregnated bed-nets distribution and health, hygiene and sanitation education 			
(5) Promote use of AN Care by pregnant mothers and provide education for adequate weight gain in pregnancy and reduction of IDA	<ul style="list-style-type: none"> Develop and implement communication strategy to improve attendance at AN clinics and intake of iron/folate supplements (at least 4 ANC visits and 90 tablets of iron/folate) by pregnant mothers and improving diets during pregnancy and lactation 	<ul style="list-style-type: none"> 200 (CNIP, 2003-07) 	<ul style="list-style-type: none"> Communication strategy developed and implemented by 2007 IDA among pregnant women reduced from 65% (DHS 2000) to 43% Coverage of antenatal care increased to 50% Levels of low birth weight (LBW) reduced from estimated 15% to 10% 	
(6) Explore possibility of food fortification with micronutrients (Iron and vitamin A)	<ul style="list-style-type: none"> Based upon feasibility assessment plan for local production of low cost complementary food fortified with iron and vitamin A as a priority 	<ul style="list-style-type: none"> 300 (CNIP, 2003-07) 	<ul style="list-style-type: none"> Percentage of children having access and consuming locally produced low-cost iron and vitamin A fortified complementary foods 	IMTC and NSCIDD

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
(7) Establish nutrition information systems; (a) Integrated with HIS and (b) Sentinel surveillance system	<ul style="list-style-type: none"> Capacity building and establishment of Nutrition Information System at a suitable institution under the overall coordination and support of the National Nutrition Council and Ministry of Planning: (a) · Use CDHS 2000 data as a baseline, set up a Nutrition Sentinel Surveillance System with sites in selected locations where CDHS data have already been collected and selected data followed longitudinally to give an idea of trends and support development of policy, and (b) Strengthen monitoring and reporting of outcome and process indicators Strengthen research capacity of an existing Cambodian academic institution and MOH and identify and conduct operational research studies for priority issues 	<ul style="list-style-type: none"> 2,300 (CNIP, 2003-07) 200 (CNIP, 2003-07) 	<ul style="list-style-type: none"> Sentinel Nutrition Surveillance system established by 2005 Nutrition information generated from existing health and Nutrition monitoring systems and research studies reviewed and used for making policy decisions 	NCN, IMTC & MOH
3.3. Education				
(1) Achieve completion of nine years of basic education for all by addressing supply, demand, quality and efficiency constraints, especially focusing on the poorest and groups at risk	<ul style="list-style-type: none"> Increase supply of formal basic education through implementing ESSP school facilities plan to complete incomplete schools and expand to meet increased demand with priority to the poorest communities Continue to provide better poverty-indexed operating budgets to schools to lower the cost of basic education to parents and improve quality 	<ul style="list-style-type: none"> 48,380 (ADB, Belgium, other donors, 2003-05, gap: US\$37 mil.) 28,280 (RGC, 2003-05) 	<ul style="list-style-type: none"> Net primary enrolment rate of min 76% by 2005 across all communes, and 75% for girls Average net lower secondary enrolment rate of 50%, and 49% girls, representation of poorest in lower secondary education increases by 22% 	MOEYS

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Expand provision of targeted incentives for the poorest/ groups at risk (school breakfast programs, scholarships in cash or kind) • Continue to provide remedial education to primary students at risk of failure to improve their success • Ensure regular supply and equitable provision of instructional materials • Implement ESSP programs to improve availability and professionalism of teachers, particularly in rural and remote areas through improved staff management and deployment, incentives for posting in difficult areas, targeted scholarships for TT for girls and children from difficult to staff areas, improved teacher training (pre- and in-service), etc. 	<ul style="list-style-type: none"> • 17,850 (WFP, JFPR, 2003-05) • 3,000 (RGC, 2003-05) • 13,380 (RGC, 2003-05) • 20,800 (NA, 2003-05) 	<ul style="list-style-type: none"> • Public subsidies on education captured by the poor increases (to be based on upcoming surveys and annual reports) • Average repetition rate in grades 1 and 2 falls to 5% by 2005, including for the poor • Instructional materials financed through an annual budget allocation, to a student: book ratio of 1:1 for grade 1 to 9, achieved by 2005 • Average Pupil teacher ratio will not exceed 50:1 in primary schools and 35:1 in secondary schools, by 2005 • Non teaching staff not more than 16% of workforce by 2005 	
	<ul style="list-style-type: none"> • Increase non-formal basic, vocational functional literacy and life-skill education supply for poorest/most vulnerable out-of-school children, youth and adults 	<ul style="list-style-type: none"> • 3,530 (RGC, 2003-05) 	<ul style="list-style-type: none"> • Increased enrolment in less than one year VET programs offered through alternative providers (NGOs etc.), especially in poorest areas (total enrolment 19,000 by 2005) 	

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Develop and expand mechanisms for ensuring that all school age children enter and stay at schools (e.g. family-based ECCD programs, re-entry programs for drop-out children) • Improved monitoring of programs delivering EFA. 	<ul style="list-style-type: none"> • 2,680 (RGC, 2003-05) • 3,100 (RGC, 2003-05) 	<ul style="list-style-type: none"> • Indicators and targets for re-entry, literacy and ECCD (to be based on upcoming surveys and annual reports) • Timely monitoring reports available for performance review through agreed ESSP annual review mechanism 	
(2) Facilitate economic growth through equitable access to quality and relevant post-basic education	<ul style="list-style-type: none"> • Expand upper secondary opportunities through implementation of ESSP school facilities plan, targeting in priority the poorest areas • Reform financing of post-basic education institutions to ensure that government subsidies enable the poorest and able students to gain access • Improve relevance and quality of post-basic technical and higher education to form graduates able to find labour market employment 	<ul style="list-style-type: none"> • 10,500 (RGC, 2003-05) • No cost • 12,400 (RGC, 2003-05) 	<ul style="list-style-type: none"> • Transition rate lower to upper secondary education 64% by 2005, including for girls only • Representation of poorest in post-basic education increased by % (to be based on upcoming surveys and annual reports) • Proportion of graduates finding employment within xxx period of time after graduation (to be based on upcoming surveys and annual reports) 	MOEYS
(3) Sustain institutional development in pro-poor policy development and sector decentralized management	<ul style="list-style-type: none"> • Ensure adequate Government financing (wage and non-wage) and appropriate budget allocations to achieve ESSP goals, including provision of predictable capital budget allocation to the sector 		<ul style="list-style-type: none"> • Increased recurrent budget by at least 1% per year (min 20% by 2005), with clear evidence of affirmative-action targeting to high poverty areas, vulnerable groups 	MOEYS

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Strengthen result-oriented budgeting through PAP while strengthening financial management, monitoring and post-auditing, and expand similar mechanisms to regular O&M expenditures • Protect basic education public financing including through promoting public/ private partnership at post-basic level • Increase teacher salaries • Strengthen sector governance framework and accountability including to the poorest through better defined legislation and regulations, audit mechanisms, school and institution governance mechanisms involving non-government stakeholders and relevant information to all stakeholders 	<ul style="list-style-type: none"> • 4,500 (UNICEF, EU, ADB and other donors, 2003-05) • 158,610 (RGC, 2003-05) • 2,880 (UNICEF, ADB, EU, WB, other donors, 2003-05) 	<ul style="list-style-type: none"> • 28 to 30% of expenditure through PAP mechanism • Share basic education in education budget around 70% throughout the period • Average salaries doubled by 2005 (baseline 2000) • Annual sample audits, starting in 2003 • Enabling education legislation and supporting regulations in place by 2004, incl. for school accountability to poorest communities 	
	<ul style="list-style-type: none"> • Strengthen relevance of education curriculum to broad-based growth and groups at risks (e.g. ethnic minorities) through implementation of ESSP component on pedagogic research and development • Strengthen program and sector performance and poverty reduction impact monitoring 	<ul style="list-style-type: none"> • 380 (ADB, UNICEF, EU, other donors, 2003-05) • 7,500 (RGC, UNICEF, EU, ADB, other donors 2003-05) 	<ul style="list-style-type: none"> • Proportion of graduates finding employment within xxx period of time after graduation (to be based on upcoming studies and annual reports) • Provincial PAP financial management information computerized by 2005 	

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
			<ul style="list-style-type: none"> Continue to expand program impact assessment in poorest communities as part of ESSP review 	
3.4. Safe Water and Sanitation				
(1) Enhance living standards by supplying safe drinking water	<ul style="list-style-type: none"> Conduct groundwater quality mapping study Water well with hand pump or piped water system provided and WUGs organized in target villages 	<ul style="list-style-type: none"> 6,000 (JICA, 2003-2005) 1,700 (China, 2003-2005); 9,000 (ADB, 2003-2005); 1,800 (NA, 2003-2005) 	<ul style="list-style-type: none"> Groundwater quality mapping in 5 target provinces by 2005 Provide 2,000 water points and 155 piped water systems in 24 provinces; and 2,000 WUGs established by 2005. 	MRD
(2) Mobilise resources for safe water, sanitation, shelter, and reduce health impact of polluted environment especially by arsenic and pesticides	<ul style="list-style-type: none"> Implement activities to strengthen safe water supply, sanitation and housing facilities for the poor in urban and rural areas in collaboration with other Ministries and NGOs Conduct clinical surveillance and interventions for diseases caused by arsenic including referral services and information on prevention particularly in poor remote areas 	<ul style="list-style-type: none"> Above Sub-committee on Arsenic Prevention and Control, chaired by MRD 	<ul style="list-style-type: none"> Above Environmental indicators in health sector strategic plan 2003-2007 	MOH & MRD
4. Institutional Strengthening and Improved Governance				
4.1. Reforming the Justice Sector				
(1) Accelerate the reform of the Justice Sector	<ul style="list-style-type: none"> Implement the reform program through broad participation Build capacity of support institutions Mobilize necessary partnerships 	At this point of development, it is not possible to estimate costs and set indicators for each actionable measure. Much depends on the nature and scope of partnerships still to be put in place		CL&JR
(2) Improve the protection of fundamental rights	<ul style="list-style-type: none"> Develop and implement program Facilitate partnerships to ease access to information and services e.g. legal aid 	Numerous projects are underway addressing aspects of these measures. Please refer to relevant documentation for information		CL&JR CL&JR, MOJ and Judiciary

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Assure dissemination and understanding • Provide training and awareness 			COM, MOJ
(3) Modernise the Legal Framework	<ul style="list-style-type: none"> • Implement civil and criminal codes and procedures • Complete framework for investment, business, finance and trade to international standards • Enhance law/regulation formulation process 			MOJ, Judiciary CL&JR COM
(4) Provide better access to information and services	<ul style="list-style-type: none"> • Strengthen institutions • Enhance motivation and discipline • Establish new courts and tribunals • Publish “Bench Book” in support of due process • Assure dissemination of law, regulations and court decisions • Enhance enforcement of court decisions • Establish justice knowledge centre • Enforce Code of Ethics 			CL&JR / COM / MOJ / SCM
(5) Introduce alternative dispute resolution mechanisms	<ul style="list-style-type: none"> • Establish Commerce Court • Establish Administrative Court • Establish Ombudsman Office • Establish community base mechanisms to resolve minor issues 			CL&JR / COM / MOC
(6) Provide for conditions of effectiveness	<ul style="list-style-type: none"> • Strengthen capacity e.g. HRD • Provide adequate infrastructure • Enhance information base and its access • Provide separate/adequate budgets • Strengthen capacity of judicial police 			CL&JR / MOJ / MEF / MOI

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
4.2. Reforming the Administration and the Civil Service				
(1) Consolidate progress to date and build on this	<ul style="list-style-type: none"> • Maintain integrity of and complete the data base on the Workforce • Strengthen pay mechanisms to ensure payment in full and on time • Further develop HRMIS • Develop complementary systems e.g. administrative procedures • Complete the Civil Service legal framework e.g. Code of Ethics 		<ul style="list-style-type: none"> • Control measures in place • Integrity of database secured • Pay automation in place • HRMIS operational • 	CAR SSCS/MEF CAR CAR CAR
(2) Accelerate improvement in service delivery	<ul style="list-style-type: none"> • Develop Service Delivery Policy including user fees • Develop policy and program for deconcentration and pursue implementation • Develop policy and program for One-Window Services • Develop policy and program for use of alternative service delivery mechanisms • Develop policy and program to optimise the use of information technology 		<ul style="list-style-type: none"> • Service Delivery Policy approved • Deconcentration strategy and program approved • Drafting of legal framework • IT and communications strategy approved 	CAR / Line Ministries
(3) Implement Priority Mission Groups Programme as a tool to enhance performance	<ul style="list-style-type: none"> • Complete and implement management framework • Prepare Evaluation and Monitoring Framework • Facilitate implementation of selected PMGs • Establish mechanisms to facilitate the involvement of external partners 		<ul style="list-style-type: none"> • Early PMGs established per SRCS • Resources mobilized to complement RGC funds • Sensitisation completed 	CAR MEF

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
(4) Accelerate pay and employment reforms	<ul style="list-style-type: none"> • Conduct Labour Market Survey • Define remuneration and funding options and conduct simulations • Articulate Remuneration Policy and Programme • Accelerate the review of operations by ministries and conduct complementary analysis • Design programs to facilitate necessary adjustments in the skills mix and distribution of the workforce • Articulate Re-deployment Policy+ Programme • Further develop and implement the incentive regime e.g. targeted performance allowances 		<ul style="list-style-type: none"> • Study programme completed • Programme to accelerate reforms approved 	CAR / MEF / SSCS
(5) Build capacity	<ul style="list-style-type: none"> • Finalize Capacity Building Strategy for the Civil Service • Implement EPSCB including establishing the Cambodia Development Knowledge Centre 		<ul style="list-style-type: none"> • CB and HRD Strategy • EPSCB implemented 	CAR
	<ul style="list-style-type: none"> • Articulate HRD Policy and Programme • Overhaul internal and external communications • Continue to strengthen capacity to manage and sustain reforms • Undertake early capacity building initiatives • Establish documentation center within CARS 		<ul style="list-style-type: none"> • Com. program approved • Multi-year program approved for CARS 	

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
(6) Mobilize partnerships and co-ordinate efforts better	<ul style="list-style-type: none"> Continue to improve communications and participatory processes Undertake extensive consultations of key aspects of the reform Strengthen monitoring and co-ordination mechanisms 		<ul style="list-style-type: none"> Broad understanding and consensus Effective coordination 	CAR
4.3. Decentralisation and Improving Local Governance				
(1) Support Commune Councils	<ul style="list-style-type: none"> Strengthen DOLA and POLAs to provide technical support to CCs 		<ul style="list-style-type: none"> CCs strengthened 	MOI
(2) Accelerate deconcentration	<ul style="list-style-type: none"> Formulate and pass necessary legal instruments for deconcentration 		<ul style="list-style-type: none"> Legal instruments in place 	MOI / COM
(3) Promote community development management through the provision of appropriate enhanced capacities and confidence	<ul style="list-style-type: none"> Strengthen the capacity and increase the confidence of VDCs through training in specific areas Revalidate existing VDCs and review application of lessons learned from Northeast Village Development Project and other MRD projects Establish additional 1,000 VDCs 	<ul style="list-style-type: none"> 300 (ADB); 500 (NA, 2003-05) 4,000 (NA, 2003-05) 2,000 (NA, 2003-05) 	<ul style="list-style-type: none"> 9,000 VDCs in the whole country trained in primary responsibilities All existing VDCs (about 4,000) revalidated 1,000 new VDCs established in selected villages 	MRD
	<ul style="list-style-type: none"> Establish pilot agriculture/food based cooperatives to enhance stable food stocks and prices and establish sample farming activities with appropriate skills training 	<ul style="list-style-type: none"> 500 (NA, 2003-05) 	<ul style="list-style-type: none"> Pilot agriculture cooperatives established to promote stable food stocks and pricing in 120 selected target VDCs (45% female) 	
4.4. Anti-Corruption				
(1) Uproot causes of corruptions and enhance compliance	<ul style="list-style-type: none"> Update the Governance Action Plan in full consultation Complete the Legal Framework incl. the anti-corruption law and codes of ethics Establish an Ombudsman Office 	As the strategy and program are under development and partnership arrangements		CAR COM COM

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Implement an administrative code and procedures • Streamline processes to deliver public services e.g. One Window Services • Strengthen budget and expenditure processes • Strengthen public procurement processes • Enhance understanding and commitment to fight corruption • Facilitate the adoption of anti-corruption codes by partners 	<p>finalized, it is premature to estimate costs and develop useful indicators for all actions</p> <p>Please refer to specific strategies, programs or projects</p>		<p>CAR / SSCS</p> <p>CAR</p> <p>MEF</p> <p>MEF</p> <p>COM</p> <p>COM</p>
(2) Build capacity to fight corruption	<ul style="list-style-type: none"> • Articulate and implement anti-corruption programme • Strengthen “check and balance” institutions such as the National Audit Authority • Strengthen mechanisms to sanction wrongdoers • Train officials and civil servants • Fully participate in international fora combating corruption 			<p>COM</p> <p>COM</p> <p>CL&JR</p> <p>CL&JR</p> <p>MFA</p>
5. Reducing Vulnerability				
5.1. Ensuring Food Security				
(1) Enhance food security for all, especially women and children of the poor	<ul style="list-style-type: none"> • Establish Food Insecurity Vulnerability Information Mapping System 	<ul style="list-style-type: none"> • To be defined (FAO/Japan, 2003-2005) 	<ul style="list-style-type: none"> • Food Insecurity Vulnerability Information Mapping System established by 2003 	MAFF

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
(2) Expand and promote Special Programme on Food Security (SPFS) as a National programme on Food Security	<ul style="list-style-type: none"> • Develop Systematic and Strategic Plans and coordinate a National Programme on Food Security • Implement Integrated Development Project in Battambang province in support of SPFS in Cambodia • Expand SPFS to improve food security and income-generation for poor farmers 	<ul style="list-style-type: none"> • 300 (FAO/TCP, 2003-05) • 3,268 (Italy/FAO, 2003-05) • 1,129 (Japan/FAO, 2003-05) 	<ul style="list-style-type: none"> • Projects towards agricultural development in to be coordinated under and guided by a National Programme for Food Security • Kamping Pouy irrigation scheme completely rehabilitated and functioning to provide water for 5,050 ha of rice production. No. of (Integrated Farming for Food Security (IFFS) conducted in all villages under the scheme • 15 districts of 6 provinces with 23,310 households (50% women) benefited from this project and 111 Farmer Organisations established and strengthened 	MAFF
	<ul style="list-style-type: none"> • Conduct pilot demonstrations, farmer field school and short course training for farmers (SPFS) 	<ul style="list-style-type: none"> • 2360 (JICA, 2003-05) 	<ul style="list-style-type: none"> • 100,800 farmers (40% women) trained (y1= 30%, y2 = 30%, y3 = 40% in 16 provinces) 	
	<ul style="list-style-type: none"> • Promote raising of small animals including pigs and poultry, which are suitable for the rural households to ensure food security and income generation 	<ul style="list-style-type: none"> • 460 (NA, 2003-05) 	<ul style="list-style-type: none"> • 4600 farm families/year benefiting from the introduction of pigs and poultry raising (50% women) 	

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
(3) Promote farmers' cooperatives to ensure food security	<ul style="list-style-type: none"> • Pilot Farmers' Food Security Cooperatives in poor communities • Establish rice banks 		<ul style="list-style-type: none"> • Number of Farmers' Food Security Cooperatives piloted and established • Rice banks established in food insecure areas 	MAFF
5.2. Social Protection and Fight Against Human Trafficking				
5.2.1. Social Protection				
(1) Improve the conditions of work through labour inspections and tri-partite dialogue	<ul style="list-style-type: none"> • Disseminate labour law to both employers and employees and enforce Labour Law • Monitor working conditions in private enterprises in cooperation with ILO • Train labour on workplace relations • Help to establish Council of Arbitration of labour conflict • Promote tri-partite dialogue: employer, employee, and the Royal Government 	• 90 (NA, 2003-05)		MOLSALVY
(2) Prevent, rehabilitate and reintegrate services of illegal acts and substance abuse among children juvenile at community level	<ul style="list-style-type: none"> • Expand awareness campaigns and informal education • Develop guidelines, policy and regulations 	• 600 (RGC, 2003-05)	• 75%-15% Juvenile delinquents receiving appropriate care	MOLSALVY
	<ul style="list-style-type: none"> • Establish two specialised care centres (in Battambang and Kampot) to deal with juvenile delinquents • Strengthen preventive and supportive actions at community level 	• 1,500 (IO, 2003-05)	• 1,000 children (at national level), 600 children (at regional level) receiving care at the centres	
(3) Provide education and vocational training to prisoners	<ul style="list-style-type: none"> • Expand and strengthen basic education and vocational training programme 	• 900 (RGC, 2003-05)	• Annually 1,000 prisoners given basic education and vocational training	MOLSALVY

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
(4) Provide support to disabled people	<ul style="list-style-type: none"> • Disseminate and promote disability law implementation, and strengthen policies to guide intervention on prevention and supportive services • Prepare for setting up National Social Security Fund including for injury, sickness, maternity and pensions • Expand physical rehabilitation services and orthopaedic devices • Strengthen vocational training and job replacement and income generation activities for disabled people • Expand community-based rehabilitation service for disabled people by expanding self-help group, and providing capital, and vocational training 	<ul style="list-style-type: none"> • 100 (RGC, IO, 2003-05) • TA (ILO, 2003-05) • 2,900 (RGC, IO, 2003-05) • 2,200 (RGC, IO, 2003-05) • 500 (RGC, NGOs, OI, 2003-05) 	<ul style="list-style-type: none"> • 2000 commune officials and village volunteers trained • 1,800 disabled people given services • 2,500 disabled people throughout the country trained 	MOSALVY
(5) Provide support for elderly people	<ul style="list-style-type: none"> • Increase communities based activities to provide support for elderly people 	<ul style="list-style-type: none"> • 5,000 (RGC, IO, 2003-05) 	<ul style="list-style-type: none"> • Activities implemented in 18 provinces and municipalities 	MOSALVY
5.2.2. Social Safety-net				
(1) Introduce basic safety net for the poor, orphans, disabled and elderly	<ul style="list-style-type: none"> • Review and pilot employment guarantee scheme paying a minimum wage as basic safety net 	<ul style="list-style-type: none"> • NA, (ILO, 2003-05) 	<ul style="list-style-type: none"> • Review finalised in 2003 	MOSALVY
			<ul style="list-style-type: none"> • New scheme piloted in 2004 	
5.2.3. Combating Child Labour and Trafficking, and Child Protection				
(1) Protect child labour	<ul style="list-style-type: none"> • Strengthen National Sub-Committee on Child Labour to implement and monitor child protection programme • Design, implement and monitor of child labour programme • Conduct research on labour issues 	<ul style="list-style-type: none"> • TA (ILO, 2003-05) • TA (ILO, 2003-05) • TA (ILO, 2003-05) 	<ul style="list-style-type: none"> • Starting in 2003 • Research available by 2004 • Research available by 2003 	MOSALVY

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
(2) Combat trafficking of women and children	<ul style="list-style-type: none"> • Conduct research on trafficking of women and children • Implement awareness programme on trafficking in poor areas • Integrate vulnerable people into income generating programmes 	<ul style="list-style-type: none"> • NA • NA (ILO, 2003-05) • Unidentified 	<ul style="list-style-type: none"> • Report available by the end of 2003 • 5 priority areas selected for the programme 	MOSALVY & MOWVA
(3) Expand rescue, rehabilitation, and reintegration programme for people victimized by trafficking	<ul style="list-style-type: none"> • Promote law enforcement • Increase coordinating mechanism for combating sexual trafficking and establish 5 new transit sites • Expand community based child protection network including combating child labour • Expand preventive and supportive activities for street children and trafficked children • Increase capacity of alternative care for children in need of special protection 	<ul style="list-style-type: none"> • 10,000 (RGC, IO, 2003-05) • 10,000 (RGC, IO, 2003-05) • 5,400 (RGC, IO, 2003-05) • 200 (RGC, IO, 2003-05) • 600 (RGC, IO, 2003-05) 	<ul style="list-style-type: none"> • 5 new transit sites set up • 5,000 children benefiting from the programmes • 2000 street children benefiting from the programme • 8,000 children receiving alternative care 	MOSALVY
	<ul style="list-style-type: none"> • Strengthen and build capacity in monitoring and implementation of prevention programme for the vulnerable 	<ul style="list-style-type: none"> • 400 (RGC, IO, 2003-05) 	<ul style="list-style-type: none"> • Staff of MOLSALVY at national, provincial and other service providers receiving capacity strengthening and building programme 	
5.3. HIV/AIDS				
(1) Strengthen and support programmes for PLWA and families affected by HIV/AIDS or other vital diseases	<ul style="list-style-type: none"> • Expand awareness programme • Train service providers 	<ul style="list-style-type: none"> • 2,500 (RGC, IO, 2003-05) 	<ul style="list-style-type: none"> • Significant 10% decrease in new HIV/AIDS infection in 10 target provinces including rural areas 	MOLSALVY, MRD & MOWVA

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> Strengthen community-based safety nets and expand programme for the vulnerable 			
5.4. Disasters Management				
(1) Improve information on water-related hazard mitigation, formulate and implement relevant policy, and strengthen capacity	<ul style="list-style-type: none"> Compile an inventory of and appraise the social and economic values of communities and assets at risk from flooding and drought, and compile an inventory of flood mitigation measures Prepare a comprehensive strategy for flood and drought mitigation that minimises social and economic risk through an economical combination of structural and non-structural measures 	<ul style="list-style-type: none"> 7,000 (NA, 2003-05) 	<ul style="list-style-type: none"> A comprehensive and accurate inventory of at-risk communities and assets, and of flood mitigation infrastructure, is available for RGC and public use by Dec 2003 A comprehensive strategy for flood and drought mitigation will be approved by the Council of Ministers by Dec 2004 	MOWRAM
	<ul style="list-style-type: none"> Establish a meteorological and hydrological data acquisition and forecasting system that meets national needs for real-time information on flood and drought hazard Prepare and start to implement a comprehensive drought mitigation strategy that minimises social and economic risk through an economical combination of infrastructural (e.g. water harvesting, emergency pumping) and non-infrastructural (e.g. forecasting, seed banks) measures 		<ul style="list-style-type: none"> The MOWRAM system for making meteorological and hydrological observations, data processing, and providing timely storm/flood warnings to the public is fully functional to WMO standards by Dec 2004 A comprehensive strategy for drought mitigation has been approved by the Council of Ministers by Dec 2004 	

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Design, make legal provision for, and enforce measures to prevent harmful human activities, such as encroachment onto watercourses, from artificially increasing flood hazard. • Research and design non-structural measures for flood and drought mitigation 		<ul style="list-style-type: none"> • A Sub-decree on Flood and drought Mitigation will be approved by the Prime Minister and MOWRAM has the capacity to enforce it, by Dec 2005 • A set of non-structural flood mitigation measures has been approved by the Minister of WR&M and is being progressively applied to appropriate at-risk areas, by Dec 2005 	
	<ul style="list-style-type: none"> • Train and mobilise PDWRAM staff to inform and educate the farming community about drought response and mitigation measures 		<ul style="list-style-type: none"> • All PDWRAM offices have at least 2 staff members able to provide extension services to farmers about drought response and mitigation, by Dec 2005 	
(2) Implement a programme of rehabilitation, improvement, and construction of flood control infrastructure	<ul style="list-style-type: none"> • Provide flood embankments and drainage/impoundment structures in rural and urban locations at unacceptable risk from flood damage • Provide the appropriate means in due time to implement the participatory approach in project implementation 	<ul style="list-style-type: none"> • 25,500 (NA, 2003-05) 	<ul style="list-style-type: none"> • Structural protection from floods has been extended to at least 10,000 ha of agricultural land (1 in 5 year flood) and all provincial and district centres (1 in 10 year flood) by Dec 2005 • Reports on participatory approach to project development including survey, design, construction and management available for all projects 	MOWRAM

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
(3) Implement a programme of drought intervention	<ul style="list-style-type: none"> Purchase equipment and pump and provide drought intervention 	<ul style="list-style-type: none"> 9,000 (NA, 2003-05) 	<ul style="list-style-type: none"> Providing pump intervention to the drought affected area at least 500,000 by 2003 	MOWRAM
(4) Preparation for seed and food shortage for emergency case	<ul style="list-style-type: none"> Revise of existing legislation for emergency work needs including legislation on establishing Rice Seed Banks Set up rolling stock of rice seed for natural disaster recovery 	<ul style="list-style-type: none"> 15 (NA) 450 (NA, 2003-05) 	<ul style="list-style-type: none"> Legislation adopted by 2003 Six target provinces along Mekong River Basin maintaining 3000 mt of rolling stock of rice seed 	MAFF & NCNDM
	<ul style="list-style-type: none"> Set up rolling stock of food for natural disaster relief 	<ul style="list-style-type: none"> NA 	<ul style="list-style-type: none"> Maintain rolling stock of 160,000 tonnes of food 	
5.5. Mine Action: Action Against Landmines and UXOs				
(1) Maintain or reinforce the present level of mine action based on Mine Action Strategy	<ul style="list-style-type: none"> Maintain de-mining strength activities Continue implementation of standards and regulations Implement Technical Survey with efficient methods Develop the capacity of prioritisation with the Database 	<ul style="list-style-type: none"> The <u>present annual cost</u> is about \$ 30 000 000 including all operators – CMAC, RCAF, HALO TRUST & MAG –, technical assistance, in-kind contribution and aid to the CMAA. 	<ul style="list-style-type: none"> National Mine Action Strategy Developed Surface area cleared for poor people Number of beneficiaries 	CMAA & relevant authorities

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> Enhance mine risk reduction and victim assistance functions in CMAA 			
(2) Co-ordinate all mine clearance to address poverty reduction objectives	<ul style="list-style-type: none"> Establish a reliable and pro-poor planning process with ministries, operators, provinces and NGOs Establish socio-economic cost-benefit analysis system for the sector 		<ul style="list-style-type: none"> Percentage of the de-mining strength dedicated to poverty reduction Percentage of high/medium/low suspected mined area cleared 	CMAA & relevant authorities
(3) Develop national Mine Risk Education and Victim Assistance programs	<ul style="list-style-type: none"> Establish a plan for Mine Risk Education, including Mine Awareness 		<ul style="list-style-type: none"> Numbers of civilian casualties reduced 	CMAA & relevant authorities
5.6. Sustainable management and Use of Natural Resource and Environment				
(1) Ensure sustainable development of costal areas by promoting social capital and implementing users' rights to improve standard of living of the poor and to reduce poverty	<ul style="list-style-type: none"> Strengthen legal framework and enforcement regarding coastal zone development Improve capacity for environmental management and awareness education programme Establish coastal resources management communities 	<ul style="list-style-type: none"> 3,170 (NA 2002-06) 	<ul style="list-style-type: none"> Legal framework strengthened and enforced by 2003 Number of coastal resources management communities increased from 5 to 10 with enhanced living conditions 	MOE
(2) Address environmental issues through awareness raising and the media	<ul style="list-style-type: none"> Increase awareness and education about environment Organise environmental education through media network 	<ul style="list-style-type: none"> 1,167 (NA, 2003-05) 	<ul style="list-style-type: none"> Number of people received education and increased understanding on environmental issues Programmes produced for TV, radio, and newspapers 	MOE

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
(3) Strengthen the capacity in environmental impact assessment of provincial environmental departments	<ul style="list-style-type: none"> Improve the system of environmental impact assessment and monitoring of provincial and municipality departments 	<ul style="list-style-type: none"> 2,915 (NA, 2003-05) 	<ul style="list-style-type: none"> Some 80% of current project and activities having EIA/IEE Reports by 2005 	MOE
(4) Improve practices with environmental effects	<ul style="list-style-type: none"> Strengthen standard of emissions for vehicle exhausts Cooperate with MPWT and MOC on import of second hand vehicles Educate taxi and truck drivers to raise their awareness about vehicle emissions 	<ul style="list-style-type: none"> 1,200 (NA, 2003-05) 	<ul style="list-style-type: none"> Emission standards followed Cooperation established Number of second hand vehicles with less emissions Drivers' environmental understanding and practices 	MOE
	<ul style="list-style-type: none"> Cooperate with MOH in inventory and management of hospital wastes Strengthen laboratory environmental capacity Strengthen environmental monitoring capacity 	<ul style="list-style-type: none"> 1,000 (NA, 2003-05) 	<ul style="list-style-type: none"> Hospital wastes properly disposed of Projects in all sectors environmentally monitored Some provincial and municipal departments strengthened 	
5.7. Ethnic Minority Development				
(1) Promote development of ethnic minorities and understanding of their living conditions	<ul style="list-style-type: none"> Conduct researches on ethnic minority communities to identify their development needs Revise, improve and finalize ethnic minority policy 	<ul style="list-style-type: none"> 500 (NA, 2003-2005) 200 (NA, 2003-2005) 	<ul style="list-style-type: none"> Ethnic minority development plan based on the researches formulated by 2005 Ethnic minority development policy defined and adopted by 2003 	MRD

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> Promote ethnic-minority-oriented development activities related especially to natural resources and basic service provision aspects 		<ul style="list-style-type: none"> Sub-decree on community ownership approved and implemented by end of 2003; sub-decree on community forestry approved and implemented by early 2004; forest concessions management plans reviewed by affected ethnic minority communities; and basic services delivered to them 	MRD & line agencies
6. Promoting Gender Equity				
(1) Mainstream gender issues in all government departments, particularly health	<ul style="list-style-type: none"> Promote gender research and analysis Conduct education and training programs in MOWVA, MAFF, MOH, MOEYS, MRD, MOJ, MND and MOI, in gender analysis, budgeting, planning, implementation, monitoring and evaluation Promote participation of women in policy and decision-making positions 	<ul style="list-style-type: none"> N/A (JICA, 2003-2006) 60 (UNDP, 2003-2005) N/A (JICA, 2003-2005) 778 (UNFA, 2003-04) 100 (SEILA, 2003-05) N/A (JICA, 2003-05) 	<ul style="list-style-type: none"> Gender analysis for policy development Core group of at least 20 key people in MOWVA and 10 in each of 5 line ministries are ensuring that GM is practiced Line ministries address gender disparities in their budgets 20% increase in number of women decision-makers and planners at all levels of government 	MOWVA

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
		<ul style="list-style-type: none"> • 2,000 (GTZ, 2003-2005) 		
<p>(2) Ensure women's and girls' legal protection, and community awareness of gender issues</p> <p>(3) Raise community awareness about gender issue</p>	<ul style="list-style-type: none"> • Develop new laws, amend gender biased laws, and provide training to judiciary and law enforcement agencies • Conduct public awareness campaigns to support gender equity and equality through use of all forms of media. 	<ul style="list-style-type: none"> • 2,000 (GTZ, 2003-05) • 300 (IOM/Finland, 2003) • (NA, 2003-05) 	<ul style="list-style-type: none"> • Domestic violence and anti trafficking laws passed, Labour Law amended, future laws and regulations are gender responsive • Lower incidence of domestic violence and human trafficking • Randomly selected sample of public aware of reasons for policies on gender equality and equity 	MOWVA
<p>(4) Ensure equal access rights of women and veterans to economic resources and opportunities and their equitable participation in national decision-making, development planning and poverty reduction process</p>	<ul style="list-style-type: none"> • Create alternative livelihood opportunities and enhance the capacity of women entrepreneurs and workers • Increase women's access to land • Provide training programs for micro and small-scale enterprises • Establish micro and small enterprise credit schemes • Organize farmers associations with 50% membership women 	<ul style="list-style-type: none"> • 400 (ADB, 2003-05) • 249 (FAO, 2003-05) • 200 (ILO, 2003-05) • (See above) • NA (2003-05) 	<ul style="list-style-type: none"> • % increase in number of new livelihood projects • % increase in number of women entrepreneurs and workers • % increase in number of women with land titles • x number of training programs for women entrepreneurs • Micro and small credit schemes expanded to all provinces • x increase of Farmers Associations in each province 	MOWVA

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> Initiate and support leadership programs for women in: political sphere, trade unions, and public service 	<ul style="list-style-type: none"> N/A (2003-05) N/A (UNIFEM, 2003-05) N/A (ILO, 2003-05) 	<ul style="list-style-type: none"> % increase in women in the legislature and in senior positions in the public service Support mechanisms for women in TUs & business 	
7. Public Resource Requirement and Management				
<p>(1) Increase tax revenue through reduced tax evasion and avoidance; better auditing, improved VAT, and other measures</p>	<ul style="list-style-type: none"> Review tax legislation to enable authority to take appropriate collection action focusing on depreciation, taxing dividends, tax base, and tax on salaries Improve interagency coordination between the Customs, Tax Departments, and CDC in monitoring duty exemptions Expand the coverage of the real regime to five additional provinces 		<ul style="list-style-type: none"> Revenue base broadened in order to achieve the revenue target of 13 % of GDP in 2002 	MEF
	<ul style="list-style-type: none"> Establish and implement a reporting system at national level to follow up on the evolution of tax arrears and activities of tax offices, and take necessary enforcement actions Complete an analysis of the arrears, and establish an action plan with collection targets and reports on performance The Large Taxpayer Unit will identify the largest arrears Review other aspects of the taxation of casinos 		<ul style="list-style-type: none"> The 50 largest accounts in the large taxpayers unit (LTU) that are in arrears identified 	

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Intensify monitoring, enforcement, and collection of tax arrears for the largest taxpayers • Increase excise tax on beer from 10% to 20 % • Implement 2 cents and 4 cents per litre excise tax on gasoline and diesel • Strengthen tax auditing strategy and capabilities • Establish a modern management information system within the Audit Operations • Increase the number of auditors through training programs for auditors • Adopt selective checking methods to detect fraudulent invoices • Streamline and develop the system for controlling VAT refunds 			
	<ul style="list-style-type: none"> • Introduce mandatory VAT payments through NBC for the largest taxpayers • Conduct a joint review with the Customs Department to improve collection of VAT • Review the VAT thresholds, including collecting VAT from airport departure fees and other services 			
(2) Increase non-tax revenues	<ul style="list-style-type: none"> • Intensify efforts to collect fees from telecommunication services and leases of state assets • Review telecom operations to ensure that appropriate funds are being transferred to the budget • Complete an inventory of private state and confiscated assets 			MEF

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Increase the share of garment quotas to be auctioned from 10% to 20 % • Increase the monthly casino royalty • Renegotiate contract with Sokha Hotel 			
(3) Increase revenue collection from customs	<ul style="list-style-type: none"> • Develop and implement a revised Law on Customs and related regulations • Implement the tariff restructuring programme (to achieve an un-weighted tariff rate of less than 15%) • Develop expanded multi-lateral and bi-lateral relations, in commitments, and develop bilateral trade agreements • Develop an anti-smuggling strategy and programme, including anti-smuggling task forces in several key provinces; and strengthened inter-agency cooperation to combat smuggling 			MEF
(4) Improve budget allocations to pro-poor priorities	<ul style="list-style-type: none"> • Expand the inspection of selected garment factories to assess compliance with exemptions granted • Develop and implement streamlined customs clearance procedures • Develop Automating Customs Systems and Procedures using IT opportunities • Develop human resources to perform anti-smuggling tasks efficiently 		<ul style="list-style-type: none"> • Defence expenditure reduced to 19.4% in 2005; and social expenditure increased to 37.3% in 2005 • % of budget allocation for salaries 	MEF

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Provide contingency funds to cover new priorities • Increase domestically financed capital expenditure • Reduce deviation from plan • Increase disbursement rate in priority sectors 		<ul style="list-style-type: none"> • % of budget allocation for new priorities • % of budget allocation for capital expenditure 	
(5) Improve financial management (MF)	<ul style="list-style-type: none"> • Transfer MEF financial controllers to line ministries (with clear terms of reference and clear line of responsibility to line ministers and MEF) • Strengthen line ministry internal audit capacity 			MEF
	<ul style="list-style-type: none"> • Issue a directive requiring all payments above an agreed amount (law states CR 2.5 million) be made only by check or bank transfer • Require Treasury Accounting Working Group to submit a revised chart of accounts combining the current budget classification coding of revenue and expenditure and treasury accounts and expanding the assets and liability accounts to include all government transactions • Develop a simple accounting manual fully explaining the linkage of new chart of accounts to budget classifications and providing clear rules for coding for financial transactions • Install a computerized accounting system (based on a PC based off-the-shelf software package) to computerize both national and provincial treasury offices 			MEF

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Train staff in each national and provincial treasury offices in the computerized accounting system • Unify and improve cash management system under the Treasury, on the basis of the Treasury single current account in NBC • Allow for direct payment of taxes to the National Treasury (NT) account at the NBC by transfer or check • Improve inter-agency cooperation in reporting 			
	<ul style="list-style-type: none"> • Define clearly the institutional role and relationship of the National and Provincial Treasuries • Move the Treasury away from performing banking duties • Establish new financial framework for communes with provincial treasuries • Establish a revised structure for a chart of accounts at the Treasury • Strengthen the budgetary accounting framework and improve regulations and reporting procedures • Improve the operations of the cash management unit • Document and streamline current accounting practices • Unify the public accounting management into a structure • Establish and implement a plan for basic computerisation in NT and all spending agencies 			

Strategic Objectives	Actionable Measures	Estimated Cost, in US\$1,000 (Sources & Time Period)	Indicators of Progress/Targets (where set)	Responsible Agencies
	<ul style="list-style-type: none"> • Improve consequently reporting system for both budget performance and cash transactions • Report by the NBC to the National Treasury of transactions of government budget accounts on a daily basis 			
(6) Improve expenditure management through integration of economic and financial management	<ul style="list-style-type: none"> • Improve the design of budget programmes, including the introduction of relevant performance measurement concepts 			MEF
	<ul style="list-style-type: none"> • Introduce a Medium-Term Expenditure Framework for Health and Education initially; and extend it to other priority sectors including agriculture and rural development related sectors • Integrate capital and recurrent budgets not only at the aggregate and sector levels but also at programme and project levels • Ensure accountability and transparency in all expenditures (through regular auditing, etc.) 			

ANNEX 4: MILLENNIUM DEVELOPMENT GOALS

GOALS AND TARGETS		MDG INDICATORS	ILLUSTRATIVE TARGETS FOR CAMBODIA, 2015
Goal 1: Eradicate extreme poverty and hunger			
Target 1:	Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	1. Proportion of population below \$1 per day (PPP-values) 2. Poverty gap ratio [incidence x depth of poverty] 3. Share of poorest quintile in national consumption	1. 19.5% 2. 3.
Target 2:	Halve, between 1990 and 2015, the proportion of people who suffer from hunger	4. Prevalence of underweight children (under-five years of age) 5. Proportion of population below minimum level of dietary energy consumption	4. 26.2% 5. 26.2%
Goal 2: Achieve universal primary education			
Target 3:	Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	6. Net enrolment ratio in primary education 7. Proportion of pupils starting grade 1 who reach grade 5 8. Literacy rate of 15-24 year olds	6. 100% 7. 8.
Goal 3: Promote gender equality and empower women			
Target 4:	Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015	9. Ratio of girls to boys in primary, secondary and tertiary education 10. Ratio of literate females to males of 15-24 year olds 11. Share of women in wage employment in the non-agricultural sector 12. Proportion of seats held by women in national parliament	9. 100% 10. 11. 12. 30%
Goal 4: Reduce child mortality			
Target 5:	Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	13. Under-five mortality rate 14. Infant mortality rate 15. Proportion of 1 year old children immunized against measles	13. 14. 15.
Goal 5: Improve maternal health			
Target 6:	Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio	16. Maternal mortality ratio 17. Proportion of births attended by skilled health personnel	16. 250 per 100,000 births 17.
Goal 6: Combat HIV/AIDS, malaria and other diseases			
Target 7:	Have halted by 2015, and begun to reverse, the spread of HIV/AIDS	18. HIV prevalence among 15-24 year old pregnant women 19. Contraceptive prevalence rate 20. Number of children orphaned by HIV/AIDS	18. 19. 20.
Target 8:	Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases	21. Prevalence and death rates associated with malaria 22. Proportion of population in	21. 22.

GOALS AND TARGETS		MDG INDICATORS	ILLUSTRATIVE TARGETS FOR CAMBODIA, 2015
		malaria risk areas using effective malaria prevention and treatment measures	
		23 Prevalence and death rates associated with tuberculosis	23.
		24. Proportion of TB cases detected and cured under DOTS (Directly Observed Treatment Short Course)	24.
Goal 7: Ensure environmental sustainability			
Target 9:	Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	25. Proportion of land area covered by forest	25.
		26. Land area protected to maintain biological diversity	26.
		27. GDP per unit of energy use (as proxy for energy efficiency)	27.
		28. Carbon dioxide emissions (per capita) [Plus two figures of global atmospheric pollution: ozone depletion and the accumulation of global warming gases]	28.
Target 10:	Halve, by 2015, the proportion of people without sustainable access to safe drinking water	29. Proportion of population with sustainable access to an improved water source	29.
Target 11:	By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers	30. Proportion of people with access to improved sanitation	30.
		31. Proportion of people with access to secure tenure [Urban/rural disaggregation of several of the above indicators may be relevant for monitoring improvement in the lives of slum dwellers]	31.
Goal 8: Develop a Global Partnership for Development			
Target 12:	Develop further an open, rule-based, predictable, non-discriminatory trading and financial system Includes a commitment to good governance, development, and poverty reduction – both nationally and internationally	Some of the indicators listed below will be monitored separately for the Least Developed Countries (LDCs), Africa, landlocked countries and small island developing states. Official Development Assistance	
		32. Net ODA as percentage of DAC donors' GNI [targets of 0.7% in total and 0.15% for LDCs]	
		33. Proportion of ODA to basic social services (basic education, primary health care, nutrition, safe water and sanitation)	
Target 13:	Address the Special Needs of the Least Developed Countries Includes tariff and quota free access for LDC exports; enhanced programme of debt relief for HIPC and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction	34. Proportion of ODA that is untied 35. Proportion of ODA for environment in small island developing states 36. Proportion of ODA for transport sector in landlocked countries Market Access	
		37. Proportion of exports (by value and excluding arms) admitted free of duties and quotas	
		38. Average tariffs and quotas on agricultural products	

GOALS AND TARGETS		MDG INDICATORS	ILLUSTRATIVE TARGETS FOR CAMBODIA, 2015
Target 14:	Address the Special Needs of landlocked countries and small island developing states (Through Barbados Programme and 22nd General Assembly provisions)	and textiles and clothing 39. Domestic and export agricultural subsidies in OECD countries 40. Proportion of ODA provided to help build trade capacity	
Target 15:	Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term	Debt Sustainability 41. Proportion of official bilateral HIPC debt cancelled 42. Debt service as a percentage of exports of goods and services 43. Proportion of ODA provided as debt relief 44. Number of countries reaching HIPC decision and completion points	
Target 16:	In co-operation with developing countries, develop and implement strategies for decent and productive work for youth	45. Unemployment rate of 15-24 year olds	45.
Target 17:	In co-operation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries	46. Proportion of population with access to affordable essential drugs on a sustainable basis	46.
Target 18:	In co-operation with the private sector, make available the benefits of new technologies, especially information and communications	47. Telephone lines per 1000 people 48. Personal computers per 1000 people	47. 48.
Other Indicators TBD			

Note: The selection of indicators for Goals 7 and 8 is subject to further refinement