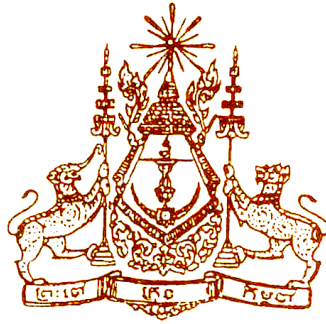




UNOFFICIAL TRANSLATION

KINGDOM OF CAMBODIA
Nation Religion King



ROYAL GOVERNMENT OF CAMBODIA

MID-TERM REVIEW 2011

ON
NATIONAL STRATEGIC DEVELOPMENT PLAN
UPDATE 2009-2013



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



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

FOREWORD

The Royal Government of Cambodia (RGC) has always adhered to the implementation of socio-economic development policies and the principle of national solidarity to rally all Cambodians, inside and outside the country, from all walks of lives and political tendencies, under the motto “**Nation-Religion-King**”, to ensure the country's independence, sovereignty, territorial integrity, peace, harmony, democracy and progress. Evidently, the National Strategic Development Plan Update, 2009-2013 (NSNP-Update, 2009-2013) reflects RGC's unwavering commitments to achieving the vision of the declared Political Platform in order to be responsive to the trust and support of the massive majority of Cambodian population, no matter how hard the challenges it faces. In recent times, Cambodia had to bear three unforeseeable simultaneously-rising burdens: (1) the needs to grapple with employment issues aiming at boosting up economic growth in the time of severe global financial crisis and economic downturn, (2) the necessity of defending territorial integrity, and (3) the struggle with consequences of severe floods in 2011. All in all, these challenges and hindrances have not only obstructed the achieving of our development goals but also have threatened to demolish hard-earned successes we have so far made.

Nevertheless, based on the National Strategic Development Plan (NSDP), the Royal Government has impressively succeeded in ensuring people's stable living conditions and moving the country out of these hardships and creating an enabling environment for ensuring macroeconomic stability, achieving economic resilience after strongly affected by the crisis in 2009, and making progress in socio-economic development process and reducing poverty in a such pace that the CMDG-related targets will be met in 2015. Moreover, the Royal Government has ensured conditions that Cambodia has integrated itself into the region and the world and played active role in the dynamic process in the capacity of equal footing and equal rights in international arena. Meanwhile, the NSDP will contribute to and foster the implementation of the “Political Platform” of the RGC in particular the “Rectangular Strategy Phase II” for Growth, Employment, Equity, and Efficiency as its socio-economic policy agenda. In fact, this Plan will support the meticulous implementation of the public financial policy and monetary policy for the consistency and coherence in order to ensure the stable macroeconomic management and favourable condition for development.

In spite of the fact that a solid foundation to support development has been built, we are still facing many challenges to be further grappled with including to carry on updating the NSDP in order to set sound strategies and policies appropriate to socio-economic development contexts. Moreover, we need to further identify mechanisms to implement those strategies and policies in order to ensure security, social order, sustainable and equitable socio-economic development. As for this, it can be inferred that socio-economic progress needs not only to be further promoted but also makes the Cambodia's economy more broad-based and more competitive. In this regard, good governance reform programmes have to be further given emphasis to, which constitutes the prerequisite for sustainable and equitable development and social justice; and we need to be consistent in making every endeavour to sustain and deepen the implementation of these reform agendas. Obviously, the progress is evidenced not only by the further efforts in expediting the promulgation of the basic laws and enhancing the effectiveness in the enforcements but also by skill and capacity development and improvement of the coordination amongst various ministries/institutions of the Royal Government.

Besides, we shall watch the global situations undergoing many sudden tumultuous changes such as the volatility in the prices of oil and a number of basic commodities, food shortage, and the outbreak of the global financial crisis and economic downturn. These developments are likely to have negative impact on millions of people in Asia and pose obstructions for development process and poverty reduction. The increasing regional and global integration will also bring about a never-ending evolving situation that will cause changes in social and economic structure. The aforesaid developments are not only big challenges to be overcome, but also provide invaluable opportunities for reshaping Cambodian economic basis to become more sustainable. Given the fact that global demands for foods has increased, Cambodia places more emphasis on agricultural growth, which has highly untapped potential and will contribute to the broadening of the country's economic base and the rapid poverty reduction.

In this regard, I am pleased to launch the report of the Mid-Term Review of the NSDP-Update 2009-2010 that embraces developments since January 2009 in a holistic, well-balanced manner and provides us with a clearer overall picture of the economic well-being and the foundations that sustains socio-economic development of Cambodia. This document demonstrates not only a full overview of the Cambodian situation in all aspects but also provides a guide for future implementation, and stresses on rapid poverty reduction and proactive pro-poor policies and actions.

Certainly, the report of the Mid-Term Review of the NSDP-Update 2009-2010 is an important document as well as a work agenda, which serves as a roadmap to concrete, appropriate and proper actions for the immediate future. Meanwhile, the Royal Government will further its efforts to lead Cambodia to stand firm on a path towards greater successes in all sectors. By and large, Cambodia will continue steadily implementing and deepening reform programmes that have so far been underway since these endeavours are not only the vital missions but also indicate the ownership of Cambodia. In this spirit, I appeal to all concerned ministries and agencies and development partners to put emphasis on the update on result-based strategic plans and mechanisms as well as socio-economic development process in order to enhance resource and performance efficiency.

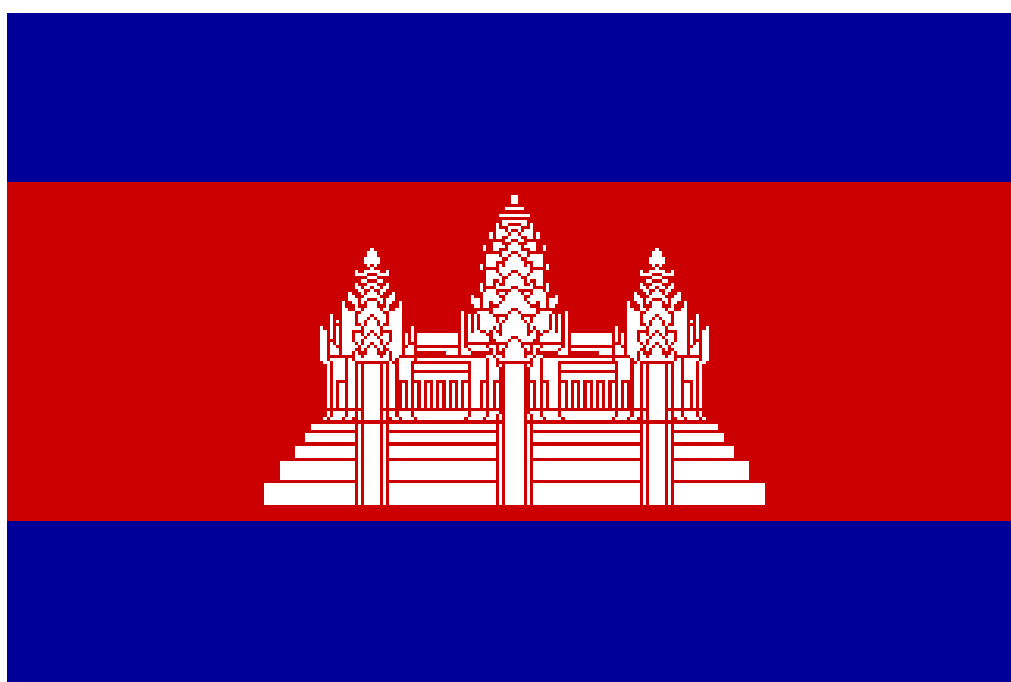
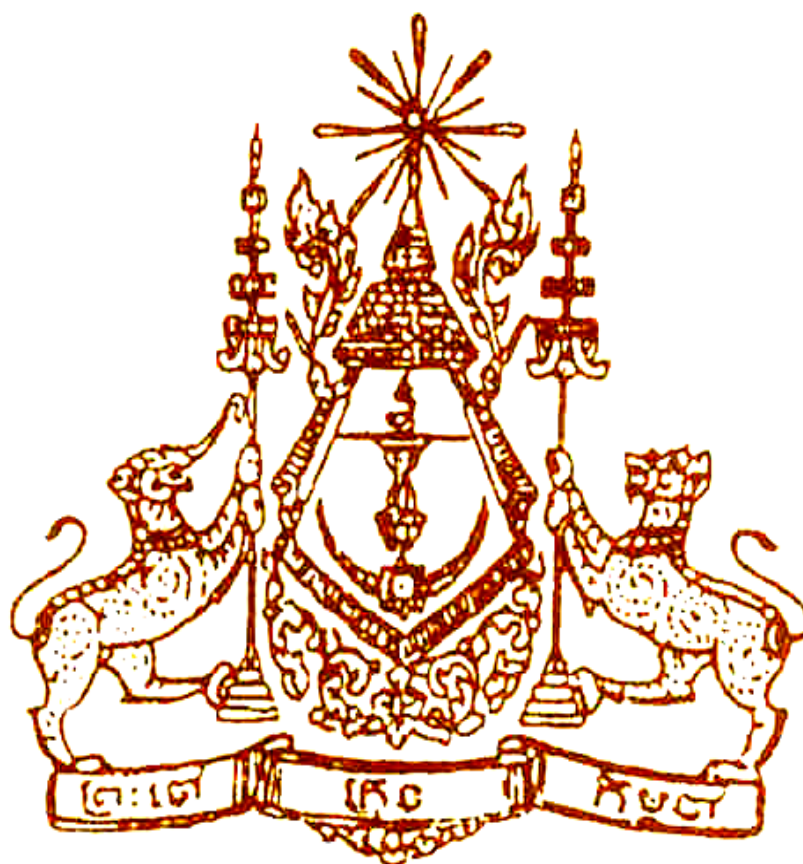
Taking full account of the progress made, I am strongly convinced that Cambodia will be energetically and consistently journeying on its road ahead and will reach long-term vision that is to steadily build a Cambodian Society that has peace, political stability, security, and social order, and enjoys sustainable and equitable development together with unwavering respect for the principles of pluralistic democracy as well as the respect for human rights and dignity, and to achieve a socially cohesive, educationally advanced, and culturally vibrant Cambodia without poverty, where all Cambodians live in harmony both in the whole society and in their family.

Phnom Penh, 17 April 2012

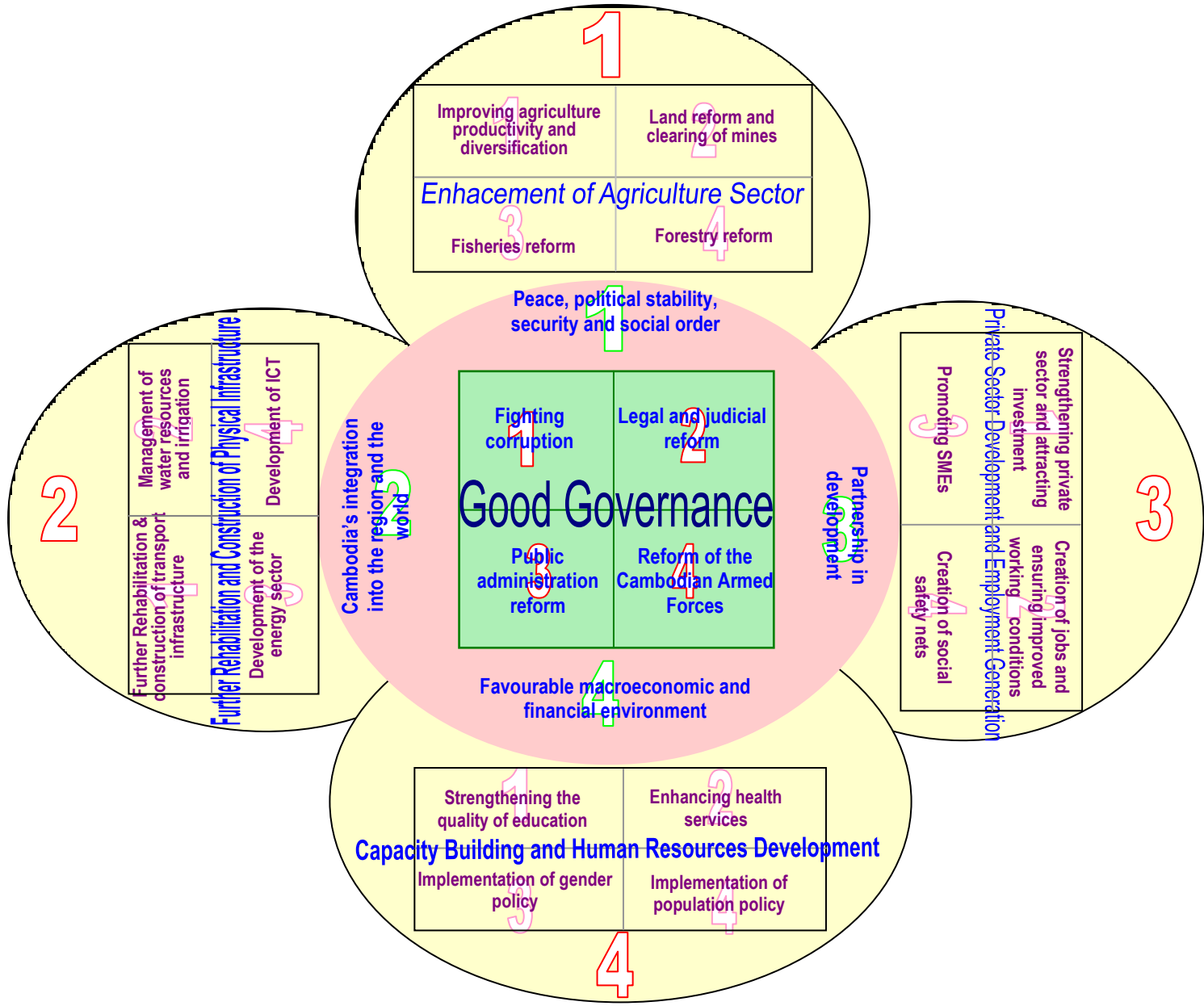
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Samdach Akka Moha Sena Padei Techo HUN SEN

NATIONAL EMBLEM AND FLAG OF THE KINGDOM OF CAMBODIA



RECTANGULAR STRATEGY - PHASE II



CAMBODIA AT A GLANCE

GENERAL	2011
Total Geographic area: Sq. Km	181,035
Number of Municipality	1
Number of Provinces	23
Number of Districts	159
Number of Khans	9
Number of Cities	26
Number of Communes	1,407
Number of Sangkats	226
Number of Villages	13,910
Total Population: 2011 Projection (Million)	14.5
Population Density (per sq. km)	84 (2008)
Male/Female Ratio (100 Female)	95.1
Population aged 0-14 (% of total population)	33.6
Population aged 15-64 (% of total population)	62.47
Population aged 65 and above (% of total population)	3.88
Annual Growth rate (%)	1.34
Total Fertility rate (per woman) (live births)	2.91
Life Expectancy at birth	
	<i>Male (Yrs)</i> 62.04
	<i>Female (Yrs)</i> 68.38
Number of households (No.)	3,080,692
Average household size (No.)	4.7 (2008)
Dependency ratio (%)	61.29 (2008)
Gross migration rate (%)	26.5 (2008)
Urban population ratio (%)	20 (2008)
Urban population growth rate (%)	2.21 (2008)
Fiscal Year	January-December
Currency	Cambodian Riel (CR)

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EXECUTIVE SUMMARY

INTRODUCTION

1. Kingdom of Cambodia is a low-income country with a per capita income estimated at about US\$901 in 2011. Since the adoption of the new constitution and the ensuing elections in 1993 and the implementation of the “*Win-Win*” policy, people have enjoyed peace. The nation is now on the path to alleviating poverty and achieving its Millennium Development Goals – the CMDGs. During the 1990s the government and its development partners were mainly engaged in rebuilding the country after a devastating two-decade civil war. In the new millennium, more substantial activities relating to development have been taken up. International development assistance has played an important role in funding development programmes.

2. The Royal Government of Cambodia (RGC) of the Fourth Legislature of the National Assembly formulated the National Strategic Development Plan Update 2009-2013 (NSDP-Update, 2009-2013) to synchronise development planning with the term of the electoral mandate. RGC has evolved a ‘Rectangular Strategy’, which has been the hallmark of development in the recent years. The core elements of the *Rectangular Strategy Phase 2* (RS-II) are key reforms in public administration, legal and judicial systems, armed forces reforms, ensuring peace and political stability, partnerships in development, a favourable macroeconomic environment, and the country’s integration with the region and the world. Along with the central elements, agriculture and its allied activities, infrastructure, investments into human-capital, and private sector development, are sectoral priorities of RS-II.

3. This Executive Summary will present the findings of the Mid-term Review of the NSDP Update 2009-2013. It follows the same sequence as the main text.

MACROECONOMIC PERFORMANCE

Growth Rates:

4. This plan was rolled out in 2009 when the global economy faced at two least major crises: the global financial meltdown, and a commodity- and petroleum-led inflation. Being a small, export-dependent economy with a narrow spectrum of economic activities, Cambodia has been severely affected by this external shock. All sectors linked to commercial activities were in one or another way directly affected, and the subsistence sectors were indirectly affected through their linkages with the commercial sectors. There has been a surprisingly quick recovery thereafter, part resulting from following the right policies.

5a. Cambodia achieved high growth rates in its Gross Domestic Product in the recent past. Between 2004 and 2007, the growth rate exceeded 10 percent per annum on a year-on-year basis – among the highest in the world. In 2008 it slowed somewhat to 6.7%, but in 2009 it touched near zero. While agriculture grew at a reasonably high 5.4% growth that year, a (minus) 9.5% growth in industry and a 2.3% growth in services pulled the aggregate down. When compared with the growth target set in the plan, i.e. 6-7% (average), in 2010 and 2011 it has been on or near the target, though for 2009-2011 it averaged only 4%. Through the 2½-3 years of the plan, the composition of the GDP has stayed unchanged. The global downturn reduced the demand for manufactured goods from Cambodia; in turn, this reduced production and hence the share of industry in the GDP by about a percent point. Since agriculture grew briskly, its share in GDP increased by about a percent point during 2009-2011. The share of services has stayed unchanged.

5b. Caution: Serious floods in 2001 would certainly damage agriculture, adversely affecting GDP growth rates.

The Budget Performance:

6. Public expenditures have been consistently higher than revenues in Cambodia. However, until 2008 the government maintained *the revenue-expenditure gap* in the range 3-4% of the GDP. Since then, the government increased public expenditure to arrest slowdown in the economy. Resultantly, the revenue-expenditure gap exceeded 6% in 2010. Revenues are now beginning to increase and the trend in expenditure is being arrested through prudent public policy. In the remaining years, the government aims to further correct this imbalance: widen the tax net and streamline tax collection. Inflation shot to double digits in 2008, but has now been brought down in the range 5-6%, a notch above the comfort level of less than 5%. The exchange rate of Riel to dollar has not fluctuated more than 5%.

Trade Balance:

7. Like the budget, the balance of trade too has all along been negative. The trade deficit has been in the range (-) 13-15% of the GDP during the 2008-2010 period. The balance of payments deficit (with or without accounting for capital inflows) is also negative, though lesser. The positive feature in 2010 was a surplus in the official transfers and financial account balance after experiencing a negative number in the previous year.

Standards of Living and Employment:

8. In 2004 the proportion of persons below the poverty line was 34.7%. In 2007 it reduced to 30.1%. For 2009, preliminary estimates suggest that it could be well below 20%. Consumption inequality too appears to be gradually reducing. The country has thus achieved both, the plan target and the main MDG1 target. However, there is some concentration of persons slightly above the poverty line, implying that with a small shock, a few might slip back. Next, the proportion of workers engaged in agriculture and its allied activities still exceeds 50 percent. This proportion hardly changed through the period 2004-2009.

9. Incomes of rural people have increased, thus reducing poverty, owing to growth in agriculture. Conversely, since most people are still engaged in the farm sector—a low productivity option compared to non-farm sectors—their standards of living remain modest and vulnerable to climatic or other shocks.

PERFORMANCE ON THE RECTANGULAR STRATEGY

Governance:

10. The National Assembly has passed the Anti-corruption Law, providing teeth to the appropriate authorities to take decisive action. Reforms have been introduced in both the legal and public administration systems. Special reference needs to be made of the role of Commune Councils in implementing development programmes worth \$70-90 million annually, under the Decentralisation and De-concentration Programme. The armed forces are being prepared to defend the country under all circumstances.

11. Good governance is gauged with the help of key proxy indicators: whether people are ready to invest in the country, whether they trust the police and other authorities, what is the incidence of crime, what is the extent of land-related conflict, and the like. All indicators suggest that the quality of governance has improved over time.

12. The Decentralisation and De-concentration programme, which began as 'Saila' on a pilot basis, has now covered the whole country and is making progress in establishing democratic values at the grass-root level. It is also managing social and economic programmes.

Economic Openness, Partnerships and Fiscal Discipline:

13. Cambodia's two-way trade is in the range 80 percent of GDP and there is large inflow of foreign capital. Forums for interaction between the government and international agencies, between the government and the private sector, and NGO Forum, to name a few, have been active, promoting healthy discourses. In 2009, the country received the largest-ever quantum of concessional assistance.

14. To reduce trade deficit, the government is encouraging rice exports, and some success has been achieved on this front. It is also promoting diversified value-adding industries on priority, with special reference to food processing.

Agriculture, Land Management, De-mining, and Rural Development:

15a. Crop Agriculture: Both, the area under paddy and yield rate, exceeded the plan-end target in as early as 2010. Cambodia exported 2.5 million tonnes paddy in that year. The area under non-rice crops was about 21% of the total sown area in 2010, compared to about 14% in 2007. Between 2009 and 2010, the area under rubber plantations increased by 39.6%. About 45% of the crop is under smallholdings, implying that there is some distribution of gains.

15b. Caution: Serious flooding in 7-8 provinces in 2011 would for certain affect wet season agricultural production this year.

16. Fisheries: Inland fisheries catch increased by 3.85% between 2009 and 2010: not very encouraging. Marine fisheries catch, though, increased 40.5% over the last five years (average). Production of fish under culture in 2010 was 20% higher than that in 2009.

17. Forests and Environment: In 2010, the forest cover was about 58% of the country's area. If Cambodia manages to reforest rapidly it might become a net absorber of CO₂ and can benefit financially under the Carbon-trading Agreement. On the positive side, environmental impact assessment of commercial projects is made compulsory before giving clearance to any project.

18. Land Management: The Ministry of Land Management and Urban Construction had until early 2011 given out about 2.4 million land titles in 16 provinces (cumulative). Progress in land dispute settlement between 2009-May 2011: 619 cases solved, 484 cases rejected, 211 cases withdrawn, and 1,351 cases yet being heard. MLMUC has given out 6,250 ha land to 1,604 landless households under Land Allocation for Social and Economic Development Project (LASED). It has granted another 10,000 ha to 3,000 households under the Social Concession programme.

19. Demining: Up to 2009, the area cleared of mines was 53,575 ha and in 2010 it was 63,962 ha (cumulative). In the first and second quarters of 2011, the area cleared was 4,040 ha. The number of deaths due to explosions, tragically, was 42 in 2010, higher than that in 2009. The government aims to clear mines from 648.8Km² within the next decade. Since 2009, however, the budget has been reducing annually, a cause of worry.

20. Rural Development: The NSDP Update 2009-2013 has aimed to add 3,518 Km of rural roads. In the first half of the plan, 915 kilometres of rural roads were built (plan target for 2011: 27,658; actual 25,055). About 43.5% of the rural population had access to safe drinking water in 2010. The CMDG target of reaching 50% of the rural population is on its way to be met. However, meeting the CMDG target of 33% for sanitation will require quickening the pace. Further fostering the implementation of 'one village one product' has also contributed to the improvement of rural livelihood.

Rehabilitation and Construction of the Physical Infrastructure:

21. Water Resource Management: The plan target to increase irrigated area by about 25,000 ha each year is being met. The country has acquired the potential to irrigate > 30% of the cropped area, though the effective irrigation is perhaps lesser. The government has also taken measures to control floods.

22. Transportation: The length of paved roads increased from 3,024 Km in 2009 to 3,954 in 2011, which is as per the plan target. To improve rail service in Cambodia, RGC had awarded a contract to Toll Holdings (Australia) to manage the rail service after the reconstruction of the tracks is completed. Both Northern and Southern lines (link to Poi Pet city and Preah Sihanouk city respectively) will be re-opened in 2013. The capacity of major ports has been improved. In civil aviation, Cambodia has ratified two conventions: the ASEAN agreement on globalisation of air transport services, and the ASEAN multi-agreement on air travel services. A new airline has also been launched.

23. Energy: The per capita growth in power generation has been 5-6% a year (2008-2011). This might fall short of the 2013 target of 328 kWh, and also the 2015 target of 350 kWh. Next, the unit price of power is more expensive in Cambodia compared to that in the neighbouring countries, making local user-industries less competitive.

24. ICT, Information and Access: About 83-85% Cambodians have access to TV, radio, newspapers, and other media, against a target of 95% by the plan-end. In the telephony sector, in 2011 there were more than 90 connections per 100 persons: almost twice the 2009 figure, thanks to mobile telephony. Phone connectivity has already exceeded the plan-end target.

Private Sector Development and Employment Generation:

25. Private sector: Manufacturing grew in double digits in 2010 after a decline in 2009. The construction sector, however, deflated. Next, after a deceleration in 2009, tourism grew by 16% in 2010. Tourism infrastructure has faced a slowdown and only in the first three months of 2011 has some work begun. The government organised the 15th Government-Private Forum in April 2010, bringing together central and provincial officials, and investors, to hear out each other on investment matters. Among the problems is the inadequate working of 'One-Stop-Service-Meetings' system due to lack of coordination between the concerned ministries/agencies and the CDC. Finally, new Stock Exchange has been inaugurated.

26. Employment Policies: The Ministry of Labour and Vocational Training pursued activities in five areas: arranging for export of workers, ensuring industrial safety, solving industrial disputes, promoting social security, and enhancing skills of workers through vocational training. It has succeeded in most areas, but the extent of coverage is small compared to the size of the problem.

27. Social Security: In early 2011, the government formulated the National Social Protection Strategy for the Poor and Vulnerable. Its four pillars: vocational and skills training; social insurance (contributory system); social safety nets (non-contributory system); and complementary social welfare services.

Human Capital and Human Development:

28. Education: In the education sector, while primary education targets are being met, the major challenge lies in enrolling and retaining students beyond the primary level. This is particularly important for girl children. Next is the case for higher education, where presently there is too much concentration on teaching Accounts, Finance and Management, and too little on Science and Engineering. Other than supply-related bottlenecks, a major constraining factor is also the low level of mathematics teaching at the school level, which inhibits students from opting for these 'math-oriented' subjects. The human capital gap thus stays.

29. Health: The health sector presents a mixed picture. On the positive side, the major child-and MMR related indicators have shown some success, but on nutrition there is little gain. Child malnutrition is particularly high. The reasons that potentially bring this seemingly contradictory picture to light would be the extension of health services being regionally selective, reach-out limited and preventive elements like drinking water and sanitation lagging behind.

30. Gender: In gender, many indicators have shown success: a larger number of ministries are preparing and implementing gender mainstreaming programmes, violence against women is now considered a crime by most people, and women are also getting more jobs as paid employees (in contrast to them being mainly unpaid family workers earlier).

31. Population: The population policy's aim of improving the quality of the population requires actions, though its implementation is the responsibility of a number of line ministries and agencies like education, health, labour, social affairs, etc.

THE WAY AHEAD

Some Common Problems:

32. Across ministries and at decentralised levels, the main problems faced are:

1. Acute shortage of both physical and human resources;
2. Limited reform in civil services;
3. Limited horizontal and vertical dialogue between ministries and departments, and between national and sub-national levels;
4. Lack of harmonisation between different programmes;
5. Excessive reliance on 'project-based' approaches; and
6. Low quality M&E: lack of standardisation of definitions of variables, no linkage between different data-generating agencies, few datasets, and limited knowledge about data among government personnel

Raising Revenues:

33. Raising public revenues is critical if the country has to grapple with the above problems and also graduate out of its Least Developed Country status.

34. Taxes: Both, widening VAT and the direct tax net, are possibilities. Some upward revisions in VAT (in effect, a sales tax) can also be made on high-end motor vehicles, luxury watches, jewellery, designer-wear, alcohol, cigarettes, and gold. Revenues from direct taxes could be raised as well: one, through casting the net wider, and two enforcing steeper tax rates on higher incomes.

35. Non-tax Revenues: These could be from 'value-added' tourism, and royalties from petroleum and other natural resources like gems, jewels and other minerals. In tourism, diversified options could be offered to the visitors: water sports in the south, attractive boat rides on the Tonle Sap, forest trekking, and the like. This way, the length of the tourists' stay would also be stretched, implying that they would spend more in Cambodia. Similarly, preparing a systematic inventory of the natural resources, hiring them out for commercial use at prevailing market rates, and regularly collecting revenues—preferably indexed to inflation—could also enhance revenues.

Governance:

36. Rationalising Staff Size and Expenses: An exercise to determine the optimal staff size in government should be done, following the Civil Service Census. Rationalising government staff size should result in a better discipline and 'command and control' mechanism among civil servants. A similar exercise in the armed forces too is required: they need strengthening, but this could be better achieved through quality training of personnel and equipping them with sophisticated armaments.

37. Decentralisation and De-concentration (D&D): The D&D reform programme has made significant progress in the last decade. Holding two successive successful Commune Council elections, holding successful elections of Capital, Provincial, Municipal, District, Khan Councils, instilling democratic values, and carrying forward anti-poverty programmes and local development planning, are some of its successes. The programme already has a long-term plan, which needs to be carried to its logical conclusion.

Creating an Environment for Diversified Growth:

38a. Agriculture: To promote growth and exports in agricultural products, key steps to be taken are: expanding effective irrigation, using improved seed varieties and soil nutrients, intensifying land reforms, promoting marketing facilities and price information systems, disseminating weather forecast information to farmers, and strengthening agricultural extension systems, and organising trainings of agricultural agents for all communes. A similar approach could be followed in livestock and fisheries.

38b. Keeping in view the 2011 flood conditions, extra effort will be required to strengthen water control measures, including irrigation.

39. Industry: A more aggressive industrial policy is required for generating larger value added and retaining it in the country. The RGC needs to rollout a 'supply-side strengthening plan'. Steps like promoting spatially diversified SMEs, acquiring and disseminating food/agro-processing technologies, linking farms with industries through contract farming, and ensuring a specified off-take at defined prices, are some prerequisites.

40. Infrastructure: Investment in railways for inexpensive and rapid mass overland transport of goods and people is essential. Roads (including rural roads) should receive renewed priority keeping in view of this year floods.

Human Development:

41. Education: Significant progress has been made. However, the following aspects need to be further improved:

1. Quality of secondary level schooling needs strengthening;
2. Teaching of analytical methods (maths, science) needs strengthening;
3. Tertiary level schooling needs a major overhaul; and
4. Public expenditures have to be raised aiming at reducing student burdens of schooling spending in public education.

42. Health: Improving certain health indicators is a high priority; for this, at least three approaches are proposed here are:

1. Providing micro-nutrients to the target groups through direct supplementation;
2. Strengthening school-feeding programmes and nutrition-supplementation to pregnant women and lactating mothers; and
3. Making provision for clean drinking water much beyond the MDG targets.

43. Migration: Since the Cambodian population is quite mobile, the population density at different locales is regularly changing. In the process, targeting programmes becomes inefficient, new land issues emerge, and social infrastructure faces imbalance. Information on human migration streams should be tracked for targeting development programmes on the population.

44. Environment: There is need for concerted public action to halt deforestation:

1. While converting land into capital is a good strategy, mono-crop artificial plantations are no substitutes for multi-tree forests, which support a variety of flora, fauna and water systems. Cambodia has place for both, and this balance should be maintained.
2. To reverse the changing water systems and the consequent decrease in fish availability, a quantum shift in strategies needs to be put in place.

45. Gender: More effort and investment are needed for enhancing women's access to market-oriented skills, social and health services, and decision-making.

Monitoring and Evaluation:

New Indicators:

46. The plan envisages that for outcome/impact monitoring, there should be 46 core indicators (later expanded to 63). This report proposes some refinements and amendments.

47. Macroeconomics: An additional indicator proposed is 'inclusive growth'. That indicator needs to be generated to assess whether economic growth is accompanied by a distribution of gains and employment generation.

48. Governance: It would be prudent to consider some more indicators like land encroachment, or unsolved disputes piled up in law courts (negative aspects); and land dispute settlement, justice delivered, or reduction in bribing (positive aspects).

49. Human Development: It would be meaningful to compute a National Human Development Index (NHDI) regularly, disaggregated at the province level.

50. Poverty: The country must have an officially defined minimum standard of living.

51. Labour: Absorption of workers in non-farm activities is a key indicator.

52. Skills: It would be meaningful to construct a 'skill-weighted' labour index for gauging shifts in the skill levels of workers.

53. Forestation: Expansion in natural forests is a good additional indicator of environment.

54. Dry Season Livelihoods: Availability of water and fish in the dry season could be another indicator of environment.

Strengthening the Database:

55. There are broadly three data generating sources in Cambodia:

1. The National Institute of Statistics at the Ministry of Planning conducts large, independent surveys and censuses, calculates national income and produces data on prices.
2. The Commune Councils generate their own database for local level planning (CDB).
3. Most ministries collect statistics pertaining to their activities.

56. There is little interface between the three data generating agencies. This interface must increase. E.g. when MAFF estimates the fish catch or livestock, it could also match it with CSES estimates of fish consumption or CDB (which collects data on the number of boats and fishing gear). Similarly, the Ministry of Water Resources and Meteorology could match its figures on irrigation with MAFF data on land yield rates and dry season sowing. They could also match their figures with those that the CDB generate. These are just two examples, but the list could be longer.

57. Next is the issue of concepts and definitions of indicators. They need to be the same for a majority of indicators and should be accepted by all the ministries and agencies. For example, take the definitions of five variables: labour force participation, irrigated area, domestic violence, infant mortality rate, and clean drinking water; their definition at present are *not uniform* across different data generating agencies, resulting in conflicting results. Such ambiguities need ironing out.

58. Finally, the quality of data requires improvement. For this, the statistics departments in line ministries must revisit their data collection processes.

CHAPTER I

INTRODUCTION

I. PLANNED DEVELOPMENT SINCE THE 1990S

1.1 The Royal Government of Cambodia (RGC) has been pursuing planned development in an open market framework since the mid-1990s. It has been striving to overcome major challenges in order to bring about a prerequisite for the reconstruction of an economy ravaged by war since 1970s and the inclusive socio-economic development for poverty reduction and achieving the Cambodia Millennium Development Goals.

1.2 The 1st Five-Year Plan was implemented during 1996-2000 and the 2nd during 2001-2005. These were known as Socio-economic Development Plans (SEDP). Both these plans succeeded in meeting almost all their broad objectives. During this period and up to 2008, the growth rate in GDP was in the range 7-8% annually. The 3rd Five Year Plan (2006-2010), termed as the National Strategic Development Plan (NSDP), ended prematurely in 2008 giving way to a new planning cycle to match with the term of the Legislative Assembly. The new National Strategic Development Plan Update, 2009-2013 (NSDP-Update, 2009-2013) has been prepared to serve as a roadmap for implementing policies to help achieve the goals and targets stated in the Rectangular Strategy (Phase II) and the Cambodia Millennium Development Goals (CMDGs). The NSDP-Update, 2009-2013 also attempts to factor in the fallouts arising from the global financial crisis and the meltdown as Cambodia, being a small open economy, is exceptionally vulnerable to external shocks. The RGC, after holding extensive and inclusive participative processes with different stakeholders, prepared the NSDP-Update, 2009-2013 and rolled it out after the document received approval at different levels within the executive and legislative institutions -- the RGC, the National Assembly, and Senate -- and it was then promulgated by a Royal Kram, dated 30 June 2010. The document suggests that the country has set fairly stiff targets for itself.

1.3 NSDP-Update, 2009-2013 is based on the RGC's Rectangular Strategy, Phase 2 (RS-II) which is discussed below. It represents a broad consensus on Cambodia's development in the times to come, and the priorities and aspirations of the people at large. As a live and action-oriented document, the NSDP-Update sets out realistic priorities and targets, which are implementable and achievable within its timeframe.

1.4 In Chapter 6, the NSDP-Update, 2009-2013 document states that the different activities taken up in the plan require regular monitoring and assessment to make appropriate (mid-course) corrections for achieving the goals and targets of the plan, and make adjustments where necessary in conformity with the emerging realities, and the internal and external environment. Based on the term of this plan, it is now time for making an assessment of its implementation in the last 2-3 years.

1.5 This report is a Mid-term Review (MTR) of the NSDP-Update, 2009-2013. The Ministry of Planning (MOP) has prepared it in collaboration with different ministries and government agencies to provide a review of progress made until so far in achieving the plan targets through the different sectoral and cross-sectoral strategies pursued. It also makes concrete and specific recommendations to guide the next phase of the implementation of the plan (2011-2013) with a view to contribute to improving the performance of the economy and people's betterment. Further, the MTR provides a policy direction for the RGC and concerned stakeholders for formulating the next national development plan cycle. This report is intended for monitoring national-level outcomes and impacts of the implementation of the

medium-term National Strategic Development Plan (NSDP) and to serve this purpose the General Directorate for Planning (GDP) of the Ministry of Planning (MOP) has been assigned to lead the process of preparation of this report, coordinating all related works with ministries and government agencies.

II. THE RECTANGULAR STRATEGY

1.6 The Rectangular Strategy (RS) (see Figure 1.1) has been the hallmark of development strategies in Cambodia in the recent years and the NSDP-Update is structured on it. The Royal Government Cambodia announced in July 2008, its *Rectangular Strategy, Phase 2 (RS-II)*, which serves as the socio-economic policy agenda of the Political Platform of the Royal Government of Cambodia (RGC) of the Fourth Legislature of the National Assembly (2008-2013). Samdech Akka Moha Sena Padei Decho HUN SEN, Prime Minister of the Kingdom of Cambodia, presented this Strategy to the new RGC and stated that this Political Platform has been formulated and endorsed through a comprehensive review of the performance during the Third Legislature and based on people's will and desire, the national and international context, and prioritisation of strategies for all the key sectors. RS-II is an updated and fine-tuned version of the earlier Rectangular Strategy, which aims to develop systematic, coherent, interrelated, complimentary, and simplified priority packages within key sectors¹.

1.7 The RS-II's principal *sectoral* components are: enhancement of agricultural sector, further rehabilitation and construction of physical infrastructure, private sector development and employment, and capacity building and human resource development. Its *overarching* priorities are good governance (including public administration, legal and judicial, and armed forces reforms, and fighting corruption), peace and stability, partnerships in development, a favourable macroeconomic environment, and Cambodia's economic integration with the region and the world. The Rectangular Strategy has been drawn up to serve as a strategic roadmap for a successful implementation of the medium-term socio-economic development plan.

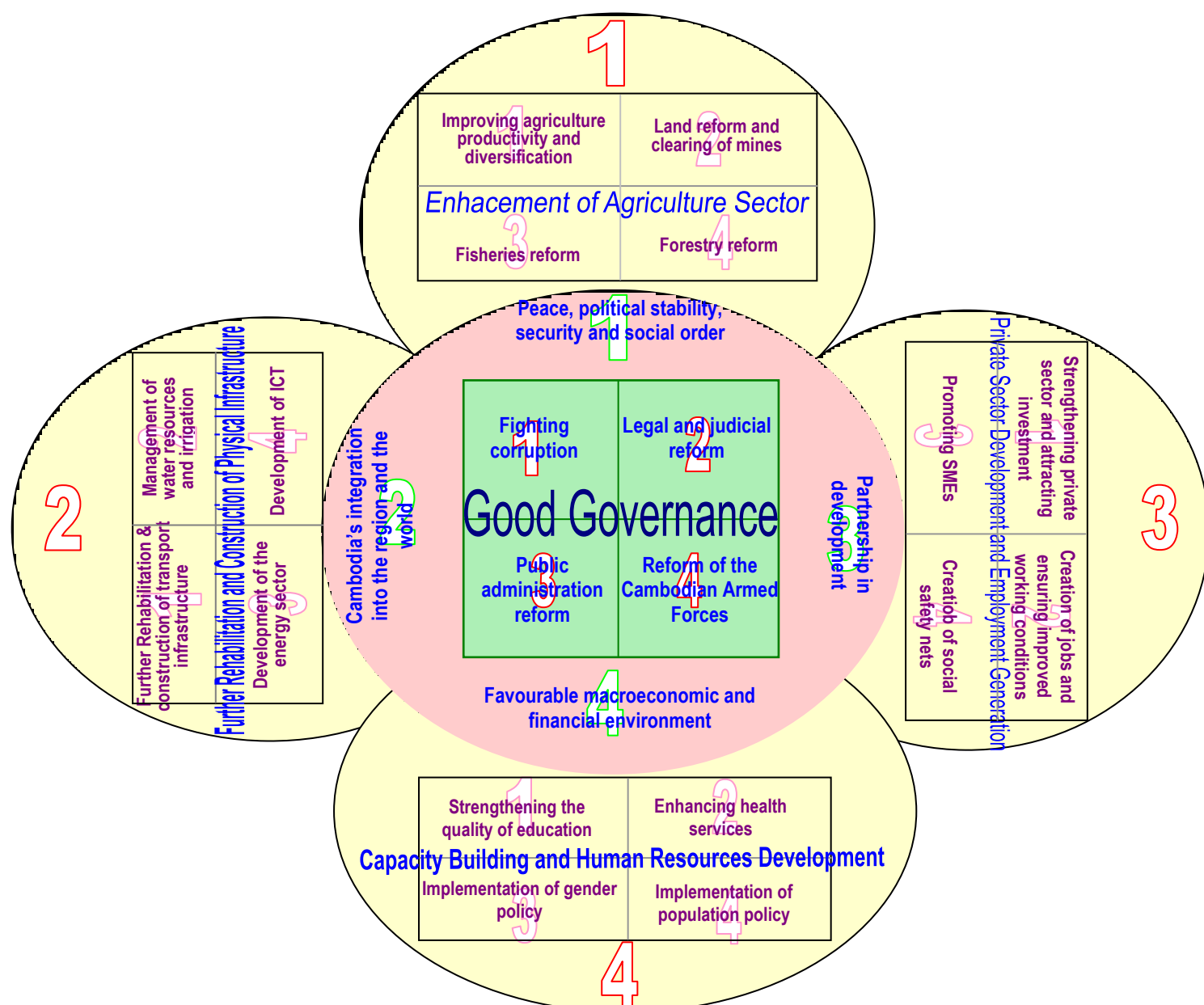
1.8 Samdech Prime Minister stated that 'The Royal Government recognises the need to ensure consistency in terms of hierarchy, role, substance, coherence and synchronisation between the "Rectangular Strategy", the "National Strategic Development Plan", and the Sectoral Development Strategies, as well as other policy documents, investment programmes and the national budget; and this calls for a review of the timeframe of the "National Strategic Development Plan" and "Political Platform of the Royal Government" which includes the "Rectangular Strategy" as its socio-economic agenda'. To ensure this hierarchy of RGC key policy documents, the Prime Minister emphasised that "this strategy will be implemented mainly through the National Strategic Development Plan". The NSDP-Update thus rests upon the RS-II.

1.9 As a departure from the past, the NSDP Update 2009-2013 suggests the methodological innovations by identifying the following:

1. Who is responsible for implementing the priority policy or policies?
2. What specific actions the responsible institution(s) has/have planned? and
3. How much it would cost to implement the planned actions?

¹ NSDP Update, 2009-2013, pg. 3

Figure 1.1: Rectangular Strategy, Phase 2



III. OBJECTIVES OF THIS MID-TERM REVIEW

1.10 This Mid-term Review will assess the progress made during 2009-2011 in the implementation of the NSDP-Update (2009-2013) within the framework of the different facets and purview of RS-II and in the context of addressing the impacts arising from the global financial crisis and meltdown. This Report would provide a succinct analytical presentation on each of these, highlighting upon the performance, shortcomings, challenges, and the way ahead. Attempt will also be made to assess synergies between the different elements of RS-II.

1.11 Stated explicitly, the main objectives of the MTR are:

1. Macroeconomic development: This would make a judgement of the performance of the economy at the aggregate level, determine the impact of (and coping with) the international financial crisis, evaluate the performance and issues in international trade, quantify the extent of assistance under international development cooperation (loans, grants, technical assistance), and observe the state of finance and exchange rate.

2. Good governance and favourable environments: This would include all major reform programmes and decisive environments conducive to overall socio-economic development and poverty reduction.

3. Sectoral progress: This would assess the progress made in different sectors, including agriculture (along with fisheries, forestry, and livestock), industry and commerce, land management, infrastructure (especially roads, power, and potable water supply), tourism, education, and health.

4. Status of cross-cutting areas: This would assess the progress made on issues like gender equity, child (different dimensions), decentralised and de-concentrated development, rural development, people subsisting in poverty and related issues (including income distribution), population issues, labour deployment, and environment (water, forest, air).

5. Monitoring and evaluation: This would assess report on the current state of M&E in the country with suggestions on possible improvements in it.

6. Costs, resources and programming: This would set out an assessment of the resource requirements and the extent of their utilisation (aggregate, not sector/activity-wise). An assessment of development cooperation financing and its utilisation will also be made here.

1.12 Special effort will be made to highlight the progress towards CMDGs and other related socio-economic indicators, which would cut across the whole report.

IV. THE APPROACH

1.13 Like any other MTR of a 5-Year Plan, this Review measures performance at the aggregate level. Through extensive consultative processes aimed at improving the quantitative measurement of the implementation of a *'result-based plan'*, the initial list of 46 Core Monitoring Indicators incorporated in the NSDP Update document has been updated, *removing some immeasurable indicators and adding some measurable 'national outcome/impact' indicators*. This has resulted in a new list of 63 indicators.² *It is important to note that the Mid-term Review's main aim is to assess the 'outcome' and 'impact' of the plan. It will not explicitly delve with 'inputs' (e.g. expenditures made), and address 'outputs' only fleetingly. Thus, an overall picture of the outcomes and impacts of the NSDP-Update, 2009-2013 is presented in this MTR mainly through measurement of the expanded list of 63 'country-level' outcome and/or impact-related indicators.* In the interest of providing more quantitative information on Cambodia's key socio-economic situation, a list of 74 *'sectoral-level'* indicators is included as an annex in this report.

1.14 The report has been prepared in close consultation with different ministries and government agencies implementing the plan, as well as with development partners involved in this planning process. More specifically, it draws upon or makes assessments from the following:

1. Reports prepared by ministries and other government agencies;
2. Consultations with as many as 42 ministries and government agencies;
3. Consultations with development partners through the TWG Processes;
4. Review of recent data – specifically, the Population Census of 2008, the Socio-economic Surveys of 2004, 2007, 2008 and 2009, preliminary results of the Economic Census of 2010, Cambodia Demographic Health Surveys of 2010 and earlier, and Commune Database (CDB, annual, up to 2010); and
5. Review of relevant policy researches and recent RGC policy briefs.

² See Chapter 6, Table 27 of the NSDP-Update, 2009-2013 for the original list.

1.15 Other than analysis of quantitative data and targets, efforts will be made to present issues in implementing the plan and supports that need to be made to achieve the plan targets.

1.16 The MTR is written in five chapters. The chapter 3 arrangement does not necessarily follow the sequencing of the objectives of this report: instead, effort has been made to align it with RS-II.

V. LAYOUT OF THE REPORT

1.17 This is the first chapter. Chapter 2 analyses the macroeconomic performance: growth, structure of growth, trade, balance of payments, inflation, and such issues, along with a discussion on poverty and employment. Chapter 3 discusses progress on key areas like governance and decentralisation and de-concentration (D&D) reforms, education, health, industry (including SMEs and private sector), agriculture, land management, de-mining, tourism, infrastructure, environment (including urban water and sanitation), gender, child, nutrition, rural development (including rural water and sanitation), and CMDGs. Chapter 4 delves on the progress made in M&E in the plan and key problems such as data availability, qualitative versus quantitative data, interpretations, inter-agency coordination, and human capacities in carrying out M&E work. Finally, Chapter 5 sketches the policy implications and options, including the potential financial resources to be programmed for the plan purposes.

Box 1.1: Cambodia – A Recent Sketch

After the Paris Peace Accord of 1991, four successive general elections held through a democratic and pluralistic process have given way to the formation of four parliamentary governments. Foreign capital in the garment and commercial agricultural productions and services began to flow-in, and between 1993 and 1997 the economy grew at high single digit figures.

With the successful conclusion of the second General Elections in 1998 and especially as a result of pursuing a Win-Win Policy of reconciliation in 1998, Cambodia has enjoyed full peace and prosperity. A planned development process in a market-based economy was initiated in 1996 with three successfully completed five-year plans, covering the periods 1996-2000, 2001-2005, and 2006-2010, respectively. The third plan was truncated to give way to the NSDP-Update whose timeframe is to be synchronised with that of the legislature of the National Assembly. The current plan is the NSDP Update, covering the period 2009-2013. All along, the economy has grown at 6-9 percent annually, fuelled largely by agricultural growth, (urban-based) garment production, tourism and construction. A D&D reform programme too has been launched along with two successive general elections held to form Commune/Sangkat Councils. These Councils are getting a larger say in the development process, as there is statutory transfer of resources for plan implementation at that level. The agricultural sector has a lot of potentials to grow. Similarly, decentralised development, efforts in improving social sectors and reducing poverty, limited infrastructure, and ensuring environmental sustainability continue to pose major challenges. The RGC is acutely aware of this and is striving to address the problem.

Cambodia appears to have gradually recovered from the three-decade civil war (since the 1970s), and different societal (both social and formal) institutions have to been re-established. With four successful general elections of National Assembly and two of Commune Councils, democratic institutions are finding firm roots in Cambodia.

CHAPTER II

THE MACROECONOMIC PERFORMANCE OF THE CAMBODIAN ECONOMY

I. INTRODUCTION

2.1 In a situation where the world is being adversely affected by the global financial meltdown, it is necessary to look at the economic performance of Cambodia within this very context. This chapter is written in the backdrop of these developments. It discusses the macroeconomic indicators, largely though not exclusively for the first half of the NSDP Update 2009-2013 period. It then presents an analysis of the status of poverty and employment. Efforts made by the Royal Government of Cambodia (RGC) to overcome the challenges arising from the external environment and yet maintain the development initiatives find a central place in the chapter.

2.2 The report recognises that not all monitoring indicators can be measured for each year, as many processes are ongoing and a few show impacts only after a relatively long period of time. Next, not all plan targets can be measured through discrete indicators, and thus proxies have to be deployed. Finally, data availability poses its own limitations. The analysis is accordingly presented.

II. GROWTH RATES IN THE GROSS DOMESTIC PRODUCT

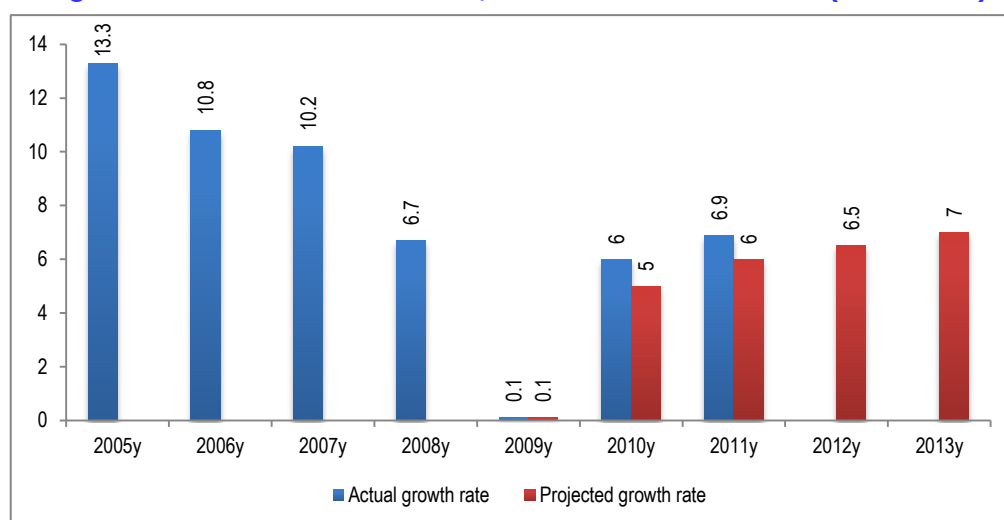
II.1 Aggregate Growth Rates

2.3 Cambodia is an economic success story when seen in terms of growth rates in the Gross Domestic Product (GDP) over a short/medium-term period. As Figure 2.1 below suggests, between 2004 until about 2007 the growth rate in GDP exceeded 10 percent per annum (on an year-on-year basis), which was among the highest in the world. In 2008, it slowed somewhat but 6.7 percent growth is also highly respectable. In 2009, however, the growth rate touched near zero percent owing to an adverse external environment, an aspect discussed in more detail later in the text. While agriculture grew at a reasonably high 5.4 percent growth that year, a negative growth in industry of minus 9.5 percent and an indifferent growth in services of 2.3 percent pulled down the aggregate growth rate (Table 2.1). When compared with the growth target set in the plan, i.e. 6-7 percent (average), in the two years (2010 and 2011), it has been on the target.³ Though for 2009-2011 the growth rate averaged only four percent, RGC forecasts suggest that the growth rate will be maintained at more than six percent per annum for the rest of the NSDP-Update 2009-2013 period, i.e. up until 2013, though the floods in 2011 would act as dampener.⁴

2.4 The immediate bounce back of the economy after 2009, almost as if in a V-shape, suggests a sound management of the macro economy.

³ NSDP-Update 2009-2013 document, pg. 85

⁴ The Ministry of Economy and Finance (MEF) uses a macroeconomic model to make short-term forecasts.

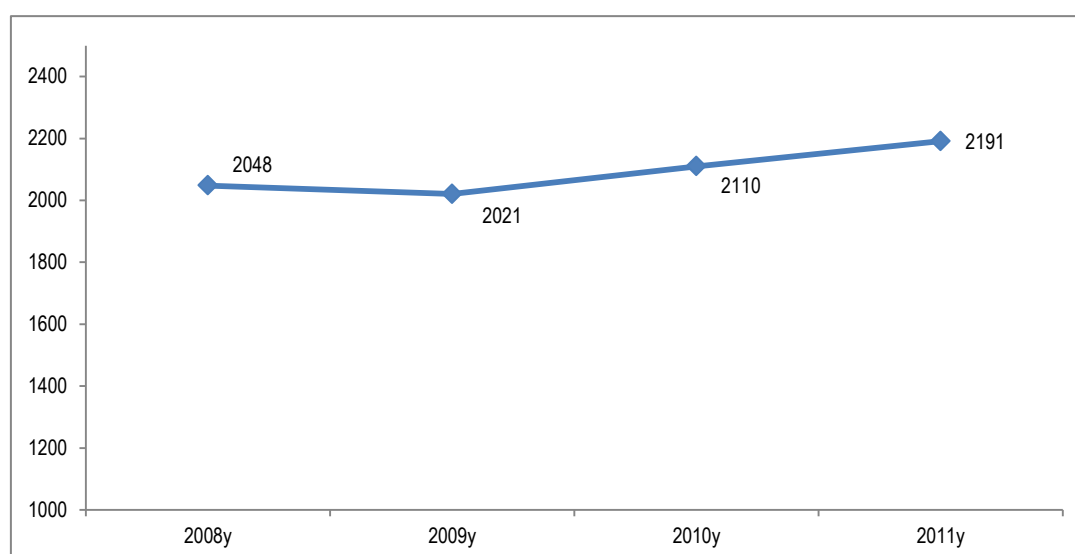
Figure 2.1: Growth Rate in GDP, Measured Year on Year (2005-2011)

Source: Data drawn from MEF, MOP, and NBC

II.2 Per Capita Income

2.5 Per capita income of a country is the total income (GDP) divided by its population. When one calculates the growth rate in GDP per capita, it yields the (moderating) effect of population growth on the GDP. It is the most commonly used measure of the general standards of living.

2.6 Figure 2.2 suggests that the per capita income in 2009, measured at constant prices (base year: 2000), dipped to *below* that in 2008 but immediately recovered in 2010. It is expected to grow at about the same rate in 2011 as in 2010. The growth in per capita GDP in these four years, however, has not been very high: the total increase was about seven percent over 2008-2011, i.e. about 1.7 percent *annual trend rate increase*. Since the population growth (denominator) has been relatively high (Total Fertility Rate is 3), the per capita income has accordingly been low. However, to generate high positive growth in per capita GDP in a small and open economy, which is highly dependent on exports of no more than 3-4 items—actually, mainly garments—when the world is at its worst economic downturn since the 1930s, would be infeasible.

Figure 2.2: Per Capita GDP (thousand Riel at constant 2000 prices), 2008-2011

Source: Data drawn from MEF, MOP, and NBC

II.3 Sectoral Growth Rates

2.7 As a general principle, an increase in the share of non-farm, value-adding activities in the GDP is deemed progressive for most developing countries. This is because the labour productivity, and hence workers' income, in non-farm sectors such as manufacturing, tourism, construction and services is higher. However, this is not to say agriculture should be neglected.

2.8 Cambodia's production base remains relatively narrow. In agriculture, much of the activity is rice production, concentrated in the subsistence sector. The agricultural sector grew at 4.5 percent during 2009-2011; in fact, it has been growing at an impressive rate of 4-5 percent for much of the past decade. In industry, garment manufacturing constitutes about 42 percent of the sector and about 64 percent of total manufacturing activities. The industrial sector grew at 4.4 percent during 2009-2011. Finally, in services, tourism dominates. The services sector grew at 3.7 percent during 2009-2011. Through the 2½-3 years of the plan, the structure of the GDP—measured in terms of sectoral shares—has stayed essentially unchanged (Table 2.1). The global economic downturn reduced the demand for manufactured goods from Cambodia (i.e. garments, meant almost exclusively for export); in turn, this reduced production and hence the share of industry in the GDP by about a percent point in the years 2009-2011, despite that Electricity and Water continued to grow at 7.2 percent annually. Since the agricultural sector grew briskly, its share in GDP increased by about a percent point during 2009-2011. The share of services has stayed essentially unchanged – it is believed that services did not grow because the global economic downturn adversely affected both tourism and real estate (Table 2.1).

2.9 Despite there being no explicit target set for sectoral shares in the NSDP-Update 2009-2013, industry-specific projections in the plan (implicitly) suggest that there should be a 2-3 percent fall in the share of agriculture, about five percent rise in the share of industry, and a 1-2 percent fall in the share of services. In this regard, the composition in the GDP is different from that target. The immediate blame lies on the external environment, though part of the reason is also the lack of depth and diversity in the economy.

2.10 *It needs to be stated that* the growth in the share of agricultural sector, because of its rapid advances, in itself is laudable, particularly when over 50 percent workforce is engaged in that sector. Hence, the situation is not worrisome.

2.11 Has the reduced industrial growth affected the 'delicate underbelly', i.e. the workers and ordinary peoples' lives? It might have, in some geographic pockets and among some sections of the population, at least for a short while. Field studies conducted by different agencies have described the plight of those affected.

2.12 It can be inferred that two propositions emerge from this analysis.

1. Agriculture has grown at 4-5 percent annually in the last 8-9 years and still has high potential in rice as well as other crops. The RGC has of recent launched the policy on promotion of paddy production and rice export to an extent that the country becomes an important rice exporter. For this, it is putting forth a plan for raising production and productivity.⁵ This should yield quick results since much of the country's land is fertile, the rainfall is uniformly high, and a lot of land can still be brought under the plough. In Chamcar (non-rice) crops as well, it is feasible to raise production. If processing activities accompany production, a higher value can be generated and retained in the country.

⁵ *Diversifying the Cambodian Economy – The Role of Industrial Development*, Paper presented at Cambodian Economic Forum by SNEC 2011

2. The industrial base is yet not deep, being largely restricted to garment manufacture, which is thriving on low wages. In this regard, a more aggressive industrial policy requires pursuing, so that more value is added and retained from diverse activities, in the remaining 2-3 years of the plan and beyond. For this, the RGC has strong 'supply side strengthening' plans, but they need rolling out on priority.⁶

**Table 2.1: Share of Agriculture, Industry and Services in the GDP
(At current prices)**

	2008	2009	2010	2011(E)
Agriculture	32.8 (5.7)	33.5 (5.4)	33.9 (4.0)	32.1 (4.1)
Crops	17.9	18.4	19.3	18.4
Others	14.9	15.1	14.5	14.3
Industry	22.4 (4.0)	21.4 (-9.5)	21.9 (13.5)	22.1 (9.2)
Mining, Manufacturing and Power	16.2	15.4	16.0	16.1
Construction	6.1	6.3	5.5	5.5
Services	38.8 (9.0)	39.7 (2.3)	38.3 (3.5)	38.6 (6.0)
Taxes	6.0	6.0	6.1	7.5
Total	100.0	100.0	100.0	100.0

Note: Figures in brackets are year-on-year growth rates. E in the last column denotes 'estimate'
Source: Calculated from MEF, MOP, and NBC data.

III. GOVERNMENT REVENUES, EXPENDITURES AND INFLATION

III.1 Fiscal Policy

2.13 The NSDP-Update 2009-2013 articulates the government's policy of pursuing a strategy to mobilise greater domestic resources and effectively allocate them, follow a sound debt management practice, and promote fiscal decentralisation. Among the different measures being pursued under this scheme are:

- Reducing less productive spending (including on government salaries);⁷
- Controlling the spending that dramatically increased in 2009 owing to the economic downturn, yet reserving expenses for the priority sectors, e.g. health and education;⁸
- Increasing revenue collection through broadening the tax base and strengthening administrative compliance. This can be fulfilled through casting the tax net wide and increasing tax rates; strengthening enforcement of property, capital and land tax; and replacing current tax incentives by investment allowances, tax credits, and accelerated depreciation;
- Drawing up policies to foster investment in the petroleum sector and energy resources; and
- Adopting proactive policies to mobilise and increase disbursement of ODA for capital and development spending.

⁶ *Diversifying the Cambodian Economy – The Role of Industrial Development*, paper presented at CEF by SNEC 2011. There is no suggestion that there would be state interference in the markets. On the contrary, 'supply-side strengthening' policies strengthen markets – they are also called 'Reaganomics', after Reagan's policies to revive the American economy in the 1980s.

⁷ While not explicit in the NSDP-Update 2009-2013 document, it is evident that the salary level per se is not the issue. The real problem is a drain on the government's expenditures induced by the salary budgets to be paid to those who are on payrolls but not on job.

⁸ The most explicit manifestation of an economic downturn is the plummeting of demand. To reverse this trend, the RGC raises spending. But excess government spending has other adverse fiscal implications.

2.14 Platform 2 of the government's Public Financial Management Reform Programme⁹ (PFMRP) focuses on *Building on Improved Budgetary Credibility towards Achieving Financial Accountability*. In this plan period, there would also be a greater involvement of different line ministries in the MEF's budgetary matters. It is believed that the managers of finance in the government will have a better control over its policy instruments of controlling public resources.

2.15 There has been some deviation between the intent and practice in the last two years as public expenditures shot up to arrest the slowdown in the economy. Through meticulous effort, though, revenues have now begun to look up and the rising trend in expenditures is being arrested. In the remaining years of the plan, the aim would be to further correct this imbalance, for which the government intends to widen tax net and streamline the administration for tax collection.

III.2 Monetary policy

2.16 The monetary policy in Cambodia has four broad goals: keep inflation under control (at around five percent per annum), minimise exchange rate fluctuations and yet maintain a floating exchange regime, continue to ensure soundness of the financial sector, and maintain foreign exchange reserves to finance at least three months of imports. Among the different measures that the RGC (through the National Bank of Cambodia - NBC) has adopted are:

- Strengthening public finance management for raising public confidence in the Riel, the national currency;
- Developing a domestic real-time gross settlement system, money markets and inter-bank markets (including those for short-term government bonds);
- Implementing a 'fiscal-incentives framework' via bank accounts and promoting an inter-bank credit information system;
- Widening the payment and credit information systems to include licensed microfinance institutions;
- Providing collateral against risks related to the payment system by using short-term government bonds; and
- Encouraging a money supply and liquidity monitoring mechanism, strengthening the reserve requirement system, setting up an efficient overdraft system, issuing central bank paper, and enhancing the resources of 'lender of last resort'.

2.17 Some new initiatives being undertaken are to strengthen, broaden and deepen the banking sector, expand microfinance, and promote non-banking financial institutions.

2.18 The foreign reserves have continuously increased (see Annex I).

2.19 During the period of global financial turmoil, the RGC has increased expenditure to offset a possible fall in private investment. Appropriate policies have also ensured that the Cambodia Riel fluctuated within a five percent range, which is what the plan aims. The dollarisation of the economy, however, has limited the options in implementing an effective monetary policy.

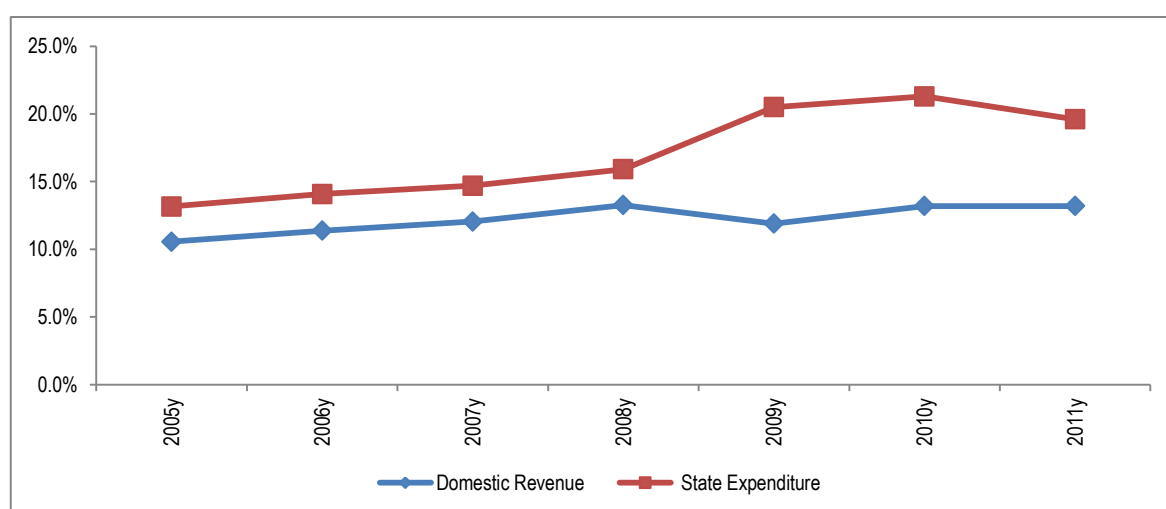
III.3 The Budget Balance

2.20 The plan target for the overall budget deficit is that it should not exceed five percent of the GDP. In Cambodia, the government's budget revenue is low compared to the GDP. Revenues from domestic sources are largely the indirect taxes, as direct taxes have so far been difficult to administer. Until about 2008, both revenues and expenditures had been growing at a steady pace, though the expenditures were higher than revenues by about 2-3 percent of the GDP (Figure 2.3). The gap, at least on the capital account, had/has been regularly bridged by international assistance and borrowings.

⁹ The PFMRP was adopted in 2004.

2.21 However, in 2009 when the financial meltdown happened, this gap suddenly widened to 8.6 percent of the GDP, resulting from both, a dip in revenue and rise in expenditure. The total public expenditure increased by 15.5 percent on average per year through 2009-2011. It was 8,827 billion Riels (about 20.5 percent of GDP) in 2009 and about 9,500 billion Riels (about 21.3 percent of GDP) in 2010. In 2011, public expenditure estimate is expected to be 10,131 billion Riels or about 19.6 percent of GDP. The monies were/are expended in priority areas like public administration reforms, infrastructure, social safety nets, and social sectors such as education and health. The government is now committed to arrest the revenue-expenditure gap, and for doing this it would find newer sources of revenue along with rationalising expenditures. For example, the domestic revenues were 11.9 percent of the GDP in 2009, which increased by almost 20 percent in 2010 to reach 13.2 percent of the GDP. Early estimates suggest that in 2011 they would remain at 13.2 percent of GDP. The main sources are Value Added Tax (VAT), customs tax, excise tax, tax on profits, and non-tax revenues from petroleum, gold and other minerals. There are some concerns, however, that the customs duty will have to reduce to conform to the guidelines required for being a member of Free Trade Area (FTA) and World Trade Organisation (WTO). This problem will need a solution.

Figure 2.3: Trends in Revenues and Expenditures as Percentage of GDP, 2005-2011



Source: MEF, MOP, and NBC

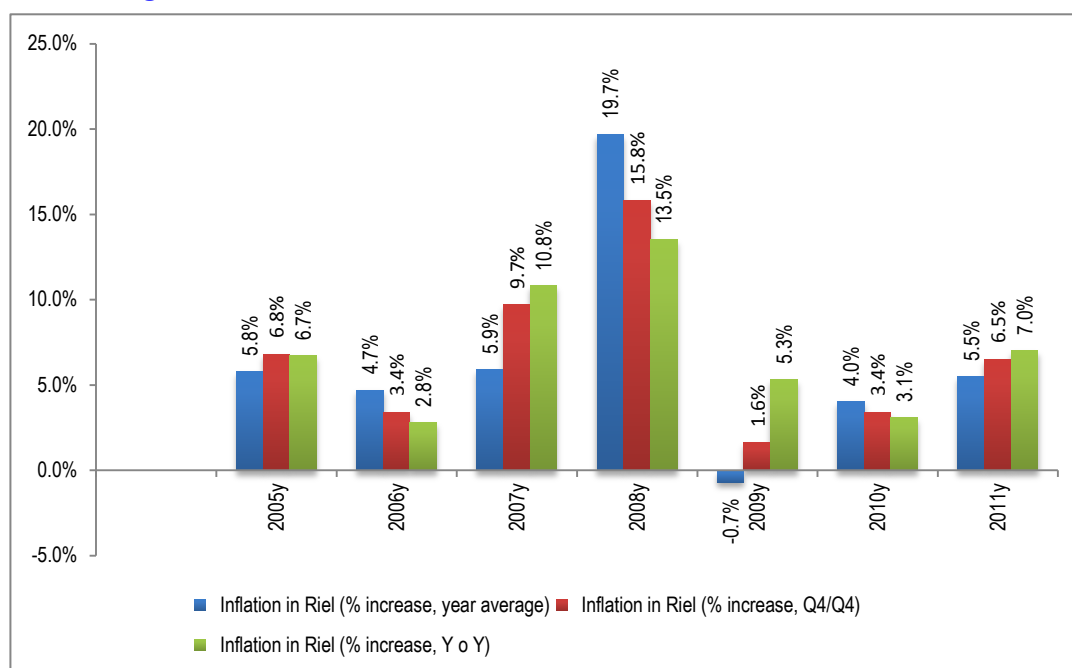
2.22 As of now, the revenue-expenditure gap exceeds six percent of the GDP, which is high according to the canons of fiscal prudence.¹⁰ The RGC sincerely believes that development cooperation financing will continue to help bridge the said gap.

III.4 Inflation

2.23 The target for inflation in the NSDP-Update, 2009-2013 is that it should not exceed five percent. In Cambodia, in addition to excessive state expenditure that could push prices up, inflation also gets 'imported' through devaluation of the dollar and/or commodity and petroleum price rise.

2.24 Figure 2.4 presents three variants of inflation: annual average price increase, Quarter4 to Quarter4 price increase, and year-to-year price increase. The figure invites two comments: the different magnitudes among the three variants, and the trends.

¹⁰ The Mid-term Expenditure Framework of the Ministry of Economy and Finance forecasts a narrowing of the revenue-expenditure gap in the next 2-3 years.

Figure 2.4: Inflation in Cambodia – Three Measures, 2005-2011

Source: MEF, MOP, and NBC

2.25 There are visible differences in inflation figures when they are measured using different variants. This is particularly so in the years 2007, 2008 and 2009. These differences suggest that there is large variation in prices from one month (or very short period) to another, a reflection of rapid changes in the gaps between demand and supply. The RGC has taken steps to reduce this fluctuation during the two later years 2010 and 2011 and the effort has shown yielded positive results.

2.26 At the overall level, the inflationary trends have been quite volatile. Prices began to rise in 2007 and reached double digits in 2008. It is believed that this inflation was ‘imported’ – prices of petroleum products and commodities (including food) in the world markets rose rapidly, owing to demand from China and to an extent in India, turmoil in the Middle East, and a speculation that the limited resources are running out. Governments in petroleum importing countries found it very difficult to control inflation because of their large dependence on imports. In Cambodia, the capacity to buffer is shallow, making the situation even more precarious. Despite this, after the initiation of NSDP-Up-date 2009-2013, the concerned authorities have been able to control inflation at about five percent.

2.27 *It can be inferred that* the NSDP-Update 2009-2013 was launched in a year when the economy was reeling under the impact of an extremely adverse external environment. It was nevertheless able to weather the crisis due to a fairly good performance of the agricultural sector.¹¹ Additionally, timely response mechanisms that the RGC put in place, which included fiscal and monetary measures like allowances to the garment workers, retraining retrenched workers in other jobs,¹² a pro-active agricultural policy and an easy money policy, also helped in reviving the economy. However, there is need to beef up revenues much more, and among the progressive methods to increase them are to widen VAT and the direct taxes net. There is scope for it: data suggest that direct taxes are only about 12 percent of the total government revenues and less than two percent of the GDP. There is scope to raise these proportions. Finally, after a two-year period of high and unstable prices, inflation has been brought under control and at a level that the current plan requires.

¹¹ In low-income agrarian economies, the classical economic principles rarely apply to the agrarian sector. Thus, in times of economic crisis, the ‘non-responsive-to market’ agrarian sector comes to the rescue of the economy, subject to good weather conditions.

¹² See Labour and Social Trends, NIS and ILO (July 2010), pg. 50, where it is stated that funds for re-training up to 40,000 workers were set-aside in 2009, and a second phase was under consideration.

IV. ECONOMIC OPENNESS

2.28 At the time of the Paris Peace Accord of 1991, Cambodia was a small, closed, war-torn, low-income economy, with virtually all institutions of economic management and governance very seriously eroded. What stayed in place was the then existing institutional mechanism for economic management that was functioning based on a 'centrally-planned' system with resources allocated centrally through a 'command and control' planning process. After the general elections in 1993, the economy opened up suddenly: the currency was floated; free trade regime established (without adequate regulations); the private sector permitted to operate in all sectors; and many foreign investors came in.

2.29 Two decades later, Cambodia is still small, but an open, exported market economy having a high growth rate in GDP, and a floating exchange rate. It has lot more regulations now on inflow and outflow of capital, goods and money despite the economy remaining open.

2.30 To measure economic openness, two indicators put forth are:

1. The importance of trade – the proportion of imports plus exports (two-way trade) to GDP,
2. The extent of foreign investment inflow – i.e. trends in foreign investment.¹³

Table 2.2: Proportion of Trade to GDP (as percentage of GDP)

	2008	2009	2010
Exports of goods (% of GDP)	33.8	28.8	33.4
Imports of goods (% of GDP)	49.1	43.2	47.0
(Export + Import) * 100 / GDP -- two-way trade	82.9	70.0	80.4

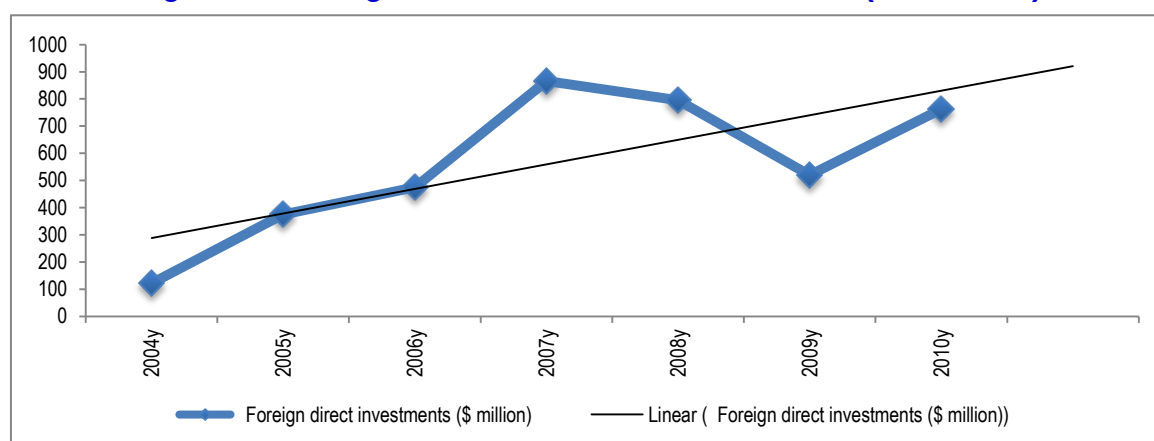
Source: MEF, MOP, and NBC

2.31 The last row of Table 2.2 suggests that the international interface of the Cambodian economy, measured by a proxy indicator 'two-way trade', exceeds 80 percent of the GDP. It dipped below 80 percent in 2009, but regained 80+ percent thereafter. Actually, the global economic crisis was responsible for a reduction in both exports and imports in 2009 in an otherwise fairly open economy.

2.32 Next, as Figure 2.5 suggests that the foreign direct investment (FDI) rose until 2007/2008, thereafter fell sharply in 2009, but then rose again in 2010 and it is estimated that in 2011 as well, it will rise. These data reaffirm the findings earlier: that it is the global meltdown that affected capital inflows in 2008-2009 and not the investor confidence in the openness of the economy.

2.33 In short, Cambodia is an open economy having become a member of the WTO in 2004. Being a WTO member requires it to be open, a condition that it has not violated until so far.

Figure 2.5: Foreign Direct Investments in Cambodia (US\$ Million)



Source: MEF, MOP, and NBC

¹³ This indicator is particularly important since foreign investors have the option to invest elsewhere if their level of comfort is lower here.

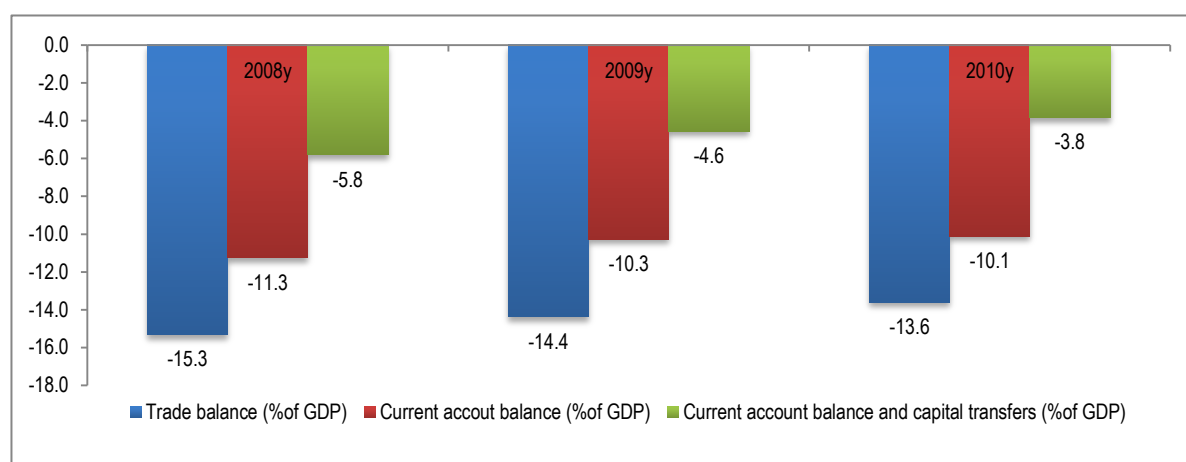
V. TRADE BALANCES AND BALANCE OF PAYMENTS¹⁴

2.34 Cambodia's main exports are garments, and to an extent agro-based products (paddy, rice, fish, rubber). These suffered a setback in 2009 due to slack demand in the international markets. In 2010, total exports (FOB) were US\$3.88 billion, rising from US\$2.99 billion in 2009; a 13 percent increase. The main products exported were garments: US\$ 2.99 billion in 2010 compared to US\$ 2.36 billion in 2009. Imports amounted to US\$5.47 billion in 2010 compared to US\$4.49 billion in 2009, an increase of 21.8 percent. A large component of these imports was the input component for garment manufacture and construction material.

2.35 The balance of trade and current account balance (with or without capital transfer) have been negative for a long time (Figure 2.6).¹⁵ The trade deficit was (minus) 15.3 percent of the GDP in 2008, which has gradually reduced to (minus) 13.6 percent in 2011 (estimated). The current account balance deficit (i.e. before and after accounting for capital transfers) looks better, but still negative. It is evident that the export volumes from Cambodia, from agriculture, mining, manufacturing and services combined with other contributions to current account balance, are not large enough to meet the import bill. A deepening of economic activities, implying diversifying activities and creating more value, is the only way out.

2.36 The positive feature is the overall balance surplus of US\$150.3 million in 2010. This balance in 2009 was negative at US\$4.7 million.

Figure 2.6: Balance of Trade and Current Account Balance



Source: MEF, MOP, and NBC

2.37 *It can be inferred that* the Cambodian economy has remained open and has fostered a social order after a devastating civil war. The balance of trade, however, continues to be negative, pointing towards the need to increasingly produce and export value-adding products. A redeeming feature has been the official development assistance and other inflows, because to which the fiscal balance was positive in 2010. An open economy has its advantages, in the sense that it permits huge opportunities for accessing technologies and overseas markets, but it also requires that exports beef up to pay for these.

VI. POVERTY AND EMPLOYMENT

VI.1 Poverty and inequality

2.38 Reducing poverty has been amongst the most cherished goals of the RGC. The plan aims to reduce poverty at least to an extent that the country achieves MDG1 by 2015.

¹⁴ Data in this section are provisional.

¹⁵ If the trade deficit is within 2-5 percent of the GDP, it is considered small/medium. In this case, it is in double digits.

2.39 Definition: In Cambodia, if a person is not able to afford consuming food equivalent to 2,100 kilocalories per day on average (plus a small allowance for non-food items) s/he is deemed to be poor. The official approach for determining people's consumption intake is to collect data on their food-intake through conducting household income and expenditure surveys (the Cambodia Socio-economic Survey – CSES) periodically.¹⁶

2.40 According to the CSES conducted in 2004, the proportion of persons below the poverty line was 34.7 percent (Table 2.3). Since 2004, the only results officially available are from the CSES of 2007, which placed the proportions of persons below the poverty line at 30.1 percent in that year. For NSDP Update 2009-2013, therefore, linear projections have been made which suggest that poverty proportions might have been down to about 26 percent in 2010. A preliminary estimate obtained from CSES 2009 suggests that the poverty rate could have been lesser than 20 percent in that year. If this is to be believed, it is a huge achievement. It also implies that the main target of CMDG 1 has already been achieved.

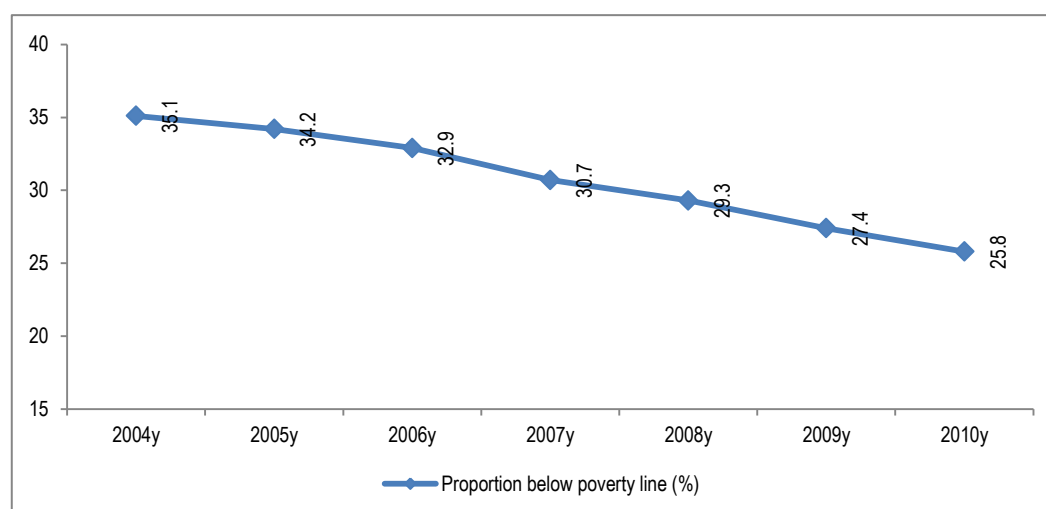
Table 2.3: Poverty Estimates as seen from CSES 2004 and 2007, and Forecast for 2010

	2004	2007	2010 (linear forecast)
Poverty rate (%) -- Phnom Penh	4.6	0.8	0.1
Poverty rate (%) -- Other Urban	24.7	21.9	19.4
Poverty rate (%) -- Rural	39.2	34.7	30.7
Poverty rate (%) – Cambodia	34.7	30.1	26.1
Food poverty rate (%) -- Phnom Penh	2.6	0.1	0.0
Food poverty rate (%) -- Other Urban	14.2	12.7	11.9
Food poverty rate (%) -- Rural	22.2	20.8	17.8
Food poverty rate (%) -- Cambodia	19.7	18.0	15.1

Sources: NSDP 2006-2010 (2006), pg. 46; and NSDP 2009-2013 (2010), pg. vii

2.41 There are alternative measures of poverty available, which link the standards of living to asset-ownership and social consumption. The Commune Councils generate data on village assets and social consumption, among other indicators. These data are known as the Commune Database (CDB). The Ministry of Planning has (unofficially) generated annual estimates of poverty using these. The method of calculating poverty from these data is given in Box 2.1.

Figure 2.7: Poverty Estimates made from CDB Database (percentages)



¹⁶ Since 1993, several Cambodia Socio-Economic Surveys (CSES) have been conducted. From 1993/94 until 2004, a sample socio-economic survey was conducted every five years, except an additional survey that was carried out in 1997. The 1993/94, 1997 and 1999 surveys covered a narrower range of questionnaires and some certain areas of the country were excluded from these surveys. Since 2007, the NIS of the Ministry of Planning has conducted CSES annually, covering the whole of Cambodia.

Box 2.1: CALCULATING POVERTY FROM CDB DATA

The CDB data are collected on a census basis each year since 2001 for all the villages for local level planning. The number of indicators exceeds 500, pertaining to both commune and village. The data are collected based on the village or commune heads answer, and their records or memory. The range of entries covers demographic information, the asset base, economic-activity including agriculture (and irrigation), education (both infrastructure and people's educational status), health facilities, connectivity (roads, transport), housing, and such details. The smallest unit of data collection is the village: it is not the household. Any attempt to gauge poverty using these data will in effect yield village-measured estimates. Next, there can be no direct nutrition-based poverty measures from one year to another, as data on food consumption per se is not enumerated in this database.

The method deploys an approach called 'small area estimation'. The first step is to estimate a regression equation, where the dependent variable is the actual (nutritional or otherwise) poverty status at a village or commune level derived from the CSES or ID-Poor list (for the year and areas these are available), and the independent variables are key variables pertaining to village assets and social consumption, drawn from the CDB in that year. Once robust estimates of the coefficients on the right hand side of the equation are obtained, in the second step these coefficients are juxtaposed with annual values of the key variables drawn from CDB to generate yearly estimates of poverty. This estimate of poverty is linked to asset-holding, social infrastructure and social consumption.

Poverty estimates obtained using this method could be very robust since they are based on a census. However, they have their shortcomings. For one, since assets change more slowly than incomes or consumption, sensitivity to annual fluctuations in incomes and consumption are low. Next, these estimates are insensitive to intra-village changes in consumption, incomes or assets.

2.42 For 2004, 2007 and 2010 (forecast), the estimates obtained from CSES (Table 2.2) and CDB (Figure 2.7) are quite similar. Some trust, therefore, can be placed on this alternative method despite that the approaches followed in the two approaches are quite different. Poverty has declined by a little more than one percent annually, and in 2010 the proportion was 25.8 percent. Possible reasons for fall in poverty:

1. There has been a (lagged) trickle-down impact of the double-digit growth that the economy experienced during 2005-2007. The agricultural sector has also grown on a sustained basis, implying that rural people have gained. Efforts made by the RGC in redistributing the gains of growth have also helped.
2. A rise in food prices in 2008 might have provided a boost to the revenues of rural people, many of who are net food sellers.
3. Unofficial estimates from smaller sample CSES surveys conducted in 2007 and 2008 suggest that, of the poverty reduction in rural areas, *80 percent was accounted for by reduction in inequality*. In other words, the relatively weaker sections in rural areas have gained more than the others. Table 2.4, which shows a reducing consumption inequality, suggests that the redistributive policies of the RGC are showing results.

2.43 There are presently too many poverty measurement exercises, resulting in multiple estimates and trends. The RGC will therefore define an official poverty line -- the National Poverty Line -- based on the CSES Database, and detail its method of calculation. For temporal comparison purposes, the base year could be 2004, the year when a full coverage of the country was achieved in the CSES sample. All later estimates could be reworked from then on. Finally, the results of poverty estimates should be available within a year after the survey is complete.

2.44 Cambodia is likely to achieve MDG1, or at least its main indicators. To this extent, the growth has been inclusive. The challenge is to sustain it. This is because earlier data show that a large number of persons who cross the poverty line get clustered close to it, and a small shock might push them back. Also, there has been little structural shift in the economy, as it will be seen in the next section on employment.

Table 2.4: Proportion of Consumption by the Poorest Quintile

	2004	2007	2008	2009	2010*	2011*
Consumption by the poorest quintile	7.2%	6.5%	7.6%	8.0%	~10.0	~10.9

* Denotes projections based on CSES surveys

Box 2.2: Can Trends in Wages Measure Standards of Living?

In developing countries the poor are most often those who lack physical assets and/or human skills. While many of them are poor because they cannot work at all (or work irregularly) for one or another reason, there are many more who work in low paying jobs: farm labourers and other manual labourers, earning a meagre or at best, modest income. The poor get 'self-selected' into these jobs because the non-poor will not do them. Their incomes rise when there is demand for their work, which also means that there would be an upward trend in their wages. Thus, if the wages of these workers rise, it should be an indication of a fall in poverty. The Cambodia Development Resource Institute began to collect data on wages of vulnerable workers in 10 select occupations every quarter since over a dozen years on a select sample spread across 10-12 relatively dense provinces. These are also the rice growing and/or fishing areas. Seven of these occupations considered really low-income are: cyclo drivers, porters, small vegetable vendors, scavengers, waitresses in small eateries, rice (wage) workers and unskilled construction workers. An aggregate wage series of these workers (calculated at 2000 prices) for the period 2004-2009 is presented in the table on this box.

Year	2004y	2005y	2006y	2007y	2008y	2009y	2010y
Real wages of vulnerable workers (riels, base year: 2000)	5,854	6,164	5,779	6,637	8,296	7,451	7,842

These series show that wages have been rising securely and support the results obtained from the CDB.

VI.2 Employment

2.45 As a low-income country progresses, the share of workers in the primary sectors (agriculture, in this case) reduces. The reason: non-agricultural sectors have a higher (labour) productivity – 4-5 times, in many cases.¹⁷ It follows, therefore, that with a reduction in the proportion of workers engaged in the primary sectors, labour productivity, and hence, earnings and standards of living would go up in the whole economy, resulting in reduction of poverty in a sustained manner. The NSDP-Update 2009-2013 has not set quantitative indicators on a sectoral shift in the workforce, but it is obvious that as non-farm sectors grow, non-farm employment would also grow.

2.46 Table 2.5 suggests that in Cambodia, the proportion of workers engaged in agriculture and its allied activities is in the range of 55 percent. This proportion has virtually remained unchanged through the five years (2004-2009). If this trend were to be extended up to 2010 or 2011 to cover part of the NSDP-Update 2009-2013 period, the figures would be no different.

2.47 On gender: Through 2004-2009, both female and male workers have proportionately increased in agriculture and industry and proportionately decreased in services. However, the rate of change is higher among female workers than male. There is little else to decipher from these data¹⁸.

Table 2.5: Percentage Distribution of the Workforce by Broad Industry Groups and Sex for Workforce Age 15-64 Years

	2004			2009		
	Male	Female	Person	Male	Female	Person
Percentage of workers in Agriculture & its allied activities	57.0	55.5	56.3	57.4	57.8	57.6
Percentage of workers in Industry	13.0	14.4	13.7	15.5	16.2	15.9
Percentage of Services	29.9	30.1	30.0	27.0	26.0	26.5

Sources: Census of 1998 and Census of 2008

¹⁷ Cambodia bears evidence to this productivity differential. See NHDR 2007 of Cambodia.

¹⁸ The proportion of workers in agriculture from Census 2008 is over 70 percent of all workers. Definitional changes between Census and CSES accounts for this large difference.

2.48 The kind of work workers are engaged in is also an indication of the quality of work they do. In Cambodia, a rule of thumb is that larger are the proportions of workers engaged in the capacity of salaried/wage workers, they are better off, and the vice versa. In the same vein, workers engaged as 'unpaid family workers' are deemed to be at the lowest rungs in the labour market. An increase in the proportion of workers in this (latter) category could also reflect underemployment.

2.49 Table 2.6 suggests that 'employees' formed about a fourth of the workforce in both 2004 and 2009. The unpaid family workers have sharply reduced, particularly among female workers. This is expected in a rapidly modernising economy. The fact that female unpaid family workers are reducing more sharply is a positive achievement.

2.50 *It can be inferred that* irrespective of the measure, poverty has reduced visibly in the recent years. The economic base of the non-farm sector, however, being still not deep and workers' skills being low are reasons for a large proportion of workers stuck in the primary sectors. Since after the civil war, a lot of rural dwellers have been seeking land for livelihoods. The RGC has been actively implementing different policies for farmland distribution to landless farmers.¹⁹ Thus, Cambodia is yet at a stage where most rural people treasure land ownership to other vocations.²⁰

Table 2.6: Percentage Distribution of Workers (age 15-64 years) by Broad Occupations						
Structure of workforce	2004			2009		
	Male	Female	Person	Male	Female	Person
Percent employees	29.2	19.6	24.4	30.9	22.8	26.9
Percent unpaid family workers	29.1	49.0	39.0	22.6	24.5	23.5
Percent employer/self-employed	47.6	34.5	41.1	46.4	52.7	49.5
Percent Others	1.7	2.3	2.0	0.1	0.1	0.1

Source: CSES of 2004 and 2009

VII. CONCLUSION

2.51 NSDP-Update 2009-2013 was rolled out in 2009, the year when the Cambodian economy was reeling under the worst after-effects of the global economic crisis. The country faced the triple challenge of offsetting the adverse effects of global downturn, fighting inflation caused by rapid increase in the prices of petroleum products and other commodities, and scaling up the socioeconomic development ladder.

2.52 On the fiscal and monetary front, after a year of turmoil in 2009 there has been stability. Public expenditures are peaking, revenues are increasing, inflation has moderated, exports are picking up, and the Riel is stable. The macroeconomic balances of budget and trade are thus getting under control. There has not been any indication of downswing in investment, foreign or domestic. Cambodia has not faced problems of limited economic openness in the recent past and is taking initiatives to step up both exports and foreign investment. The management of the economy has been skilful, contributing to the quick turnaround from the global crisis. The country, however, currently faces the twin challenges of raising larger volumes of revenues, and stepping up exports.

2.53 Many people have crossed the poverty line in the recent years. This has happened due to a sustained growth in agriculture, a rapid rise in food prices and affirmative action of the RGC to redistribute the gains. However, the composition of GDP and the structure of the workforce suggest that the non-farm economy continues to be not too deep, and also the farm sector still leaves a lot to be accomplished.

¹⁹ This policy is implemented through the Law on Social Land Concessions.

²⁰ A formal statement on the cadastral exercises and title deeds given out will be made in the Chapter 3.

CHAPTER III

MAJOR ACHIEVEMENTS AND CHALLENGES IN GOVERNANCE AND KEY OTHER SECTORS

I. INTRODUCTION

3.1 Unlike the conventional approach to development that focuses mainly on techno-economic components, the approach pursued in Cambodia is broad-based, covering economic, social, human development and governance components, neatly knitted together in the Rectangular Strategy, Phase 2 (RS-II). The core of RS-II is Good Governance, but the elements around it addressing aspects such as human capital and human development, private sector development, agriculture, infrastructure and so on are no less important.

3.2 This chapter examines the progress made during the first half of NDSP-Update, 2009-2013 on each of the said components of RS-II. While for some components and sectors it has been possible to generate quantitative indicators, on other, more process-oriented components, a narrative has suited the purpose better. The chapter provides a critical assessment at the end of each major section and highlights challenges that planners would face from now until the end of 2013 and beyond.

II. GOOD GOVERNANCE: CORE OF RS-II

II.1 Policy Action in Better Governance

3.3 The RGC of the Fourth Legislature of the National Assembly continues to attach high importance to enhanced effectiveness in both, implementation of the policy and delivery mechanisms. The four sub-components of good governance in RS-II are:

- A. Fighting corruption,
- B. Legal and judicial reforms,
- C. Public administration reforms (PAR) and decentralisation and de-concentration reforms (D&D Reforms), and
- D. Reforms in the armed forces

A. Fighting Corruption

3.4 The National Assembly unanimously adopted a comprehensive Anti-corruption Law in March 2010 after detailed discussions within the government and outside it.

3.5 Among the different measures adopted are prevention (including public education and seeking the cause of crime), strengthening accountability and institutional capacity of the implementing agencies, seeking participation of different sections in the society including the private sector and the people at large, and strengthening the law enforcing mechanism.

3.6 The Ministry of National Assembly, Senate Relations and Inspection (MONASRI) has laid out three main strategic policies:

- 1. Strengthening dissemination of the law,
- 2. Strengthening inspection, and
- 3. Strengthening institutions and human resources.

3.7 Disseminating the law: During 2009-2011, the nine priority laws disseminated were land law, law on fisheries, law on forestry, law on prevention on domestic violence and protection of victims, law on prevention of HIV/AIDs epidemic, law on road traffic, law on drug control, law on control of pharmaceutical products, and law on control of medical and paramedical private services.

3.8 *Strengthening inspection:* MONASRI has conducted inspections, resolved complaints, and enforced laws to promote good governance.

3.9 Institutions and human resources are being strengthened at both national and sub-national levels. MONASRI has prepared a draft law on inspection and a policy on access to information and has conducted several training courses for both national and sub-national staff. In addition, seven provincial departments have been built in Kampong Speu, Kep, Pailin, Preah Vihear, Pursat, Odtar Meanchey, and Takeo.

3.10 RGC has taken measures to combat corruption through preparing an Anti-corruption-related Legal Framework and setting up an Anti-Corruption Unit (ACU).

3.11 ACU, since its establishment in April 2010, has implemented three main measures to combat corruption: educational measures, preventive measures, and enforcement measures, so that *each individual would adopt the mind-set of 'not wanting to corrupt', 'being unable to corrupt' and 'not daring to corrupt'*. Through the implementation of those measures, the ACU has achieved a lot of positive results, which have been appreciated by the general national and international public. ACU will continue to implement the measures gradually, in order to ensure a smooth attitudinal change in the society.

B. Legal and Judicial Reforms

3.12 Legal Reform:

1. Adoption of fundamental laws:

- The Council for Legal and Judicial Reform (CLJR) has initiated the finalisation of three fundamental laws pertaining to judiciary, including a desk study on two draft laws—Law on Organisation and Functioning of Court and Prosecution, and Law on Statute of Judges and Prosecutors—and the draft law on Amendment to the Law on Organisation and Functioning of the Supreme Council of Magistracy (SCM). This involves judges, prosecutors and key persons in the judiciary. Pursuant to the results of the study, the draft law on Statute of Judges and Prosecutors is being revised and a special working group at the Council of Jurist will finalise the draft law on Court Organisation and Prosecution.
- CLJR organised three seminars with relevant ministries/institutions, seeking suitable options for developing the Administrative Code and Administrative Procedure Code.
- The Penal Code has been promulgated.

2. Legal training and dissemination

- Responsible institutions have adopted the Public Services Compendium on Justice and Arbitration, which had been prepared by CAR.
- The MOJ is training, and disseminating information to, judges, prosecutors, judicial police, lawyers, and all other law enforcement officers, on the criminal and civil codes and procedures, in the capital and all provinces.
- Training of judges, prosecutors, lawyers, and court clerks has been conducted as planned at the Royal Academy of Judicial Profession.
- National police officers have been trained at Royal Academy of National Police.
- Ministry of Women's Affairs has disseminated the Law on Domestic Violence and Victims Prevention.
- Laws related to Commerce have been published by the Ministry of Commerce and included in the curricula of high schools and specialised schools.
- Courts have installed a Public Information Board on the law, especially on complaint-procedures pertaining to civil and criminal procedures, and court fees.

3.13 Judicial Reform:

1. *Capacity enhancement:*

- Five batches of judges and prosecutors have been trained.
- Implementation of the Model Court: MOJ introduces the new system of “case registration process” in First Instance Courts (FIC) throughout the country.

2. *Mechanisms supporting judicial sector:*

- Royal School of Court Clerk has been established.
- Royal School of Notary has been established.
- Royal School of Bailiff has been established.
- The MOI reviewed the Statutes on police and prison officers.

3. *Legal aid:* Relevant institutions have discussed the National Legal Aid Policy

4. *Alternative dispute resolution mechanisms:*

- Justice Service Centres were established in 20 districts in six provinces (Kampong Speu, Kampong Chhnang, Battambang, Siem Reap, Rattanakiri, and Mondolkiri) and 10 Khans in Phnom Penh, Prey Veng and Kampot.
- Some Commune/Sangkat Councils have succeeded in solving minor disputes in the community and MOI is also conducting a study on the legal framework for institutionalising this mechanism.

5. *Strengthening justice service:*

- Two provincial tribunals have been set up and put into effect, namely two Courts of First Instance and first instance court prosecutors: one in Pailin province and another one Odtar Meanchey province.
- MOJ is undertaking repair/establishing additional audience rooms in Kampong Cham, Kampong Thom, Banteay Meanchey, Battambang, Kratie, and Prey Veng courts.

3.14 *Promoting legal and judicial reform:*

1. The handbook on planning, budgeting and reporting for legal and judicial reform sector has been developed and disseminated.
2. Manual and the modules for training on Indicators and Monitoring System for legal and judicial reform have been prepared.
3. CLJR has organised dialogues between various implementing institutions and the civil society periodically at provincial level.

3.15 *Challenges and Way Forward:*

1. **Challenges:** Fundamental laws on the judiciary cannot be completed with just technical assistance. There are not sufficient funds available for the judiciary to operate on a level comparable to international standards. CLJR needs additional resources for: human resources, office space, supply and equipment, resources for disseminating laws among vulnerable groups, and the means to train judges, prosecutors, court clerks and other law enforcement officials.

2. **Way Forward:**

- Find ways to pass of the three remaining fundamental laws pertaining to the judiciary.
- Continue monitoring the progress of the Cambodian Model Court.
- Develop updated LJR Action Plan and seek the approval of the CLJR.
- Continue organising state-civil society dialogues in provinces.
- Continuing to mobilise both technical and financial support.

C. **Public Administration Reform**

C.1 **Progress in making administration effective**

3.16 The Council for Administrative Reforms (CAR) aims to make the Civil Service more effective by making them more transparent, responsive, efficient and effective. Some achievements are:

Making Public Service More Transparent, Responsive, Efficient and Effective:

1. The policy on public service delivery, including a compendium of information on public services, has been finalised and disseminated to ministries, institutions and in the provinces. The compendium relates to, (1) state sovereignty; (2) security, public order and social safety; (3) enhancing trade matters, small and medium enterprises (SME), investment environment, and private sector participation in construction and maintenance of infrastructure; (4) social affairs, culture, and women's affairs; (5) development of physical infrastructure; and (6) revenue collection, expenditure rationalisation and disbursement.
2. The compendium of information on public services will be regularly updated, and procedures of public services will be streamlined through inter-ministerial consultative meetings.
3. The Governance Action Plan Phase III is being developed, and ministries and institutions have been asked to set up plans to improve the quality of services based on five indicators: Accessibility, Quality of Information, Responsiveness, Efficiency and Feedback and Complaint Mechanism.
4. The government has deployed 31 Special Operational Agencies (SOA) (30 in the health sector and one in labour and vocational training); in all, 4,037 civil servants are involved.
5. CAR has updated and disseminated the SOA implementation guidelines.
6. Ministries and institutions have been asked to post their service delivery objectives, responsibilities and other information on websites to encourage e-governance.
7. An Operational Review within three ministries is being carried out on a pilot basis, namely in MEF, Ministry of Public-Works and Transport (MPWT), and Ministry of Health (MOH), to provide a rationalisation of the public service delivery procedures.
8. CAR is preparing a concept note on civil servants' redeployment.
9. RGC has promulgated a Sub-decree on establishing Priority Operating Costs (POC) within the framework of development cooperation.
10. RGC has deployed 36 POC schemes within 20 ministries and institutions covering 9,744 civil servants.
11. The Council has established a databank of 400 laws and regulations related to the management of Civil Services.
12. The guideline on Performance Management System has been updated and published.

Enhancing Culture of Service, Loyalty, Professionalism and Motivation:

3.17 A Civil Servant Census has been completed, in which 4,798 inactive civil servants (ghost) have been identified. Civil servant ID-Cards have been also issued. A databank as well is being created on the capacity and skills of civil servants. The government has deployed electronic time-attendance systems in all ministries, institutions and municipal departments in Phnom Penh. It has also drafted a document, "Guide on Public Service Standards". This will be used for counselling ministries and institutions for improving standards of their public services through facilitating accessibility to services, enhancing the quality of information and transparency, improving responsiveness to demand, establishing a feedback and complaint mechanism, and enhancing efficiency of services.

3.18 A Royal Decree on civil servant recruitment and internal examination for changing cadres and promotion has also been drafted along with a Policy on Human Resource in Public Service and a manual on Human Resource Management. A Booklet on Values of Civil Servant Behaviour has been published. A study of best practices in Compensation Reform had been carried out and Indonesia and Republic of Korea were chosen as case studies. Some twenty managers and experts from key ministries have been trained under the Capacity Building Programme.

Challenges and Measures to Overcome Them:

3.19 The Governance Action Plan III and Guidelines and Skill Database for Developing Civil Servants' Capacities, however, could not be finalised on time. A common challenge is the limited and uneven civil servant capacity. To overcome this, efforts are now being made to disseminate key policies to improve knowledge, put in place mechanisms to utilise resources more efficiently and effectively, and enhance civil servants' performance.

C.2 Progress in Decentralisation and De-concentration Reforms²¹

3.20 As the results of the RGC's D&D reform efforts, Councils at all sub-national administrative levels have been established through democratic elections – either direct or indirect – in order to serve the local people and their needs. Appropriate functions and resources (human and financial) have been given to the elected Councils to accomplish these tasks. Opportunities and mechanisms have also been created for the Councils to decide on the future of their own community through participatory consultations with the local people in development process in that locality. The District One-Window Services Office (OWSO)/Ombudsmen Office as new mechanisms to improve public service deliveries at the district level, which was piloted in two districts in 2008, have been expanded in 17 districts/municipals in 2011. Further, RGC has recently launched the 'Safe Village-Commune' Policy aimed at effectively strengthening and supporting the D&D reform agenda, especially ensuring safety, security, and social order in Cambodia.

On Decentralisation:

3.21 The National Committee for Democratic Development at Sub-National Level (NCDD) has drafted several laws, decrees, sub-decrees and other regulations, focusing on varied institutional arrangements to ensure that the Sub-national Administration (SNA) fulfils its mandate stated in the Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans. In consultation with MEF, the NCDD has also drafted a law on Financial Regime and Management of Sub-National Administration Property, which the National Assembly has now approved.

²¹ Studies conducted by NCDD suggest that the D&D Programme has contributed to poverty reduction, and the commune/sangkat fund has improved people's welfare, especially through constructing rural roads.

Ten-year National Programme on Sub-National Democratic Development:

3.22 A National Programme on Sub-National Democratic Development (NP-SNDD) was approved by the Council of Ministers in May 2010, and in August 2010 the NP-SNDD was officially launched. NP-SNDD will be implemented in three phases between 2009 and 2019.

Progress and achievements of the first 3-year implementation plan (IP3, 2011-2013):

3.23 IP3 of the NP-SNDD has been divided into six sub-programmes:

1. Policy development and programme coordination: NCDD Secretariat to implement
2. Institutional and human capacity building for SNA: Ministry of Interior to implement
3. Management of SNA human resources: State Secretariat for Civil Service to implement
4. SNA resources: MEF to implement
5. SNA planning and investment programming systems: MOP to implement
6. Improving capacity of association councils: National League of Commune/Sangkat Councils to implement

3.24 Some 7,035 officials working in decentralised set ups have been trained on planning and 3-year rolling investment plans. The Capital and all provinces have now completed their development plans for the decentralised levels, and obtained MOI's approval. Next, IP3 advisors and staff have been recruited for the implementing ministries and the administrations at sub-national levels. Third, the annual work-plan and budget for 2011 has been drawn up.

3.25 The RGC, through NCDD, has been investing in the range \$80-90 million each year in about 4,000 small-scale projects since 2009. Some 34 percent of the 14,000 villages and 4,279,468 persons have benefitted from this. The projects undertaken are: red gravel-paved roads, bridges, irrigation projects, clean water and hygiene systems, schools, and health centres. Additionally, the authorities have taken necessary steps to help farmers raising livestock, small-scale job creation, enhancing gender awareness, and training to improve people's standards of living.

Challenges in implementing priority action of NSDP Update, 2009-2013:

3.26 Despite achievements in D&D, the implementation of reform programmes faces many challenges:

1. Capacities of the newly established councils are limited, especially in understanding their mandates and responsibilities, leadership and decision-making.
2. In its new role as coordinator of the programme, the NCDD Secretariat requires more capacities. Ownership of the programme by different sectoral ministries is another challenge.
3. There is no clear mechanism linking the government/D&D, development partners, the civil society, and non-governmental organisations (NGOs).
4. Officials at the national and sub-national levels have limited understanding of the D&D policy. Their participation in decision-making, therefore, remains weak.
5. Many laws and regulations have not been prepared according to the Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans.

Priority action and policies to implement IP3 within NSDP Update, 2009-2013 guidelines:

3.27 NCDD will strengthen its role as a secretariat of this reform programme through coordination and regular meetings with other sub-committees.

3.28 The Capital, Province, Municipality, Districts and Khan Administrations will receive support through one advisor in the capital and each province and one advisor/consultant for every 4-5 districts. Local capacities will be improved through the sub-national capacity development plan. Councillors will receive consultant/advisory service to ensure that ideas flowing from elected councils strengthen the sub-national administration.

3.29 NCDD will begin its capacity development strategy at both national and sub-national levels, through training, facilitating, coaching, advising and field visits. A National Institute for Sub-National Administration will be established to assist the whole process. NCDD will disseminate information about the process of D&D reform through mainstreaming the D&D policy, through school curricula, media, posters and leaflets, in addition to establishing a consultation mechanism with development partners, civil society and non-governmental organisations (NGOs). Finally, NCDD will work with relevant line-ministries to prepare laws and regulations in accordance with the Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans.

D. Reforms in Armed Forces

3.30 Cambodia, like any country, requires protecting its sovereignty and territorial integrity, political stability and social order. Key reform measures have been carried out within the Royal Cambodian Armed Forces (RCAF) and the National Police Force (NPF) to enhance their capabilities to grapple with the evolving defence requirements and contribute to socio-economic development process. It is essential to allocate the needed funds to this sector without reducing funds for development and social sectors.

3.31 Significant progress has been made in the reforms, as evidenced by the fact that the RCAF has of recent shown their capabilities to protect Cambodia against any attempts to invade its territory, actively contribute to rehabilitating physical infrastructure, and rescue people during disasters. Another evidence of the achievement in this endeavour can be seen from its current participation in UN peacekeeping missions in Sudan, Central African Republic, Chad, and Lebanon; and its participation in the joint peacekeeping military exercises under United Nations umbrella, a major one being Angkor Sentinel 2010 conducted in Cambodia and abroad (with Bangladesh, Indonesia, Mongolia, and Thailand) between 2009 and 2011.

3.32 There have been achievements in improving the professional capabilities of the NPF. The outcomes of the reform measures to strengthen NPF's capacity have manifested themselves in the improved status of law enforcement, seen in domestic security, social order, and preventing international terrorism and crimes.

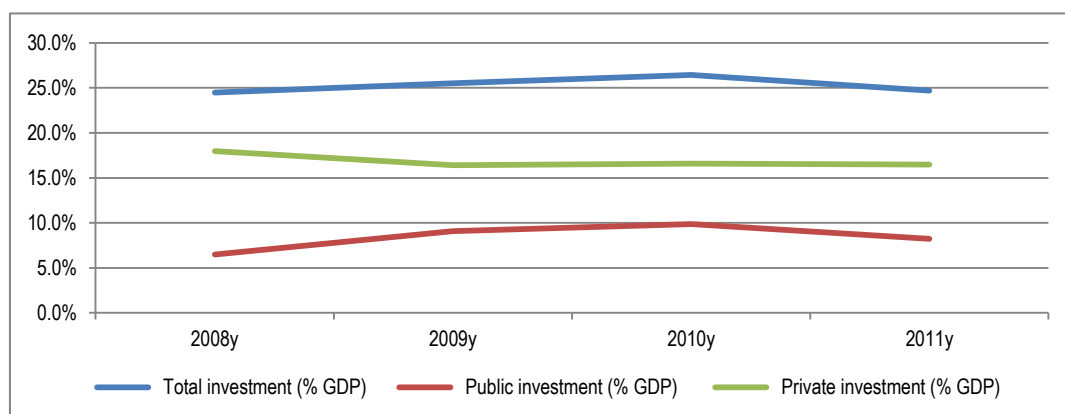
3.33 RCAF aims to strengthen its cadres and administrative structures, put in place a border protection network, provide land to retired, disabled, and sacrifice soldiers and their families pursuant to RGC principles, and improve the standards of living of armed forces personnel.

II.2 Measuring Outcomes of Governance

3.34 The outcome of good governance is that people feel there is rule of law, they are able to live life without fear, and they pursue activities for improving their quality of life. RGC has not set quantitative indicators to gauge the efficacy of governance. However, it is possible to construct *proxy indicators* to reflect the quality of governance. This report identifies three proxy indicators – investor confidence, conflict in society, and people feeling safe.

Investor Confidence:

3.35 Are investors willing to risk investing their money in Cambodia? In the recent years, investment has been in the range 24-25 percent of the GDP. Figure 3.1 suggests that the proportion of total investment to GDP peaked in 2010, and thereafter in 2011 it has shown a small downward movement. That private investment dipped in 2009, but stabilised thereafter, suggests that the global economic downturn has affected the private investment rate a bit, but otherwise it is stable. Investors thus have confidence in the (sound) economic management in Cambodia.

Figure 3.1: Trends in Investment in Cambodia (% of GDP)

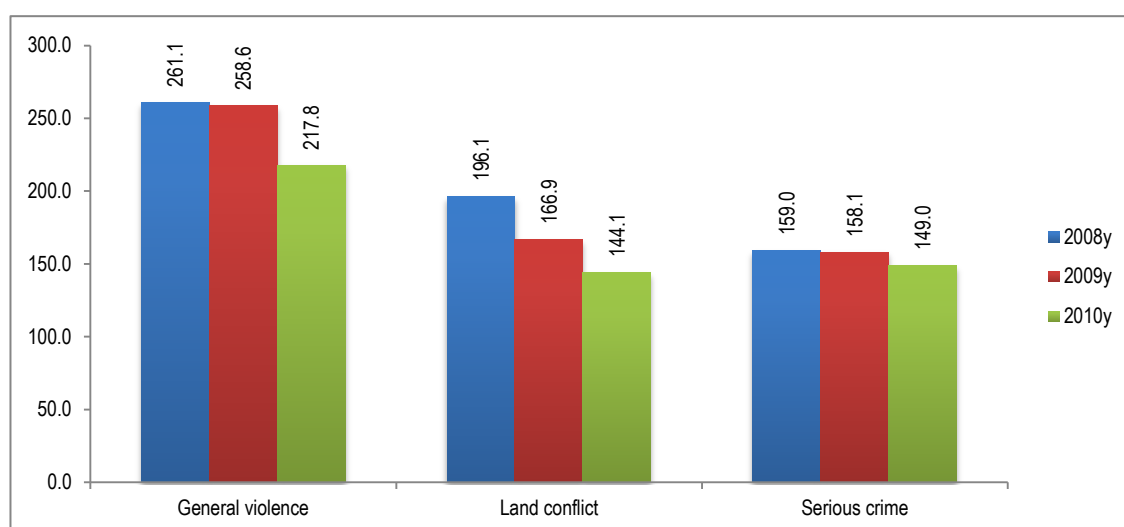
Source: Derived from data obtained from MEF, MOP, and NBC

Violence and Crime:

3.36 Reducing levels of violence or conflict indicates advances in governance. Three proxy indicators are put forth:

1. What are the trends in violence—it could be on economic matters, sexual and domestic issues, other physical violence, or mental torture—prevalent in the society?
2. What are the trends in conflict relating to land and property? This question is critical because land has been a contentious issue in Cambodia. A large number of land plots not having title deeds, only worsens the situation.
3. What are the trends in crime: murder, robbery, theft, drugs, and human trafficking?

3.37 Figure 3.2 drawn from the CDB database presents the incidence of each of these types of maladies per 100,000 populations. It suggests that through 2008 to 2010 there has been a steady fall in all the three ratios. The CSES also collects data on similar variables: victimisation and property conflict, in particular. Between 2004 and 2009, there was reduction of both these.²² Extrapolations of values from these trends suggest that the proportions of households facing victimisation would steadily reduce in the coming years.

Figure 3.2: Extent of Violence, Land Conflict and Crime Reported per 100,000 Populations, 2008, 2009 and 2010

Note: General violence refers to all forms of violence, economic, sexual, domestic, mental, etc. Serious crime is murder, robbery, theft, human trafficking, drugs, and such kinds.

Source: CDB Database

²² CSES data also suggest that there is reduction by about half in these incidents through 2004 and 2009. CDB is preferred as it is more up to date and has a larger coverage.

Public Safety:

3.38 The second set of proxy indicators of governance relates to the extent that people feel safe and trust public authorities. This indicator is deemed important since there was serious undermining of institutions of governance in the 1970s, 1980s and part of 1990s. Three indicators are identified here:

1. *Do people feel safe?*
2. *Do they trust the police?*
3. *Who do they report crime to?*

3.39 Table 3.1, which presents data from CSES 2004 and 2009, suggests that a majority of the households, both female- and male-headed, felt safer in 2009 and began to trust the police more, compared to 2004. However the numbers of those feeling safe are still much short of 100 percent in the population, implying that more effort will have to be made to instil confidence in people. Those who trust the police are even fewer, implying that the police have a lot of work to do for people to fully trust them. The later portion of Table 3.1 reports that women prefer to report crimes to village chiefs while men prefer the police. Part of the reason could be inhibition among women to approach the police—*there are so few women police officials*—and part could be the nature of the crime: if women face domestic violence, it is simpler to report the matter to the village chief rather than the police.

Table 3.1: Indicators of People Feeling Safe and Trusting Authorities		
	2004y	2009y
Feel safe from crime and violence		
Female-headed households (FHH) (% of total FHH)	58	66.8
Male-headed households (MHH) (% of total MHH)	56.6	67.3
Trust local police for protection		
Female-headed households	49.9	61.9
Male-headed households	50.4	60.6
Reporting crime		
Percent persons reporting crime to police to total reported numbers (vertical percentages)		
Male	52.6	51.9
Female	26.7	18.1
Percent persons reporting crime to village chief to total reported numbers		
Male	42.5	45.1
Female	72	81.9
Percent persons reporting crime to other authority to total reported numbers		
Male	4.9	3
Female	1.3	0

Note: Some of the plan objectives like improving governance are not plan-specific, but are on-going activities. Hence, it is not deemed necessary to make year-wise extrapolations.

Source: Cambodia Socio-economic Surveys (CSES) for 2004 and 2009

3.40 The following inferences could be drawn:

- All indicators suggest that the quality of governance has improved over time. The legal system is getting more ‘teeth’, and the institutions of governance are evolving. There is need, though, to further improve the image of the authorities in the public eye, particularly of the police. Additionally, there is huge shortage of human skills and resources at all levels. This aspect needs upmost address.
- Business or other transactions in Cambodia are carried out in cash rather than through the banking system. If laws can be made prohibiting transactions beyond a certain amount in cash, there can be greater transparency in transactions.
- Reforming civil services can also check corruption.

III. ENVIRONMENT FOR THE IMPLEMENTATION OF RS-II

III.1 Peace, Political Stability, Security and Social Order

3.41 The RGC, through its relevant authorities, has been striving to consolidate peace, political stability, security, social order, and democracy and respects human rights for ensuring the prerequisites for socio-economic development and macroeconomic stability. As a result, the whole nation has fully enjoyed these for more than a decade. Four National Assembly elections and two Commune Council elections have been held successfully. International observers have declared them free and fair. Additionally, the trial of persons involved in atrocities during the Khmer Rouge period is moving forward. The RGC has attained some notable accomplishments, in particular, in the economy. This is despite the global financial and economic turmoil, and the challenges to its national sovereignty and territory. The RGC has helped keep the economy stable throughout this difficult phase, and people's standards of living have improved. At the same time, the sovereignty and territory of the country are fully protected. It is a proud moment for Cambodia to be recognised among five nations in the world by the United Nations, for smoothly moving towards achieving the Millennium Goals by 2015.

3.42 Combating drugs: As illegal drug issues (trade, distribution, storage, trafficking, and use) have become a social concern, the RGC, through the National Authority for Combating Drugs (NACD), has adopted the following strategies to grapple with these problems focusing on: (a) demand reduction; (b) supply reduction; (c) treatment, rehabilitation and re-integration of drug addicts; (d) strengthening of law enforcement capacity; and (e) strengthening and enhancing of international cooperation aiming at improving the effectiveness of illicit drug combating. In the process of implementing these strategies, notable achievements and challenges are:

1. **Major achievements in the priority areas:**

- *Increase public awareness on drugs and its harms:* National workshops on drug-related topics have been organised for all sections in the society and awareness campaigns have also been conducted in many forms throughout the country.
- *Strengthen the effectiveness of law enforcement unit:* Specialised local and overseas training programmes for law enforcement officers have been put in place. There were 1,335 drug-related cases, in which 3,003 persons have been arrested and significant amount of drugs seized.
- *Undertake treatment, rehabilitation and re-integration of drug-addicted people:* Efforts have been made through the existing (Government and Private) centres and a pilot programme on community-based treatment services has been rolled out in Banteay Meanchey and a Methadone maintenance treatment at Khmer Soviet Hospital.
- *Identify priority goals for activities:* Advices and guidelines have been provided to the Capital and all Provinces on the model schools and model communities free of drug in association with 'safe village-commune policy' of RGC.
- *Improve the capacity of relevant institutions at both sub-national and national levels to develop counselling teams in communities.*
- *Draft a new Law on the Control of Drugs:* Various departments of NACD have been working together with the Ministry of Justice to draw up a new law on the control of drugs.

2. **Major challenges and approaches:** Notwithstanding the progress made, a range of difficulties such as the country's geographical proximity to drug-producing neighbourhood and favourable geographical conditions for drug trafficking, advanced technologies enabling drug traffickers and limited capacity of law enforcement officers, have remained major challenges for combating drugs. For the longer-term, the implementation of holistic multi-sectoral strategies set out in the National Plan on Control of Drugs is essential for coping with these difficulties.

3.43 Religion is a great promoter of peace. As a part of peace building, through relevant authorities, RGC is continuing efforts to promote Buddhism across the country. Pagoda histories are being compiled, published and distributed. Attempts are also being made to train monks, and spread the religious ethics among common folk.

III.2 Cambodia's Integration into the Region and the World

3.44 The Royal Government of Cambodia's policy of integration into the region and the world has significantly contributed to enhancing Cambodia's prestige on international arena and creating favourable conditions for national development. As a member of the **Association of Southeast Asian Nations (ASEAN)**, Cambodia has actively participated in the efforts to achieve common sustainable economic growth, peace, security and prosperity in the region. When assuming its chairmanship in 2012, Cambodia will continue enhancing **ASEAN integration**, implementing the **Master Plan on ASEAN Connectivity** and strengthening cooperation with all ASEAN Dialogue Partners with a goal of realising **ASEAN Community** by 2015.

3.45 Recently, Cambodia also became a full member of the **Conference on Interaction and Confidence Building Measures in Asia (CICA)**, a forum that allows Cambodia not only to enhance regional cooperation but also to contribute to promoting peace and stability in the world.

3.46 Cambodia's membership in the **World Trade Organization (WTO)**, since 2004, has stimulated trade and economic reforms boosting Cambodia's competitiveness and improving the enabling environment for investment. As a Least Developed Country, Cambodia benefits from the **Most Favoured Nations (MFN)** status and **Trade Preferential Treatment** like the **Generalised System of Preferences (GSP)**, from numerous nations as well as "**Everything But Arms (EBA)**" from the **EU**, all of which have facilitated export of Cambodia's products to major world markets.

3.47 Cambodia was elected as one of the members of the **World Heritage Committee of the UNESCO** for the 2009-2013 terms on 26 October 2009. The membership of this organisation has given Cambodia to more actively participate in deepening and broadening international cooperation aiming at conserving international and national heritages and promoting and protecting national interests.

3.48 On bilateral relations, Cambodia has forged diplomatic relations with 157 nations. Cambodia has succeeded in enhancing friendship and developing fruitful cooperation with all members of ASEAN, South Korea, China, Japan, the EU and the US, with a goal of attracting foreign direct investment (FDI) and mobilising development assistance. Cambodia has also collaborated with all members of the United Nations and International Organisations on a wide range of global issues such as the fight against terrorism, money laundering and other transnational challenges.

3.49 Sustainable and high economic growth in the last decades could not be separated from the efforts of the Royal Government of Cambodia to integrate the country into regional and global framework. However, the global financial crisis in 2008 and 2009 and the recent natural calamities, including earthquake and heavy floods in different parts of the world have negatively affected Cambodia's development efforts, as with the case of many other developing nations.

III.3 Favourable Macro-Economic and Financial Environment

Macroeconomic Environment:

3.50 Cambodia's macroeconomic situation rapidly improved in 2010 and has stayed steady in 2011. This is despite that many crises impacted the country in 2009: the downturn and financial turmoil; additionally, economic setback caused by Typhoon Ketsana, and challenges and obligations to protect the national territory.

3.51 In the three years 2009 to 2011, total government expenditure was in the range 19-20 percent of the GDP, raised from about 15 percent earlier to offset the decrease in private investment. Yet inflation has been kept under control and the exchange rate has remained stable. The foreign reserves actually increased during this period. Sectoral growth data have been discussed in Chapter 2. A brief recap: the agricultural sector grew at 4.5 percent annual average during 2009-2011, in which crops grew at 5.2 percent, livestock and poultry at 5.3 percent, fisheries at 3.6 percent, and forestry and logging at 0.8 percent. The RGC needs to take active steps to promote livestock and fisheries in the remaining years of the plan. The industrial sector grew at 4.4 percent per year in this period. On the positive side, with both hydropower and coal-fired plants under construction, infrastructure is expected to show higher growth figures in the coming years. Services grew at 3.7 percent per year through 2009-2011. The financial sector is slowly getting visible. Transport and communication sectors, however, need beefing up.

3.52 The government is keenly aware that deepening and broadening the financial sector is critical for sustained macroeconomic stability. Some key steps it has worked on are:

1. Improving the trade balance – developing rice export and diversified value-adding industry are priorities.
2. Balancing the budget – the next paragraph explicates on this more.
3. De-dollarisation – it gives options for the RGC to exercise an effective monetary policy.

Public Financial Policy Framework:

3.53 The RGC's ministries and agencies have been following a Public Financial Management Reform Programme (PFMRP), which is in place for a while. Domestic revenue increased by almost 20 percent in 2010, and forecasts suggest that it would further rise by about 11-12 percent in 2011 to reach 13.2 percent of the GDP: higher than pre-crisis revenue. In 2011, the government is undertaking budget consolidation aimed at narrowing deficits: expenditures to be rationalised at 19.6 percent of GDP to reduce the budget deficit to about 6.4 percent (of the GDP). The budget revenue is to increase by 0.7 percent of the GDP per year during 2011-2013, rising up to 13.2 percent of the GDP in 2011, 13.4 percent of the GDP in 2012, and expected to rise to 13.9 percent of the GDP in 2013. The aim is to reducing the overall budget deficit from around 6.3-6.4 percent of the GDP in 2011, to 5.9 percent in 2012, and 5.6 percent in 2013. The following steps are proposed.

1. Improve administration of tax management, strengthen tax auditing, expand tax base, improve effectiveness of tax collection, rationalise incentive system, and upgrade tax officials' skills.
2. Enforce customs laws; in particular, improve businesses and investment environments and restrict smuggling, train customs officials to upgrade their capacities and professional ethics, and equip working places.
3. Strengthen the non-tax component by enforcing receipts at all levels, improve state property management, and enhance revenue collection from concessional contracts.
4. Tap the agricultural sector for mobilising public revenues.
5. Minimise avoidable expenses.

3.54 The implementation of PFMRP is getting better progressively; the RGC has paid off previous debts, and has eliminated cash inadequacy in expenditure settlements. The current thinking is not to insist on too many cuts in expenses, but it is on raising revenues. For this, both broadening the tax and non-tax revenue base and improving tax collection are central.

Box 3.1: Revenue Sources for the Government in Cambodia

Key revenue sources in Cambodia are taxes on profits (direct tax); import tariffs, Value Added Tax (VAT) and excise (all indirect taxes); and non-tax revenues. VAT collection was 2.8 percent of the GDP in 2004 and 3.6 percent in 2010, and has the potential to rise to a third of the total tax revenue. There is also scope to raise income tax. Revenues from customs duty, however, have stagnated because of global financial crisis, economic integration into ASEAN and the world (implying harmonising custom rates with other countries), and providing incentives to businesses. Finally, non-tax revenues have increased only a bit, because the sectors that contribute to non-tax revenues have not grown in the last three years, e.g. tourism, transport and telecommunication. These could pick up in the future as tourism picks up, and also royalty from minerals (gold, petroleum, others) would begin to flow in.

III.4 Partnership in Development

3.55 There are at least three aspects of partnership between RGC and its development partners:

1. A government-to-government partnership,
2. Private sector partnership,
3. Non-governmental organisations (NGO) and civil society partnership

3.56 Cambodia has had several levels of partnerships and has established forums to make them functional. The key ones are:

1. Cambodia Development Cooperation Forum
2. Government-Development Partner Coordination Committee
3. Technical Working Groups – there are 18-19 of them, covering different areas
4. ODA Database maintained by the Cambodia Rehabilitation and Development Board of the Council for Development of Cambodia (CRDB/CDC)
5. The Government-Private Sector Forum

3.57 The government is fully committed to implementing the Accra Agenda for Action regarding development assistance. During the current plan, the focus is to integrate aid-effectiveness with sector programmes and reforms. The Technical Working Groups (TWG) have identified three broad areas to judge aid effectiveness: (i) Strengthening programme-based approaches and sector strategies, (ii) Capacity-building and using national systems, and (iii) Promoting sound partnership practices.

3.58 Government level development cooperation: The total disbursement in 2009 was \$989.5 million, an annual increase of 3.5 percent, which was equivalent to nine percent of the GDP in that year. This is higher than the projection of \$840 made in the NSDP-Update 2009-2013. Grant support accounted for approximately two-thirds of total disbursements. Significant funds continue to be allocated to social sectors, with the combined share of health, HIV/AIDS and education support representing more than 30 percent of all assistance. The transport sector received a 20 percent rise in 2009 to become the largest aid-receiving sector. Assistance to agriculture also registered an annual increase of nearly 60 percent, rising to US\$ 91.2 million.

3.59 Private inflows: Trends in private capital inflows (Figure 2.5 – Chapter 2) suggest an inflow of \$600-800 million a year, i.e. 7-8 percent of the GDP. Cambodia remains an attractive destination for private investment within its capacities to absorb investments – garment, commercial agriculture, real estate, and minerals. The country, however, seriously lacks the infrastructure and human resources to attract more diversified capital, e.g. in electronic, electrical or mechanical engineering industries.

3.60 Non-government organisations: Disbursement of core funds from NGOs amounted to \$103 million in 2009, representing about 10 percent of the total assistance. NGO support is mainly provided at the provincial levels. It accounted for almost 20 percent of aid disbursement at the sub-national level in 2009. Their efforts continue to be focused on social sectors, with health accounting for more than 30 percent of the core support. In their implementing-partner role, NGOs managed an additional \$100 million of development partner funds in 2009. This fund was also directed largely to support health services, though also to governance, trade, agriculture and rural development. An NGO database has been established, permitting improved data gathering and validation about NGO activities.

3.61 The international partnership-process aims to promote *ownership* aligned with RS-II: integrating the budget, Public Investment Programmes (PIP) and development cooperation financing. The progress on the alignment of development cooperation financing with national priorities has been positive. With regards to the use of *government systems*, however, there has been limited progress as it is not easy for both the government and its development partners to move in tandem. Finally, on *harmonisation*, RGC prefers promoting programme-based approaches that address ownership, capacity development and use of country systems, integrating core reforms and promoting results-focused approaches.

3.62 Concrete achievements *toward strengthening partnership mechanisms* are:

1. Cambodia Development Cooperation Forum held three meetings successfully: in 2007, 2008 and 2010, respectively.
2. Sector level dialogue mechanism (Government-Development Partner Coordination Committee-GDCC and TWGs) has been working effectively and is gaining strength. Different retreats have been organised to create a forum for the heads of TWG secretariats and key officials responsible for holding TWGs to share experiences and good practices, and to enhance the implementation of the RGC's aid effectiveness policy (promoting PBA, the use national systems etc.).
3. TWGs guidelines on responsibilities and practices have been updated to guide the functioning and enhancement of effectiveness.

3.63 Significant progress has been made *toward implementation of the commitments in "the Accra Agenda for Action"*:

1. Cambodia honours all its commitments on enhancing aid effectiveness, stated in the Paris Declaration and Accra Agenda for Action. RGC joined the process of monitoring and evaluation of the implementation of the Paris Declaration in 2005, 2008 and 2011. Also, the government has participated in other global initiatives aimed at enhancing aid effectiveness, South-South cooperation, and partnership with Asian Development Partners.
2. The government has strived to reduce aid fragmentation and enhance development results. As part of these efforts, it has favoured Programme-Based Approach (PBA) as a tool to reduce aid fragmentation. Some ministries and government agencies have started implementing PBA.
3. Civil society partnership has been enhanced to ensure the effectiveness of these organisations' participation in the development processes. The Guideline on the Role and Functioning of TWGs has also been updated to get civil society organisations involved in the dialogue process.

3.64 The Paris Declaration has helped improve aid effectiveness and development results. Examples:

1. Integrating and strengthening pre-Paris Declaration reform efforts;
2. Strengthening Cambodia's ownership of development;
3. Strengthening mutual accountability at both national and sectoral levels;
4. Widening engagement of RGC, development partners and civil society partners in aid effectiveness activities;
5. Developing social capital, nationally and at the regional levels where there are projects and programmes for promoting empowerment of women and men, including those that are socially excluded.
6. Supporting the move towards programme-based approaches as a tool to foster the harmonisation of development investments within specific sectors.

3.65 *It can be inferred that:*

1. Cambodia has been peaceful for more than a decade. Institutions that protect peace and social order are getting stronger. Seen from an economic perspective, after an initial increase in state expenditures, RGC is trying to control avoidable expenses but more than that, raise revenues through better tax management and tapping non-tax sources.
2. Cambodia received more than expected assistance from its development partners (governments, multilaterals and NGOs), a sign of how much trust they place in the management of development and development assistance in the country. Cambodia has established firm partnerships with the external world, both bilateral and multilateral. For furthering partnerships, it is now increasingly insisting on national ownership, the use of country systems and harmonisation between RGC's and DPs' activities.
3. There are many areas that require improvements though. Example: there is need to put in place mechanisms for raising revenues rapidly, and establishing procedures to managing resources efficiently – in this regard, making visible progress on PBA, adopting uniform country systems, and coordinating at the inter-ministerial / agency levels on the one hand and vertically from sub-national to ministerial levels on the other, all require to be implemented in a time-bound manner.

IV. ENHANCEMENT OF AGRICULTURE SECTOR

3.66 Agriculture is a promising sector for Cambodia's development. The NSDP-Update 2009-2013 attaches high importance to raising paddy productivity, diversifying the cropping pattern, making more intensive use of land, expanding irrigation, (vertically) integrating agriculture with agro-industries to generate more value-added, integrating livestock with crop agriculture, and strengthening the legal and regulatory framework for human resource development. RGC has passed as many as 17 decrees, laws and notifications for promoting the agricultural sector. In the same vein, land settlement and cadastral exercises are also high on the agenda. Additionally, in order to put in place more comprehensive agricultural statistical information, RGC will launch the first historical Agricultural Census that had been planned for 2009 in 2012

IV.1 Improving Agricultural Productivity and Diversification

Rice Production:

3.67 In 2010, paddy crops were produced under the total area of 2.79 million hectares (2010 wet- season production and 2010-2011 dry-season production). Out of these cultivated areas, the harvested area was 2.77 hectares with the total production of 8.25 million tonnes and the averaged yield of 2.97 tonnes/hectare (both wet and dry). All in all, paddy production in 2010 significantly increased in terms of cultivated area, harvested area, and produced quantity. Against the related indicators set out in the NSDP-Update 2009-2013, Cambodia's paddy cropping has been improved, both quantitatively and qualitatively, as it exceeded the set targets for 2013, in terms of cropping areas and production. Paddy yield per hectare will reach the target of 3 tonnes/hectare in the near future.

Table 3.2: Paddy Yield Statistics

Description	2006	2007	2008	2009	2010	Change 2009/2010 (%)
Cultivated Areas for paddy (million ha)	2,541	2,585	2,615	2,719	2,795	2.82
Paddy Yield (tonnes/ha)	2.489	2.621	2.746	2.836	2.97	4.74
Production (million tonnes)	6,264	6,727	7,175	7,585	8,249	8.75

Source: MAFF

3.68 Challenges and Approaches: RGC has attempted to encourage bringing agriculturally marginal areas under the plough through several interventions with assistance from development partners: introducing better know-how like new and high-yielding seed varieties, improving farming techniques, and so on. The training of agricultural agents for all communes is a priority.

Non-rice Crop Production:

3.69 Area: In 2010, the area under non-rice crops was 752,639 ha, about 21 percent of the total sown area. This has increased from about 14 percent in 2007. The land under non-rice crops has thus rapidly risen, resulting in a more diversified cropping regime. However, to meet the NSDP Update 2009-2013 target, area under non-rice crops must grow still higher.

3.70 Crops: Among the main crops in the non-crop segment are maize, cassava, mung bean, soybean and rubber. Rubber is a perennial industrial export crop, contributing to both latex and timber. Smallholders control almost 45 percent of the area under rubber. It creates jobs for them, helping to reduce poverty and preventing out-migration. Being a tree crop, it also helps expand green cover and protect the environment. In 2010, rubber plantations in Cambodia covered 181,430 ha, an increase of 39.6 percent compared to 2009 (129,920 ha).

3.71 Export promotion: Officials were trained in phyto-sanitary inspection for 13 categories of products in 2010, which included milled rice, raw coconut, red corn, and sliced acacia plant. This was to promote exports. Milled rice is now exported to 31 countries (61.2 percent goes to Europe, with France being the lead importer at 31,552 tonnes). Additionally, appropriate *Prakas* have been issued to promote exports of fruits and vegetables.

IV.2 Fisheries Reform

3.72 In 2010, the Fisheries Administration succeeded in all sub-sectors: preparing regulatory legal instruments, strengthening community fisheries, establishing community fish refuge ponds, developing aquaculture, undertaking research, conserving, suppressing illegal fishing practices, and fisheries extension work. A Royal Decree, Sub-decrees, *Prakas* and technical orders have been drafted, reviewed, revised and approved, to ensure sustainable management of fisheries. The 2010 achievements (Figure 3.3):

3.73 Inland Fisheries: The total catch was 405,000 tonnes, an increase of 3.85 percent over 2009. The trend in the recent years, however, has not been encouraging.²³

3.74 Marine Fisheries: The total catch was 85,000 tonnes, an increase of 40.5 percent over the last five years average.

3.75 Aquaculture: Production of fish under culture was 60,000 tonnes of which and 65 tonnes of shrimp. The target was met 100 percent. When compared to 2009, there was an increase of 20 percent in aquaculture production. Crocodile farming was of 283,000 heads (exceeding the target of 200,000). The production of fish fingerling was 110,440,000 heads, exceeding the target of 80,000,000 heads.

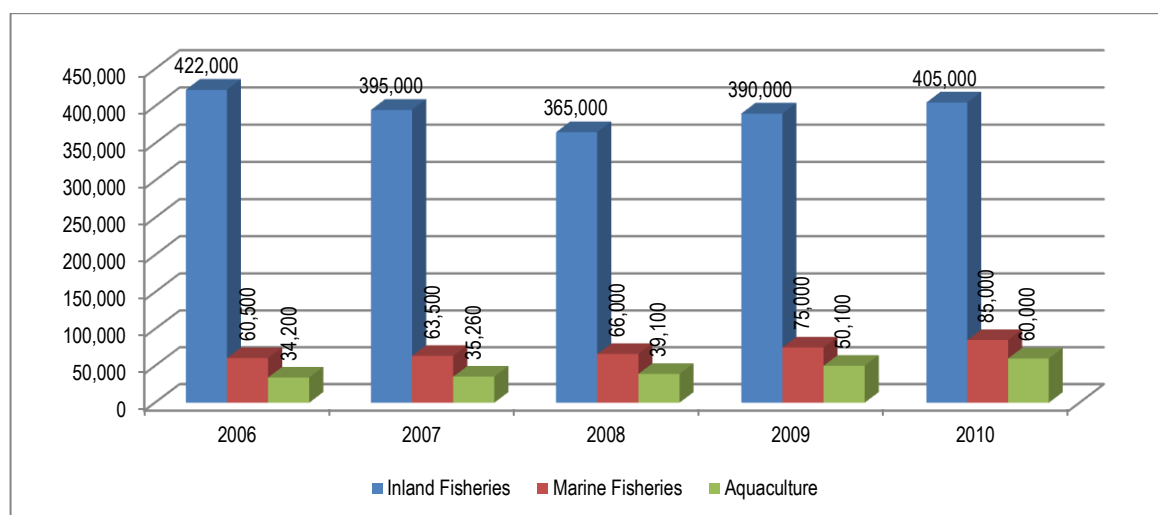
²³ The deteriorating ecology in the larger region is impacting Cambodia as well. The fish catch in the Tonle Sap region is not as rich as one would have expected it to be some years ago.

3.76 Close collaboration between local authorities, concerned institutions, and other organisations to support community development and management of fish and community fish refuge ponds has helped the sector to grow and support rural people's livelihoods.

3.77 Samdech Prime Minister had once said that "we must revitalise the richness of fish in our country". The concerted efforts in fisheries form will make this come true.

3.78 Challenges and Approaches: The biggest challenges are to manage the ecology of the Tonle Sap. Also of importance is to control illegal fishing and use of harmful approaches to catch fish. Additional challenges relate to preserving and marketing the produce, it being highly perishable.

Figure 3.3: Fisheries Production, 2006-2010



Source: MAFF

Livestock Production:

3.79 Livestock statistics can be seen as below:

- Husbandry of oxen and cows experienced an increase of 0.77 percent in 2010 compared to 2008;
- Husbandry of buffaloes underwent a decrease of 5.91 percent in 2010 compared to 2008;
- Pig husbandry dropped about 7.14 percent in 2010 compared to 2008; and
- Poultry husbandry significantly increased by 23.07 percent in 2010 compared to 2008.

3.80 These developments have resulted from improvements in mechanisation, competitiveness of domestic products, prevention of animal diseases, and technological knowledge of farmers.

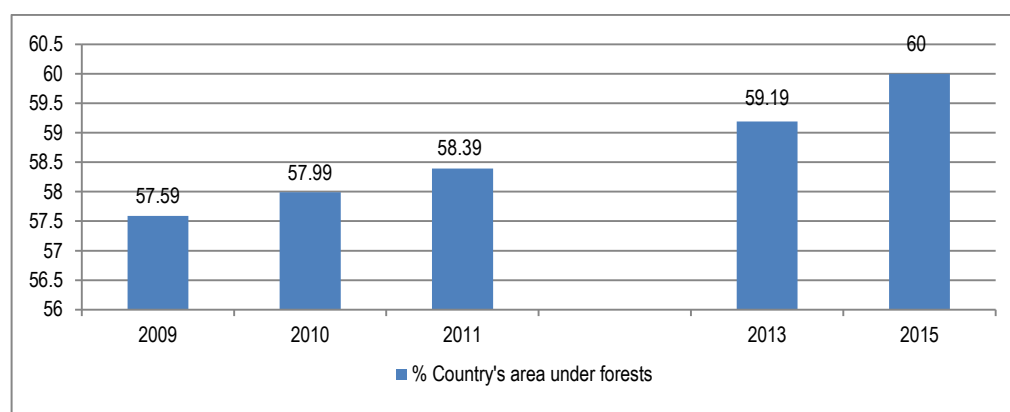
Table 3.3: Livestock Statistics 2008-2010 (Annual Percentage Change)								
Animal Species	2008		2009		2010		-2008 2010	Target 2013
	Quantity	% change	Quantity	% change	Quantity	% change	% change	Quantity
Cattle	4,203,994	1.52	4,319,528	2.67	4,186,675	-3.07	-0.41	4,584,590
Oxen/Cows	3,457,787	2.65	3,579,882	3.41	3,484,601	-2.66	0.77	-
Buffaloes	746,207	-3.43	739,646	-0.89	702,074	-5.07	-5.91	-
Pigs	2,215,641	-7.27	2,126,304	-4.20	2,057,431	-3.23	-7.14	2,301,580
Poultry	16,928,075	6.96	20,192,811	16.17	20,834,295	3.17	23.07	21,857,347

Source: MAFF

IV.3 Forestry Reform

3.81 In the year 2010, the total area under forest was about 58 percent of the total area of the country. RGC aims to raise the area under forests to 60 percent by 2015 (Figure 3.4a). To convert the intent into reality, some extra effort will be required, as until so far the forest area has not shown an upward trend anytime in the recent past.

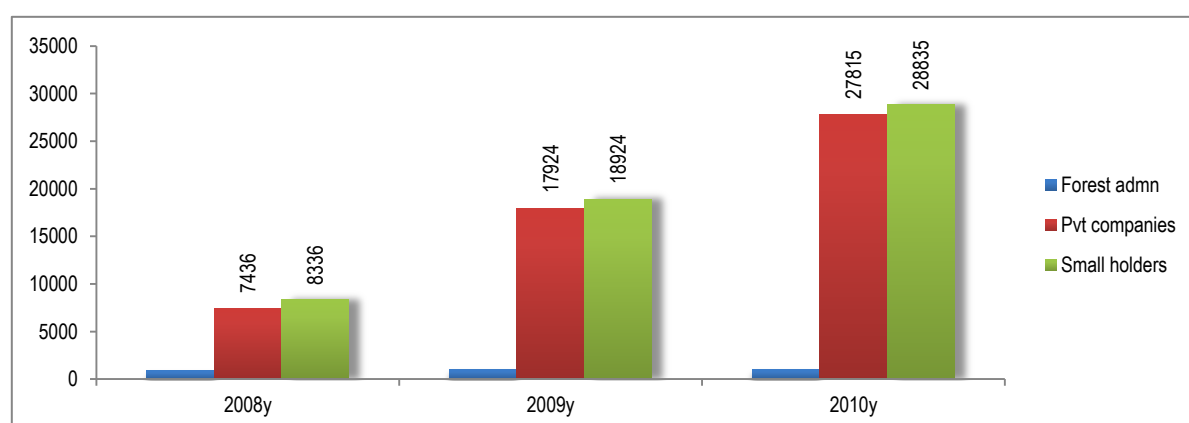
Figure 3.4a: Area under Forest to Total Area (percentage)



Source: MAFF

3.82 A reforestation programme is in place, whose progress can be seen in Figure 3.4b.

Figure 3.4b: Progress in Reforestation (ha)



Source: MAFF

IV.4 Land Reform and Clearing of Mines

IV.4.1 Land Reform:

3.83 The key tasks laid down in the NSDP Update 2009-2013 are implemented under land administration, land management, and land distribution sub-sectors for poverty reduction.

Land Administration:

3.84 RGC, through the Ministry of Land Management and Urban Construction (MLMUC), has given out 1,770,987 land titles to people (estimate until 1st semester of 2011) in 16 provinces through systematic titling. The provinces are Phnom Penh, Preah Sihanouk, Kandal, Kampot, Takeo, Kampong Thom, Prey Veng, Kampong Cham, Kampong Speu, Siem Reap, Kampong Chhnang, Pursat, Battambang, Banteay Meanchey, Kep, and Svay Rieng. Another 599,506 titles have been given out through sporadic land titling. The total titles given out thus were 2,370,493. The rate of farmland registration, measured by the percentage of total plots registered per year, has risen continuously, from 22 percent in 2009 to 24 percent in 2010, and 28 percent in 2011 (estimates). The aim is to reach 29 percent by the plan end in 2013.

3.85 The registration of indigenous people's community lands is complete in three target pilot areas: 1st in Andong Kraling village, Orang district in Mondolkiri, and the 2nd and 3rd in Ochum district and Konmom district, respectively in Rattanakiri. To strengthen the capacity for implementing both systematic and sporadic titling, MLMUC has conducted courses for training its officials.

3.86 Thirty-seven economic land concession titles have been issued covering 549,135,452m², and 103 long-term land leases have been signed for 585,670,341.60 m². A law for providing ownership right of private units in co-owned building to foreigners was promulgated in May 2010. Under this law, foreigners purchased 214 rooms in more than one floor buildings in Phnom Penh up to December 2010.

3.87 Progress in land dispute settlement with the Cadastral Commission (2009 until May 2011): 525 cases were fully solved, 484 cases were rejected, 211 cases were withdrawn, and 1,351 cases were being heard. The government has also set up four mobile teams for solving land dispute cases in districts.

Land Management and Urban Planning:

3.88 Major achievements:

1. Setting up technical working group of MLMUPC for supporting a study on Master Plan and Land Use Planning of Kep and Preah Sihanouk cities.
2. Approving Commune Land Use Planning (CLUP) in 60 communes and carrying on this approving process in another 60 communes.
3. Summarising the results of the public dissemination of Master Plan and Land Use Planning in nine cities: Stung Hav, Kampong Trach, Neak Leoung, Anlong Veng, Bavet, Kratie, Stung Treng, Soung, and Kampong Cham.
4. Carrying on public dissemination of Master Plan and Land Use Plan in two cities: Poi Pet in Banteay Meanchey province and Khemarak Phumin in Koh Kong province.
5. Conducting field surveys for developing Master Plan and Land Use Planning of Kep and Preah Sihanouk (both cities and provinces).
6. Organising final workshop on Land Use Planning of six cities/districts: Banteay Srey district, Tbong Khmoum district, Sala Krou district, Preah Vihear city, Serey Sorphoan city, and Kampong Chhnang city.
7. Collecting data and formulating vision and strategy for three districts: Ta Veng, O Ya Dav, and Andong Meas.
8. Formulating Land Use Master Plan of Battambang and Preah Sihanouk provinces and Phnom Penh.
9. Examining the draft of Master Plan and Land Use Planning of Siam Reap Province.
10. Finalising the draft of the study on National Integrated Strategy of Coastal Areas, and Master Plan of Preah Sihanouk Province for Sustainable Development.
11. Formulating document of Coastal Area Management for Membership of Beautiful Bay in the World Club.

Land Distribution to the Poor Landless:

3.89 The MLMUC is implementing a cooperation agreement with the World Bank and GIZ called Land Allocation for Social and Economic Development Project (LASED), for 2008-2013 in three provinces, Kratie, Kampong Cham and Kampong Thom. Under this programme, 6,250 ha land has been distributed to 1,604 households. Next, the ministry has constructed infrastructure and provided basic needs to people: ponds and wells, health centres and basic health education, sanitation, roads, schools, market, rice, seeds, fruit trees, poultry and livestock. Third, under social land concessions, 10,000 hectares land has been distributed to 3,000 households. In addition, MLMUC has been trying to identify 3,155 hectares land in Barvil district (Battambang province), 10,000 hectares of Phnom Proek reserve land, 2,400 hectares in Kampong Chhnang province, and 1,200 hectares in Kampong Speu province for social land concessions.

3.90 For providing land under social land concessions for the armed forces personnel and their families, inter-ministerial working groups have been working with the provincial working groups. The aim is to distribute 4,000 ha land under social land concession to 2,000 families. The MLMUC has been working with the Ministry of Rural Development and other concerned ministries to find land on the western and north-western border areas for the land distribution.

Challenges and Approaches:

3.91 Many policy documents, laws, Royal decrees, and sub-decrees are approved but some formalities are yet to be completed. The MLMUC has acknowledged the challenges in land management sector. To implement those regulations and laws requires a strong effort and clear commitments, human resources, financial resources, and a timeframe. Setting up land registration systems and land evaluation systems, and drawing up an inventory of state properties, are proving to be daunting tasks. The other challenges are to vacate illegal forest encroachment and illegally occupied lands. The RGC is grappling with the problems.

IV.4.2 Clearing of Mines:

3.92 Significant progress has been made in clearing mines and Explosive Remnants of War (ERW), though large areas remain contaminated. Cambodia became State Party to the Anti Personnel Mine Ban Convention on January 1, 2000.

3.93 The targets set for clearing mines are still not achieved, as it requires far greater effort compared to what the country can afford. The Cambodian Mine Action and Victim Assistance Authority (CMAA) has formulated a National Mines Action Strategic Plan to support landmines/ERW clearance. Sustained financial support and technical inputs from the government and DPs will be required to achieve mine action objectives stated in the NSDP Update, 2009-2013.

The Following are the Achievements and Challenges:

3.94 Total area cleared: In 2009 the cumulative area cleared of mine was 53.575 ha, and in 2010 it was 63.962 ha (Table 3.4). In the first six months of 2011, an additional 4.040 ha were cleared. These areas are now used for resettlement, agriculture, infrastructure and other purposes. The number of mine/ERW casualties was 42 in 2010, which was higher than in 2009, due to the expansion of farming land and the use heavy agricultural machinery. In the first six month 2011, there were 112 mine/ERW casualties implying that there was a reduction of 55 compared to the same period in 2010.

3.95 Preparation of National Mines Action Strategic Plan (NMA SP 2010-2019): A strategic plan has been prepared and endorsed by the RGC on November 11, 2010, to reduce mine/ERW accidents, contribute to economic growth and poverty reduction, ensure sustainable national capacities to address residual mine/ERW contamination and promote international and regional disarmament and stability.

3.96 Proposal for extending the period for mines clearance: Cambodia has to clear mines on 648.8 Km² and 1,097 Km² of land suspected to be contaminated, released through both baseline surveys and technical surveys, within the next 10 years. All this requires a budget of US\$455 million.

3.97 Challenges and Approaches: Mines action in Cambodia rests on budget support from Official Development through Assistance (ODA) and the government. Since 2009, the budget has been reducing annually. CMAA is concerned about further decrease in the budget in 2011 owing to the global financial crisis, wars and disasters. Resource mobilisation, therefore, is a top priority.

Table 3.4: Progress in De-mining

Indicator	Unit	2009	2010	2011	2013 Target	2015 Target
<i>De-Mining Programme</i>						
Annual Victims caused by mines/ERW (death/injuries)	Nos	244	286	240*	200*	150*
Cumulative area cleared of mines/ERW	Ha	53,575	63,962	65,781*	78,480*	91,693*
Proportion of cleared areas of mines/ERW	%	45	50	56*	66*	77*

Source: CMAA; Note: (*) Estimates

IV.5 Rural Development

3.98 The Ministry of Rural Development (MRD) has been entrusted with the responsibility of strengthening both non-physical and physical infrastructure in rural areas. Non-physical infrastructure refers to human resource development both for national level and sub national levels. Physical infrastructure refers to rehabilitation and construction of rural roads, rural water supply, rural sanitation and rural markets.

3.99 Some key indicators are given in Table 3.5.

Table 3.5: Some indicators on Progress in Rural Development

Indicators	Unit	2008 Baseline	2009 Actual	2010 Actual	2011 Actual (1 st semester)
Human Resource Development (persons trained)	Persons	547	1,391	3,714	4,536
Rehabilitation of rural road (out of the total rural roads of 33,005 Km)	Km	24,140	24,558	24,862	25,055
Access to improved rural drinking water	%	40.49	42.18	43.51	43.89
Access to Rural Sanitation	%	23.24	24.24	25.00	26.00

Source: MRD

Progress:

3.100 The NSDP Update 2009-2013 had aimed to rehabilitate 27,658 Km of rural roads by 2011, i.e. 3,518 Km of rural roads were to be rehabilitated in 2011. In the first half of the plan, only a 915.00 Km of roads were built (plan target for 2011: 27,658; actual 25,055). Therefore, the remaining 2,603 Km of rural roads are not yet completed. Thus, during the next half work plan, MRD requires rehabilitating 4,603 Km of rural roads to reach the target of 29,658 Km by 2013. It is, however, important to note that some rural roads have been upgraded from laterite cover to double bitumen surface treatment (DBST) or concrete pavement. This is a stiff target and some radical measures require to be undertaken to achieve it. In the case of rural drinking water supply, the CMDG target for 2015 is to reach 50 percent of the population, which is well on its way to be met. Meeting the plan target of 27 percent coverage for rural sanitation in 2011 is also in sight. However, meeting the CMDG target of 33 percent for sanitation by 2015 will require the pace to become slightly quicker.

3.101 MRD now has the capacities to implement rural credit programmes, and along with development partners (DPs) and NGOs, it will take these up in seven provinces: Kampong Cham, Pursat, Kampot, Koh Kong, Battambang, Takeo, and Banteay Meanchey. The ministry has also intervened in agro-product markets so that farmers get the right prices. Finally, the ministry has been conducting short-training courses both at national and sub-national levels. The persons trained were provincial officials and poorer rural people in the communities. The training was in basic technical skills and options to create small businesses in order to increase household incomes.

3.102 To promote 'one village one product' (OVOP) with the aim of fostering the development of high value-added products and attract private sector participation, RGC has established a National Committee for Promoting OVOP to coordinate the implementation of OVOP strategic actions, which are based on three main principles: (1) encourage rural people to produce according to the geographical conditions of their localities, available resources and conditions of local and global markets, (2) foster large-quantity production of high-value added marketable quality commodities for local and external markets, and (3) promote the applied creativity, talent and skills of local people, aimed at contributing to job creation, income rising, improvement in people's living standards. The Committee has focused on fostering the pilot implementation of the selected projects in Takeo and Siem Reap provinces, which will serve as a model for the implementation in the whole country.

Challenges and Approaches:

3.103 Keeping in view the increasing traffic flow in rural areas, there is need to up-grade rural roads from laterite cover to DBST or concrete pavements. Next, human resources, especially technical skills related to drinking water and sanitation need beefing up. Third, use of closed/improved latrines requires appropriate training for the users. Fourth, the private sector is hesitant to invest on rural sanitation as this is not being an assured profit venture in their perception. They need to be convinced to invest here. Fifth, poor rural people are living in such a condition that they cannot afford having a latrine for their own use. Subsidies might therefore be required. Finally, the budget allocation to this sector is still limited and allocated budget are generally disbursed late – this also needs sorting out.

IV.6 Environmental Protection and Conservation and Climate Change

3.104 Environment is high on the RGC's list of priorities. The Samdech Prime Minister stated recently, '*...development with environmental sustainability is the key goal of Cambodia and countries in the region.*'²⁴ He emphasised upon narrowing the development gap in sustainable development between countries and regions. As the Cambodian economy grows at 8-10 percent annually, it is expected that the natural resources be used more sustainably.

3.105 RGC has identified protected areas (PA) and community-protected areas (CPA) as a part of its environmental protection strategy. Data on these are given in Table 3.6. This table suggests that the area under '23 protected areas' is expected to stabilise in the coming years and community-protected areas are on the rise. The 2013 targets are well within reach or already met. These are positive signals.

Table 3.6: Environmental Sustainability – Forestry Development Indicators								
	Unit	2008	2009	2010	2011	2012	2013	2015
Surface of 23 Protected Areas	Ha	3,100,199	3,100,199	3,111,041	3,111,041	3,111,041	3,111,041	3,111,041
Community Protected Areas	Nos	82	84	98	110	115	120	140

Source: MOE

3.106 If Cambodia manages to reforest rapidly, it might become a net absorber of carbon dioxide. Cambodia is committed to help contain climate change and has become a signatory to the UNFCCC and the Kyoto Protocol. This makes Cambodia eligible for carbon credits under the Kyoto Protocol and other carbon-credit market mechanisms, including voluntary mechanisms. All this can fetch Cambodia substantial revenues and ensure sustainable development in Cambodia. To achieve this in a limited timeframe, *RGC's reforestation programmes* must take lead. Thus the *composition* of responsibilities shown in Figure 3.4b must also change.

²⁴ Samdech Prime Minister's Opening Speech at the Third Greater Mekong Sub-region Environment Ministers' Meeting, July 28, 2011, Phnom Penh.

3.107 Some key challenges pertain to limited techniques available for replanting, shortage of human resources and incentives for staff, high dependence of many villagers on the forest for livelihood, illegal logging, and not fully demarked forest areas.

3.108 Beyond forest, RGC has undertaken a number of measures in the environment sector. Among them, the most important ones are the legal component and capacity building. A number of laws are being passed to protect the environment and make sustainable use of natural resources, specifically water resources. Officials are being sent for training and studies. Environmental impact assessment of public and private investment projects is being made by MOE before submitted to RGC for approval. Finally, a Monitoring and Evaluation (M&E) System to monitor the environment is being put in place, and a database on environment is being established as scheduled.

3.109 *It can be inferred that Cambodia is among the few countries in the world having more than half its area under forests. Woven with it is a complex system of freshwater retention, and a rich flora and fauna. This is a boon, but with it comes the responsibility of protecting and nurturing it. A reduction in the forest cover and indifferent performance of the fisheries sector are early signs of an irreversible change for the worse. There is, therefore, need for concerted public action to halt some of these trends.*

V. FURTHER REHABILITATION AND CONSTRUCTION OF THE PHYSICAL INFRASTRUCTURE

V.1 Management of Water Resources and Irrigation

3.110 The five objectives set for the Ministry of Water Resources and Meteorology (MOWRAM) are:

- 1. Irrigation expansion:** The plan target is to increase irrigated area by about 25,000 hectares each year. The progress, seen in Table 3.6, suggests that the target has been more than met until so far. Calculations suggest that the irrigated area is about 34 percent of the cropped area.²⁵ The MOWRAM has rehabilitated/constructed 98 irrigation projects of both small and big size having the capacity to irrigate 127,759 hectares land. Additionally, it repaired and maintained 151 dams, 36 water gates, 67 water pipe structures, seven check structures, and eight spillways during 2009-2011. Canals of length 282,416 metres have been dug or rehabilitated. Finally, 81 farmer water-user communities, involving 5,763 farmer households and covering 27,533.68 ha paddy fields in wet season and 13,340 ha in dry season, have been set up.

Table 3.7: Percentage Irrigated Area		
Year	Irrigated Area	Increment in Irrigation
2008	817,155	-
2009	839,638	22,483
2010	907,338	67,700
2011	944,914	37,576

Source: MOWRAM

- 2. Drought and flood control:** The ministry has repaired three polders for seawater protection, which will be able to protect 214 hectares of cultivated land. It also repaired three flood controls projects, able to protect 3,172 hectares of cultivated land. Besides, it repaired 128 metres of riverbank on the Kratie River. One water-pumping station has been installed, and 36 water-pumping stations and 10 pumps were repaired. During 2009-2011, the Ministry was undertaking interventions to rescue paddy crops affected by droughts through the irrigation of a total area of 221,505 ha.

²⁵ Source: Calculated from data obtained from the Ministry of Water Resources and Meteorology, and MAFF. The number refers to the potential created and not necessarily the actual utilisation.

3. The Ministry is under the process of drafting four sub-decrees on:
 1. Farmer-Water-User Communities
 2. Water Licence and Water Distribution
 3. River Basin Management
 4. Water Quality.
4. The Ministry installed five hydrological stations along the rivers of Mekong, Tonle Sap, and Tonle Basak. It also installed six water-level measuring boards, repaired one water-level measuring board, and installed two water-discharge measuring instruments. Next, it repaired and improved five meteorological stations, installed 17 rain gauge stations and repaired another 24, and equipped eight stations with automatic instrument.
5. The Ministry has sent officials, both within and outside the country, to attend training workshops related to water resources management and meteorology.

3.111 RGC recognises the need for the use of Integrated Water Resource Management (IWRM) principles for sustainable development and management of water and related resources. The Law on Water Resources Management of the Kingdom of Cambodia (Article 4) explicitly articulates that water resources management endeavours shall be based on IWRM principles. To mainstream these principles into development policy formulation processes, Cambodia National Mekong Committee (CNMC) and MOWRAM with close support and cooperation from concerned line agencies and other relevant stakeholders have been coordinating the organisation of public awareness raising activities on the importance of application of the IWRM approach at the Mekong sub-basin and country levels .

3.112 Challenges and Approaches: To achieve targets in sustainable water resources management and development, there is need for strong technical and financial commitment from the RGC and development partners. Since MOWRAM requires more funds and technology, civil society organisations and development partners are to be encouraged to cooperate with it.

V.2 Further Rehabilitation and Construction of Transport Infrastructure

3.113 Cambodia's transport network has remained modestly poor. The long war of the yesteryears not only stopped the expansion of connectivity, it severely disrupted the then existing connectivity. For example, railways are still largely dysfunctional. For the pace of development Cambodia is experiencing now, a special attention on rapidly developing transport network is a main priority. The rehabilitation and construction of single-digit National Roads Network is now nearing completion. The main National Roads, which are asphalted, now connect Phnom Penh with almost all provincial capitals, and link to major cross-border checkpoints with the neighbouring countries. Significant progress has been made to put in place regional and sub-regional roads (such as the Asia-Pacific Region, ASEAN, and the Greater Mekong Sub-Region), which will be serving as economic corridor routes and international transit routes facilitating transportation.

3.114 *In the Road Sector*, MPWT's approach is to:

1. Strengthen and improve multiple growth pole development (i.e., Phnom Penh, Preah Sihanouk, Svay Rieng, Kampong Cham, Stung Treng, Ratanakiri, Siem Reap, and Battambang provinces and Poipet city);
2. Strengthen and improve road network to foster the development of Special Economic Zones (SEZs) ;
3. Foster country-wide road connectivity as an important factor for national and regional economic integration;
4. Promote the development of international economic corridors;

5. Contribute to socio-economic development of rural areas and the areas along the borders;
6. Strengthen management of road network:
 - routine maintenance, periodic maintenance, and emergency repair;
 - prevent overload transport;
 - develop regulatory and legal framework for enforcing the management;
 - strengthen right-of-way management mechanism; and
 - promote private participation in road maintenance.
7. Collaborate with MRD and provincial and city authorities in ensuring that the road networks are consistently and coherently managed.

3.115 *In the Road Transport Sector, MPWT's approach is to:*

1. Shorten time for registering vehicles, issuing licence plates, driving licences, etc.
2. Implement a new master plan for road traffic safety
3. Implement Cross-border Transport Agreement with the neighbouring and GMS countries
4. Strengthen management of public services for the control and registration of vehicles and issuance of driving licences under the D&D framework.

3.116 *In the Railways Sector, MPWT's approach is to:*

1. Rehabilitate railways and connect with the Thai railway system;
2. Search for funding sources for developing the railway link between Bat Doeung (Cambodia) and Lok Ninh (Vietnam) under the ASEAN Railway framework (Singapore–Kunming Railway Link);
3. Grant concessions for the management and operations of the Royal Cambodia Railway to the private sector (a public-private partnership);

3.117 In terms of quantitative measurements, Table 3.8 shows the achievements:

Table 3.8: Progress in Infrastructure – Roads and Railways (Cumulative)								
	Unit	2008	2009	2010	2011	2012	2013	2015
Length of paved roads out of 11,914 Km (incl., single- and double digit roads and provincial roads)	Km	-	3,204	3,454	3,954	4,255	4,454	4,954
Railways rehabilitated and constructed	Km	-	604	604	604	604	650	903

Source: MPWT

3.118 In the two years 2009-2011, RGC has constructed a thousand kilometres of road, which is about 1.4 Km per day. Cambodia is well on its way to reach the 2013 target. However, these targets are modest, given the requirements.

3.119 The railway track has not expanded yet. The target for 2013 is to lay lines for 47 Km, which probably would be difficult to achieve. It is more important to consider setting the existing fixed and rolling stock into order before expansion plans even reach the drawing board.

3.120 *In the Waterway Transport Sector:* The emphasis was given on fostering the implementation of the Master Plan on Waterway Transport in Mekong River System of Cambodia, the endorsement of related laws and regulations, and private sector investment in the development of ports and ship transportation and enforcing Cambodia's laws and regulations and rules pertaining to waterway transport and ports.

3.121 The capacity of major ports has been improved. The container dock of Sihanoukville Autonomous Port has been further developed with 400-metre expansion and a 9-meter deep harbour, which is able to accommodate 135 ships per month. The 79-hectare SEZ development project has completed 60 percent. A multi-purpose port project for offshore oil exploration and a commodity port terminal for pumping up grains will be completed in 2014. A new container dock at Phnom Penh Autonomous Port, which has been under construction over a land area of 10 hectares in Loeuk Dek Commune of Kean Svay District, will be put into operation in 2012.

3.122 *The civil aviation sector* in Cambodia has three goals laid out for itself in the NSDP Update 2009-2013:

1. Enhancing international cooperation in the sector,
2. Improving safety and security, and
3. Strengthening air navigation control systems and airport services

3.123 To further (1) above, Cambodia has ratified two conventions: the convention on ASEAN multilateral agreement on air transport services and the convention on ASEAN multilateral agreement on air travel services. To take (2) forward, the authorities have concentrated on building capacities. Since 2009 until 2011, the State Secretariat on Civil Aviation (SSCA) has sent out 475 officials to participate in training courses within and outside the country. For (3.), the SSCA has prepared a master plan for the development of a satellite control system for use in civil aviation.

3.124 There are some challenges faced: insufficient infrastructure and finances, low operational efficiency, and shortage of skills. To overcome these, RGC aims to augment the budget of civil aviation, promote private investment in the sector, and mobilise resources from development partners.

V.3 Development of the Energy Sector

3.125 Tentative estimates of availability of electricity are as given in Table 3.8. The per capita growth in power consumption has been about 7 percent a year (2008-2011). Based on this growth rate and the imports (6-7 percent of domestic production), the 2013 target of 199 KWh might be met. Also, this growth rate is not high for a rapidly growing economy having many geographic regions yet to be connected to the power grid. The challenge is to expand production at a higher rate in addition to getting firm commitments for power import from neighbouring countries, especially Lao PDR, as it is likely to have surplus power for some time. The other major challenge is to have an efficient distribution system, which means setting up efficient transmission and distribution lines and transformers, and tariff collection systems.

Table 3.9: Performance in the Power Sector (million KWh)						
	2008	2009	2010	2011	2012	2013
Power availability	1,858.364	2,016.325	2,161.500	2,371.166	2,608.283	2,869.111
Per capita consumption (KWh)	139	149	157	169	184	199

Source: MIME

3.126 The RGC is contemplating to generate more electricity from thermal sources (coal, oil and gas) and hydroelectric sources, and importing electricity from neighbouring countries. Also, keeping in view that power is more expensive here than in the neighbouring countries, the authorities are planning to reduce the tariff, thereby helping industry to become more competitive and consumers better off. Since rural electrification is a priority²⁶, RGC is also encouraging construction of electricity transmission lines to cover all parts of the country. The ultimate aim is to gradually integrate Cambodia's electricity energy system into the networks of the Greater Mekong Sub-region (GMS) countries and ASEAN.

²⁶ There is no national grid in the country and as of now some far-flung areas use batteries to get house lighting.

3.127 The petroleum sector is moving into development and production. The Cambodian National Petroleum Authority (CNPA) has been working hard to bring about Cambodia's first oil development. The RGC takes its responsibilities in this sector most seriously to ensure that the petroleum industry is dealt with in a fair, yet firm manner. This will ultimately encourage further investment in the petroleum sector, which enables better insight into the overall petroleum potential of Cambodia. Attention is also being paid to capacity building and institutional strengthening.

3.128 Lastly, given the environmental challenge, maximum effort must be made to reach out modern cooking fuels (electricity or gas) to far-flung areas to substitute for wood fuel. While more hydropower stations are already under construction, other renewable sources like mini/micro-hydro, wind and solar too needs exploration.

Box 3.2: NSDP Update 2009-2013 Power Generation Plans Expecting Initiation in the Second Half of the Plan

1. Kamchay Hydropower Station (193 MW) in 2011
2. Kirirom Hydropower Station 3 (18 MW) in 2012
3. First Phase (100 MW) of the Thermal Coal Power Plant 1 with the total capacity of 200 MW in Sihanouk Ville in 2013
4. Stung Atai Hydropower Station (120 MW) in 2013
5. The Second Phase of the Thermal Coal Power Plant 1 with the total capacity of 200 MW in Sihanouk Ville in 2016
6. Stung Tatai Hydropower with one part of its total power of 246 MW in 2013
7. Stung Russey Chrum Krom Hydropower with one part of its total power of 338 MW in 2013

Power projects take several years to fructify. Thus these projects will be fully operational well beyond 2015.

V.4 Development of Information and Communication Technology (ICT)

3.129 To meet the targets of information dissemination as stated in NSDP Update 2009-2013, the Ministry of Information (MOInf) has adopted a motto: '*Exceptional, fast, reliable, wherever and whenever*'. The main aims are, 'expanding radio and television broadcast networks to improve efficiency and to facilitate information dissemination'. The goals assume special importance for Cambodia where the written medium has historically been of less importance. The sector has three components: information dissemination, posts, and telephony.

3.130 The coverage of the national media, both private and public, has expanded, and the quality and effectiveness of the media has been improved. About 83-85 percent of Cambodians have access to informative, educational and entertainment programmes on TV, radio, newspapers, and other media. However, since the target in the plan is to reach 95 percent of the population by 2013, some extra effort will be required to cover that proportion of the population.

3.131 Sixteen provinces have set up broadcasting stations, facilitating localisation of the information. The different topics covered in the broadcast are social-education topics focusing on rights, laws, communal activities, women, and children. Key indicators on the progress can be seen in Table 3.10 below:

Table 3.10: Progress on Spread of Information				
	Unit	2009	2010	2011
Public access to information				
Radio and TV	%	74	77	80
Print/newspaper	%	2	2.5	3.0

Source: MOInf

3.132 The RGC is trying to expand and deepen coverage through technological up-gradation and building more broadcasting stations in provinces in order to respond to the needs of the D&D reform programmes, enhancement of human capacities, institutional capacity building, gender mainstreaming, and through encouraging the compliance with the Press Law and private sector participation.

3.133 Postal services have been extended to the provinces, cities, and some major urban centres with the construction of new post offices in Koh Kong, Preah Sihanouk, Svay Rieng, Odtar Meanchey, Banteay Meanchey, Pursat, Preah Vihear, and Takeo, and the districts of Mongkul Borey, Chhlong, and Bavet.

3.134 In the telephony sector, there are fixed-line services and/or mobile services in Phnom Penh and all provincial cities. Mobile-cellular phone systems are widely used in urban areas to bypass inconveniences caused by the shortcomings in the fixed-line network, and their coverage is rapidly expanding in rural areas. As per 2009 data, fixed-line connections stood at less than one per 100 persons; in contrast, mobile-cellular usage stood at 40 per 100 persons. In 2011, there were a total of 14.3 million connections, combined for fixed and mobile, resulting in 93.1 connections per 100 persons. Fixed line telephones per 100 persons were 2.97 (equalling 0.4 million units), and mobile phones per 100 persons were 85.1 (equalling 13.9 million units). In the first quarter of 2011, an estimated 580,000 persons used Internet. This number suggests that the country is well on its way to reach the 2015 target of 650,000.

3.135 Challenges and Approaches: Among the problems in reaching out is the widely scattered population in far-flung areas. In these places, it makes little 'economic' sense to install expensive equipment. Next, it is believed that the poor, elderly, disabled, women and children are covered the least, for obvious reasons. Third, non-availability of qualified personnel hampers further expansion or deepening of the activity. Finally, lack of resources available with the provinces, and inappropriate identification of suitable sites for broadcasting facilities; have slowed down the whole process.

3.136 *It can be inferred that:*

1. There has been rapid progress in irrigation resulting in increased agricultural production. This is an important reason for poverty reduction. However, it is important to assess the actual use of the water for crops. This is particularly important because there is little sowing in the dry season.
2. While the progress on roads has been on track, the targets set were modest compared to the requirements in the country. In railways, the progress has been low. In connectivity, the rapid spread of mobile telephony more than compensates for the low spread of landline telephony.
3. A major thrust in the renewable energy sector at the sub-national level is one way to supplementing the energy requirements sustainably.

VI. PRIVATE SECTOR DEVELOPMENT AND EMPLOYMENT

VI.1 Strengthening Private Sector and Attracting Investments

The progress:

3.137 The year 2009 was bad for the economy. Poor external environment had a 'domino' effect on the non-farm sectors and commercialised agriculture, since they were linked to the markets. However, many sectors bounced back immediately the next year because, to an extent the domestic demand replaced foreign demand (due to increased rural purchasing power), the exports began to rise again, and the RGC stepped up public expenditure.

3.138 Table 3.11 shows that manufacturing—mainly garments—grew in double digits in 2010 after a decline in 2009.²⁷ It is expected to grow in the range 9-10 percent owing to favourable agreements with Europe, like 'everything but arms' and zero customs duty for the entry of Cambodian exports. The construction sector has a different story: there was a one-year lag between when the crisis struck and the sector deflated, and the fall in 2010 was rather large. A double-digit growth is not expected before 2013.

²⁷ Part of the reason why the growth rate was high in 2010 was the smaller base in 2009.

Table 3.11: Growth in GVA in Manufacturing and Construction (constant prices, riel)

	2009	2010	2011*	2012*	2013*
Year-to year growth in manufacturing	-15.5	29.5	9.9	9.6	10.0
Year to year growth in construction	5	-25.5	6.7	9.3	10.1

* Refers to forecast; Source: MEF and MOP

3.139 Industry Sector: The global economic crisis of 2008 slowed down the deepening process in the sector in 2009. However, investment in the industrial sector picked up in 2010 after a slump in 2009. In 2011 as well, investments in industry are expected to grow.

3.140 Tourism Sector: There was a slowdown in investments in both new projects and rehabilitation of existing ones. Large-scale projects in the coastal and inland areas of Kep, Kampot, Koh Kong, and Preah Sihanouk provinces have been postponed. In the first six months of 2011, though, work began on some coastal region projects. Some examples: a new resort in Koh Kong (initiated); a bridge connecting the mainland to Koh Poh island (complete); and Koh Aun Koh Borng development projects (70 percent built). The Cambodia Investment Board is to establish a monitoring mechanism for all coastal and beach investment projects in order to eliminate any projects not implemented according to the contract terms.

3.141 A new Stock Exchange has been inaugurated, though it might take several years to mature.

Strategies for Attracting Investment:

3.142 RGC organised the 15th Government-Private Forum in April 2010. This brought together central and provincial officials, other authorities and investors on the same platform. The objective was to hear out issues that the investors face.

3.143 The process of attracting investments has had its own share of problems. CDC arranged “One-Stop-Service Meetings” 38 times to examine and discuss investment proposals. However, for technical reasons, the “One-Stop-Service” task performance remains difficult. CDC is unable to liaise on behalf of the investors with the specialised ministries. A reason: The specialised ministries/agencies nominate officers with little authority to the One-Stop-Service meetings. The focal points of the specialised ministries/agencies at the CDC also have not made efforts to make a case for the investors with their parent ministries. According to the Government-Private Sector Forum decision, Cambodia Investment Board (CIB)/CDC shall be acting on behalf of investors in order to acquire a proper approval from relevant ministries. However, companies still have to knock the doors of concerned departments just as it used to be. The power to approve investment projects worth up to US\$2 million has been delegated to the Municipal-Provincial Investment Sub-Committee. This would provide convenience to both local and foreign investors and also raise their trust in RGC. The CIB has conducted training programmes to strengthen capacities of Municipal-Provincial Investment Sub-Committee.

Promoting Investment by main priority sectors:

3.144 At the 15th and 16th Government-Private Sector Meetings, a decision was taken to promote rice export and other agricultural products. It is planned that the whole value chain, i.e. processing, packaging, quality control, transportation, and shipping, should remain in Cambodian hands.

3.145 Other decisions:

1. To extend priority period of tax holiday to a maximum of three years for agricultural and agro-industry projects.
2. Request to review Sub-decree No 111 on Implementation of the Law on the Amendment of Investment Law to attract agricultural investments.

3.145 Next, to reduce gaps in regional development between the northeast and other areas, the government had jointly agreed with Laos and Vietnam in 2004 to set up a Triangle Development Area (TDA) consisting of 13 provinces. CIB-CDC has raised investment targets in the four Cambodian provinces inside the TDA in the Master Plan 2010-2020.

3.147 To prioritise the focus on the rehabilitation of physical infrastructure with participation from private sector and to improve public investment, RGC has decided on promoting an Open-sea Policy. As a result, Preah Sihanouk city and Phnom Penh autonomous ports have been improved. The Mong Rithy Port at Keo Phos (Preah Sihanouk province) and Sre Ambel Port (Koh Kong province) have been constructed, and the Kampot Port is under construction – all by the private sector. For rehabilitating railways, Toll (Cambodia) Co. is making investments. The Phnom Penh-Kampot railway is now in service, and the company is currently working on rehabilitation of the Preah Sihanouk - Kampot lines. To continue implementing Open-sky Policy, RGC has approved a private sector investment project to establish a new international airport under Build-Operate-Transfer (BOT) in Siem Reap. The government is promoting energy and clean water sectors: it has authorised the private sector to construct power transmission lines from Phnom Penh to Pursat and Battambang, and Phnom Penh to Kandal and Kampong Cham. The government is also encouraging private companies to invest in hydroelectric plants at Kampot, Koh Kong, Pursat, and Rattanakiri provinces. Additionally, the government has permitted private sector investment in clean water supply in Siem Reap and Preah Sihanouk cities.

3.148 The government is negotiating to sign bilateral agreements on the promotion and protection of investments from 16 countries in the Asia Pacific Economic Cooperation (APEC) area, Europe, Middle East, ASEAN, and America.

VI.2 Promotion of SMEs

3.149 There is focus on four aspects to improve the business climate for small and medium enterprises (SMEs):

1. *Legal and regulatory framework*: Registration and such details;
2. *Financing*: Creating lease-finance companies and strengthening financial governance;
3. *Supportive actions*: Promoting innovation and technology; and
4. *Integrating small and medium enterprises* into a global value chain.

3.150 A National Productivity Centre of Cambodia has been established, and efforts to strengthen the Institute of Standards of Cambodia have also commenced. The government, through the Ministry of Industry, Mines and Energy (MIME), is strengthening the industrial property rights protection mechanism to promote innovation; promoting use of new techniques and new technologies; imparting training to improve skills; and strengthening the legal framework. The policy to promote the “one village-one product” model in rural areas continues.

Box 3.3: Policies for Promoting SMEs

MIME is implementing eight programmes:

- 1: Strengthen institutional capacity and improve efficiency of public service delivery systems
- 2: Strengthen quality and efficiency of the enforcement of Law on Management of Factories and Handicraft Workshops
- 3: Strengthen partnerships with private sector and development partners
- 4: Formulate policies to support industry and SMEs
- 5: Promote national products for them to be in compliance with national and international standards
- 6: Enhance productivity and capabilities of Cambodian industrial producers
- 7: Formulate and implement policies to strengthen industrial property rights
- 8: Formulate and implement policies to strengthen metrological issues.

3.151 Seen in terms of physical progress, a total of 89,580 new business and industrial establishments were set up between January 2009 and March 2010. This was a 16.8 percent increase over the total number of establishments that existed until 2009. Among them, the proportion of micro enterprises (engaging 1-2 workers) was very high at 86.1 percent of the total.²⁸ This is a success of the government's policy of promoting micro establishments. Next, of the total establishments, only about 20 percent are in Phnom Penh, implying that there is a fair degree of regional spread. However, a caution needs stating: almost all the large establishments are Phnom Penh – the provinces largely have small to tiny enterprises.

VI.3 Creation of Jobs and Ensuring Improved Working Conditions

Employment Policies:

3.152 In this section, the major achievements of the Ministry of Labour and Vocational Training (MLVT) are presented.

3.153 Plan tasks achieved:

1. Between 2009 until the beginning of 2011, MLVT arranged, via private companies, to send 50,851 workers (of whom 33,787 females) to work abroad. In addition, it has also sent 6,564 Cambodian workers (1,098 female workers) to work in the Republic of Korea under via the committee for training and sending workers abroad under the Employment Permit System (EPS).
2. A total of 123 labour conflict cases were resolved out of 349 in 327 enterprises. Occupational health and safety were inspected in 882 enterprises. In cooperation with NGOs, the government conducted inspections on child labour in industrial areas. Across different sectors, 8,250 children in most severe forms of child labour were protected and withdrawn from work. Between early-2009 until the beginning of 2011, MLVT has enforced withdrawal of 12,557 children engaged in most severe forms of child labour in agriculture, among whom 7,172 were girls.
3. Until so far, 2,305 enterprises have been registered with the National Social Security Fund. Among them, 2,236 enterprises have been asked to pay for the National Social Security Fund. Some 86 percent of the obligated-enterprises have paid.
4. In vocational training, MLVT has trained 4,894 students (986 females) at graduate level, 7,988 students (2,143 female) at undergraduate level, 2,820 students (821 females) in long-term technical and vocational training courses, and 205,827 students (118,220 females) in short-term technical and vocational training courses. Out of those who have attended short-term technical and vocational training courses, 48,012 trainees (23,557 females) were trained under the *development programme for technical and vocational education with quality equitable* admission, 40,140 trainees (22,586 females) under the Special Fund of Samdech Prime Minister, 53,617 trainees (32,360 females) under the ADB-funded Education Development Project Phase II, 2,144 persons (1,567 females) under an ADB-funded pilot project on Post-harvest Technology and Skills Bridging Programme for rural people, and 61,914 persons (38,150 females) by other public educational institutions. During the same period, the Self Employment Generation Fund of Samdech Prime Minister provided 613.7 million Riels to 731 graduated trainees (416 females) for self-employment.

²⁸ Source: Economic Census of Cambodia, 2010

5. RGC has established National Employment Agency (NEA) by Sub-decree 67 RNK.BK as a special operating agency (SOA) responsible for providing quality employment services and labour market information. This is a convenient and efficient single-window information source for job seekers, employers, training providers, policymakers, planners, and the general public. It would reduce cost and time, narrow the gap between labour demand and supply, and foster the process of and increase the efficiency in the Cambodian labour market. NEA has been provided the legal mandate as a designated statistical unit of the National Training Board (NTB). It would collect and compile information on the Labour Market. Specifically, its roles and responsibilities are to coordinate, gather, synthesise, compile and analyse information, and do research on developing a labour market information system. Finally, it would disseminate labour market information widely through electronic and paper formats.
6. Since its inception in March 2010 until the first semester 2011, NEA has achieved the following:
 - Developed infrastructure to provide employment services and labour market information to service users, by developing a job website www.nea.gov.kh, and establishing four new job centres with ILO's support, in Phnom Penh, Battambang, Siem Reap and Kampot.
 - Disseminated information on 6,947 job vacancies and 548 training courses, registered 4,409 job seekers, advised 1,654 job seekers on how to prepare themselves for seeking jobs, and referred 4,110 job seekers to employers. Some 464 job seekers obtained jobs through the website and job centres.
 - Collected and compiled information on, staff-demand from 12 ministries, and job seekers from Takeo Province.
7. To promote Gender Mainstreaming, the MLVT organised the following workshops and training courses:
 - In 2009, MLVT organised a participatory workshop on Gender Audit and Gender Equality Mainstreaming for 38 participants (22 women) coming from the centre and provinces, and a consultative workshop on Gender Mainstreaming in Labour and Vocational Training Sector for 75 participants (31 women) who were members of Gender Groups, concerned ministries and NGOs. The Ministry also organised a training course for the Management of Kampong Cham Provincial Department (60 participants – 40 women) based on the project on gender mainstreaming and policy formulation through capacity building in information research.
 - In 2010, MLVT organised a training course on Research and Assessment of Impact of Training on Gender Mainstreaming for 64 participants (nine women) coming from the Phnom Penh Municipality and 23 Provinces.
 - In the first semester in 2011, MLVT organised a workshop to present the results of the Research and Assessment of Impact of Training on Gender Mainstreaming to 30 participants (12 women). MLVT also organised a refresher-training workshop on Gender and Entrepreneurship for 63 participants (25 women).

Challenges and Approaches:

3.154 The global financial crisis has had a negative impact on Cambodian workers, especially women. Sectors facing direct impact: garments, footwear, tourism, and construction. Next, some vocational training institutes run by NGOs do not necessarily offer quality training; the labour market information system is still nascent; vocational training programmes yet do not meet the market demand; the information system is less than perfect; and public awareness about labour markets and resources is still limited. Some of the tasks that the ministry has carved for itself are stated in Box 3.5.

Box 3.4: Some Tasks Carved Out in Employment

1. Implement existing policies and laws (especially inside enterprises)
2. Impart skill training and education to officials, especially in provinces
3. Facilitate job creation in and out of the country
4. Improve work efficiency of inspectors
5. Improve standards at workplace, especially ILO conventions that Cambodia has signed
6. Update the Labour Action Plan 2010-2011 to integrate all priorities into one programme
7. Eliminate child labour by 2016
8. Revise curricula at all levels and facilitate potential trainees' participation
9. Encourage private sector and stakeholder organisations to participate for improving the quality of human resources
10. Implement priority policies for women in vocational training institutions

Contribution of Tourism:**Achievements during NSDP Update implementation:**

3.155 Tourism, termed 'Green Gold' contributes to job creation, revenue generation and improvement of people's livelihood. The Tourism Promotion Strategy under the motto "Cambodia Kingdom of Wonder" has been globally recognised and has strongly enhanced Cambodian competitive levels. The Ministry of Tourism (MOT) aims to promote tourism through promoting the movement of "Clean City, Clean Resort and Good Services". MOT has formulated a draft of Tourism Development Strategic Plan 2011-2020, wherein it has identified four potential areas: Siem Reap and its surrounding, Phnom Penh and its surrounding, coastal area, eco-tourism area in the Northeast.

3.156 In 2009 the tourist arrival was 2,161,577, an increase of 1.7 percent compared to 2008. In 2010, the number of tourist arrivals was 2,508,289, an increase by 16.04 percent compared to 2009. In the first eight months of 2011, the arrivals increased 15 percent compared to the same period in 2010. Progress on select quantitative indicators can be seen in Table 3.12. An interesting observation here is the number of national tourists: they add up to more than twice of the international tourists. If this trend continues, the plan targets as well as the 2015 targets will be met.

Table 3.12: Progress in Tourism

Indicators	Units	2009	2010	2011	2013 Target	2015 Target
International arrival tourists	Millions	2.16	2.51	2.75	3.40	4.51
National tourists	Millions	7.02	7.56	7.94	8.59	9.00
Labour forces	000's	305	315	317	330	350
Revenue from tourism	Million USD	1,561	1,786	1,857	2,019	2,934
Accommodation	Rooms	37,522	39,714	41,095	43,810	45,803

Source: MOT

Note 1: Labour forces in row 3 refer to those directly involved in the sector's activities

Note 2: Revenues from tourism in row 4 refer to revenues obtained from international

Specific policies:

3.157 Open sky policy: A new airline, the Cambodia Angkor Air, has been launched. This is a joint venture between the RGC and the Vietnamese Aviation Company. The Preah Sihanouk International Airport has been renovated and has become operational. Air France has begun operating Paris-Phnom Penh-Paris flights since April 2011. The RGC has also signed MOUs with the United Arab Emirates, Indonesia, Myanmar, the Philippines, and a UK airline to fly to Cambodia.

3.158 Visa issuance and visits: Within the ASEAN Framework, RGC has waived visa requirements to visitors from all but Brunei and Republic Union of Myanmar. RGC has also agreed for open a marine channel connecting Phu Kok Island (Vietnam) to Kep province (Cambodia).

3.159 ASEAN Tourist Agreement and others: Cambodia has signed as many as 10 agreements and memorandums with different parties for promoting multilateral and bilateral tourism development and cooperation.

3.160 Strengthen capacity and mechanism to prevent sex tourism and trafficking: Child Safety Committees (CSCs) in all the 24 provinces are working together and with international organisations and NGOs to stop Child Sex Tourism through conducting training courses on Improving Safety for Children in the Tourism Sector at both national and sub-national levels. In 2010 and the first five months of 2011, the CSCs trained 402 personnel, of whom 102 were women. There is ban put on children under 18 years to use hotel services except when they are with their families. The law also debars activities related to drugs and child-trafficking.

3.161 Formulate policies, strategies, plans and regulations: Some of the policies formulated to promote tourism are, Tourism Development Strategic Plan 2011-2020, and National Eco-Tourism Policy and Strategy.

3.162 The preservation and promotion of national culture: The Ministry of Culture and Fine Arts in collaboration with concerned ministries and agencies has been attempting to sustain and preserve archaeological sites, museums, and antiquities and actively promote national culture and arts including theatres, dances, music, songs, carving arts, as well as promote the production and marketing of Khmer sculptures and handicrafts with the aim of making the national culture significantly contribute to employment generation, poverty reduction, and national economic growth.

Challenges and Approaches:

3.163 Cambodia still faces challenges in promoting tourism. Tourism marketing studies are still limited for want of funds and human resources. For example, there is yet no analysis about marketing by types or needs. Further, the private sector's contribution to promotional activities is limited. The public and private sectors mostly carry out separate promotional activities. Tourism promotional facilities are limited in quantity, quality, and accredited languages. Promotion via the Internet and other systems remains weak. Cambodia has not yet created a tourism promotion office in priority tourism markets, though there are some tourism promotional representative offices in a few markets.

3.164 The country will attempt promoting existing policies along with building capacities in the tourism sector. It would also diversify tourism sites/resorts throughout the country, especially in the coastal and north-eastern areas. Marketing through a variety of means will be one of the approaches to attract tourists. Multi- and bilateral Tourism Cooperation and development are the other means of tourism promotion and marketing. Finally, in-house capacity to collect and collate statistics will be built to identify which components of the policy need special attention.

VI.5 Creation of Social Safety Nets

3.165 MoSVY has furthered social welfare services, provided assistance to victims, vulnerable and the homeless, combated human trafficking, attempted to control HIV/AIDS, and pursued family policies; it has strengthened child welfare and youth rehabilitation services, improving child rights and care including child adoption and youth policies; it has

expanded protection to the disabled and elderly. MoSVY has also promoted social security for civil servants, veterans, and disabled people, and has strengthened the institutional capacity, partnership and fund-raising for social services. RGC is now implementing the law on protecting and promoting the rights of persons with disabilities, and the law on inter-country adoption. Meanwhile, the law of juvenile justice is awaiting approval of Council of Ministers.

3.166 MoSVY has implemented 16 projects in Public Investment Programmes, and until today, it has signed MOUs with 196 organisations amounting to \$50 million a year.

3.167 *Challenges faced and policies:* The global downturn has created a challenge to MoSVY as well. MoSVY will nevertheless aim to pursue the above policies as well as open new areas. Put succinctly, the Ministry continues carrying out the policies below:

1. Strengthen and expand social welfare services for vulnerable poor;
2. Strengthen and expand child welfare and youth rehabilitation services;
3. Strengthen and expand welfare services for people with disability and rehabilitation services;
4. Strengthen and expand the social security system and welfare services for the elderly, civil servants, and general public.
5. Strengthen and expand the social security system and welfare services for veterans; and
6. Strengthen and expand institutional capacity, partnership, and fund raising capacity to increase the effectiveness of social services

3.168 The Council for Agricultural and Rural Development (CARD) formulated the National Social Protection Strategy for the poor and vulnerable (NSPS) to extend social protection for the target groups. It will aim to:

1. Address basic needs of the poor and vulnerable in situations of emergency and crisis,
2. Reduce poverty and vulnerability of children and mothers,
3. Reduce seasonal un/underemployment and provide people with livelihoods,
4. Promote affordable health care for the poor and vulnerable, and
5. Improve social protection for special vulnerable groups.

3.169 Its four pillars are:

1. Vocational and skills training to be integral in an active labour market policy;
2. Social insurance (contributory system);
3. Social safety nets (non-contributory system); and
4. Complementary social welfare services

3.170 The whole process is being seen as an investment in the country's human development, offering returns in the form of reduced poverty and a better educated, productive and healthy workforce. Some approaches to achieving these are to set up contributory social security funds, strengthen the existing safety nets, initiate public works programmes for job-creation, and establish cash-transfer programmes.

3.171 *It can be inferred that:*

- The global crisis has severely affected all the three major non-farm sectors: garments, tourism and construction. Resulting from pro-active policies of the government and a continued good performance in agriculture, industry quickly rebounded. Construction is taking longer to resurge, though work on some projects of port construction has re-begun. Meanwhile, the government has attempted to eliminate bureaucratic hurdles that hamper promotion of the private sector. This has helped micro and SMEs to grow. This process, however, has to improve further.

- In the sphere of labour, the government has increased inspections to enforce laid down labour standards. Government officials, too, have received training to upgrade their skills and knowledge. Among the biggest issues is non-availability of appropriately skilled workers. The government has initiated a number of short-term training courses to train both men and women workers. However, the numbers trained are yet small. Also, at this stage it is not clear whether the quality of courses is good enough, and also whether the courses are actually designed to meet the demand.

VII. CAPACITY BUILDING AND HUMAN RESOURCE DEVELOPMENT

VII.1 Strengthening the Quality of Education

Progress seen in numbers:

3.172 The Ministry of Education, Youth and Sports (MOEYS) is the central agency in facilitating impartation of education to students: providing them with theoretical and practical knowledge and skills for them to be able to contribute to Cambodia's development and seek their own betterment. Following MOEYS's Education Strategic Plan (ESP) 2009-2013, significant progress has been made in providing equitable access to quality education. Out of 4 Cambodian people, one attends school.

3.173 Seen in terms of standard indicators, the net enrolment rate at the primary level appears impressive (Table 3.13).²⁹ The gender balance is also maintained. The primary level completion rate, however, is slack and it will require some extra effort to reach 100 percent completion rate by the end of the plan. Next, enrolment rates at the secondary level are disappointingly low compared to those at the primary level. Finally, there is a gender gap in enrolment at the secondary level: girls falling behind boys. Data on completion of lower secondary level education are also not encouraging, and to meet the targets, some extra efforts would be required.

Table 3.13: Progress in Education

Targets/indicators	Unit	2008	2009	2010	2011 Est.	2012 Target	2013 Target	2015 CMDG
Net Enrolment Rate in Primary Education								
Total	%	94.4	94.8	95.2	96.0	97.0	98.0	100
Boys	%	94.8	95.0	95.8	96.0	97.0	98.0	100
Girls	%	94.0	94.6	94.6	96.0	97.0	98.0	100
Gross Enrolment Rate in Lower Secondary Education								
Total	%	61.6	58.1	58.5	66.8	75.0	83.4	100
Boys	%	64.0	59.0	59.0	67.0	76.0	85.0	100
Girls	%	59.2	57.1	57.8	65.0	73.0	82.0	100
Completion Rate Grade 6								
Total	%	85.6	83.2	85.3	90.0	95.0	100	
Boys	%	85.4	82.8	85.6	90.0	95.0	100	
Girls	%	85.7	83.6	85.0	90.0	95.0	100	
Completion Rate Grade 9								
Total	%	49.1	48.7	46.8	51.0	52.0	54	
Boys	%	52.1	50.0	49.2	51.0	52.0	55	
Girls	%	45.9	47.3	44.3	51.0	52.0	53	

Source: MOEYS

²⁹ Net enrolment refers to the ratio of enrolled children in a specific age group to total children in that age group.

3.174 Strangely, there was a drop in gross enrolment in lower secondary education in 2009, which is expected to reach 2008 levels only in 2011. This decline reflects that the number of primary school-aged children in the areas integrated 1998 has been incorporated into the number of children of lower secondary school-aged children identified in the 2008 General Population Census.

3.175 It needs iteration that primary school level education is necessary but it is not a sufficient condition for making a place for oneself in the job market. People should acquire higher levels of education.

Progress in Policies:

3.176 Following is the progress in regard to implementation of the ESP's three main policies:

- **Policy 1: Ensuring Equitable Access to Educational Services:** There has been improvement in educational facilities in the last 2-3 years: e.g. in 2008-2009, there were 5,289 primary schools, which in 2010-2011 rose to 5,615.³⁰ In 2009-2010, MOEYS piloted a primary school level scholarship programme in three provinces (Rattanakiri, Mondul Kiri and Preah Vihear), targeting children belonging to ethnic minorities. This programme benefitted 5,132 children. A Bilingual-Education National Action Plan is currently being developed. There has also been progress in the following areas: improvement in curriculum at all educational levels; education in border areas; education of children with disabilities; expansion of educational technology; and gender mainstreaming.
- **Policy 2: Improving the Quality and Effectiveness of Education Services:** MOEYS has conducted a review to assess the following:
 1. The needs at the Provincial/Municipal Teacher Training Centres (PTTC);
 2. Training needs of teachers;
 3. Revision of the mechanism to provide textbooks to students;
 4. Dissemination of standardised test results;
 5. Roles and responsibilities in upper secondary schools, rules in public primary schools on testing for grade-promotion at the end of school year and re-testing at the beginning of the new school year;
 6. Performance of 'Child-friendly' schools;
 7. Setting up a National Core Trainers at the Municipality/District/Khan Training and Monitoring Teams (DTMT) in Child Friendly Schools (CFS);
 8. Introducing a new curriculum for secondary schools;
 9. Formulating an education sector research development policy;
 10. Drawing up a teacher-development master plan; and
 11. Drawing up a curriculum for technical and vocational education (TVE).
- **Policy 3: Institutional and Capacity Development:** Since 2009, MOEYS has established a new approach to harmonise the government and development partners' support and resources in a single plan. This includes improvement in the management and budgeting system and has space for capacity development.

³⁰ These are 'complete' schools. In Cambodia, there are incomplete schools as well: those not having all grades for grades 1-6.

Challenges in the education sector:

3.177 Access to Education Services: Awareness of the Early Childhood Education (ECE) policy is limited; primary and lower secondary completion rates of especially, the disadvantaged children are low (reason: to help with housework); enrolment of children aged 12-14 years in lower secondary education is below the target (reason: lack of classrooms, and shortage of secondary teachers in newly-established institutions, especially in remote areas); children are required by their families to help with housework; and fewer students choose tertiary programmes such as in Education, Health, Agriculture, Science, Engineering, Industry and Mathematics³¹. The weak base in mathematics at the school level is among the reasons students do not wish to study science and engineering. This needs strengthening on priority.

3.178 Quality and Effectiveness of Education: Repetition and drop out remain a big concern for the MOEYS; standards set for measuring teachers' performance and evaluating students' results are not followed; and higher education institutions have not completed all their requirements needed for providing quality education.

3.179 Institutional and Capacity Development: There is need for additional legal documentation to match the Education Law and Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans; linkage between planning and budgeting requires strengthening; there is need to build greater capacities of the national and sub-national management staff; delegation of the responsibilities of education, youth and sports at city and district/khan levels is yet to be achieved; the goal of 'one-window' service has yet not been met; and transferring of roles and sub-roles of the education sector to sub-national administration is yet at the planning stage.

3.180 Some approaches proposed for enhancing the quality of education are given in Box 3.5.

Box 3.5: Policy Measures for Next Steps

The main policy actions for next stage consist of the following:

1. Plan D&D reform in the education sector, build capacity of Capital/Provincial and Municipal/District/Khan Education officials to respond to local education needs
2. Expand early childhood education
3. Standardise national assessment of student achievements in Grades 3, 6 and 9
4. Operationalise MOEYS's Medium-Term Capacity Development Plan 2011-2013
5. Implement accelerated learning programmes for special targets groups
6. Improve implementation of CFS Policy through strengthening DTMTs
7. Provide for more upper secondary education scholarships
8. Implement the general education curriculum development policy 2010-2014
9. Construct dormitories
10. Complete regulations for Masters Degree Programmes
11. Promote higher, technical and vocational education
12. Expand and improve ministry level information management
13. Computerise school management information system
14. Formulate policies for higher education development for 2020
15. Promote physical education and sports promotion
16. Draw up action plan for decentralising educational management
17. Formulate MOEYS's capacity development master plan
18. Improve aid effectiveness in the education sector; and,
19. Improve the linkage between planning and budgeting.

³¹ There is over-registration in business administration and related programmes. There is thus a mismatch between the demand and supply of skills.

VII.2 Enhancing Health Services

Health:

3.181 Quantitative targets: Key indicators related to maternal and child health, are presented in Table 3.14. The CMDG target for Infant Mortality Rate (IMR) for 2015 (of 50 per 1,000 live births) has been more than achieved five years in advance: it was 45 in 2010, down from 65 in 2005. The same can be said for U-5 Mortality Rate (CMR): it too dropped below the 2015 target of 65, again five years in advance. Among the reasons: the proportion of children under one-year receiving full immunisation was 80 percent in 2010 and 47 percent (of the total expected infants in the full year), in the first six months in 2011. Next, the proportion of children under one-year receiving DPT3-HepB was 95 percent in 2009, 92 percent in 2010 and 50.2 (of the expected infants in the full year) in first six months in 2011. Third, the proportion of children under one-year receiving measles was 91 percent in 2009, 93 percent in 2010 and 57 percent in first six months in 2011 (of the expected infants in the full year). The Integrated Management of Child Illness (IMCI) programme covered 77 operational districts in 24 provinces across the country. The proportion of health centres implementing IMCI rose from 69 percent in 2008 to 78 percent in 2009, and reached 100 percent in 2010. Children utilising healthcare services have increased: the average per capita new case consultations for children under 5-years increased from 1.0 in 2009 to 1.51 in 2010.

3.182 Maternal Mortality Rate (MMR) appears to have dramatically reduced in the last five years. MMR was 472 (per 100,000 live births) in 2005, and has *reduced* by over 250 points through 2005 and 2010. This is large, and it is evident that the 2013 (plan-end) target of <300 and the CMDG target of <250 have already been met. Unlike IMR and CMR, which can be greatly reduced if availability of clean drinking water and basic hygiene are ensured, reducing MMR often requires ambulatory medical intervention. It will be important, therefore, to learn how Cambodia achieved this feat, which would then be a lesson for other countries.

Table 3.14: Progress in Key Health Indicators

	Unit	2008	2009	2010	2011	2012	2013	2015
Infant Mortality Rate	Per 1,000 live births	66 (2005)	-	45	-	-	-	50
Under-5 Mortality Rate	Per 1,000 live births	82 (2005)	-	54	-	-	-	65
Maternal Mortality Rate (from CDHS)	Per 100,000 live births	472 (2005)	-	206 (2010)	-	-	<300	<250
Births attended by trained health personnel	%	58	63	69.6	75	80	85	87
HIV prevalence	% Adults aged 15-49	0.7	0.7	0.7	0.6	0.6	0.5	0.4
Malaria case fatality rate reported by public health facilities	%	2.10	1.77	0.76	1.10	0.99	0.90	0.80
Prevalence of all forms of TB	Per 100,000 population	697	693	681	669	657	645	626
Married women using modern birth-spacing methods	%	26	28	30	30	35	37	41

Source: Ministry of Health

3.183 The spread of HIV is expected to stabilise after peaking in 1998 (~2 percent); in fact, there has been a decline in the last decade. It is down to less than one now. Vigilance will have to be high to ensure that the trend does not reverse.³² Next, while the rate of reduction in malaria cases appears to be on track, the reduction in tuberculosis cases is slow. It needs to be brought on a faster track.

³² Both tourism and movement of workers across borders are expected to increase in the times to come and they are often associated with the disease.

3.184 Finally, the incidence of women using modern birth-spacing methods is gradually increasing and is likely to easily reach the set targets.

3.185 Programme 1: Reproductive, Maternal, New Born and Child Health: The progress in maternal health and new-born/child health is reflected in the increased proportion of births assisted by trained health staff: the proportion rose from 63 percent in 2009 to 69.6 percent in 2010, and it is estimated that in the first six months of 2011 it was 33 percent of the whole year's expected deliveries (i.e., expected 66+ percent in 2011). Next, the proportion of deliveries at public health facilities increased from 44 percent in 2009 to 52.1 percent in 2010, and 28.24 percent in first six months of 2011 of the whole year's expected deliveries (i.e., expected 56.48 percent in 2011). Third, the proportion of deliveries by C-Section to all deliveries increased from 1.4 percent to two percent.³³ In absolute terms these are good numbers though there is much room for improvement in the pace.

3.186 Pregnant women receiving at least two ANC consultations was 83 percent in 2009, 80 percent in 2010, and an estimated 41 percent of the whole year's pregnancies in the first six months of 2011 (i.e. expected 82 percent in 2011). Again, in absolute terms these are good numbers though there is no improvement, suggesting that there is room for improvement in the pace.

3.187 Challenges: Mobilise funds for, training physicians in operation skills; emergency obstetric and new-born care; improving operation facilities and theatres; expanding emergency obstetrics and new-born care services in referral hospitals at the district level; enhancing efficiency intervention for all health services; increasing the coverage of services; promoting mid- and long-term usage of birth-spacing; expanding services for safe abortion; and increasing utilisation of prenatal consultations to four times during pregnancy.

3.188 Programme 2: Communicable Diseases: There was a sharp decline in the prevalence of HIV/AIDS among the general population from about two percent in 1998 to 0.9 percent in 2006 and to 0.7 percent in 2010 (Table 3.13). Fifty-one Operational Districts in 21 provinces now offer treatment for opportunistic infections and provide Antiretroviral (ARV) services. Thirty-two sites provide paediatric care. Ninety percent of people living with HIV/AIDS (PLHA), currently using ARV treatment, have survived at least 12 months after the treatment, compared to 86 percent in 2009. The number of voluntary confidential counselling and testing (VCCT) sites available in referral hospitals and sites in health centres increased from 212 in 2008 to 233 in 2009, and was 239 in 2010.

3.189 The use of DOTS for treating tuberculosis has been scaled up. In 2008, 506 health centres provided this service; in 2009, 744 centres provided it; and in 2010, 839 centres provided it. A public-private partnership programme provides for treatment of tuberculosis in 39 operational districts in 11 provinces. A joint-identification and treatment of tuberculosis and HIV was carried out in all the operational districts in 2010 compared to only 57 operational districts in 2008. Fatality from dengue was small at 0.30 percent in the population in 2010 and malaria, about one percent. For controlling malaria and other mosquito-related diseases, the government distributed 997,609 chemically treated mosquito nets to people living in high prevalence areas in addition to chemically treating 94,740 nets already in use. Between June 2009 and September 2010, there were 760 cases of A(H1N1) reported; six succumbed to the disease. This description suggests that effort has been made though it will have to be sustained and deepened to make a lasting impact.

³³ Increase in C-Section deliveries suggests that there is recognition of possible complications and health risk to mothers and the foetus.

3.190 Challenges: A new report notes that HIV/AIDS will increase to four-fold if actions to prevent its spread are not put into place. The likely affected group are those engaged in entertainment activities, or practise 'men who have sex with men' (MSM) and drug injection. Drug resistance is developing in treating malaria, tuberculosis and HIV/AIDS. The government is attempting preventive approaches to address these problems. In the future, the National AIDS Authority, based on strategic effort and comprehensive and multi-sectoral participation from different stakeholders, will attempt to achieve its targets stated in the National Strategic Plan (NSP III). The NSP III (2011-2015) will be implementing the following key strategies: further expand the coverage and include the target groups better, offer services for effective prevention, improve care and treatment, mitigate the impact of the disease, create an enabling environment, and mobilise resources. NSP III is expected to, control the first wave of the HIV epidemic, carried through sexual transmission, and curb the second wave of HIV transmission, carried through MSM and drug users.

3.191 Programme 3: Non-communicable Diseases and Other Health Problems: Mental health cases treated increased from 16,852 in 2009 to 52,299 in 2010. Next, preventive measures like promoting oral health and hand washing have been introduced in 153 primary schools; 2,360 trainers have been trained; and 35,758 students have been exposed to these preventive measures. Other non-communicable diseases treated were breast cancer, uterus cancer and diabetes.

3.192 Challenges: The coverage of services is yet low for want of adequate physical and human resources. Also, there is need for more resources to efficiently implement the strategy.

3.193 Programme 4: Strengthening of the Health System: Twelve new health centres have been established along the border in Preah Vihear, Banteay Meanchey, and Odtar Meanchey provinces. Poor people being covered by equity funds and concessions for health care increased from 73 percent in 2009 of the poor population to 77 percent in 2010 of the poor population.

3.194 Illegal pharmacies and drug stores declined steeply from 38.5 percent of the total in 2009 to 5.4 percent in 2010. Illegal private health provision also declined, from 28 percent of all private health providers to seven percent in the same period.

3.195 Challenges: The government needs more resources to expand the physical infrastructure and medical facilities, and upgrade the medical technology. Public provision also needs strengthening to reach out to the poor, again for which resources are needed.

Nutrition:

3.196 This section presents key indicators relating to nutrition (Table 3.15). These relate to women and children's health, as their health is also an indicator of the society's health status.³⁴

Table 3.15: Nutritious Status of Women and Children

Indicator	2005	2010	2011	2013	2015 (target)
Children aged 0-59 months moderately or severely stunted	43	40	-	-	25
Children aged 0-59 months moderately or severely wasted	8	11	-	-	6
Women aged 15-59 yrs suffering from anaemia	47	44	-	-	19
Children aged 15-59 yrs suffering from anaemia	62	55	-	-	42

Note: Stunted: deficient on height to age; wasted: deficient on height to weight; severe: more than two standard deviations from normal; moderate: more than one standard deviation from normal; Source: Cambodia Demographic Health Survey 2010

³⁴ Anaemic or undernourished women will give birth to unhealthy babies. Next, anaemic or undernourished babies will grow up to be unhealthy and/or mentally mediocre persons.

3.197 Table 3.14 suggests that anaemia is prevalent both among children and women. The incidence of anaemia reduced between 2005 and 2010 but the rate of reduction was too slow. Unless extra effort is made, the target set for 2015 might remain illusory. The same can be said about 'stunted' children. Children 'wasted' present a curious picture: there was less wasted in 2005 compared to 2010, and if this continues the target for 2015 would become more distant. This aspect needs further investigation.

3.198 RGC is acutely aware of this, and as stated earlier, it has launched the NSPS aimed at providing succour to the poor and the vulnerable.

Urban water supply:

3.199 Safe urban water supply and sanitation, important components of environment in the CMDG-6, are discussed under this section, since they are central to human survival and wellbeing.

3.200 The CMDG target related to water is increasing the proportion of urban population with access to safe water source to 80 percent by 2015. The proportion of urban population with access to safe water was about 76 percent in 2009, which is on track to meeting the MDG target. Similarly, the CMDG target for sanitation is increasing the proportion of urban population with access to improved sanitation to 74 percent by 2015. The proportion of urban population with access to improved sanitation was about 84 percent in 2009, implying that the MDG target has been achieved in advance.³⁵

VII.3 Implementation of Gender Policy

Progress seen through select data:

3.201 The RGC has attempted to mainstream gender into the National Strategic Development Plan Update 2009-2013. Table 3.16 suggests that by 2011, 21 ministries out of a total of 24 ministries have formulated a Gender Mainstreaming Action Plan (GMAP), up from 15 in 2008, and another 17 authorities, equivalent to ministries, have also drawn up this plan in 2011. Ministries, which had implemented their GMAP, were fewer earlier; however, by 2011 all ministries that had made the GMAP also implemented them. Public awareness too is rising about the fact that violence against women is a crime.

Table 3.16: Some Important Gender-related Indicators							
Indicator	2008	2009	2010	2011	2012	2013 Target	2015 Target
Number of ministries/institution that have formulated a Gender Mainstreaming Action Plan	15	17	18	21	25	27	27
Number of ministries/ institution that have implemented a Gender Mainstreaming Action Plan	7	10	15	21	23	27	27
Level of awareness that violence against women is a crime (%)	30	80	80	80	80	70	70
Number of protection orders issued by courts based the Law on Protection of Domestic Violence and the Protection of Victims	10	8	14	7	10	120	120
Number of victims of domestic violence who received counselling by qualified personnel	600	452	391	185	360	900	2,000

Source: MOWA

³⁵ Source: CSES of 2009.

Table 3.17: Percentage of Female Wage employment to Total Wage Employment, By Sector

	2004	2009
Female wage employment to total wage employment (%) – agriculture	50.5	49.2
Female wage employment to total wage employment (%) – industry	47.6	47.6
Female wage employment to total wage employment (%) – services	30.7	32.5
Female wage employment to total wage employment (%) – total	40.1	42.2

Source: CSES

Economic Empowerment for Women:

3.202 Table 3.17 suggests that, the proportion of women working in the capacity of ‘employees’ to total wage employees has somewhat increased. There is little change seen at the sectoral level. An ‘employee’ is classified higher in the hierarchy of jobs. On aggregate, women are moving towards a better status, albeit slowly.

3.203 Women’s role has improved in the economic sectors through public policy and recognition of women’s contribution to economic development. Efforts have been continuously made for creating economic opportunities for women through Women’s Development Centres (WDC), in 13 provinces. Various services provided include: capacity building of women in entrepreneurship, support to women in developing small and medium enterprises, business counselling, and market and credit information.

Gender in Education

3.204 A higher proportion of girls have enrolled in primary and lower secondary education and the gender gaps at these levels have been narrowing. Net Enrolment Rates of girls at the upper secondary and higher education levels too have increased. In 2010, the proportion of girls attending lower secondary education was 48.22 percent of the total number of girls in the requisite age group. The gender gaps in education among persons aged 15-24 too have significantly reduced. RGC’s effort to increase enrolment of girls through providing scholarships, initiating remedial classes, constructing dormitories, increasing the percentage of female teachers, and schools getting closer to homes, have paid dividends.

Gender and Legal Protection

3.205 Violence against women and children has reduced as a result of awareness raising and enforcement of national laws and international convention (CEDAW). There is good progress in the enforcement of Law on Prevention of Domestic Violence, and Protection of Victims and Law on Suppression of Human Trafficking and Sexual Exploitation. In 2009, the National Action Plan on Prevention of Violence Against Women was adopted. The Ministry of Women’s Affairs (MOWA) conducted a follow-up survey on Violence Against Women to track progress. Findings: the percentage of Cambodians who understand violence against women as a wrongful behaviour and crime increased from a much lower figure in 2005 to 80 percent in 2009, which is higher than both, the 2013 plan target and the 2015 CMDG target.

3.206 A draft of an MOU between Cambodia, Vietnam and Malaysia on human trafficking has also been drawn up.

Gender and Health:

3.207 The Health Strategic Plan 2008-2015 puts high priority on healthcare services for both men and women. The RGC has been implementing many programmes towards reducing maternal, child and infant mortality rates. There is reduction in Child Mortality Rate (CMR) according to the Cambodia Demographic Health Survey (CDHS) of 2010. RGC has put in efforts towards reducing the high Maternal Mortality Rate (MMR) and enhancing healthcare services.

Women in the Public Administration and Decision Making:

3.208 Women in the legislature: Women's seats in the National Assembly have increased steadily from one National Assembly Mandate to the next. In 1993, women's seats were five percent, which increased to 19 percent in 2003 and to 22 percent in 2008. The proportion of female senators increased from 13 percent in 2003 to 15 percent in 2008.

3.209 Women as members of the government: RGC has been nominating women officials in positions of decision-making. A woman now holds a deputy prime minister's post, two women are ministers, 16 women are secretaries of state, and 31 women are under-secretaries of state.

3.210 Women in the public administration: In 2009, the RGC, through the State Secretariat of Civil Service, issued a guideline to all line ministries/institutions setting a quota of 20-50 percent for women among new recruits. As a result, the proportion of women civil servants increased from 22 percent in 2008 to 34 percent in 2011.

3.211 Women in Decision Making at the Sub-National Level: Women representatives have been appointed governors and vice governors of the Capital, provinces, cities, and districts/khans. There are 24 female vice governors (20 percent of the total), today. In the sub-national level elections of 2009, 38 women got elected as councillors of city/provinces, and 36 women got elected as councillors of towns/districts/khans. RGC is developing a capacity-building programme to assist women at the sub-national level, particularly for the newly nominated women so that they fully participate in sub-national democratic development.

3.212 Sectoral gender mainstreaming action plans: From 2009 up to now, 21 ministries have developed and implemented Gender Mainstreaming Action Plans (GMAPs). The rest of the ministries are in the process of developing their plans.

3.213 Challenges and Approaches:

1. **Economic empowerment:** Women in the informal economy have received relatively less attention. They lack protection, financial support, and skills to sustain their businesses. The gender gap in skills is also large.
2. **Education:** Girls' school dropout rates remain high, particularly in the higher grades despite recent progress. Reason: their induction in the workforce is early.
3. **Legal protection:** Prevention of rape, support and counselling services for victims, have been limited because training and awareness-raising on domestic violence have been carried out only in select areas and not nationwide.
4. **Health:** MMR has effectively been controlled but given the status of rural health services extra vigilance will have to be maintained to avoid a relapse.
5. **Public administration and decision-making:** Despite the RGC's effort to reduce gender disparities, there is no female provincial/city governor, and the proportions of female ministers, secretaries of state, and directors-general are yet few.

3.214 Some policy measures proposed to overcome these challenges are given in Box 3.6.

Box 3.6: Policy Measures For Next Steps

1. Enhance women's technical skills for decent work, provide more economic opportunities to women, and strengthen capacity of women entrepreneurs in micro and SMEs;
2. Raise awareness on girls' education, increase girls' access to education and enhance the proportion of women among teachers and in the management;
3. Disseminate the law on Prevention of Domestic Violence and Protection of Victims and law on 'Suppression of Human Trafficking and Sexual Exploitation'; attempt changing attitudes towards violence; launch a campaign on violence against women; and improve access to services for victims of domestic violence and trafficking;
4. Expand health services in the rural areas, increase access to health information and reproductive health services, enhance nutrition of women and children, and prevent the spread of HIV/AIDS and other communicable diseases; and
5. Empower women in decision-making through capacity building in leadership and management, and urge political parties to choose female candidates.

VII.4 Implementation of National Population Policy

3.215 The decennial Population Census of 2008 shows that the total population of Cambodia was 13.4 million in that year. Of the total population, 51.4 percent are females. Next, 80.5 percent population resides in rural areas. Third, population growth rate is 1.54 percent. Achievements under the population policy are:

1. Most women are aware of birth spacing control,
2. Total Fertility Rate (TFR) decreased from 4.0 in 2000 to 3.4 in 2005, and 3 now. The target of achieving TFR of 3 by 2015 has been met much earlier.

3.216 In the NSDP Update 2009-2013 it is recognised that TFR per se is not a problem; it is low enough and rapidly falling. The key issue is of improving the quality of the population: people should be healthy, educated and well nourished and there should be gender equity. RGC has continued its efforts to integrate population policies with socio-economic, gender and reproductive health policies, plans and programmes at all levels. With 54.1 percent of Cambodian population aged below 25 years, RGC is taking measures to make youth an important driving force.

3.217 Population issues cut across several policy areas – health, education, drinking water supply, nutrition and livelihoods, to name a few. Many ministries, therefore, are responsible. The National Committee for Population and Development (NCPD), located at the Council of Ministers, is responsible for policy-making, while individual line ministries carryout implementation. In the timeframe of NSDP Update, 2009-2013, efforts are being made to enhance the capacity of policymakers, implementers and institutions to include key population variables while addressing poverty, and integrating them into the planning process.

3.218 The Cambodia Demographic Health Survey 2010 is now available and preparations for the mid-decade survey of 2013 (of the population census) are well under way.

3.219 *It can be inferred that:*

1. In the education sector, the major challenge lies in enrolling and retaining students beyond the primary level. This is particularly important for girl children. Next is the case for higher education, where presently there is too much concentration on teaching accounts, finance and management, and too little on science and engineering. For one, there are supply-related constraints in these subjects. However, a major constraining factor is also the (low) level of mathematics teaching at the school level, which inhibits students from opting for these ‘math-oriented’ subjects. The human capital gap thus stays.
2. The health sector presents a mixed picture. On the positive side, the major child-related indicators have shown spectacular success, but on others like and nutrition there is little gain. This seemingly contradictory picture exists because the extension of health services is regionally selective, reach-out is limited, and preventive elements like drinking water and sanitation have lagged behind.
3. In gender, many indicators have shown success: a larger number of ministries are preparing and implementing gender mainstreaming programmes, violence against women is now considered as a crime by most people, and women are also getting more jobs as paid employees in contrast to them being mainly unpaid family workers earlier. The gender gap, however, is still not fully bridged and a lot of work needs to be done.
4. Finally, the National Population Policy’s aim of improving the quality of the population requires thrust, though its implementation is the responsibility of a number of line ministries and agencies like education, health, labour, social affairs, etc.

VIII. CONCLUSION

3.220 The progress made in planning in Cambodia could be summarised under two headings:

3.221 Successes: The overall picture of the achievements realised against the NSDP Update, 2009-2013 can be manifested as follows:

1. The plan has so far succeeded in putting systems of governance in place and improving governance. This could be said about D&D as well. People's trust in the authorities and the administrative and economic institutions has steadily increased.
2. Land management and demining, given the limited resources, too appear to be moving smoothly.
3. Economic development has progressed along a two-pronged approach:
 - Agriculture has grown steadily, pulling up large numbers above the poverty line and also promoting exports; and
 - Industry and services (tourism and related activities) initially grew rapidly but suffered because of the impact of the international financial crisis. After an initial shock, they have begun to pick up.
4. RGC raised investments in priority sectors to compensate for reduction in private investment; this stabilised the economy.
5. Partnerships with the external world have improved, both politically and in terms of concessional assistance.
6. There have been successes seen through some sectoral indicators among which are IMR, CMR, MMR for health sector and NER in primary education and completion rate grade 6 for education sector, as well as through some indicators for gender and some indicators for physical infrastructure including transport sector (road, port, air transport, the rehabilitation and development of railways), irrigation system, drinking water supply (both rural and urban).

3.222 Areas where improvements are required are:

1. Government deficits are large, defying the canons of public finance. This will have to be quickly bridged through improving revenue collection. Or else, once hyperinflation sets in, the setback to the national economy and people will be large.
2. Primary education level enrolment indicators are satisfactory, but thereafter there are huge shortfalls – in completion rates, gender gaps, secondary and higher enrolment rates, infrastructure, and all.
3. In health, there are shortfalls in nutrition: both child (under) development and anaemia are high, resulting in 'stunting' and 'wasting'.
4. Railways and some construction projects have been non-starters – they need picking up to improve physical connectivity.
5. The forestry and fisheries sectors need immediate attention. In fact, the environmental conservation sector requires concerted efforts, nationally, regionally and globally.
6. There is an all-round shortage of human skills. This is true in both public and private sectors. It is a huge challenge to create a cadre of trained personnel in a broad range of skills—not management and finance alone—to more efficiently produce outputs and deliver better services.

3.223 Finally, to ensure sustainability of the gains from the implementation of the different components of the rectangular strategy needs greater alignment.

CHAPTER IV

MONITORING AND EVALUATION

I. INTRODUCTION

4.1 To ensure the effectiveness of limited development resources is central to the RGC's socio-economic development policies. To pursue this endeavour, the RGC recognises the need to instil a result-based monitoring and evaluation (M&E) system. Through this, development results from the utilisation of available resources can be examined and made available for planning and policy formulation purposes as well as public disclosure. This is a powerful approach in public management to track progress and assess the impact of a given project, programme, or policy. Within the context of NSDP implementation, the result-based M&E differs, therefore, from traditional implementation-focused M&E, in that it moves beyond an emphasis on inputs and outputs to a greater focus on *outcomes* and *impacts*.

4.2 This chapter reviews the present approach in regard to outcome and impact evaluation currently in practice, and then proposes amendments in it to meet the aspirations from the development process better.

II. KEY INDICATORS FOR M&E – THE CURRENT APPROACH

4.3 Regular monitoring and evaluation of the actions taken by ministries and agencies to achieve RGC's priorities in the Fourth Legislature is an integral part of the planning process. Monitoring and evaluation activities presently being carried out fall in two categories:

1. The first includes regular M&E of the planned actions, programmes and projects, carried out by the implementing ministries and/or agencies. The resulting M&E reports provide information on the progress made and constraints experienced in the implementation of planned activities. The programme managers use this information to realign and refocus activities with a view to achieve the targeted goals and objectives.
2. The second category consists of periodic monitoring and evaluation of the progress in achieving the overall development results and outcomes of NSDP 2009-2013, as well as identifying the challenges faced in achieving the targeted results and outcomes, based on "core monitoring indicators/targets of NSDP Update 2009-2013".

4.4 The RGC has regularly urged line ministries and agencies to attach high priority to carrying out periodic monitoring and evaluation of programmes and projects, and promptly provide feedback on these to the Ministry of Planning.

4.5 Over the last 2-3 years, many reviews, discussions and consultations on NSDP 2006-2011 monitoring indicators have taken place, and lessons have been learned in carrying out work to monitor the NSDP Update, 2009-2013. It has been agreed that the core monitoring indicators/targets of NSDP Update 2009-2013 meet two important criteria:

1. Each indicator/target is measurable, and that data to monitor the indicator is readily available or can be collected within acceptable time frame,
2. An RGC institution is identified, which agrees to monitor and evaluate progress on that indicator/target.

4.6 However, this does not close the door for further improvement. The Ministry of Planning has been working with concerned ministries and agencies on the revision of the core monitoring indicators of the NSDP-Update, 2009-2013. Based on the MOP's guidelines for finalising a core set of indicators and through coordinated inter-ministerial consultations, a new list of core monitoring indicators has now been finalised. The list includes most of the

CMDGs and some new proxy indicators on aspects that do not lend themselves to quantitative measurement easily, e.g. governance. A list of the revised core indicators could be seen in Table 4.1. MOP has also drawn up a select set of *additional* indicators on RGC's key reform programmes and key socio-economic development priorities. These could be seen in an Appendix to this document.

III. SOME PROPOSED AMENDMENTS

4.7 The amendments proposed here are not replacements, but refinements and further detailing of the existing indicators. This report also proposes that these indicators should not be taken as final and inviolable: they could, and should change as the situation demands.

III.1 Macroeconomic Indicators

4.8 In the realm of macroeconomics, the indicators given in Table 4.1 and the Appendix appear to fit the requirements. The one additional variable that is related to macroeconomic aggregation denotes 'inclusive growth'. An indicator needs to be generated to assess whether economic growth is accompanied by a distribution of gains and employment generation.

1. One approach to measure it is to examine the composition of growth: whether the industries and activities that are growing are also labour intensive. Thus if garments, shoe-making, light consumer goods, textiles, light engineering industries, food processing, services and similar industries grow, *and they employ national workers*, then the growth process can be considered inclusive. An index could appropriately be constructed for this.
2. An alternative approach to measure it is to find out whether the poor are also receiving a significant component of the extra incomes generated by growth. The most robust indicators here are the trends in the wage rates of low skilled or unskilled workers, and possibly, trends in unemployment and underemployment.

4.9 It would be ideal if both these could be computed.

III.2 Governance

4.10 Some proxies of governance indicators have been computed in Chapter 2 in this report. They examine whether the quality of governance has improved and that it instils confidence in foreign investors. Some more direct proxies used are reduction in crime, and dispute over property. This thought process could be extended further to include indicators like land encroachment, encroachment of public property, or unsolved disputes piled up in law courts (negative aspects); and land dispute settlement, justice delivered, or reduction in bribing (positive aspects). There is need to have a more concerted and involved discussion on this topic.

III.3 Human Development (HD)

4.11 NHDI: All planned development is aimed at improving HD. It would, therefore, be meaningful to compute a National Human Development Index (NHDI) more often than when the NHDR publishes them. This should also be disaggregated at the province level. Its gender-disaggregated variant, the Gender Development Index (GDI), could also be thought of as an impact measure and computed alongside. Computing HDI or GDI should be done in addition to IMR, literacy, incomes, etc., which are a part of the core indicators list or additional indicators list.

4.12 Poverty: A poverty line shall be officially defined by the RGC. Such a definition would also legally and morally bind the state to strive for pulling all persons above this line in a determined timeframe. Surely, the poverty line could change from time to time; say once in a decade or 15 years, according to the level of development of the country and new targets set. The proportion of people living below the poverty line must be worked out within a year after the Cambodia Socio-economic Survey (CSES) data have been collected. In fact, this must be published along with the CSES report main report, which is published within a year of the completion of the survey.

III.4 Labour

4.13 In the Cambodia context, it is desirable that land is consolidated for modernisation of agriculture and there is a corresponding shift of workers away from agriculture. In this regard, absorption of workers in non-farm activities and urbanisation are key indicators to compute. This could be done gender-wise and region/province-wise to represent spatially balanced development.

4.14 Next, since the quality of workers matters, it would be meaningful to construct an indicator on the skill quality of workers: a weighted index of the level of skills of workers, disaggregated by sex. A skill-index of workers could also be an advertisement by provinces to attract investments, both local and foreign.

III.4 Environment

4.15 The importance of monitoring environmental issues has been well-recognised and corresponding indicators identified. Perhaps a quality component could be added. For example, when deforestation happens, this damages pristine forests, which conserve water, release life-supporting oxygen and support multitudes of flora and fauna. These forests cannot be fully replaced by producer- or mono-crop forests like eucalyptus, teak or rubber. Thus, expansion in natural forests is a good additional indicator.

4.16 Similarly, while rain gauges measure rainfall, they do not measure water availability in the dry season. Field studies suggest that in many localised settings fish is no more available in the dry season, resulting in many people wanting to migrate out seasonally for livelihood. Thus, regional availability of water and fish in the dry season could be measured as an extra measure of environment.

IV. DATA

4.17 Almost none of the new indicators proposed above, requires a whole lot of extra data to be collected. Now with the CSES being conducted annually, data availability is further facilitated. Only in Environment there is need for some innovative thought for generating new figures. The concerned authorities in RGC need to be engaged on this topic.

V. CONCLUSION

4.18 Outcome and impact monitoring is an integral part of any planning process. In the context of a result-based planning process, it is not enough to be satisfied with the quantities of money spent or projects and structures completed. It is more important that the quality of life of people, particularly of the poor and marginalised but in general of the populace, improves. To ensure the tracking of outcomes and impacts, it is essential that the monitoring indicators are regularly reassessed and made more realistic.

TABLE 4.1: CORE MONITORING INDICATORS FOR MID-TERM REVIEW ON THE IMPLEMENTATION OF NSDP UPDATE, 2009-2013

(*) - CMDG goals and targets

	Indicators	Unit	2008	2009	2010	2011 (Est.)	2012 (Target)	2013 (Target)	2015 CMDG	Data Source
	Eradicate - Poverty & Hunger									
1 *	Poverty levels (Cambodia)	%	30.1 (2007)		26.1 (Linear forecast)	-	-	-	19.5	CSES (NIS)
2 *	Poverty levels (Rural)	%	34.7 (2007)		30.7 (Linear forecast)	-	-	-	23	CSES (NIS)
3 *	Food poverty levels	%	19.7 (2007)		15.1 (Linear forecast)	-	-	-	10	CSES (NIS)
4	Share of poorest quintile in national consumption	%	6.5 (2007)	7.6 (2008)	8.0 (2009)	-	-	-	11	CSES (NIS)
	Accelerate Governance Reforms									
5	Economic environment (savings/investment rate)	% of GDP	24.5	25.5	26.4	24.7	-	-	-	NA (NIS)
6	Conflict situation									
6a	General violence	Per 100,000 population	261.1	258.6	217.8	-	-	-	-	CDB (NCDD)
6b	Conflict on land/property	Per 100,000 population	196.1	166.9	144.1	-	-	-	-	CDB (NCDD)
6c	Serious crime	Per 100,000 population	159.0	158.1	149.0	-	-	-	-	CDB (NCDD)
7	Feel Safe									
7a	Feel safe from crime (female-headed households to total female headed households)	%	58 (2004)	66.8	-	-	-	-	-	CSES (NIS)
7b	Feel safe from crime (male-headed households to total male headed households)	%	56.6 (2004)	67.3	-	-	-	-	-	CSES (NIS)
7c	Trust police for protection (female-headed households)	%	49.9 (2004)	61.9	-	-	-	-	-	CSES (NIS)
7d	Trust police for protection (male-headed households)	%	50.4 (2004)	60.6	-	-	-	-	-	CSES (NIS)

Indicators		Unit	2008	2009	2010	2011 (Est.)	2012 (Target)	2013 (Target)	2015 CMDG	Data Source
8	Report crime to whom									
8a	Percentage of persons reporting crime to police to total reported crime numbers (male)	%	52.6 (2004)	51.9	-	-	-	-	-	CSES (NIS)
8b	Percentage of persons reporting crime to police to total crime reported crime numbers (female)	%	26.7 (2004)	18.1	-	-	-	-	-	CSES (NIS)
8c	Percentage of persons reporting crime to village chief to total reported crime numbers (male)	%	42.5 (2004)	45.1	-	-	-	-	-	CSES (NIS)
8d	Percentage of persons reporting crime to village chief to total reported crime numbers (female)	%	72.0 (2004)	81.9	-	-	-	-	-	CSES (NIS)
8e	Percentage of persons reporting crime to other authority to total crime reported numbers (male)	%	4.9 (2004)	3.0	-	-	-	-	-	CSES (NIS)
8f	Percentage of persons reporting crime to other authority to total crime reported numbers (female)	%	1.3 (2004)	0.0	-	-	-	-	-	CSES (NIS)
Enhance Agricultural Production and Productivity										
9	Paddy yield per hectare	Tonnes	2.75	2.84	2.97	2.98	2.99	3.0	3.2	MAIS (MAFF)
10	Irrigated areas for all crops	Ha	817,155	839,638	907,338	944,914	969,914	994,914	1,044,914	MAIS (MWRM)
11	Land under all crops	Ha	3,211,541	3,231,480	3,388,092	3,500,000	3,600,000	3,650,000	3,700,000	MAIS (MAFF)
12	Rate of Land Title Certificates issued to farmers	%	-	22	24	28	-	29	49	MAIS (LMUC)
Improvements in Health										
13*	Infant Mortality Rate	Per 1,000 live births	66 (2005)	-	45	-	-	55	50	CDHS (NIS/MOH)
14*	Under-5 Mortality Rate	Per 1,000 live births	82 (2005)	-	54	-	-	70	65	CDHS (NIS/MOH)
15*	Maternal Mortality Rate (from CDHS)	Per 100,000 live births	472 (CDHS 2005)	-	206 (CDHS 2010)	-	-	<300	<250	GPCC/CDHS (NIS/MOH)
16*	Births attended by trained health personnel	%	58	63	69.6	75	80	85	87	HIS (MOH)
17*	HIV prevalence	% of adults aged 15-49	0.7	0.7	0.7	0.6	0.6	0.5	0.4	HSS (NAA)
18*	Malaria case fatality rate reported by public health facilities	%	2.10	1.77	0.76	1.10	0.99	0.90	0.80	HIS (MOH)
19*	Prevalence of all forms of TB	Per 100,000 population	697	693	681	669	657	645	626	HIS (MOH)

Indicators		Unit	2008	2009	2010	2011 (Est.)	2012 (Target)	2013 (Target)	2015 CMDG	Data Source
Improvement in Nutrition and WATSAN										
20*	Children aged 0 – 59 months who are moderately or severely stunted (Height-for-age more than 2 standard deviations below normal)	% To total children aged 0-59 months	43 (2005)	-	40	-	-	-	25	CDHS (NIS/MOH)
21*	Children aged 0 – 59 months who are moderately or severely wasted (Weight-for-height more than 2 standard deviations below normal)	% To total children aged 0-59 months	8 (2005)	-	11	-	-	-	6	CDHS (NIS/MOH)
22*	Women aged 15-49 years with anaemia	% To total women aged 15-49 years	47 (2005)	-	44	-	-	-	19	CDHS (NIS/MOH)
23	Children aged 6-59 months with anaemia	% To total children aged 6-59 months	62 (2005)	-	55	-	-	-	42	CDHS (NIS/MOH)
24*	Access to safe water source of urban population	%	-	76	-	-	-	-	80	CSES (NIS)
25*	Access to improved sanitation of urban population	%	-	84	-	-	-	-	74	CSES (NIS)
Improvements in Education										
26*	Net Enrolment Rate in Primary Education									
26a	Total	%	94.4	94.8	95.2	96.0	97.0	98.0	100	EMIS/GPCC (MOEYS/NIS)
26b	Boys	%	94.8	95.0	95.8	96.0	97.0	98.0	100	EMIS/GPCC (MOEYS/NIS)
26c	Girls	%	94.0	94.6	94.6	96.0	97.0	98.0	100	EMIS/GPCC (MOEYS/NIS)
27*	Gross Enrolment Rate in Lower Secondary Education									
27a	Total	%	61.6	58.1	58.5	66.8	75.0	83.4	100	EMIS/GPCC (MOEYS/NIS)
27b	Boys	%	64.0	59.0	59.0	67.0	76.0	85.0	100	EMIS/GPCC (MOEYS/NIS)
27c	Girls	%	59.2	57.1	57.8	65.0	73.0	82.0	100	EMIS/GPCC (MOEYS/NIS)
28*	Completion Rate Grade 6									
28a	Total	%	85.6	83.2	85.3	90.0	95.0	100	-	EMIS/GPCC (MOEYS/NIS)
28b	Boys	%	85.4	82.8	85.6	90.0	95.0	100	-	EMIS/GPCC (MOEYS/NIS)
28c	Girls	%	85.7	83.6	85.0	90.0	95.0	100	-	EMIS/GPCC (MOEYS/NIS)

Indicators		Unit	2008	2009	2010	2011 (Est.)	2012 (Target)	2013 (Target)	2015 CMDG	Data Source
29*	Completion Rate Grade 9									
29a	Total	%	49.1	48.7	46.8	51.0	52.0	54.0	-	EMIS/GPCC (MOEYS/NIS)
29b	Boys	%	52.1	50.0	49.2	51.0	52.0	55.0	-	EMIS/GPCC (MOEYS/NIS)
29c	Girls	%	45.9	47.3	44.3	51.0	52.0	53.0	-	EMIS/GPCC (MOEYS/NIS)
	Rural Development									
30	Rural roads rehabilitated (out of the total Rural Roads of 33,005 km)	Km	24,140	24,558	24,862	25,055 (1/2 yr)	-	33,055	-	MAIS (MRD)
31*	Access to safe drinking water sources (rural)	%	40.49	42.18	43.51	43.89 (1/2 yr)	-	-	50	CSES (NIS)
32*	Access to sanitation (rural)	%	23.24	24.24	25.00	26.00 (1/2 yr)	-	27	33	CSES (NIS)
	Environmental Sustainability									
33*	Forest Cover	% of total area	57.99	-	57.59	-	-	-	60	MAIS (MAFF)
34	Surface of 23 protected areas (PAs)	Ha	3,100,199	3,100,199	3,111,041	3,111,041	-	3,111,041	3,111,041	MAIS (MOE)
35	Community protected areas (CPA)	Number	82	84	98	110	-	120	140	MAIS (MOE)
	Gender Equity									
36*	Mainstream gender in all spheres									
36a	Number of ministries/institutions that have formulated a Gender Mainstreaming Action Groups	Number	15	17	18	21	-	27	27	MAIS (MOWA)
36b	Number of ministries/institutions that have implemented their Gender Mainstreaming Action Plan	Number	7	10	15	21	-	27	27	MAIS (MOWA)
37*	Female share of wage employment									
37a	Agriculture	%	50.5 (2004)	49.2 (2009)	-	-	-	-	-	GPCC (NIS)
37b	Industry	%	47.6 (2004)	47.6 (2009)	-	-	-	-	-	GPCC (NIS)
37c	Services	%	30.7 (2004)	32.5 (2009)	-	-	-	-	-	GPCC (NIS)

Indicators		Unit	2008	2009	2010	2011 (Est.)	2012 (Target)	2013 (Target)	2015 CMDG	Data Source
38*	Level of awareness that violence against women is a crime	%	30	80	80	80	-	70	70	MAIS (MOWA)
39	Number of protection orders issued by courts, based on the Law on the Prevention of Domestic Violence and the Protection of the Victims	Number	10	8	14	7	-	120	120	MAIS (MOWA)
40	Number of victims of domestic violence who received counselling by qualified personnel.	Number	600	452	391	185	-	900	2,000	MAIS (MOWA)
Cambodia Economic Integration into the World										
41	FDI	% of GDP	13.2	12.2	12.9	11.0	-	-	-	MAIS (CDC)
42	Two-way trade in goods	% of GDP	82.9	70.0	80.4	97.2	-	-	-	MAIS (NBC)
43	Export of goods	% of GDP	33.8	28.8	33.4	42.4	-	-	-	MAIS (NBC)
44	Import of goods	% of GDP	49.1	43.2	47.0	54.8	-	-	-	MAIS (NBC)
45	Current account balance	% of GDP	-15.3	-14.4	-13.6	-8.5	-	-	-	MAIS (NBC)
Sustain high Macro-Economic Growth										
46	Real GDP Growth	%	6.7	0.1	6.0	6.9	6.5	7.0	7.0	NA (NIS)
47	Per Capita GDP (current prices)	000 Riels	3,085	3,117	3,355	3,626	3,947	4,472	4,955	NA (NIS)
48	Structure of GDP (current prices)									
48a	Agriculture	% of total GDP	32.8	33.5	33.9	32.1	31.7	31.0	29.4	NA (NIS)
48b	Industry	% of total GDP	22.4	21.4	21.9	22.1	22.5	23.0	23.8	NA (NIS)
48c	Services	% of total GDP	38.8	39.7	38.3	38.6	38.6	38.8	39.4	NA (NIS)
49	Inflation Rate (percentage changes)									
49a	Year Average	%	19.7	- 0.6	4.0	5.5	5.0	3.5	3.3	NA (NIS)
49b	Q4/Q4	%	15.8	1.6	3.4	6.5	5.0	3.5	3.0	NA (NIS)
49c	Y o Y	%	12.5	5.3	3.1	7.0	5.0	3.5	3.0	NA (NIS)

Indicators		Unit	2008	2009	2010	2011 (Est.)	2012 (Target)	2013 (Target)	2015 CMDG	Data Source
	Improve Budget Performance									
50	Total Government budget revenues	% of GDP	13.3	11.9	13.2	13.2	13.4	13.9	14.8	MAIS (MEF)
51	Total Government budget expenditures	% of GDP	15.9	20.5	21.3	19.6	19.4	19.6	19.9	MAIS (MEF)
	Accelerate Industrial Growth									
52	Annual Growth GVA in manufacturing sector (constant prices)	%	3.1	-15.5	29.5	9.9	9.6	10.0	8.5	NA (NIS)
53	Annual Growth GVA in construction (constant prices)	%	5.0	5.0	- 25.5	6.7	9.3	10.1	9.9	NA (NIS)
	Employment									
54	Distribution of employment by sector (18 and above)									
54a	Agriculture	%	56.3 (2004)	57.6 (2009)	-	-	-	-	-	CSES (NIS)
54b	Industry	%	13.7 (2004)	15.9 (2009)	-	-	-	-	-	CSES (NIS)
54c	Service	%	30.0 (2004)	26.5 (2009)	-	-	-	-	-	CSES (NIS)
	Tourism									
55	Annual Tourist arrivals									
55a	International tourists	Million	2.12	2.16	2.51	2.75	3.16	3.40	4.51	MAIS (MOT)
55b	National tourists	Million	6.72	7.02	7.56	7.94	8.31	8.59	9.00	MAIS (MOT)
56	Accommodations (Hotels & Guest Houses)	Rooms	32,858	37,522	39,714	41,095	42,400	43,810	45,803	MAIS (MOT)

	Indicators	Unit	2008	2009	2010	2011 (Est.)	2012 (Target)	2013 (Target)	2015 CMDG	Data Source
	Infrastructure									
57	Length of paved roads out of 11,914km (incl., single- and double-digit roads and provincial roads)	Km	-	3,204	3,454	3,954	4,255	4,454	4,954	MAIS (MPWT)
58	Railways rehabilitated and constructed	Km	-	604	604	604	604	650	903	MAIS (MPWT)
59	Telephones in use (landline & mobile)	Million	3.84	6.4	10.9	14.3	14.5	15.0	16.0	MAIS (MPTC)
60	Access to public information of total population									
60a	<i>TV/radio</i>	%	-	74	77	80	-	-	-	MAIS (MOInfo)
60b	<i>Print medium</i>	%	-	2	2.5	3	-	-	-	MAIS (MOInfo)
	Energy									
61	Per capita use of electricity	Kwh	139	149	157	169	184	199	-	MAIS (MIME)
	De-mining, Victim Assistance									
62*	Annual victims caused by mines/ERW	Number	-	244	286	240	-	200	150	MAIS (CMAA)
63*	Total cumulated areas cleared of mines/ERW	Ha	-	53,575	63,962	65,781	-	78,480	91,693	MAIS (CMAA)

CHAPTER V

LOOKING AHEAD TOWARDS 2013 AND BEYOND

I. PREAMBLE

5.1 The NSDP-Update 2009-2013 was launched in 2009, a year when the economy was reeling under the impact of an extremely adverse external environment. The country was nevertheless able to weather the crisis due to a continued good performance of the agricultural sector and timely response mechanisms that the government put in place. These included making expenditures on infrastructure and human capital, giving allowances to garment workers, retraining retrenched workers, a pro-active agricultural policy, and an 'easy-money policy' for investors and borrowers. The economy has begun to rapidly recover from the external shocks and most sectors, including growth sectors like garment and tourism, have begun to look up. Poverty has steadily reduced and the wages of unskilled/low-skilled workers have also risen. Furthermore, governance and D&D reforms have shown results.

5.2 However, there is a flipside. Despite rapid growth in the national income, there has been little structural change in Cambodia: diversification in the economy is small; people are low-skilled and are engaged in subsistence agriculture in large numbers; capital accumulation based on 'extractive processes' is still high; urbanisation is limited; and the economy is critically exposed to external shocks. Next, while some indicators like IMR and U5MR have shown visible reduction, others like anaemia and child malnutrition (resulting in stunting and wasting among children), have not shown encouraging trends. Third, in the education sector too, the quality at both secondary and tertiary education levels is to be improved. Thus, while the CMDG target of poverty reduction is likely to be met, some social indicators are yet distant from the targets.

5.3 In short, after achieving success on the existing structure, i.e. in agriculture, garments and tourism based economy; it is now time to bring about structural change, for which major thrusts towards human development and modernisation needs to be made.

II. KEY CHALLENGES

5.4 Some proposals emerging from the analysis in this report are given as below.

A. Macroeconomics and Governance:

A.1 Raising Revenues:

5.5 To cut development expenditures is not a viable proposition for a developing country since a lot of public investment is required for nation building.³⁶ Excessive expenditures, however, cannot continue indefinitely with limited revenues flowing in; hence, there is need to beef up the revenue flow. Raising revenues radically has not been easy anywhere in the world: for one, its implementation is difficult, and equally important, excessive taxation can adversely affect growth rates. Having stated this much, in Cambodia, among the progressive methods to increase revenues are to significantly widen VAT and the direct tax net, and if possible, revise select tax rates upwards. For example, import duties on luxury products can be substantially increased.

³⁶ This is not to say that wastages cannot be reduced, both on the capital and current account expenses.

5.6 An important component of revenues in Cambodia is the non-tax revenue. Two sources that immediately come to the fore are earnings from 'value-added' tourism, and royalties from petroleum and natural resources like gems and other minerals³⁷.

5.7 Finally, in the land concessions sector, a special vigilance mechanism needs to be put in place and the authorities empowered to ensure that the contract conditions are closely followed, and that there is no compromise on the revenue inflow.

A.2 Developing Capacity Through Rationalising Staff Size and Expenses:

5.8 Reforming the civil service could go a long way in nation building process. To pursue reforms, capacity and performance of civil service must be enhanced. The process entails setting and monitoring quality standards in public services; putting in place programmes to develop capacity; strengthening human resource management and development; enhancing re-deployment mechanisms; deploying performance-based instruments. Effective implementation of these strategic actions is expected to result in a change in the behaviour and attitude of civil servants. This behavioural and attitudinal change would enable civil servants to uphold service provider morals including values of service, and loyalty, motivation and professionalism. To grapple with these reform agendas, the Council for Administrative Reform is preparing a policy and programme framework to enhance capacity and the performance of the Civil Service and this process requires broadening and taking forward.

5.9 The government has now completed the census of the Civil Service Staff. The exercise can be logically carried forward to scientifically determine the size of the government staff to effectively govern the country. A rule of the thumb is that the government staff should not exceed 2-3 percent of the country's total workforce. Rationalising the size of the civil service should permit RGC to strengthen the performance of civil services. This would also minimise the possibility of civil servants taking up secondary jobs, neglecting their principal job in the government. They also ask for favours from clients (corruption). Worst, the command and control mechanism within the government tends to break down, resulting in indifferent quality of governance.

5.10 A similar exercise in the armed forces too is required. One is not making a case for reducing the size of the armed forces. It is important to recognise, however, that soldiers/armed personnel who are not on active duty, i.e. the so-called 'ghost soldiers' be identified and retrenched. The idea is to strengthen the armed forces, but in today's world, it is not the size of the army that matters; it is the quality of training and discipline of the personnel, and technological sophistication of the arms and armaments, which matter more.

A.3 Improving the Image of Law Enforcers:

5.11 Findings in this report suggest that common people trust the police less than fully: they prefer other means to get justice. Improving the image of the homeland security forces, particularly the police and paramilitary forces, is essential. This will help reduce corruption, and more importantly people will be able to see this force as meant to help maintain a safe society.

³⁷ A large proportion of tourists other than those who come to see the temples of Angkor are a spill-over of those who come to the region – Thailand, Singapore, Malaysia or China. If diversified options are offered to them: water sports in the south, more friendly and attractive boat rides up the Tonle Sap Lake, floating hotels in the lake in the winter seasons when the waters are high, organised forest trekking, and the like; they could become exclusive tourists to the country rather than being 'spill-over' from the region. The length of stay of these tourists could be stretched implying that they would also spend more in Cambodia. All this could help earn more non-tax incomes in addition to creating jobs and technological up-gradation in many sectors.

A.4 Decentralisation and De-concentration (D&D):

5.12 This reform programme, which began in the 1990s as Seila/CARERE,³⁸ has expanded to cover the whole country. In 2010, the programme spent \$92.6 million on sub-national-level development activities. To an extent, rural development and increased productivity and incomes in rural areas, in addition to spread of democratic values, owe their success to the programme. However, any decentralisation process has to be dynamic, or otherwise it reaches its limitations over time. This is discussed in paragraph 5.13 below.

5.13 Development experiences in other countries bear evidence to the fact that any development process requires urbanisation and deployment of people in non-farm activities. Such a process also facilitates targeting social services (education, health, others) on the populace at large, since it is far more arduous to do the same in dispersed populations. The conclusion, therefore, is that along with the current approach, the decentralisation process should include encouraging the growth of small towns and cities in the times to come – perhaps after a decade, if not later.

B. Creating an Environment for Diversified Growth

B.1 Agriculture:

5.14 Agriculture has grown at 4-5 percent annually for the last 8-9 years and must become one of the engines of growth in the future. The RGC has of recent contemplated exporting rice to an extent that the country becomes an important rice exporter. For this, it is putting forth a plan for raising production and productivity. In Chamcar (non-rice) crops as well, it is feasible to raise both production and processing for value addition, for export and local consumption.

5.15 Among the key steps taken to achieve this are:

1. Expanding irrigation – both surface and groundwater irrigation, and increasing crop production where water already exists;
2. Using improved seed varieties and applying soil nutrients;
3. Intensifying land reforms – this includes both cadastral exercises and rationalisation of farm size (land plots should not be too large or too small);
4. Creating conditions so that farmers get the right prices for their produce;
5. Promoting marketing facilities and price information systems;
6. Weather forecasting and disseminating the information to farmers;
7. Instituting and organising trainings of agricultural agents for all communes in order to strengthen and expand agricultural extension services by fostering these services down to communes and districts and ensuring that they are implemented in a sustainable manner;
8. Increasing research activities related to agricultural development, especially rice seed development, as the core element to increase yield and production. The strategy will be applied to 10 selected seed varieties;
9. Accelerating the formulation of laws and regulations to improve agricultural development, especially the establishment of the Law on Plant Protection and Phyto-Sanitary, Law on Agricultural Land Use and Management, Law on Agricultural Cooperatives, Law on Fertiliser and Input Management and Law on Livestock Health and Production;

³⁸ CARERE was the Cambodia Rehabilitation and Regeneration Project supported by the UNDP. Seila is a Khmer word for 'foundation'.

10. Strengthening the technical capacity of laboratories to improve the quality of agricultural products for increasing exports, as well as public health;
11. Rehabilitating research stations, agricultural farms and development centres for supporting research and extension services, especially for rice development;
12. Increasing market access to agricultural products by implementing “Contract Farming System” to infuse better quality of products, especially implementation of Good Agricultural Practices (GAP) and providing market information services;
13. Further accelerating the development of livestock by focusing on the improvement of animal breeds, expand extension works and promote biogas. More importantly, animal movement controls and prevention of animal diseases would be further strengthened.
14. Establishing and strengthening the farmer associations and agricultural cooperatives to an extent that they will become effective productive forces having competitive capabilities in the market and the main business partners that can balance with business associations. This would help the poor farmer get reasonable profits from their own produces. As business partners, farmer associations and agricultural cooperatives and business associations will play an important role in achieving the RGC’s policy on the promotion of paddy production and rice export.
15. Continue promoting the capacity strengthening for concerned ministries and agencies to collect and analyse agricultural statistical data in order to ensure data quality and quality of analytical information that are needed for the formulation of agricultural development policies and strategies.
16. Fostering the launch the first historical Agricultural Census in 2012 in order to put in place more comprehensive agricultural statistical information. The MOP and MAFF shall be closely collaborating to work out a detailed operational plan in order to ensure the smooth implementation of this important task.

5.16 It might not be sufficient to grow paddy; processing, packing and creation of ‘brands’ are equally important for getting maximum value in international markets.

5.17 Finally, all that has been said about rice could be said about the Chamcar crops as well.

5.18 The floods in 2011, repeating after the devastating floods in 2000, are perhaps the debilitating factor this year. It is important to note here that priority measures need to be taken to protect agriculture and people’s livelihood. For this, exploring the possibility of growing crops on higher elevation lands and examining the potentiality of protecting some of the present lowland paddy areas through dyke-type structures are some options. For the former, cropping land will have to be identified and prepared for cultivation and simultaneously, the authorities provide for controlled irrigation facilities. For the latter, based common practice in low-lying areas elsewhere, a lot of earth- and concrete walls will require building.

B.2 Industry:

5.19 The industrial base in Cambodia is yet not deep, being restricted to garment manufacture, which is thriving on low wages. A more aggressive industrial policy requires pursuing, so that larger value is added and retained in the country from diverse activities. For this, the RGC has ‘supply side strengthening’ plans, as stated in an important paper prepared by the Supreme National Economic Council (SNEC). They need rolling out on priority.

5.20 Some priority industries are food processing, agro-processing and garments. The country has sufficient quantities of food and agricultural raw materials, which could be processed to add more value. A number of steps like promotion of spatially diversified SMEs, acquisition of food/agro-processing technologies, linking farms with industries through contract farming type systems, and ensuring a specified off-take at defined prices are some of the prerequisites for this.

5.21 After achieving high growth in the last decade or so, the country is also ready to experiment with light engineering industries. Some like motorcycle assembly already exist, but there is scope for assembling and repairing farm equipment, light electrical machinery and the like.

5.22 Processing gems and jewels and other precious stone and also some basic processing in petroleum products could be options for the next NSDP.

B.3 Infrastructure:

5.23 Much has been said about infrastructure. One area that requires a major thrust is the railway. Almost all countries, developed and developing, have invested heavily in rail connectivity as this has low operating costs and is able to transport a large mass of goods and people in a single haul. Unlike shipping where it is possible to borrow the services of other countries' companies, this is not possible in railways; hence, investment is essential.

5.24 Investment on the rehabilitation of roads – both rural roads and highways – will require special attention keeping in view the recurrent floods.

B.4 Human Development:

B.4.1 Education³⁹

5.25 **Education:** Significant progress has been made. However, the following aspects need to be further improved:

1. Quality of secondary level schooling needs strengthening;
2. Teaching of analytical methods (maths, science) needs strengthening;
3. Tertiary level schooling needs a major overhaul; and
4. Public expenditures have to be raised aiming at reducing student burdens of schooling spending in public education.

B.4.2 Health:

5.26 Improving certain health indicators is a high priority; for this, at least three approaches that are proposed here include:

- 1) Providing micro-nutrients to the target groups through direct supplementation,⁴⁰
- 2) Strengthening school feeding programmes and nutrition-supplementation to pregnant women and lactating mothers, and
- 3) Making provisions to provide clean water for drinking to the rural masses.

5.27 HIV/AIDS might be under control now, but any complacency would result in its relapse. It is important thus that the effort to control the disease must be carried on.

B.4.3 Migration:

5.28 The Cambodian population is quite mobile. People mainly move from rural to rural areas or rural to urban areas, thereby constantly changing the population density at different locales. Three challenges need mention:

³⁹ Some of these issues have been identified in Discussion Paper #8: Human Capital Implications for Future Economic Growth in Cambodia: Elements of a Roadmap, prepared by UNDP- SNEC (August 2011).

⁴⁰ For Lao PDR, an estimate was made to supplying micro-nutrients to overcome malnutrition. The estimate was about \$25 million/year. The population of Lao PDR is about half of Cambodia's, and the socioeconomic level, similar.

1. Targeting social services like education and health on populations becomes inefficient, as in some areas there are more people than planned, while in others there is surplus capacity;
2. There are issues of land availability and this also becomes a source of conflict; and
3. Social infrastructure like water and electricity face the same imbalance as in (1) above.

5.29 It is vital that information on human migration be known with greater accuracy so as to address some of the issues mentioned above.

C. Environment:

5.30 Cambodia is among the few countries having more than half its area under forests. Woven with it is a complex system of freshwater retention, and a rich flora and fauna. This is a boon, but with it comes the responsibility of protecting and nurturing it. A reduction in forest cover and indifferent performance of the fisheries sector are early signs of an irreversible change for the worse. There is, therefore, need for concerted public action to halt some of these trends. Two aspects require special attention:

1. While converting land into capital is a good strategy, it is also true that mono-crop artificial plantations are no substitutes for multi-tree forests, which support a variety of flora, fauna and water systems. Cambodia has place for both, and this balance should be maintained.
2. Management of water and fish is the lifeline of Cambodia. While efforts to preserve the Tonle Sap have been a priority for a while, in reality the water systems are changing and the fish catch decreasing. To reverse this trend, a quantum change in the strategies needs to be put in place.

D. Gender:

5.31 Gender gaps remain wide in many areas, in turn affecting the country development. More effort and investment are needed for enhancing women's access to technical skills, training and health services. Women should also a part of all decision-making processes.

E. Monitoring and Evaluation:

5.32 There is need to strengthen the database in Cambodia. There are broadly three data generating sources:

1. The National Institute of Statistics at the Ministry of Planning conducts large, independent surveys and censuses, calculates national income and prices,
2. The Commune Councils generate their own database for sub-national level planning (CDB),
3. Most ministries collect statistics pertaining to their activities.

5.33 As of now there is little interface between the three data generating agencies. This interface, particularly between (2) and (3) but generally between all the three, must increase. For example, when MAFF estimates the fish catch or livestock, it could also match it with CSES estimates of fish consumption or CDB (which provides data on the number of boats and fishing gear). Similarly, the Ministry of Water Resources and Meteorology could match its figures on irrigation with MAFF data on land yield rates and dry season sowing. They could also match their figures with those that the CDB generate. These are only two examples, but the list can go on.

5.34 Next is the issue of concepts and definitions of indicators. They need to be the same for a majority of indicators and should be accepted by all the ministries and agencies. For example take the definitions of four variables: labour force participation, irrigated area, domestic violence, and clean drinking water; their definition at present not *uniform* across different data generating agencies, resulting in conflicting results. Such ambiguities need ironing out.

5.35 RGC aims to launch its very first Agricultural Census in 2012. This will help in the governance and development of land and agriculture in many ways. There is no initial listing for this census; therefore, NIS will have to rely on the CDB and/or the Population Census to draw up a listing of households. It is proposed here that the NIS discusses this and other related matters in different governmental forums. It is also important that NIS defines different variables on which it would collect data, in such a way that the definitional differences with other surveys are kept minimal.

5.36 The quality of data requires improvement. For this, the statistics departments in line ministries must revisit their data collection processes, and if necessary, seek assistance from the NIS/MOP. Such a step will also help establish a better dialogue between different ministries and agencies. The same argument would apply to the CDB.

5.37 Early warning systems for floods and droughts, obtained from field reports of meteorological stations, satellite photographs and weather forecasting models, can help authorities take early actions, and minimise adverse impacts.

III. FINANCES FOR NSDP UPDATE, 2009-2013

5.38 This section provides the revised estimates of the resource requirements for meeting the NSDP Update targets.

A. Aggregate Investments:

5.39 With the help of (incremental) sectoral capital-output ratios for each sector (weighted aggregate), projections are made for investment requirements in the three-year rolling public investment, 2011-2013.

5.40 Table 5.1 below provides these projections up to 2013, with proposed sources of financing: domestic and foreign on the one hand, and public and private on the other. Key observations:

- 1) On aggregate, about 42,708.1 billion Riel (about \$10.4 billion – about \$3.5 billion each year) is the estimated total investment outlay for achieving the GDP targets over the next 2-3 years. This is 4.7 percent higher than that estimated in the NSDP-Update (2011-2013). Part of the reason is that these data are at current prices and inflation is not insignificant in the economy; and part of the reason is that cost figures have been revised – it is common that they undergo revisions once projects begin to get launched.
- 2) About 56 percent of the investment requirements mentioned in (1) above (i.e. 23,744 billion Riel or \$5.8 billion) are expected from domestic sources, and the rest 44 percent from foreign sources (including FDI).
- 3) The total private investment is estimated at about 67 percent of the total investment figure mentioned in (1) above (i.e. about 28,633 billion Riel or \$ 6.98 billion).
- 4) Of the projected private investment [in (3) above], about 70 percent is expected to be financed from domestic sources and the rest 30 percent from foreign sources.
- 5) The total public investment is estimated at about 33 percent of the total investment figure mentioned in (1) above (about 14,075 billion Riel or \$ 3.4 billion).
- 6) Of the projected public investment [in (5) above], about 27 percent is expected to be financed from domestic sources and the rest 73 percent from foreign sources.

5.41 In short, this Report expects an estimated inflow of about 10,311 billion Riel (\$2.5 billion over 2-3 years, or about \$835 million each year) through the three years 2011-2013 in the form of international assistance for *public investment*⁴¹.

⁴¹ This amount excludes any assistance for humanitarian purposes, poverty alleviation or meeting some of the CMDGs.

5.42 *It needs to be stated that* the RGC aims to reduce international concessional inflows considerably by 2015, the year when it expects the country to move out of its LDC status. Extra effort will therefore be required to get larger than average concessional inflows in the first two years (especially in the first), so that a 'big push' facilitates a tapering off of concessional inflows in the subsequent years.

B. Sector-specific Investments:

5.43 In this section, the investment requirements (given in Tables 5.1 and 5.2) are discussed, disaggregated by broad sectors.

5.44 Revised estimates of investment in agricultural and its allied activities are at about 6,651.8 billion Riel (or \$1.62 billion). Most of this investment will be made in the crop sector and the rest of the primary sectors getting relatively smaller amounts. Actually, this allocation is much in line with the government policy of strengthening the crop sector, especially rice, of which Cambodia aims to be an important exporter in the times to come.

5.45 In conjunction with the laid out plan policy of diversifying and deepening different (non-farm) sectors, the largest investment is planned for the industry sector, at about 20,509.5 billion Riel (equivalent to \$5 billion), or almost half of the revised total outlay of the NSDP-Update.

5.46 The Plan aims to allocate about 15,546.6 billion Riel (or \$3.8 billion) on the services sector, i.e. a little over a third of the total 3-year allocation. The RGC intends to make investments on services that would enhance tourism (and other services), and improve the general environment for rapid economic growth.

Table 5.1: Investment Required to Achieve GDP Growth Targets and Potential Sources of Financing the Needed Investment (Current Prices)				
(Billion Riels)				
	2011	2012	2013	Total (2011-2013)
Total Investment	12855.1	14112.5	15740.5	42708.1
<i>Public Investment</i>	4277.6	4661.7	5135.5	14074.8
Domestic financed	1144.0	1246.7	1373.4	3764.1
Foreign financed	3133.6	3415.1	3762.1	10310.8
<i>Private Investment</i>	8577.5	9450.8	10605.0	28633.3
Domestic financed	5991.6	6584.3	7403.9	19979.8
Foreign financed	2585.9	2866.5	3201.1	8653.8
Total Domestic Financed	7135.6	7831.0	8777.3	23743.9
Total Foreign Financed	5719.5	6281.5	6963.2	18964.2
(Million dollars)				
	2011	2012	2013	Total (2011-2013)
Total Investment	3135.4	3442.1	3839.1	10416.6
<i>Public Investment</i>	1043.3	1137.0	1252.6	3432.9
Domestic financed	279.0	304.1	335.0	918.1
Foreign financed	764.3	832.9	917.6	2514.8
<i>Private Investment</i>	2092.1	2305.1	2586.6	6983.8
Domestic financed	1461.4	1605.9	1805.8	4873.1
Foreign financed	630.7	699.1	780.8	2110.6
Total Domestic Financed	1740.4	1910.0	2140.8	5791.2
Total Foreign Financed	1395.0	1532.1	1698.3	4625.4

Note: 1\$=4100 Riel; Source: Ministry of Economy and Finance

Table 5.2: Total Public and Private Investments Required To Achieve GDP Growth Targets By Economic Sector (billion riels)				
	2011	2012	2013	2011-2013
Agriculture, Fishery & Forestry	1972.2	2260.6	2419	6651.8
Crops	1585.8	1792.1	1923.5	5301.4
Livestock & Poultry	115.1	144.6	156.1	415.8
Fisheries	149.8	186.6	196.7	533.1
Forestry & Logging	121.5	137.3	142.7	401.5
Industry	6006.2	6852.8	7650.5	20509.5
Mining	310.2	346.3	386.6	1043.1
Manufacturing	2429.9	2690.9	2978.8	8099.6
<i>Food, Beverages & Tobacco</i>	237.3	257	278.2	772.5
<i>Textile, Wearing Apparel & Footwear</i>	983.1	1118.8	1265.1	3367
<i>Wood, Paper & Publishing</i>	69.8	74.2	78.9	222.9
<i>Rubber Manufacturing</i>	81.7	92	103.7	277.4
<i>Other Manufacturing</i>	1058	1148.8	1252.9	3459.7
Electricity, Gas & Water	917.1	1068.3	1179.5	3164.9
Construction	2348.9	2747.3	3105.6	8201.8
Services	4876.7	4999	5670.9	15546.6
Trade	865.1	943.7	1029.4	2838.2
Hotel & Restaurants	637	712.8	797.7	2147.5
Transport & Communications	857.1	942.1	1022.9	2822.1
Finance	125.6	140.7	156.8	423.1
Public Administration	1197.7	960.9	1024.6	3183.2
Real Estate & Business	727.5	789.6	876.9	2394
Other services	466.6	509.2	762.6	1738.4
TOTAL	12855.1	14112.5	15740.5	42708.1

Source: Ministry of Economy and Finance

ANNEX I

ADDITIONAL INDICATORS TO THE CORE MONITORING INDICATORS

No	Indicators	Unit	2008	2009	2010	2011 Est.	2012 Target	2013 Target	2015 (CMDG)	Data Source
OVER-ARCHING GOAL: POVERTY REDUCTION										
1. ENVIRONMENT FOR THE IMPLEMENTATION										
1.3 Favourable macroeconomic and financial environment										
1	Real GDP (2000 constant prices)	Billion Riels	28,668	28,692	30,406	32,217	34,297	36,704	42,024	NA (NIS)
2	Nominal GDP	Billion Riels	41,968	43,057	47,048	52,140	57,363	63,024	75,756	NA (NIS)
3	Current budget deficit/surplus	% of GDP	3.1	2.2	1.4	1.2	1.8	2.0	3.3	MAIS (MEF)
4	Overall budget deficit	% of GDP	-2.9	-6.4	-7.9	-6.3	-5.9	-5.5	-5.1	MAIS (MEF)
5	Trade balance	% of GDP	15.3	14.4	13.9	-12.5	-11.8	-10.5	-10.7	MAIS (NBC)
6	Gross foreign Reserves	Months of Imports of Goods and Services	4.3	5.3	4.9	4.5	4.5	4.5	4.5	MAIS (NBC)
7	Total deposits	Billion Riels	9,564.1	13,226.7	16,378.2	-	-	-	-	MAIS (NBC)
8	Total credit to private sector	Billion Riels	9,893.5	10,532.0	13,331.2	-	-	-	-	MAIS (NBC)
9	Exchange rate	Riels/USD	4,081	4,169	4,053	-	-	-	-	MAIS (NBC)
1.4 Partnership in Development										
10	Use of Programme-based Approach (PBA)	%	28	-	35	50	-	-	-	MAIS (CRDB/CDC)
11	Use of country system	%	14	-	21	-	-	-	-	MAIS (CRDB/CDC)

No	Indicators	Unit	2008	2009	2010	2011 Est.	2012 Target	2013 Target	2015 (CMDG)	Data Source
2. ENHANCEMENT OF AGRICULTURAL SECTOR										
2.1 Improving Productivity and Diversifying Agricultural Sector										
<i>Crop cultivation and diversification</i>										
12	Cultivated areas for paddy	Million ha	2.615	2.719	2.795	2.823	2.852	2.880	2.900	MAIS (MAFF)
13	Cultivated areas for rubber	000 ha	107.00	129.92	181.43	199.00	219.00	240.00	265.00	MAIS (MAFF)
14	Dried rubber production	000 tonnes	37.00	37.38	42.25	-	-	97.50	-	MAIS (MAFF)
<i>Livestock production</i>										
15	Production of cattle and buffaloes	Million heads	4.19	4.31	4.20	4.24	4.31	4.37	4.50	MAIS (MAFF)
2.2 Land Reform and Mines Clearance										
<i>Land Reform</i>										
16	Indigenous land communities titling	Number	-	-	3	6	-	9	12	MAIS (MLMUC)
17	Rate of land dispute resolution by Cadastral Commission	%	-	19	31	43	-	73	99	MAIS (MLMUC)
18	Commune-based land use plan	Number	-	60	120	120	-	123	136	MAIS (MLMUC)
19	District/khan-based master plan	Number	-	16	16	16	-	19	19	MAIS (MLMUC)
20	Municipality-based master plan and land use plan	Number	-	7	9	11	-	13	15	MAIS (MLMUC)
21	Social land concession for citizens	Number of families	-	1,400	14,176	17,176	-	23,176	29,176	MAIS (MLMUC)

No	Indicators	Unit	2008	2009	2010	2011 Est.	2012 Target	2013 Target	2015 (CMDG)	Data Source
Mines/ERW Clearance										
22	Percentage of land areas cleared of mines/ERW	%	-	45	50	56	-	66	77	MAIS (CMAA)
2.3 Fisheries Reform										
23	Proportion of fishing lots released to local communities	%	-	56.23	56.74	56.74	-	56.74	56.74	MAIS (MAFF)
24	Fishery communities	Number	-	469	469	469	469	469	469	MAIS (MAFF)
25	Fish catch	tonnes	-	470	550	540	578	606	669	MAIS (MAFF)
2.4 Forestry reform										
26	Forest boundary demarcation	km	-	228	413	500	500	500	500	MAIS (MAFF)
27	Forestry communities	Number	-	210	300	350	380	400	400	MAIS (MAFF)
28	Reforestation (cumulative total from 1985)	000 ha	-	18.92	73	73	73	73	73	MAIS (MAFF)
Environment Protection and Conservation and Climate Change										
29	Number of rangers in Protected Areas (PAs)	Number	850	910	480	960	1,060	1,100	1,200	MAIS (MOE)
30	Demarcation and mapping for PAs	Number of signposts	950	1,050	1,151	1,161	1,250	1,350	1,500	MAIS (MOE)
31	Zoning in PAs	Number of PAs zoned	-	-	-	1	1	2	3	MAIS (MOE)
32	Ramsar sites	Number	3	3	3	3	4	4	4	MAIS (MOE)

No	Indicators	Unit	2008	2009	2010	2011 Est.	2012 Target	2013 Target	2015 (CMDG)	Data Source
3. FURTHER REHABILITATION AND CONSTRUCTION OF THE PHYSICAL INFRASTRUCTURE										
3.1 Further Rehabilitation and Construction of the Transport Infrastructure										
<i>Transport sector</i>										
33	Flights									
34.a	International	Number	31,644	29,149	34,103	33,536	35,474	36,674	-	MAIS (SSCA)
34.b	Domestic	Number	8,672	8,968	5,461	8,718	9,252	9,825	-	MAIS (SSCA)
34	Passengers									
35.a	International	PAX	2,913,214	2,598,084	3,051,601	3,268,805	3,564,612	3,813,206	-	MAIS (SSCA)
35.b	Domestic	PAX	308,596	244,230	136,678	297,958	329,261	363,978	-	MAIS (SSCA)
35	Cargos									
36.a	International	Tonnes	26,997	21,661	17,678	34,306	38,735	42,261	-	MAIS (SSCA)
36.b	Domestic	Tonnes	3,591	6,972	0.021	7,804	8,257	8,736	-	MAIS (SSCA)
36	Over-flight	Million USD	11.403	12.81	13.452	14.125	14.831	15.572	16.351	MAIS (SSCA)
3.2 Development of the Energy Sector										
37	Electricity generated domestically	Million Kwh	1,468.108	1,310.611	1,253.670	1,422.700	1,695.384	1,721.467	2,289.550	MAIS (MIME)
38	Electricity imported	Million Kwh	390.256	705.714	907.830	948.966	912.899	1,147.644	1,526.367	MAIS (MIME)
3.3 Development of Information and Communications Technology (ICT)										
39	Telephone users	Per 100 population	24.71	40.59	76.18	98.10	98.36	100.25	103.86	MAIS (MPTC)
40	Internet users	Number	20,108	291,589	193,858	580,000	460,000	600,000	650,000	MAIS (MPTC)

No	Indicators	Unit	2008	2009	2010	2011 Est.	2012 Target	2013 Target	2015 (CMDG)	Data Source
4. PRIVATE SECTOR DEVELOPMENT AND EMPLOYMENT										
4.1 Strengthening Private Sector and Attracting Investment										
<i>Promoting trade sector</i>										
41	Company registration services	Company	2,784	2,045	2,650	2,687	2,826	2,965	3,024	MAIS (MOC)
42	Company name registration services	Company	2,744	2,003	2,572	2,607	2,744	2,881	2,936	MAIS (MOC)
43	Foreign company representative and branch name registration services	Company	40	42	78	80	82	84	88	MAIS (MOC)
44	Sole proprietorship name registration	Company	450	486	629	675	721	765	855	MAIS (MOC)
<i>Promoting Tourism Sector and Conservation of Cultural Heritage</i>										
45	Employment in tourism sector	000's	300	305	315	317	223	330	350	MAIS (MOT)
46	Tourism receipts	Million US\$	1,595	1,561	1,786	1,857	1,930	2,019	2,934	MAIS (MOT)
47	Preservation of historical ruins and archaeological sites	sites	2	6	2	1	2	2	-	MAIS (MCFA)
4.2 Creation of Jobs and ensuring Improved Working Conditions										
48	Workers employed abroad	Number	-	-	-	50,320	70,288	90,257	-	MAIS (MLVT)
49	Wages of unskilled workers	Riels/day	-	-	-	-	-	-	-	CSES (NIS)
50	Working children aged 5-17 years	%	34.9	38.0	-	-	-	-	-	CSES (NIS)
51	Beneficiaries of the national social security fund	Number	-	-	-	624,686	706,842	-	-	MAIS (MLVT)
4.3 Promotion of Small and Medium Enterprises										
4.4 Creation of Social Safety Nets										
52	Retirees and invalid people who are former civil servants	Number	30,672	33,534	37,445	37,740	41,675	45,020	53,550	MAIS (MoSVY)
53	Veterans receiving pensions	Number	88,078	88,661	92,888	100,680	102,470	104,110	106,990	MAIS (MoSVY)

No	Indicators	Unit	2008	2009	2010	2011 Est.	2012 Target	2013 Target	2015 (CMDG)	Data Source
5. CAPACITY BUILDING AND HUMAN RESOURCE DEVELOPMENT										
5.1 Strengthening the Quality of Education										
54	Net Enrolment Rate in Primary Education:									
54.a	Total	%	94.4	94.8	95.2	96	97	98	100	EMIS/GPCC (MOEYS/NIS)
54.b	Urban areas	%	94	92.2	93.8	95	96	97		EMIS/GPCC (MOEYS/NIS)
54.c	Rural areas	%	94.7	95.3	95.5	96	98	99		EMIS/GPCC (MOEYS/NIS)
55	Gross Enrolment Rate in Lower Secondary Education:									
55.a	Total	%	61.6	58.1	58.5	66.8	75	83.4	100	EMIS/GPCC (MOEYS/NIS)
55.b	Urban areas	%	85.8	76.4	76	80.8	85	90.4		EMIS/GPCC (MOEYS/NIS)
55.c	Rural areas	%	58.1	54.6	54.9	63.9	74	81.9		EMIS/GPCC (MOEYS/NIS)
56	Net Primary Admission Rate	%	91.9	92.4	92.9	96	98	100		EMIS (MOEYS)
57	Gender Parity Index of NER in Primary Education	%	0.99	1	0.99	1	1	1		EMIS (MOEYS)
58	Gender Parity Index of NER in Lower Secondary Education	%	0.92	0.97	0.98	1	1	1		EMIS (MOEYS)
59	Gender parity index in Upper Secondary Education	%	0.75	0.83	0.84	0.86	0.88	0.90		EMIS (MOEYS)
60	Gender parity index in Tertiary Education	%	0.62	0.69	0.69	0.75	0.80	0.85		EMIS (MOEYS)
61	Repetition Rate									
61.a	Primary education	%	10.1	8.9	7.1	6	5	5		EMIS (MOEYS)
61.b	Lower secondary education	%	1.9	2.3	2	1.5	1.3	1		EMIS (MOEYS)

No	Indicators	Unit	2008	2009	2010	2011 Est.	2012 Target	2013 Target	2015 (CMDG)	Data Source
5.2 Enhancing Health Services										
62	Proportion of pregnant women with 2 or more antenatal care services with trained health personnel	%	81	83	80	90	92	94	90	HIS (MOH)
63	Proportion of infants exclusively breastfed up to 6 months	%	60	60	74	-	-	-	-	CDHS (NIS/MOH)
64	HIV prevalence rate among pregnant women aged 15-24 years visiting ANC clinic	%	-	0.16	0.15	<0.15	<0.15	<0.15	<0.15	HSS (NAA)
65	Proportion of people with advanced HIV infection receiving ART	%	-	90	97.7	>96.7	>96.7	>96.7	>96.7	HSS (NAA)
66	Dengue case fatality rate reported by public health facilities	%	0.68	0.32	0.30	0.60	0.60	<0.60	0.50	CNM (MOH)
5.3 Implementation of Gender Policy										
67	Proportion of seats held by women in legislative organs	%	18.37	18.37	17.05	17.05	24	30	30	MAIS (MOWA)
68	Proportion of female members of RGC	%	7.55	7.55	7.55	7.55	7.55	13.5	16.5	MAIS (MOWA)
69	Proportion of female members of Councils:									
69.a	Capital-Provincial	%	9.89	9.89	9.89	9.89	9.89	12	15	MAIS (MOWA)
69.b	District	%	0	12.68	12.68	12.68	12.68	15	20	MAIS (MOWA)
70	Proportion of female members of Board of Governors:									
70.a	Capital-Provincial	%	0	8.35	10.8	10.8	10.8	17.5	17.5	MAIS (MOWA)
70.b	District	%	0	0	15.11	15.11	15.11	17.5	17.5	MAIS (MOWA)
71	Proportion of seats held by women in Commune Councils	%	14.6	15.1	16	16	25	25	25	MAIS (MOWA)
72	Proportion of female in civil servant	%	34	33	34	35	36	37	38	MAIS (MOWA)
5.4 Implementation of National Population Policy										
73	Percentage of married women using modern birth-spacing methods	%	26	28	30	30	35	37	41	HIS (MOH)

(*): Estimated figures

ANNEX II

ABBREVIATIONS & ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
APR	Annual Progress Report, 2006 (on NSDP)
ASEAN	Association of South-East Asian Nations
CAR	Council for Administrative Reform
CARD	Council for Agricultural and Rural Development
CDC	Council for the Development of Cambodia
CDCF	Cambodia Development Cooperation Forum
CDHS	Cambodia Demographic and Health Survey
CDM	Clean Development Mechanism (Forestry)
CDRI	Cambodia Development Research Institute
CF	Community Forestry (Forests)
CHDR	Cambodia Human Development Report, 2007
CIB	Cambodia Investment Board
CLJR	Council for Legal and Judicial Reform
CMAA	Cambodia Mine Action and Victim Assistant Authority
CMB	Cambodia
CMDGs	Cambodia Millennium Development Goals
CNM	Cambodia National Malaria Centre
CNMC	Cambodia National Mekong Committee
CPA	Complementary Package of Activities (Health)
CR	Cambodian Riel (Currency)
CSES	Cambodian Socio-Economic Survey
CRDB	Cambodia Rehabilitation and Development Board
CSF	Commune/Sangkat Fund
D & D	Decentralisation and De-concentration
DP	Development Partner (internal and external, including NGOs)
EMIS	Education Management Information System
ERW	Explosive Remnants of War
ESP	Education Sector Plan, 2006-2010
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GER	Gross Enrolment Rate
GMS	Greater Mekong Sub-Region
GSP	Generalised System of Preferences
GPCC	General Population Census of Cambodia
GWH	Giga Watt Hour
Ha	Hectare(s)
HIS	Health Information System
HIV	Human Immunodeficiency Virus
HSP	Health Sector Strategic Plan
HSS	HIV Sentinel Surveillance
IPM	Integrated Pest Management
IT	Information & Communication Technology
IWRM	Integrated Water Resources Management
KWH	Kilo Watt Hour
M	Metre
MAFF	Ministry of Agriculture, Fisheries and Forestry
MAIS	Ministry Administrative Information System
MCFA	Ministry of Culture and Fine Arts
MEF	Ministry of Economy and Finance
METF	Medium-Term Expenditure Framework

MOLVT	Ministry of Labour and Vocational Training
MLMPUC	Ministry of Land Management, Urban Planning and Construction
MOC	Ministry of Commerce
MOEYS	Ministry of Education, Youth and Sports
MOH	Ministry of Health
MOI	Ministry of Interior
MOINF	Ministry of Information
MOJ	Ministry of Justice
MOP	Ministry of Planning
MoSVY	Ministry of Social Affair, Veterans, and Youth Rehabilitation
MOT	Ministry of Tourism
MOWA	Ministry of Women's Affairs
MPA	Minimum Package of Activities (in health sector)
MRD	Ministry of Rural Development
MSM	Men who has Sex with Men
MTR	Mid-Term Review
NACD	National Authority for Combating Drugs
NBC	National Bank of Cambodia
NCDD	National Committee for Democratic Development at Sub-National Level
NCPD	National Committee for Population and Development
NER	Net Enrolment Rate (schools)
NGO	Non-Government Organisation
NSDP	National Strategic Development Plan, 2006-2010
OD	Operational District (MOH)
PFMRP	Public Finance Management Reform Programme
PIP	Public Investment Programme
RGC	Royal Government of Cambodia
RS	Rectangular Strategy
SEZ	Special Economic Zone
SME	Small and Medium Enterprise
SNEC	Supreme National Economic Council
TV	Television
US \$	United States Dollars
UNDP	United Nations Development Programme
VDC	Village Development Committee
WTO	World Trade Organisation

ANNEX III

Royal Government of Cambodia
Websites of Ministries and Agencies

Short Title	Full Title of Ministry/Organisation	Website (www)
CAR	Council for Administrative Reforms	car.gov.kh
CARD	Council for Agricultural and Rural Development	card.gov.kh
CRDB/CDC	Cambodia Rehabilitation and Development Board	cdc-crdb.gov.kh
CIB/CDC	Cambodia Investment Board	cib-cdc.gov.kh
CLJR	Council for Legal and Judicial Reform	cljr.gov.kh
CMAA	Cambodia Mine Action Centre	cmaa.or.kh
CNM	National Malaria Centre	cnm.gov.kh
CNMC	Cambodia National Mekong Committee	cnmc.gov.kh
OCM	Office of Council of Ministers	pressocm.gov.kh
MAFF	Ministry of Agriculture, Fisheries and Forestry	maff.gov.kh
MCFA	Ministry of Culture and Fine Art	mcfa.gov.kh
MOCAR	Ministry of Cult and Religion	mocar.gov.kh
MOD	Ministry of Defence	mod.gov.kh
MEF	Ministry of Economy and Finance	mef.gov.kh
MIF	Ministry of Information	information.gov.kh
MIME	Ministry of Industry, Mines and Energy	mime.gov.kh
MLMUPC	Ministry of Land Management, Urban Planning & Construction	mlmupc.gov.kh
MLVT	Ministry of Labour and Vocational Training	novctf.gov.kh
MOC	Ministry of Commerce	moc.gov.kh
MOND	Ministry of National Defence	mod.gov.kh
MOE	Ministry of Environment	moe.gov.kh
MOEYS	Ministry of Education, Youth and Sports	moeys.gov.kh
MOFA & IC	Ministry of Foreign Affairs & International Cooperation	mfaic.gov.kh
MOH	Ministry of Health	moh.gov.kh
MOI	Ministry of Interior	moi.gov.kh
MOJ	Ministry of Justice	moj.gov.kh
MOP	Ministry of Planning	mop.gov.kh
MoSVY	Ministry of Social Affairs, Veterans and Youth Rehabilitation	mosvy.gov.kh
MOT	Ministry of Tourism	mot.gov.kh
MOWA	Ministry of Women's Affairs	mowa.gov.kh
MPAI	Ministry of Parliament Affairs and Inspection	monasri.gov.kh
MPT	Ministry of Post and Telecommunication	mptc.gov.kh
MPWT	Ministry of Public Works and Transport	mpwt.gov.kh
MCR	Ministry of Cult and Religion	mocar.gov.kh
MRD	Ministry of Rural Development	mrdd.gov.kh
MWRM	Ministry of Water Resources & Meteorology	mowram.gov.kh
NAA	National AIDS Authority of Cambodia	naa.org.kh
NACD	National Authority for Combating Drugs	nacd.gov.kh
NBC	National Bank of Cambodia	nbc.org.kh
NCDD	National Council for Decentralisation and De-concentration	ncdd.gov.kh
NCDM	National Committee for Disaster Management	ncdm.gov.kh
NIS	National Institute of Statistics (MOP)	nis.gov.kh
SSCA	State Secretariat of Civil Aviation	civilaviation.gov.kh
SNEC	Supreme National Economic Council	snec.gov.kh