



Kingdom of Cambodia

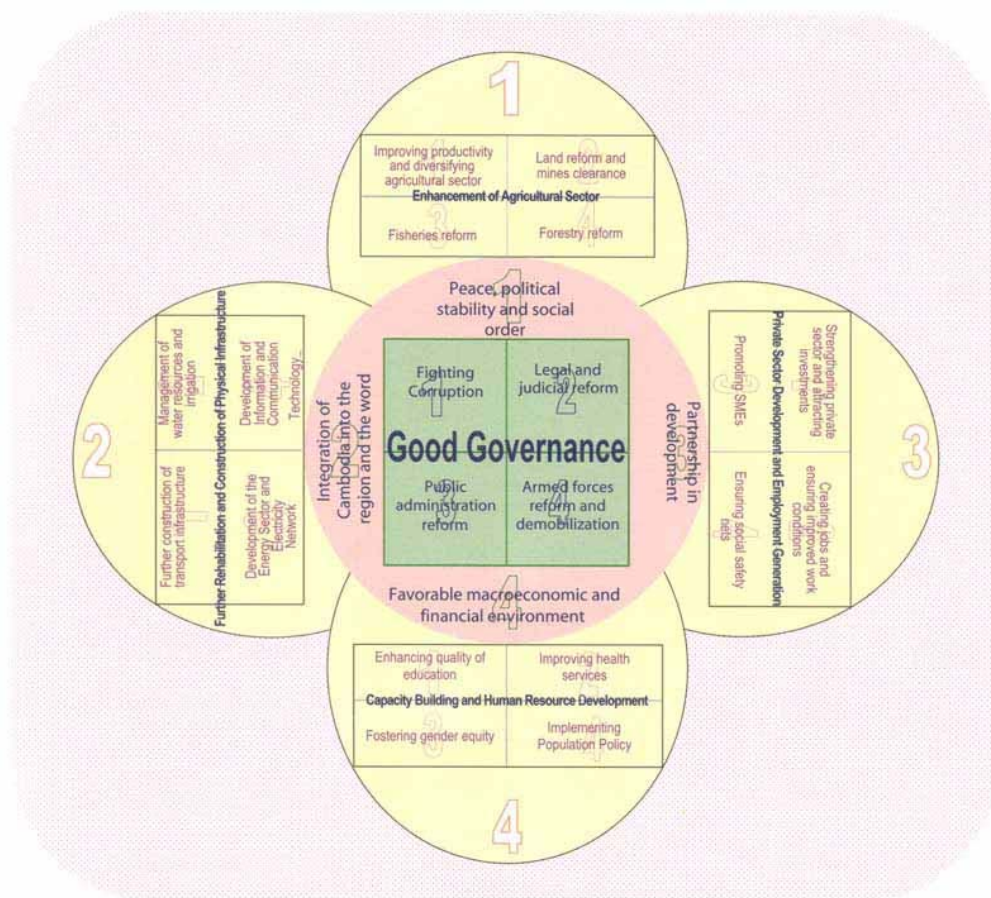
Nation – Religion – King

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Royal Government of Cambodia



IMPLEMENTING THE RECTANGULAR STRATEGY and DEVELOPMENT ASSISTANCE NEEDS



November 2004



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and
DEVELOPMENT ASSISTANCE NEEDS**

***Prepared for the 2004 Consultative Group Meeting for Cambodia
Phnom Penh, Cambodia***

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FOREWORD

The purpose of this report is to present to our national and international development partners a succinct summary of the Royal Government of Cambodia's priorities for implementing the Rectangular strategy and its external development assistance needs over the next three years (2005-2007). It also includes an update on progress made since the last CG meeting held in Phnom Penh in June 2002. The foundation of this report is the Rectangular Strategy that builds on key elements of Cambodia's Millennium Development Goals, the Cambodia Socio-Economic Development Plan 2001-2005 (SEDP2), the National Poverty Reduction Strategy 2003-2005 (NPRS), and the various policies, strategies, plans and reform programs. All of these strategic frameworks were formulated through broad consultations with all national and international stakeholders, including representatives of civil society and the donor community. The Rectangular Strategy is Royal Government's Economic Policy Agenda of the Political Platform for the Third Mandate of the Royal Government.

The Financial requirements and ODA Mobilization Targets presented in this report are based on the Government's three year rolling Public Investment Program for 2005-2007, as well as the emerging sectoral priority programs and projects.

This report is the result of a long process of consultations and coordination between CDC/CRDB that has the responsibility for the preparation of this paper, and the ministries from April to November 2004. In addition to the analyses presented in this document, separate discussion papers on various issues were prepared. These papers outline the RGC's priorities and the resources that it will commit both in the short and medium term to achieve its long-term vision for the development of Cambodia. These obligations will be met, and the reform pre-requisites vigorously implemented to put Cambodia in a position to meet successfully the challenges of its future.

The Royal Government of Cambodia would like to take this opportunity to thank all development partners who have been generous in providing support to Cambodia's development programs and hope that they will continue to provide their support to enable us to achieve our goal of reducing poverty among our people. On behalf of the Royal Government of Cambodia I would like to thank to all external partners, especially UNDP, Sweden, and the World Bank who have been generous in providing support in the preparations for and the conduct of this very important meeting.

Phnom Penh, 19 November 2004



KEAT CHHON, MP

Senior Minister, Minister of Economy and Finance
and First Vice-Chairman of the CDC

EXECUTIVE SUMMARY

1. Over the last decade, the Royal Government has devoted significant time and made concerted efforts to raise the nation from the ashes of genocide under the Khmer Rouge, internal strife, and ravages of the protracted war in the region. For the first time in its recent history, the country has enjoyed an environment of peace, political stability, law and order, democracy, respect for human rights and economic stability since 1999. A comprehensive reforms agenda is being implemented by the Royal Government that has encountered many challenges. The process of making a transition from a centrally planned economy to a market based system that began in the mid-1980s is continuing along with the rehabilitation and development efforts to put the nation back on a holistic path that will achieve the national goals of poverty reduction and sustainable development.

2. In its second term, 1998-2003, the Royal Government of Cambodia vigorously implemented its *Triangular Strategy* to create an environment that would move Cambodia forward, with strong hope and confidence, on the path of reforms and sustained development. The successful implementation of this strategy has enabled a profound transformation of Cambodia from a region of uncertainty, war, internal strife, instability and backwardness into an epicenter of sustained peace, security and social order, respect for democracy, human rights and dignity, cooperation and shared development. Over a very short period, relative to the long histories of many developed countries, the Royal Government has demonstrated that Cambodia is fully capable of engagement on an equal footing with all partners, in regional and international affairs. The positive gains so far achieved have bolstered confidence in Cambodia's bright future, shoring up the foundations for dynamic enterprise, increased trade, investment flow, and tourism that will generate employment and income for Cambodians.

3. Over the past five years, significant progress has been made in implementing pro-poor development policies, achieving macroeconomic stability, implementing public finance management reforms, strengthening democracy, rule of law and good governance, mobilizing technical and financial resources to support planned development, and improving the delivery of public services to meet the needs and expectations of the population. All of these efforts have been focused on reducing poverty and achieving the development goals of Cambodia. As in any human undertaking, the Royal Government's efforts and achievements have not been exempt from insufficiency of actions and weaknesses. Indeed, the current national production structure is still far too small and concentrated in a few areas and must be expanded and diversified to ensure sustained economic growth. Although many well conceived and well designed mechanisms have been put in place by the Royal Government to improve the management of the budgetary system, they have not become fully functional because of many cross-influences and constraints which have jeopardized the objectives set for increasing revenue collection and improved public expenditure allocations. Coordination among various ministerial and administrative partners remains weak. To strengthen the rule of law, legislation in various areas have been drafted that are awaiting the Parliament to enact. Reorganizing and restructuring the judicial apparatus remains a high priority of the Royal Government. International support, although generous and valuable from many of the partners, remains to some extent linked to unrealistic conditions, be they technical, political or otherwise. In short, while the Royal Government has had many significant achievements, there are many challenges that the new government still faces.

4. For the Royal Government, the most formidable development challenge is the reduction of poverty and improving the livelihoods and quality of life of the rapidly growing Cambodian

population. The Royal Government considers poverty to be a waste of valuable economic resources which is not only morally unacceptable but can also result in social polarization and instability. To achieve the poverty reduction goals, in March 2003, the Royal Government launched its National Poverty Reduction Strategy that has the following key objectives:

- i. Strengthening peace, stability and social order by implementing concrete measures aimed at enhancing the rule of law, promoting respect for human rights and democracy, and to create a political and security environment conducive to sustainable development in the long run.
- ii. Ensuring the achievement of a sustainable high rate of economic growth, averaging 6%-7% per annum in the long run.
- iii. Ensuring equitable distribution of the gains from economic growth among the rich and the poor, between urban and rural areas, and between men and women.
- iv. Promoting sustainable environmental management and use of natural resources.

5. Following the General Elections on 27 July 2003, that were declared to be free, fair and transparent by national and international observers, the new National Assembly and the Government took office based on choices made by the people. The successful conduct of the general elections and the formation of the new coalition government have demonstrated the will and commitment of the public authorities to comply with democratic principles and to ensure that people have the freedom to choose their representatives in the political sphere of the nation. The Royal Government of Cambodia of the Third Legislature of the National Assembly took office humbled by the people's will and stands committed to serve the best interests of the Nation. It will diligently respond to the aspirations and needs of Cambodian citizens, who have cast their vote of confidence in the Royal Government through the democratic, free and fair general elections. Soon after the formation of the new Government, it made public its "*Rectangular Strategy*" that outlines its economic policy agenda to support the policy platform of the Royal Government. The Rectangular Strategy was presented by Prime Minister Samdech Hun Sen at the first Cabinet meeting on July 16, 2004.

THE RECTANGULAR STRATEGY

6. The Rectangular Strategy outlines the economic actions agenda of the Royal Government, building on the achievements attained in the Second Legislature of the National Assembly through the implementation of the Triangular Strategy. The Rectangular Strategy selects key elements from Cambodia's Millennium Development Goals, Cambodia's Socio-Economic Development Plan 2001-2005 (SEDP2), the National Poverty Reduction Strategy 2003-2005 (NPRS), and various policies, strategies, plans and other important reform programs. The Rectangular Strategy will serve as an important tool to support the implementation of "the political platform of the Royal Government in the Third Legislature of the National Assembly" that has been unanimously agreed to between the two coalition partners in the Royal Government. Its aim is to promote economic growth, generate employment for Cambodian workers, ensure equity and social justice, and enhance efficiency of the public sector through the implementation of the Governance Action Plan and in-depth reforms that are coordinated and consistent across all levels and sectors. The Royal Government of Cambodia in the Third Legislature of the National Assembly will thus be known as the "*Government of Growth, Employment, Equity, and Efficiency*".

7. The Rectangular Strategy has been published and widely disseminated to all national and international development partners and civil society. Briefly, the *Rectangular Strategy* is an integrated structure of interlocking rectangles, as follows:

First, the core of the *Rectangular Strategy* is **good governance** focused on four reform areas: (i) anti-corruption, (ii) legal and judicial reform, (iii) public administration reform including decentralization and de-concentration, and (iv) reform of the armed forces, especially demobilization.

Second, the **environment for the implementation of Rectangular Strategy** consists of four elements: (i) peace, political stability and social order; (ii) partnership in development with all stakeholders, including the private sector, donor community and civil society; (iii) favorable macroeconomic and financial environment; and (iv) the integration of Cambodia into the region and the world.

Third, the four strategic “**growth rectangles**” are: (i) enhancement of agricultural sector; (ii) private sector growth and employment; (iii) continued rehabilitation and construction of physical infrastructure; and (iv) capacity building and human resource development.

Fourth, each strategic “**growth rectangle**” has four sides:

- *Rectangle 1: Enhancement of Agricultural Sector* which covers: (i) improved productivity and diversification of agriculture; (ii) land reform and clearing of mines; (iii) fisheries reform; and (iv) forestry reform;
- *Rectangle 2: Continued Rehabilitation and Construction of Physical Infrastructure*, involving: (i) continued restoration and construction of transport infrastructure (inland, marine and air transport); (ii) management of water resources and irrigation; (iii) development of energy and power grids, and (iv) development of information and communication technology;
- *Rectangle 3: Private Sector Growth and Employment* covers: (i) strengthened private sector and attraction of investments; (ii) promotion of SMEs; (iii) creation of jobs and ensuring improved working conditions; and (iv) establishment of social safety nets for civil servants, employees and workers; and
- *Rectangle 4: Capacity Building and Human Resource Development*, including: (i) enhanced quality of education; (ii) improvement of health services; (iii) fostering gender equity, and (iv) implementation of population policy.

8. Notwithstanding the significant progress that has been made over the last decade, the most formidable development challenge faced by the Royal Government now is the reduction of poverty and the improvement of the livelihoods and quality of life of a rapidly growing population. The Rectangular Strategy is the economic policy tool that the Royal Government will implement to reduce poverty during the period of its new mandate and to move forward in achieving Cambodia's Millennium Development Goals. The Royal Government recognizes that Cambodia still has a long way to go, and has to overcome numerous obstacles to achieve sustainable progress and prosperity for the country and its people. The promotion of harmonized efforts by the Cambodian people to reduce poverty continues to be the most important objective of the Royal Government. The Royal Government recognizes that the problems of poverty cannot be solved overnight, or in one month, or one year. However, with well-designed programs and sincere, harmonized and combined efforts and actions of all stakeholders, the Royal Government is certain that positive changes in enhancing the living standards of people within the next four years can be achieved. Through a vigorous and diligent implementation of the Rectangular Strategy, the Royal Government's efforts will be focused on deepening reform programs which is a life and death issue for Cambodia.

9. The Royal Government appeals to all its development partners -- the donor community, the private sector, non-governmental organizations, civil society; as well as the civil servants in all

ministries/institutions, members of the legislative, executive and juridical branches, members of the armed forces, the authorities at all levels and each and every citizen to provide all necessary support and to actively participate in partnership with the Royal Government in the implementation of the political platform and the economic policy agenda of the Royal Government of the Third Legislature of the National Assembly.

MAJOR ACHIEVEMENTS SINCE THE LAST CG MEETING IN JUNE 2002

10. Since the 6th Consultative Group Meeting held for the first time in Phnom Penh, in June 2002, the Royal Government of Cambodia (RGC) has made significant progress in moving forward to achieve Cambodia's Millennium Development Goals. In all its actions and endeavors, the RGC has put forth its best effort to implement the recommendations made at the last CG meeting. The National Poverty Reduction Strategy was prepared and officially launched in March 2003; the fiscal and banking reforms have deepened; the civil service reform strategy was finalized and is being implemented; mechanisms for the devolution of power at the commune level after the commune elections in 2002 are being put in place and strengthened; the strategy on legal and judicial reform has been prepared and is now being implemented; management of natural resources has been strengthened through the adoption and implementation of the Land Law, formulation of the Forestry Law and the Community Forest Law and access by the poor to fisheries resources has been improved; the implementation of the provisions of the procurement sub-decree now covers all expenditures in all ministries and agencies except the Royal Palace; the Law on Investments has been amended; the National Audit Authority (NAA) is now fully operational; the Financial Sector Development Plan for 2001-2010 was finalized and is being implemented; and the Second Socio-Economic Development Plan (2001-2005) was finalized and implemented.

11. At the last CG meeting held in June 2002, a number of priority areas with specific benchmarks for joint monitoring were identified. The concerted efforts of the Royal Government have produced significant progress in most of these areas. It should be noted, however, that following the General Elections in July 2003, the delays in the formation of the new Government and the associated uncertainties may have temporarily slowed the momentum that had been successfully built during the second mandate of the Royal Government. With the formation of the new Government in July 2004, the Royal Government of the Third Legislature of the National Assembly remains committed to continue to vigorously implement its reforms agenda. Progress made in each of the priority areas since the 6th CG Meeting, in spite of the many challenges faced, is summarized below.

12. **Time bound Legal and Judicial Reform Strategy Completed:** Significant progress has been made in this area. The Royal Government established the Council for Legal and Judicial Reform (CLJR) in June 2002, co-chaired by the then Senior Minister in charge of the Council of Ministers and the President of the Supreme Court. In August 2002, a Permanent Coordinating Body (PCB) was formed to bring together key decision-makers from each relevant institution and in December 2002, a Project Management Unit (PMU) was created to assist both the PCB and the CLJR. Under the guidance of the CLJR, a Legal and Judicial Reform Strategy was developed and endorsed by the Royal Government in June 2003. This strategy consists of 7 objectives:

- i. Improvement of the protection of fundamental rights and freedoms.
- ii. Modernization of the legislative framework.
- iii. Provision of better access to legal and judicial information.
- iv. Enhancement of the quality of legal processes and related services.
- v. Strengthening of judicial services, i.e. judicial power and prosecutorial services.
- vi. Introduction of alternative dispute resolution mechanisms.
- vii. Strengthening of legal and judicial sector institutions to fulfill their mandates.

13. Also in June 2003, a draft Action Plan was prepared. This formed the basis of discussion at a National Workshop held in December 2003, under the leadership of the PCB that brought together stakeholders from concerned Government institutions, civil society and the donor community. Following the workshop a series of consultations were carried out that led to the development of a comprehensive list of short and medium term priorities. The short term plan of action (2004-2006) consists of 33 priorities across the 7 strategic objectives. The medium term of action identifies another 27 priorities to be attained by 2008. These plans recognize the progressive process of working towards the achievement of the 7 objectives in the Legal and Judicial Reform Strategy.

14. **Supreme Council of Magistracy (SCM) Restructured:** The amendments to the Law on the organization and functioning of the Supreme Council of the Magistracy have been drafted and approved by the Council of Ministers and are awaiting approval of the Parliament. The process of restructuring the SCM is now well underway with a Secretariat in place and the requirements for a fully functioning SCM are now being determined. In January 2003, the Royal Government has substantially increased remuneration of judges and prosecutors. The Royal School of Magistracy and the Lawyer Training Centre are now operational. A model court is being established at Kandal Province to develop best practices in processing cases; new court facilities which support the implementation of the practices will be completed by 2006. Work is also underway on the establishment of specialized tribunals to better deal with commercial, juvenile and administrative matters. Core institutions such as the SCM, the Council of Jurists, the Ministry of Justice, and functions supporting the reform program such as the PCB and PMU are all being reviewed and strengthened. Resources are being directed towards reform activities. With a few exceptions, most of these have been financed by the Royal Government.

15. **Law on Statute of Magistrates Submitted to Parliament:** The draft of the Law on the Statute of Magistrates, and the Organic Law on the organization and functioning of the Courts are being drafted. These are planned to be submitted to the Parliament in 2005 according to the priorities of the short-term action plan for legal and judicial reforms.

16. **Other significant achievements in the area of legal and judicial reforms** include the enactment of many important Laws related to protection of human rights, laws on investment, trade and commerce and laws in support for natural resources management. The Civil Code and Procedures and the Penal Code and Procedures have been drafted and are being reviewed by the Council of Jurists and will be submitted to the Council of Ministers and the Parliament by 2005.

17. Although Cambodia's development partners emphasize the importance of reforms in this area, only a few have provided support to date. Judicial reforms have been identified by the Investment Climate Survey as critical for creating an enabling environment for private sector development. At a more basic level, improved access to justice and judicial services for the poor is essential to tackle feelings of social injustice and vulnerability, improve community confidence on the rule of law and quality of life and reduce poverty.

18. Legal and judicial reforms are complicated further by the social context in Cambodia. Three decades of destructive war, torment and internal struggle have left deep psychological scars and underlying tensions. A growing youth population and rapid social change encouraged by technology and greater integration into regional and global trends have challenged traditional values and virtues. The society is in transition. At the same time, the shortage of Cambodian legal experts has meant that much of Cambodia's existing legal framework has been heavily influenced by international experts. This has created a range of inconsistencies which make enforcement difficult. Law enforcement remains a challenge for a range of reasons but especially

low salaries. It is difficult to enforce laws transparently and without fear or favor when the salaries of law enforcement officers are lower than a minimum subsistence level.

19. The Royal Government has placed a high priority on putting in place basic elements of the legal framework to underpin the development of a vibrant market economy and the promotion of trade and investment by developing the legal framework on property rights, the creation and winding-up of business entities, banking, tax and accounting, insurance, secured transactions, commercial enterprises, bankruptcy, contracts and commercial credit, and law on negotiable instruments and payment transactions, in order to ensure the effective functioning of the financial sector.

20. To increase access to legal and judicial information, not only for legal and judicial professionals but also for the citizenry, the Royal Government has created the Office of the Gazette as a General Department paving the way for it to operate under a self-supporting commercial model. The President of the Supreme Court (Chief Justice) has committed to publishing judicial decisions to improve transparency of the judicial process and building a body of Cambodian jurisprudence. The process of collecting existing decisions is now underway.

21. A draft of the **Anti-Corruption Law** was prepared and approved by the Council of Ministers on 20 June 2003 and submitted to the Parliament on 25 June 2003. This draft was returned by the Parliament for a further review. This review process was, however, slowed by the delays in the formation of the new Government. Building on the input provided by the development partners at the Pre-CG Meeting held in September 2004, the Royal Government will complete the review and a revised draft of the Anti-corruption Law will be submitted to the Parliament. The Royal Government agrees with the development partners that a holistic approach to combating corruption is needed. While the enactment of the Anti-corruption Law is an important step, developing capacity to rigorously enforce the Law is also equally important. To combat corruption, that takes a toll on economic performance and undermines the efforts to reduce poverty, many other measures in addition to the enactment of the Anti-corruption Law are needed. Some of these measures such as streamlining bureaucratic procedures, simplifying and modernizing the tax system, eliminating excessive regulations, and motivating public servants by giving them a decent level of salaries can help reduce the opportunities for corruption. At the same time, the Royal Government is mindful of the fact that changing peoples attitudes and behavior may take some time.

22. **Cases of corruption investigated and prosecuted:** Notwithstanding tremendous difficulties and impediments, the RGC has made significant progress in combating corruption by addressing its root causes. Cracking down on illegal logging, more effective management of Government revenues and expenditures, the removal of ghost workers from the public service and the army payrolls and the confiscation of land, which had been sold off or held illegally, were among the measures aimed at tackling corruption. A National Audit Authority (NAA) has been established and is now operational as a check and balance mechanism to control revenue collection and expenditure management. The internal audit functions in line ministries are being strengthened. The NAA is working with these internal audit units in ministries to ensure a greater transparency and accountability.

23. The **scope of the implementation of the provisions of the Public Procurement Sub-decree** was extended to cover all expenditure categories in all ministries, except the Royal Palace.

24. In keeping with the Royal Government's commitments **no new forest concessions** have been issued since 1 January 2002 and the operations of the existing holders of forest concessions

licenses have been limited to small salvage operations and maintenance work in accordance with the existing laws. The concessionaires were asked to submit Strategic Forest Management Plans (SFMP) along with an Environment and Social Impact Assessments (ESIA) in September 2002. Thirteen concessionaires submitted their plans and ESIA's in November 2002 that were used for consultations with affected communities.

25. With respect to **public disclosure and opportunity for independent experts to comment on SFMPs and ESIA's prior to finalization of Government review**, with technical support from the World Bank, the Royal Government carried out reviews of the SFMPs and the ESIA's submitted by concessionaires. The SFMPs & ESIA's were shared with the concerned communities. Recognizing that because of the technical details and complexities of the Strategic Forest Management Plans (SFMPs) and Environmental and Social Impact Assessments (ESIA's) the concerned communities may not be able to provide comments immediately, these communities have been provided an unlimited timeframe to complete the consultation process. The SFMPs and ESIA's have been distributed to 245 communes in communities that are in or around forest concessions. The DFW/FA teams have consulted with and documented the concerns of the communities. The DFW/FA has asked concessionaires to incorporate suitable solutions to respond to the concerns of the communities in their management plans. By the end of July 2003, the Technical Review Team (TRT) of the DFW/FA, with World Bank's technical support, had completed its review and the findings have been provided to the twelve forest concessionaires. The revised SFMPs are being reviewed by an Independent Review Team of the Donor Working group on Natural Resource Management. To ensure transparency of the evaluation process and to minimize "mistrust and suspicion," as well as misperceptions, that have characterized and in some instances unnecessarily polarized opinions, the DFW/FA has established a Public Affairs Unit to enhance communications among all parties.

26. **The licenses of concessionaires who did not submit SFMPs have been cancelled.** From 1999 to-date, the Royal Government of Cambodia (RGC) has cancelled forest concession licenses of 17 companies covering total forest land area of around 3.5 million hectares in 24 locations. The licenses of 5 forest concessionaires, Hero Taiwan, Wood Tee Peanich, GAT International, Mieng Ly Heng and Kingwood were cancelled during the reviewing process of the SFMPs. As of now, there are only 12 concessionaires who are in the process of planning their concessions and will be required to ensure the sustainability of the forests according to international standards. These 12 concessionaires have been allocated a total of less than 3.4 million hectares of forest land. The Royal Government has continued to maintain the moratorium on logging by all concessionaires until their Strategic Forest Management Plan and the ESIA have been officially approved by the Government.

27. The Royal Government of Cambodia has continued to pursue vigorously illegal logging operations. In the course of performing their duties 7 forest administration officers have been killed and 34 have been injured. Some 1,386 illicit sawmill plants, 653 timber processing handicraft, 39 medicinal vine powder manufacturing handicraft, 24 Tepiro oil manufacturing handicraft, 159 aloe steaming and forest sub-product processing ovens have been removed, destroyed and put out of business, and 332 offenders have been apprehended and prosecuted.

28. Illegal logging, wildlife smuggling, corruption and encroachment on forest land have been reduced from the crisis proportions prior to the Government's reform program. The Government's crackdown on illegal logging has consisted of measures across the full spectrum of forest law enforcement, prevention, detection and suppression. The RGC's entire approach to resource management, including concession management reform, community forestry and protected areas management is aimed in large part at preventing crime. In June 2004, the Royal Government issued Order No 01BB to prevent, suppress, and eliminate forest land clearing and encroachment

and has established a National Committee and Sub-national Committees at the provincial level to implement this order.

29. As mentioned earlier, **complying with the ESIA requirements** in the forestry sector is an integral part of the review of the forest concessions that is now taking place. The **Sub-decree on Community Forestry** was enacted in December 2003 to put public forest assets under the stewardship of local communities in the framework of approved management plans and benefit sharing arrangements. The Sub-decree was the result of over six years of consultations with many stakeholders and advisers and compliments other measures, such as the Sub-decree on Social Land Concessions to make the country's land resources more productive and better managed. The Royal Government has been working in partnership with various donor agencies and non-governmental organizations to pilot community forestry initiatives in different parts of the country. So far, nearly 110,000 hectares have been developed under community forestry arrangements.

30. The **Sub-decree on Social Land Concessions** was enacted by the Royal Government in March 2003. To implement the sub-decree at the national, provincial/municipal, and district/Khan levels, pilot projects were carried out in three communes and one Sangkat in the Battambang, Kampot, Kampong Speu provinces, and Phnom Penh. Based on the results of pilot projects and the poverty social impact assessment study on social land concessions project, the Council of Land Policy in collaboration with various development partners is currently involved in designing a program for Land Allocation for Social and Economic Development (LASED).

31. The **Royal Decree on the establishment of community fisheries** and a Sub-decree on the management of community fisheries have been prepared and submitted to the Council of Ministers for approval. Although the legislative process is still underway some 360 community-fishery lots have already been established across the country with assistance from development partners. The Fisheries Law has been reviewed by the Council of Ministers and is scheduled to be submitted to the Parliament.

32. **Budgetary disbursements to four priority action ministries increased to 3.6 percent of GDP:** Following the 6th CG Meeting the work on updating the historical data series on GDP going back to 1993 was completed by the National Institute of Statistics (NIS), with IMF assistance, in late 2002. A number of revisions were made to the GDP series based on new and revised data from government line ministries and other agencies, as well as revised compilation methods. The end result was an overall increase in GDP levels going back to 1993. For the 1998-2002 period, the estimates of GDP in current prices were revised upwards, for example by 10.1 percent for 1998, and 15.8 percent for 2000. Because of these GDP revisions, the benchmark set at the time of the CG Meeting in June 2002 would be somewhat lower when the significant upward revision of the total GDP estimates is taken into consideration. Based on the revised estimates of GDP, the actual disbursements to PAP ministries totaled 3.3 percent of GDP in 2002. In the Budget Law for 2003, the allocations for PAP ministries were around 3.6 percent of GDP. However, because of significant revenue shortfalls attributable to both domestic factors (the violent demonstrations in Phnom Penh in early 2003 and uncertainties in both the pre and post-general election periods) and international factors (outbreak of SARS in the region and the Iraq war), the actual disbursements have fallen short in many areas including PAP ministries. The actual disbursements to PAP ministries amounted to around 3.3 percent of GDP in 2003. However, the amount of actual disbursements have slightly increased from 512.1 billion CRs in 2002 to 529.4 billion CRs in 2003.

33. **Disbursements to health ministry at the national and provincial levels are at least 35 percent of budget under Chapter 11 and 40 percent under Chapter 13 at both the national**

and provincial levels; and disbursements to the education ministry are at least 40 percent of budget under Chapter 11 and 50 percent under Chapter 13 at both the national and provincial levels: The implementation of these two benchmarks would have required allocating 75 percent of the Chapter 11 budget and 90 percent of the Chapter 13 budget to the two ministries, that is the Ministry of Education and the Ministry of Health. Accommodating such a drastic reallocation of the chapter 11 and 13 budgets to these levels has not been possible. However, the budget allocations of chapter 11 and 13 for the Ministry of Health were increased from 152.4 billion CRs in 2002 and to 166.5 billion CRs in 2003. In the case of the Ministry of Education, the budget allocations for chapters 11 and 13 were increased to 130.1 billion CRs in 2002, and to 136.1 billion CRs in 2003.

34. **Disbursements for both health and education ministries approach 100 percent for both chapters 11 and 13:** For the Ministry of Health, actual disbursements as a percent of budget allocations for chapters 11 and 13 were 88.1 and 99.9 percent in 2002 and 84.6 percent and 93.5 percent in 2003. In the case of the Ministry of Education, actual disbursements as a percentage of budget allocations for chapters 11 and 13 were 87.1 percent and 107.2 percent in 2002 and 95.1 percent and 85.1 percent in 2003.

35. **HIV/AIDS legislation enacted:** The Law on Prevention and Control of HIV/AIDS was approved by the Parliament in June 2002. For the Royal Government the prevention of HIV/AIDS and improvement in the quality of life of those infected and/or affected by HIV/ AIDS through provision of care and welfare services is a national priority. The Law on the Prevention and Control of HIV/AIDS provides the framework for implementing the preventive, curative, and mitigating measures.

36. The National Aids Authority (NAA) that was created in January 1999 is responsible for coordinating and facilitating the implementation of comprehensive preventive, care and support, and mitigating measures. In 2001, the NAA launched the "National Strategic Plan for Comprehensive and Multi-sectoral response to HIV/AIDS: 2001-2005". Subsequently, five Ministries -- Health; National Defense; Education; Social Affairs, Labor and Youth Rehabilitation; and Rural Development -- have developed Strategic Plans to respond to HIV/AIDS challenges. In addition, the Battambang and Siem Reap Provinces have also developed Comprehensive and Multi-sectoral Plans to respond to HIV/AIDS challenges. The NAA is comprised of 26 Ministries and 24 Provinces and Municipalities. In March 2003, the NAA established a Coordinating Committee that has been meeting regularly each month to coordinate with UN agencies, donors and major NGOs. To plan and implement campaigns during World AIDS Day, Water Festival and Candle light Memorial the National Aids Authority has established mechanisms to coordinate the work of the governmental and non-governmental organizations.

37. The combined efforts of Royal Government's institutions and development partners have begun to show positive results. It is estimated that the number of persons living with HIV/AIDS has declined from 175,000 in 1998 to 157,500 in 2003. The prevalence of HIV infection among 15 to 49 years old has declined from 3.3 percent in 1998 to 2.6 percent in 2003. Almost 100,000 people have undergone testing and received counselling services. The voluntary and confidential testing services are now provided in 13 provinces and municipalities through 49 VCCT Centers of which 18 are managed by NGOs. Some 2000 AIDS patients now have access to free Anti Retroviral Therapy (ARV). The implementation of country wide 100 percent Condom Use Program has succeeded in reducing HIV prevalence among Sex Workers from 54 percent in 1998 to 37 percent in 2003. The Peer Education Programs are being successfully implemented among the civil, defense, and police personnel. Some 50,000 monks have integrated HIV/AIDS issues into moral

preaching. HIV/AIDS education programs are also being implemented by the private sector for their employees.

38. **Free radio and television time for HIV/AIDS programs provided:** Significant progress has been made in securing free radio and television time for HIV/AIDS programs. Some TV stations have been providing free time for broadcasting HIV/AIDS prevention messages. Also private sector sponsors have begun to provide airtime on their programs, for example, Cambrew incorporates HIV/AIDS messages into their weekly Karaoke program on TV. There has also been significant increase in donor support for developing broadcast material, for example, DFID's support to the BBC World Service Trust to produce radio and TV spots and dramas; UNDP, UNESCO and UNICEF have also produced short programs. There has also been an increase in donor support to broadcasting the messages – DFID has been supporting broadcasts on TV5, and UNICEF has also been supporting the broadcast of the same material on other channels to reach a wider audience.

39. **Civil service reform and medium term expenditure framework:** In this area the benchmark established at the 6th CG Meeting was as follows: "based on studies, assisted by World Bank, medium-term civil service reform plan prepared to improve civil service salaries to a level broadly competitive with private sector labor market, including departure and safety net provisions for redundant workers and financing options consistent with Medium-term Expenditure Framework".

40. The National Program for Administrative Reform (NPAR) was approved by the Royal Government in early 1999. In October 2001, the Royal Government approved the strategy to rationalize the civil service. As part of this strategy, the Council for Administrative Reforms (CAR) was mandated to investigate options for accelerating pay and employment reforms. It undertook to carry out the following six studies to collect factual information and prepare analysis based on which decisions could be made to accelerate pay and employment reforms and to strengthen the management of the Civil Service. These are as follows:

- i. improving public services delivery;
- ii. benchmarking the labor market;
- iii. reviewing operations;
- iv. enhancing remuneration to support performance;
- v. enhancing employment to support service delivery; and
- vi. strengthening the management of the civil service work force.

41. In April 2002, the World Bank agreed to finance five of these studies. The Terms of Reference for these studies were agreed to in March 2003 and funding from the World Bank was secured in May 2003. The study on improving public services delivery was completed in September 2003. The Labor Market Survey of Pay and Benefits was completed in September 2004. With technical assistance from Brunei, work is now underway to document and strengthen Human Resources Management processes and practices. The HRMIS is being strengthened with support from the E.U. to become a potent tool to forecast staffing patterns, manage public service work force/establishment, and foster the development of human resources.

42. The Operations Review will be launched shortly to document and complement work underway in priority ministries (education, health, agriculture, justice). This study will take stock of progress and develop a replicable methodology and framework to carry out such reviews. It will also carry out targeted pilots to implement the methodology and a training effort to develop the government's capacity to review operations.

43. With respect to a wage policy for the civil service, the actions of the Royal Government will be based on two basic principles. First, any changes must respect the principle of relativity among the various categories of government employees (political, civil servants, military and security). Secondly, they must be financially sustainable over time within the fiscal framework. Accordingly, increases in remuneration will remain dependent on available funds and thus on government revenues. The RGC is committed to increasing remuneration by 10 to 15 percent annually. The available resources will be targeted to priority needs through instruments like the PMG program and a system of allowances that complement base pay. The CAR Secretariat routinely carries out simulations to assess options. The work on remuneration policy study will be piggy-backed on the operational review that will be launched in early 2005 based on revised TORs.

44. The study on employment policy will also be launched in early 2005 to strengthen the existing information base on employment needs and to design mechanisms to effect necessary adjustments in the configuration of the Civil Service. Decisions relating to the last study on managing the civil service workforce will await the conclusion of related work already underway.

45. During the first phase of implementation of the NPAR program efforts were focused on the following five major activities: to document and control the composition and distribution of the Civil Service workforce; to develop essential instruments to manage and motivate personnel; to assess needs of ministries relating to corporate services (back office); to complete preparatory work to move the Administration closer to citizens; and to strengthen the capacity to plan and manage the reform. Under the NPAR program the following has been achieved:

- The data on the composition and characteristics of the civil service were collected and analyzed. As a result, there is now a good understanding of the composition and characteristics of the civil service workforce at the national and sub-national levels.
- The core legal and regulatory framework on the civil service has been developed and is now in place.
- Human resources management systems, including the Human Resources Management Information System (HRMIS), have been developed and are now operational to plan and manage the civil service workforce.
- A new pay and employment regime more conducive to performance assessment and career progression has been developed and is now in place.
- Innovative policies have been designed to marshal available resources to enhance performance in priority areas, such as the Priority Mission Groups (PMGs), targeted allowances, and one-window offices at the sub-national level.

46. **Revenue Collection, Government revenues increased to 12.75 percent of GDP:** As mentioned earlier, following the 6th CG Meeting the historical data series on GDP going back to 1993 was revised by the National Institute of Statistic (NIS), with IMF assistance, in late 2002. Because of significant upward revisions of the GDP estimates, the revenue growth target of 12.75 percent that was established based on the old GDP data would be significantly lower when calculated using the revised GDP data. It should be noted, that the review of progress presented in this report is based on the revised GDP data.

47. During its second mandate, the RGC has made significant progress in macroeconomic management, by maintaining macroeconomic stability, strengthening the banking and financial institutions and implementing fiscal reform measures. Cambodia has made impressive strides in re-integrating herself into the international community. Over the last five years the average annual real GDP growth was 6.8 percent. Monetary developments reflected improved fiscal position. A prudent monetary and fiscal policy pursued by the RGC resulted in low inflation and broadly stable

exchange rate. Inflation was kept on average at 1.6 percent per annum during this period. Gross international reserves have remained at a comfortable level.

48. In spite of the many challenges faced by the Royal Government over the last five years -- that have included the restructuring of the tariffs along with lowering of the maximum tariff rate, and the challenges of controlling smuggling and tax evasion -- the Royal Government has been making steady progress in increasing its revenues collection. A vigorous implementation of the fiscal reforms, with the support of development partners, and implementation of revenue enhancement measures has begun to produce fruitful results. Revenues as percent of revised GDP estimates increased from 8.1 percent in 1998 to 11.1 percent in 2002. In the year 2003, the revenue collection suffered not only from the effects of the outbreak of SARS in the region, the violent demonstrations in Phnom Penh in early 2003, and the Iraq war, along with continuing inefficiencies in tax collection but also by the election-related uncertainties in the first half of 2003 and the delays in the formation of the new Government following the 27 July 2003 elections.

49. The environment of uncertainty that prevailed in 2003 had also adversely effected the collection of **revenues from payments for leases of state assets; collection of outstanding tax arrears and performance under the pre-shipment inspection program**

50. **Strengthened tax auditing and administration:** The National Audit Authority (NAA) that was established in early 2000 is now functional and its capacity is being strengthened. The NAA is completing its audit report for the years 2000, 2001 and 2002 that will be presented to the Parliament. The internal audit functions in line ministries are also being strengthened. The NAA is working with these internal audit units in ministries to ensure a greater transparency and accountability.

51. **Increased transparency of terms of Government contracts:** To enhance transparency and to minimize abuses, the scope of the Public Procurement Sub-decree has been extended to cover all expenditures in all ministries, except the Royal Palace.

52. Enhancing public financial management is crucial for the strengthening of good governance, and therefore the RGC has formulated a clear vision of public financial management (PFM), and the steps necessary toward the achievement of the vision. The PFM reform program is built upon four sequenced and prioritized platforms: (i) a more credible budget; (ii) effective financial accountability; (iii) the RGC policy agenda becomes fully affordable and prioritized; and (iv) RGC managers become fully accountable for program performance. As part of the PFM reform, the RGC will pilot a merit-based initiative and embark on the organizational change of the Ministry of Economy and Finance to support the reform efforts. The RGC strongly welcomes the "Sector Wide Approach - SWAP" that has been discussed and agreed to with development partners to implement the reform program. This will provide an opportunity for Cambodia to play as an equal partner and especially enables the Ministry of Economy and Finance to bring together good strategies and experience from development programs and various strands of its ongoing improvement and reform efforts and to reformulate them into an integrated and consolidated PFM reform program for higher accuracy, effectiveness, and efficiency.

PRIORITIES FOR IMPLEMENTING THE RECTANGULAR STRATEGY

53. The development vision of the Royal Government of Cambodia is to have a socially cohesive, educationally advanced and culturally vibrant Cambodia without poverty, illiteracy and disease. Realizing this vision will require continued adherence to the values of social justice,

human welfare and empowerment of the people and the formulation and implementation of policies to reduce poverty by promoting sustainable economic growth and better governance.

54. The “Rectangular Strategy” of the Royal Government of the Third Legislature of the National Assembly is designed to achieve this Vision. Soon after the formation of the new Government in July 2004, Samdech Prime Minister Hun Sen instructed all Government ministries and agencies to develop plans for implementing the Rectangular Strategy. At the Pre-CG Meeting held on 10 September 2004 at the Council for the Development of Cambodia, he appealed to the development partners to work with the concerned ministries and agencies to establish, through a collaborative process, priorities and prepare actions plans to implement the policies outlined in the Rectangular Strategy. The newly formed seventeen sectoral/thematic Joint Government-Donor Technical Working Groups under the CG mechanism were tasked to complete this work before the 7th CG Meeting to be held in early December 2004. The priorities for the implementation of the Rectangular Strategy outlined in section four of this report represent the preliminary work of the ministries and agencies. At the time of the preparation of this report these were being reviewed by the Joint Government-donor Technical Working Groups. At the end of this process, that hopefully will be completed by end of November 2004, the Technical Working Groups will have jointly agreed priorities, action plans, and resource commitments to implement the action plans. *The priorities for the implementation of the Rectangular Strategy outlined in section four thus represent a work-in-progress.*

55. For the Royal Government, **good governance** is the most important pre-requisite condition to achieve sustainable economic development with equity and social justice. Achieving good governance will require the active participation and commitment of all segments of the society, enhanced information sharing, accountability, transparency, equality, inclusiveness, and the rule of law. During its third mandate, the Royal Government of Cambodia will focus its efforts to ensure an effective implementation of its Governance Action Plan which covers four cross-cutting areas: (i) combating corruption, (ii) judicial and legal reforms, (ii) civil service reform covering decentralization and de-concentration, and (iv) reform of the armed forces, especially demobilization.

56. To **combat corruption** the Royal Government will continue to pursue a holistic, participative, gradual and sustainable approach to address the root causes of corruption. Although progress has been made in some areas, in others the RGC efforts faced many challenges. In fighting corruption, the Royal Government will vigorously implement the Anti-corruption Law, after it has been enacted by the Parliament, and create an independent body to fight corruption. The Royal Government will also promote effectiveness, transparency and accountability in the management of public finances, especially through the strengthening of audit processes and public procurement. The Royal Government shall also promote the implementation of the multi- and cross-sectoral governance reforms, especially those guided by the Governance Action Plan, which has been developed with broad participation from various government ministries and institutions, civil society and development partners.

57. The Royal Government will respect and promote the independence and neutrality of the judiciary as stated in the Constitution. This will include reforms which will ensure the independence of the Supreme Council of the Magistracy. The Royal Government will continue to promote **legal and judicial reforms** and strengthen public confidence in the court system. Significant progress has been made over the last year. A comprehensive strategy and action plan to speed up the legal and judicial reforms is now in place. The short-term and medium-term priorities for implementing the action plan have been identified through a consultative and collaborative process in which all concerned stakeholders have participated. The Royal

Government hopes that this spirit of cooperation between the Council for Legal and Judicial Reforms, the development partners, and civil society will now move to a new level -- a coordinated team approach -- to succeed in moving forward the legal and judicial reforms agenda.

58. The Royal Government's National Program for **Administrative Reform** (NPAR) outlines the strategies and policies that will be used to transform the administrative system and civil service into an effective organization to successfully implement the Government's political platform and the economic actions agenda. The Council for Administrative Reform (CAR) has prepared an Action Plan based on recent studies in consultation with ministries and development partners. The Plan was presented to development partners at a national workshop in August 2004. For programming purposes, actions to be taken under the umbrella of the NPAR have been grouped in the following seven priority areas: (i) improving service delivery; (ii) enhancing remuneration; (iii) redeploying the Civil Service; (iv) strengthening Human Resources management and control; (v) implementing the PMG program; (vi) developing human and institutional capacity; and (vii) promoting information and communication technologies.

59. For all governments world-wide finding the appropriate levels of **decentralization and de-concentration** in terms of roles and responsibilities of the various levels of government is an on-going process. For the Royal Government of Cambodia the issues are compounded further by events in recent history. The Royal Government recognizes that the implementation of decentralization to the commune level is crucial not only to strengthen democracy at the grassroots level, but also to improve the quality of public services, and foster participatory development at the community level. To strengthen local governance, a key priority of the Royal Government is to build local management capacity, provide reasonable levels of financial resources to the communes and promote a culture of participation. Another priority is to ensure that decentralization and de-concentration efforts are implemented in conjunction with each other and capacities are developed at the municipal, commune, district, and provincial levels to achieve harmonized and mutually-supportive operations at the grassroots/community level.

60. To move the decentralization and de-concentration process forward the Royal Government's priorities are to: (i) prepare the Organic Law to define the roles and responsibilities of the provincial and district administrative structures to speed up the process of delegation of responsibility from line ministries operations at the centre to their sub-national operations and to the provinces; (ii) develop a Strategic Framework on Decentralization and De-concentration; (iii) ensure predictable and timely release of funds including an examination of the option of allowing communes to raise their own resources; and (iv) strengthen government-donor and donor-donor coordination to achieve more optimal outcomes in terms of strategies and actions to implement the Royal Government's decentralization and de-concentration agenda and to improve aid effectiveness in this very important area.

61. The Royal Government will continue to implement the policy and programs identified in the White Book of National Defense of the Royal Cambodian **Armed Forces**, including the distribution of social concession lands to the demobilized landless soldiers who request land for their residences and/or for family farming in conformity with the Sub-decree on Social Concessions. The Royal Government will continue to reform, build and strengthen the national police into a professional force, equipped with modern technology, and capable of discharging its responsibilities with due respect for the law and human rights, thereby enabling the police to serve the people, maintain security, social order and harmony and protect the people's safety and property.

62. **Peace, political stability and social order** constitute the most important conditions for strengthening macroeconomic stability and promoting sustainable development and poverty reduction. Therefore, the Royal Government will continue to further strengthen peace, political stability and social order, reflecting the nation's decisive move towards development and prosperity, leaving behind the legacy of wars, genocide and internal strife that have destroyed Cambodia over the past three decades. Peace, political stability and social order are crucial for building the state and implementing state reforms. Therefore, the top priority of the Government is to strengthen by all means the fabric of peace. Moreover, the strengthening of peace, political stability and social order will promote a «credible image» of Cambodia, build the confidence of investors and tourists in the country and generate favorable conditions for the people's dignified livelihoods that significantly contribute to economic development.

63. The maintenance of **strict budget discipline** is crucial to ensure a favorable macroeconomic and financial environment to consolidate the foundation for sustainable and equitable economic growth. The priorities of the Royal Government during its third mandate are to: (i) improve the collection of taxes and non-tax revenues, including the strict implementation of the Law on Taxation and other related laws such as the Law on Investment; (ii) reduce corruption and tax evasion; (iii) dismantle the culture of tax exemptions; (iv) broaden the tax base; (v) strengthen tax and customs administration; (vi) strictly manage state assets including tangible and intangible properties as well as state enterprises and joint-ventures; (vii) reform the public financial management system, in particular rationalization of expenditures based on the principles of transparency, accountability and economic efficiency; and (viii) improve audit and public procurement system, according priority to social and economic expenditures and public investments especially on physical infrastructure.

64. To implement the above priorities, on behalf of the Royal Government of the Third Legislature of the National Assembly, Samdech Prime Minister Hun Sen has directed all members of the Royal Government to fully respect at all times the following ten disciplines in the public financial management: (i) continue to root out the “culture of tax waiver and tax exemptions” in Cambodia; (ii) take serious actions to ensure collection of all kinds of revenues as planned or go beyond the target; (iii) transfer in a timely manner all revenues to the National Treasury -- it is forbidden to retain and use collected revenues to offset extra-budgetary expenditures, including the mechanism of off-setting revenues and expenditures, securing advance commercial loan from companies and using revenues to pay back expenditures; (iv) to be courageous and determined in fighting against all kinds of smuggling, and pursuing the recovery of arrears from government's debtors, especially the recovery of arrears from taxpayers; (v) target expenditures to priority goals of development and take serious steps to cut expenditures on unnecessary or not yet necessary items, and make budget savings and reduce wastage; (vi) strengthen and further enhance the implementation of laws and regulations related to public procurement; (vii) strengthen audit in budget management (on both revenue and expenditure side) including the inspection by the Ministry of Economy and Finance, strengthen internal audit operations within ministries and institutions, and independent external audit; (viii) it is forbidden to sign any contracts with private companies that have tax obligations, and any other contracts that have implications for state revenues and expenditures without the participation and prior approval from the Ministry of Economy and Finance; (ix) it is forbidden to contract commercial credit; and (x) take serious steps to strengthen the management of all forms of state assets by fully enforcing the laws and regulations related to state asset management.

65. The Royal Government will continue to push for the **integration of Cambodia into the region and the world**, specifically focusing on bridging the development gaps among the member-countries of the Association of South East Asian Nations. To maximize the gains from

international integration, Cambodia will strengthen its institutional capacity to implement cooperative strategies with neighboring countries such as the concept of “Four Countries-One Economy”, the creation of the triangles for economic growth and the establishment of cross-border Economic Processing Zones. The Royal Government will continue to liberalize trade and ensure free flow of goods and services both within the country and between Cambodia and other key partners in the region and the world. The Royal Government will strictly implement its obligations under the World Trade Organization, recognizing that Cambodia's membership in the WTO requires great efforts in the formulation, adoption and the implementation of laws, regulations, and procedures.

66. **Accelerated development of the agriculture sector** that supports the livelihood of more than three-quarters of the work force is a very high priority of the Royal Government. Sustainable economic growth, poverty reduction, and Cambodia's Millennium Development Goals can not be achieved without a significant improvement in the productivity and diversification of the agriculture sector. To modernize the agriculture sector, the Royal Government will: **first**, increase the percentage of public investment allocations to agriculture and for rural development, particularly at the provincial and local levels for irrigation facilities, rural roads and other rural infrastructure, where construction services shall as much as possible be contracted by and accountable to Commune Councils; **second**, encourage increased private sector investment in farm and village-level enterprises in key sub-sectors including small-scale commercial, market-oriented aquaculture, crop and livestock production, and agro-enterprises such as processing, post-harvest facilities and mechanization; **third**, accelerate and stabilize broad-based growth of agricultural output through sustainable development of high-value products; and **fourth**, increase local-level expenditures and investments in: (i) extension services focused at increasing the productivity of farmers; (ii) farmer-owned and operated irrigation; (iii) rural enterprises; (iv) enhanced skills and capacity in lending to agricultural and agro-based enterprises; (v) decentralized public investments and de-concentrated budgeting and services for the agricultural sector; and (vi) revolving funds for farmers' groups managed according to micro-finance principles.

67. To support **rural development** the Ministry of Rural Development will continue to: (i) act as a catalyst and coordinator working with other ministries, international organizations, NGO's and private partners by coordinating the implementation of their projects in rural areas and assisting international aid programs; and (ii) directly implement projects or programs necessary to develop market based economies in rural communities. It will continue to promote human resources development, establishment of the rural development structures, especially formation of village development committees, and information and communication management. It will also continue to implement programs such as road rehabilitation and construction, clean water supply, health care promotion, small irrigation expansion, household food security promotion, rural credit promotion, and village development.

68. **Land and water** are the two fundamental natural resources that serve as the basis for socio-economic development and poverty reduction, especially in the rural areas. The Royal Government will continue to accord a high priority to strengthening *land tenure rights* of the people who need small lots for settlement and family production within the *social land concessions* framework, as a mechanism to assist poor households and vulnerable groups. To ensure that the Ministry of Land Management, Urban Planning and Construction has the capacity to effectively and efficiently deliver its services the Ministry will be restructured, if necessary, and concrete steps will be taken to develop its human resources. To prevent and combat corruption, the Ministry will prepare and implement a transparency and accountability strategy in all areas of its responsibility. The Ministry will expand the coverage of the Land Titling Program to reduce land conflicts and to enable the registered land owners to have access to credit as well as take measures to increase

revenue collection from land tax, unused land tax, cadastral and other land use related fees.

69. Cambodia continues to be one of the most heavily land mined and UXO (unexploded ordnance) affected countries in the world. The **land mines and the UXO** left behind from the Vietnam War and the internal strife in subsequent period continue to cause hundreds of fatalities of innocent citizens each year. The Royal Government's target is to clear all severe and high impact suspected mined areas of land mines and UXO's by 2012, and to be free of all land mines and UXO's by 2020.

70. **Fisheries sector** is crucial to the lives of million of Cambodians in terms of food, income and livelihoods. The priorities of the Royal Government are: (i) to enable community-based development of the fisheries sector by empowering local communities so that farmers can participate directly, actively and equitably in fishery plans, programs and management; (ii) transform fishing lots whose concession contracts have expired into fish sanctuaries, thereby helping increase natural fish stocks, and conserve endangered species; and (iii) expand community-based fishing lots and promote aquaculture to respond to the increasing needs for fish as well as to reduce the pressure on fisheries resources.

71. The goal of the **Royal Government's forest sector strategy** is to ensure sustainable forestry management based on the following three pillars: (i) sustainable forest management policy, to ensure the rational and strict monitoring of forest exploitation according to the international best practices in forest management that require adequate forest reserves for domestic consumption, protection against drought and floods as well as wetlands that serve as fish sanctuaries; (ii) protected area system to protect biodiversity and endangered species; and (iii) community forestry as a sound, transparent and locally managed program. To achieve the goal of sustainable forest management, the Royal Government's priorities are to: (i) strengthen forestry management and conservation; (ii) enhance forestry sector's contribution to socio-economic development; (iii) enhance forestry sector's contribution to poverty reduction; and (iv) strengthen capacity and good governance in the forestry sector

72. The **rehabilitation and construction of the infrastructure**, that is a pre-requisite for achieving sustained economic growth and poverty reduction goals, remains a very high priority of the Royal Government. The **transportation networks** are the arteries that connect all corners of the Kingdom of Cambodia and thereby transform the country into an integrated economy. The transport networks are instrumental in integrating domestic markets and facilitating Cambodia's integration into the regional and world economies. A high priority of the Royal Government is the rehabilitation and construction of transport networks, including bridges, roads, railroads, seaports, and airports that link all parts of the country, and Cambodia to its neighboring countries and the rest of the world. A significant challenge in the rehabilitation of the road network is the large number of river crossings not only in rural areas but also on the main National Roads. Many existing bridges have load capacities below 20 tons and collapses are not uncommon. Therefore, during the third mandate of the Royal Government a high priority will be given to ensure routine and periodic maintenance of the road network. During its third mandate the Royal Government plans to rehabilitate and repair more than 2,000 km of the main and other national roads, and 1,000 km of Provincial roads.

73. The priorities for **port and inland waterways transport** include rehabilitating dredgers to carry out regular dredging of all major waterways; upgrading the Phnom Penh inland river port, as well as improvements to smaller domestic river and lake ports; and the upgrading of existing ferries. The Royal Government would like to see a greater participation of private sector self-financing entities to own, manage and maintain the international ports of Phnom Penh, Sihanoukville and Koh Kong and to assist provinces in establishing locally-generated funding

mechanisms to develop and maintain inland port facilities. The **railway network** is a vital element of the transport infrastructure that at the present time is in a severely damaged state and remains a grossly under utilized asset. The Royal Government's first priority is to restore the missing link of some 48km to the Thailand border. The Southern railway line between Phnom Penh and Sihanoukville port requires rehabilitation to reduce operating costs to make it competitive with road transport. The viability of rehabilitating the northern line also needs to be explored.

74. The availability of **civil aviation** services is a pre-requisite for the development of the tourism sector that has a significant multiplier effect on the economy. The Phnom Penh International Airport (Pochentong) will be further improved under the ongoing BOT agreement. There is a need to upgrade: (i) the Sihanoukville and the Siem Reap international airports to international standards to cater to the growing traffic to the area, and (ii) the north-east domestic airports at Stung Treng, Rattanakiri, and Mondul Kiri. To meet international safety standards the communication-Navigation-Surveillance /Air Traffic Management System (ATM) is also required.

75. The national policy on **water resources and irrigation** is part of a broad program of the Royal Government to protect, manage and assure sustainable exploitation of both fresh-water and marine resources while enhancing bio-diversity and sustainability. During the third mandate the priorities of the Royal Government are: (i) to develop and expand irrigated lands; (ii) to ensure effective water resources management by improving the efficiency of the existing irrigation system; (iii) to further develop and enhance the effectiveness of water use in farmer water user communities; and (iv) to reduce the vulnerability of the population to natural disasters and its total dependence on natural conditions.

76. The Royal Government's long-term development vision for the **energy sector** is to put in place a domestic power generation and distribution system that will meet the needs of all urban and rural communities and a growing economy at low-costs. Achieving this vision will require major capital expenditures and a significant strengthening of the capacity of the national institutions responsible for planning, operations, and maintenance of such a system. The Royal Government would like to see strong private sector participation and investment in the development of domestic power generation and distribution system to realize this vision. Recognizing the constraints on the availability of capital resources needed to realize this vision, the Royal Government's short- to medium-term priorities are to: (i) continue to rehabilitate and construct domestic power generation plants based on resources that become available; (ii) purchase electric power from neighboring countries, through bi-lateral agreements, to meet the current needs of the country; and (iii) continue to expand the national power distribution/transmission system to supply power to all parts of the country from domestic power generating plants as well as power purchased from neighboring countries.

77. The long-term development vision of the Royal Government is to develop a cost-efficient and a world class **post and telecommunications system** that has a nation-wide coverage. The realization of this vision will require significant investment for building the backbone infrastructure of the telecommunications systems, especially high-speed fiber optic cables for the development of rural telecommunication systems. During the third mandate of the Royal Government, the telecommunications network in Phnom Penh, Sihanoukville, and Siem Reap will be expanded and extended to smaller cities and towns. Microwave/fiber optic cable communications will be installed to connect: (i) Kompong Cham - Phnom Penh - Takeo - Kampot - Sihanoukville; (ii) Kompong Cham - Kompong Thom - Siem Reap - Sisophon; (iii) Kompong Cham - Kratie - Stung Treng; and (iv) Mondul Kiri - Pailin - Preah Vihear - Oddar Meanchey. The postal network and the capacity of concerned institutions will be strengthened to improve the quality of the postal services. Radio and TV broadcast networks will be strengthened to improve efficiency. National guidelines will be

developed and adopted on investment plans and cooperation for telecommunications facilities, services and information technology, including standards and regulations on the use and practice of information technology and use of the internet.

78. The Royal Government considers the **private sector** to be the engine of economic growth. The Royal Government will continue to play a strategic role in creating an environment conducive to enhanced private sector development and in managing the development process. To create an enabling environment for private sector development, a high priority of the Royal Government during its third mandate is to implement measures that will: (i) strengthen both public and corporate governance; (ii) facilitate trade and improve the climate for investment; and (iii) promote human resource development to effectively respond to market needs. The Royal Government will continue to facilitate and provide support to private investments in the following six priority sectors:

- i. Development of agriculture and agro-industry by giving priority to agricultural irrigation.
- ii. Development of transport and telecommunications infrastructure systems.
- iii. Development of the energy and electricity sectors.
- iv. Labor-intensive industries and export-oriented processing and manufacturing.
- v. Tourism-related industries.
- vi. Human resource development.

79. The Royal Government recognizes that improving the business climate and creating an enabling environment for private sector development are key pre-requisites for fostering growth, creating jobs, reducing poverty and achieving sustainable economic development. To remove the critical bottlenecks impeding the development of the private sector as well as to provide inputs in the processes of administrative and regulatory reforms, a Government-Private Sector Forum was established in December 1999. It has been meeting once every six months and is supported by seven Business-Government Sectoral Working Groups, which meet monthly to identify and recommend actions to resolve sector-specific problems. To further strengthen the key institutional mechanisms to support the implementation of the Rectangular Strategy, at the last Government-Private Sector Forum held on 20 August 2004 Samdech Hun Sen, the Prime Minister announced the formation of a Steering Committee for Private Sector Development that is chaired by Sr. Minister and Minister of Economy and Finance, with Sr. Minister and Minister of Commerce as Deputy Chairman, and the Governor of the National Bank of Cambodia and the Ministers of MIME, MAFF, MPWT and MOT as Members, and the Secretary General of CDC, as its Secretary. The Steering Committee is supported by the following three Sub-committees: (i) Sub-committee on Investment Climate and Private Participation in Infrastructure (PPI) -- chaired by Sr. Minister, Minister of Economy and Finance; (ii) Sub-committee on Trade Facilitation -- chaired by Sr. Minister, Minister of Commerce; and (iii) Sub-committee on SMEs -- chaired by Minister of Industry, Mines and Energy. The Steering Committee and its three Sub-committees will work closely with the development partners who want to assist Cambodia to develop the private sector, based on a SWAP arrangement for private sector development.

80. The **tourism sector** has attracted a significant amount of private sector investment. The Royal Government will continue to support the rehabilitation and construction of infrastructure needed for the expansion of tourism by the private sector.

81. The Royal Government has committed itself to promoting the development of **small and medium size enterprises** during its third mandate. The priorities are to: (i) encourage the development of SMEs, especially through the provision of medium and long term finance; (ii) suppress smuggling; (iii) reduce registration procedures and start-up processes for companies; (iv) facilitate export-import activities by simplifying procedures such as licensing and other letters of permission; (v) provide support for newly-established industries for an appropriate period; (vi)

promote linkages between SMEs and large enterprises; (vii) establish a national center on productivity to assist SMEs in enhancing their productivity and reducing production costs; (viii) establish a national standards institution to help ensure the quality of domestic products to meet regional and international standards; (ix) establish national laboratories for physics, chemistry, micro-biology, mechanics and tests for quality and standards of products; (x) strengthen mechanisms for the protection of industrial intellectual property rights, to prevent illegal copying, re-creation and illegal use of new techniques and technologies; (xi) promote vocational/skills training, both domestic and overseas; (xii) expand and accelerate the "one village, one product" program; and (xii) strengthen the legal framework by creating laws governing the operations of: factories, industrial zones, patents and inventions, measurements and industrial safety.

82. The Royal Government will continue to promote the **rural credit sector** to ensure that loans at a reasonable interest rate are available to the poor, especially those in remote areas and along the borders, and to small and medium enterprises (SME).

83. To **create jobs and better working conditions for workers** the Royal Government during its third mandate will: (i) implement measures which encourage domestic investment and attract foreign direct investment in priority sectors, especially agriculture, agro-industry, labor-intensive industries and tourism; (ii) establish skills training networks for the poor, linked to employment assistance especially for young people and new graduates in response to labor market needs; and (iii) develop a labor statistical system.

84. With the support of its national and international partners, the Royal Government will increase its **social sector** interventions, thereby improving employment opportunities, reducing vulnerability of the poor, enhancing emergency assistance to victims of natural disasters and calamities, and expanding rehabilitation programs for the disabled, including welfare improvement programs for the elderly, orphans, female victims, the homeless, and veterans and their families. The Royal Government will continue to provide support to the disabled people and veterans and their families, especially those who have sacrificed their lives for the country. The Government will encourage owners of enterprises and factories to provide fair wages and gradually introduce pension schemes for workers in accordance with market conditions.

85. The availability of workers in good health and with skills that are needed in the labor market is a pre-requisite for achieving sustained economic growth. The priorities of the Royal Government during its third mandate are to **strengthen the quality of education**, enhancing availability of health services, eliminating gender inequalities, and implementing a population policy to strengthen the human capital base of the nation. The Royal Government will continue to pursue the achievement of EFA goals in basic education; increase budget expenditures, and mobilize increased international assistance to provide incentives for teachers; assure quality instruction; increase provision of educational materials, equipments, libraries and laboratories; build dormitories for students, especially female students; continue to reform curricula and training programs; provide scholarships to poor students; promote literacy and informal education programs; finance construction of schools in the rural areas and support school operating costs; and will continue to strengthen its partnerships with the private sector and the national and international community to enhance and improve the quality of education services, both in vocational and technical training and in higher education, consistent with international standards and the development needs of the nation.

86. The Royal Government is strongly committed to the adoption and effective enforcement of health laws and regulations to ensure the **delivery of high quality health services** and medicines including traditional medicines with appropriate information and control in conjunction with the use of modern medicines. The Royal Government's priorities are to increase allocation of public

resources for the health sector and continue to encourage the participation of the international community, and the private sector to further increase investments in the health sector to improve the health status of the people. Priority will be given to the construction of referral hospitals and health centres, which can provide health services in an efficient, equitable and sustainable manner to citizens across the country, especially the poor and vulnerable groups. The Royal Government will continue to focus on the implementation of prevention programs and combat communicable diseases and promote maternal and child health care to reduce the maternal and infant mortality, improve emergency services, and provide health and sanitation education and information, especially in the rural areas. The poor shall be entitled to free health care in referral hospitals and health centres. Equity funds designed to help the poor in accessing quality health care services will be further strengthened and expanded. The Royal Government will adopt and enforce health laws and regulations to ensure high quality health services, medicines and food safety. It will continue to encourage the use of traditional medicines with appropriate information and controls in conjunction with the use of modern medicines.

87. **HIV/AIDS:** To respond effectively to the HIV/AIDS epidemic, the priorities of the Royal Government are to implement measures that will: (i) prevent the spread of HIV/AIDS infection; (ii) improve care and support services to those infected by HIV/AIDS; and (iii) mitigate the impacts of HIV/AIDS epidemic.

88. The Royal Government will continue to vigorously implement its Strategic Plan -- *Neary Ratanak* or "women are precious gems" -- that is aimed at providing Cambodian women with value and hope in life, while promoting gender mainstreaming. The main objective of the program is to build the capacities of women and change social attitudes that discriminate against women. The Royal Government places a high priority on the enhancement of the role and the social status of Cambodian women by focusing attention on the implementation of the **Gender Strategy**, building capacity of women in all sectors, changing social attitudes that discriminate against women, and ensuring the rights of women to actively and equally participate in nation building. *Neary Rattanak* presents a vision of Cambodian people, both women and men, who are united and moving forward to build a prosperous and peaceful nation, upholding law and order in a just and transparent system with good governance to achieve social, economic and political stability. Its goal is to improve the living conditions of women and to alleviate poverty by building their capacity to empower them to participate in economic activities and to have equal access to the Royal Government's priority programs in the areas of education, health, economic development, legal protection and leadership.

89. The current high rate of population growth is placing a heavy burden not only on public services but is also contributing to increasing poverty. The implications of high population growth for socio-economic development are well known and documented. The Royal Government's will implement its **population policy** that is aimed at reducing poverty and achieving Cambodia's Millennium Development Goals.

PARTNERSHIPS IN DEVELOPMENT

90. As stated in the Rectangular Strategy strengthening partnerships with all development partners -- the donor community, the private sector and civil society -- is a top priority of the Royal Government. The basic principles that will guide the building and strengthening of partnerships with the donor community are embodied in the Resolutions of the General Assembly of the United Nations, the work of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD), as well as the initiatives of the World Bank and the United Nations Development Program. Government-Private Sector Forum will be further strengthened to

enhance its effectiveness as a mechanism of partnership between the public and private sectors. Cooperation between the State and the civil society based on rule of law to enhance Democracy, freedom, social order and primacy of law will be further strengthened. The Royal Government would like to see the civil society become an effective partner of the Government in nation building. To this end, the Royal Government will encourage the activities of the non-governmental organizations and other duly-registered associations working to serve and benefit the people and the nation. The Royal Government welcomes the participation of the NGOs in the process of socio-economic rehabilitation and development and the promotion of Democracy and respect for human rights. The Royal Government will speed up the drafting, adoption and implementation of the Law on Non-Governmental Organizations, after broad consultation with all relevant institutions and organizations.

91. During the third mandate of the Royal Government an important challenge for both the Government and the development partners is to identify and implement approaches that will improve aid effectiveness in reducing poverty and achieving Cambodia's Millennium Development Goals. The Royal Government would like its development partners to align their assistance programs with Cambodia's development priorities and to harmonize their practices based on the principle and guidelines that have been agreed to in various international fora, in particular the OECD/DAC arena. The Royal Government is convinced that using nationally owned strategies to plan and manage ODA and a greater harmonization of donor practices will not only enhance national ownership of the development activities but will also improve aid coordination and aid effectiveness. The Royal Government also encourages the development partners to consider planning their country assistance programs within the context of program/sector based approaches that will not only minimize the multitude of stand alone projects that place a heavy burden on the limited capacity in government institutions but will also bring a sharper focus to ODA supported activities.

92. The Working Group mechanism to monitor progress on specific policy issues has been in operation since 1999. The Royal Government and the development partners have agreed to restructure the working groups. An agreement on the basic principles to restructure the working groups that will enhance aid effectiveness and bring a greater coherence to ODA supported activities has been reached. These basic principles were endorsed by Samdech Hun Sen, the Prime Minister at the Pre-CG Meeting held on 10 September 2004 in Phnom Penh. The restructured working groups will now consist of 17 Joint Technical Working Groups at the sectoral/thematic level. At the Pre-CG Meeting held on 10 September 2004, Samdech Hun Sen, the Prime Minister also identified the following urgent tasks that each joint technical working group should complete before the forthcoming Consultative Group Meeting scheduled for early December 2004.

First, both parties coordinate to finalize the list of members and TORs of the joint technical working group, as soon as possible.

Second, each joint technical working group has to appraise the progress in the nine priority areas for joint monitoring that were agreed to at the 6th Consultative Group meeting held in June 2002 as well as identify any outstanding issues and challenges. The reports of the technical working groups will be consolidated into one document that will be presented at the Consultative Group meeting to be held in December 2004.

Third, each technical working group has to develop its action plan and benchmarks for consideration and adoption at the Consultative Group Meeting to be held in December 2004.

93. To ensure coordination among the 17 joint technical working groups, the Royal Government and development partners have also agreed to create a "Government-Donor

Coordination Committee (GDCC)" to provide policy guidance, to set priorities, and to propose measures to solve problems raised by joint technical working groups. The Government-Donor Coordination Committee will be assisted by a Secretariat. This Secretariat will be located at the Cambodian Rehabilitation and Development Board (CRDB) at CDC.

94. On the issues concerning harmonization and alignment of donor activities to improve aid effectiveness a number of significant developments have taken place over the last year in the international arena as well as in Cambodia. In the international arena, the OECD/DAC Task Force on Harmonization published its Good Donor Practices Papers that were endorsed at the High Level Forum that was attended by the heads of multilateral and bilateral development institutions and representatives of the IMF, other multilateral financial institutions, and partner countries gathered in Rome in February 2003. The Forum also issued a declaration that committed development partners to support the harmonization efforts to improve aid effectiveness that is now known as the Rome Declaration.

95. The Royal Government has also prepared an RGC action plan to implement the Rome Declaration's commitment in close collaboration and support from the development partners. This action plan is presented in the Royal Government's report on "Building Partnerships for Development: An Update". In moving ahead with the implementation of the Action Plan, the Royal Government recognizes that there are serious challenges ahead. The most serious of these challenges is the divide between agreed global policies on harmonization and alignment by the authorities at the national or headquarters of our development partners, and the follow up actions needed to change the practices and behavior of donor operations at the country level. In the case of a number of our bi-lateral partners, the authorities in the capitals have now prepared their Action Plans for harmonization and alignment in line with OECD/DAC principles. Early this year, on behalf of the Royal Government, the Council for the Development of Cambodia (CDC) had asked the OECD/DAC Task Team to not only share these Action Plans with partner countries but also to closely monitor and periodically report to partner countries on:

- whether or not the Action Plan prepared at the capital of a member country or the headquarter of a multi-lateral organization has been shared with their country field offices;
- whether or not the capital of a member country or the HQ of multilateral organization has provided clear direction or instructions to their country field offices to implement their national or HQ action plan; and
- what authority has been delegated to country field offices to implement the action plan in the partner country context.

96. On the national front, the Government-Donor Partnership Working Group that was established in response to Royal Government's proposal at the last CG Meeting in June 2002 has been busy in supporting both the work of the OECD/DAC as well as examining harmonization issues in Cambodia's context. The Working Group commissioned three studies to collect and analyze the necessary background information, in early 2003, to begin its work on tackling the harmonization issues. These studies focused on three areas: (i) the capacity building practices of Cambodia's development partners, (ii) practices and lessons learned in the management of development cooperation; and (iii) preparation of national operational guidelines for development cooperation. The first two studies have been completed. Also, the first draft of the third study has been prepared. The study on the capacity building practices is now being discussed by the Council for Administrative Reform with development partners to arrive at a set of recommendations on which there is consensus, and to develop an action plan for their implementation.

97. To foster Government-Private Sector partnership, a Government-Private Sector Forum has been in operation since 1999. As noted earlier, the Government-Private Sector consultation mechanisms are being strengthened further through the establishment of a Steering Committee for Private Sector Development that will be supported by three Sub-committees. The Steering Committee and its three Sub-committees will work closely with the development partners who want to assist Cambodia in developing the private sector, based on a SWAP for private sector development.

98. The Royal Government believes that the civil society has played and should continue to play an important role in monitoring the implementation of poverty reduction initiatives. Cambodian NGOs are a part of the civil society as well as international NGOs who represent the international civil society. NGOs can contribute much to poverty reduction plans based on their development experiences and are in a strong position to convey the needs and concerns of vulnerable groups to policy makers. The Royal Government would like to encourage a greater participation of the trade unions, ethnic associations and farmers' associations in the monitoring of the implementation of the poverty reduction initiatives. To better target poverty reduction initiatives the participation of the poor and vulnerable groups in the monitoring of the poverty reduction efforts should also be strengthened. There is also a need to strengthen the capacity of the Parliament in order for it to make concrete inputs.

FINANCIAL REQUIREMENTS AND ODA MOBILIZATION TARGETS

99. The alleviation of poverty among Cambodia's population through economic progress and social development is the highest priority of the Royal Government. The *Rectangular Strategy* of the Royal Government of the Third Legislature of the National Assembly is aimed at promoting economic growth, full employment for Cambodian workers, equity and social justice, and enhanced efficiency of the public sector through the implementation of the Governance Action Plan and in-depth reforms that are coordinated and consistent across all levels and sectors. The Rectangular Strategy selects key elements from Cambodia's Millennium Development Goals, Cambodia's Socio-Economic Development Plan 2001-2005 (SEDP2), Cambodia's National Poverty Reduction Strategy 2003-2005 (NPRS), and various policies, strategies, plans and other important reform programs. The implementation of these strategies and policies will be achieved through a focused and prioritized Public Investment Program (PIP) which is one important instrument to implement these strategies and policies. The PIP is designed within the framework of a three-year rolling plan to capture priority proposals and needs on an on-going basis. The programs and projects that constitute our public investment program will be financed both from the National Budget and with the assistance of our external development partners. The PIP is comprised of the Government's priority programs that are being implemented and/or are planned to be implemented in various sectors and constitute the basic information for the allocation of national budget resources as well as for the mobilization of assistance from our external development partners.

100. The Royal Government is currently in the process of strengthening its public debt management system. The outcome of the negotiations on the rescheduling of loans with the governments of the United States and Russia that were delivered in the 1970s and 1980s is likely to increase the debt service burden on the limited domestic revenues of Cambodia. To optimize the benefits of the ODA for the people of Cambodia and to minimize the burden on future generations, the Royal Government encourages its development partners to consider financing through grants the development programs in the social sectors, including Education and Health, as well as programs for human resources development, and information technology. The Royal Government would like to limit the use of concessional loans for development activities that will

result in a quick economic and financial return to service the related debt charges. The use of non-concessional loans for financing development programs will be strongly discouraged.

101. Over the years, our external development partners have been generous in providing support to Cambodia's public investment program. At the previous six CG Meetings for Cambodia the Royal Government had worked hard to keep resource mobilization targets for external assistance at around US\$500 million per annum to cover on-going and new projects. Because of the large number of high priority needs identified by the ministries it has not been possible to contain the mobilization target within this limit. The total cost of the Government's planned development programs, both on-going and new programs, over the next three years (2005-2007) is estimated to be around US \$ 1,937.6 million. The Royal Government of Cambodia has committed from its own resources US \$ 290.4 million for these development programs. After adjustments for estimated Government contribution (US\$ 290.4 million), and taking into consideration the requirements for budget support (US\$ 150 million), and balance of payments support/stand-by-facility from IMF (US\$ 66 million); **the total requirements for external assistance over the next three years amount to US\$ 1,863.2 million that averages to US\$ 621.1 million per annum.** Some of our external development partners have already committed to provide US\$ 1,062.6 million. *Thus a gap of US \$ 800.6 million in the financing of these development programs remains at the present time for which the RGC is seeking additional support from its external development partners.*

1. INTRODUCTION

1. Over the last decade, the Royal Government has devoted significant time and made concerted efforts to raise the nation from the ashes of genocide under the Khmer Rouge, internal strife, and ravages of the protracted war in the region. For the first time in its recent history, the country has enjoyed an environment of peace, political stability, law and order, democracy, respect for human rights and economic stability since 1999. A comprehensive reforms agenda is being implemented by the Royal Government that has encountered many challenges. The process of making a transition from a centrally planned economy to a market based system that began in the mid-1980s is continuing along with the rehabilitation and development efforts to put the nation back on a holistic path that will achieve the national goals of poverty reduction and sustainable development.

2. In its second term, 1998-2003, the Royal Government of Cambodia vigorously implemented its *Triangular Strategy* to create an environment that would move Cambodia forward, with strong hope and confidence, on the path of reforms and sustained development. The successful implementation of this strategy has enabled a profound transformation of Cambodia from a region of uncertainty, war, internal strife, instability and backwardness into an epicenter of sustained peace, security and social order, respect for democracy, human rights and dignity, cooperation and shared development. Over a very short period, relative to the long histories of many developed countries, the Royal Government has demonstrated that Cambodia is fully capable of engagement on an equal footing with all partners, in regional and international affairs. The positive gains so far achieved have bolstered confidence in Cambodia's bright future, shoring up the foundations for dynamic enterprise, increased trade, investment flow, and tourism that will generate employment and income for Cambodians.

3. Over the past five years, significant progress has been made in implementing pro-poor development policies, achieving macroeconomic stability, implementing public finance management reforms, strengthening democracy, rule of law and good governance, mobilizing technical and financial resources to support planned development, and improving the delivery of public services to meet the needs and expectations of the population. All of these efforts have been focused on reducing poverty and achieving the development goals of Cambodia. As in any human undertaking, the Royal Government's efforts and achievements have not been exempt from insufficiency of actions and weaknesses. Indeed, the current national production structure is still far too small and concentrated in a few areas and must be expanded and diversified to ensure sustained economic growth. Although many well conceived and well designed mechanisms have been put in place by the Royal Government to improve the management of the budgetary system they have not become fully functional because of many cross-influences and constraints which have jeopardized the objectives set for increasing revenue collection and improved public expenditure allocations. Coordination among various ministerial and administrative partners remains weak. To strengthen the rule of law, legislation in various areas have been drafted that are awaiting the Parliament to enact. Reorganizing and restructuring the judicial apparatus is a high priority of the Royal Government. International

support, although generous and valuable from many of the partners, remains to some extent linked to unrealistic conditions, be they technical, political or otherwise. In short, while the Royal Government has had many significant achievements, there are many challenges that the new government still faces.

4. For the Royal Government, the most formidable development challenge is the reduction of poverty and improving the livelihoods and quality of life of the rapidly growing Cambodian population. The Royal Government considers poverty to be a waste of valuable economic resources which is not only morally unacceptable but can also result in social polarization and instability. To achieve the poverty reduction goals, in March 2003, the Royal Government launched its National Poverty Reduction Strategy that has the following key objectives:

- i. Strengthening peace, stability and social order by implementing concrete measures aimed at enhancing the rule of law, promoting respect for human rights and democracy, and to create a political and security environment conducive to sustainable development in the long run.
- ii. Ensuring the achievement of a sustainable high rate of economic growth, averaging 6%-7% per annum in the long run.
- iii. Ensuring equitable distribution of the gains from economic growth among the rich and the poor, between urban and rural areas, and between men and women.
- iv. Promoting sustainable environmental management and use of natural resources.

5. Following the General Elections on 27 July 2003, that were declared to be free, fair and transparent by national and international observers, the new National Assembly and the Government took office based on choices made by the people. The successful conduct of the general elections and the formation of the new coalition government have demonstrated the will and commitment of the public authorities to comply with democratic principles and to ensure that people have the freedom to choose their representatives in the political sphere of the nation. The Royal Government of Cambodia of the Third Legislature of the National Assembly took office humbled by the people's will and stands committed to serve the best interests of the Nation. It will diligently respond to the aspirations and needs of Cambodian citizens, who have cast their vote of confidence in the Royal Government through the democratic, free and fair general elections. Soon after the formation of the new Government, it made public its "*Rectangular Strategy*" that outlines its economic policy agenda to support the policy platform of the Royal Government. The Rectangular Strategy was presented by Prime Minister Samdech Hun Sen at the first Cabinet meeting on July 16, 2004.

6. The Rectangular Strategy outlines the economic actions agenda of the Royal Government, building on the achievements attained in the second legislature of the National Assembly through the implementation of the Triangular Strategy. The Rectangular Strategy selects key elements from Cambodia's Millennium Development Goals, Cambodia's Socio-Economic Development Plan 2001-2005 (SEDP2), the Cambodia National Poverty Reduction Strategy 2003-2005 (NPRS), and various policies, strategies, plans and other important reform programs. The comprehensive economic actions agenda is aimed at improving and building capacity of public institutions, strengthening good governance, and modernizing national economic infrastructure, with

the objective of promoting economic growth, generating employment for all citizens, ensuring social equity, and enhancing efficiency of the public sector, and protecting the nation's natural resources and cultural heritage. The Rectangular Strategy will serve as an important tool to support the implementation of "the political platform of the Royal Government in the Third Legislature of the National Assembly" that has been unanimously agreed to between the two coalition partners in the Royal Government.

7. The Royal Government recognizes that Cambodia still has a long way to go, and has to overcome numerous obstacles to achieve sustainable progress and prosperity for the country and its people. The promotion of harmonized efforts by the Cambodian people to reduce poverty continues to be the most important objective of the Royal Government. The Royal Government recognizes that the problems of poverty cannot be solved overnight, or in one month, or one year. However, with well-designed programs and sincere, harmonized and combined efforts and actions of all stakeholders, the Royal Government is certain that positive changes in enhancing the living standards of people within the next four years can be achieved. Through a vigorous and diligent implementation of the Rectangular Strategy, the Royal Government's efforts will be focused on deepening reform programs which are a life and death issue for Cambodia. Thus, the Royal Government of Cambodia in the Third Legislature of the National Assembly shall be the «Government of Growth, Employment, Equity, and Efficiency».

8. This report is the result of a long process of inter-ministerial consultations and coordination from April to November 2004. In addition to the analyses presented in this document, separate discussion papers on various issues were prepared. These papers outline the RGC's priorities and the resources that it will commit both in the short and medium term to achieve the objectives of its Rectangular Strategy for the development of Cambodia. These obligations will be met and the reform pre-requisites vigorously and diligently implemented to put Cambodia in a position to meet successfully the challenges it faces.

9. This report begins by highlighting what has been achieved since the last CG meeting in Phnom Penh in June 2002. It provides an update on Government's policy performance, macroeconomic performance, monetary and fiscal performance, and sectoral developments. The next section presents information on the Rectangular Strategy of the Royal Government of Cambodia. Section four, presents the highlights of the actions on various reform programs that will be taken to achieve the objectives of the Strategy. Section five presents the Government's financial requirements and ODA resource mobilization targets to complement domestic resources for the implementation of the Government's Public Investment Program for 2005-2007, and finally the conclusions.

10. The Royal Government would like to reiterate that without the support of its development partners, Cambodia would not have been able to reach the current level of progress and achievements, nor would it be fully able to overcome the immense challenges that will undoubtedly accompany the implementation of the needed reform actions in the coming years.

2. MAJOR ACHIEVEMENTS SINCE THE 6th CG MEETING HELD IN CAMBODIA IN JUNE 2002

11. Since the 6th Consultative Group Meeting held for the first time in Phnom Penh, in June 2002, the Royal Government of Cambodia (RGC) has made significant progress in moving forward to achieve Cambodia's Millennium Development Goals. In all its actions and endeavors, the RGC has put forth its best effort to implement the recommendations made at the last CG meeting.

Major Achievements

- 2.1 Government's Policy Performance*
- 2.2 Macroeconomic Performance*
- 2.3 Monetary and Fiscal Performance*
- 2.4 Sectoral Developments*
- 2.5 Other Cross-cutting Programs*

The National Poverty Reduction Strategy was prepared and officially launched in March 2003; the fiscal and banking reforms have deepened; the civil service reform strategy was finalized and is being implemented; mechanisms for the devolution of power at the commune level after the commune elections in 2002 are being put in place and strengthened; the strategy on legal and judicial reform has been prepared and is now being implemented; management of natural resources has been strengthened through the adoption and implementation of the Land Law, formulation of the Forestry Law and the Community Forest Law and access by the poor to fisheries resources has been improved; the implementation of the provisions of the procurement sub-decree now covers all expenditures in all ministries and agencies except the Royal Palace; the Law on Investments has been amended; the National Audit Authority (NAA) is now fully operational; the Financial Sector Development Plan for 2001-2010 was finalized and is being implemented; and the Second Socio-Economic Development Plan (2001-2005) was finalized and implemented.

12. During the second mandate of the Royal Government, 1998-2003, the country has experienced a level of security and personal safety that it had not witnessed in recent times. The uniquely historic and noteworthy achievement during this period was the free and fair elections of the Commune Councils in February 2002. It represented an important step forward for democracy and a fundamental deepening of the reform process. The newly established commune councils represent a delegation of power to local communities who have now become an integral element of local governance. The devolution of power and the transfer of resources to the grassroots communities are now leading the process of change. This change process has not only unleashed the powerful force of financial devolution and engendered a far-reaching stimulus for strengthening grassroots democracy, but is also beginning to restructure the social capital of local communities. It is bringing further political stability and security in the country, which are vital for the country's march toward improvement in the living standards of the people, better respect for human rights and sustainable development.

13. Another dividend of achieving an environment of peace and security in the country was the successful completion of free and fair General Elections on 27 July 2003 and the successful completion of prolonged negotiations to form the new Government in an

environment of peace and security. The successful completion of the two elections over the last five years has now institutionalized the traditions of democracy in Cambodia.

2.1 GOVERNMENT'S POLICY PERFORMANCE

14. At the last CG meeting held in June 2002, a number of priority areas with specific benchmarks for joint monitoring were identified. The concerted efforts of the Royal Government have produced significant progress in most of these areas. It should be noted, however, that following the General Elections in July 2003, the delays in the formation of the new Government and the associated uncertainties may have temporarily slowed the momentum that had been successfully built during the second mandate of the Royal Government. With the formation of the new Government in July 2004, the Royal Government of the Third Legislature of the National Assembly remains committed to continue to vigorously implement its reforms agenda. Progress made in each of the priority areas since the 6th CG Meeting (June 2002), in spite of the many challenges faced, is summarized below.

Policy Performance

- *Legal and Judicial Reform and Governance*
- *Natural Resources Management*
- *Social Sectors*
- *Fiscal Management and Public Administration Reform*

2.1.1 LEGAL AND JUDICIAL REFORM AND GOVERNANCE

LEGAL AND JUDICIAL REFORM

15. At the 6th CG Meeting, the following benchmarks were established in this area:
- i. Time bound legal and judicial reform strategy completed.
 - ii. Supreme Council of Magistracy restructured.
 - iii. Law on Statute of Magistrates submitted to Parliament.

16. **Time bound Legal and Judicial Reform Strategy Completed:** Significant progress has been made in this area. The Royal Government established the Council for Legal and Judicial Reform (CLJR) in June 2002, co-chaired by the then Senior Minister in charge of the Council of Ministers and the President of the Supreme Court. In August 2002, a Permanent Coordinating Body (PCB) was formed to bring together key decision-makers from each relevant institution and in December 2002, a Project Management Unit (PMU) was created to assist to both the PCB and the CLJR. Under the guidance of the CLJR, a Legal and Judicial Reform Strategy was developed and endorsed by the Royal Government in June 2003. This strategy consists of 7 objectives:

- i. Improvement of the protection of fundamental rights and freedoms.
- ii. Modernization of the legislative framework.
- iii. Provision of better access to legal and judicial information.
- iv. Enhancement of the quality of legal processes and related services.
- v. Strengthening of judicial services, i.e. judicial power and prosecutorial services.
- vi. Introduction of alternative dispute resolution mechanisms.
- vii. Strengthening of legal and judicial sector institutions to fulfill their mandates.

17. Also in June 2003, a draft Action Plan was prepared. This formed the basis of discussion at a National Workshop held in December 2003, under the leadership of the PCB, that brought together stakeholders from concerned Government institutions, civil society and the donor community. Following the workshop a series of consultations were carried out that led to the development of a comprehensive list of short and medium term priorities. The short term plan of action (2004-2006) consists of 33 priorities across the 7 strategic objectives. The medium term of action identifies another 27 priorities to be attained by 2008. These plans recognize the progressive process of working towards the achievement of the 7 objectives in the Legal and Judicial Reform Strategy.

18. **Supreme Council of Magistracy (SCM) Restructured:** The amendments to the Law on the organization and functioning of the Supreme Council of the Magistracy have been drafted and approved by the Council of Ministers and are awaiting approval of the Parliament. The process of restructuring the SCM is now well underway with a Secretariat in place and the requirements for a fully functioning SCM are now being determined. In January 2003, the Royal Government has substantially increased remuneration of judges and prosecutors. The Royal School of Magistracy and the Lawyer Training Centre are now operational. A model court is being established at Kandal Province to develop best practice in processing cases; new court facilities which support the implementation of the practices will be completed by 2006. Work is also underway on the establishment of specialized tribunals to better deal with commercial, juvenile and administrative matters. Core institutions such as the SCM, the Council of Jurists, the Ministry of Justice, and functions supporting the reform program such as the PCB and PMU are all being reviewed and strengthened. Resources are being directed towards reform activities. With a few exceptions, most of these have been financed by the Royal Government.

19. **Law on Statute of Magistrates Submitted to Parliament:** The draft of the Law on the Statute of Magistrates and the Organic Law on the organization and functioning of the Courts are being drafted. These are planned to be submitted to the Parliament in 2005 according to the priorities of the short-term action plan for legal and judicial reforms.

20. **Other significant achievements** include the enactment of many important Laws related to protection of human rights, laws on investment, trade and commerce and laws in support for natural resources management. The Civil Code and Procedures and the Penal Code and Procedures have been drafted and are being reviewed by the Council of Jurists and will be submitted to the Council of Ministers and the Parliament by 2005.

21. Although Cambodia's development partners emphasize the importance of reforms in this area, only a few have provided support to date. Judicial reforms have been identified by the Investment Climate Survey as critical for creating an enabling environment for private sector development. At a more basic level, improved access to justice and judicial services for the poor is essential to tackle feelings of social injustice and vulnerability, improve community confidence on the rule of law and quality of life and reduce poverty.

22. Legal and judicial reforms are complicated further by the social context in Cambodia. Three decades of destructive war, torment and internal struggle have left deep psychological scars and underlying tensions. A growing youth population and rapid social change being encouraged by technology and greater integration into regional and global trends has challenged traditional values and virtues. The society is in transition. At the same time, the shortage of Cambodian legal experts has meant that much of Cambodia's existing legal framework has been heavily influenced by international experts. This has created a range of inconsistencies which make enforcement difficult. Law enforcement remains a challenge for a range of reasons but especially low salaries. It is difficult to enforce laws transparently and without fear or favor when the salaries of law enforcement officers are lower than a minimum subsistence level.

23. The Royal Government has placed a high priority on putting in place basic elements of the legal framework to underpin the development of a vibrant market economy and the promotion of trade and investment by developing the legal framework on property rights, the creation and winding-up of business entities, banking, tax and accounting, insurance, secured transactions, commercial enterprises, bankruptcy, contracts and commercial credit, and law on negotiable instruments and payment transactions in order to ensure the effective functioning of the financial sector.

24. To increase access to legal and judicial information, not only for legal and judicial professionals but also for the citizenry, the Royal Government has created the Office of the Gazette as a General Department paving the way for it to operate under a self-supporting commercial model. The President of the Supreme Court (Chief Justice) has committed to publishing judicial decisions to improve transparency of the judicial process and building a body of Cambodian jurisprudence. The process of collecting existing decisions is now underway.

COMBATING CORRUPTION

25. In this area the benchmarks established at the 6th CG Meeting included:

- i. Anti-corruption Law submitted to the Parliament.
- ii. Reported cases of corruption investigated and prosecuted appropriately within existing legal framework.

26. A draft of the **Anti-Corruption Law** was prepared and approved by the Council of Ministers on 20 June 2003 and submitted to the Parliament on 25 June 2003. This draft was returned by the Parliament for a further review. This review process was, however, slowed by the delays in the formation of the new Government. Building on the input provided by the development partners at the Pre-CG Meeting held in September 2004, the Royal Government will complete the review and a revised draft of the Anti-corruption Law will be submitted to the Parliament. The Royal Government agrees with the development partners that a holistic approach to combating corruption is needed. While the enactment of the Anti-corruption Law is an important step, developing capacity to rigorously enforce the Law is also equally important. To combat corruption, that takes a toll on economic performance and undermines the efforts to reduce poverty, a lot of other measures in addition to the enactment of the Anti-corruption Law are needed. Some of

these measures such as streamlining bureaucratic procedures, simplifying and modernizing the tax system, eliminating excessive regulations, and motivating public servants by giving them a decent level of salaries can help reduce the opportunities for corruption. At the same time, the Royal Government is mindful of the fact that changing peoples attitudes and behavior may take some time.

27. **Cases of corruption investigated and prosecuted:** Notwithstanding tremendous difficulties and impediments, the RGC has made significant progress in combating corruption by addressing its root causes. Cracking down on illegal logging, more effective management of Government revenues and expenditures, the removal of ghost workers from the public service and the army payrolls and the confiscation of land, which had been sold off or held illegally, were among the measures aimed at tackling corruption. A National Audit Authority (NAA) has been established and is now operational as a check and balance mechanism to control revenue collection and expenditure management. The internal audit functions in line ministries are being strengthened. The NAA is working with these internal audit units in ministries to ensure a greater transparency and accountability.

PROCUREMENT

28. In this area the benchmarks established at the 6th CG Meeting included:

- i. Provisions of Sub-decree implemented in key social and economic ministries for expenditures under chapters 11 and 13 of the budget.
- ii. Indicative time table for expansion to all expenditure categories for all ministries discussed with partners.

29. The **scope of the implementation of the provisions of the Public Procurement Sub-decree** was extended to cover all expenditure categories in all ministries, except the Royal Palace.

2.1.2 NATURAL RESOURCES MANAGEMENT

RATIONALIZATION OF FOREST CONCESSION SYSTEM

30. In this area the benchmarks established at the 6th CG Meeting included:

- i. No exploitation in any forest concession until an SFMP, including environmental and social impact assessment (ESIA) has been submitted and approved according to provisions of the Sub-decree on Forest Concessions Management.
- ii. Public disclosure and opportunity for independent experts, including one observer from WGNRM, comment on SFMPs and ESIA's prior to finalization of Government review.
- iii. Concessionaires who do not submit SFMPs have concessions cancelled.

31. In keeping with the Royal Government's commitments **no new forest concessions** have been issued since 1 January 2002 and the operations of the existing holders of forest concessions licenses have been limited to small salvage operations and

maintenance work in accordance with the existing laws. The concessionaires were asked to submit Strategic Forest Management Plans (SFMP) along with an Environment and Social Impact Assessments (ESIA) in September 2002. Thirteen concessionaires submitted their plans and ESIA's in November 2002 that were used for consultations with affected communities.

32. With respect to **public disclosure and opportunity for independent experts to comment on SFMPs and ESIA's prior to finalization of Government review**, with technical support from the World Bank, the Royal Government carried out reviews of the SFMPs and the ESIA's submitted by concessionaires. The SFMPs & ESIA's were shared with the concerned communities. Recognizing that because of the technical details and complexities of the Strategic Forest Management Plans (SFMPs) and Environmental and Social Impact Assessments (ESIA's) the concerned communities may not be able to provide comments immediately these communities have been provided an unlimited timeframe to complete the consultation process. The SFMPs and ESIA's have been distributed to 245 communes in communities that are in or around forest concessions. The DFW/FA teams have consulted with and documented the concerns of the communities. The DFW/FA has asked concessionaires to incorporate suitable solutions to respond to the concerns of the communities in their management plans. By the end of July 2003, the Technical Review Team (TRT) of the DFW/FA, with World Bank's technical support, had completed its review and the findings have been provided to the twelve forest concessionaires. The revised SFMPs are being reviewed by an Independent Review Team of the Donor Working group on Natural Resource Management. To ensure transparency of the evaluation process and to minimize "mistrust and suspicion," as well as misperceptions, that have characterized and in some instances unnecessarily polarized opinions, the DFW/FA has established a Public Affairs Unit to enhance communications among all parties.

33. **The licenses of concessionaires who did not submit SFMPs have been cancelled.** From 1999 to-date, the Royal Government of Cambodia (RGC) has cancelled forest concession licenses of 17 companies covering total forest land area of around 3.5 million hectares in 24 locations. The licenses of 5 forest concessionaires, Hero Taiwan, Wood Tee Peanich, GAT International, Mieng Ly Heng and Kingwood were cancelled during the reviewing process of the SFMPs. As of now, there are only 12 concessionaires who are in the process of planning their concessions and will be required to ensure the sustainability of the forests according to international standards. These twelve concessionaires have been allocated a total of less than 3.4 million hectares of forest land. The Royal Government has continued to maintain the moratorium on logging by all concessionaires until their Strategic Forest Management Plan and the ESIA has been officially approved by the Government.

34. The Royal Government of Cambodia has continued to pursue vigorously illegal logging operations. In the course of performing their duties 7 forest administration officers have been killed and 34 have been injured. Some 1,386 illicit sawmill plants, 653 timber processing handicraft, 39 medicinal vine powder manufacturing handicraft, 24 Tepiro oil manufacturing handicraft, 159 aloe steaming and forest sub-product processing ovens

have been removed, destroyed and put out of business, and 332 offenders have been apprehended and prosecuted.

35. Illegal logging, wildlife smuggling, corruption and encroachment on forest land have been reduced from the crisis proportions prior to the Government's reform program. The Government's crackdown on illegal logging has consisted of measures across the full spectrum of forest law enforcement, prevention, detection and suppression. The RGC's entire approach to resource management, including concession management reform, community forestry and protected areas management is aimed in large part at preventing crime. In June 2004, the Royal Government issued Order No 01BB to prevent, suppress, and eliminate forest land clearing and encroachment and has established a National Committee and Sub-national Committees at the provincial level to implement this order.

LEGAL FRAMEWORK FOR COMMUNITY-BASED NATURAL RESOURCES MANAGEMENT

36. In this area the benchmarks established at the 6th CG Meeting included:

- i. ESIA requirements for new forest, fishery and land concessions fully implemented.
- ii. Community Forestry Sub-decree finalized and passed based on substantial consultation with affected communities.
- iii. Social Concessions Sub-decree finalized and passed based on substantial consultation with affected communities.
- iv. Community Fisheries Sub-decree finalized and passed based on substantial consultation with affected communities.

37. As mentioned earlier, **complying with the ESIA requirements** in the forestry sector is an integral part of the review of the forest concessions that is now taking place.

38. The **Sub-decree on Community Forestry** was enacted in December 2003 to put public forest assets under the stewardship of local communities in the framework of approved management plans and benefit sharing arrangements. The Sub-decree was the result of over six years of consultations with many stakeholders and advisers and compliments other measures, such as the Sub-decree on Social Land Concessions to make the country's land resources more productive and better managed. The Royal Government has been working in partnership with various donor agencies and non-governmental organizations to pilot community forestry initiatives in different parts of the country. So far, nearly 110,000 hectares had been developed under community forestry arrangements.

39. The **Sub-decree on Social Land Concessions** was enacted by the Royal Government in March 2003. To implement the sub-decree at the national, provincial/municipal, and district/Khan levels, pilot projects were carried out in three communes and one Sangkat in the Battambang, Kampong Speu provinces, and Phnom Penh. Based on the results of pilot projects and the poverty social impact assessment study on social land concessions project, the Council of Land Policy in

collaboration with various development partners is currently involved in designing a program for Land Allocation for Social and Economic Development (LASED).

40. The **Royal Decree on the establishment of community fisheries** and a Sub-decree on the management of community fisheries have been prepared and submitted to the Council of Ministers for approval. Although the legislative process is still underway some 360 community-fishery lots have already been established across the country with assistance from development partners. The Fisheries Law has been reviewed by the Council of Ministers and is scheduled to be submitted to the Parliament.

2.1.3 SOCIAL SECTORS

BUDGETARY DISBURSEMENTS TO SOCIAL SECTORS

41. In this area the benchmarks established at the 6th CG Meeting included:
- i. Budgetary disbursements to four priority action ministries increased to 3.6 percent of GDP.
 - ii. Disbursements to health ministry at the national and provincial levels are at least 35 percent of budget under Chapter 11 and 40 percent under Chapter 13 at both the national and provincial levels.
 - iii. Disbursements to the education ministry are at least 40 percent of budget under Chapter 11 and 50 percent under Chapter 13 at both the national and provincial levels.
 - iv. Disbursements for both health and education ministries approach 100 percent for both chapters 11 and 13.

42. **Budgetary disbursements to four priority action ministries increased to 3.6 percent of GDP:** Following the 6th CG Meeting the work on updating the historical data series on GDP going back to 1993 was completed by the National Institute of Statistics (NIS), with IMF assistance, in late 2002. A number of revisions were made to the GDP series based on new and revised data from government line ministries and other agencies, as well as revised compilation methods. The end result was an overall increase in GDP levels going back to 1993. For the 1998-2002 period, the estimates of GDP in current prices were revised upwards, for example by 10.1 percent for 1998, and 15.8 percent for 2000. Because of these GDP revisions, the benchmark set at the time of the CG Meeting in June 2002 would be somewhat lower when the significant upward revision of the total GDP estimates is taken into consideration. Based on the revised estimates of GDP, the actual disbursements to PAP ministries totaled 3.3 percent of GDP in 2002. In the Budget Law for 2003, the allocations for PAP ministries were around 3.6 percent of GDP. However, because of significant revenue shortfalls resulting from both domestic factors (the violent demonstrations in Phnom Penh in early 2003 and uncertainties in both the pre and post-general election periods) and international factors (outbreak of SARS in the region and the Iraq war), the actual disbursements have fallen short in many areas including PAP ministries. The actual disbursements to PAP ministries amounted to around 3.3 percent of GDP in 2003. However, the amount of actual disbursements have slightly increased from 512.1 billion CRs in 2002 to 529.4 billion CRs in 2003.

43. **Disbursements to health ministry at the national and provincial levels are at least 35 percent of budget under Chapter 11 and 40 percent under Chapter 13 at both the national and provincial levels; and disbursements to the education ministry are at least 40 percent of budget under Chapter 11 and 50 percent under Chapter 13 at both the national and provincial levels:** The implementation of these two benchmarks would have required allocating 75 percent of the Chapter 11 budget and 90 percent of the Chapter 13 budget to the two ministries, that is the Ministry of Education and the Ministry of Health. Accommodating such a drastic reallocation of the chapter 11 and 13 budgets to these levels has not been possible. However, the budget allocations of chapter 11 and 13 for the Ministry of Health were increased from 152.4 billion CRs in 2002 and to 166.5 billion CRs in 2003. In the case of the Ministry of Education, the budget allocations for chapters 11 and 13 were increased 130.1 billion CRs in 2002, and to 136.1 billion CRs in 2003.

44. **Disbursements for both health and education ministries approach 100 percent for both chapters 11 and 13:** For the Ministry of Health, actual disbursements as a percent of budget allocations for chapters 11 and 13 were 88.1 and 99.9 percent in 2002 and 84.6 percent and 93.5 percent in 2003. In the case of the Ministry of Education, actual disbursements as a percent of budget allocations for chapters 11 and 13 were 87.1 percent and 107.2 percent in 2002 and 95.1 percent and 85.1 percent in 2003.

HIV/AIDS PREVENTION

45. In this area the benchmarks established at the 6th CG Meeting included:

- i. HIV/AIDS legislation enacted.
- ii. Free radio and television time for HIV/AIDS programs provided.

46. **HIV/AIDS legislation enacted:** The Law for Prevention and Control of HIV/AIDS was approved by the Parliament in June 2002. For the Royal Government the prevention of HIV/AIDS and improvement in the quality of life of those infected and/or affected by HIV/ AIDS through provision of care and welfare services is a national priority. The Law on the Prevention and Control of HIV/AIDS provides the framework for implementing the preventive, curative, and mitigating measures.

47. The National Aids Authority (NAA) that was created in January 1999 is responsible for coordinating and facilitating the implementation of comprehensive preventive, care and support, and mitigating measures. In 2001, the NAA launched the "National Strategic Plan for Comprehensive and Multi-sectoral response to HIV/AIDS: 2001-2005". Subsequently, five Ministries -- Health; National Defense; Education; Social Affairs, Labor and Youth Rehabilitation; and Rural Development -- have developed Strategic Plans to respond to HIV/AIDS challenges. In addition, the Battambang and Siem Reap Provinces have also developed Comprehensive and Multi-sectoral Plans to respond to HIV/AIDS challenges. The NAA is comprised of 26 Ministries and 24 Provinces and Municipalities. In March 2003, the NAA established a Coordinating Committee that has been meeting regularly each month to coordinate with UN agencies, donors and major NGOs. To plan and implement campaigns during World AIDS Day, Water Festival and Candle light Memorial the National Aids Authority has established

mechanisms to coordinate the work of the governmental and non-governmental organizations.

48. The combined efforts of Royal Government's institutions and development partners have begun to show positive results. It is estimated that the number of persons living with HIV/AIDS has declined from 175,000 in 1998 to 157,500 in 2003. The prevalence of HIV infection among 15 to 49 years old has declined from 3.3 percent in 1998 to 2.6 percent in 2003. Almost 100,000 people have undergone testing and provided counselling services. The voluntary and confidential testing services are now provided in 20 provinces and municipalities through 65 VCCT Centers of which 26 are managed by NGOs. Some 2000 AIDS patients now have access to free Anti Retroviral Therapy (ARV). The implementation of country wide 100 percent Condom Use Program has succeeded in reducing HIV prevalence among Sex Workers from 54 percent in 1998 to 37 percent in 2003. The Peer Education Programs are being successfully implemented among the civil, defense, and police personnel. Some 50,000 monks have integrated HIV/AIDS issues into moral preaching. HIV/AIDS education programs are also being implemented by the private sector for their employees.

49. **Free radio and television time for HIV/AIDS programs provided:** Significant progress has been made in securing free radio and television time for HIV/AIDS programs. Some TV stations have been providing free time for broadcasting HIV/AIDS prevention messages. Also private sector sponsors have begun to provide airtime on their programs, for example, Cambrew incorporates HIV/AIDS messages into their weekly Karaoke program on TV. There has also been significant increase in donor support for developing broadcast material, for example, DFID's support to the BBC World Service Trust to produce radio and TV spots and dramas; UNDP, UNESCO and UNICEF have also produced short programs. There has also been an increase in donor support to broadcasting the messages – DFID has been supporting broadcasts on TV5, and UNICEF has also been supporting the broadcast of the same material on other channels to reach a wider audience.

2.1.4 FISCAL MANAGEMENT AND PUBLIC ADMINISTRATION REFORM

CIVIL SERVICE REFORM AND MEDIUM TERM EXPENDITURE FRAMEWORK

50. In this area the benchmark established at the 6th CG Meeting was as follows: "based on studies, assisted by World Bank, medium-term civil service reform plan prepared to improve civil service salaries to a level broadly competitive with private sector labor market, including departure and safety net provisions for redundant workers and financing options consistent with Medium-term Expenditure Framework".

51. The National Program for Administrative Reform (NPAR) was approved by the Royal Government in early 1999. In October 2001, the Royal Government approved the strategy to rationalize the civil service. As part of this strategy, the Council for Administrative Reforms (CAR) was mandated to investigate options for accelerating pay and employment reforms. It undertook to carry out the following six studies to collect factual information and prepare analysis based on which decisions could be made to

accelerate pay and employment reforms and to strengthen the management of the Civil Service:

- i. improving public services delivery;
- ii. benchmarking the labor market;
- iii. reviewing operations;
- iv. enhancing remuneration to support performance;
- v. enhancing employment to support service delivery; and
- vi. strengthening the management of the civil service work force.

52. In April 2002, the World Bank agreed to finance five of these studies. The Terms of Reference for these studies were agreed to in March 2003 and funding from the World Bank was secured in May 2003. Since May 2003, the study on improving public services delivery was completed in September 2003. The Labor Market Survey of Pay and Benefits was completed in September 2004. With technical assistance from Brunei, work is now underway to document and strengthen Human Resources Management processes and practices. The HRMIS is being strengthened with support from the E.U. to become a potent tool to forecast staffing patterns, manage public service work force/establishment, and foster the development of human resources.

53. The Operations Review will be launched shortly to document and complement work underway in priority ministries (education, health, agriculture, justice). This study will take stock of progress and develop a replicable methodology and framework to carry out such reviews. It will also carry out targeted pilots to implement the methodology and a training effort to develop the government's capacity to review operations.

54. With respect to a wage policy for the civil service, the actions of the Royal Government will be based on two basic principles. First, any changes must respect the principle of relativity among the various categories of government employees (political, civil servants, military and security). Secondly, they must be financially sustainable over time within the fiscal framework. Accordingly, increases in remuneration will remain dependant on available funds and thus on government revenues. The RGC is committed to increasing remuneration by 10 to 15 percent annually. The available resources will be targeted to priority needs through instruments like the PMG program and a system of allowances that complement base pay. The CAR Secretariat routinely carries out simulations to assess options. The work on remuneration policy study will be piggy-backed on the operational review that will be launched in early 2005 based on revised TORs.

55. The study on employment policy will also be launched in early 2005 to strengthen the existing information base on employment needs and to design mechanisms to effect necessary adjustments in the configuration of the Civil Service. Decisions relating to the last study on managing the civil service workforce will await the conclusion of related work already underway.

56. During the first phase of implementation of the NPAR program efforts were focused on the following five major activities: to document and control the composition and distribution of the Civil Service workforce; to develop essential instruments to

manage and motivate personnel; to assess needs of ministries relating to corporate services (back office); to complete preparatory work to move the Administration closer to citizens; and to strengthen the capacity to plan and manage the reform. Under the NPAR program the following has been achieved:

- The data on the composition and characteristics of the civil service was collected and analyzed. As a result, there is now a good understanding of the composition and characteristics of the civil service workforce at the national and sub-national levels.
- The core legal and regulatory framework on the civil service has been developed and is now in place.
- Human resources management systems, including the Human Resources Management Information System (HRMIS), have been developed and are now operational to plan and manage the civil service workforce.
- A new pay and employment regime more conducive to performance assessment and career progression has been developed and is now in place.
- Innovative policies have been designed to marshal available resources to enhance performance in priority areas, such as the Priority Mission Groups (PMGs), targeted allowances, and one-window offices at the sub-national level.

REVENUE COLLECTION

57. In this area the benchmarks established at the 6th CG Meeting included:

- i. Government revenue increased to 12.75 percent of GDP.
- ii. Increased revenue from payments for leases of state assets; collection of outstanding tax arrears and performance under the pre-shipment inspection program.
- iii. Strengthened tax auditing and administration.
- iv. Increased transparency of terms of Government contracts.

58. **Government revenues increased to 12.75 percent of GDP:** As mentioned earlier, following the 6th CG Meeting the historical data series on GDP going back to 1993 was revised by the National Institute of Statistic (NIS), with IMF assistance, in late 2002. Because of significant upward revisions of the GDP estimates, the revenue growth target of 12.75 percent that was established based on the old GDP data would be significantly lower when calculated using the revised GDP data. It should be noted, that the review of progress presented in this report is based on the revised GDP data.

59. In spite of the many challenges faced by the Royal Government over the last five years -- that have included the restructuring of the tariffs along with lowering of the maximum tariff rate, and the challenges of controlling smuggling and tax evasion -- the Royal Government has been making steady progress in increasing its revenues collection. A vigorous implementation of the fiscal reforms, with the support of development partners, and implementation of revenue enhancement measures has begun to produce fruitful results. Revenues as a percent of revised GDP estimates increased from 8.1 percent in 1998 to 11.1 percent in 2002. In the year 2003, the revenue collection suffered not only from the effects of the outbreak of SARS in the region, the

violent demonstrations in Phnom Penh in early 2003, and the Iraq war, along with continuing inefficiencies in tax collection but also by the election-related uncertainties in the first half of 2003 and the delays in the formation of the new Government following the 27 July 2003 elections.

60. The environment of uncertainty that prevailed in 2003 had also adversely effected the collection of **revenues from payments for leases of state assets; collection of outstanding tax arrears and performance under the pre-shipment inspection program**

61. **Strengthened tax auditing and administration:** The National Audit Authority (NAA) that was established in early 2000 is now functional and its capacity is being strengthened. The NAA is completing its audit report for the years 2000, 2001 and 2002 that will be presented to the Parliament. The internal audit functions in line ministries are also being strengthened. The NAA is working with these internal audit units in ministries to ensure a greater transparency and accountability.

62. **Increased transparency of terms of Government contracts:** To enhance transparency and to minimize abuses, the scope of the Public Procurement Sub-decree has been extended to all ministries, except the Royal Palace.

2.2 MACROECONOMIC PERFORMANCE

63. During its second mandate, 1998 to 2003, the Royal Government of Cambodia has made significant progress in implementing a macroeconomic framework, aimed at achieving equitable long-term economic growth and sustainable development. The focus of this framework has been on maintaining macroeconomic stability, strengthening the banking and financial institutions, implementing fiscal reform measures, ensuring a sound management of public property, and increasing public investment to develop the physical and social infrastructure and human resources of the nation. Over the last five years, Cambodia has made impressive strides in strengthening political and economic stability and re-integrating itself into the international community.

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

TABLE 1: SELECTED MACRO-ECONOMIC INDICATORS

Indicator	1998	1999	2000	2001	2002	2003 Preliminary
GDP in billions of Cambodian Riels (at current prices)	11,609	13,131	13,810	14,544	15,667	16,748
GDP in million US\$ (at current prices)	3,055	3,443	3,579	3,706	3,996	4,208
Real GDP Growth (in %)	3.7%	10.8%	7.0%	5.7%	5.5%	5.2%
Real GDP % share (at current prices)						
• Agriculture (in %)	45.2%	42.3%	37.6%	35.5%	33.4%	34.8%
• Industry (in %)	17.2%	18.1%	22.1%	24.2%	26.3%	26.7%
• Services (in %)	33.6%	33.9%	35.2%	34.8%	34.2%	33.2%
Per Capita GDP (in US\$)	252	275	279	282	296	306
Population (in Millions)	12.2	12.5	12.8	13.1	13.5	13.8
Inflation in Cambodian Riels (% year average)	14.7%	4.0%	-0.8%	-0.9%	-0.1%	1.2%
Inflation (in %, period average)	14.8%	4.0%	-0.8%	-0.2%	3.3%	1.2%
Net Foreign Reserves (in US\$ million)	323	349	411	467	567	633
Gross Foreign Reserves (in US\$ million)	390	422	484	548	663	737
Gross Foreign Reserves (Months of Imports)	3.4	2.7	2.6	2.7	3.0	2.9
Total Savings (as % of GDP)	21.35%	20.86%	18.03%	18.97%	20.17%	17.38%
Riel/US\$ parity (year average)	3,774	3,813	3,859	3,924	3,921	3,980
Riel/US\$ parity (end of year)	3,780	3,775	3,910	3,900	3,935	3,980
Total Investments (in US\$ million)	652.2	717.1	645.4	703.3	806.7	730.7
Public Investments	165.2	190.5	213.6	280.7	354.4	298.3
• financed from domestic sources	30.2	57.4	49.4	58.3	40.9	48.8
• financed from external sources	135.0	133.1	164.2	222.4	313.5	249.5
Private Sector Investments	487.0	526.6	431.8	422.6	452.3	432.4
• financed from domestic sources	264.0	305.6	289.8	280.6	313.3	355.1
• financed from external sources	223.0	221.0	142.0	142.0	139.0	77.3
Total Investment as % of GDP	21.35%	20.86%	18.03%	18.97%	20.17%	17.38%
• of which Public Investment	5.41%	5.54%	5.97%	7.57%	8.86%	7.10%
• of which Private Investment	15.94%	15.32%	12.06%	11.40%	11.31%	10.29%

Sources: Ministry of Economy and Finance; National Bank of Cambodia; National Institute of Statistics/Ministry of Planning

65. The Royal Government's focused efforts over the last five years to strengthen macroeconomic management and a vigorous implementation of the fiscal reforms have resulted in a robust average annual real GDP growth of around 6.8 percent over the last five years (Second Mandate of the RGC). The average annual rate of inflation over this period was around 1.6 percent, which is far below the average annual rate of 7.4 percent experienced during the period of 1994-1998 (First Mandate of the RGC). Monetary developments over the last five years have reflected the improved fiscal position. Gross international reserves have remained equivalent to around 3 months of import coverage. The market exchange rate has been broadly stable against the U.S. dollar. In real effective terms, it was kept at an average of about 3900 CRs per dollar over the period of 1999-2003.

66. *In the year 2002*, when the last CG Meeting was held, Cambodia's economic performance reflected the results of the strong commitment and resolve of the Royal Government of Cambodia to continue and accelerate the momentum in the implementation of its reform programs and the social development agenda. In spite of the natural disasters in Cambodia and the depressed global economic environment, Cambodia's economy achieved an overall GDP growth rate of 7.7 percent in current prices and a real GDP growth rate of 5.5 percent in 2002 (at constant 2000 prices). In the previous two years, real GDP had grown at average annual rates of 5.7 (2001) and 7.0 (2000) percent. In 2002, the inflation rate was contained below 4 percent. The exchange rate was stable and stayed at around 3,950 CRs to 1 US dollar. Gross bank reserves increased from 548 million dollars in 2001 to 663 million dollars in 2002 providing 3 months of import coverage.

67. *In the year 2003*, in spite of the adverse effects of the outbreak of SARS in the region, the violent demonstrations in Phnom Penh in early 2003, the Iraq war and political uncertainty related to formation of the new Government after the July 2003 elections, economic growth in 2003 turned out to be better than expected. The Cambodian economy grew, in real terms, by 5.2 percent in 2003 as compared to 5.5 percent in 2002, led by continued growth in garment exports, a rebound in overall investments and an upward surge in agricultural production. The tourism sector declined by 10 percent due to the combined impact of the violent demonstration in Phnom Penh in early 2003, the Iraq war, and the outbreak of SARS across most of the region. However, the weakness in the services sector receipts was offset by continued strong growth in garment exports. Moreover, the drop in foreign direct investment due to prevailing uncertainties was offset by an increase in domestic private investment and higher domestic consumption as a result of higher public spending. During this period of uncertainty prices held firm and inflation was contained at 1.2 percent that is in sharp contrast to an inflation rate of 12 percent experienced during the elections of 1998.

68. The sectoral composition of GDP has changed gradually over the last five years, reflecting the diversification of Cambodian economy. The agriculture sector's share in total GDP has declined while the share of the manufacturing has increased. In terms of the contribution of the main economic sectors to total GDP, the agriculture, fisheries and forestry sector accounted for 34.8 percent of GDP (in current prices) in 2003 as

compared to 45.2 percent in 1998. Due to drought, late floods and declining forestry production, the real GDP growths of the agriculture, fisheries and forestry sector declined in 2002 by 2.7 percent as compared to an increase of 2.2 percent in 2001. Crop production declined 5.8 percent, while livestock & poultry, and fish production grew by 1.2 percent and 1.3 percent respectively. Forestry continued to decline, decreasing by 9.3 percent as a result of the crackdown on illegal logging and was at its lowest level since 1993. However, the agricultural production rebounded and grew by 9.2 percent in 2003 (in current prices), led by a 25.3 percent increase in crops, following a decline due to floods in 2002. The surge in crop production enabled the country to achieve self-sufficiency in rice and has kept food prices low. Livestock and poultry declined slightly, the fisheries sector declined by 6.0 percent.

69. The contribution of industrial sector continued to grow robustly by increasing from 17.2 percent of total GDP in 1998 to 26.7 percent in 2003, due to the rapid expansion in the textile, wearing apparel and footwear industry and continued strong construction activity. The industry sector grew by 17.7 percent in 2002, as compared to 12.9 percent in 2001. The sector is dominated by manufacturing (72.7 percent) and construction (25.1 percent). Textile, wearing apparel and footwear manufacturing value added increased by 21.0 percent in 2002, following increases of 22.7 percent and 63.4 percent in 2001 and 2000 respectively. Exports of GSP products, mainly manufactured garments, have grown from negligible levels in 1993 to contribute 83.1 percent of Cambodia's total goods exports in 2002. Continued strength in garment exports was reflected in a 15 percent increase in 2003, underpinning a double-digit growth in manufacturing of 12.2 percent and 6.6 percent for the whole industry. Construction value added also contributed strongly to 2002 growth, increasing by 26.8 percent compared to increases of 9.6 percent and 36.8 percent in 2001 and 2000 respectively.

70. Although there has been significant growth in tourist oriented services, as a result of the rapid expansion in the industry sector, the share of the services sector in total GDP slightly declined from 33.6 percent in 1998 to 33.2 percent in 2003. The services sector grew by 4.5 percent in 2002, as compared to 4.2 percent in 2001. Tourism continues to be the main contributor to growth in the services sector, with travel receipts from overseas tourists increasing by 27.9 percent in 2002. International visitor arrivals in 2002 totaled 786,524 according to the Ministry of Tourism, an increase of 30.0 percent over the previous year. Tourists from overseas helped to contribute to the growth in the hotel and restaurant industry (11.4 percent); transport and communications industry (0.8 percent); and other services (16.8 percent). In spite of the general elections related uncertainties, the Iraq war, and the outbreak of SARS in 2003, the services sector grew by a modest 1.6 percent in 2003. However, the hotels and restaurants sector experienced a decline of 10 percent in 2003. Although tourism activity recovered somewhat in the second half of 2003, overall tourist arrivals declined from 786,524 in 2002 to 701,014 in 2003 or by around 11 percent.

TABLE 2: NATIONAL BUDGET INDICATORS

Particulars	1998		1999		2000			2001			2002			2003		
	Budget Out-Turn		Budget Out-Turn		Budget Out-Turn			Budget Out-Turn			Budget Out-Turn			Planned Budget		
	in Billion Riels	% of GDP	in Billion Riels	% of GDP	in Billion Riels	in Million US\$	% of GDP	in Billion Riels	in Million US\$	% of GDP	in Billion Riels	in Million US\$	% of GDP	in Billion Riels	in Million US\$	% of GDP
DOMESTIC REVENUE:	938.5	8.1%	1,329.8	10.1%	1,422.9	368.7	10.3%	1,529.4	389.8	10.5%	1,744.1	445.2	11.1%	1,764.6	442.9	10.5%
1. Tax Revenue	679.4	5.9%	962.7	7.3%	1,040.3	269.6	7.5%	1,096.6	279.5	7.5%	1,227.2	313.2	7.8%	1,220.1	306.3	7.3%
Direct Taxes	59.0	0.5%	82.7	0.6%	135.6	35.1	1.0%	140.4	35.8	1.0%	131.7	33.6	0.8%	150.4	37.8	0.9%
Indirect Taxes	244.1	2.1%	446.6	3.4%	514.2	133.2	3.7%	580.5	147.9	4.0%	671.7	171.4	4.3%	674.5	169.3	4.0%
Customs Import Duties	376.3	3.2%	433.4	3.3%	390.5	101.2	2.8%	375.7	95.7	2.6%	423.8	108.2	2.7%	395.2	99.2	2.4%
2. Non tax Revenue	225.9	1.9%	353.4	2.7%	353.3	91.6	2.6%	423.8	108.0	2.9%	500.6	127.8	3.2%	513.1	128.8	3.1%
o/w forestry Revenue	22.8	0.2%	36.3	0.3%	41.0	10.6	0.3%	29.3	7.5	0.2%	14.9	3.8	0.1%	6.7	1.7	0.04%
3. Capital Revenue (Domestic)	33.2	0.3%	13.7	0.1%	29.3	7.6	0.2%	9.0	2.3	0.1%	16.3	4.2	0.1%	31.4	7.9	0.2%
<i>Tax System Structure: % of total tax revenues</i>																
• Internal Tax	303.1	44.6%	529.3	55.0%	649.8		62.5%	720.9		65.7%	803.4		65.5%	824.9		67.6%
• External trades tax	376.3	55.4%	433.4	45.0%	390.5		37.5%	375.7		34.3%	423.8		34.5%	395.2		32.4%
EXPENDITURE:	1,557.10	13.41%	1,823.80	13.89%	2,039.70	528.6	14.77%	2,516.90	641.4	17.31%	2,963.20	756.3	18.91%	2,946.50	739.6	17.49%
1. Current Expenditure	929.4	8.01%	1,096.0	8.35%	1,215.5	315.0	8.80%	1,415.6	360.8	9.73%	1,574.9	402.0	10.05%	1,758.1	441.3	10.50%
Defense & Security	453.8	3.91%	468.1	3.56%	450.7	116.8	3.26%	417.3	106.3	2.87%	406.7	103.8	2.60%	411.0	103.2	2.45%
Civil Administration	475.6	4.10%	627.9	4.78%	764.8	198.2	5.54%	998.3	254.4	6.86%	1,168.2	298.2	7.46%	1,347.1	338.1	8.04%
2. Capital Expenditure	627.7	5.41%	727.8	5.54%	824.2	213.6	5.97%	1,101.3	280.7	7.57%	1,388.3	354.3	8.86%	1,188.4	298.3	7.10%
Locally financed investments	116.2	1.00%	223.6	1.70%	303.4	78.6	2.20%	283.0	72.1	1.95%	338.4	86.4	2.16%	333.6	83.7	1.99%
Externally financed investments	511.5	4.41%	504.2	3.84%	520.8	135.0	3.77%	818.3	208.5	5.63%	1,049.9	268.0	6.70%	854.8	214.6	5.10%
DEFICIT/SURPLUS																
Overall	(618.6)	(5.3%)	(494.0)	(3.8%)	(616.8)	(159.8)	(4.5%)	(987.5)	(251.7)	(6.8%)	(1,219.1)	(311.2)	(7.8%)	(1,181.9)	(296.7)	(7.0%)
-of which current	9.10	0.08%	233.80	1.78%	207.40	53.74	1.50%	113.80	29.00	0.78%	169.20	43.19	1.08%	6.50	1.63	0.04%
GDP in																
Billions of Cambodian Riels	11,609		13,131		13,810			14,544			15,667			16,748		
Millions of US\$	3,055.0		3,437.4		3,578.6			3,706.4			3,998.7			4,203.8		

Source: Ministry of Economy and Finance

2.3 MONETARY AND FISCAL PERFORMANCE

71. During the second mandate, 1998-2003, a prudent monetary policy and fiscal discipline pursued by the Royal Government has been successful in maintaining low inflation and stable exchange rate and in supporting economic growth. **Monetary developments** in 2003 reflected the Royal Government's efforts to maintain a stable fiscal position despite political uncertainty. Banking liquidity in 2003, as measured by M2, rose 15 percent after having increased by 31 percent in 2002. The major sources of liquidity growth included an increase of 15 percent in residents' foreign currency deposits and 18 percent increase in currency held outside banks. Net foreign assets increased moderately while net domestic assets of banks rose significantly. The increase in NDA was due to a surge in credit to the private sector, which grew by 27 percent or US\$72 million in 2003.

72. Monetary stability was temporarily disrupted in April 2003 because of the issuance of treasury bills and the injection of CRs into the economy that pushed down the value of the Cambodian CR against the US Dollar. The CR depreciated slightly, by 2 percent, against the dollar but stabilized quickly at 4,000 CRs. Monetary stability was quickly restored, and overall the exchange rate remained stable during 2003 at around CR 3,995- CR 4,050 to the dollar.

73. **Balance of payments:** The overall balance of payments deteriorated in 2003, with the current account deficit increasing to 10.2 percent of GDP reflecting the impact of higher petroleum prices and lower tourist arrivals and foreign direct investment due to SARS and political uncertainty. The growing fiscal imbalance was linked to the depreciation by 2 percent of the CR to the US dollar during April – May 2003, with official reserves declining by 10 percent in July 2003 as a result of the interventions in the market by the National Bank of Cambodia to support the CR. Improved fiscal control following the July 2003 elections has encouraged the gradual return of foreign currency deposits, resulting in gross official reserves being increased from US\$663 million in 2002 to US\$ 737 million in 2003 .

74. The external balance is expected to slightly deteriorate in 2004 because of the increases in petroleum prices that have risen to more than 50 US\$ a barrel in 2004. As a result, the current account deficit (excluding transfers) is expected to increase from 10.2 percent of GDP in 2003 to 10.8 percent of GDP in 2004. However, together with the expected increase in foreign direct investment due to improved political stability, gross international reserves are expected to increase to US\$782 million, or 2.8 months of imports, by the end of 2004.

75. Agreement on debt rescheduling with the U.S. and Russia are expected to reduce amortization payments, but could potentially result in increased debt obligations. Cambodia's external debt repayment will have significant impact on budget execution and thereby on poverty reduction goals. By 2008, after rescheduling of the pre-1993 obligations, Cambodia's external debt is estimated to be about 48.9 percent of GDP, and debt service charges will equal 2.6 percent of exports of goods and services. The fiscal

burden of the debt is relatively heavy in view of the low revenue to GDP ratios. The Royal Government will be pursuing a prudent external debt management policy and will strictly avoid non-concessional financing in the near future.

REVENUES

76. During the second mandate of the Royal Government, 1998-2003, progress in the implementation of structural reforms, in particular in revenue administration and public expenditure management, has yielded remarkable results. Domestic revenues steadily increased from 8.1 percent of GDP in 1998 to 10.5 percent in 2001 and 11.1 percent of GDP in 2002. In 2002, total domestic revenues collected had increased to 1,744.1 billion CRs (US\$ 445.2 million) from 1529.4 billion CRs (US\$ 389.8 million) in 2001 -- an increase of 14.0 percent. The domestic revenues in 2002, consisted of 1,227.2 billion CRs (US\$ 313.2 million) in tax revenues, 500.6 billion CRs (US\$ 127.8 million) in non-tax revenues, and 16.3 billion CRs (US\$ 4.2 million) in capital revenues from privatization and other sources.

77. In 2003, however, the momentum in revenue growth had slowed due to General Elections related uncertainties, outbreak of SARS in the region, the Iraq war, and continuing inefficiencies in revenue collection. In 2003, the total revenues collected, 1,764.6 billion CRs (US\$ 442.9 million), consisted of 1220.1 billion CRs (US\$ 306.3 million) in tax revenues, 513.1 billion CRs (US\$ 128.8 million) in non-tax revenues, and 31.4 billion CRs (US\$ 7.9 million) in capital revenues.

78. While the total amount of domestic revenues collected increased slightly in 2003 to 1,764.6 billion CRs from 1744.1 billion CRs in 2002 -- an increase of just over one percent -- domestic revenues as a percent of GDP declined from 11.1 percent of GDP in 2002 to 10.5 percent of GDP in 2003. Tax revenues declined from 7.8 percent of GDP in 2002 to 7.3 percent of GDP in 2003, while non-tax revenues fell from 3.2 percent to 3.1 percent of GDP (Table 2).

79. Over the last five years, the Royal Government has taken a number of measures to enhance revenue collection and to strengthen public financial management. Some of these measures have included:

- Improving enforcement of the 10 percent tax on entertainment services.
- Implementing a stamp system for taxes on cigarettes.
- Establishing a Large Taxpayers Unit (LTU), with direct tax payment by cheque or transfer to the National Treasury accounts at the NBC for the largest taxpayers.
- Reducing the number of tariff bands from 12 to 4 and lowering the maximum tariff rate to 35 percent, with associated increase in excise rates in the context of tariff restructuring.
- Treating all diesel sales as final sales for VAT purposes.
- Expanding VAT coverage to include 150 additional firms.
- Strengthening inter-agency cooperation to reduce smuggling.
- Reinforcing procedures to collect tax and non-tax arrears, especially the arrears on telecommunications and from state assets.

- Improving collection of visa fees and introducing sticker visas.
- Reviewing the contract on the sale of tickets to the Angkor temple complex.
- Establishing a taskforce of the officials from the MEF and the line ministries to serve as a monitoring mechanism for leases of state assets and increase efforts to collect arrears and payments due on leases of state assets.
- Developing an inventory of state assets.

PUBLIC EXPENDITURE

80. During its second mandate, the Royal Government has vigorously implemented its fiscal reforms program and a stringent budget management has kept public expenditures in line with revenue collection to achieve macroeconomic stability. A prudent implementation of Royal Government's fiscal policy has been key to ensuring price stability. Specific actions taken by the Royal Government to improve public expenditure management have included:

- Removing ghost workers and ghost soldiers from civilian, defense and security payroll.
- Improving spending priorities by providing adequate funding for spending on social and economic sectors, such as health, education, agriculture and rural development.
- Improving the implementation of the Priority Action Program (PAP) to increase budget disbursement to the priority sectors.
- Increasing public investment in rural infrastructure.
- Repairing and maintaining national roads and bridges and strengthening institutional capacity.

81. Over the last five years, overall, the Royal Government has managed to contain total expenditure below targets, thus minimizing the need for domestic financing. Through out this period, total current public expenditures were lower than total domestic revenues collected both in nominal terms and as a percent of GDP. Total current expenditure constituted 8.0 percent of GDP in 1998, 8.35 percent of GDP in 1999, 8.8 percent in 2000, 9.7 percent in 2001, 10.05 percent in 2002, and 10.5 percent in 2003.

82. The composition of expenditures on defense and security and the civil administration has changed significantly over the 1998-2003 period. Public expenditures on defense and security have declined from 3.9 percent of GDP in 1998 to 2.45 percent of GDP in 2003, while expenditures on civil administration have increased from 4.1 percent of GDP in 1998 to 8.0 percent in 2003.

83. In 2002, the total expenditure (budget out-turn) was 2963.2 billion CRs (US\$ 756.3 million), which included 1574.9 billion CRs (US\$ 402.0 million) on current expenditures and 1388.3 billion CRs (US\$ 354.3 million) on total capital expenditures.

84. The composition of the total current expenditure of 1,574.9 billion CRs in 2002 on civil administration, defense and security, and interest on loan, was as follows:

- Expenditures on the civil administration totaled 1,140.5 billion CRs (US\$ 290.1 million), representing 72.4 percent of total current expenditure.

- Expenditures on defense and security totaled 406.7 billion CRs (US\$ 103.8 million), representing 25.8 percent of total current expenditure.
- Interest on loans totaled 27.6 billion CRs (US\$ 7.0 million), representing 1.8 percent of total current expenditure.

85. In terms of changes in the composition of the total current expenditure in 2002, actual expenditures for:

- Defense and security declined by 2.5 percent from the 2001 level.
- General administration declined by 7.5 percent from 2001 level.
- Social sectors increased by 27.2 percent from 2001 level. The ministries included in the "social sector" are: Information; Health; Education; Culture and Fine Arts; Environment; Social Affairs, Labor and Vocational Training; Public Worship and Religion; and Women and Veteran Affairs. The expenditure by the Ministry of Education increased by 36.5 percent and the Ministry of Health by 26.2 percent over the 2001 levels.
- Economic sectors increased by 6.6 percent from the 2001 level.

86. In 2003, the total expenditure (budget out-turn) was 2946.5 billion CRs (US\$ 739.6 million), which included 1,758.1 billion CRs (US\$ 441.3 million) on current expenditures and 1,188.4 billion CRs (US\$ 298.3 million) on total expenditures.

87. The composition of total current expenditure of 1,758.2 billion CRs on civil administration, defense and security, and interest on loan, was as follows:

- Expenditures on the civil administration totaled 1,347.1 billion CRs (US\$ 338.1 million), representing 74.7 percent of total current expenditure.
- Expenditures on defense and security totaled 411.0 billion CRs (US\$ 103.2 million), representing 23.4 percent of total current expenditure.
- Interest on loans totaled 34.1 billion CRs (US\$ 8.6 million), representing 1.9 percent of total current expenditure.

88. In terms of changes in the composition of the total current expenditure in 2003, actual expenditures for:

- Defense and security increased by 1.1 percent from the 2002 level;
- General administration increased by 33.7 percent from 2002 level;
- Social sectors increased by 5.6 percent from 2002 level. The expenditure by the Ministry of Education increased by 3.7 percent and the Ministry of Health by 5.2 percent;
- Economic sectors increased by 4.9 percent from the 2002 level.

89. The public expenditure level in 2003 has risen because of higher than planned General Elections related expenditures and payment of compensation for losses to Thai enterprises arising from violent demonstration in Phnom Penh in early 2003. The higher public expenditure level and lower than expected domestic revenues resulted in the fiscal deficit (excluding grants) of 7.0 percent of GDP in 2003. To ensure that this imbalance is corrected, the Ministry of Economy and Finance will be taking the following actions:

- strengthen the role of the Cash Management Committee (CMC);

- establish a Taskforce on non-tax revenue collection to ensure full transfer of non-tax revenue to the budget;
- improve revenue collection by enhancing customs and tax administration, combating smuggling and recovering arrears;
- contain current and capital government spending strictly to the budgeted amount;
- increase transparency of signed contracts;
- constrain domestically financed capital spending; and
- ensure effective implementation of PFM reform.

90. Attaining fiscal sustainability by narrowing the primary deficit to below 2 percent of GDP is a challenge for the RGC. The Royal Government recognizes that both expenditure restraint in non-priority areas and the collection of additional revenues are needed, especially if domestic arrears are to be reduced over the medium term. To reduce budget deficit the Royal Government will ensure substantial expenditure compression, while increasing revenues to at least 11.9 percent of GDP in 2004. This will require additional tax policy measures to raise an amount equal to about 0.8 percent of GDP.

2.4 SECTORAL DEVELOPMENTS

2.4.1 SOCIAL SECTORS

EDUCATION SECTOR

Social Sectors

- Education
- Health

91. During its second mandate, 1998-2003, the Royal Government has remained committed to increasing investment in education and training that is critical for achieving sustained economic growth and productivity improvement. The Royal Government significantly increased the recurrent budget allocations for the education sector over the last three years - from 13.6 percent of total Government recurrent expenditure in 2000 to 18.3 percent in 2003 with a target of 20 percent by 2005. In addition, over 60 percent of the education sector allocation was designated for basic education with an emphasis on maximizing pro-poor expenditures. Significant progress has been made over the last five years to expand equitable access to basic education and in improving its quality and strengthening the efficiency of use of resources allocated to education.

92. The Government's education reform process that began in mid 1999 has resulted in the formulation of an education policy and strategic frameworks that set out the overall sector development priorities, sub-sectoral targets and a medium term education expenditure framework for the years 2001-2005. The Education Strategic Plan (ESP) 2001-05 was developed in consultation with donors and NGOs and approved in April 2001. The Plan outlined the phasing of priority education policy and strategy reforms for the next five years. The Education Sector Support Program (ESSP) 2001-05 was developed to consolidate the priority recurrent and capital expenditure programs to achieve the medium-term policy and strategy objectives defined in the ESP. The ESSP development process involved 14 different working groups within the Ministry of

Education, Youth and Sports (MOEYS). A joint review and appraisal of the ESP/ESSP 2001-05 took place in June 2001. The appraisal results were incorporated into the final version of the ESSP 2001-2005 document, and reflected in the detailed implementation planning by MOEYS for 2002. Subsequently, MOEYS in collaboration with its development partners carried out two joint ESSP Reviews, one in September 2002 and one in May 2003.

93. The ESP and ESSP also provided the overarching policy and implementation framework for improving the livelihoods of poor people using education as a critical factor in enhancing social development and economic growth. Key strategies focused on reducing the poverty trap in accessing education by reducing the cost burden on poor families. The ESP recognized the critical role of educating girls in promoting family health, improving nutrition and contributing to economic development. The RGC remains committed to achieving the goal of "**Education for All**" (EFA) by ensuring equity in the attainment of nine years of basic education for all children and ensuring access by the children of the poor households to education, especially by improving the quality and number of public education institutions and providing scholarships to poor students. The scholarships are provided to students from poor families, disabled children, children from ethnic minorities, and disadvantaged groups - especially disadvantaged female students who live in remote areas. As access to primary and lower secondary school has increased, demand for post-basic education has expanded. Providing opportunities to the poor for accessing upper secondary, technical and vocational education and training, and higher education are now a priority area for policy development.

94. Through the implementation of the ESP 2001-2005 significant progress has been made in improving equitable access to education services, improving the quality and efficiency of education, strengthening and developing the institutional capacity for decentralization of the education system, and in strengthening partnerships with the development partners to mobilize resources for the education sector.

95. In the year 2000, the Royal Government introduced the Priority Action Program (PAP) for budget allocations for four ministries: Education, Health, Agriculture, and Rural Development. In the case of the Education sector, the PAP was initially focused at primary school level in 10 provinces and was subsequently expanded to cover all levels throughout the whole country. This initiative has produced remarkable results. As a result, enrolment in primary schools has increased from 2.1 million in academic year 1998-99 to 2.7 million in academic year 2002-03. The number of students in lower secondary schools has increased from 226,057 in academic year 1998-99 to 416,000 in academic year 2002-03, or by around 84 percent. Enrolment in upper secondary schools has increased by over 56 percent over the same period. The transition rates from primary to lower secondary level have improved from 74.3 percent in 1988-99 to 83.2 percent in 2002-03, and from lower secondary to upper secondary level from 39.4 percent in 1998-99 to 59.2 percent in 2002-2003.

96. School facilities have expanded greatly over the last five years from 13,011 school buildings with 47,823 classrooms in 1998-99 to 14,717 school buildings with 56,804 classrooms in 2002-03.

97. **Primary Education:** Overall enrolment in primary schools has continued to expand, as mentioned above, from 2.1 million in academic year 1998-99 to 2.7 million in academic year 2002-03. Over this period, the increase in the number of children entering primary schools in the poorest communes was considerably higher than in the richer communes. The growth in girl's enrolment in primary schools continues to outstrip that for boys (girls 27 percent, boys 22 percent since 1999), which is reducing the enrolment gender gap. In short, the poverty/education gap in primary education is declining and the ESP strategy has had a significant impact to improve equity in access to education for the poor. Some factors that have contributed to this success include: the abolition of start of the year parental contribution, provision of additional school facilities and poverty (and gender) targeted incentives including school feeding programs in the poorest communes. Whilst there has been some reduction in repetition and drop out rates since 1999, resulting in significantly reduced public and parental costs, progress has been below target. Addressing these issues remains a priority through a combination of strategies including further reduction in cost burdens, increasing facilities in underserved areas, quality improvement and efficiency measures. Primary schools in the poorest communes are still relatively understaffed.

98. **Secondary Education:** The number of *lower secondary schools* has increased from 367 to 486 and the number of students has increased from 283,578 in 2000/2001 school year to 459,986 in 2003/2004 -- an increase of 62 percent. Over the same period, the number of female students has increased 104,816 to 192,730 -- an increase of 84 percent. While the gross enrolment rate has increased from 27 percent to 39 percent, the net enrolment rate has increased more slowly from 17 percent to 21 percent. Enrolment in remote areas remains very low with only 2,800 students attending grades 7-9. The total number of *upper secondary schools* has increased from 151 in 2000/2001 school year to 212 in 2003/2004. Upper secondary school enrolment has grown from 105,086 in 2000/2001 to 153,758 in 2003/2004. Net enrolment has remained roughly constant at around 7-8 percent over the past four years. Girls and ethnic minority students represent about 33 percent of the total students. A key barrier to access is the lack of a secondary school in many of the poorest districts and communes. Around 1000 communes currently lack lower secondary school facilities for grades 7-9, and around 50 districts lack upper secondary school facilities for grade 10-12. A major priority is immediate and rapid expansion of secondary school construction in underserved areas (particularly lower secondary). Complementary strategies aim to provide incentives through targeted scholarships for the poor (including scholarships for girls).

99. **Higher Education:** The Royal Government of Cambodia has paid more attention to quality training management in higher education. An Accreditation Committee for Higher Education was established to monitor the quality of training and to ensure that graduates are capable and of sufficient quality to work for the socio-economic development of the country. The number of privately supported students in both public and private institutions has risen from 32,000 in 2001-02 to 43,000 in 2002-03.

100. **Technical and Vocational Education and Training (TVET)** Public and Private Technical and Vocational Education and Training (TVET) in all provinces and

municipalities has also grown. This is due to promotion of private sector participation in the management and provision of both formal and informal high quality, effective technical and vocational education and training. Enrolment is around 5,500-6,000 students at Ministry training institutions and roughly 8,000 students in private and NGO operated institutions. Graduates from vocational training and specialized training in 1998-99 numbered 1,096 secondary graduates; 7,687 primary graduates. In 2002-03 the numbers were: 2,202 secondary graduates, and 1,388 primary graduates.

HEALTH SECTOR

101. **Public Health Services delivery:** Since 1998, significant progress has been made in both provision of basic health services, diseases controls interventions and promotion of women and child health. The total number of health centres (HC) with adequate capacity to provide minimum package of activities (MPA) increased from 386 in 1998 to 823 in 2003. The number of referral Hospital (RH) with major surgical operation increased from 3 in 1998 to 15 in 2003. The success of disease control interventions is demonstrated by an increase in cure/detection rate of tuberculosis, decrease in prevalence of adult tested HIV positive, and decrease in incidence and case fatality rate of malaria, dengue hemorrhagic fever, measles and cholera, and the eradication of poliomyelitis since 2000. The percentage of pregnant women with at least two antenatal care visits increased from 19 percent in 1998 to 33 percent in 2003. The use of modern contraceptive methods delivered by the public health facilities increased from 9.7 in 1998 to just over 19.9 percent of the married women aged 15 to 49 in 2003. In 2003, 70 percent of children aged 12-59 months received at least one vitamin A supplement.

102. The pilot program to expand basic health services in 5 Operational Health Districts (OD) in partnership with the private sector (NGOs) through contract arrangements has proven to be very successful. The evaluation of the pilot program show that the contracting arrangements increased the provision of basic health services from two to three fold, and in some OD, the health expenditure of the poor household was reduced by 60-70 percent within 3 years (1998-2001) of the pilot project. More over the average annual recurrent costs of contracting out remained within the expected range. This program is planned to be expanded to 11 Operational Health Districts over the 2004-07 period with assistance from a few external partners.

103. As part of the enforcement of health legislation a sub-decree on professional medical ethics was approved by the Prime Minister on 28 August 2003. The Cambodia National Medical Council and the five Regional Medical Councils recently established have started to develop, disseminate and implement various regulatory frameworks and procedures. The draft regulatory framework on tobacco control was submitted to the Council of Ministers in June 2003. Guidelines on smoke free places were developed and circulated to all health facilities. A draft law on the marketing of breast milk substitute is being prepared.

104. **Behavior Change and Communication (BCC):** To improve awareness of good health and nutrition practices mass campaigns were launched using TV-radio spots in combination with the installation of billboards, and distribution of posters/leaflets. One

Booklet on health prevention during flood, and the Laws and regulations on professional ethics were distributed to health professionals in all provinces.

105. **Quality Improvement:** The establishment of the Quality Assurance Office with a clear vision, mission and role in the MOH under the Hospital Services Department has laid down the foundation for quality improvement. Significant achievements in 2003 include the beginning of a quality culture in the MOH, and the establishment of a working group for quality improvement. An action plan for 2004 and 2005 has been developed, including the design of a consumer satisfaction assessment tool, a system of hospital quality performance assessment and guidelines for accreditation/ licensing of public/private health facilities. Two provinces are piloting quality assurance teams at Provincial Health Department level.

106. **Human Resource Development:** A top priority for human resource development in the health sector is training to support the development of the RH and HC to provide basic health services. The number of students completing training at the five schools of technical medical care (Nurse, Midwife, Lab. technician) increased from 109 in 1998 to 559 in 2003. Through the basic surgery-training program 36 general medical doctors were trained as surgeons to work in the rural RH during the period 1998-2003. Around 12,000 participants coming from HC attended in-services-training on various MPA modules during the same period. The 2003 target to train 84 percent of OD offices and 75 percent of Provincial Health Department on health service management was achieved.

107. **Health Financing:** The Royal Government has increased the budget allocations for the health sector by 224 percent over the years 1998-2003. In spite of the substantial increase the current budget allocation represents an expenditure level of only US\$ 2-3 per capita. It is estimated that a level of US\$ 12 per capita is needed to provide the basic health services. Given this gap in funding, the health sector remains dependent on donor contributions in both the short and medium terms to develop adequate capacity to deliver the needed services.

108. **Institutional Development:** The Health Strategic Plan (HSP) 2003-2007 was prepared in close collaboration with development partners. The plan was launched by the Prime Minister in August 2002. The first Annual Health Sector Performance Review was conducted in April 2003 jointly by the Government and its partners with the objective of reviewing progress in health sector development, identifying key achievements, issues and constraints in the six key areas of HSP, and identifying indicators and priorities for its implementation for 2003-2004. Central, provincial and operational district government officials, donors and NGOs, as well as commune councils representing consumer groups attended the Review. The review provided a report on Health Sector Performance in 2003, the agreement on priority actions for 2004-2005 as well as measurable targets for 2004. As part of this review key external partners have committed to support the priority actions for 2004-2005 with emphasis on maternal and child health and access to quality health services for the poor. The MOH is currently preparing plans to implement the priority actions. The MOH is also currently working on a review to streamline its planning processes and procedures.

109. At this early stage of the implementation of the HSP 2003-2007, the MOH faces many challenges, such as how to gradually achieve a balance in the financing of priority public health interventions between external and budget resources. Other challenges in managing the Sector-wide Management approach include: (a) better access to information on donors commitments for preparation of MTEF, PIP and Annual Operational Plan; (b) harmonization of various mechanisms for planning and monitoring and evaluation required by different donors' agencies as well as government agencies; and (c) identification of adequate incentives for staff working on coordination, planning and monitoring and project management.

110. As the first step to achieve organizational and management reforms of structure, systems and procedures of the MOH, a functional analysis in two provinces and five central MOH units was completed in 2003.

2.4.2 ECONOMIC SECTORS

AGRICULTURE, FORESTRY AND FISHERIES

111. During its second mandate, 1998-2003, the development of the agriculture sector was an important element of the Royal Government's strategy to reduce poverty in rural communities, achieve food security, and foster equitable and sustainable economic growth. While the total output of the agriculture, forestry and fisheries sector increased over the 1998-2003 period, the sector's contribution to total GDP declined from 43.7 percent in 1998 to just over one-third in 2002 because of the rapid growth of the industrial sector during this period. In spite of the rapid growth of the industrial sector, agriculture, forestry and fisheries sector continues to be the main source of employment for nearly 80 percent of the labor force. Since 85 percent of the population lives in rural communities and 75 percent of the poor are farmer-headed households, the performance of this sector continues to be a key factor for achieving sustainable economic growth, poverty reduction, and development of the rural economy. The development of the agriculture sector over the last five years was severely affected by adverse climatic conditions that have ranged from severe flooding to drought over the years. Notwithstanding the frequently unfavorable climate changes, efforts to improve the productivity of crop production have yielded favorable results. The rice crop yield increased from 1.79 tons per hectare in 1998 to 2.1 tons per hectare in 2002/2003.

Economic Sectors

- *Agriculture, Forestry & Fisheries*
- *Manufacturing and Mining*
- *Tourism*
- *Trade*

112. In spite of the significant progress made, the development of the agriculture sector continues to be constrained by inadequate transportation and irrigation infrastructure, lack of agriculture inputs, inefficient marketing and inconsistent institutional support. Reforms have been underway to develop a market-based system focusing on land reforms, price liberalization and adoption of legislation to permit joint ventures between the state and foreign investors. The Ministry of Agriculture, Forestry and Fisheries (MAFF) has been re-organized with support from development partners. Extension services have been expanded to cover research on rice varieties and the transfer of agricultural know-how to farmers. Simultaneously, policy and institutional reforms are being supported by strategic

public investment programs, which include village water and roads, rural infrastructure restoration and employment generation.

113. The total gross domestic product of the agriculture sector (crops, livestock and poultry, fisheries and forestry and logging) has increased by 7.9 percent over the 1998-2003 period from 5,094 billion CRs in 1998 to 5,496 billion CRs in 2003. Year over year changes were effected by climatic conditions that resulted in declines in output between 1999 and 2000 and 2001 and 2002 because of severe flooding. Within the agriculture sector, between 1998 and 2003, the share of crops and livestock and poultry in total agriculture output has not significantly changed over this period. The share of the fisheries sub-sector has increased and accounted for nearly one-third of total agriculture sector output in 2003. The share of forestry and logging sub-sector has declined significantly over the 1998-2003 period from nearly 724 billion CRs in 1998 or 14.2 percent of agriculture sector output to around 342 billion CRs or 6.6 percent of the agriculture sector out in 2003.

114. In 2003, out of a total of 2.7 million hectares of land cultivated, 2.1 million hectares or 78 percent were devoted to the production of rice, 6 percent to other food crops, 4 percent to industrial crops, and 6 percent to fruits and other crops. Out of 2.1 million hectares of land devoted to rice production, the irrigated area is estimated to be around 430,000 hectares (about 23 percent of total rice area). Paddy production in 2003 increased by 23 percent from 3.8 million tons in 2002 to 4.7 million tons in 2003 resulting in a surplus over estimated domestic consumption by more than 686,000 tons. The increased rice production is primarily a result of the introduction of new high yield varieties with new farming technologies developed and introduced by the Cambodian Agricultural Research Institute (CARDI) through the MAFF extension services. It is worth noting, however, that current yield levels and cropping intensities in rice are still low, approximately 2 tons per hectare, compared with those under similar ecosystems in neighboring countries that have yields in the 5-8 tons per hectare range.

115. Although the bird flu outbreak in 2003 had adversely affected the production of livestock as a whole, animal stock and poultry grew by 2.6 percent. In 2003, the Royal Government significantly increased the number of animal health workers to reduce the mortality and morbidity rate of livestock. A variety of anti-epidemic measures were taken to improve the quality of the livestock products

116. Rubber has long been a major commercial crop and potential export earner for Cambodia and, as a labor-intensive crop, has the potential for poverty alleviation through rural employment creation. During 1998-2003, 57 experimental plantations were established in Rattanakiri, Mondulakiri, Kratie, Kampong Cham and Kampong Thom with support from development partners. The AFD funded project on small scale rubber development is going well and has been well received by farmers.

117. **Fisheries Management:** Significant progress has been made in the management of this sub-sector. The fishing lot reform process is currently in its second phase in several provinces. More than 56 percent of the fishing lot boundaries have been reserved for local communities to establish community-based fisheries management system. A

Royal Decree on the establishment of community fisheries and a Sub-Decree on the management of community fisheries have been prepared and are awaiting approval of the Government. Although the legislative process is still underway some 360 community-fishery lots have already been established across the country with assistance from development partners. The Fisheries Law has been reviewed by the Council of Ministers and is scheduled to be submitted to the Parliament. In February 2003, the Inland Fisheries Research and Development Institute was established. The Institute has become a key national institution for research on fisheries development and management, providing ideas, access to state-of-the-art science and technology, and a source of information and documentation for the public, particularly fisheries communities and fishermen.

118. A Master Plan for fisheries management to the year 2011 is currently being prepared to guide the development of the fisheries sector. The Ministry of Agriculture, Fisheries and Forestry has also launched initiatives on the conservation and management of fisheries resources including the prevention of illegal fishing, demarcation of fishing lot boundaries and safeguarding and identifying fishing sanctuaries.

119. Local aquaculture development is a component of the Royal Government's policy on poverty reduction. Aquaculture production has contributed to improving the living conditions of farmers and generating incomes in addition to crops. Initiatives for the development of local aquaculture are now underway in provinces of Svay Rieng, Takeo and Kampong Speu.

120. **Food security and nutrition:** There has been some progress in improving food security and nutrition in 2003, reflecting increased agricultural production, better roads and market developments. However, there is still unevenness across the country between surplus and deficit districts. In terms of meeting the MDG1 of halving the proportion of people who suffer from hunger by 2015 one of Cambodia's greatest strength lies in its potential for producing up to one million ton more rice without resorting to deforestation, as the cultivated area is still below the pre-war period. Moreover, increasing the yield from 2 tons to 3 tons per hector will have significant beneficial impact on food security.

121. At the policy level, attention is being given to increase awareness on malnutrition, iron deficiency, children feeding and salt iodization through workshops, training programs and advocacy. Much more remains to be done in this area, as domestic production of iodized salt covers only 20 percent of the national requirement, while vitamin A coverage among children 6-59 months old is only 34 percent and the number of mothers who receive iron supplements is still low. The Royal Government has established Provincial Nutrition Coordination Committees in a number of provinces and commissioned to prepare Provincial Action Plans on Food Security and Nutrition.

122. The decision by the RGC to introduce community forestry and community-based fisheries has improved access by the poor and benefited the rural population. Priority action in 2003 was to help communities to improve management and reduce illegal fishing. After the reforms of fishing lots in late 2000, the number of fishing lots was

reduced from about 235 covering almost one million hector to 164 covering about 420,000 ha. The reduction of fishing lots has also reduced the number of conflicts with farmers in communities living on fishing lot boundaries or in their proximity. However, there is only limited improvement in the provision of micro credit and the costs of credit to poor households are still high.

123. **Forestry Management:** The RGC has made significant progress since the last CG Meeting in 2002 in its efforts to achieve sustainable management of forestry resources. The implementation of forestry sector reforms has reached a critical stage, where all stakeholders are required to pay attention to strengthening the institutional capacity and improving coordination to ensure smooth implementation of policies. Following is the overview of some of the Government's most important accomplishments in the forestry sector.

124. In keeping with existing commitments, the Royal Government has not issued any new forestry concessions. However, small salvage operations and other works in accordance with Cambodian laws and regulations have continued. The Royal Government has continued to pursue vigorously illegal logging operations. In the course of performing their duties 7 forest administration officers have been killed and 34 have been injured. Some 1,386 illicit sawmill plants, 653 timber processing handicraft, 39 medicinal vine powder manufacturing handicraft, 24 Tepiro oil manufacturing handicraft, 159 aloe steaming and forest sub-product processing ovens have been removed, destroyed and put out of business, and 332 offenders were apprehended and prosecuted.

125. Illegal logging, wildlife smuggling, corruption and encroachment on forest land have been reduced from the crisis proportions prior to the Government's reform program. The Government's crackdown on illegal logging has consisted of measures across the full spectrum of forest law enforcement, prevention, detection and suppression. The RGC's entire approach to resource management, including concession management reform, community forestry and protected areas management is aimed in large part at preventing crime. In June 2004, the Royal Government issued Order No 01BB to prevent, suppress, and eliminate forest land clearing and encroachment and has established a National Committee and Sub-national Committees at the provincial level to implement this order.

126. Forest crime monitoring and reporting efforts have continued unabated in spite of the well known disputes with the previous official Independent Monitor, Global Witness. The Royal Government would like to see a more strengthened and improved monitoring and reporting effort to strategically utilize its scarce enforcement resources to priority problems. Although, a new Independent Monitor has been appointed, Société Générale de Surveillance (SGS), the Royal Government welcomes the work in Cambodia of Global Witness, other NGOs and civil society organizations concerned with forest law enforcement. Wild Life Conservation Society, Conservation International, WildAid and other groups are also important partners in monitoring forest crimes in Cambodia. The Royal Government would like to obtain additional expert technical advice on forestry law enforcement.

127. Forest concession system and individual concessions have been radically restructured to make them more accountable and responsive to the public interest. The Royal Government has continued to implement its forestry management reforms, including consummation of revised contracts with the remaining concessionaires, measures to improve community consultations and to avoid social problems and adverse environmental impacts. It will continue to raise the technical standard of practices by concessionaires and the Government agencies involved in forestry concession management.

128. On the legislative front, the Royal Government has developed additional regulatory instruments and guidelines required to implement the 2002 Forest Law. A Sub-Decree on Community Forestry was enacted in December 2003 to put public forest assets under the stewardship of local communities in the framework of approved management plans and benefit sharing arrangements. The Sub-Decree was the result of over six years of consultations and work with many stakeholders and advisers and compliments other measures, such as the Sub-Decree on Social Land Concessions to make the country's land resources more productive and better managed.

129. The Royal Government has been working in partnership with various donor agencies and non-governmental organizations to pilot community forestry initiatives in different parts of the country. Nearly 110,000 hectares have been developed under community forestry arrangements. The RGC will continue these partnerships under the framework of the new Sub-Decree.

MANUFACTURING AND MINING SECTORS

130. The Royal Government's efforts during its second mandate, 1998-2003, to foster the development of a free market economy by opening access to its markets, providing incentives to attract foreign investments, and securing access for its products in overseas market through special trading rights such as the Most Favoured Nation (MFN) and Generalized System of Preferences (GSP) arrangements that have been extended to Cambodia by many industrialized countries have yielded significant results. Between 1998 and 2003 the manufacturing sector's share in total GDP has grown from 12.7 percent in 1998 to 19.5 percent in 2003.

131. The Royal Government's Industrial Development Action Plan for the period 1998-2003 had two goals: the development of export-oriented industries, and the development of import-substituting production of selected consumer goods. These goals were to be achieved by promoting the development of: (i) labor-intensive industries, (ii) natural resource-based industries, (iii) small and medium enterprises, (iv) agro-industries, (v) technology transfer and upgrading the quality of industrial products, (vi) establishment of industrial zones, and (vii) the development of import-substituting production of selected consumer goods.

132. During the last five years, the development of labour-intensive manufacturing was focused on the textile and garment sub-sector. The Royal Government has continued to provide support for broad-based industrial development by: (i) encouraging expansion of

the SME sector, (ii) improving the performance of State-Owned Enterprises through corporatization and privatization, (iii) stemming the flow of illegally imported products, (iv) reducing barriers to export such as export taxes and inefficient provision of trade facilitation services (e.g. licensing), (v) reducing barriers to importation of business inputs, (vi) enhancing the linkage between SMEs and between SMEs and large industries, (vii) promoting a national productivity centre to assist small and medium size firms to increase productivity and reduce production costs, (viii) establishing a National Institute of Standards to ensure product quality matches regional and international standards, (ix) establishing a National Laboratory with the technical capacity to undertake physical, chemical, microbiological, and mechanical analyses of products that establish the quality and other specifications of these products, (x) establishing an industrial property rights bureau to protect new products, designs and technologies from illegal copy, (xi) promoting vocational training domestically and overseas, and (xii) upgrading the legal framework in the areas of factory law, industrial zone law, patent and industrial design law, weights and measures, and industrial safety.

133. During the period of 1998-2003, the Cambodian Investment Board approved 497 projects that planned to invest around 2.4 billion dollars and employ around 374,000 workers. Of these 359 were implemented and the reported capital investment on these projects totalled just under 1.6 billion US dollars. They planned to employ just over 164,000 workers. Of the 359 investment projects, 187 were involved in the textile and garment manufacturing, 74 in non-textile manufacturing, 36 in the tourism sector, 32 in infrastructure and related activities, and 30 in agriculture and agro-industries. Of the 359 investment projects that were implemented 72 have undergone expansion and have invested an additional US\$135 million. Most of the expansion, 56 out of 72, has occurred in the textile and garment sub-sector.

134. The investment law was amended in the year 2003 to reduce administrative formalities in approval process and to reduce the period from submission to approval of investment projects.

135. Within the manufacturing sector, that contributed around one-fifth of total GDP in 2003, textile and garment manufacturing accounted for two-thirds of the manufacturing sectors' output in 2003. Food, beverages and tobacco are the other major activity in the manufacturing sector accounting for 15.1 percent of manufacturing sector's GDP in 2003. The total value of production of garment factories has increased from US\$ 457 million in 1998 to US\$ 1,665 million in 2003.

136. **Mining sector:** After the law on Mineral Management and Exploration was promulgated in July 2001, licenses have been issued to local and foreign companies for mineral exploration and mining in the following areas:

- One local and five foreign companies have been licensed to conduct gold exploration in the following seven areas: Kampong Cham, Kampong Thom, Battambang-Odor Meanchey, Preah Vihear, Mondulhiri, and Ratanakiri.
- One company has been licensed to undertake gemstone exploration and mining in Samlot area in the Battambang province.

- One company has been licensed to quarry phosphate rock in the areas of Kampot, Battambang and Banteay MeanChey provinces to supply phosphate to fertilizer factories.
- Three local and two foreign companies have been licensed to quarry limestone in the areas of Kampot province to supply limestone to cement factories.
- One company has been licensed to explore coal in Voeun Nhung-Talat area, Stung Treng province.
- Three companies have been licensed to quarry silica sand in Koh Kong and Kampong Som.
- One hundred and thirty eight local companies and eleven foreign companies have been licensed to quarry construction materials (crushed stone, laterite, gravel, construction sand and clay) to meet the needs of the domestic market.

137. Mining sector's contribution to total GDP is relatively small. It has, however, slightly increased from 0.2 percent of total GDP in 1998 to 0.3 percent in 2003.

TOURISM

138. Tourism has continued to play an important part in the rebuilding of the national economy. Cambodia has world-famous attractions including the archeological sites of Angkor Wat, world-class hotels in Phnom Penh and Siem Reap, a rich history, and a culture that dates back thousands of years. The number of tourists coming to Cambodia has steadily increased from 288,524 visitors in 1998 to 786,524 visitors in 2002 – or at an average annual rate of 28.7 percent between 1998 and 2002. Because of combined impact of the violent demonstrations in Phnom Penh in early 2003, the Iraq war, the outbreak of SARs in the region, and the uncertainties related to General Elections the number of tourist arrivals declined for the first time in 2003. Although tourism activity recovered somewhat in the second half of 2003, overall tourist arrivals declined from 786,524 in 2002 to 701,014 in 2003 or by around 11 percent.

139. The Royal Government's policies for the tourism sector have been based on two basic principles. First, the development of the tourism sector should be carried out in a manner that is sustainable, anchored in the cultural heritage, history, and the exquisite nature of Cambodia's terrain, but more importantly, development that contributes to poverty alleviation. Second, the development of the tourism sector should be carried out in a manner that makes Cambodia a preferred destination in the region contributing to the principle of ASEAN as a single destination. To foster the development of the tourism sector, the Royal Government has implemented the following measures:

- An open-skies policy (overland and water).
- Availability of entry-visa on arrival.
- Visa exemption for Cambodians living abroad (Visa K), that has been appreciated by the national and international Cambodian community;
- Strengthened ASEAN intra-regional tourism cooperation by becoming a signatory to the ASEAN Tourism Agreement (ATA), the ASEAN Cooperation +3, Asean+3+India, Greater Mekong Sub-region (GMS) Cooperation,

Cambodia, Lao PDR, Myanmar and Thailand (CLMT) Cooperation and bilateral cooperation etc.

- Strengthened capacity to investigate and prosecute offenders related to sex tourism, any form of child sex exploitation, and drug trafficking.

140. To promote tourism, the Ministry of Tourism in collaboration with Raffles International organised a grand Charity Concert in the Angkor Wat complex in December 2002. The world-famous opera singer, José Carreas, performed at this event that was attended by more than 1,000 international visitors. The other major events have included: hosting the 8th ASEAN Summit of the ASEA Tourism Forum (ATF 2003) in Phnom Penh in January 2003, organizing the ASEAN Cultural Week, the World Buddhist Conference, the Greater Mekong Sub-region Summit, and the Cambodian-Japanese Traditional Music Concert in Siem Reap in November 2003 to celebrate the 50th anniversary of Cambodia-Japan Friendly Diplomatic Bond. The international media has also been active in airing programs in their countries on the tourism sites in Cambodia. Some of the networks have included: NHK television of Japan, NBC television of the United States, TV 5 of France, National Geographic, Discovery, BBC and CNN.

TRADE

141. The trade sector in Cambodia is and will continue to be of fundamental importance for achieving economic development and the creation of job opportunities. Half of GDP growth between 1999 and 2003 was contributed by one sector, the garment industry, which continues to be the major contributor to trade in Cambodia. In recent years, trade activity in Cambodia has benefited from preferential trade agreements, like the Generalized System of Preferences (GSP) and Everything But Arms (EBA) scheme.

142. **Accession to the World Trade Organization (WTO):** Cambodia became a Member of the World Trade Organization (WTO) on 11 September 2003 at the Fifth WTO Ministerial Conference at Cancun, Mexico - as one of the first two LDCs along with Nepal. Joining WTO has marked the final step in bringing Cambodia back into the major regional and international organizations that govern international economic relations. The benefits of accession to the WTO need to be measured both in terms of market access and the resulting improvements in the governance systems that must be vigorously implemented to send a positive signal to trade and investment partners. For the garment industry the accession presents not only a challenge to become more competitive in the regional and global markets but also opportunities for expansion because of the removal of the quotas for Cambodian exports to 147 members of the WTO based on MFN principles and non-discriminatory practices. As a member of both the WTO and ASEAN, Cambodia will be able to work towards bilateral free trade with the United States of America under the U.S. so called Enterprises for ASEAN Initiative (EAI).

143. **Regional Integration:** Cambodia became a Member of ASEAN in 1999. As a new member, Cambodia has benefited from numerous new initiatives of the more advanced members of ASEAN to assist the newer and less developed members such as the ASEAN Integration System of Preferences (AISP) (349 items). Also, other framework agreements with ASEAN dialogue partners have also been beneficial for Cambodia, such

as the Special and Preferential Tariff (SPT) from China (297 items), General System of Preferences (GSP) from Japan (226 items) and Republic of Korea (78 items). Cambodia has persevered in its efforts to pursue opportunities to expand South-South trade within and outside of the ASEAN neighborhood. The possibilities of joining the Global System of Tariff Preferences among developing countries which fosters trade are now being explored. Some of the landmark initiatives of ASEAN that are worth noting include: Framework Agreement for ASEAN-China Economic Cooperation; the Framework for Comprehensive Economic Partnership between ASEAN and Japan; the ASEAN-India Economic Partnership Agreement; the ASEAN-South Korea Free Trade Area; and soon the AFTA - CER free trade area. Ultimately an increase in investment, production and consumption in ASEAN dialogue partners will result in increase of demand for production inputs and for finished goods from ASEAN and Cambodia. Better market access to ASEAN dialogue partners' markets will help Cambodia's economy to grow.

144. At the ASEAN Summit held on 8 October 2003 in Bali, Indonesia, ASEAN Leaders adopted a framework to establish an ASEAN Economic Community (AEC) by 2020. The aim is to create a single market and production space of more than 500 million people, with a combined gross domestic product (GDP) of over US\$ 600 billion in 2002.

145. **Sub-Regional Economic Integration:** Other sub-regional socio-economic development initiatives worth noting include: the Greater Mekong Sub-region; the Thailand-Cambodia joint development within the framework of Ayeyawady Chao Phraya Mekong Economic Cooperation (ACMECS); the Cambodia-Laos-Thailand Emerald Triangle; and the Vietnam - Laos - Cambodia Development Triangle.

146. **Bilateral Trade Cooperation:** Bilateral trade relations between **Thailand** and Cambodia have been steadily growing. Aside from trade Cambodia has also explored other avenues to further expand the trade transactions with Thailand. Trade Account mechanisms with Thailand are being explored as a way to enhance international trade and business transactions that will include government guarantee for trade payment settlement; lessening the dependency on hard-currency transfers and banking fees relating to international trade and payment transactions. Thailand had also approved the product list consisting of 310 items under the ASEAN Integration System of Preferences to Cambodia. Under the ACMECS's One Way Free Trade Policy or Duty Free Import Thailand has reaffirmed its plans to purchase various agricultural products from Cambodia such as soybean, maize, castor bean, potato, sweet corn, cashew nut, eucalyptus and groundnut. Other ACMECS's initiatives include: a feasibility study on establishing a Wholesale/Export Market in Cambodia; and a feasibility study on establishing special economic zones at Koh Kong, Poipet, and Pailin.

147. Bilateral trade with **China** has significantly increased reaching a volume of USD 320 million in year 2003. China has granted GSP treatment for 279 items mostly agricultural products and is considering expanding the list up to 439 items. In the area of textiles, China has signed a MoU for the development of a 500,000 spindles textile plant in the proposed Sihanoukville Textile Industrial Park. In addition, a MoU to promote economic and trade relations and technology cooperation was also signed between the

Cambodia Chamber of Commerce (CCC) and China Council for the Promotion of International Trade (CCPIT).

148. In 2003, **Canada** granted duty free and quota free market access to Cambodia's textiles and garment products exports.

149. In 2002, Cambodia and **Viet Nam** renewed an agreement on goods in transit to facilitate exports from Cambodia to third country via Viet Nam. In 2001, both countries signed an agreement on cross border trade in order to exchange traditional goods between the people of the two countries living along the borders.

150. In 1999, Cambodia signed an agreement with the **EU** that allowed Cambodia to export textile products to Europe without quota and duty. In 2001, EU implemented a policy that allowed all LDCs, including Cambodia, to export all goods into EU without duty and quota, except arms.

151. In 1996, Cambodia and the **U.S.A** signed a trade agreement under which Cambodia was given the Most Favored Nation (MFN) status for exports to the US. This agreement allowed Cambodia to export its products to US at the same tariff rates applicable to WTO members. In 1997, the US granted GSP status to Cambodia. In 1999, Cambodia and the US signed an agreement to export textiles to the US based on quota for 11 types of textile products from Cambodia.

152. **Contribution to Poverty Reduction:** The National Poverty Reduction Strategy (NPRS), launched by the Royal Government in March 2003 included a full chapter on trade. The trade policy matrix presented in the NPRS outlined poverty reduction objectives, defined strategies to achieve these objectives and finally measures to monitor outcomes, evaluate impacts and the process to make adjustment, if needed. The ultimate aim is to protect and preserve the jobs of 250,000 garment workers and 1.5 million people whose livelihood depend on them as well as to strengthen and diversify its current export base.

153. Special attention must be given to increasing domestic value added content of individual exports and to look at developing new export sectors, if the export sector is to further contribute to poverty reduction in Cambodia. Tree crops, specialty crops, agro-processing, fish farming and processing, skilled labor services (e.g. software development services) might be relevant opportunities for Cambodia along those lines. In addition to increasing the value-added content of exports, Cambodia needs to regionalize and decentralize its export production if the benefits of globalization are to be distributed more widely within the country.

154. A large number of **studies** have been carried out over the last five years with assistance from Cambodia's development partners. These have included studies on: Regional Development of the Phnom Penh-Sihanoukville Growth Corridor; Improvement of Marketing System and Post-Harvest Quality Control of Rice in Cambodia; and the Feasibility study on the Establishments of a Paddy Market; Private Sector Assessment and SME development; Assessment of the Agro-Industrial Situation in Cambodia;

Export-led Poverty Reduction Program (EPRP); Diversified Agriculture and Agro-Processing Supply Capacity Study; and the E-Trade Bridge Strategy; and Impact of Export Promotion Zones on Poverty Reduction.

155. The Cambodian trade sector has also benefited from the Integrated Framework for Trade Related Technical Assistance to Least Developed Countries (IF) in defining Cambodia's Pro-Poor Trade Strategy. The IF in Cambodia has to be considered an example for its effectiveness and good achievements in comparison to other countries that applied the same methodology and process.

2.4.3 PHYSICAL INFRASTRUCTURE

TRANSPORTATION

156. Although significant progress has been made in rehabilitating the transportation infrastructure during the second mandate of the Royal Government, 1998-2003, the present transport system is still inadequate to meet the present and future needs of a growing economy. The domestic budget constraints limit not only the task of rehabilitation and reconstruction but also the maintenance of

existing infrastructure. During the last five years, the Royal Government's efforts have focused on rebuilding the road network, rehabilitating and expanding the deep sea Sihanoukville Port, and international airport facilities at Phnom Penh and Siem Reap.

Physical Infrastructure

- *Transportation*
- *Water Resources and Meteorology*
- *Potable Water*
- *Power Generation and Distribution/Transmission Network*
- *Post, Telecommunications and National Information Services*

157. The **Road Transport** plays an important role in moving freight within the country. So far, within the road network system, primary routes connecting to neighboring countries -- Vietnam, Lao PDR and Thailand -- have not yet been completely rehabilitated. The rehabilitation, improvement and connection of the main national roads/corridors to the regional transportation networks are a high priority of the Government.

158. Over the last five years, the RGC with assistance from Japan, ADB, World Bank, and other bilateral agencies and several NGOs had focused on rehabilitation of primary road network, including bridges and ferry crossings, in order to facilitate the transportation of goods and services and the integration of markets. Between 1998 and 2003, 2,350 km of roads were rehabilitated with assistance from development partners and domestic budget resources. Significant projects have included: the Mekong Bridge at Kampong Cham (February 2002), and Koh Kong bridge (2001), the reconstruction of RN 6 & 7 from Phnom Penh to Kompong Cham, as well as the rehabilitation of long sections of NR 1, 2, 3, 5, 11, 21, 31, 33, 61, 63, 66, and 72, and the construction and rehabilitation of a number of bridges, mostly along NR 1, 5, 6 and 7.

159. The Royal Government has also from its own limited budget resources financed the repair and rehabilitation of some 2,096 km, of crushed stone surfacing, of some

sections of primary (e.g. NR 48, 56, 57, 58, 59, 67, 69a, 73, 76, 78) and secondary roads which link isolated areas to promote socio-economic development in rural areas. The Government plans to accelerate the rate at which the road network is rehabilitated and made serviceable by adopting a policy of staged construction, by simplifying contracting procedures, and by using short-life (five year) rehabilitation techniques.

160. Overall, the rehabilitation of all main national or primary roads (NR 1-7), a total length of 1,988 km is planned to be completed by the end of 2007. Also, the rehabilitation and reconstruction of an additional 1,850 km of roads is planned using short-life rehabilitation techniques. The first priority for this work will be the secondary national roads linking Phnom Penh to the provincial capitals, and a second priority will be the national roads and provincial roads that link adjacent provinces.

161. Road Maintenance was also a high priority during the second mandate of the Royal Government. Around US\$ 5-10 million annually had been allocated for road maintenance from the domestic budget.

162. The **railways** at present are limited to 2 lines, both are in poor condition due to acts of sabotage and limited maintenance activities. The northern line extends from Phnom Penh to Poi Pet (385km), however, the last section from Sisophon to Poipet has not been used since the early 1970's. The southern line extends from Phnom Penh to the port of Sihanoukville (263km). The emergency repairs to some key railway lines including bridges have been done under the Emergency Flood Rehabilitation Project supported by ADB and National Budget.

163. **River transport** used to be an important means of travel in the past. Inland ports and waterways played a very important role in the country. Agricultural and forest products, oil and bulk cargo, and heavy machinery used to be transported through inland waterways. Passenger water transport can also play an important role in supplementing the land transportation systems. At present, most of the waterway traffic is on the Mekong river between Phnom Penh and Ho Chi Minh city and Phnom Penh upstream to Kratie. Vessels of up to 5,000 tons can navigate along the Mekong up to Phnom Penh during most of the year. Traffic on waterways other than the Mekong is by means of small craft and constitutes a very small volume. Inland ports and waterways development are being seriously considered by the Royal Government. However, only a few projects have been implemented. In recent years, there has been a continuing shift from river transport to vehicle transport as the main mode of travel.

164. **International Ports and Shipping:** The two main ports in Cambodia that serve most of the country's international trade are Phnom Penh Port and Sihanoukville Port. **Phnom Penh Port** is an international river port located along the west bank of the Tonle Sap River that is around 332 km inland from the open sea. The port has a strategic geographical location in the centre of commercial and industrial areas that are located within a 13 km radius. The location is also well connected with good natural inland waterway network. In 1995, the Phnom Penh Port was rehabilitated and a new berth - 300 meters long and 20 meters wide - was constructed. This new berth has a capacity to load and download from vessels ranging from 2500 to 5000 DWT in dry and rainy

seasons, respectively. Phnom Penh Port is now a multipurpose terminal serving mainly container traffic. The cargo throughput recorded in 2002 and 2003 were 427,368 tons and 533,659 tons respectively. It is expected that the Port's container throughput will continue to increase as more and more shipping lines start to see the comparative advantages of the Port.

165. **Sihanoukville port** is located 230 km south west of Phnom Penh and is the only deep sea port of the country that handles most of the container cargo. Nearly 70 percent of imports enter Cambodia through Sihanoukville Port for transport to Phnom Penh by rail and road. Sihanoukville port has a draft of 7.5-8.5 meters and a capacity of 11,000GRT. Cargo throughput is more than 1.5 million tons annually (1.77 million tons in 2003). At present the port is handling container cargo in limited volume. Rehabilitation work that started in July 2000 with a loan of US\$ 41 million includes the construction of 400m new quay for general cargo and 11 berths, a 240-meter long berth, 60,000 cubic meter container yard, 50,800 cubic meters to a depth of 8.5 – 9.0 meters. The construction is expected to be complete in 2005. The planned second stage construction to be carried out over the 2004-2007 period with a loan of US\$ 35 million includes the construction of a container terminal with 3 berths that will be 450 m long, 10 m deep and 4 container cranes, as well as a bulk cargo terminal with 2 berths that will be 300 m long and 8.5 m deep.

166. The RGC's policy is to encourage greater private sector participation (PSP) in the provision of road and road transport services and infrastructure. Under the BOT scheme, Koh kong Bridge and National road No.4 has been transferred to a private company for maintenance. The Road from Banteay Srei to Koh Ke, 13 Km from RN5 (PoiPet) to Cambodia-Thai border is under construction by a private company. Other projects within the transport sector include improvements to the international port in Phnom Penh and Sihanoukville, Keo Phos Port, renovation of the Phnom Penh International (Pochentong) airport with new traffic control and passengers' facilities and upgrading of Siem Reap airport and facilities through a BOT arrangement.

WATER RESOURCES AND METEOROLOGY

167. Cambodia is a country with an abundant potential supply of water. Its rivers and streams, lakes, aquifers and marine waters are an important resource for national economic development. The Mekong and Tonle Sap River system play an important part in maintaining aquatic ecosystems, and is a basic resource for national development.

168. The part of the Mekong River basin that is within Cambodia generates 75,000 MCM/year of surface water runoff, and its aquifers contain an estimated 17,600 MCM of groundwater. This volume is more than 100 times the amount that is currently used. Annual rainfall varies between 1,400 mm and 3,500 mm. Each year, the Mekong River carries 475,000 MCM from Cambodia to the South China Sea. In spite of the abundance of potential supply of water in some areas people still face shortages of freshwater during the dry season. In the rainy season while there is too much water in some areas, other areas continue to experience shortages of water due to lack of irrigation infrastructure. Irrigation infrastructure is still insufficient and requires substantial improvement.

169. To address these challenges the Royal Government established the Ministry of Water Resources and Meteorology in 1999 at the start of its second mandate. It is responsible for the rehabilitation and development of Irrigation Systems, Flood Protection Dikes, and Sea Protection Dikes (Polders) to ensure the availability of sufficient irrigation water for agricultural crops, and flood control systems to protect public and private property and agricultural land and to minimize the adverse effects of natural calamities. The Ministry has been working with many development partners to implement its priority programs and projects. These partners have included: JICA, AFD, EU, UNDP, FAO, KOICA, ADB, WB, IFAD, Japan, France, Italy, and India.

170. **Preparation of Legal Framework:** The Ministry working with other Government institutions and the development partners has prepared and submitted to the Parliament in April 2002 the draft of the Law on Water Resources Management. Subsequently, a National Policy on Water Resources Management was prepared and approved by the Council of Ministers in January 2004.

171. **Rehabilitation of Irrigation Infrastructure, Drought Intervention and River Bank Protection:** The Ministry has rehabilitated: 315 Irrigation Systems for rice cultivation covering an area of 153,149 ha (Rainy season 89,383 ha and dry season 63,766 ha); Flood Control Dikes that now provide protection over an area of 113,500 ha; and Sea Protection Dikes (Polders) to protect sea intrusion into the cultivable land an area covering 16,680 ha. The total cost of these rehabilitation efforts was 5.2 billion CRs and US\$ 86.5 million. *Droughts* are a recurring phenomenon in Cambodia. To mitigate against these adverse effects on agricultural production, the Ministry provided water pumps to drought affected rice production areas. A high priority was assigned by the Royal Government to improve river embankments. The embankment along the Mekong River in the provincial town of Kampong Cham, totaling 5.2 km, was restored using domestic budget resources

172. **Early Warning and Disaster Management System:** Over the past few years droughts and floods have caused a lot of damage in terms of human suffering, damage to private and public property and loss of economic activity. Establishing an early warning and disaster management system has been a high priority of the Royal Government. The Ministry is strengthening its meteorological functions and developing a meteorological and hydrological data base to be able to respond to natural disasters in a timely manner. So far, meteorological facilities in five provinces have been equipped and improved. Some 102 rain gauges in provinces have been installed. Twenty 20 hydrological stations along the main rivers have been repaired or installed as well as 77 water gauges have been installed at the observation points along the main rivers.

173. **Human Resources Development:** Over the last five years, the Ministry has provided training to 484 staff in disciplines related to water sector development and meteorology.

POTABLE WATER

174. The Royal Government's National Policy on Water Supply and Sanitation has set the goal of expanding the supply safe water to improve the living standards and the welfare of people to reach Cambodia Millennium Development Goals. The support of international financial institutions and donor countries has been sought to rehabilitate and construct water supply systems to respond to the urgent needs of the people. The Royal Government has also sought the participation of the private sector in this sector. At present, 85 percent of the population in Phnom Penh and 15 percent of the population in provincial towns has access to piped water. Out of 24 provincial towns, five provincial towns, Odor Meanch Chey, Mondul Kiri, Preah Vihear, Pailin and Krong Kep municipalities, have no water supply systems.

175. Over the last five years, significant progress has been made to rehabilitate the water systems. With World Bank financing the Sihanoukville Water Supply system has been rehabilitated and expanded to increase production from 2,000 m³ to 8,000 m³/day, and 1320 households have been connected. With financing from a ADB loan water supply systems in six provincial towns (Battambang, Pursat, Kampong Thom, Kampong Cham, Kampot and Svay Rieng) are being rehabilitated and work will be completed in 2005. This project will supply safe water to about 10,000 families. With grant aid from Japan, the Siem Reap Water Supply system is being constructed. The Cambodia Provincial and Peri-Urban Water and Sanitation Project with World Bank financing is being implemented in 43 locations in urban areas.

POWER GENERATION AND DISTRIBUTION/TRANSMISSION NETWORK

176. The development of a power generation and distribution network that can deliver electricity at low-cost continues to be an important element of the Royal Government's economic policy. Attracting private sector investment and participation in the production and distribution of electricity to key provincial and urban centers, rural areas, and putting in place power transmission grids that link Cambodia with neighboring countries have been high priorities of the Royal Government during its second mandate. As a result, during the second mandate, total electricity generation in Phnom Penh and provincial towns increased from 414,953,000 kwh in 1998 to 742,369,700 kwh in 2003 - an average annual growth of 15.8 %.

177. With the support of a number of Cambodia's development partners and the private sector a number of power projects were completed or are under construction now and planning for new projects is currently underway. Some of the projects that have been completed included:

- The expansion of the power system in four outskirt areas of Phnom Penh city that was completed in 2001 and now serves about 10,000 new consumers. The project was supported by Japan that provided US\$ 26.80 million.
- The rehabilitation of Kirirom I hydropower plant of 12 MW as well as the transmission lines from the power plant to Phnom Penh under a BOT

arrangement was completed in 2002. This system was built by a company from China (CETIC).

- The construction of a new power plant of 10 MW in Siem Reap was completed in March 2004. It cost US\$ 17.04 million.

178. Work is scheduled to be completed on the rehabilitation of power systems in eight provincial towns in early 2005. Seven of these are in the provincial towns of Kampot, Prey Veng, Banteay Meanchey, Rattanakiri, Kampong Speu, Takeo and Svay Rieng. These are financed with a loan of US\$ 18.6 million from the ADB. The eighth in the provincial town of Stung Treng is financed by a grant of Euros 3.75 million from AFD.

179. A feasibility study to construct 2 x 90 MW power plant in Sihanoukville was completed in 2002 with assistance from Japan. Work on this power plant will be carried out in 2007-2010. Another feasibility study of Kamchay Hydropower plant was also completed in 2002 with the assistance of the Government of Canada through CIDA. This project is now in the bidding process by the private sector. Feasibility studies of hydropower sites of Battambang 1& 2, Atay, Russey Chrum, Stung Pursat are also underway. Also, a report on Electric Power Technical Standards of Cambodia was completed in March 2004. The Royal Government is aware that consideration of hydro-power stations in Cambodia requires close attention to the necessary balance between growth, environment and social equity objectives. Every precaution is being taken to avoid the mistakes of neighboring countries, where the development of hydro-power has led not only to environmental and social but also to economic problems. In planning the rural electrification projects special attention needs to be paid to maximize rural employment creation to generate alternative incomes for the rural poor.

180. To enhance power sharing among GMS countries, an Inter-Governmental Agreement on Regional Power Trade in GMS was signed by the six Ministers of energy on November 3rd 2002. The agreement paved the way for the development of large scale power generation and the transmission of power between GMS countries.

181. To import electricity for communities adjacent to the borders with Thailand and Vietnam, the Royal Government signed Power Trade Cooperation Agreements with Vietnam (June 1999) and Thailand (February 2000). Under the agreement with the Provincial Electricity Authority of Thailand power is being supplied to Koh Kong, Poipet, Pailin, Osmach, Otdarameanchey, Kamrieng, Phnom Proek and Sampeou Loun. People living in those areas now enjoy a low electricity rate of 600 CRs per kwh instead of 2500 CRs that they previously paid. Another PPA was signed in July 2002 to supply power to provinces: Banteay Meanchey, Battambang and Siem Reap. The transmission grid from Thailand to these provinces is to be constructed by the private sector and is expected to be completed in 2007. Following the signing of the Power Cooperation Agreement between Cambodia and Vietnam, a PPA was signed to import power through a 220 kv transmission line to Phnom Penh and to supply the southern part of the country. The construction of the transmission grid is being financed by the ADB and the NORDIC fund. Through an agreement with the Vietnam Power Company, power is being supplied to the following communities adjacent to the Vietnam border: Ponhea Krek, Memuth of Kampong Cham province, and Bavet of Svay Rieng Kampong Trach of Kampot. Private

sector participation is being sought to extend the supply from Vietnam to Snoul of Kratie, Kirivong of Takeo, Chrey Thom, and Khaom Sam Nor of Kandal province.

182. To narrow the development gap between the new ASEAN members (Cambodia, Lao, Myanmar, Vietnam) and the six old ASEAN members, ASEAN has prepared an integration plan for energy infrastructure to supply power to areas that are currently under served through bilateral power sharing agreements (Thailand-Cambodia) and (Vietnam-Cambodia), public-private partnership to construct and inter-connect power grid (Lao-Vietnam), (Thailand-Myanmar), (Lao-Thailand) and (Lao-Cambodia) and pilot projects to improve the supply of power in rural areas of Cambodia, Lao, Myanmar and Vietnam.

183. The Royal Government has also promoted the development of Solar energy, wind energy, Biogas, Biomass, micro-hydropower, hybrid system, and geothermal energy. Some solar power systems have been installed in cooperation with international organizations/agencies in some areas of Sihanoukville, Pursat, Takeo, Kampong Cham, Kampong Chhnang, Preahvihear, Siem Reap and Kampot. NEDO (Japan) has set up a Solar/Hydropower hybrid system of 100 kw installed in Kampong Cham and Solar/biogas power hybrid system of 100 kw has been installed in Sihanoukville.

184. Rural Electrification Fund (REF): An important requirement to eradicate poverty of the population living in rural areas is the availability of electricity at an affordable price for economic, social and household uses. On equity considerations between the rural poor and the "better off" urban population, the Royal Government is creating a REF to increase the availability of electricity at affordable price in rural areas. The REF will be financed using funds from donations, grants and other sources. Through "smart subsidy" arrangements it will encourage entrepreneurs to invest in the production and distribution of electricity in rural areas, in particular investment projects using renewable energy technologies.

POST, TELECOMMUNICATIONS, AND NATIONAL INFORMATION SERVICES

185. At the start of the second mandate of the Royal Government, **telecommunications communications** to and from the provinces had to rely on out-of date, worn-out VHF radio links that were in poor condition. This system had only several thousand subscribers in provinces and districts who received a very poor quality of service. The improvements over the last five years have indeed been phenomenal. At the end of 1998, the average national tele-density was 0.69 per 100 people and 2.17 in Phnom Penh. At the end of 2003, the national average had increased to 3.82 and 33.00 in Phnom Penh. As at 31 December 2003, there were 526,698 subscribers using the services provided by the Ministry of Post Telecommunications (MPTC) and the four telecom companies operating in Cambodia. The international gateway 001 of the MPTC has been handling 28.7 million minutes of incoming calls and 8.7 million minutes of outgoing calls per year. The international gateway 2 of RTI which started its operation in 2001 handled 3.6 million minutes of outgoing calls and 7.9 million minutes of incoming calls.

186. At present there are 4 **internet service** providers with a total of 7,152 subscribers. The total number of subscribers served by each service provider is as follows:

- | | |
|---------------------|-------------------|
| ▪ Camnet (MPTC) | 1,526 subscribers |
| ▪ Online has | 3,244 subscribers |
| ▪ CamGSM (Telesurf) | 1,747 subscribers |
| ▪ Camintel | 635 subscribers |

187. Just a few years ago, there was no reliable postal service. During the last five years the postal service has improved significantly. Over time, the postal services have gained more and more confidence of its users. There is now a regular surface mail delivery to Poipet (Thai border), Bavet (Vietnam border) 4 times a month. EMS service has been introduced and is now available in 21 provinces and municipalities and 16 Districts. The EMS mail to international destinations is sent out twice a day to over 90 countries in the world. The transfer of funds using domestic money orders has also been introduced by the MPTC.

188. Regarding *Information*, the role of the Ministry of Information (Mol) is to keep people in all parts of the country informed to the fullest extent possible regarding domestic, regional and international news, and to assist through the available media (TV, radio, print) in the upgrading of their general, technical and scientific knowledge.

189. The Ministry of Information disseminates official statements made by the King, the Senate, the National Assembly, the Royal Government and the Ministries and Institutions to local and International sources through bulletins, magazines, photos and electronic media. The capacity of the National TV's transmitter has been upgraded to 10 kw that now provides coverage to an area of 145 thousand square kilometers serving 10 million peoples. Through an arrangement with Thaicom-3 TVK's programs can now be viewed in 126 countries in 4 continents. Local TV stations in Sihanoukville, Kok Kong, Bamtambang, Pursat, Siem Reap, Ratanakiri, Mondulakiri broadcast their own programs as well as programs of the the National TV. The broadcasts of the National Radio of Cambodia (RNK) cover 70 percent of the land area. It broadcasts its programs 17 hours a day in the local language from 5:30 AM to 22:30 PM, as well as in five other languages—English, French, Thai, Laotian and Vietnamese twice a day. The FM Radio station operates everyday from 5:00 AM to 24: 00 PM with local and International News and other useful programs and entertainment. There are also local AM radio stations in a number of provinces and municipalities such as Battambang, Stungtreng, and Sihanoukville, and FM stations in the provinces of Pursat, Kompong cham and Battambang.

2.5 OTHER CROSS-CUTTING PROGRAMS

RURAL DEVELOPMENT

190. Around 80 percent of the population of Cambodia lives in rural areas and rural

Cross-Cutting Programs

- *Rural Development*
- *Environment and Conservation*
- *Land Management and Urban Planning*
- *Land Mines and UXO Removal*
- *Labor and Social Services*
- *Gender and Development*

development has been one of the highest priorities of the Royal Government during its second mandate. The Royal Government adopted a multi-pronged approach to foster rural development and empower local communities to plan and manage development of their communities. The decentralization and de-concentration of public services delivery, support for participatory decentralized area-based development programs, and the provision of credit to households and small businesses in rural areas are some of the elements of RGC's efforts. Within the RGC, the Ministry of Rural Development (MRD) is mandated to: (i) co-ordinate, co-operate, implement, monitor and evaluate rural development projects and programs to rehabilitate and develop rural areas by assisting the rural population; (ii) co-ordinate the operational efforts of the various line ministries and assistance programs; and (iii) undertake independent research initiatives to develop the rural areas by liaising widely, assessing needs and investigating possible solutions that would maximize opportunities.

191. During the last five years, 1998 to 2003, the Ministry of Rural Development has coordinated the rehabilitation or construction of:

- 14,230 km of rural roads (5,230 km with laterite surface),
- 1,867 Bridges totaling 23,311 linear meters in length,
- 5,619 Culverts,
- 40,500 points Wells,
- 679 km Dikes,
- 452 km Canals,
- 1,848 Reservoirs,
- 6,412 Ponds,
- 1,414 classrooms, and
- 16 Rural markets,

192. The MRD is also involved in Integrated Rural Accessibility Planning (IRAP), which is a new planning tool to better identify access priorities and develop proposals for infrastructure and support the investment programs, such as roads, schools and water wells at the district level. IRAP assigns accessibility ranking to communes and villages according to their levels of access to basic minimum needs and services.

193. During the last five years, substantial improvements have been made in providing rural services to Cambodia's poor communities. In particular, in 2003 the MRD was involved in preparing technical standards for rural road construction; empowering the commune councils in rural road maintenance; conducting an inventory of rural roads; building and maintaining a total of 1,000 km of rural roads; and building around 700 water wells. MRD is moving from project oriented approach to sectoral and program approach. MRD's activities are now focused in the following areas to achieve poverty reduction through the expansion of economic opportunities: (i) areas surrounding the Tonle Sap Lake to ensure biological diversity, where three million people live; (ii) border area development, especially in Battambang, Banteay Meanchey, Oddar Meanchey, Siem Reap and Svay Rieng; (iii) the North-eastern provinces, such as Rattanakiri and Mondulkiri to ensure environmental protection and promote ethnic minority development.

194. In the course of the implementation of the rehabilitation and reconstruction of rural infrastructure projects around 30 million work-days of employment was generated. The Ministry of Rural Development has also been involved in community development, training, establishment of Villages Development Committees (VDCs) and providing training to members of VDCs, food security and nutrition activities, providing training to private sector contractors, and rural credit schemes (rice banks, in-kind banks, village revolving credit and saving schemes).

195. With the rehabilitation and construction of more than 14,000 km of roads, many social services providers (health, credit, skills training, literacy and extension services) can now reach and provide their services not only in rural areas but also remote areas that were previously inaccessible. The mobility of the rural people has significantly improved and now they have opportunities to participate in their community's development.

196. There are many programs that have delivered services at the rural community level during the last five years. Some of the major ones include: the SEILA program, the Social Fund, and the rural micro-credit schemes. All of these programs have been receiving enthusiastic support from Cambodia's external development partners and it is hoped that they will continue to provide their support to these very important programs that address the root causes of poverty and tackle directly the national poverty reduction goal and the achievement of Cambodia's Millennium Development Goals.

197. **SEILA Program:** The Royal Government's SEILA Program was initiated in 1996 to formulate, test and continuously strengthen decentralized and de-concentrated systems for planning, financing and implementation of local development at the provincial and commune levels. Beginning with 5 provinces and a small number of pilot communes in 1996, by the end of 2001 and prior to the commune elections, coverage had expanded to half of the provinces and to more than one-third of the rural communes in the country. In 2003 the SEILA program coverage was extended to cover all provinces and communes. During the period of 1998-2003, combining formal training with a "learning-by-doing" approach to capacity building, approximately 3,000 civil servants and 75,000 elected village representatives have been provided training in a variety of technical areas that have included--participatory planning, financial management, contract administration, bidding and procurement, and monitoring and evaluation. Over this period approximately 43 million US\$ in direct investment has been disbursed through contractual modalities between the Governor and both public and private implementing agencies at the provincial level, and approximately 42 million US\$ between the CDC and primarily private contractors at the commune level. Adopting a partnership approach with the donor community at national level and an integrated, annual programming framework with international agencies and NGOs at the provincial level, a high volume of additional, parallel resources have been mobilized and programmed each year to support the developments at the provincial and commune levels. External evaluations of the SEILA program have reaffirmed the socio-economic benefits that have resulted from civil works projects implemented by private sector at the commune level as well as the growing capacity of the provinces, districts and communes to manage the decentralized systems.

198. The adoption of the Law on Commune Administration in 2001 and the Commune Elections held in February 2002 are important milestones in Cambodia's march to a new era of grassroots democratization, along with the establishment of the National Committee for Support to Communes/Sangkats (NCSC) and a Department of Local Administration (DoLA) within the Ministry of Interior, who are responsible for formulating the decentralized regulatory framework and coordinating support to Commune/Sangkat Councils. Anticipating these changes, the Second Phase (2001-2005) of the SEILA Program was re-conceptualized as an aid mobilization and coordination framework to support the Royal Government's decentralization and de-concentration reforms. The five-year (2001-2005) \$ 95 million SEILA Program was approved by the Council of Ministers on 5 January 2001 and is now in its second last year of implementation.

199. **Social Fund:** the Social Fund of the Kingdom of Cambodia (SFKC), was established in 1994, as an autonomous public institution, under the Presidency of the Prime Minister. It has been engaged, nation-wide, since late-1995, in supporting the Royal Government's efforts to reduce poverty by financing projects for the rehabilitation and reconstruction of social and economic infrastructure, and other socially productive activities; and by creating short term employment opportunities while enhancing the ability of communities to identify local development needs and manage small scale development projects.

200. The SFKC's portfolio is demand-driven and entirely determined by the requests it receives from communities, local authorities, public institutions and other organizations throughout the Kingdom. It acts solely as a financial intermediary, funding and monitoring eligible projects. A key emphasis of SFKC is on increasing the participation of communities and the sustainability of the projects while strengthening community ownership in procurement, contracting and management of the facilities created.

201. During the 1998-2003 period, SFKC has received, from local communities, 3,272 project applications valued at US\$ 95.8 million. Of these, 59 percent of the projects were in the economic sector and 41 percent in the social sector. Disaggregated, these applications included request for: 1,178 school buildings, 7 irrigation schemes, 54 commune and district health centers, 415 water wells, 1,093 bridges and culverts, 26 drainage and sewerage systems, and 91 secondary school buildings. It illustrates the diversity of demand for small-scale infrastructure facilities, particularly in the rural areas of the Kingdom.

202. During the period of 1998-2003 SFKC has approved 1,928 projects, all over the country, valued at more than US\$ 38.8 million. Of the 1,928 projects implemented 15.2 percent were in post-conflict areas, 90.8 percent were in the rural areas, and 9.2 percent in the urban areas. In terms of value, the total labor content of the investments amounted to about 13.2 percent of the total, creating more than 98,660 person-months of employment.

203. **Rural Credit Schemes:** The Royal Government has fully supported and encouraged the participation of Micro-Finance Institutions (MFIs), Specialized Banks, Commercial Banks and the Rural Development Bank (RDB) to provide credit to rural

communities. At present, most of the Commercial Banks do not have branches at the provincial level. Even those Banks who have established branches in some provinces, these are limited to big centres and there is virtually no presence at districts, communes or villages level. However, MFIs, NGOs and Specialized Banks have been providing credit services to the needy in rural areas for some time. Also, the Rural Development Bank (RDB) plays an important role in financing, refinancing and providing technical assistance to MFIs and in mobilizing domestic and foreign financial resources to support the provision of rural credit for micro-finance activities.

204. Access to credit in rural areas is key to achieving broad-based economic expansion. The Royal Government has taken several concrete steps to enhance the availability of credit in rural areas. These include: transforming NGOs into formal Micro-Finance Institutions (MFIs) or as a registered financial operator; improving supervision of micro finance institutions to mobilize resources; and reducing interest rates to increase access by the poor to credit. In the first nine months of 2003, the National Bank of Cambodia (NBC) issued licenses to five MFIs and registered four NGOs as rural credit operators. At present, there are more than 100 rural financial operators that include licensed micro finances, registered and non-registered NGOs. Most of these, however, are relatively of small size.

205. The introduction of an on-site and off-site inspection manual for MFIs in earlier 2003 by the Royal Government has contributed to improvement in supervision of MFIs. To strengthen off-site supervision a standardized new chart of accounts has also been prepared to ensure the quality and consistency of the financial information submitted by financial institutions. The new chart of accounts is gradually being implemented by the licensed MFIs and those NGOs that intend to apply for a license in the future. The NBC has also developed simplified reporting formats for both registered and licensed institutions. For prudential purposes on-site inspections are being conducted before license and registration certificate as rural finance operators are issued.

206. So far, MFIs have had the freedom to set interest rates. However, their inability to properly assess the risk in setting the interest rate has led to high interest rates. The NBC has issued guidelines to MFIs on the methodology to calculate the interest rate based on market conditions. The methodology is designed to improve the financial analysis that could result in reduced interest rates on loans to be made to the rural poor. Nevertheless, the NBC is conscious that more direct administrative interventions could lead to unsustainable microfinance institutions.

207. At present, the huge gap between demand and supply of funds represents a major constraint to low lending rate in micro finance sector. The regulation on the licensing and registration of MFIs aims therefore to upgrade their legal status and strengthen their operations that will enable them to attract more resources, either in the form of refinance assistance from the Rural Development Bank (RDB) or through equity participation. Building the institutional capacity of the NGOs that have become licensed MFIs is critical for their sustainability.

ENVIRONMENT AND CONSERVATION

208. Following the adoption of the Environmental Law in 1996, a draft law on Protected Areas was prepared in 2001. The Ministry of Environment is responsible for implementation of this Law. This draft law provides procedures, guidelines, and regulatory tools for the administration and management of protected areas, protection of rights and traditions of ethnic minorities and creation of protected area communities to seek their participation in the management and use of natural resources, sustainable management, and use of biodiversity. In addition, a bio-safety law has been drafted, and a national biodiversity strategy and action plan (NBSAP) was adopted.

209. The Ministry of Environment is actively involved in the implementation of a number of international conventions and treaties regarding conservation, such as: the Convention on Biodiversity, the Protocol on Bio-safety, the RAMSAR Convention, the CITES Convention, the Anti-Desertification Convention, and the Tiger forum.

210. **Management of Protected Areas:** There are 23 areas that are protected under the Law on Environmental Protection and Natural Resources Management. Each protected area is classified into four management zones namely core zone, conservation zone, sustainable development zone and community zone. To strengthen the management of these protected areas work on producing maps and demarcation of boundaries for 11 protected areas has been completed, 280 concrete poles as markers for Community Protected Areas have been erected, construction of 68 sub-stations, stations and headquarters in some protected areas has been completed, 110 km roads within protected areas have been rehabilitated, and forest fire breaks constructed and equipped with 6 forest-fire trucks, motorcycles, and other equipment and facilities.

211. The Ministry of Environment has conducted studies and collected data on flora and fauna such as medicinal plants, reptiles, birds, mammals, butterflies and other insects and on the relationship between elephants and human beings. In some protected areas the number of wildlife has been increasing, for example the number of gaurs in Samkos wildlife sanctuary has increased from 30 to 50, the number of elephants in Phnom Prech wildlife sanctuary has increased from 10 to 20, the number of pheasants at Kulen Phrum Tep wildlife sanctuary from 50 to 100, and up to 1,500 pair of *Anhinga melanogaster* are now found at Prek Tual in the core zone of Boeng Tonle-Sap biosphere reserve.

212. As part of the Royal Government's policy on decentralization and community participation, the Ministry has established 70 protected area communities, 14 of which have received official recognition. The Ministry has succeeded in building partnerships with several international organizations and NGOs to manage these protected areas, including WB, ADB, GEF, UNDP, UNESCO, FAO, DANIDA, WI, UNEP, Capacity 21, WWF, WCS, FFI, IUCN, WildAid, US Fish and Wildlife, IDRC, CWHC, Mlup Baitong, SCW, RECOFTC, LWS, Oxfam GB and the SEILA program. Because of these efforts, illegal activities have been reduced and there are some indications of increases in the numbers of some wildlife species in these areas, such as large water birds (Tonle Sap

Biosphere Reserve and Ang Trapeng Thmar), and river dolphins (Stung Treng RAMSAR site).

213. Management of Tonle Sap Biosphere Reserve and Coastal Zone Environment: The Ministry of Environment has made concerted efforts on biodiversity conservation in the three core areas of the Tonle Sap Biosphere Reserve by constructing environmental stations for research and monitoring biodiversity, organization of management groups, conducting environmental awareness and educational activities as well as capacity building for park rangers. A mechanism for cooperation between relevant ministries for sustainable management the Tonle Sap Biosphere Reserve has been created, which facilitates effective reforms of land use, forestry, and fisheries and creation of community organizations for natural resource management.

214. Regarding management of the marine and coastal environment, the Ministry has setup a National Committee for Coastal Zone Management and technical working groups to promote the involvement of provincial authorities and commune councils in coastal zone management. With the support of DANIDA, guidelines and physical and strategic planning tools for the coastal provinces have been developed and 3 coastal resource centers have been built. Thirty community-based organizations for coastal management have been established, 54 ha of mangroves have been replanted and 9 sea grass species, 84 species of coral and 74 species of mangrove plants have been identified.

215. Environmental Quality Protection: A number of legislative measures and related legal instruments on environmental protection have been developed and adopted as tools for the MoE to fulfill its mission statement on prevention and reduction of the impacts of pollution on public health and environmental quality. These include; a sub-decree on Water Pollution Control, a sub-decree on Solid Waste Management, a sub-decree on Air Quality Management, and Noise and Vibration Disturbance and a finalized draft of a sub-decree on Management of Ozone-Depleting Substances. In addition, the MoE has collaborated with the international community on the implementation of international conventions and protocols, which include: the convention on Climate Change and the Kyoto Protocol, the Vienna Convention and the Montreal Protocol, the Basel Convention, the Stockholm Convention, and the Sustainable Development Strategy for the Seas of East Asia and finally the Putrajaya Declaration on Regional Cooperation for Sustainable Development (PEMSEA/IMO)

216. To ensure **water pollution prevention**, 48 factories that were adversely effecting water quality have been forced to install wastewater treatment facilities. Also, some main canals and the sewage system in Phnom Penh have been restored and repaired with support from JICA. Wastewater Treatment Facilities have been built in Sihanoukville (ADB), and in Battambang Province (SAWA/EU).

217. Solid Waste Management: Effective management of the industrial and hazardous waste is a priority of the Royal Government. The MoE in cooperation with the private sector has built a safe landfill, which is used for the disposal of industrial wastes and expired products that contain toxic or hazardous substances. Solid waste management at the municipal and provincial level has also been improved. Also, the

recycling of solid waste-refuse from the households in some locations of Phnom Penh has been implemented with very active participation from a low income community. This program is implemented by Non Governmental Organizations such as CSARO and CAMPED/EU.

218. Environmental Awareness and Community-based Management: Environmental education is one of the major priorities in capacity building of the Royal Government and it is also integrated in both non-formal and formal education from the national primary school to the colleges and universities and different committees. Based on experiences from past pilot projects, the community-based participation has been enhanced in the management of protected areas and environmental protection.

LAND MANAGEMENT AND URBAN PLANNING

219. Based on the Statement of the Royal Government on Land Policy in May 2001, the Council of Ministers adopted the Interim Paper on Strategy of Land Policy Framework on May 06, 2002. A comprehensive land policy has continually been prepared. To implement the Land Law enacted in 2001, the Council of Land Policy along with the Ministry prepared and submitted to the Council of Ministers for approval a set of policy papers and four sub-decrees, including policy paper and Sub-decree on Social Land Concessions (March 2003), Sub-decree on the procedures for Establishing the Cadastral Index Map and Land Register (May 2002), Sub-decree on Sporadic Land Registration (May 2002) and Sub-decree on Organization and Functioning of the Cadastral Commission. In addition, in implementing the said sub-decrees, the Ministry set out four sets of instructions. To support the work of Commune/Sangkat councils, with the support of the Ministry of Interior, the Ministry prepared the working paper on the procedures and process of proper Demarcation of Commune/Sangkat's Boundary, and the pilot was carried out to begin the work that was later extended nation-wide implementation and printing Commune/Sangkat maps. Further, the Ministry drafted and submitted to the Ministry of Interior the joint declaration regarding the Role and Responsibility of Commune/Sangkat Administration in Land Registration. Also, the Ministry prepared the draft instruction manual on "Local Government in Land Issue, Land management and Construction". These policies and regulatory frameworks were widely disseminated for implementation and compliance.

220. To Implement the Royal government's de-concentration policy, based on an assessment of the capacity and the scope of responsibility, Cadastre functions in eight provinces and municipalities have been delegated power to sign on cadastral documents granted by the Ministry. The powers are planned to be extended to an additional three provincial department in 2004-2005.

221. The Ministry has developed strategies and a human resource development plan to strengthen its capacity and is being restructured to meet the expected work load. To build staff's capacity, the Ministry has prepared training manuals, and staff has been provided both in-country and overseas training in the technical, legal, management and leadership areas. To improve the effectiveness and efficiency of the delivery of services, the Ministry

conducted training on “Leadership and Management Change”, for more than 100 senior officials from the central, provincial, and municipal departments of the Ministry.

222. Significant amount of training has been delivered to staff to ensure effective and transparent implementation of the land policy and the sub-decrees. The Ministry has prepared training manuals on systematic land registration, and has trained 700 officials, of whom 58 were trainers, 140 were quality control officials, and 6 were orthophoto production officials. Also, training on the role and duty for systematic land registration was provided to the administrative committees in eight provinces in which 3,000 civil service officials participated. The Ministry also developed procedures manual for the Cadastral Commission, and provided training to the 644 Cadastral Commission officials on Land Law, guidelines and procedures on out-of-court land dispute resolution methodologies. To ensure in-depth awareness of Land Law of 2001, the Ministry trained 30 trainers and 1,767 Ministry staff and related institutional staff at the provincial/municipal, District/Khan levels across the country. The Ministry prepared training manuals and provided trainings on Participatory Land Use Planning (PLUP) to 29 National Trainers and 370 provincial/municipal facilitators. Training on District Strategy Development Plan was provided to five national trainers and 30 provincial/municipality trainers.

223. As the education is a prioritized key factor and to promote the land administration professional, the Ministry was successful in having a Faculty of land Management and Administration within the Royal University of Agriculture established in October 2002. As of now more than 100 students have enrolled in this program. This faculty will seek international accreditation of its degree program from the University of Munich in Germany.

224. Some 293,500 land titles have been issuing so far via the pilot projects and the Land Management and Administration Project. 280,000 titles were issued through systematic land registration in 11 project provinces and 13,500 titles were issued through sporadic land registration for plots (land parcels) and flat residences. The Ministry established the geodetic network of 1,313 points and produced orthophoto for 22,108 square km.

225. So far, there have been 1,961 cases of land disputes throughout the country. Of these 493 cases have been resolved, 161 cases were either handed over to the court or canceled. The remaining 1,307 cases are in the progress of being resolved.

226. **Land Management:** To ensure systematic and planned land development, land use plans have been developed for a number of areas. These include: a strategic development plan of Kamreing district in Battambang province; industrial zoning plan for Neang Kok in Koh Kong province; conservation zoning for Preah Reach Troap Mountain; master plan for Kampot provincial town (sub-degree are being drafted), Pailin town (awaiting comments from the town authority), Chlounge district in Kratie province (awaiting comments from the province authority) as well as a master plan for the conservation of cultural heritage buildings in Battambang town (sub-degree are being drafted), a master plan of historical tourist site of Anlong Veng (royal degree are being drafted). Actions are

now being taken to prepare a master plan for the provincial towns of Kampong Cham and Monduliri, and the municipality of Phnom Penh.

227. **Land Concessions:** To implement the Sub-decree on Social Land Concessions at the national, provincial/municipal, and district/Khan levels, mechanism were formed, and pilot projects were carried out in three communes and one Sangkat in the Battambang, Kampong Speu provinces, and Phnom Penh. Based on the results of pilot projects and the poverty social impact assessment study on social land concessions project, the Council of Land Policy in collaboration with various development partners is currently involved in designing a program for Land Allocation for Social and Economic Development (LASED).

228. **Construction Management:** Regulation for the management of the opening and closing of construction sites, and the management of engineering design and construction companies. Work is now underway on drafting the Prakas on the fee structure for construction permits. The Ministry issued construction permits for 42 hotels, 31 factories, 17 gas stations and 42 residential sites. It also issued 190 permits to business involved in engineering design and construction.

LAND MINES AND UXO REMOVAL

229. Cambodia is one of the most heavily land mined and UXO (unexploded ordnance) affected countries in the world. The land mines and the UXO left behind from the Vietnam War and the internal strife in subsequent period continue to cause hundreds of fatalities of innocent citizens each year. Several years of aerial bombing and shelling and widespread use of landmines by combatants have had a devastating impact on the country. The problem is so severe that rural poor' access to essential facilities such as water, roads, bridges and cultivable land is seriously restricted and hazardous.

230. The Level One Survey (L1S) completed in April 2002 identified 3,037 suspected areas contaminated by mines or UXO, covering an area of 4,466 square km or 2.5 percent of the country's surface area. About 1,640 villages, representing around 12 percent of all villages, have to cope with levels of high contamination by landmines and UXO, and more than 5,500 villages have UXO scattered on their land.

231. The Royal Government considers the task of clearing land mines and UXO to be a prerequisite for achieving its development goals. In December 2002, the Cambodian Mine Action and Victim Assistance Authority (CMAA) completed work on preparing a National Mine Action Strategy and the Five Year Mine Action Plan 2003-2007 for land mines and UXOs clearance. At present a large number of operators are participating in the de-mining operations. Work on preparing a draft of National Mine Action Standards (CMAS) was completed in late 2003, to standardize the process of accreditation and license monitoring and to ensure quality assurance of the many de-mining agencies involved. CMAA has also established a Quality Management Cluster within its structure to monitor the implementation of these standards by the de-mining agencies.

232. Between 1998 and 2003, the four main operators: CMAC, RCAF, HALO Trust and MAG – have cleared a total of just under 163 square Km or around 3.6 percent of the suspected land mined area, removed and destroyed 235,571 anti personnel mines, and found and destroyed 513,388 unexploded ordnance pieces. As a result the number of accidents has steadily decreased from 1158 in 1999 to 755 in 2003.

LABOR AND SOCIAL SERVICES

233. During the period of the second mandate of the Royal Government, 1998 to 2003, the Ministry of Social Affairs, Labor, Vocational Training and Youth Rehabilitation made significant progress in implementing the labor laws and providing social services to vulnerable groups. The International Labor Organization of the United Nations as part of its labor conditions monitoring activities has declared that the garment and footwear industries in Cambodia are free of forced labor, child labor, or discrimination.

234. Following the formation of the new Government, July 2004 the Ministry was reorganized and its name changed to Ministry of Labor and Vocational Training. The reorganized Ministry will be responsible for the labor affairs as well as the vocational training, youth and sports portfolio that was previously under the Ministry of Education's jurisdiction.

235. In terms of the implementation of the **Labor Law**, during the last five years the Ministry of Social Affairs, Labor, Vocational Training and Youth Rehabilitation developed and adopted 51 legal instruments such as the Anukret, Prakas, and other regulations. In accordance with the provisions of the Labor Law, the Labor Advisory Committee and the Arbitration Council were established. In the year 2000 the monthly minimum wage for workers in garment and footwear industries was increased from 40 to 45 US dollars including bonuses and other fringe benefits. The entitlement of workers in the private sector to paid annual leave was set at the same level to which workers in the public sector are entitled.

236. The Ministry carried out inspections of labor conditions, health and safety conditions, and foreign labor management practices. Some 5,495 enterprises were inspected, of which 4,062 enterprises were found to be in violation of the Labor Law. The Ministry issued cautionary notices to 3,249 enterprises that were violating the Labor Law and regulations, and 440 were fined. Because of the strengthening of the inspections process, the number of labor disputes decreased considerably.

237. The Ministry registered more than 500 enterprise level unions, 16 federations of trade unions, and 1 confederation of trade union with 200,572 members. There are six employers' associations represented by an employers' confederation. Both the rights of workers to strikes and the employer's right to lock out were respected.

238. The Ministry registered 138,148 job seekers of which 134,791 were employed by commercial enterprises. The Ministry provided overseas employment services for 3,437 workers in Malaysia and the Republic of Korea. In accordance with the provisions of the Memorandum of Understanding between the Kingdom of Cambodia and the Kingdom of

Thailand 181,579 Cambodians working in Thailand without proper work permits were provided appropriate documentation by the Thai authorities.

239. In September 2002, a Law on Social Security Schemes for persons defined by the provisions of the Labor Law was promulgated. This Law entitles workers and employees in the private sector to old age, invalidity, and survivors benefits as well as on-the-job injury benefits. A National Social Security Fund has not been established yet for implementing this Law due to lack of both technical and financial resources.

240. **Social services** provided to veterans included monthly payments to veterans that were increased by 30 percent and again by 10 percent. Over 4,600 homeless and 147 mentally handicapped persons were provided training and funds to reintegrate in to the community. Emergency food and supplies were provided to 2,701 fire victim families, 965 drought victim families, 419,181 flood victim families and 10,596 starving people that contributed to reducing the number of homeless. Some 1,200 juvenile delinquents were provided health care services and vocational training and were integrated into the community. Also, around 1,100 juvenile delinquents were provided education on the impact of drug abuse.

241. The campaign against prostitution included not only prosecution of the culprits but also the provision of education and advice on health care issues to the concerned. Each year the Elder People's Day was celebrated to enhance the awareness of the contribution of the elders to the society and to encourage the establishment of elder peoples associations. The five-year National Plan to Fight Against Child Sexual Exploitation has been successfully implemented. The Program for Elimination of Child Labor and the Program of Child Prevention Network in Community was implemented. The Ministry managed 21 orphanages that look after 2,218 orphans. The Ministry has cooperated with NGOs to establish another 78 orphanages for 1,864 orphans. The orphans were provided food and accommodation, vocational training, and child-care services.

242. In Cambodia, there are some 169,000 persons with disabilities. Around 93 percent of these are males and 60 percent victims of war. A program on the rights of the disabled was successfully launched that resulted in subsequent provision of services to this group. The Ministry cooperated with NGOs to establish 10 vocational training schools to provide vocational training to people with disabilities.

GENDER AND DEVELOPMENT

243. Over the past five years the Ministry of Women's Affairs (MoWA), in cooperation with other government institutions and local and international non-government organizations, has been implementing the national strategy *Neary Rattanak*, 'Women are Precious Gems'. *Neary Rattanak* presents a vision of Cambodian people, both women and men, who are united and moving forward to build a prosperous and peaceful nation, upholding law and order in a just and transparent system with good governance to achieve social, economic and political stability. The goal is to improve the living conditions of women and to alleviate poverty by building the capacities of women and empowering them to participate equitably in the socio-economic development of the nation. The Royal

Governments efforts have been focused on mainstreaming gender, women in decision-making, public awareness, increasing access to education and health services, economic empowerment, legal protection and effective governance.

244. **Mainstreaming Gender:** At the *national level*, gender issues with specific targets and indicators have been integrated into Cambodia's MDGs, SEDP II and the NPRS. Promoting gender equality and equity and enhancing human resource development has been incorporated as one of seven policy measures in the National Population Policy. To improve monitoring on gender issues, the Royal Government has instructed the National Institute of Statistics (NIS) to develop gender-specific indicators that could be used analyze the nature and extent of gender disparities. Some ministries have made budget provisions to address gender disparities, most notably in education. MoWA was designated as a priority ministry in the MTEF for 2005-2007. The inter-ministerial National Council for Women was established by a Royal Decree in February 2001. Cambodia is moving towards meeting its international reporting obligations on the Convention to Eliminate All Forms of Discrimination Against Women (CEDAW). Two gender focal points from each of 12 line ministries were trained by MoWA in 2000-01. Gender working groups have now been established in MoEYS, MAFF, MRD and Mol with active support from the senior management of these ministries. To promote gender mainstreaming at the *sub-national levels*, the Royal Government recognizes that a "critical mass" is necessary to give women the confidence to participate actively. The Seila Gender Mainstreaming Strategy 2001-2005 was prepared and implemented by MoWA that focused attention on promoting awareness of gender issues in local government and community-based authorities by: (i) building commitment and capacity, (ii) increasing participation of women in local development planning and governance and, (iii) enhancing capacity for gender monitoring, evaluation and database management. Recently designated women and children focal points in the commune councils are being trained to integrate gender-responsive action into commune development plans.

245. **Women in Decision Making:** Over the past five years, the number of women in decision-making positions has increased. In the political arena, a significant number of women were elected as commune councilors because political parties were encouraged to nominate female members to stand for elections; MoWA worked in partnership with NGOs to provide training to female commune council candidates and female commune council members. The new Commune Planning and Budget Committees are composed of one woman and one man from each village covered by the commune. In village development committees, 40 percent of members must be women. The percentage of women in the newly elected National Assembly has not, however, increased significantly. To increase the participation of women in politics there is a need to change attitudes and perceptions not only among women but also in the overall political culture. The Royal Government has been supporting leadership programs for senior women civil servants to promote equitable participation of women in national decision-making.

246. **Building Public Awareness:** There is now increased public awareness of gender equality and equity issues. International Women's Day has been used as an opportunity to promote a specific theme such as stopping violence against women or recognizing the important contributions of women to the economy. The *Neary Rattanak*

radio program broadcasts information on gender concerns, sectoral priorities and activities of the ministry. Media and communication strategies are being used extensively throughout the country in campaigns against trafficking of women and children.

247. **Facilitating Increased Access to Education:** Access to education not only contributes to reducing poverty and illiteracy but reduces vulnerability, social instability, maternal and infant mortality rates, HIV/AIDS epidemic, domestic violence, trafficking, and discrimination in family and society. MoWA is working closely with the MoEYS in advocating for measures to increase gender equity in school enrolment at all levels and mainstreaming gender in the school curriculum. Priority is also being given to mobilizing resources for interventions which will increase access of female students to continue their education beyond basic education (grade 9) such as dormitories, scholarships and opportunities for overseas study. MoWA also implemented literacy and child care programs in 16 provinces/ municipalities. Provincial staff provided training to child care and early childhood education working groups and literacy trainers. The literacy program prepared by MoWA was approved by MoEYS and implemented nationwide.

248. **Facilitating Increased Access to Health Information and Services, and Reducing Vulnerability to HIV/AIDS.** In cooperation with the Ministry of Health, MoWA designed and implemented pilot projects to expand reproductive health education and community-based distribution of contraceptives. In the initial pilot project, female and male reproductive health volunteers in two provinces were trained in reproductive health and sex education. These volunteers conducted hundreds of information dissemination sessions at the community level. Building on experience gained through these activities, MoWA's Health Department developed a community-based contraceptive distribution program that was implemented in six provinces. Training was provided to distribution agents and group leaders. Materials were developed and procedures put into place to facilitate smooth implementation and on-going monitoring. A pilot project on fighting against malaria was also conducted in one province. Education and information agents were trained to provide training to villagers, heads of villages and district facilitators. MoWA's ability to work through women's networks at the grassroots level greatly facilitates successful implementation of these types of outreach activities. MoWA also took the lead in drafting a National Policy on Women and Girls and HIV/AIDS and Sexually Transmitted Diseases and is a strong advocate within the National AIDS Authority steering and technical committees for a multi-sectoral response to the AIDS pandemic, and recognition of the specific vulnerabilities faced by women and girls in this response.

249. **Economic Empowerment:** The Royal Government has strived to ensure the rights of women to equal access to economic resources and opportunities. MoWA worked together with MAFF in developing a policy on fruit and vegetable marketing, implement pilot activities with farmer and water user groups, establish farmer field schools, train women farmer leaders, and develop a strategy and plan of action for mainstreaming gender in agriculture. Micro and small enterprise and the informal sector of the economy are particularly important to women. MoWA has been providing skills training in traditional 'women's' skills (e.g., sewing, weaving, hair dressing) and providing micro-credit through Women in Development (WID) Centers and provincial departments. A more

comprehensive strategy has been developed to better promote and support women in enterprise. The 'one-village, one product concept' was introduced at a workshop on "Women and Promoting Micro and Small Enterprise Development" in 2001. Pilot activities have been undertaken to introduce village- based food processing technologies; develop and test approaches to increasing access to markets for particularly vulnerable groups; and, convert WID Centers into integrated Women's Empowerment Centers offering a wider range of support including technical skills, business development services, and facilitating access to credit, markets and other services, and life-skills training. The garment industry is a major source of paid employment for women. The elimination of the quota system in January 2005 will expose Cambodian exporters to direct competition from neighboring countries. To increase opportunities for women for paid employment in the garment industry the Royal Government is working to secure its reputation for good labor practices, and attract garment factories from Thailand. Pilot activities are also being implemented to the reduce vulnerability of garment workers to retrenchment.

250. **Strengthening Legal Rights and Ensuring Legal Protection:** The Royal Government is making progress in putting a gender-aware and gender-responsive legal framework into place. In addition to drafting a new law on domestic violence and providing inputs into the new draft law on trafficking drafted by the Ministry of Justice, inputs from a gender-perspective were also provided on the Property Law, Criminal Code, Marriage and Family Law, and regulations for implementing the Labor Code. Extensive consultations were conducted with all stakeholders in the drafting of a new law on the Prevention of Domestic Violence and Protection of Victims. This was presented to the Parliament in the last government mandate however the adoption of the law has been delayed due to political developments in 2003 in the lead up to and the aftermath of the July 2003 elections. The Royal Government is committed to eradicating trafficking in persons. Actions are being take at several levels: (i) preparation and negotiation of memoranda of understanding with Vietnam and Thailand on bi-lateral cooperation to eliminate trafficking in persons and protection of trafficked victims; (ii) drafting of a new law on the Prevention of Trafficking that will soon be presented to the National Assembly for its approval; (iii) training of civil police, military police, court officials, soldiers and local authorities on combating trafficking; (iv) extensive information, education and communication campaigns against trafficking of women and children; and (v) the efforts of concerned authorities who have been working hard to capture traffickers of women and children and bring the perpetrators to justice. MoWA has also been called upon to intervene in cases of gender-based violence including domestic violence, trafficking and sexual exploitation. MoWA's role has been primarily to help women gain access to legal and protective services, and as an advocate at senior decision-making levels, particularly on high profile cases. A social work institute has been established which is providing training to NGOs providing legal representation, protection and responding to the psycho-social needs of persons subjected to gender-based violence.

251. **Effective Governance.** The Ministry of Women's Affairs (MoWA) was created in 1999 to foster gender equality and advance the role and status of women in Cambodia. The Ministry has been engaged in activities directed at promoting gender mainstreaming throughout the government, as well as undertaking strategic action on priority gender concerns. MoWA is a relatively new ministry and its mandate has shifted from an

emphasis on direct services to a catalyst and facilitator of gender-responsive action in the policies and programs of all government and non-governmental institutions and civil society. Extensive attention has been given to strengthening the capacity of the Ministry to effectively carry out this mandate and manage its activities. This has entailed formulating new strategies and programs, extensive staff training and strengthening of internal systems and procedures. This process will need to continue at the central level along with increased attention to strengthening the effectiveness of provincial departments and district offices.

3. THE RECTANGULAR STRATEGY: ROYAL GOVERNMENT'S ECONOMIC POLICY AGENDA

252. Following the General Elections held on 27 July 2003 that have been recognized by national and international observers to be free, fair, transparent, and credible the Royal Government of Cambodia was formed and took office in July 2004 to implement the political platform of the coalition partners in the Third Legislature of the National Assembly. Humbled by the will of the people, the Royal Government remains fully committed to achieving peace and national reconciliation, stability and social order, democracy and respect for human rights, national independence, sovereignty and territorial integrity, and sustainable development that will ensure progress, prosperity, harmony, decent livelihood and dignity for Cambodians from all walks of life and the entire nation.

253. The Royal Government, during its Third Mandate, will continue to vigorously implement and deepen its reform programs in order to achieve Cambodia's Millennium Development Goals. For the Royal Government, maintaining and accelerating the pace of reforms is a life and death issue for Cambodia. Progress must be made in implementing the reforms agenda, with the needed support and assistance from Cambodia's development partners, to get Cambodia out of the vicious cycle of poverty and to regain its position as a strong and proud nation. A failure to build on the momentum achieved so far in implementing the reforms will not only be a lost opportunity but will result in people continuing to be mired in poverty, endless conflicts and instability.

254. The overarching goal of the Royal Government of Cambodia during the Third Legislature of the National Assembly is to firmly and steadily build Cambodian society by strengthening peace, stability and social order, entrenching democracy and promoting respect for human rights and dignity. The Royal Government will promote sustainable and equitable development, and strengthen Cambodia's social fabric to ensure that the Cambodian people are well-educated, culturally advanced, engaged in a dignified livelihood and living in harmony in family and society. The key priorities of the political platform of the Royal Government in the Third Legislature of the National Assembly are: (i) the promotion of economic growth; (ii) generation of employment for all Cambodian workers; (iii) implementation of the Governance Action Plan and thereby ensuring equity, social justice and enhanced efficiency and effectiveness of the Royal Government; and (iv) accelerated implementation of broad reforms in all sectors to reduce poverty and achieve sustainable development.

255. Soon after the formation of the Royal Government of the Third Legislature of the National Assembly, it presented to Cambodian people and all development partners its Rectangular Strategy that outlines the economic policy agenda for implementing the political platform. The Rectangular strategy builds on the successes of the *Triangular Strategy* that was implemented during the second mandate. The successful implementation of the Triangular Strategy during the second mandate has brought about a profound transformation of Cambodia from a region of uncertainty, war, internal strife,

instability and backwardness into an epicenter of sustained peace, security and social order, respect for democracy, human rights and dignity, cooperation and shared development. Over a very short period relative to the long histories of many developed countries, the Royal Government has demonstrated that Cambodia is fully capable of engagement on an equal footing with all partners, in regional and international affairs. The positive gains achieved so far have bolstered confidence in Cambodia's bright future, laying the foundation for sustained economic growth, increased trade, investment flows, and tourism that have generated employment and incomes for Cambodians, thereby reducing poverty and improving the well-being of the people.

256. The *Rectangular Strategy* as the economic policy agenda for the third mandate of the Royal Government builds on key elements of *Cambodia's Millennium Development Goals*, the *Cambodia Socio-Economic Development Plan 2001-2005* (SEDP2), the *National Poverty Reduction Strategy 2003-2005* (NPRS), and the various policies, strategies, plans and reform programs. All of these strategic frameworks had been formulated through broad consultations with all national and international stakeholders, including representatives of civil society and the donor community.

257. The Rectangular Strategy is the Economic Policy Agenda of the Political Platform for the Third Mandate of the Royal Government. It has been formulated and prepared by screening, highlighting and streamlining the reform programs into a comprehensive, systematic, intertwined, mutually-reinforcing package of priorities that is easily understood and will serve as the key tool of the Royal Government to implement and manage the economic policy agenda of the nation. Its aim is to promote economic growth, generate employment for Cambodian workers, ensure equity and social justice, and enhance efficiency of the public sector through the implementation of the Governance Action Plan and in-depth reforms that are coordinated and consistent across all levels and sectors. The Royal Government of Cambodia in the Third Legislature of the National Assembly will thus be known as the "*Government of Growth, Employment, Equity, and Efficiency*".

258. The Rectangular Strategy was presented by Samdech Prime Minister Hun Sen at the first Cabinet Meeting of the new Government. It was published and has been widely disseminated to all national and international development partners and civil society. Briefly, the *Rectangular Strategy* is an integrated structure of interlocking rectangles, as follows:

First, the core of the *Rectangular Strategy* is **good governance** focused at four reform areas: (i) anti-corruption, (ii) legal and judicial reform, (iii) public administration reform including decentralization and de-concentration, and (iv) reform of the armed forces, especially demobilization.

Second, the **environment for the implementation of Rectangular Strategy** consists of four elements: (i) peace, political stability and social order; (ii) partnership in development with all stakeholders, including the private sector, donor community and civil society; (iii) favorable macroeconomic and financial environment; and (iv) the integration of Cambodia into the region and the world.

Third, the four strategic “**growth rectangles**” are: (i) enhancement of the agricultural sector; (ii) private sector growth and employment; (iii) continued rehabilitation and construction of physical infrastructure; and (iv) capacity building and human resource development.

Fourth, each strategic “**growth rectangle**” has four sides:

- *Rectangle 1: Enhancement of Agricultural Sector* which covers: (i) improved productivity and diversification of agriculture; (ii) land reform and clearing of mines; (iii) fisheries reform; and (iv) forestry reform;
- *Rectangle 2: Continued Rehabilitation and Construction of Physical Infrastructure*, involving: (i) continued restoration and construction of transport infrastructure (inland, marine and air transport); (ii) management of water resources and irrigation; (iii) development of energy and power grids, and (iv) development of information and communication technology;
- *Rectangle 3: Private Sector Growth and Employment* covers: (i) strengthened private sector and attraction of investments; (ii) promotion of SMEs; (iii) creation of jobs and ensuring improved working conditions; and (iv) establishment of social safety nets for civil servants, employees and workers; and
- *Rectangle 4: Capacity Building and Human Resource Development*, including: (i) enhanced quality of education; (ii) improvement of health services; (iii) fostering gender equity, and (iv) implementation of population policy.

259. The Royal Government of Cambodia has devoted significant time and made concerted efforts over the last decade to rehabilitate and develop the nation from the ashes of genocide under the Khmer Rouge and protracted wars. It has succeeded in restoring peace, political stability, law and order, democracy, respect of human rights and economic stability. The Royal Government has been implementing a comprehensive reforms program that along with many successes has encountered enormous challenges, difficulties and obstacles. Cambodia has also made significant progress in making a transition from a centrally planned economy to a dynamic market based system, a process that began in the mid 1980s.

260. Nevertheless, the most formidable development challenge faced by the Royal Government now is the reduction of poverty and the improvement of the livelihoods and quality of life of a rapidly growing population. The Rectangular Strategy is the economic policy tool that the Royal Government will implement to reduce poverty during the period of its new mandate and to move forward in achieving Cambodia's Millennium Development Goals. The Royal Government recognizes that Cambodia still has a long way to go, and has to overcome numerous obstacles to achieve long-term progress and prosperity for the country and its people. Thus, the promotion of the harmonized efforts of the Cambodian people in poverty reduction will continue to be an important objective of the Royal Government during the Third Legislature of the National Assembly.

261. The Royal Government appeals to all its development partners -- the donor community, the private sector, non-governmental organizations, civil society; as well as the civil servants in all ministries/institutions, members of the legislative, executive and

juridical branches, members of the armed forces, the authorities at all levels and each and every citizen to provide all necessary support and to actively participate in partnership with the Royal Government in the implementation of the political platform and the economic policy agenda of the Royal Government of the Third Legislature of the National Assembly.

4. PRIORITIES FOR IMPLEMENTING THE RECTANGULAR STRATEGY

262. The development vision of the Royal Government of Cambodia is to have a socially cohesive, educationally advanced and culturally vibrant Cambodia without poverty, illiteracy and disease. Realizing this vision will require continued adherence to the values of social justice, human welfare and empowerment of the people and the formulation and implementation of policies to reduce poverty by promoting sustainable economic growth and better governance.

PRIORITIES FOR IMPLEMENTING THE RECTANGULAR STRATEGY

- 4.1 *Good Governance*
- 4.2 *Environment for the Implementation of
the Rectangular Strategy*
- 4.3 *Growth*

263. The “Rectangular Strategy” of the Royal Government of the Third Legislature of the National Assembly is designed to achieve this Vision. Soon after the formation of the new Government in July 2004, Samdech Prime Minister Hun Sen instructed all Government ministries and agencies to develop plans for implementing the Rectangular Strategy. At the Pre-CG Meeting held on 10 September 2004 at the Council for the Development of Cambodia, he appealed to the development partners to work with the concerned ministries and agencies to establish, through a collaborative process, priorities and prepare actions plans to implement the policies outlined in the Rectangular Strategy. The planned seventeen sectoral/thematic Joint Government-Donor Technical Working Groups under the CG mechanism were tasked to complete this work before the planned CG Meeting to be held in early December 2004. The priorities for the implementation of the Rectangular Strategy outlined in the following sections, therefore, are a work-in-progress and represent the preliminary work of the concerned ministries and agencies.

4.1 GOOD GOVERNANCE

264. For the Royal Government, good governance is the most important pre-condition to achieve sustainable economic development with equity and social justice. Achieving good governance will require the active participation and commitment of all segments of the society, enhanced information sharing, accountability, transparency, equality, inclusiveness, and the rule of law. During its third mandate, the Royal Government of Cambodia will focus its efforts to ensure an effective implementation of its *Governance Action Plan* which covers four crosscutting areas: (i) combating corruption, (ii) judicial and legal reforms, (ii) civil service reform covering decentralization and de-concentration, and (iv) reform of the armed forces, especially demobilization.

GOOD GOVERNANCE

- *Combating Corruption*
- *Judicial and Legal Reforms*
- *Civil Service Reforms, including
Decentralization and De-
concentration*
- *Reform of Armed Forces, especially
demobilization*

COMBATING CORRUPTION

265. As stated in the Rectangular Strategy, the key thrust of the Royal Government of Cambodia's strategy to fight corruption is to take concrete actions that attack the roots of corruption. The implementation of the anti-corruption strategy will be supported with enough tools and resources to prevent and to substantially crack down on corrupt entities. Implementation is crucial because laws, regulations and codes of conduct are not sufficient to successfully fight corruption. Indeed, there must be efforts and mechanisms to strengthen the effectiveness of law enforcement.

266. To combat corruption the Royal Government will continue to pursue a holistic, participative, gradual and sustainable approach to address the root cause of corruptions. Although progress has been made in some areas, in others the RGC efforts faced many challenges. In fighting corruption, the Royal Government of Cambodia will promote the implementation of the Anti-corruption Law and, as soon as possible, create an independent body to fight corruption. The Royal Government will also promote effectiveness, transparency and accountability in the management of public finances, especially through the strengthening of audit processes and public procurement. The Royal Government shall also promote the implementation of the multi- and cross-sectoral governance reforms, especially those guided by the Governance Action Plan, which has been developed with broad participation from various government ministries and institutions, civil society and development partners. From this 3rd mandate onwards, the Royal Government of Cambodia will enable the responsible ministries and institutions to carefully review and check on each and every commercial contract and concession agreement on natural resources and state assets.

267. The priorities of the Royal Government to combat corruption during its third mandate are to:

- Revise the draft of the Anti-Corruption Law and submit to Parliament for its approval as soon as possible.
- Build capacity of the concerned institutions to effectively manage and enforce the approved Anti-corruption Law.
- Streamline the delivery of public services to contain opportunities for corrupt practices particularly in areas related to trade, commerce and investment.
- Establish a Citizen's Bureau as a check and balance mechanism to contain corrupt practices.
- Develop and enforce codes of ethics for the public sector.
- Improve transparency of public tenders and contract award procedures.
- Continue to strengthen Public Financial Management.
- Participate in international fora dedicated to fighting corruption such as the Anti-Corruption Action Plan for Asia and the Pacific.

LEGAL AND JUDICIAL REFORMS

268. As stated in the Rectangular Strategy, the Royal Government will respect and promote the independence and neutrality of the judiciary as stated in the Constitution.

This will include reforms which will ensure the independence of the Supreme Council of the Magistracy. The Royal Government will promote legal and judicial reforms and strengthen public confidence in the court system. By continuing to focus on the comprehensive strategy and priorities the Royal Government aims to enhance cooperation with development partners to strengthen the rule of law, promote equitable access to justice, reduce corruption, and create the conditions required for continued peace and stability.

269. The priorities of the Royal Government outlined in the Rectangular Strategy are to:

- i. To finalize and submit to the Parliament a draft of basic laws such as the Statute of Judges, the Law on the Organization of the Court, the Criminal Code, the Law on Criminal Procedures, the Civil Code, the Law on Civil Procedures, the Law on the Organization and Functioning of Notaries Public, and the Law on the Organization and Functioning of Bailiffs, and any other laws and regulations that are necessary to complete the legal framework required for Cambodia's full international engagement, especially within the context of the ASEAN and the World Trade Organization.
- ii. Establish special courts as needed, such as the Commercial Tribunal, the Juvenile Tribunal, the Labor Tribunal and the Administrative Tribunal.
- iii. Gradually establish model courts to enhance the quality and effectiveness of judicial services.
- iv. Enhancement of the capacity and responsibility of judges through the enforcement of the Statute of Judges, improved discipline through the enforcement of the code of conduct and through continuing training.
- v. Establish institutions for the training of court clerks, bailiffs and notaries.
- vi. Provide training and improve management of the judicial police.
- vii. Provide legal aid (including pro-bono legal professional services) to the poor who require legal and judicial protection and assistance.
- viii. Strengthen mechanisms for conflict resolution outside of the court system, particularly in the settlement of disputes related to the ownership and property rights of unregistered lands.

270. The Royal Government is pleased with the significant progress that has been made over the last year. A comprehensive strategy and action plan to speed up the legal and judicial reforms is now in place. The short-term and medium-term priorities for implementing the action plan have been identified through a consultative and collaborative process in which all concerned stakeholders have participated. The Royal Government hopes that this spirit of cooperation between the Council for Legal and Judicial Reforms, the development partners and civil society will now move to new level -- a coordinated team approach -- to succeed in moving forward the legal and judicial reforms agenda.

CIVIL SERVICE REFORMS

271. The Royal Government recognizes the importance of creating an administrative system and a civil service that is neutral, transparent, professional, responsive and

responsible to achieve its sustainable development goal. The Royal Government's *National Program for Administrative Reform* (NPAR) outlines the strategies and policies that will be used to transform the administration system and civil service into an effective organization to successfully implement Government's political platform and the economic actions agenda. To deliver quality public services effectively and efficiently NPAR activities will be focused on the following priority areas:

- i. Services related to the sovereignty of the state (including vital records, permits and land registration titles).
- ii. Services related to investments.
- iii. Basic services, especially education and health.
- iv. Services related to the collection of revenues and the management of expenditures of the state.

272. The Council for Administrative Reform (CAR) has prepared an Action Plan based on recent studies in consultation with ministries and development partners. The Plan was presented to development partners at a national workshop in August 2004. For programming purposes, actions to be taken under the umbrella of the NPAR have been grouped in the following seven priority areas:

- i. Improving service delivery
- ii. Enhancing remuneration
- iii. Redeploying the Civil Service
- iv. Strengthening Human Resources management and controls
- v. Implementing the PMG program
- vi. Developing human and institutional capacity
- vii. Promoting information and communication technologies

DECENTRALIZATION AND DE-CONCENTRATION

273. For all governments world-wide finding the appropriate levels of decentralization and de-concentration in terms of roles and responsibilities of the various levels of government is an on-going process. For the Royal Government of Cambodia the issues are compounded further by events in recent history. The Royal Government recognizes that the implementation of decentralization to the commune level is crucial not only to strengthen democracy at the grassroots level, but also to improve the quality of public services, and foster participatory development at the community level. To strengthen local governance, a key priority of the Royal Government is to build local management capacity, provide reasonable levels of financial resources to the communes and promote the culture of participation. Another priority is to ensure that decentralization and de-concentration efforts are implemented in conjunction with each other and capacities are developed at the municipal, commune, district, and provincial levels to achieve harmonized and mutually-supportive operations at the grassroots/community level.

274. To move the decentralization and de-de-concentration process forward the Royal Government priorities are to:

- i. Prepare the Organic Law to define the roles and responsibilities of the provincial and district administrative structures to speed up the process of delegation of

responsibility from line ministries operations at the centre to their sub-national operations and to the provinces.

ii. Develop a Strategic Framework on Decentralization and De-concentration. An inter-ministerial working group is currently working on developing this framework and an action plan to implement the strategy.

iii. Ensure predictable and timely release of funds including an examination of the option of allowing communes to raise their own resources by taking measures, such as:

- transfer of the block grants to the commune budget;
- review and revise, if necessary, the existing rules and regulations of the commune financial system including the option of developing their own source revenues, local contributions and tax sharing for the commune budget;
- pilot a commune decentralisation accounting system (CDAS) in two provincial treasuries;
- build institutional capacity of the commune councils.

iv. Strengthen government-donor and donor-donor coordination to achieve more optimal outcomes in terms of strategies and actions to implement the Royal Government's decentralization and de-concentration agenda and to improve aid effectiveness in this very important area.

REFORM OF THE ARMED FORCES

275. The Royal Government will continue to implement the policy and programs identified in the *White Book of National Defense* of the Royal Cambodian Armed Forces, including the distribution of social concession lands to the demobilized landless soldiers who request land for their residences and/or for family farming in conformity with the *Sub-decree on Social Concessions*. The Royal Government will continue to reform, build and strengthen the national police into a professional force, equipped with modern technology, and capable of discharging its responsibilities with due respect for law and human rights, thereby enabling the police to serve the people, maintain security, social order and harmony and protect the people's safety and property.

4.2 ENVIRONMENT FOR THE IMPLEMENTATION OF THE RECTANGULAR STRATEGY

276. The second side of the Rectangular Strategy deals with environmental factors that have implications for the implementation of the Rectangular strategy. These

environmental factors include: (i) peace, political stability and social order; (ii) partnerships in development; (iii) favorable macroeconomic and financial environment; and (iv) Cambodia's integration into the region and the world. The specific strategies and priorities in each of the above four areas are described in the following sections.

ENVIRONMENT FOR THE IMPLEMENTATION OF THE RECTANGULAR STRATEGY

- *Peace, Political stability and Social Order*
- *Partnerships in Development*
- *Macroeconomic and Financial Environment*
- *Integration in the Region and the World*

PEACE, POLITICAL STABILITY AND SOCIAL ORDER

277. As stated in the Rectangular Strategy, peace, political stability and social order constitute the most important conditions for strengthening macroeconomic stability and promoting sustainable development and poverty reduction. Therefore, the Royal Government will continue to further strengthen peace, political stability and social order, reflecting the nation's decisive move towards development and prosperity, leaving behind the legacy of wars, genocide and internal strife that have destroyed Cambodia over the past three decades.

278. Peace, political stability and social order are crucial for building the state and implementing state reform. Therefore, the top priority of the Government is by all means to strengthen the fabric of peace. Moreover, the strengthening of peace, political stability and social order will promote a «credible image» of Cambodia, build the confidence of investors and tourists in the country and generate favorable conditions for the people's dignified livelihoods that significantly contribute to economic development.

PARTNERSHIPS IN DEVELOPMENT

279. As stated in the Rectangular Strategy strengthening partnerships with all development partners -- the donor community, the private sector and civil society -- is a top priority of the Royal Government. The basic principles that will guide the building and strengthening of partnerships with the donor community are embodied in the Resolutions of the General Assembly of the United Nations, the work of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD), as well as the initiatives of the World Bank and the United Nations Development Program. Government-Private Sector Forum will be further strengthened to enhance its effectiveness as a mechanism of partnership between the public and private sectors. Cooperation between the State and the civil society based on rule of law to enhance Democracy, freedom, social order and primacy of law will be further strengthened. The Royal Government would like to see the civil society become an effective partner of the Government in nation building. To this end, the Royal Government will encourage the activities of the Non-Governmental Organizations and other duly-registered associations working to serve and benefit the people and the nation. The Royal Government welcomes the participation of the NGOs in the process of socio-economic rehabilitation and development and the promotion of Democracy and respect for human rights. The Royal Government will speed up the drafting, adoption and implementation of the *Law on Non-Governmental Organizations*, after broad consultation with all relevant institutions and organizations.

280. During the third mandate of the Royal Government an important challenge for both the Government and the development partners is to identify and implement approaches that will improve aid effectiveness in reducing poverty and achieving Cambodia's Millennium Development Goals. The Royal Government would like its development partners to align their assistance programs with Cambodia's development priorities and to harmonize their practices based on the principle and guidelines that have been agreed to in various international fora, in particular the OECD/DAC arena. The

Royal Government is convinced that using nationally owned strategies to plan and manage ODA and a greater harmonization of donor practices will not only enhance national ownership of the development activities but will also improve aid coordination and aid effectiveness. The Royal Government also encourages the development partners to consider planning their country assistance programs within the context of program/sector based approaches that will not only minimize the multitude of stand alone projects that place a heavy burden on the limited capacity in government institutions but will also bring a sharper focus to ODA supported activities.

281. The Working Group mechanism to monitor progress on specific policy issues has been in operation since 1999. So far, the membership of most of these working groups has included donor representatives only. Some of them have operated in an ad hoc manner without an overall framework for their operations. Over the past year, on behalf of the Royal Government, the Council for the Development of Cambodia (CDC) has been discussing with development partners how to restructure the working groups in order to enhance the aid effectiveness and to bring a greater coherence to ODA supported activities. The CDC gave a proposal to the development partners on the basic principles for restructuring the working groups in October 2003. An agreement on the basic principles to restructure the working groups was reached. These basic principles were endorsed by Samdech Hun Sen, the Prime Minister at the Pre-CG Meeting held on 10 September 2004 in Phnom Penh.

282. The Royal Government and the development partners have agreed to establish seventeen Joint Technical Working Groups at the sectoral/thematic level. It is also agreed that the formation of these joint technical working groups will be based on the following basic principles:

First, to strengthen the ownership and leadership of the Royal Government, the joint technical working groups shall be lead by the responsible ministry or agency and will include members from other concerned ministries and the development partners. The appointment of the chairperson of the working group shall be made by the Minister of the ministry/agency that will lead the working group. Based on the experiences of some working groups, the newly appointed chairperson of the working group must have the political will and commitment and willingness to devote his/her time to lead the working group. The development partners will nominate a donor coordinator and an alternate coordinator to ensure donor-donor coordination and continuity of the operations of each working group.

Second, each working group must prepare its Terms of References (TORs) that clearly defines its roles and responsibilities. However, to ensure consistency across working groups the TORs of each working group will include the following basic generic elements:

- i. Each Working Group shall jointly prepare detailed strategies or policies for the sector that is being dealt with by the Group, if they have not been developed so far, ensuring that these strategies or policies are consistent with the Rectangular Strategy. For Working Groups that have already developed the strategies or policies, they should be revised if necessary.

- ii. After the strategies or policies have been prepared, each Working Group shall develop an Action Plan and identify priorities and modalities of support for the implementation of the Action Plan. The Action Plan shall be considered to be a joint document of the Royal Government and the donor community for monitoring progress by the Working Group.
- iii. Each Working Group shall be responsible for mobilizing resources needed for the implementation of the agreed Action Plan. If the resources are not enough, both the Government and the donors shall work together to re-prioritize their activities in line with the available resources.
- iv. Each Working Group shall jointly monitor progress against benchmarks that have been set forth to increase aid effectiveness and to achieve the strategic objectives laid out in the Rectangular Strategy and Cambodia's Millennium Development Goals.

283. To ensure coordination among the 17 joint technical working groups, the Royal Government and development partners have also agreed to create a "Government-Donor Coordination Committee (GDCC)" to provide policy guidance, to set priorities, and to propose measures to solve problems raised by joint technical working groups. This committee will meet regularly every 3 months. Samdech Hun Sen, the Prime Minister has appointed Senior Minister, Minister of Economy and Finance and the First Vice Chairman of the CDC, to be the chairman of the GDCC. The membership of the GDCC will include Ministers or heads of government agencies, Ambassadors or heads of diplomatic missions, and heads of multilateral institutions. In addition, the Government-Donor Coordination Committee will be assisted by a Secretariat. This Secretariat will be located at the Cambodian Rehabilitation and Development Board (CRDB) at CDC. The role of the Secretariat is to liaise with the joint technical working groups and to collect progress reports as well as identify problems facing the joint technical working groups during the implementation of their activities. The Secretariat will prepare a quarterly progress report including issues and challenges as well as proposed remedies to tackle the problems and submit it to the GDCC for its consideration and decision making. In case, the GDCC is not able to make decisions or solve the problems, the Secretariat will report directly to the Head of the Royal Government for decision-making or to provide direction and guidance.

284. At the Pre-CG Meeting held on 10 September 2004, Samdech Hun Sen, the Prime Minister also identified the following urgent tasks that each joint technical working group should complete before the forthcoming Consultative Group Meeting scheduled for early December 2004.

First, both parties coordinate to finalize the list of members and TORs of the joint technical working group, as soon as possible.

Second, each joint technical working group has to appraise the progress in the nine priority areas for joint monitoring that were agreed to at the 6th Consultative Group meeting held in June 2002 as well as identify any outstanding issues and challenges. The reports of the technical working groups will be consolidated into one document that will be presented at the Consultative Group meeting to be held in December 2004.

Third, each technical working group has to develop its action plan and benchmarks for consideration and adoption at the Consultative Group Meeting to be held in December 2004.

285. On the issues concerning harmonization and alignment of donor activities to improve aid effectiveness a number of significant developments have taken place over the last year in the international arena as well as in Cambodia. In the international arena, the OECD/DAC Task Force on Harmonization published its Good Donor Practices Papers that were endorsed at the High Level Forum that was attended by the heads of multilateral and bilateral development institutions and representatives of the IMF, other multilateral financial institutions, and partner countries gathered in Rome in February 2003. The Forum also issued a declaration that committed development partners to support the harmonization efforts to improve aid effectiveness that is now known as the Rome Declaration on Harmonization. After the Rome meeting, OECD/DAC has been following up on the implementation of commitment made in the Rome Declaration. It has carried out a survey on the status of harmonization and alignment practices in 14 countries including Cambodia. This survey consisted of a three part questionnaire. After extensive discussions within the Government, among donors, and between Government and donors the questionnaire was completed not only on time but also Cambodia was reported to be the first country to return the completed questionnaires to OECD/DAC.

286. The Royal Government has also prepared an RGC action plan to implement the Rome Declaration's commitment in close collaboration and support from the development partners. This action plan is presented in the Royal Government's report on "Building Partnerships for Development: An Update". In moving ahead with the implementation of the Action Plan, the Royal Government recognizes that there are serious challenges ahead. The most serious of these challenges is the divide between agreed global policies on harmonization and alignment by the authorities at the national or headquarters of our development partners, and the follow up actions needed to change the practices and behavior of donor operations at the country level. In the case of a number of our bi-lateral partners, the authorities in the capitals have now prepared their Action Plans for harmonization and alignment in line with OECD/DAC principles. Early this year, on behalf of the Royal Government, the Council for the Development of Cambodia (CDC) had asked the OECD/DAC Task Team to not only share these Action Plans with partner countries but also to closely monitor and periodically report to partner countries on:

- whether or not the Action Plan prepared at the capital of a member country or the headquarter of a multi lateral organization has been shared with their country field offices;
- whether or not the capital of a member country or the HQ of multilateral organization has provided clear direction or instructions to their country field offices to implement their national or HQ action plan; and
- what authority has been delegated to country field offices to implement the action plan in the partner country context.

287. On the National front, the Government-Donor Partnership Working Group that was established in response to Royal Government's proposal at the last CG Meeting in June 2002 has been busy in supporting both the work of the OECD/DAC as well as examining harmonization issues in Cambodia's context. The Working Group commissioned three studies to collect and analyze the necessary background information, in early 2003, to begin its work on tackling the harmonization issues. These studies focused on three areas: (i) the capacity building practices of Cambodia's development partners, (ii) practices and lessons learned in the management of development cooperation; and (iii) preparation of national operational guidelines for development cooperation. The first two studies have been completed. Also, the first draft of the third study has been prepared. The study on the capacity building practices is now being discussed by the Council for Administrative Reform with development partners to arrive at a set of recommendations on which there is consensus, and to develop an action plan for their implementation.

288. The Royal Government believes that the civil society and NGOs have played and should continue to play an important role in monitoring the implementation of poverty reduction initiatives. Cambodian NGOs are a part of the civil society as well as international NGOs who represent the international civil society. NGOs can contribute much to poverty reduction plans based on their development experiences and are in a strong position to convey the needs and concerns of vulnerable groups to policy makers. The Royal Government would like to encourage a greater participation of the trade unions, ethnic associations and farmers' associations in the monitoring of the implementation of the poverty reduction initiatives. To better target poverty reduction initiatives the participation of the poor and vulnerable groups in the monitoring of the poverty reduction efforts should also be strengthened. There is also a need to strengthen the capacity of the Parliament in order for it to make concrete inputs.

FAVORABLE MACROECONOMIC AND FINANCIAL ENVIRONMENT

289. As stated in the Rectangular Strategy, building on its achievements in macroeconomic and fiscal management, the Royal Government will endeavor to achieve economic growth in the order of 6 to 7 per cent per year, maintain low inflation to a single digit, keep the exchange rate stable and increase international reserves. The Royal Government will maintain a prudent monetary policy, including a market-based exchange rate. The policy of de-dollarization will be cautiously continued, reflecting the development of the domestic and international economies.

290. The maintenance of strict budget discipline is crucial to ensure a favorable macroeconomic and financial environment to consolidate the foundation for sustainable and equitable economic growth. The priorities of the Royal Government during its third mandate are to:

- improve the collection of taxes and non-tax revenues, including the strict implementation of the Law on Taxation, and other related laws such as the Law on Investment,
- reduce corruption and tax evasion,
- dismantle the culture of tax exemptions,

- broaden the tax base,
- strengthen tax and customs administration, and
- strictly manage state assets including tangible and intangible properties as well as state enterprises and joint-ventures
- reform the public financial management system, in particular rationalization of expenditures based on the principles of transparency, accountability and economic efficiency,
- improve audit and public procurement systems, according priority to social and economic expenditures and public investments especially physical infrastructure.

291. To implement the above priorities, on the behalf of the Royal Government in the Third Legislature of the National Assembly, Samdech Prime Minister Hun Sen has directed all members of the Royal Government to fully respect at all times the following ten disciplines in the public financial management:

- i. Continue to root out the “culture of tax waiver and tax exemptions” in Cambodia.
- ii. Take serious actions to ensure collection of all kinds of revenues as planned or go beyond the target.
- iii. Timely transfer all revenues to the National Treasury. It is forbidden to retain and use collected revenue to offset extra-budgeted expenditures, including the mechanism of off-setting revenue and expenditure, advanced commercial loan from companies and earmarking revenue to pay back expenditure.
- iv. To be courageous and determined in fighting against all kinds of smuggling, and pursuing the recovery of arrears from government's debtors, especially the recovery of the arrears from taxpayers.
- v. Target expenditure to priority goals of development and take serious strides to cut expenditure on unnecessary or not yet necessary items, and make budget savings and reduce wastages.
- vi. Strengthen and further enhance the implementation of laws and regulations related to public procurement.
- vii. Strengthen audit in budget management (on both revenue and expenditure side) including the inspection by the Ministry of Economy and Finance, internal audit of their respective ministries and institutions, and independent external audit.
- viii. It is forbidden to sign any contracts with private companies that have tax obligations, and any other contracts that have implications for state revenues and expenditures without the participation and prior approval from the Ministry of Economy and Finance;
- ix. It is forbidden to contract commercial credit; and
- x. Take serious strides to strengthen the management of all forms of state assets by fully enforcing the laws and regulations related to state asset management.

292. The Royal Government is conscious that increasing domestic savings is crucial for the long-term economic development of Cambodia. Thus, the Royal Government will continue to implement measures to strengthen the domestic banking system by improving

management, strengthen bank supervision and surveillance and enhancing the mobilization of savings to finance private investment projects and thereby promote economic growth. The Royal Government will continue to strengthen the rural finance sector to enhance financial services including low-interest loans within the framework of the market economy, considering the experiences of other ASEAN countries in the provision of financial services to the poor, low-income families and small and medium enterprises that promote rural development and raise living standards in rural and remote areas. Moreover, the Royal Government will take serious steps to develop laws, regulations and capacity of institutions in the mobilization of domestic resources through continuously reforming and improving the tax system, strengthening commercial banks and the insurance sector and establishing a capital market consistent with Cambodia's *Vision and Plan for Financial Sector Development for 2001-2010*, developed with the technical assistance from Asian Development Bank and adopted by the Government in August 2001.

293. In terms of specific priority actions, the Ministry of Economy and Finance (MEF) will take the following actions:

- i. In the area of revenue management and collection, the MEF will:
 - Develop measures to strengthen MEF capacity to formulate policies and establish mechanism for an integrated budget management.
 - Develop a framework for the mobilization and allocation of revenue to all administrative levels and establish guidelines to improve revenue collection at the provincial and commune levels.
 - Develop options for an integrated medium- and long-term revenue collection for the preparation of the medium term expenditure framework (MTEF).
 - Develop options for an integrated budget management framework to be used in the process of national budget formulation and review of national budget implementation.
 - Clearly identify tax and non-tax arrears for effective revenue collection.
 - Strengthen auditing, which includes internal audit within ministries/ departments and external audit, and inspection, both the inspection of the Royal Government and inspection of the MEF, on the management of national budget, especially revenue collection.
- ii. In the area of revenue collection by the Customs and Excise Department, the MEF will:
 - Strengthen customs revenue collection through: (a) the strict implementation of law on individuals who have a record of not complying with laws and regulations and on goods with high risk of losing revenue; and (b) the strengthening of the implementation of the Royal Government's orders related to preventing and cracking down on smuggling.
 - Implement forceful strategies and risk management principles to reduce smuggling and illegal activities along borders.
 - Strengthen legal framework based on new customs law and its strict implementation including the development of policy on customs and excise; formulating guidelines on customs procedure; and training officials.

- Implement a comprehensive customs program in analyzing revenues and providing updated and accurate revenue and trade-related data and statistics.
 - Promote computerization of the Customs and Excise Department, and develop short term measures to implement customs automating program including legal framework and procedures related to training and project formulation.
 - Identify and implement measures to strengthen Customs Department, including the improvement of benefit and incentive structure for customs officials and good governance.
- iii. In the area of tax revenue collection, the MEF will:
- Strengthen tax revenue collection through the implementation of Fiscal Law and other related laws such as the amended Law on Investments of the Kingdom of Cambodia.
 - Continue to expand tax base by extending the "Real Regime" to other provinces/municipalities and strengthen the implementation of the Value Added Tax (VAT) and the VAT refund mechanism.
 - Improve analysis and forecasting of tax revenue aimed at formulating new policy options to increase tax collection.
 - Develop procedures to strengthen information flow, especially information on large taxpayers, between Customs and Excise Department and Tax Department.
 - Increase the use of banking system to facilitate tax payment, especially for large and medium taxpayers.
 - Strengthen excise tax administration in Tax Department.
 - Strengthen tax auditing, especially for large and medium taxpayers.
 - Strengthen management and collection of tax arrears including the development of IT system for operating on-spot tax auditing as well as account settlement for taxpayers.
 - Continue to strengthen Tax Department including restructuring and recruiting new staffs, enhancing services to taxpayers, implementing training programs, conducting internal audit, and equipping with necessary facilities.
 - Enhance information verification to search for turnover from the estimated regime to the real regime.
- iv. In the areas of management and collection of non-tax revenues, the MEF will:
- Take immediate measures to strengthen legal and institutional framework for the management and collection of non-tax revenues.
 - Strengthen the management of state assets.
 - Strengthen the management of state asset privatization according to existing laws and regulations.
 - Take immediate actions to (a) strengthen the collection of non-tax revenues from leases or sales of real estate, including strengthening lease and contract procedures; (b) strengthen non-tax revenue collection from state-owned enterprises by improving the management framework for those enterprises; (c) strengthen non-tax revenue collection from selling

public goods and providing public services; and (d) strengthen non-tax revenue collection from natural resources management.

- Strengthen management and collection of revenues from lottery and gambling activities based on international experiences on options that can increase revenues from those activities.
- Strengthen legal framework on casinos operations and enhance revenue collection from casinos in proportion to their profits by strengthening the capacity of officials who are responsible for the task.
- Develop and implement procedures which give the MEF a final decision-making power on all concession contracts and agreements to increase revenues from concessions and also prevent adverse effects on national budget.
- Adopt and strictly implement disciplinary measures against ministries/institutions or officials responsible for non-tax revenue collection who fail to transfer revenues to the national treasury or keep those revenues for spending outside national budget framework or not according to legal procedures.
- Strictly implement auditing and inspection on non-tax revenue management of all ministries/departments and related public enterprises.

294. Enhancing public financial management is crucial for the strengthening good governance, and therefore, the RGC has formulated a clear vision of public financial management (PFM), and the steps necessary toward the achievement of the vision. The PFM reform program is built upon four sequenced and prioritized platforms: (i) a more credible budget; (ii) effective financial accountability; (iii) the RGC policy agenda becomes fully affordable and prioritized; and (iv) RGC managers become fully accountable for program performance. As part of the PFM reform, the RGC will pilot a merit-based initiative and embark on the organizational change of the Ministry of Economy and Finance to support the reform efforts. The RGC strongly welcomes the "Sector Wide Approach - SWAP" that has been discussed and agreed with development partners to implement the reform program. This will provide an opportunity for Cambodia to play as an equal partner and especially enables the Ministry of Economy and Finance to bring together good strategies and experience from development programs and various strands of its ongoing improvement and reform efforts and to reformulate them into an integrated and consolidated PFM reform program for higher accuracy, effectiveness, and efficiency.

CAMBODIA'S INTEGRATION INTO THE REGION AND THE WORLD

295. As stated in the Rectangular Strategy, the Royal Government will continue to push for the integration of Cambodia into the region and the world, specifically focusing on bridging the development gaps among the member-countries of the Association of South East Asian Nations by promoting full partnership in the implementation of the various elements of the *Initiative for ASEAN Integration* as adopted by the ASEAN Summits, in particular the measures and projects adopted by the 8th ASEAN summit in November 2002 in Phnom Penh. The Royal Government will also continue its active participation in the implementation of *Greater Mekong Sub-region Program*, especially the flagship programs adopted by the 1st Summit of Greater Mekong Sub-region Program in

Phnom Penh in November 2002 and the projects under "the Development Triangle Zones" between Cambodia, Viet Nam and Lao PDR and "the Development Triangle Zones" between Cambodia, Lao PDR and Thailand, and the "Economic Cooperation Strategy" among Cambodia, Lao PDR, Thailand and Myanmar. To maximize the gains from international integration, Cambodia must strengthen its institutional capacity to implement cooperative strategies with neighboring countries such as the concept of "*Four Countries-One Economy*", the creation of the triangles for economic growth and the establishment of cross-border Economic Processing Zones.

296. There is worldwide recognition that free trade significantly contributes to the reduction of poverty and improvement of the living standards of the people. Thus the Royal Government will continue to liberalize trade and ensure free flow of goods and services both within the country and between Cambodia and other key partners in the region and the world. Increasing the unfettered access of Cambodian products to the regional and world markets will provide Cambodia with economy of scale and opportunities that attract investment, create employment, generate increased incomes and accelerated economic growth that result in poverty reduction. Indeed, Cambodia's participation in the ASEAN Free Trade Area and accession to the World Trade Organization constitute strategic and historical steps in the rehabilitation and development of Cambodia.

297. The Royal Government will strictly implement its obligations under the World Trade Organization, recognizing that Cambodia's membership in the WTO requires great efforts in the formulation, adoption and the implementation of laws, regulations, procedures and methodology for valuation, assessment report on the effects of trade protection, studies on rice production and agricultural markets, agricultural value chain analysis, handicrafts, pure drinking water, fisheries, factories, tourism and other labor services that Cambodia can benefit from WTO. The Royal Government is strongly committed to using this opportunity to embark on the reforms of all sectors.

4.3 GROWTH

298. The third side of the Rectangular Strategy consists of four strategic "growth rectangles". These four rectangles outline the Royal Government's strategies to accelerate growth through: (i) the enhancement of agricultural sector; (ii) private sector growth and employment; (iii) continued rehabilitation and construction of physical infrastructure; and (iv) capacity building and human resource development. The specific strategies and priorities in each of the above four areas are described in the following sections.

- GROWTH**
- *Agriculture Sector*
 - *Rehabilitation and Reconstruction of Infrastructure*
 - *Private Sector Development and Employment*
 - *Capacity Building and Human Resources Development*

4.3.1 AGRICULTURE SECTOR

299. The fourth side of the Rectangular Strategy of the Royal Government has as its first strategic "growth rectangle" the

- AGRICULTURE SECTOR**
- *Improved Productivity and Diversification of Agriculture*
 - *Land Reforms and Mines Clearance*
 - *Fisheries Reforms*
 - *Forestry Reforms*

enhancement of the agricultural sector as the backbone of the National Poverty Reduction Strategy and the goal to achieve sustained economic development. The Royal Government's agriculture sector development strategy is based on four key pillars: (i) improved productivity and diversification of agricultural production, (ii) land reforms and de-mining, (iii) fisheries reforms, and (iv) the forestry sector reforms.

IMPROVED PRODUCTIVITY AND DIVERSIFICATION OF AGRICULTURE

300. For the agriculture sector the foremost priority of the Royal Government is to improve the agriculture sector's productivity and to achieve a greater diversification of agriculture activities to enable the agriculture sector to serve as the dynamic driving force for economic growth and poverty reduction. The policies proposed in the Rectangular Strategy to improve productivity and diversification of the agriculture sector activities include;

- Shifting the direction from «expansory» or «extensive» agriculture to «deepening» or «intensive» agriculture, especially by increasing the yields using the existing land.
- Creating a favorable environment conducive to private sector participation in the agriculture sector by accelerating the distribution of land and the issuance of secure land titles within the framework of Social Land Concessions, particularly in the rural areas.
- Developing irrigation facilities and strengthening the management of water resources to improve productivity of the existing irrigation systems thus reducing the vulnerability of communities using irrigation systems to natural disasters.
- Expanding support services such as agricultural research and extension services, developing markets for agricultural products, distributing inputs, seeds, fertilizers and increasing availability of micro credit facilities in rural communities.
- Directing public investments and encouraging private investments in agriculture sector to increase agricultural production while ensuring that the quality of Cambodian agricultural products is improved to international standards.
- Developing border and remote areas to reduce out migration to urban areas.
- Developing township centers that are adequately equipped with infrastructure to promote local economic activities and to provide livelihood for local population.
- Promoting "one-village one-product" movement to encourage creativity and building confidence of the rural people by adopting four principles: (i) encouraging modes of production that are suited to village contexts and market needs, (ii) facilitating the identification of appropriate markets, financing, technology transfer and supply of inputs, (iii) providing support for human resource development and training in management, and (iv) facilitating the creation of agricultural communities in order to ensure stable prices for agriculture products.

301. To modernize the agriculture sector, the Royal Government will:

First, increase the percentage of public investment allocations to agriculture and for rural development, particularly at the provincial and local levels for irrigation facilities, rural roads and other rural infrastructure, where construction services

shall as much as possible be contracted by and accountable to Commune Councils.

Second, encourage increased private sector investment in farm and village-level enterprises in key sub-sectors including small-scale commercial, market-oriented aquaculture, crop and livestock production, and agro-enterprises such as processing, post-harvest facilities and mechanization.

Third, accelerate and stabilize broad-based growth of agricultural output through sustainable development of high-value products.

Fourth, increase local-level expenditures and investments in: (i) extension services focused at increasing the productivity of farmers; (ii) farmer-owned and operated irrigation; (iii) rural enterprises; (iv) enhanced skills and capacity in lending to agricultural and agro-based enterprises; (v) decentralized public investments and de-concentrated budgeting and services for the agricultural sector; and (vi) revolving funds for farmers' groups managed according to micro-finance principles.

302. In terms of specific actions, the Royal Government will:

- i. Continue the implementation of National Water Resources Policy by rehabilitating the existing irrigation systems, constructing new effective irrigation systems, and strengthening their management.
- ii. Increase cropping time per year including double cropping in lowland areas, and expand agricultural production on de-mined land and on unfertile unused land.
- iii. Continue to focus on food security and increase food production, especially rice production and subsidiary crops.
- iv. Increase agricultural products quality and promote processing agro-industrial development to increase farmers' value added and income.
- v. Increase the availability of micro-finance facilities to farmers for agricultural production.
- vi. Develop agricultural diversification and intensification through improvement of soil quality, crop protection, seed supply system and agricultural mechanization (Production and harvest).
- vii. Strengthen support for major services such as agricultural products market, extension services and research, and agricultural cooperatives.
- viii. Improve cropping system, including crop diversification and animal production in form of "one village one product".
- ix. Control and reduce the spread of infectious diseases.
- x. Assure public health by controlling animal and animal products.
- xi. Enhance quality and safety products assuring public health as well as responding to market demands.
- xii. Strengthen and enlarge animal production, and process animal waste.
- xiii. Promote privatization of state-owned rubber plantations.
- xiv. Promote smallholder rubber development, investment in rubber plantation, and increasing management of rubber sector.

303. To support rural development the Ministry of Rural Development will continue to: (i) act as a catalyst and coordinator working with other ministries, IO's, NGO's and private partners by coordinating the implementation of their projects in rural areas and assisting international aid programs; and (ii) directly implement projects or programs necessary to develop market based economies in rural communities. It will continue to promote human resource development, establishment of the rural development structures, especially formation of village development committees, and information and communication management. It will also continue to implement programs such as road rehabilitation and construction, clean water supply, health care promotion, small irrigation expansion, household food security promotion, rural credit promotion, and village development.

LAND REFORMS AND LAND MINES CLEARANCE

304. As stated in the Rectangular Strategy, land and water are the two fundamental natural resources that serve as the basis for socio-economic development and poverty reduction, especially in the rural areas. The policies outlined in the Rectangular Strategy on land reforms and mines clearance include:

- Commitment to continue to implement the Land Law and land policy to strengthen an equitable and efficient system of land management, distribution and utilization, including land registration and distribution, land tenure security, eradication of illegal settlements and land grabbing, and the control of land ownership concentration for speculative purpose.
- Review of idle and vacant State lands, as well as State land illegally occupied by private entities in contravention with the regulations and procedures.
- Strengthening of land tenure rights of the people who need small lots for settlement and family production within the social land concession framework, as a mechanism to assist poor households and vulnerable groups.
- Continue to guide the implementation of de-mining activities in accordance with international security standards and international obligations to ensure safe and well-coordinated implementation of the national de-mining plan.

305. **Land Reforms:** In terms of specific actions, the Council for Land Policy and Ministry of Land Management, Urban Planning and Construction will:

- Develop a comprehensive land policy based on the Interim Paper on Land Policy Framework and lessons learned in the implementation of Land Management and Administration Project.
- Study to develop Policies and Procedures on the Registration of Indigenous Peoples' Land Rights.
- Develop policies and Sub-degree on State Land Management and Economic Land Concessions
- Contribute to develop land valuation system
- Continue the development of Policies and Circular on Co-ownership Registration and Right of Way (Road Corridors).
- Amendment to the law 1994 on Land Management, Urban Planning and Construction.
- Circular on the implementation article 18 under the Land Law in order to recover state land that unlawfully occupied.

- To implement social land concession, the Ministry carries on preparing guidelines on land identification, identification of target groups, and integrated development.
- Formulate construction code/standards and urbanization.
- Continue the development of National Housing Policy.
- Establish the regulatory framework for data management, NSDI (National Spatial Data Infrastructure).
- Establish surveying and mapping standard.
- Continue to study and research on land related issue such as state land economic, base line study on land, and potential social impact assessment.
- Adopt the joint declaration on the Role and Responsibility of Commune/Sangkat Administration in the area of land registration.
- Prepare the draft instruction manual on “Local Government in Land Issue, Land Administration and Construction”.
- Continue to prepare the process of proper Demarcation of Commune/Sangkat’s Boundary, and the pilot was carried out to begin the work that was later extended nation-wide implementation and printing Commune/Sangkat maps.

306. Institutional Development:

- Restructure the Ministry of Land Management, Urban Planning and Construction to cater globalization, information technology evolution, and the effective public services delivery.
- Develop human resources including (1) staff’s capacity building in technical, legal, management and leadership areas, (2) continue to enhance educational quality in the Faculty of Land Management and Administration, (3) Prepare in-house Diploma degree curriculum in order to strengthening capacity at district level .
- Develop and implement the transparency and accountability strategy in all line functions for strengthening of good governance.
- With improvement of the exiting training manuals, train to systematic land registration teams of 350 officials, 100 quality control officials, 6 orthophoto production officials, administrative committee of 2000 officials, 100 officials on sporadic land registration, 365 provincial/municipal facilitators on participatory Land Use Planning, and 40 provincial/municipal staff on District Strategy Development Plan.
- To implement the de-concentration policy, through the evaluation of specialized capacity, and the scope of responsibility, the Ministry will be granted the delegated power on cadastral documents to three more provincial departments.
- The Ministry is underway to design and construct a new Ministry’s building, the Faculty of Land Management and Administration’s building, six provincial/municipality Department’s buildings and 12 District/Khan Land offices.
- The Faculty of Land Management and Administration will recruit approximately 30 or 40 students for the 2004-2005 academic years.

307. Land Titling Program and Development of Land Registration Systems and Dispute Resolution:

- To assure land tenure security, decrease in land conflict and access to credit for investment the Ministry's target is to issue title for approximately 300,000 titles through both systematic and sporadic land registrations by year 2005 and **1 million titles by year 2007**. In addition, the Ministry continues to develop the culture of land registration, decrease the informal transaction of immovable property, thereby putting into practice an upgraded, efficient and transparent workflow in delivering services.
- Provide services in boosting the revenue collection through land transfer tax, unused land tax, revenue occurring from land use conversion value added, and cadastral fees.
- Continue to establish horizontal and vertical geodetic networks nation-wide and orthophoto maps for the overall country.
- Registration on specific state land sites for benefit of the country such as Angkor areas.
- Continue to strengthen out-of-court land dispute resolutions system (through Cadastral Commission), including the provision of legal aid to the disadvantaged with monitoring and evaluation system in country-wide.

308. Land Management: the Ministry improves investment climate through effective management of state land, zoning and integrated regional, urban and national planning and pilot state land mapping in two districts. The Ministry continues to provide services in preparing and coordinating strategic development plans for four districts located along the border areas and another 20 districts and continues to finalize master plans and zonings that are not yet adopted. The Ministry continues to provide guidance on land development and land use conversion and also contributes to set-up zoning in Angkor protected area and national inheritance area.

309. Land Concessions: Based on existing pilot project and recommendations from the Poverty Impact Assessment Study of social land concessions project, the Council of Land Policy in collaboration with various development partners are in the process of designing the program of Land Allocation for Social and Economic Development (LASED) for at least 10,000 household beneficiaries. This program will contribute in carrying out the job generation strategy, access to land for the landless and the land-poor, provide further linkage between small, medium or large land holders by promoting agro-business and industry programs, which is expected to create job opportunity in both farming and off-farming sectors with Public-Private-Partnership (PPP).

310. Construction: to contribute to building infrastructure, the Ministry will continue to issue all kinds of construction permits in transparent and effective manner while encouraging and assuring the application of Khmer-style design; furthermore, administer permits of the business opening of construction and design companies.

311. **Land Mines clearance:** Cambodia continues to be one of the most heavily land mined and UXO (unexploded ordnance) affected countries in the world. The land mines and the UXO left behind from the Vietnam War and the internal strife in subsequent

period continue to cause hundreds of fatalities of innocent citizens each year. The Royal Government's target is to clear all severe and high impact suspected mined areas of land mines and UXO's by 2012, and to be free of all land mines and UXO's by 2020.

312. The Cambodia Mine Action Agency (CMAA) has updated its Five-Year Mine Action Plan for the period of 2004-2008 to achieve the mine clearing targets of the Royal Government. To achieve the land mines and UXO clearing targets, the CMAA will take following actions:

- i. Prioritize the clearance of high impact areas and have them cleared by 2009.
- ii. Integrate mine clearance operations with development programs.
- iii. Coordinate with de-mining operators to conduct technical survey as of 2005.
- iv. Assist building the capacity of the RCAF in de-mining for development.
- v. Coordinate with operators to improve mine risk education activities.
- vi. Inform all stakeholders on the contamination and clearance achieved.
- vii. Improve cost efficiency of mine clearance as of 2006.
- viii. Ensure post-clearance monitoring from 2005.
- ix. Comply with the Cambodian Mine Action Standards as of 2005.

FISHERIES REFORMS

313. Fish is crucial to the lives of million of Cambodians in terms of food, income and livelihoods. The priorities of the Royal Government as outlined in the Rectangular Strategy are:

- i. To enable community-based development of the fisheries sector by empowering local communities so that farmers can participate directly, actively and equitably in fishery plans, programs and management.
- ii. Transform fishing lots whose concession contracts have expired into fish sanctuaries, thereby helping increase natural fish stocks, and conserve endangered species.
- iii. Expand community-based fishing lots and promote aquaculture to respond to the increasing needs for fish as well as to reduce the pressure on fisheries resources.

FORESTRY REFORMS

314. As stated in the Rectangular Strategy, the goal of the Royal Government's forest sector strategy is to ensure sustainable forestry management based on the following three pillars:

- i. *Sustainable forest management policy*, to ensure the rational and strict monitoring of forest exploitation according to the international best practices in forest management that require adequate forest reserves for domestic consumption, protection against drought and floods as well as wetlands that serve as fish sanctuary.
- ii. *Protected Area System* to protect biodiversity and endangered species.
- iii. *Community Forestry* as a sound, transparent and locally managed program.

315. To achieve the goal of sustainable forest management, the Royal Government's priorities are to :

- i. Strengthening Forestry Management and Conservation by:
 - a. Rationalizing and reclassifying the remaining forests to ensure ecological protection and biodiversity conservation by adopting and enforcing the Sub-Decree on Forest Classification.
 - b. Strengthening the enforcement of forestry law, especially the RGC's Order No.01 BB dated 9 June 2004 on the prevention and cracking down on forestland clearing and encroachment.
 - c. Strengthening conservation strategies such as protected forests, watershed management, genetic and wildlife resources conservation, eco-tourism, and other special conservation centers with participation of local population and a proper management plan.
 - d. Strictly implementing the forest management techniques including the sustainable management and use of forestry resources and concessions.
 - e. Promoting education and public awareness campaigns on forestry resources.
- ii. Promoting Forestry Contribution to Socio-Economic Development by:
 - a. Increasing the socio-economic values of forestry and biodiversity conservation.
 - b. Promoting man-made plantations to substitute for national forest demands by encouraging private investment and public participation.
 - c. Optimizing the use, processing and marketing system of forestry products to support domestic demand as well as exports.
 - d. Promoting re-forestation and tree protection.
- iii. Promoting Forestry Contribution to Poverty Reduction by:
 - a. Enhancing legal protection of the rights of local communities in the management of forestry resources to ensure food security and poverty reduction. These rights are protected under the Forestry Law and other regulations.
 - b. Ensuring that local communities benefit from the use and management of forestry resources.
- iv. Strengthening Capacity and Good Governance in Forestry Sector
 - a. Continue to build and strengthen institutional capacity at all levels.
 - b. Conduct education, training and public awareness campaigns to people in local communities to encourage their participation in conservation and sustainable forest management.
 - c. Strengthen the capacity of Forestry Administration at all levels to perform its duty in cooperation with concerned institutions.

4.3.2 REHABILITATION AND RECONSTRUCTION OF INFRASTRUCTURE

316. Further rehabilitation and reconstruction of the infrastructure is the second of the four "growth rectangles" of the Rectangular Strategy. The four key pillars of this growth rectangle are: (i) restoration and reconstruction of transport infrastructure, (ii) management of water resources and irrigation systems, (iii) development of energy and power grids, and (iv) the development of information and communications technology (ICT). The policies and priorities in each of these areas are outlined in the following sections.

**REHABILITATION AND
RECONSTRUCTION OF PHYSICAL
INFRASTRUCTURE**

- *Rehabilitation and Construction of Transport Network*
- *Water Resources and Irrigation System Management*
- *Development of Energy Sector and Electricity Network*
- *Development of ICT*

REHABILITATION AND CONSTRUCTION OF TRANSPORT NETWORK

317. As stated in the Rectangular Strategy, the transportation networks are the arteries that connect all corners of the Kingdom of Cambodia and thereby transform the country into an integrated economy. The transport networks are instrumental in integrating domestic markets and facilitating Cambodia's integration into the regional and world economies. Moreover, physical infrastructure plays a pivotal role as the «locomotive of economic growth», significantly contributing to poverty reduction and the alleviation of the people's hardships.

318. A high priority of the Royal Government is the rehabilitation and reconstruction of transport networks, including bridges, roads, railroads, seaports, and airports that link all parts of the country, and Cambodia to its neighboring countries and the rest of the world. The objective is to create a convenient, comprehensive, safe, effective and price-efficient transport network that facilitates trade, promotes tourism and rural development and ensures Cambodia's economic integration into the region and into the world, while especially serving the interests of national defense. Other priorities outlined in the Rectangular Strategy for the transport sector include:

- Continuing support for the building of rural roads and road maintenance that will contribute to the development of rural communities.
- Rehabilitation of railroads and promotion of bulk and heavy goods transport by railroads.
- Further development of the civil aviation services to promote economic development and to boost tourism.

319. Over the medium term the Royal Government will:

- i. Continue the rehabilitation and construction of the main national roads to develop a land transport system extending across the nation.
- ii. Improve the efficiency of the use of existing infrastructure.
- iii. Build road links to neighboring countries to promote international trade and tourism.

- iv. Increase revenue from the transport sector to cover an increasing share of maintenance and development costs.
- v. Strengthen the institutional capacity for infrastructure sector planning and management.
- vi. Promote and increase private sector participation in the financing of transport infrastructure development.
- vii. Improve security and safety on all types of transport networks: air transport, maritime, railways, and road transport.

320. **Road Transport:** A significant challenge in the rehabilitation of the road network is the large number of river crossings not only in rural areas but also on the main National Roads. Many existing bridges have load capacities below 20 tons and collapses are not uncommon. Therefore, during the third mandate of the Royal Government a high priority will be given to ensure routine and periodic maintenance of the road network. The Ministry of Public Works and Transport will: (i) prepare a road maintenance program, (ii) examine options for financing the maintenance activities, including the option of establishing a fund for road maintenance, (iii) install a financial and physical monitoring system; (iv) take actions to enforce vehicle weight regulations; and (v) prepare road and traffic laws to reduce the traffic accident mortality rate and enforce road regulations.

321. To rehabilitate and maintain the primary and secondary roads network in the country, it is estimated that at least US\$ 100 million (US\$ 30-40 million for maintenance) are needed annually. In addition, the annual requirements for the rehabilitation and maintenance of tertiary roads are estimated to be around US\$ 50 million. This amount of resources is not likely to be available from both domestic and external sources. The Government therefore will be prioritizing needs and developing a comprehensive plan for road rehabilitation and maintenance. During its third mandate the Royal Government plans to rehabilitate and repair more than 2,000 km of the main and other national roads, and 1,000 km of Provincial roads.

322. The Royal Government recognizes that the country's geographic location offers strategic opportunities for establishing Cambodia as a regional transportation hub in the Greater Mekong sub-region. The Government places a high priority on further expanding trade, particularly within ASEAN, and on improving cross border linkages. The main (primary) national roads have been designed as Asian/ASEAN or Regional Highways for facilitating transportation, trade and tourism across the borders. The other national and provincial (secondary) roads have been designed to serve not only as the feeder/supporting roads to the Asian/ASEAN or Regional Highways and the main national (primary) roads but also to strengthen linkages between the economic zones in the country. For the purposes of transport sector planning Cambodia is divided into three economic regions: the tourism Region, formed by Seam Reap, Oddor Meanchey, Preah Vihear and Kampong Thom provinces; agro-industrial & eco-tourism region covering the eastern region of Mekong River including Stung Treng, Ratanakiri, Mondulakiri, Kratie provinces; and the industrial region, defined by entire south-west coastal region of the country.

323. Within the Framework of GMS Cooperation Program the following roads network will be rehabilitated or reconstructed:

- The reconstruction of NR6 will continue, to link Siem Reap and Angkor Wat temples to Phnom Penh and Poipet/Cambodia-Thailand border.
- Upgrading of RN1 and RN5 constituted the first phase of the Ho Chi Minh-Phnom Penh-Bangkok Road (as the GMS: Central Sub-corridor) through Cambodia. Now RN48, RN3 and RN31 (as the GMS: Southern Coastal Sub-corridor) will be rehabilitated to link Sihanoukville to Bangkok port and the other main international ports in the region.
- RN7 will be rehabilitated, to link southern Laos with Kratie with the assistance from People Republic of China and expanded to Phnom Penh and Sihanoukville via RN4 together with construction of a bridge over the Mekong River at Kompong Cham (as the GMS: Inter Corridor linkage) with support from the Government of Japan.

324. In the framework of economic cooperation between Cambodia and Thailand some more secondary and provincial roads will be rehabilitated and linked with Cambodia-Thai border. In the framework of bilateral and triangle socio-economic cooperation areas, the rehabilitation of national roads NR 78, 76a, 78a, 78b, 76, 74, 72, PR303a, PR303b in Stung Treng, Ratanakiri Mondulakiri and Kampong Cham Provinces will be carried out opening new opportunities to transport goods and people across the border and international trade and tourism.

325. **Inland waterway:** The priorities for port and inland waterways transport include rehabilitating dredgers to carry out regular dredging of all major waterways; upgrading the Phnom Penh inland river port, as well as improvements to smaller domestic river and lake ports; and the upgrading of existing ferries. The Royal Government would like to see a greater participation of private sector self-financing entities to own, manage and maintain the international ports of Phnom Penh, Sihanoukville and Koh Kong and to assist provinces in establishing locally-generated funding mechanisms to develop and maintain island port facilities. Improvement of the Sihanoukville Port will continue in the third mandate through the construction of a new cargo wharf (400 m length), expansion of container wharf (160 m), building a Container yard 60 000 m² and container cranes supply, and improving the roads, power supply and lighting system in the port area. Port Security will be strengthened to comply with the convention on International Shipping and Port Security (ISPS) code in Sihanoukville, Phnom Penh and other ports to prevent and combat international terrorism.

326. As a maritime nation and a member of the International Maritime Organization, the Royal Government would like to establish a maritime training center to train seafarers to serve both at shore and sea, a maritime search and rescue operation to provide search and rescue services to vessels traveling to or within Cambodia's waters, strengthen the management of ships operating under Cambodian flag, and to strengthen protection of the coastal territory of Cambodia. .

327. **Railways:** The railway network is a vital element of the transport infrastructure that at the present time is in a severely damaged state and remains a grossly under

utilized asset. The Royal Government's first priority is to restore the missing link of some 48km to the Thailand border. The Southern railway line between Phnom Penh and Sihanoukville port requires rehabilitation to reduce operating costs to make it competitive with road transport. The viability of rehabilitating the northern line also need to be explored.

328. **Civil Aviation:** The availability of Civil Aviation services is a pre-requisite for the development of the tourism sector that has a significant multiplier effect on the economy. The Phnom Penh International Airport (Pochentong) will be further improved under the ongoing BOT agreement. There is a need to upgrade: (i) the Sihanoukville and the Siem Reap international airports to international standards to cater to the growing traffic to the area, and (ii) the north-east domestic airports at Stung Treng, Rattanakiri, and Mondul Kiri. To meet international safety standards the communication-Navigation-Surveillance /Air Traffic Management System (ATM) is required.

329. The Royal Government recognizes that the Ministry of Public Works and Transport lacks the capacity to perform its functions efficiently. It, therefore, urges all development partners to consider providing support to build the capacity of the MPWT to identify, prepare, implement, manage, and co-ordinate policy and investment priorities; and to assist the Ministry in carrying out the inter-modal transport study for the transport sector as a whole and to formulate a comprehensive long-term transport policy. MWPT is working with the Asian Development Bank to reorganize and restructure the Ministry to ensure the proper and efficient allocation of human resources. However, the Royal Government will welcome other development partners' support and assistance to strengthen the capacity of the planning unit of MPWT.

WATER RESOURCES AND IRRIGATION SYSTEM MANAGEMENT

330. As stated in the Rectangular Strategy, the national water resources policy and irrigation is a part of broad program of the Royal Government to protect, manage and assure sustainable exploitation of both fresh-water and marine resources while enhancing bio-diversity and sustainability. The Royal Government's efforts will focus on: (i) providing all citizens with clean and safe water; (ii) protecting all citizens from water-related diseases; (iii) providing adequate water supply to ensure food security, economic activities and appropriate living standards; and (iv) ensuring availability of water resources and an environment free from toxic elements, thus enabling a supportive fisheries and ecological system.

331. During the third mandate the priorities of the Royal Government are: (i) to develop and expand irrigated lands; (ii) to ensure effective water resources management by improving the efficiency of the existing irrigation system; (iii) to further develop and enhance the effectiveness of water use in farmer water user communities; and (iv) to reduce the vulnerability of the population to natural disasters and its total dependence on natural conditions.

332. To develop and expand irrigated land area, the Ministry of Water Resources and Meteorology (MOWAM) will take the following actions to ensure a sustainable supply of sufficient water for agricultural production:

- i. Rehabilitate and reconstruct the existing irrigation system to meet the urgent water requirements for agricultural production.
- ii. Employ appropriate water management technologies that are particularly suited to rain-fed agricultural areas.
- iii. Expand surface water storage facilities such as reservoirs and ponds, water canal capacities and drainage systems to ensure water supply and environmental sustainability.
- iv. Extend the land area served by sustainable irrigation and/or drainage systems, particularly in areas with a high incidence of poverty.
- v. Strengthen the technical and institutional capacity of MOWRAM to implement the I & D strategy.
- vi. Mobilize participation of farmers, stakeholders and the private sector at all stages of design, development and improvement of I&D systems.
- vii. Study and prepare short-, medium-, and long-term development plans for river basins by taking comprehensive account of modifications to the hydrological system, particularly river flows and aquifer levels, to ensure effective, efficient and sustainable use of water resources.
- viii. Develop an integrated approach to water resources and agriculture development and management that takes into consideration all sources of water, and linkages between the water resource, agriculture production, land use strategies and management, and natural environment. To conserve the ground water aquifers, priority will be given to the development of river basins.
- ix. The capacity of the FWUC's will be strengthened to promote participatory irrigation management and development (PIMD) and to seek investments by international funding agencies and the private sector in supporting PIMD.

333. To ensure effective water resources management the MOWAM will take the following actions to improve the efficiency of the existing irrigation system:

- i. Strengthen the implementation and enforcement of the Law on Water Resources Management, sub- decree on water management, irrigation management and transfer and other water related regulations to control and prohibit all construction projects that can adversely impact on water resources and/or eco-systems.
- ii. Develop and apply procedures for carrying out social and environmental impact assessments and mitigation measures.
- iii. Take appropriate measures to ensure the preservation of river flows and minimum water level of rivers, streams, lakes to maintain ecosystems, social and cultural values, and navigation.
- iv. Implement necessary measures to prohibit the infilling or excavation of or encroachment on watercourses, seasonally inundated depressions, permanent water bodies, and the sea, to minimize the adverse impact on water resources, aquatic ecosystems or the environment.

- v. Conserve and strengthen the lakes and river basins to prevent floods and support aquatic ecosystems.
 - vi. Strengthen and expand Farmer Water User Communities, to enable them to participate in water management and allocation and to maintain irrigation infrastructure with effectiveness and sustainability.
334. **To reduce the vulnerability of the population to natural disasters** the MOWAM will take the following actions:
- i. Conduct studies to rehabilitate and construct a system of flood protection embankments and drainage to minimize the impact of natural disasters related to water.
 - ii. Strengthen the capacity to provide timely forecasts of weather and floods to minimize their adverse impact by: installing a meteorological observation system that provides real-time weather data for forecasting purposes, and climatological data for agro-meteorology, design and other purposes; improve the existing and installing new hydrological and meteorological stations and staff/rain gauges in the selected rivers and locations including data collection and dissemination; and establishing a hydrological observation system that provides real-time water level and flow data for forecasting purposes, and hydrological data for design of water resources projects, water resources management, and other purposes.
 - iii. Develop a rapid response capability to serve communities suffering and affected by drought, flood, and other water-related hazards.
 - iv. Develop and disseminate information to citizens and institutions at all levels on how they can participate in flood mitigation measures and drought intervention;
 - v. Strengthen in cooperation with MRC on Flood Mitigation and international programs to mitigate water related hazards.

DEVELOPMENT OF ENERGY SECTOR AND ELECTRICITY NETWORK

335. The Royal Government's long-term development vision for the energy sector is to put in place a domestic power generation and distribution system that will meet the needs of all urban and rural communities and a growing economy at low-costs. Achieving this vision will require major capital expenditures and a significant strengthening of the capacity of the national institutions responsible for planning, operations, and maintenance of such a system. The Royal Government would like to see strong private sector participation and investment in the development of the domestic power generation and distribution system to realize this vision.

336. Recognizing the constraints on the availability of capital resources needed to realize this vision, the Royal Government's short- to medium-term strategy is to:
- i. continue to rehabilitate and construct domestic power generation plants based on resources that become available,
 - ii. purchase electric power from neighboring countries, through bi-lateral agreements, to meet the current needs of the country, and

- iii. continue to expand the national power distribution/transmission system to supply power to all parts of the country from domestic power generating plants as well as power purchased from neighboring countries.

337. During the third mandate, the Royal Government plans to install power generating plants in Kamchay, Stung Battambang, Stung Atay and Stung Russeychrum, and a thermal power plant in the coastal zone. The construction of hydropower plants -- Kirirom III (13 MW) and Kamchay (180 MW) will be carried out by private developers and is expected to be completed by 2010. The construction of middle Stung Roesseychrum hydropower plant (125 MW) will be carried out under Cambodia-China cooperation program. A feasibility study on Stung Metoeuk hydropower plant will be conducted using a grant from the Government of Thailand. The construction of a thermal power plant preferably a gas turbine combined cycle of 180 MW in Sihanoukville will be constructed in 2 phases (90 MW +90 MW) and is expected to be financed by Japan. The first phase of this plant is planned to be completed by 2008. The hydropower project lower Srepok II is also expected to be financed by Japan.

338. The power distribution/transmission network will be extended. The power distribution/transmission master plan is to rehabilitate and construct the following elements of the national power distribution grid:

- Southern National grid -- 220 kV -- from the border of Viet Nam to Phnom Penh via Takeo provincial towns to be completed by 2007 with assistance from ADB and NDF.
- National grid -- 230 kV -- between Takeo and Kampot to be completed by 2007 with assistance from the Federal Republic of Germany, including grid substations of 230/115/22 kV which will be located midway at Chhouk district to supply surrounding areas and a 115 kV grid link from Chhouk to Banteaymeas to supply power to the area, especially to fertilizer and cement factories.
- National grid -- 230 kV -- connecting Kampot to Sihanoukville to supply power to Sihanoukville, including the industrial zones, is expected to be completed by 2008 with assistance from ADB or the Federal Republic of Germany. It will also transmit power from the 180 MW thermal powerplant in Sihanoukville to Phnom Penh.
- National grid -- 115 kV -- from Thailand border to Banteay Meanchey, Siem Reap and Battambang, that will be developed by the private sector, is expected to be completed by 2007.
- A feasibility study to connect the southern and northern grids is planned to be carried by POSCON corporation soon and the inter connection between the southern and northern grid will be established thereafter.

339. The agreements to purchase electric power from neighboring countries will be periodically reviewed and the quantity of power supply imported will be renegotiated to meet the high priority power needs of the country.

DEVELOPMENT OF INFORMATION AND COMMUNICATIONS TECHNOLOGY

340. The long-term development vision of the Royal Government is to develop a cost-efficient and a world class post and telecommunications system that has a nation-wide

coverage. The realization of this vision will require significant investment for building the backbone infrastructure of the telecommunications systems, especially high-speed optical fiber cables for the development of rural telecommunication systems.

341. During the third mandate of the Royal Government, the telecommunications network in Phnom Penh, Sihanoukville, and Siem Reap will be expanded and extended to smaller cities and towns. Microwave/fiber optic cable communications will be installed to connect: (i) Kompong Cham - Phnom Penh - Takeo - Kampot - Sihanoukville; (ii) Kompong Cham - Kompong Thom - Siem Reap - Sisophon; (iii) Kompong Cham - Kratie - Stung Treng; and (iv) Mondulhiri - Pailin - Preah Vihear - Oddar Meanchey. The postal network and the capacity of concerned institutions will be strengthened to improve the quality of postal services. Radio and TV broadcast networks will be strengthened to improve efficiency. National guidelines will be developed and adopted on investment plans and cooperation for telecommunications facilities, services and information technology, including standards and regulations on the use and practice of information technology and use of the internet.

342. The Royal Government will enhance the implementation of an open policy in promoting private sector participation in information and telecommunication technology without discrimination, consistent with Cambodia's commitments and obligations as a member of the WTO.

4.3.3 PRIVATE SECTOR DEVELOPMENT AND EMPLOYMENT

343. Private sector development and employment is the third of the four "growth rectangles" of the Rectangular Strategy. The four key pillars of this growth rectangle are: (i) strengthening private sector and attracting investments, (ii) promotion of small and medium enterprises (SMEs), (iii) job creation and ensuring better working conditions for workers and employees and (iv) establishment of social safety nets for civil servants, employees and workers. The policies and priorities in each of these areas are outlined in the following sections.

PRIVATE SECTOR DEVELOPMENT AND EMPLOYMENT

- *Strengthening Private Sector and Attracting Investments*
- *Promotion of SMEs*
- *Job Creation and Better Working Conditions*
- *Social Safety Nets for Workers*

STRENGTHENING PRIVATE SECTOR AND ATTRACTING INVESTMENTS

344. As stated in the Rectangular Strategy, the Royal Government considers the private sector to be the engine of economic growth. The Royal Government will continue to play a strategic role in creating an environment conducive to enhanced private sector development and in managing the development process. The Royal Government will continue its efforts to improve access to the international markets by: (i) implementing policies to enhance economic integration of Cambodia into the regional and world economies; (ii) developing both software and hardware national infrastructure networks; (iii) strengthening the legal framework for enterprises, including laws, regulations and institutional capacity that facilitates business, trade and private investment, especially fair

competition, transparency, accountability and fruitful partnership between private and public sectors.

345. The Royal Government recognizes that improving the business climate and creating an enabling environment for private sector development are key pre-requisites for fostering growth, creating jobs, reducing poverty and achieving sustainable economic development. To remove the critical bottlenecks impeding the development of the private sector as well as to provide inputs in the processes of administrative and regulatory reforms, a Government-Private Sector Forum was established in December 1999. It has been meeting once every six months and is supported by seven Business-Government Sectoral Working Groups, which meet monthly to identify and recommend actions to resolve sector-specific problems. To further strengthen the key institutional mechanisms to support the implementation of the Rectangular Strategy, at the last Government-Private Sector Forum held on 20 August 2004 Samdech Hun Sen, the Prime Minister announced the formation of a Steering Committee for Private Sector Development. This Committee is chaired by Sr. Minister and Minister of Economy and Finance, with Sr. Minister and Minister of Commerce as Deputy Chairman, and the Governor of the National Bank of Cambodia and the Ministers of MIME, MAFF, MPWT and MOT as Members, and the Secretary General of CDC, as its Secretary. The Steering Committee will be responsible for carrying out the following tasks:

- i. Act as the "Etat Major" of the Head of the Royal Government in leading, implementing, and monitoring the implementation of the Rectangular Strategy on Private Sector Development.
- ii. Propose and implement measures to improve investment climate.
- iii. Propose and implement measures for trade facilitation
- iv. Propose and implement measures to promote Small and Medium Enterprises.
- v. Propose and implement other measures to promote private sector development.

346. The Steering Committee is supported by the following three Sub-committees: (i) Sub-committee on Investment Climate and Private Participation in Infrastructure (PPI) -- chaired by Sr. Minister, Minister of Economy and Finance; (ii) Sub-committee on Trade Facilitation -- chaired by Sr. Minister, Minister of Commerce; and (iii) Sub-committee on SMEs -- chaired by Minister of Industry, Mines and Energy. The Steering Committee and its three Sub-committees will work closely with our development partners who want to assist Cambodia in developing the private sector, including the WB, ADB, IMF, UNDP, JICA, AUSAID, GTZ, AFD and others, based on a SWAP arrangement for private sector development.

347. The Royal Government will continue to facilitate and provide support to private investments in the following six priority sectors:

- i. Development of agriculture and agro-industry by giving priority to agricultural irrigation.
- ii. Development of transport and telecommunications infrastructure systems.
- iii. Development of the energy and electricity sectors.
- iv. Labor-intensive industries and export-oriented processing and manufacturing.
- v. Tourism-related industries.

- vi. Human resource development.
348. To create an enabling environment for private sector development, a high priority of the Royal Government during its third mandate is to implement measures that will:
- strengthen both public and corporate governance;
 - facilitate trade and improve the climate for investment; and
 - promote human resource development to effectively respond to market needs.
349. To facilitate trade, the Royal government will take the following actions:
- i. Streamline Government procedure that impose high costs and delays in approving private sector investment, such as those units under the responsibility of the Ministry of Economy and Finance, particularly the Custom and Excise Department, the Ministry of Interior, the Ministry of Commerce, the Ministry of Public Works and Transport, the Ministry of Industry Mines and Energy, the Ministry of Health, the Ministry of Agriculture Forestry and Fishery as well as the Ministry of Social Affairs and Labor;
 - ii. Reduce transaction costs on the import and export of goods while increasing Government's revenue;
 - iii. Reduce unnecessary and overlapping transaction costs in trade transactions,
 - iv. Reduce time of import and export process,
 - v. Increase predictability of time and costs of export and import process, and
 - vi. Maintain compliance vis a vis the guiding principles of the World Trade Organization and World Customs Organization (WCO).
350. **To promotion market infrastructure and deregulation**, the Royal government will:
- i. Reduce time and costs imposed by different types of inspections.
 - ii. Establish an information system to facilitate firms to have access to bank credit and to help commercial banks evaluate investment proposals.
 - iii. Facilitate the operation of the labor market by developing a registry of required skills, training needs and availability of human resources for the private sector.
 - iv. Improve infrastructure, expanding the coverage of electricity, telephone and communications network, water supply and sewerage system, increasing the efficiency of ports, reducing the costs of electricity, port handling, transportation and communications.
 - v. Discourage monopolistic trading arrangement through the relaxation of licensing and inspection requirements.
 - vi. Increase the participation of firms in the formal economy by reducing the regulatory burden on firms. This will involve: reducing the cost of registration; elimination of obsolete and unnecessary licensing requirements; elimination of minimum capital thresholds for registration; and reforming the inspection regime.
 - vii. Introduce a law governing all forms of private participation in infrastructure.
 - viii. Revisit the generous provisions on overtime, nightshifts, and holidays, while upholding the core labor standards with the view to make Cambodia's garment industry competitive.

351. To enhance market access and access to information, the Royal Government will take the following actions:

- i. Strengthen trade promotion and market information activities.
- ii. Develop a directory of enterprises, to be combined with the computerized registration system.
- iii. Develop a website to promote local products.
- iv. Strengthen capacity of Customs Department to prevent smuggling.
- v. Develop export promotion potential through the establishment of industrial zones for exporters.

352. The tourism sector has attracted a significant amount of private sector investment. The Royal Government will continue to support the rehabilitation and construction of infrastructure needed for the expansion of the tourism by the private sector. Specifically, the Royal Government will:

- Implement measures to ensure the security and safety of tourists throughout the country, especially at all tourist destinations.
- Take proactive measures to attract investors to rehabilitate and construct airports, harbors, roads, electricity and water supplies, and waste management at major tourist destinations.
- Under the Mekong Tourism Development Project explore the possibilities of carrying out :
 - Airport Improvement Projects in Rattanakiri and Stung Treng.
 - Cheng Ek Genocidal Site Road Access Improvement Project in Phnom Penh.
 - Implementation of Wastewater Management Project in Siem Reap.
 - Simplification of travel at Don Kralor International Border-crossing Checkpoint.
- Support the construction of national roads-linked from Thailand and Vietnamese borders:
 - National Road 6 Poi Pet - Siem Reap
 - National Road 67 (Cham - Sragam - Anlong Veng - Siem Reap)
 - National Road 48 (Koh Kong - Sre Ambel)
 - National Road 78 (O'Yadav - Ban Long)
- Encourage the reconstruction of local airports in Preah Sihanoukville and Koh Kong.
- Promote the formation of a Tourism Marketing and Promotion Board to enable the private sector to participate in marketing and promotion.
- Establish Tourism Information Offices at International Ports of Entry and International Airports.
- Promote tourism via internet and domestic and international television channels such as CTN, CNN, CCTV, TV5, NHK and KBS.
- Promote the establishment of Hotel and Guesthouse Association of Cambodia, Tour-guide Association of Cambodia, Aviation Association of Cambodia, Restaurant Association of Cambodia, and Transportation Association of Cambodia.

PROMOTION OF SMALL AND MEDIUM ENTERPRISES (SMEs)

353. The Royal Government has committed itself to promote the development of small and medium size enterprises during its third mandate. The priorities outlined in the Rectangular strategy are:

- i. Encourage the development of SMEs, especially through the provision of medium and long term finance.
- ii. Suppress smuggling.
- iii. Reduce registration procedures and start-up processes for companies.
- iv. Facilitate export-import activities by simplifying procedures such as licensing and other letters of permission.
- v. Support for newly-established industries for an appropriate period
- vi. Promote linkages between SMEs and large enterprises.
- vii. Establish a national center for productivity to assist SMEs in enhancing their productivity and reducing production costs.
- viii. Establish a national standards institution to help ensure the quality of domestic products to meet regional and international standards.
- ix. Establish national laboratories for physics, chemistry, micro-biology, mechanics and tests for quality and criteria of products.
- x. Strengthen mechanisms for the protection of industrial intellectual property rights, to prevent illegal copying, re-creation and illegal use of new techniques and technology.
- xi. Promote vocational/skills training, both domestic and overseas.
- xii. Expand and accelerate the "one village, one product" program
- xiii. Strengthen the legal framework by creating laws on concerns such as: factories, industrial zones, patents and inventions, measurements and industrial safety.

354. The Royal Government recognizes rural credit as an important mechanism in rural economic development. Rural credit plays a crucial role in alleviating poverty by supporting the creation and expansion of businesses as well as increasing productivity, generating incomes and raising the living standard of rural population. The Royal Government will continue to promote the rural credit sector to ensure that loans at a reasonable interest rate are available to the poor, especially those in remote areas and along the borders, and to small and medium enterprises (SME). Specifically, the following actions will be taken to promote the development of a healthy micro-finance sector:

- Monitor and supervise the management and professional skills of credit operators to ensure financial sustainability by reducing high risk lending and eliminating fraudulent practices.
- Strengthen the capacity to enforce laws and regulations related to the management, monitoring, and supervision of micro finance institutions.
- Support training of credit operators to upgrade their professional skills to ensure higher efficiency and sustainability of their credit program.
- Negotiate with rural credit operators to reduce the interest rate by increasing the loan supply to meet the demand for credit.
- Promote savings mobilization to increase domestic rural credit resources.
- promote the creation of a competitive environment for micro-credit operators.
- Continue to attract financial resources and technical assistance from outside.

- Assist rural people to find markets to sell their products in domestic and international markets, by promoting Small and Medium Enterprises (SMEs) and giving loans to support SMEs, Agro-industries and “One-village One-product” movement.
- Extend rural credit services to remote areas.

JOB CREATION AND ENSURING BETTER WORKING CONDITIONS FOR WORKERS AND EMPLOYEES

355. The priorities of the Royal Government during its third mandate are to:
- i. Create more jobs, especially for young people entering the labor market, and for all Cambodian workers through various measures which encourage domestic investment and attract foreign direct investment in priority sectors, especially agriculture, agro-industry, labor-intensive industries and tourism.
 - ii. Establish skills training networks for the poor, linked to employment assistance especially for young people and new graduates in response to labor market needs.
 - iii. Develop a labor statistical system.
356. In terms of specific actions, the Royal Government will:
- Strengthen the management of foreign workers in Cambodia to create jobs for Cambodian citizens.
 - Facilitate the transfer of new technology for national development.
 - Develop employment and training policy and programs that are effectively linked with the education policy to encourage job mobility, and vocational/skill training
 - Encourage official labor exports to increase welfare, improve capacity, reduce unemployment, and increase revenues. The export of workers provides another important option for poverty reduction, as seen in the experience of neighboring countries.
 - Continue to support the development of labor-intensive manufacturing to create jobs and to absorb the inflow of surplus labor from the rural areas while at the same time implement measures to improve agriculture sector's productivity and diversification to increase household incomes and living standards in rural areas to further reduce rural poverty.

SOCIAL SAFETY NETS

357. During its third mandate, the Royal Government's priorities are to:
- Vigorously enforce the Labor Law and international conventions related to the role of trade unions to protect the rights and obligations of workers, employees and employers.
 - Improve the working conditions of workers and employees.
 - Strengthen the implementation of the Law on Social Security.
 - Examine feasible options for the implementation of pension funds especially pensions for disability and dependents, and insurance for work accidents as stipulated in the Labor Law.

358. With the support of its national and international partners, the Royal Government will increase its social sector interventions, thereby improving employment opportunities, reducing vulnerability of the poor, enhanced emergency assistance to victims of natural disasters and calamities, and expanded rehabilitation programs for the disabled, including welfare improvement programs for the elderly, orphans, female victims, the homeless, and veterans and their families.

359. The Royal Government will continue to provide support to the disabled people and veterans and their families, especially those who have sacrificed their lives for the country. The Government will encourage owners of enterprises and factories to provide fair wages and gradually introduce pension schemes for workers in accordance with market conditions.

4.3.4 CAPACITY BUILDING AND HUMAN RESOURCES DEVELOPMENT

360. Capacity building and human resources development is the fourth "growth rectangle" of the Rectangular Strategy. The four key pillars of this growth rectangle are: (i) strengthening the quality of education, (ii) ensuring enhanced health services, (iii) implementation of gender policy, and (iv) implementation of population policy. The policies and priorities in each of these areas are outlined in the following sections.

CAPACITY BUILDING AND HUMAN RESOURCES DEVELOPMENT

- *Strengthening the Quality of Education*
- *Ensuring Enhanced Health services*
- *Implementation of Gender Policy*
- *Implementation of Population Policy*

STRENGTHENING THE QUALITY OF EDUCATION

361. Rectangle IV of the Royal Government's Rectangular Strategy outlines the priorities of the Royal Government for the education sector that will be implemented during its third mandate. These priorities include:

- i. Achieving the goal of "Education for All (EFA)" by:
 - Ensuring attainment of nine years of basic education for all children and access to education for poor children.
 - Providing more scholarships to poor students.
 - Improving quality and number of public education institutions especially in the rural areas and support for school operating costs.
- ii. Improving the quality of education by:
 - Providing incentives for teachers.
 - Assuring quality instructions.
 - Improved provision of educational materials, equipment, libraries, laboratories, and dormitories for female students.
 - Reforming curricula and training programs.
 - Promoting literacy and informal education programs.
- iii. Increasing expenditures for education and mobilizing increased international assistance for education.

- vi. Strengthening partnerships with the private sector and the international community to improve quality of education to meet international standards and national development needs

362. Education Strategic Plan (ESP) and the Education Sector Support Program (ESSP) 2004-08 sets out a comprehensive strategy for the development of national human resources with high technical and scientific skills that effectively respond to labor market needs in terms of entrepreneurship, high creativity, responsibility, discipline, morality, virtue, professional ethics, and honesty in an effort to promote development.

363. The Royal Government will continue to pursue the achievement of EFA goals in Basic Education. Success to a large extent will depend on the outcome of discussions with development partners to mobilize resources for implementation of the strategies, which are set out in the EFA National Plan, the Education Strategic Plan (ESP) and the Education Sector Support Program ESSP). The Royal Government is aware of the need to increase the speed of implementation of education reforms by improving the execution and impact of the annual Priority Action Programme (PAP).

364. The Royal Government will continue to increase budget expenditures, and mobilize increased international assistance to provide incentives for teachers; assure quality instruction; increase provision of educational materials, equipment, libraries and laboratories; and build dormitories for students, especially female students; continue to reform curricula and training programs; provide scholarships to poor students; promote literacy and informal education programs; finance construction of schools in the rural areas and support school operating costs.

365. The Royal Government will continue to strengthen its partnerships with the private sector and the national and international community to enhance and improve the quality of education services, both in vocational and technical training and in higher education, consistent with international standards and the development needs of the nation.

366. The priorities of the Royal Government for the education sector to achieve the objective of the Rectangular Strategy are:

- Increasing equitable access for all children, in particular ensuring gender balance at all levels from early childhood education, through basic education, post basic education, and technical and vocational training in formal and informal systems. These goals are set out in the EFA National Plan and the National Poverty Reduction Strategy of The Royal Government of Cambodia.
- Enhancing the quality and efficiency of the education service by ensuring that students have gained appropriate knowledge by the time they graduate, and that they are able to use that knowledge to improve their living conditions.
- Enhancing institutional development and individual capacity building to efficiently implement the decentralization and de-concentration of education services by using the resources efficiently and effectively in response to the Public Administrative Reform Policy of the Royal Government of Cambodia,

while strengthening the auditing and monitoring of education sector performance

- Expanding the involvement of Cambodian youth in poverty reduction plans by increasing new programs for out-of-school youth, and through long-term capacity building programs on public policy, economics and science for in-school youth. Enhancing the physical education and sports sector in order to encourage all people to live healthy lives, to be physically and mentally strong and to participate with confidence in all social activities.
- Strengthening partnerships in order to mobilize resources for the development of the education sector by increasing mutual trust among government officials, national and international technical assistants, donor agency officials and friendly countries with accountability and transparency.
- To mobilise all resources to successfully implement education reforms. This includes continuing to strengthen cooperation between the Ministry of Education, Youth and Sport and the Ministry of Economy and Finance through development of a medium term expenditure framework and improved disbursements. A priority is to continue to improve the living and working conditions of teachers and education staff at all levels. Also and in particular to strengthen cooperation between the Ministry of Education, Youth and Sport and its other partners in order to mobilise financial resources for the development of the education sector at present and in the future.

367. The key follow-up actions to be taken over the next year are:

- Review/update of the ESP and ESSP priorities and strategies based on lessons learned;
- Conduct a Public Expenditure Tracking Survey (PETS) and use its results to further improve the education budget system;
- Streamline annual budget and PAP approval and implementation processes in order to ensure predictable and timely disbursement;
- Improve financial management, internal audit and strengthen the monitoring mechanism;
- Implement education-wide pay reforms and performance based teacher and school director incentives programs linked to the first phase of redeployment and reclassification of teaching and non-teaching staff against more efficient staff deployment norms.
- Prepare capacity building plans by central and provincial departments, as a basis for coordination of external assistance and monitoring of progress.
- Strengthening consultative processes within Government Ministries, MoEYS and development partners in the formulation of the EFA national plan.

ENSURING ENHANCED HEALTH SERVICES

368. The Royal Government is strongly committed to the adoption and effective enforcement of health laws and regulations to ensure the delivery of high quality health services and medicines including traditional medicines with appropriate information and

control in conjunction with the use of modern medicines. The Royal Government's priorities outlined in the Rectangular Strategy for the health sector include:

- i. Increasing the allocation of public resources and international assistance for the improvement of the health sector.
- ii. Encouraging private sector investment in the health sector to improve health status of the people.
- iii. Enhancing the provision of health care services in an efficient, equitable and sustainable manner by:
 - Giving priority to the construction of referral hospitals and health care centres to provide local health services, especially to the poor and vulnerable people.
 - Entitling the poor to free health care in referral hospitals and health centres.
 - Strengthening and expanding equity funds to help the poor to access quality health services.
- iv. Ensuring the availability of high quality health services, medicines and food safety by:
 - Adopting and strictly enforcing the implementation of health laws and regulations.
 - Encouraging the use of traditional medicines with appropriate information and controls in conjunction with modern medicines.
- v. Continuing to implement prevention programs and combating communicable diseases.
- vi. Promoting maternal and child care to reduce maternal and infant mortality.

369. To implement the above policies for the health sector, the Royal Government's priorities are to increase allocation of public resources for the health sector and continue to encourage the participation of the international community and the private sector to further increase investments in the health sector to improve the health status of the people. Priority will be given to the construction of referral hospitals and health centres, which can provide health services in an efficient, equitable and sustainable manner to citizens across the country, especially the poor and vulnerable groups. The Royal Government will continue to focus on the implementation of prevention programs and combat communicable diseases and promote maternal and child health care to reduce the maternal and infant mortality, improve emergency services and provide health and sanitation education and information, especially in the rural areas. The poor shall be entitled to free health care in referral hospitals and health centres. Equity funds designed to help the poor in accessing quality health care services will be further strengthened and expanded. The Royal Government will adopt and enforce health laws and regulations to ensure high quality health services, medicines and food safety. It will continue to encourage the use of traditional medicines with appropriate information and controls in conjunction with the use of modern medicines.

370. The Ministry of Health's Action Plan for the 2004-2007 period provides the framework of actions that will be taken to achieve the priorities of the Rectangular strategy. Specifically, these actions the policy actions will be implemented in the following six key areas:

371. **Health Service Delivery:** To improve health services delivery, priority will be given to strengthening the implementation of the MPA and CPA around the country; as well as to establish a well functioning distribution and supply system of materials, drugs and equipment. For the development of the MCH services special emphasis will be given to the implementation of IMCI services, balancing curative services with preventive services. To improve the HSD accessibility, especially for the poor, the referral system will be strengthened. The Royal Government will make the needed institutional and organizational changes necessary to integrate the national programmes, especially at provincial and sub-provincial levels; implement quality based approaches and evidence based interventions; and promote both community and private sector participation in the planning and practice of health services delivery.

372. **Behavioural Change:** In the key area of Behaviour Change and Communication, special attention will be paid to strengthen the implementation of the code of ethics as well as supporting and promoting the structure of the VHSG and the HCMC through training, coordination and communication. Training in interpersonal communications skills especially focusing on specific target groups - mothers, children and adolescents - will be provided to improve the health services for MCH and young people. In order to improve accessibility of services to all people – especially the poor, consumer confidence in the health services will be improved; IEC materials will be developed with a focus on good health practices and behaviour and consumers will be provided information on the provision of health services in their area.

373. **Quality Improvement:** The priority for sector wide Quality Improvement will be on developing, implementing, and enforcing accreditation criteria. Ensuring the participation of consumer groups in quality improvement efforts will be an important element of the strategy to improve the quality of health services.

374. **Human Resource Development:** Priorities in this area specifically relate to the development of HR management policies to improve the motivation of staff including supervision, reward and discipline system. The option of providing incentives for staff working in remote areas or adapting training facilities to the needs of people coming from remote areas will be explored. The development and implementation of curriculum materials for IMCI and improving this training countrywide will be a priority. A fast tract strategy on midwifery deployment will be developed. Appropriate training programs for volunteers of the VHSG and the HCMC will be developed and provided.

375. **Health Financing:** To improve the MCH services budgetary expenditures as well as the share of external resources focusing on the implementation of IMCI activities will be increased. To improve the accessibility of services by the poor, a system to identify the poor will be developed and implemented; a transparent exemption scheme for the implementation of the Equity fund will be put in place. A priority for the years 2004 – 2005 is to monitor and evaluate the implementation of the different health financing schemes i.e. the EF and insurance schemes, to define their effectiveness in targeting the poor and documenting the lessons learned.

376. **Institutional Development:** In the key area of Institutional Development the main priorities for 2004 – 2005 will be to strengthen the leadership and management

development in the MOH and the health facilities and to strengthen the partnership between the public and private sector. The specific activities will include: (i) strengthening the role of the Ministry of Health's health institutions at all levels to deal with changes brought in by health sector reform (i.e. the introduction of concepts such as sector-wide management); (ii) ensuring clarity about the roles and functions and developing leadership and management skills at all levels of the health system, particularly the central level; (iii) scaling institutional development needed to shift from a bureaucratic style on service practices to a more flexible and creative managerial culture; (iv) development, submission, approval, and enforcement of health related laws and regulation; (v) establishment of performance based salary incentive Schemes including the scheme using external resources; and (vi) rationalization of planning, monitoring, evaluation and coordination processes for Sector-Wide Management.

377. **Cross Cutting Issues:** The HSP 2003-2007 clearly states that the six key areas of work are closely linked with each other. While improving health services delivery is the top priority the achievement of this goal also depends on progress in other related areas. The MOH with support from its development partners will ensure that the complexities of these cross-cutting linkages between the six key areas are fully reflected in the preparation of the annual operational plans.

378. **HIV/AIDS:** To respond effectively to the HIV/AIDS epidemic, the priorities of the Royal Government are:

- i. Preventing the spread of HIV/AIDS infection by:
 - Strengthening and expanding the 100% Condom Use Program for sex workers and their clients.
 - Expanding preventive programs targeting groups with high risk of HIV/AIDS infection such as the military and police force, garment factory workers, and students.
 - Increasing HIV/AIDS awareness among the public through focus programs such as the Peer Education Program, and through the media to establish social norms and enabling environment for safer sex practices thus reducing vulnerability to HIV/AIDS infection.
 - Continuing to support programs aimed at protecting housewives from HIV/AIDS infection caused by their husbands, protecting children from HIV/AIDS infection from their mothers and fostering the sense of responsibility in the family and the community.
 - Developing programs that will empower local communities to respond effectively to HIV/AIDS epidemic.
 - Mainstreaming HIV/AIDS issues in public policy.
- ii. Improving care and support services to those infected by HIV/AIDS by:
 - Increasing access to care and support services to People Living With HIV/AIDS (PLWAs) by strengthening the Voluntary Confidential Counseling and Testing (VCCT), Treatment of Opportunistic Infection, Anti-Retroviral Therapy, Treatment of Co-infection from HIV/AIDS and Tuberculosis, Home Based Care, and Mith Chuoy Mith (MMM), and effectively monitoring and evaluating the COC program.

- Closely cooperating with the media and local communities to reduce discrimination against the PLWAs so that they can continue to work and live peacefully with their family and community by strengthening the implementation of the HIV/AIDS Law and its guidelines.
- iii. Mitigating the impacts of HIV/AIDS epidemic by:
 - Expanding activities to cover other vulnerable groups such as orphans and children infected from HIV/AIDS.
 - Providing support to the poor PLWAs through careful treatment and financial support.

379. To ensure that these priorities are effectively carried out, the National AIDS Authority will take the following actions to strengthen its institutional framework and improve its managerial capacity by:

- i. Conducting review of the National Strategic Plan for Multi-sectoral and Comprehensive Response to HIV/AIDS 2001-2005.
- ii. Developing a new strategic plan to response to HIV/AIDS issues with cost-effectiveness.
- iii. Developing a comprehensive monitoring and evaluation system that links the national level to sub-national levels.
- iv. Mobilizing internal and external resources to support priorities identified by the monitoring and evaluation system.
- v. Enhancing decentralized HIV/AIDS issue management at the Provincial/Municipal AIDS Committees and Secretariats.
- vi. Mainstreaming HIV/AIDS issues in sectoral policies of the Government.
- vii. Developing and strengthening human resource and NAA capacity at all levels.
- viii. Improving and strengthening NAA administrative and financial management capacity.
- ix. Strengthening partnerships with civil society, development partners and the private sector in the formulation and implementation of strategic plan to combat HIV/AIDS.

IMPLEMENTATION OF GENDER POLICY

380. As stated in the Rectangular Strategy, women are the backbone of Cambodia's economy and society. The Royal Government will continue to vigorously implement its Strategic Plan -- *Neary Rattanak* or "women are precious gems" aimed at providing Cambodian women with value and hope in life and promoting gender mainstreaming.

381. The Royal Government places a high priority on enhancing the role and the social status of Cambodian women by focusing attention on the implementation of a gender strategy, building the capacity of women in all sectors, changing social attitudes that discriminate against women, and ensuring the rights of women to actively and equally participate in nation building.

382. The Rectangular Strategy reaffirms the Royal Government's continuing commitment to upholding the rights of all women to health care, education and skills

training; equitable access to and control of economic resources; equal opportunity to participate in socio-economic development; and, equitable legal protection particularly related to reducing the vulnerability of women to domestic violence, trafficking and sexual exploitation. The Royal Government will continue to work to strengthen the substantive participation of women at all levels of governance.

383. To continue to foster gender equity, the Royal Government's priorities are to:

- **Continue to mainstream gender:** Develop and implement a national gender mainstreaming strategy and plan of action; and, work with line ministries, local government and NGOs to mainstream gender in national and local policies and programs.
- **Strengthen the role of women in decision-making:** Develop the skills and confidence of women in public service and elected bodies to make a greater contribution to decision making.
- **Build public awareness:** Promote social morals and values which respect women and children and strengthen ethical and moral behavior; and, develop and disseminate a national policy for youth together with MoEYS, MoSAVY, NGOs and donors.
- **Promote the economic empowerment of women:** Convert existing Women in Development Centers into Integrated Women's Empowerment Centers and expand the number of centers; facilitate access of micro and small enterprise to appropriate financial and non-financial business development services and markets; expand access to village-based food processing technologies and training; and, transform micro credit scheme into MFI and expand outreach.
- **Facilitate equitable access to social services:** Construct dormitories for secondary school girl students and develop community-based mechanisms for managing dormitories; provide literacy and life skills training through Women's Empowerment Centers; facilitate the establishment of child care centers and training of child care workers; expand outreach of reproductive health education and community-based distribution of contraceptives; and, promote better nutrition of mothers and children.
- **Strengthen legal rights and ensure the legal protection women and girls:** Revise the draft of the Domestic Violence law and submit to National Assembly as soon as possible; develop and implement a Domestic Violence Prevention Plan; support efforts to submit the new Anti-Trafficking Law to the National Assembly; prepare and monitor the enforcement of bi-lateral and regional MOUs on trafficking in women and children; continue to implement campaigns against trafficking in women and children; and, continue to develop training programs for social workers to ensure that victims of violence receive professional counseling.
- **Contribute to good governance and administrative reform:** Rationalize the institutional structure of MoWA to meet the emerging priorities of the Ministry and the Royal Government; ensure efficient and effective management of human and financial resources and administrative responsibilities; computerize the Ministry and its provincial departments; and continue to strengthen the capacity of staff at central, provincial and district levels to implement the Ministry's strategic plan.

IMPLEMENTATION OF POPULATION POLICY

384. As stated in the Rectangular Strategy, the current high rate of population growth is placing a heavy burden not only on public services but is also contributing to increasing poverty. The implications of high population growth for socio-economic development are well known and documented. The Royal Government's population policy is aimed at reducing poverty and to achieve Cambodia's Millennium Development Goals. The priorities of Royal Government's population policy as outlined in the Rectangular Strategy are to:

- Support all couples and families to be free and accountable for the decision on their desired number of children and birth control, and ensure their access to information, education, service delivery, and other means to fulfill their above decisions;
- Reduce high rate of fertility and increase the use of birth spacing services;
- Reduce infantile and child morbidity and mortality, and maternal mortality;
- Promote gender equality and equity, and enhance human resources development;
- Reduce the adverse impacts of population pressure on the environment and natural resources;
- Strengthen the prevention of the HIV/AIDS epidemics; and
- Consider population factors in all economic and social policies, plans and programs at all levels.

5. FINANCIAL REQUIREMENTS AND ODA MOBILIZATION TARGETS

385. The alleviation of poverty among Cambodia's population through economic progress and social development is the highest priority of the Royal Government. The *Rectangular Strategy* of the Royal Government of the Third Legislature of the National assembly is aimed at promoting economic growth, generate employment for Cambodian workers, ensure equity and social justice, and enhance efficiency of the public sector through the implementation of the Governance Action Plan and in-depth reforms that are coordinated and consistent across all levels and sectors. The Rectangular Strategy selects key elements from Cambodia's Millennium Development Goals, Cambodia's Socio-Economic Development Plan 2001-2005 (SEDP2), Cambodia's National Poverty Reduction Strategy 2003-2005 (NPRS), and various policies, strategies, plans and other important reform programs. The implementation of these strategies and policies will be achieved through a focused and prioritized Public Investment Program (PIP) which is one important instrument to implement these strategies and policies. The PIP is designed within the framework of a three-year rolling plan to capture priority proposals and needs on an on-going basis. The programs and projects that constitute our public investment program will be financed both from the National Budget and with the assistance of our external development partners. The PIP is comprised of the Government's priority programs that are being implemented and/or are planned to be implemented in various sectors and constitute the basic information for the allocation of national budget resources as well as for the mobilization of assistance from our external development partners.

386. The Royal Government is currently in the process of strengthening its public debt management system. The outcome of the negotiations on the rescheduling of loans with the governments of the United States and Russia that were delivered in the 1970s and 1980s is likely to increase the debt service burden on the limited domestic revenues of Cambodia. To optimize the benefits of the ODA for the people of Cambodia and to minimize the burden on future generations, the Royal Government encourages its development partners to consider financing through grants the development programs in the social sectors, including Education and Health, as well as programs for human resources development, and information technology. The Royal Government would like to limit the use of concessional loans for development activities that will result in a quick economic and financial return to service the related debt charges. The use of non-concessional loans for financing development programs will be strongly discouraged.

387. Over the years, our external development partners have been generous in providing support to Cambodia's public investment program. At the 1996 CG meeting, pledges of US\$501 million for the year 1996 were made by bi-lateral and multi-lateral partners. At the 1997, 1999, 2000, and 2001 CG meetings, the bi-lateral and multi-lateral development partners had pledged US \$ 450 million, 471 million, 548 million, and 556 million respectively. At the last CG meeting in 2002, the pledges amounted to US\$ 635 million.

TABLE 3: PLEDGES AND DISBURSEMENTS: 2001-2003

(in US\$ millions)

EXTERNAL DEVELOPMENT PARTNER	ACTUAL DISBURSEMENTS		
	2001	2002	2003
▪ Bi-lateral donors, excluding EU member countries	168.0	182.3	181.2
▪ EU countries and EC	100.6	111.6	126.3
▪ UN Agencies			
- Total programs delivered	90.8	81.8	83.9
- Own resources disbursed	44.9	42.2	41.8
▪ IFIs	114.7	149.2	149.3
Non Governmental Organizations (Core or own resources)	43.4	45.6	47.2
TOTAL DISBURSEMENTS¹	471.8	530.9	545.8
TOTAL PLEDGES	610.7	635.0 ² ³
Disbursements as % of Pledges	77.3%	83.6%

¹ Based on UN agencies own resources only. "Total programs delivered" by UN agencies include their own resources as well as resources mobilized by them from various sources, including bi-lateral donors, for their in-country programs.

² Does not include the NGOs.

³ CG Meeting was not held in 2003.

388. The Royal Government is pleased to report that over the last three year, 2001-2003, disbursements have steadily increased from just under US\$ 472 million in 2001 to over US\$ 545 million last year (2003). At the same time, the amounts pledged by bi-lateral and multi-lateral partners have also increased from around US\$ 556 million in 2001 to US\$ 635 million in 2003. The ratio of disbursements to pledges has also increased over the years. In 2002, the ratio of disbursements to pledges increased to 83.6 percent from 77.3 percent in 2001 – representing a greater absorptive capacity within the Government. The RGC is gratified by the support of its external development partners and hopes that they will continue to provide their support to enable Cambodia to achieve its goal of reducing poverty among its people.

389. At the previous six CG Meetings for Cambodia the Royal Government had worked hard to keep resource mobilization targets for external assistance at around US\$500 million per annum to cover on-going and new projects. Because of the large number of high priority needs identified by the ministries it has not been possible to contain the mobilization target within this limit. The total cost of the Government's planned development programs, both on-going and new programs, over the next three years (2005-2007) is estimated to be around US \$ 1,937.6 million. The Royal Government of Cambodia has committed from its own resources US \$ 290.4 million for these development programs. After adjustments for estimated Government contribution (US\$ 290.4 million), and taking into consideration the requirements for budget support (US\$ 150 million), and balance of payments support/stand-by-facility from IMF (US\$ 66 million); **the total requirements for external assistance over the next three years amount to US\$ 1,863.2 million that averages to US\$ 621.1 million per annum.** Some of our external development partners have already committed to provide US\$ 1,062.6 million.

Thus a gap of US \$ 800.6 million in the financing of these development programs remains at the present time for which the RGC is seeking additional support from its external development partners.

390. The distribution of the priority planned development programs in the PIP for 2005-2007 by sector is as follows (Table 4):

- 43.2 percent for social sectors;
- 11.6 percent for economic sectors;
- 31.8 percent for infrastructure; and
- 13.3 percent for cross sectoral programs.

391. Of the total costs of planned development programs over the next three years, US\$ 1,937.6 million:

- 73.5 percent is for capital investment and 26.5 percent for technical assistance; and
- on-going and committed programs/projects account for 76.9 percent of the total planned public investments, and high priority pipeline programs/projects 23.1 percent.

392. Of the planned expenditure on *on-going and committed programs/projects* over the next three years (2005-2007):

- 79.2 percent is for capital investment; and
- 20.8 percent for technical assistance.

393. The distribution of the total planned expenditure on *high priority pipeline programs/projects*, US \$ 447.63 million, to be started over the next three years (2005-2007) in terms of capital investment and technical assistance is 54.5 and 45.5 percent, respectively. A detailed summary of the information on the planned programs by sector, type of program (capital investment/technical assistance), and the nature of the program (on-going/new), as well as the resource mobilization target in each of these sub-categories is presented in Table 4 and 5. More detailed information in individual programs/projects constituting the PIP for 2005-2007 is presented as Annex I.

TABLE 4
PLANNED DEVELOPMENT PROGRAMS BY SECTOR: 2005-2007,

(Amounts in Millions of US\$)

SECTOR	Planned Development Program Costs 2005-2007		Committed Resources				Total Resource Mobilization Targets	
			Government		External Partners			
	US\$	%	US\$	%	US\$	%	US\$	%
Social Sectors								
• Education	176.52	9.1%	9.53	3.3%	151.88	15.2%	15.10	2.3%
• Health	660.64	34.1%	239.26	82.4%	147.29	14.8%	274.08	42.1%
Sub-total	837.16	43.2%	248.79	85.7%	299.17	30.0%	289.19	44.4%
Economic Sectors								
• Agriculture & Land Mgt.	171.43	8.8%	5.51	1.9%	135.56	13.6%	30.35	4.7%
• Manufacturing & Trade	54.06	2.8%	0	0.0%	20.60	2.1%	33.47	5.1%
Sub-total	225.49	11.6%	5.51	1.9%	156.16	15.7%	63.82	9.8%
Infrastructure								
• Transportation	223.11	11.5%	1.41	0.5%	115.71	11.6%	105.98	16.3%
• Water & Sanitation	213.40	11.0%	18.52	6.4%	165.41	16.6%	29.46	4.5%
• Power & Electricity	116.11	6.0%	6.20	2.1%	105.78	10.6%	4.12	0.6%
• Telecommunications	64.19	3.3%	9.60	3.3%	54.10	5.4%	0.50	0.1%
Sub-total	616.81	31.8%	35.73	12.3%	441.00	44.3%	140.06	21.5%
Other Cross Sectoral Programs								
• Environment & Conservation	68.50	3.5%	0	0.0%	18.74	1.9%	49.76	7.6%
• Community & Social Services	63.48	3.3%	0	0.0%	50.72	5.1%	12.76	2.0%
• Culture & Arts	7.85	0.4%	0	0.0%	0	0.0%	7.85	1.2%
• Dev. Management & Gov.	118.29	6.1%	350	0.1%	30.77	3.1%	87.17	13.4%
Sub-total	258.12	13.3%	350	0.1%	100.23	10.1%	157.54	24.2%
TOTAL: All Sectors	1,937.59	100.0%	290.39	100.0%	996.57	100.0%	650.62	100.0%
TOTAL: On-going & Commit. Proj.	1,489.96	100.0%	276.92	100.0%	880.67	100.0%	332.35	100.0%
• Capital Investments	1,179.54	79.2%	221.09	79.8%	704.42	80.0%	254.02	76.4%
• Technical Assistance	310.42	20.8%	55.83	20.2%	176.25	20.0%	78.33	23.6%
TOTAL: Pipeline Projects	447.63	100.0%	13.46	100.0%	115.90	100.0%	318.26	100.0%
• Capital Investments	244.03	54.5%	2.94	21.8%	37.36	32.2%	203.73	64.0%
• Technical Assistance	203.60	45.5%	10.52	78.2%	78.54	67.8%	114.53	36.0%
TOTAL: All Sectors	1,937.59	100.0%	290.39	100.0%	996.57	100.0%	650.62	100.0%
• Capital Investments	1,423.57	73.5%	224.04	77.1%	741.78	74.4%	457.75	70.4%
• Technical Assistance	514.02	26.5%	66.35	22.9%	254.79	25.6%	192.87	29.6%

TABLE 5

ON-GOING, COMMITTED AND PIPELINE PROGRAMS/PROJECTS BY SECTOR: 2005-2007

SECTOR	(in Millions of US\$) Planned Development Program Costs in				Committed Resources		ODA Resource Mobilization Target
	2005	2006	2007	2005-2007	Govt.	External Partners	
SOCIAL SECTORS							
Education							
• On-going & Committed Projects	55.89	52.36	53.15	161.41	9.53	151.88	0
• Pipeline Projects	7.90	3.90	3.31	15.10	0	0	15.10
Total: Education	63.79	56.26	56.46	176.51	9.53	151.88	15.10
Health							
• On-going & Committed Projects	196.68	212.95	248.05	657.69	238.80	147.29	271.60
• Pipeline Projects	0.73	1.16	1.06	2.95	0.46	0	2.48
Total: Health	197.41	214.11	249.11	660.64	239.26	147.29	274.08
TOTAL:							
• On-going & Committed Projects	252.58	265.32	301.20	819.11	248.33	299.17	271.60
• Pipeline Projects	8.62	5.05	4.37	18.05	0.46	0	17.59
Total: Social Sectors	216.20	270.37	305.57	837.16	248.79	299.17	289.19
ECONOMIC SECTORS							
Agri. & Land Management							
• On-going & Committed Projects	54.78	41.75	37.10	133.64	5.05	128.00	0.59
• Pipeline Projects	12.64	11.86	13.29	37.79	0.45	7.56	29.76
Total Agri. & Land Mgt.	67.42	53.61	50.39	171.43	5.50	135.56	30.35
Manufacturing & Trade							
• On-going & Committed Projects	0	0	0	0	0	0	0
• Pipeline Projects	16.28	20.77	17.01	54.06	0	20.60	33.46
Total: Manufactur. & Trade	16.28	20.77	17.01	54.06	0	20.60	33.46
TOTAL:							
• On-going & Committed Projects	54.78	41.75	37.10	133.64	5.05	128.00	0.59
• Pipeline Projects	28.93	32.63	30.30	91.85	0.45	28.16	63.23
Total: Economic Sectors	83.71	74.38	67.40	225.49	5.50	156.16	63.82
INFRASTRUCTURE							
Transportation							
• On-going & Committed Projects	48.50	64.28	15.84	128.64	1.41	115.71	11.50
• Pipeline Projects	36.10	43.38	15.00	94.48	0	0	94.48
Total: Transportation	84.60	107.66	30.84	223.11	1.41	115.71	105.98
Water & Sanitation							
• On-going & Committed Projects	53.84	57.89	38.00	149.73	15.58	134.15	0
• Pipeline Projects	15.32	25.34	23.00	63.66	2.94	31.26	29.46
Total: Water & Sanitation	69.16	83.23	61.00	213.39	18.52	165.41	29.46
Power & Electricity							
• On-going & Committed Projects	13.21	47.37	51.40	111.98	6.20	105.78	0
• Pipeline Projects	3.92	0	0.20	4.12	0	0	4.12
Total: Power and Electricity	17.13	47.37	51.60	116.10	6.20	105.78	4.12
Telecommunications							
• On-going & Committed Projects	0	0	0	0	0	0	0
• Pipeline Projects	4.42	33.02	26.75	64.19	9.60	54.10	0.49
Total: Telecom.	4.42	33.02	26.75	64.19	9.60	54.10	0.49
TOTAL:							
• On-going & Committed Projects	115.55	169.55	105.24	390.35	23.19	355.64	11.50
• Pipeline Projects	59.77	101.74	64.95	226.46	12.54	85.36	128.56
Total: Infrastructure	175.32	271.29	170.19	616.81	35.73	441.00	140.06

TABLE 5 (continued)

ON-GOING, COMMITTED AND PIPELINE PROGRAMS/PROJECTS BY SECTOR: 2005-2007

SECTOR	(in Millions of US\$) Planned Development Program Costs in				Committed Resources		ODA Resource Mobilization Target
	2005	2006	2007	2005-2007	Govt.	External Partners	
OTHER CROSS SECTORAL PROGRAMS							
Environment and Conservation							
• On-going & Committed Projects	9.98	8.83	0	18.81	0	18.74	0.07
• Pipeline Projects	1.74	16.74	31.20	49.69	0	0	49.68
Total: Environ. & Conser.	11.72	25.57	31.20	68.50	0	18.74	49.75
Community & Social Services							
• On-going & Committed Projects	14.23	23.83	12.65	50.72	0	50.72	0
• Pipeline Projects	5.78	4.39	2.60	12.76	0	0	12.76
Total: Commu. & Social Servi.	20.01	28.22	15.25	63.48	0	50.72	12.76
Culture and Arts							
• On-going & Committed Projects	0	0	0	0	0	0	0
• Pipeline Projects	3.27	3.04	1.53	7.85	0	0	7.85
Total: Culture & Arts	3.27	3.04	1.53	7.85	0	0	7.85
Dev. Management & Governance							
• On-going & Committed Projects	66.14	6.14	5.05	77.34	0.35	28.38	48.60
• Pipeline Projects	11.52	14.22	15.21	40.95	0	2.38	38.57
Total: Dev. Mgt & Gov.	77.66	20.36	20.26	118.29	0.35	30.76	87.17
TOTAL:							
• On-going & Committed Projects	90.36	38.80	17.70	146.87	0.35	97.85	48.67
• Pipeline Projects	22.31	38.40	50.54	111.25	0	2.38	108.87
Total: Cross Sectoral Programs	112.67	77.20	68.24	258.12	0.35	100.23	157.54
TOTAL: ALL PROGRAMS	632.92	693.25	611.42	1,937.59	290.39	996.57	650.62
• On-going & Committed Projects	513.28	515.42	461.26	1,489.96	276.93	880.67	332.36
• Pipeline Projects	119.64	177.83	150.16	447.63	13.46	115.90	318.26

6. CONCLUSIONS

394. This report has presented the highlights of what has been achieved since the last CG meeting held in Phnom Penh in June 2002. It has provided an update on Government's policy performance, macroeconomic performance, monetary and fiscal performance, and sectoral developments. It presented highlight and priorities for the implementation of the Rectangular Strategy that is Royal Government's Economic Policy Agenda of the Political Platform for the Third Mandate of the Royal Government. The Rectangular Strategy builds on key elements of Cambodia's Millennium Development Goals, the Cambodia Socio-Economic Development Plan 2001-2005 (SEDP2), the National Poverty Reduction Strategy 2003-2005 (NPRS), and the various policies, strategies, plans and reform programs. All of these strategic frameworks were formulated through broad consultations with all national and international stakeholders, including representatives of civil society and the donor community. Also, the financial requirements and ODA mobilization targets for next three years (2005-2007) based on on-going, committed, and specific new initiatives that the Government plans to implement to achieve its development priorities have been identified. Finally, it has presented information on the magnitude of external development assistance – to complement the domestic resources – that will be required to support the implementation of on-going projects and to begin the implementation of new initiatives.

395. To achieve its development goals, the RGC is fully and firmly committed to the principles of good governance and to maintaining sound macro-economic policies and fiscal discipline. The RGC will do its utmost to raise domestic savings and capital resources to provide as much funds as possible for its developmental programs. The Royal Government, however, recognizes that it remains dependent on the support of its external development partners in the short-term. For the next three years, 2005-2007, the total external assistance needs for the priority programs/projects that have been identified are estimated to be US\$ 1,873.9 million, after taking into consideration the Royal Government's contribution of US\$ 290.4 million. The Royal Government would appreciate pledges for the entire three-year period, to enable it to plan for the implementation of its priority development programs. At this stage of the development of Cambodia, the Royal Government is well aware of the pitfalls of financing its development programs through loan financing, that has implications for debt and debt services charges that are likely to constrain its ability to restructure its budget allocations for social sectors in the future. It, therefore, places a high priority to seeking assistance from its development partners as grants.

396. Over the years, our external development partners have been generous in providing support to Cambodia's public investment program. The Royal Government of Cambodia is gratified by the support of its external development partners and hopes that they will continue to provide their support to enable Cambodia to achieve its goal of reducing poverty and the Millennium Development Goals.

ANNEX-I: ODA/PUBLIC INVESTMENTS RESOURCE MOBILIZATION PROGRAM: 2005-2007

(all amounts in '000 of US\$)

PIP No.	Project Name/Title	Funding Status	Implementation Period	Total Project Costs	Planned Investments				Committed Resources		ODA Resource Mobilization Target
					2005	2006	2007	Total 2005-2007	GOVT.	External Partners	
EDUCATION/ HUMAN RESOURCES DEVELOPMENT - CAPITAL INVESTMENT PROJECTS											
ON-GOING PROJECTS:											
Basic Education											
734	Basic Education Quality & Efficiency (MoEYS)	ADB, UNICEF	2001-2005	52,310	10,000	0	0	10,000		10,000	0
829	Health Promotion in School Project (MoEYS)	UK, UNESCO, UNICEF, SEAMEO TROPMED	2005-2007	3,140	1,067	1,017	1,056	3,140		3,140	0
....	Curriculum Development Center (MoEYS)	USAID	2005-2007	6,000	2,000	2,000	2,000	6,000	0	6,000	0
....	Basic Education & Teacher Training (BETT) in Siem Reap, Uddor Mean Chey and Kampong Cham (MoEYS)	Belgium, National Budget	2003-2006	14,106	4,702	4,702		9,404	2,230	7,174	0
Higher Education											
719	School Facilities Development Program (MoEYS)	ADB, Japan, NGOs, Belgium	2002-2007	168,222	21,900	26,971	31,750	80,621		80,621	0
Sub-Total On-going Projects				243,778	39,669	34,690	34806	109,165	2,230	106,935	0
COMMITTED PROJECT:											
Technical & Vocational											
376	Basic Education II (Secondary) (MoEYS)	ADB	2004-2008	20,000	2,000	2,000	2000	6,000		6,000	0
New	Primary & Secondary Equity Education (MoEYS)	JICA, UNICEF, UNESCO	2004-2008	32,125	5,700	5,800	6000	17,500	7,000	10,500	0
New	Strengthen Planning and Management (MoEYS)	SIDA, UNESCO, National Budget	2005-2010	9,533	2,000	2,000	2000	6,000		6,000	0
Sub-Total Committed Projects				61,658	9,700	9,800	10,000	29,500	7,000	22,500	0
PIPELINE-HIGH PRIORITY PROJECTS:											
122	Construction of 5 Regional Vocational Training Centers (MoLV)	Donors Sought; Feasibility Study Required	2005-2007	2,136	802	834	500	2,136			2,136
125	Construction of Takeo Vocational Training Center(MoLV)	Donors Sought; Feasibility Study Required	2005-2007	309	138	94	77	309			309
597	Construction of a Polyclinic and Laboratory(MoLV)	Donors Sought; Feasibility Study Required	2005-2006	400	320	80		400			400
370	Comprehensive Education-MIS (MoEYS)	Donors Sought; Feasibility Study Required	2005-2007	250	50	100	100	250			250
Sub-Total High Priority Pipeline Projects:				3,095	1,310	1,108	677	3,095	0	0	3,095
Total Capital Investment Projects (on going, committed and pipeline):				308,531	50,679	45,598	45,483	141,760	9,230	129,435	3,095
EDUCATION/ HUMAN RESOURCES DEVELOPMENT - TECHNICAL ASSISTANCE PROJECTS											
ON-GOING PROJECTS:											
Basic Education											
....	Targeted Assistance for Education of Poor Girls and Children in Ethnic Minoritv Area (MoFYS)	National Budget, UNICEF , VSO	2003-2007	3,000	843	938	663	2,444	300	2,144	0
Higher Education											
720	Capacity Building Program (MoEYS)	UNICEF, ADB	2002-2007	29,750	3,750	3,750	3750	11,250		11,250	0
....	Lower Secondary School Teacher Training of French-Khmer Subject (MoEYS)	France	2003-2007	320	80	80	80	240		240	0
....	Education Professional Cadre Training (MoEYS)	France	2003-2007	415	104	104	104	312		312	0
Youth & Sport											
728	Incentive for Equitable Access (MoEYS)	ADB, Japan	2003-2007	10,500	1,750	3,000	3750	8,500		8,500	0
Sub-Total On-going Projects				43,985	6,527	7,872	8,347	22,746	300	22,446	0

ANNEX-I: ODA/PUBLIC INVESTMENTS RESOURCE MOBILIZATION PROGRAM: 2005-2007

(all amounts in '000 of US\$)

PIP No.	Project Name/Title	Funding Status	Implementation Period	Total Project Costs	Planned Investments				Committed Resources		ODA Resource Mobilization Target
					2005	2006	2007	Total 2005-2007	GOVT.	External Partners	
PIPELINE-HIGH PRIORITY PROJECTS:											
<u>Basic Education</u>											
New	Capacity Building (MoEYS)	Donors Sought; Feasibility Study Required	2005-2007	11,690	6,430	2,630	2630	11,690			11,690
428	Non-Formal Education System (MRD)	Donors Sought; Feasibility Study Required	2004-2006	480	160	160		320			320
Sub-Total High Priority Pipeline Projects:				12,170	6,590	2,790	2,630	12,010	0	0	12,010
Total Technical Assistance Projects (on going, committed and pipeline):				56,155	13,117	10,662	10,977	34,756	300	22,446	12,010
Grand Total (CP & TA):				364,686	63,796	56,260	56,460	176,516	9,530	151,881	15,105
HEALTH - CAPITAL INVESTMENT PROJECTS											
ON-GOING PROJECTS:											
78	Strengthen Basic Health Services (MoH)	WB; ADB; BTC, DFID, UNICEF;UNDP; UNFPA; WHO;USAID;France;GTZ;Japan;UK;NGOs	1996-2007	300,158	71,367	77,267	86,690	235,324	76,567	9,217	149,540
79	Maternal and Child Health "Former name: Women & Child Health" (MoH)	UNICEF; UNFPA; WHO; NGOs; Japan, AusAID; UNFPA; DFID; NGOs	2003-2007	29,844	3,258	3,818	4,489	11,565	5,203	0	6,362
82	Tuberculosis Control (MoH)	Grants: WHO; UK; France; NGOs: MSF; WB; Japan; National Budget	1996-2010	105,000	6,952	7,130	7,442	21,524	2,501	10,056	8,967
83	Control of Malaria, Dengue, Schistosomiasis (MoH)	Grants: AusAID; UK; EC; WHO; USAID;NGOs; Loan:WB; National Budget	1996-2007	31,903	4,682	4,664	5,032	14,378	2,442	7,415	4,521
84	Provision and Improving Access and Quality of Essential Medicines "Former name: Pharmaceutical Sector Reform/Essential Drugs" (MoH)	WHO;UNICEF;ADB; KfW;Japan; AusAid; NGOs; National Budget	1996-2007	109,433	27,860	30,736	33,809	92,405	61,742	18,962	11,701
86	AIDS/STD Programme (MoH)	UNICEF; UNDP; UNFPA; WHO;EC; UK; AusAID; ADB; WB; CDC. UN. GFATM. USAID. DFID. NGOs	1996-2007	31,387	6,463	7,125	7,685	21,273	4,149	12,550	4,574
87	Rehabilitation of National Hospitals (MoH)	National Budget; Japan; France; NGOs: Switzerland, Thailand, WB	1996-2007	101,648	11,150	12,272	12,910	36,332	16,062	3,033	17,237
92	Preah Ang Duong Hospital: Upgrade Ear-Nose-Throat – Eye and dental service (MoH)	NGOs; National Budget		13149	924	1,145	9,972	12,041	4,149	0	7,892
Split from 79	Improving Birth Spacing and Safe Motherhood Services in Cambodia "Previously part of Women and Child Health, PIP No. 79" (MoH)	UNFPA, NGOs	2004-2005	2,983	1,164	0	0	1,164	0	1,164	0
Split from 79	National Program for Acute Respiratory Infections, Control of Diarrhoeal Diseases and Cholera "Previously part of Women and Child Health, PIP No. 79" (MoH)	UNICEF & WHO	2005-2007	787	197	263	320	780	780	0	0
Split from 79	National Immunization Program (MoH)	WHO; UNICEF; ; AusAid; CVP PATH; JICA; USAID; NGOs; GAVY; ROTARY	2004-onward	24,000	6,742	7,774	8,940	23,456	8,425	14,052	979
Split from 79	National Nutrition Program (MoH)	UNICEF, WHO, HKI, GTZ, WB	2004-2007	6,666??	2,333	2,382	2,418	7,133	1,207	1,213	4,713
Split from 72	Development of Mental Health Services and Resources "Previously part of Medical Speciality:ENT/Oral & Mental Care" (MoH)	WHO, Iom?NORAD, TPO	2005-Onward	5,466	545	691	486	1,722	0	201	1,521
....	Strengthen and Expand Prevention Programs (Nat'l AIDs Authority)	NB, WB, DFID, USCDC-GAP, UNs, GFATM, EU, ADB, FC	2004-2007	62,390	13,591	16,988	21,236	51,815	500	30,000	21,315
....	Decentralization of HIV/AIDs Response to Provinces (Nat'l AIDs Authority)	UNDP, UNAIDS	2004-2007	1,926	480	600	750	1,830	0	288	1,542
Sub-Total On-going Projects				806,925	157,708	172,855	202,179	532,742	183,727	108,151	240,864

ANNEX-I: ODA/PUBLIC INVESTMENTS RESOURCE MOBILIZATION PROGRAM: 2005-2007

(all amounts in '000 of US\$)

PIP No.	Project Name/Title	Funding Status	Implementation Period	Total Project Costs	Planned Investments				Committed Resources		ODA Resource Mobilization Target
					2005	2006	2007	Total 2005-2007	GOVT.	External Partners	
HEALTH - TECHNICAL ASSISTANCE PROJECTS											
ON-GOING PROJECTS:											
80	Strengthening Sector-wide Management "Former name: Strengthening Health Mgt.& Planning" (MoH)	AusAid/UK; GTZ/UNDP/UNICEF/WHO; National Budget	2000-2010	74,463	15,211	15,503	18,721	49,435	37,003	8,256	4,176
81 and 93	Training and Human Resource Development "Combination of two previous PIP: Human Resource Development and NIPH" (MoH)	AusAid/France/WHO; KFW (Germany); Japan/NGOs; UNFPA; UNICEF; ADB	2003-2007	39,556	9,042	8,709	9,162	26,913	10,868	4,484	11,561
94	Health Education,Hygiene & Primary Health Care (MoH)	AOI, JICA, ICC	1996-2007	11,306	1,295	1,361	1,509	4,165	3,130	600	435
95	Blood Transfusion Programme (MoH)	National Budget; ICRC; NGOs; WB; GTZ	1996-2007	9,525	1,728	1,835	2,103	5,666	1,486	823	3,357
427	Development of National Eye Centre for Referral, Training and Research "Former name: Prevention of Blindness" (MoH)	CBM/ Caritas; Hellen Keller Worldwide; IRIS; Fred Hallow Foundation; Mekong Eye Doctor; Help Age International; Rotary Club International	2003-2007	11,047	962	1,188	1,375	3,525	1,073	623	1,829
Split From 427	Develop and Implement comprehensive and cost-effective plans for child oral health prevention and oral health services delivery "Previously part of Prevention of Blindness" (MoH)	WHO, NGOs	2002-2007	1,238	108	132	218	458	367	0	91
426	Strengthening the National Laboratory for Controlling Food and Drugs Administration "Former name: Controlling Food & Drugs Administration" (MoH)	World Bank; WHO; JICA; Jicwels; USP		8,699	732	584	243	1,559	297	1,067	195
790	Health financing for the Poor (MoH)	DFID, JFPR, WB TA, ADB, GTZ, NGOs	From 2003	14,237	4,099	3,667	3,636	11,402	600	9,465	1,337
....	Support Mitigation of Impact (Nat'l AIDs Authority)	WFP, UNICEF, USAID	2004-2007	5,675	1,300	1,500	1,875	4,675	0	3,000	1,675
....	Support for Institutional Strengthening (Nat'l AIDs Authority)	DFID, UNDP, UNAIDS	2004-2007	20,764	4,500	5,625	7,031	17,156	250	10,825	6,081
Sub-Total On-going Projects:				196,510	38,977	40,104	45,873	124,954	55,074	39,143	30,737
PIPELINE-HIGH PRIORITY PROJECTS:											
701	Development of Traditional Medicine "New matter in the RGC's Rectangular Strategies" (MoH)	WHO	2001-2007	2,990	725	1,156	1,067	2,948	462	0	2,486
Sub-Total High Priority Pipeline Projects				2,990	725	1,156	1,067	2,948	462	0	2,486
Total Technical Assistance Projects (on going, pipeline)				199,500	39,702	41,260	46,940	127,902	55,536	39,143	33,223
Grand Total (CP & TA):				1,006,425	197,410	214,115	249,119	660,644	239,263	147,294	274,087
AGRICULTURE, FORESTRY & FISHERIES - CAPITAL INVESTMENT PROJECTS											
ON-GOING PROJECTS:											
Agricultural Productivity (MAFF)											
272	Agriculture Productivity Improvement (MAFF)	National Budget, WB/IFAD	1999-2005	29,439	5,887	0	0	5,887		5,887	0
....	Intergrated Pest Management Farmer Training Phase II (MAFF)	Denmark	2003-2005	14,000	3,146	0	0	3,146		3,146	0
....	Cambodia Australia Agricultural Extension Project-Phase II (MAFF)	Australia	200-2005	13,638	2,042	0	0	2,042		2,042	0
....	Improvement of Premium Rice Productivity based on Farming system Research (MAFF)	National Budget, ADB loan	2001-2005	3,459	336	0	0	336	0	336	0
....	National Program for food security and Poverty Reduction	FAO/ITA/UNHSF/OPEC	2005-2007	5,300	1,767	1,767	1,766	5,300	0	5,300	0
Demining											
....	CMAC-UNDP Trust Fund (CMAC)	General Trust Fund/Japan, Australia, Sweden, AAM-USA, France, Norway, UK	2004-2007	15,100	4,300	4,000	3,500	11,800	1,500	10,300	0
....	US-CMAC Demining Project at Pailin City (CMAC)	USA	2004-2007	7,160	1,800	2,000	2,000	5,800		5,800	0
....	Germany-CMAC Demining Project at Siem Reap and Oddor Meanchey Provinces (CMAC)	Germany	2004-2007	3,370	850	850	835	2,535		2,535	0

ANNEX-I: ODA/PUBLIC INVESTMENTS RESOURCE MOBILIZATION PROGRAM: 2005-2007

(all amounts in '000 of US\$)

PIP No.	Project Name/Title	Funding Status	Implementation Period	Total Project Costs	Planned Investments				Committed Resources		ODA Resource Mobilization Target
					2005	2006	2007	Total 2005-2007	GOVT.	External Partners	
....	JAPAN-CMAC Demining Project at Battambang Province (CMAC)	Japan	2004-2007	3,350	850	850	850	2,550		2,550	0
....	JAPAN-CMAC Demining Project at Pursat Province (CMAC)	Japan	2004-2007	3,350	850	850	850	2,550		2,550	0
....	Netherlands/NPA-CMAC Demining Project at Banteay Meanchey	Netherlands	2004-2007	2,570	630	630	560	1,820		1,820	0
....	Handicap International Belgium -CMAC Demining Project (CMAC)	EU	2004-2007	690	200	150	150	500		500	0
....	UNICEF-CMAC Mine Risk Education Project (CMAC)	UNICEF	2004-2007	500	100	150	150	400		400	0
....	Japan Mine Action Service (JMAS)-CMAC UXO/Demining Projects (CMAC)	Japan	2004-2007	1,920	540	600	600	1,740		1,740	0
Natural Resource Management (MAFF)											
....	Twining Arrangement IFRDI and IFM (MAFF)	Danida	2003-2005	500	87	0	0	87			87
....	Capacity 21 (MAFF)	UNDP	2003-2005	627	141	0	0	141			141
....	Aquaculture of Indigenous Mekong Fish Species (MAFF)	MRC/DANIDA	2003-2005	486	59	0	0	59			59
Land Management & Urbanization											
742	Land Management and Administration Project (MoLMUC)	World Bank	2002-2007	26,900	5,700	5,800	5,200	16,700	2,600	14,100	0
Sub-Total On-going Projects				132,360	29,284	17,647	16,461	63,392	4,100	59,005	287
COMMITTED PROJECT:											
Crop Production (MAFF)											
....	Overall Capacity Building Forest Sector (MAFF)	JICA and Other Donors	2005-2010	4,200	1,400	1,400	1,400	4,200	840	3,360	0
....	Ecosom (MAFF)	EU	2005-2007	3,000	1,000	1,000	1,000	3,000		3,000	0
....	Training on Agro-based enterprise management for C, L, M, T, V (MAFF)	AMEICC/JICA	2005	300	300	0	0	300	0	300	0
....	Training on small scale food processing technologies for C, L, M (MAFF)	AMEICC/JICA	2005	100	100	0	0	100	0	100	0
New Livestock Trade/Marketing Improvement (MAFF)											
Demining											
New Community Base Demining Project (CMAC)											
New Technical Survey Project (CMAC)											
New EOD Activities in Provinces along the Main Mekong River (CMAC)											
Sub-Total Committed Projects				16,950	5,171	5,595	6,084	16,850	840	15,710	300
PIPELINE-HIGH PRIORITY PROJECTS:											
Agricultural Productivity											
521	Artificial insemination cattle breeding station (MAFF)	Donors Sought; Feasibility Study Required	2005-2006	91	33	58	0	91			91
630	Haemorrhagic septicaemia vaccine production (MAFF)	Donors Sought; Feasibility Study Required	2005-2007	400	322	39	39	400			400
275	Repair and facility construction for agri-engineering (MAFF)	Donors Sought; Feasibility Study Required	2005-2007	772	264	254	254	772			772
501	Repair infrastructure of Kork Trap Prey Phdau station (MAFF)	Donors Sought; Feasibility Study Required	2005-2006	194	72	122	0	194			194
502	Construction of flood protection dike (MAFF)	Donors Sought; Feasibility Study Required	2005-2006	396	88	308	0	396			396
619	Rehabilitation of Toul Samrong agri.technical Center (MAFF)	Donors Sought; Feasibility Study Required	2005-2007	16,500	500	500	1,000	2,000			2,000
822	Rehabilitate Agricultural research center and research station. (MAFF)	Donors Sought; Feasibility Study Required	2005-2007	1,286	577	467	242	1,286			1,286
New Reduce Mortality and Morbidity of Livestock through strengthening veterinary services and disease prevention programs (MAFF)											
Research and Extension											
New Other seasonal crop and perennial crops survey (production and economic efficiency) (MAFF)											
New Rice production survey (MAFF)											
751	Extension of agri.machinery techn. (MAFF)	Donors Sought; Feasibility Study Required	2005-2007	1,305	446	315	544	1,305			1,305
175	Research station upgrade (MAFF)	Donors Sought; Feasibility Study Required	2005-2007	1,390	380	460	550	1,390			1,390
Natural Resource Management											

ANNEX-I: ODA/PUBLIC INVESTMENTS RESOURCE MOBILIZATION PROGRAM: 2005-2007

(all amounts in '000 of US\$)

PIP No.	Project Name/Title	Funding Status	Implementation Period	Total Project Costs	Planned Investments				Committed Resources		ODA Resource Mobilization Target
					2005	2006	2007	Total 2005-2007	GOVT.	External Partners	
New	Forest Estate Demarcation and Management (MAFF)	Donor Sought; Feasibility Study Required	2005-2007	3,300	1,100	1,100	1,100	3,300			3,300
333	Suppression on illegal action of wildlife (MAFF)	Donors Sought; Feasibility Study Required	2005-2007	252	110	71	72	253			253
Humance Resource Development											
New	Enhancing MAFF staff capacity (MAFF)	Donors Sought; Feasibility Study Required	2005-2007	617	206	206	205	617			617
Land Management & Urbanization											
....	Land Allocation for Social and Economic Development (MoLMUC)	WB, Germany	2005-2008	15,000	100	2,000	4,000	6,100		6,100	0
Sub-Total High Priority Pipeline Projects:				42,118	4,411	6,101	8,207	18,719	0	6,100	12,619
Total Capital Investment Projects (on going, committed and pipeline):				191,428	38,866	29,343	30,752	98,961	4,940	80,815	13,206
AGRICULTURE, FORESTRY & FISHERIES - TECHNICAL ASSISTANCE PROJECTS											
ON-GOING PROJECTS:											
De-Mining											
....	Quality Management & Socio-Economic Clusters (CMAA)	UNDP/DFID	2003-2005	200	42	0	0	42		42	0
....	CMAA Mine Risk Education Coordination (CMAA)	UNICEF	2004-2005	40	20	0	0	20		20	0
....	Equipment Improvement for Demining Activities (CMAC)	Japan	2004-2010	43,500	11,000	9,000	7,000	27,000		27,000	0
....	Mine Detection Dog Capacity Building (CMAC)	Sweden	2002-2005	950	200	200	200	600		600	0
....	JICA-CMAC Technical Advisors (CMAC)	JICA	1999-2006	1,650	300	500	500	1,300		1,300	0
....	New Zerland-CMAC technical Advisors (CMAC)	New Zerland	1995-2005	350	100	0	0	100		100	0
....	UNDP Technical Assistance and Capacity Building (CMAC)	UNDP	1993-2012	1,250	300	300	300	900		900	0
Land Management & Urbanization											
742	Land Management and Administration Project (MoLMUC)	GTZ, Finland, CIDA	2002-2007	19,000	4,900	6,700	5,400	17,000		17,000	0
....	Indegineous Land Rights Registration (MoLMUC)	SIDA	2004-2007	100	50	50		100		100	0
....	Implementation of Land Law Project (MoLMUC)	ADB	2004-2007	971	431			431	110	321	0
....	Commune & Communities Base for Natural Resource & Environment Management (MoLMUC)	DANIDA	2004-2007	1,072	333	212	210	755		755	0
....	Study on Installation of Control Points in Cambodia (MoLMUC)	KOICA	2004-2005	1,200	1,200			1,200		1,200	0
....	Institutional Support Program "Spatial & Regional Planning" (MoLMUC)	EU (ISP)	2004-2005	200	100			100		100	0
Sub-Total On-going Projects				70,483	18,976	16,962	13,610	49,548	110	49,438	0
COMMITTED PROJECT:											
De-Mining											
New	EOD technical advisors at HQ and provinces along the Main Mekong River (CMAC)	USA	2005-2012	1,300	300	500	500	1,300		1,300	0
New	EOD technical advisors and Training Center (CMAC)	Belgium	2005-2007	1,350	450	450	450	1,350		1,350	0
....	Land Allocation for Social & Economic Development (MoLMUC)	GTZ	2004-2006	1,800	600	600		1,200		1,200	0
Sub-Total Committed Projects				4,450	1,350	1,550	950	3,850	0	3,850	0
PIPELINE-HIGH PRIORITY PROJECTS:											
Agricultural Productivity											
798	Establish and support model Agricultural cooperatives (MAFF)	Donors Sought; Feasibility Study Required	2005-2006	136	23	113		136			136
New	Agricultural Production Processing Project (MAFF)	Donors Sought; Feasibility Study Required	2005-2007	843	326	276	241	843			843
New	Training on Increasing of Agricultural Production by using inorganic fertilizer or compost and non-using chemical fertilizer and pesticide	Donors Sought; Feasibility Study Required	2005-2007	30	0	18	12	30			30

ANNEX-I: ODA/PUBLIC INVESTMENTS RESOURCE MOBILIZATION PROGRAM: 2005-2007

(all amounts in '000 of US\$)

PIP No.	Project Name/Title	Funding Status	Implementation Period	Total Project Costs	Planned Investments				Committed Resources				
					2005	2006	2007	Total 2005-2007	GOVT.	External Partners	ODA Resource Mobilization Target		
Research and Extension													
191 Research on Agriculture (MRD)					2004-2006	340	54	54	108			108	
525 Agr. technical extension system (MAFF)					2005-2007	719	239	239	719			719	
531 Gender and agri. development (MAFF)					2005-2007	169	56	56	169			169	
177 National pest control program (MAFF)					2005-2007	1,463	436	451	439	1,326		1,326	
Natural Resource Management													
163 Reforestation program (MAFF)					2005-2007	3,840	1,920	980	940	3,840		3,840	
170 Preparation & Management of Wildlife (MAFF)					2005-2007	3,420	2,340	740	340	3,420		3,420	
181 Cambodia forestry action program (MAFF)					2005-2007	3,420	1,150	1,135	1,135	3,420		3,420	
Humance Resource Development													
806 Train selected farmers to provide service as Village Animal Health Workers (MAFF)					2005-2007	1,200	400	400	400	1,200		1,200	
819 Training Extension Workers (EW)/ stakeholders on Agricultural technologies (MAFF)					AusAID	2005-2007	1,740	580	580	580	1,740		1,740
813 Strenthening Agri-Food Processing Technology (MAFF)					2005-2007	198	84	66	48	198		198	
De-Mining													
New National Coordination (CMAA)					2005-2007	750	250	250	250	750	150	600	0
New Regulation, Monitoring, Quality Management (CMAA)					2005-2007	240	80	80	80	240	80	160	0
New Socio-Economic Management of Mine Clearance (CMAA)					2005-2007	480	160	160	160	480	130	350	0
New Database Management (CMAA)					2005-2007	300	100	100	100	300	65	235	0
New Capacity Building (CMAA)					2005-2007	99	33	33	33	99	20	79	0
New Mine Risk Education (CMAA)					2005-2007	55	5	25	25	55	14	41	0
Sub-Total High Priority Pipeline Projects:						19,442	8,236	5,756	5,081	19,073	459	1,465	17,149
Total Technical Assistance Projects (on going, committed and pipeline):						94,375	28,562	24,268	19,641	72,471	569	54,753	17,149
Grand Total (CP & TA):						285,803	67,429	53,611	50,393	171,433	5,509	135,568	30,355
TRADE, INDUSTRY & MANUFACTURING - TECHNICAL ASSISTANCE PROJECTS													
PIPELINE-HIGH PRIORITY PROJECTS:													
New Private Sector Investment , Credit (Loan+Grant) (MoC)					WB / IDA	2005 onward	10,000	3,500	3,500	3,000	10,000		10,000
New Technical Assistance Facility (TAF)					Australia	2004 onward	9,000	300	300	300	900		900
New APEC/WTO Capacity Building Initiative(MoC)					Canada	2004-2007	1,500	300	300	100	700		700
New Multilateral Trade Assistance Project(MoC)					EC GTZ as implementing agency	2003-2005	2,300	766			766		766
New WTO Compliance Telecom Sector(MoC)					Funded by UK. Implemented by WB	2005-onward	140	50	50	40	140		140
New EU Asia Trust Fund(MoC)					EU as donor, ITC as implementing agency	2004 -onward	400	100	100	100	300		300
New Train For Trade project - Training on Multilateral Trade Negotiations(MoC)					UNCTAD. Some components in cooperation with ITC, WTO	2003-2007	2,200	500	500	500	1,500		1,500
New International Standard and Technical Regulations(MoC)					Australia and Norway. UNIDO as Implementing agency	2004-2005	960	400			400		400
New EC/ASEAN co-operation programme on Product Standards(MoC)					Donors Sought; Feasibility Study Required	2005 onward	560	100	100	100	300		300
New EC/ASEAN co-operation programme on Intellectual Property Rights(MoC)					Donors Sought; Feasibility Study Required	2005 onward	560	100	100	100	300		300
New Geographical Indication of Origion Project(MoC)					France	2005 onward	1,100	400	400	300	1,100		1,100
New Infrastructure in the Financial Sector(MoC)					ADB	2005-2007	2,000	700	700	600	2,000		2,000
New Cambodian Rubber Certification and Commercialization(MoC)					France	2004-2006	900	400	400	-	800		800
New Cambodia-Singapore Training Center-Trade Training Proqram(MoC)					Singapore	2001-2005	1,800	500			500		500
New Secondment of long term trade expert(MoC)					GTZ, Germany	2004-2006	600	200	200	0	400		400
New IF Project Phase II-Capacity Building for Pre-poor Trade Reforms Programme(MoC)					UNDP, IF Trust Fund II, possibly Norway and New Zealand.	2004-2006	1,500	500	500	0	1,000		1,000
New Trade related technical assistance(MoC)					ITC is cooperating agency MPDF	2004-onward	100	30	30	30	90		90

ANNEX-I: ODA/PUBLIC INVESTMENTS RESOURCE MOBILIZATION PROGRAM: 2005-2007

(all amounts in '000 of US\$)

PIP No.	Project Name/Title	Funding Status	Implementation Period	Total Project Costs	Planned Investments				Committed Resources		ODA Resource Mobilization Target
					2005	2006	2007	Total 2005-2007	GOVT.	External Partners	
New	EPZs (Poipet, Koh Kong, Pailin)(MoC)	Thailand	2004-onward	300	90	90	90	270			270
New	Support to Trade Promotion and Export Development in the sub-region of Cambodia Laos and Vietnam(MoC)	Switzerland, ITC implementing agency	2003-2006	780	300	300		600			600
New	Advisor for trade and industrial promotion(MoC)	JICA	2004-2006	300	100	100	0	200			200
New	Feasibility study on the establishment of a paddy market(MoC)	JICA	2004-onward	300	100	100	0	200			200
New	Phnom Penh Sihanoukville Growth Corridor Assistance(MoC)	JICA	2004-Onward	1,000	500	500	0	1,000			1,000
Industry Sector:											
453	Establishment of Industrial Standard of Cambodia(MIME)		2005-2007	10,000	1,000	1,000	1,000	3,000		3,000	0
455	Establishment of Productivity Center-Cambodia(MIME)		2005-2007	1,100	350	750	-	1,100		1,100	0
New	SME Development program(MIME)	ADB	2005-2007	15,000	5,000	10,000	10,000	25,000		15,000	10,000
Mineral Resources Sector:											
105	Evaluation of Mineral Deposits(MIME)		2005-2007	1,500	0	750	750	1,500		1,500	0
Grand Total (TA) :				65,900	16,286	20,770	17,070	54,066	0	20,600	33,466
INFRASTRUCTURE & TRANSPORT - CAPITAL INVESTMENT PROJECTS											
ON-GOING PROJECTS:											
Roads											
297	Topographic Rehabilitation-Rural Roads 656Km (MRD)		2004-2007	26,307	2,000	2,000	2,000	6,000			6,000
430	Rural Roads Maintenance Program 2237km (MRD)		2004-2007	18,000	1,500	2,000	2,000	5,500			5,500
235	Rehabilitation of National Road N. 2 (Takeo-Vietnam Border) (MPWT)	JICA	2003-2005	11,970	5,670	0	0	5,670		5,670	0
278	Cambodia Road Rehabilitation Project: NR6, NR3, PHN, Sihanouk Ville	WB	2001-2005	45,496	115	0	0	115		115	0
327	Provincial Towns Improvement Project (MPWT)	ADB	2000-2005	8,600	780	0	0	780		780	0
801	Bridge Construction Project over 4 Rivers on NR48 (MPWT)	Thailand	2004-2006	8,000	3,000	1,000	0	4,000		4,000	0
800	GMS: Cambodia Road Improvement Project (Siem Reap-Poipet) (MPWT)	ADB	2003-2007	77,500	11,120	11,500	1,000	23,620		23,620	0
461	Project Improvement NR3 "Trapeingropao-Kampot" (MPWT)	Korea	2004-2007	17,500	3,000	5,000	5,000	13,000		13,000	0
Ports and Waterways											
293	The Sihanoukville Port Urgent Rehabilitation Project (Phase I) (MPWT)	Japan (JBIC)	2001-2005	51,712	1,832	0	0	1,832		1,832	0
423	Improvement of Rattanakiri Airport (SSCA)	ADB	2004-2007	6,112	1,182	2,515	1,532	5,229	965	4,264	0
424	Improvement of Stung Treng Airport (SSCA)	ADB	2004-2007	2,839	549	1,168	711	2,428	450	1,978	0
Sub-Total On-going Projects				274,036	30,748	25,183	12,243	68,174	1,415	55,259	11,500
COMMITTED PROJECT:											
Roads											
803	GMS Mekong Tourism Development Project (MPWT)	ADB	2003-2005	3,530	2,100	0	0	2,100		2,100	0
....	Rehabilitation of NR 6A, 6 and 7 "Phnom Penh-KgCham" (MPWT)	JICA	2005-2007	25,000	0	2,000	2,000	4,000		4,000	0
695	Rehabilitation of NR7 (Kratie-Stungtreng-Lao PDR Border) (MPWT)	China	2004-2007	50,000	1,500	1,500	100	3,100		3,100	0
802	Project Improvement NR48 Phase II (DBST) (MPWT)	Thailand	2004-2007	17,000	2,000	5,000	100	7,100		7,100	0
461	Construction of Antanous bridge & NR3 (MPWT)	Republic of Korea	2004-2007	17,500	1,000	5,000	100	6,100		6,100	0
855	Rehabilitation of NR67 (Siem Reap-Anlungveng-Srangam) (MPWT)	Thailand	2004-2007	20,000	3,000	7,000	100	10,100		10,100	0
799	Improvement of NR.1 (PP- Neak Loeung) (MPWT)	JICA	2004-2007	48,600	2,000	6,000	100	8,100		8,100	0

ANNEX-I: ODA/PUBLIC INVESTMENTS RESOURCE MOBILIZATION PROGRAM: 2005-2007

(all amounts in '000 of US\$)

PIP No.	Project Name/Title	Funding Status	Implementation Period	Total Project Costs	Planned Investments				Committed Resources		ODA Resource Mobilization Target
					2005	2006	2007	Total 2005-2007	GOVT.	External Partners	
854	Provincial and Rural Infrastructure Improvement Project (MPWT)	WB	2004-2007	17,000	1,000	2,500	100	3,600		3,600	0
Ports and Waterways (MPWT)											
856	The Sihanoukville Port Urgent Rehabilitation Project (Phase II) (MPWT)	Japan (JBIC)	2004-2007	35,500	5,000	10,000	1,000	16,000		0	0
										16,000	0
Sub-Total Committed Projects				234,130	17,600	39,000	3,600	60,200	0	60,200	0
PIPELINE-HIGH PRIORITY PROJECTS:											
Roads											
....	Rehabilitation of NR 56 (MPWT)	Donors Sought; Feasibility Study Required	2004-2007	25,000	1,000	2,000	200	3,200			3,200
....	Rehabilitation of NR 68 : 105 km (MPWT)	Thailand	2004-2007	30,000	500	1,500	1,000	3,000			3,000
....	Road Safety Action Plan (MPWT)	National Budget, Donors	2005-2007	30,000	1,000	2,000	200	3,200			3,200
473	Maintenance Program for National Road Network, 2500km (MPWT)	National Budget, Donors	2005-2007	60,000	2,000	1,000	200	3,200			3,200
....	Laterite Surfacing of National & Provincial Roads, 4,189km (MPWT)	National Budget, Donors	2005-2007	56,967	1,000	1,000	1,500	3,500			3,500
....	Reconstruction of NR 78 "O Pong Moan-Ban Lung" (MPWT)	ADB, WB	2004-2007	28,000	700	1,000	1,500	3,200			3,200
....	Rehabilitation of NR 73 "Pratheat-Kratie" (MPWT)	Donors Sought; Feasibility Study Required	2004-2007	40,000	2,000	1,000	300	3,300			3,300
....	Project Improvement of NR 3 "Phnom Penh-Kampot" (MPWT)	Republic of Korea	2004-2007	41,000	2,000	1,000	300	3,300			3,300
....	Construction of New Road NR8 "Prektamak-Preyveng" (MPWT)	Donors Sought; Feasibility Study Required	2005-2008	30,000	500	1,000	1,500	3,000			3,000
....	Rehabilitation of NR 53, 28km (MPWT)	Donors Sought; Feasibility Study Required	2005-2007	3,000	1,500	1,500	0	3,000			3,000
....	Rehabilitation of Ang long Veng-Prasat Preah Vihear road (MPWT)	Donors Sought; Feasibility Study Required	2004-2007	20,000	1,500	1,000	100	2,600			2,600
696	Rehabilitation NR 64 "Kampong Thom - Prehvihear" (MPWT)	Donors Sought; Feasibility Study Required	2004-2007	23,550	1,000	1,000	100	2,100			2,100
697	Rehabilitation NR57 "Battanbang-Pailin-Thai Border" (MPWT)	Donors Sought; Feasibility Study Required	2004-2007	14,550	1,000	1,000	100	2,100			2,100
698	Rehabilitation of NR 76 "Snoul-Sen Monorom-VN border" (MPWT)	Donors Sought; Feasibility Study Required	2004-2007	31,350	2,000	2,000	100	4,100			4,100
....	Rehabilitation of NR 76 "Sen Monorom-Kohgnek" 80km (MPWT)	Donors Sought; Feasibility Study Required	2004-2007	25,000	1,000	1,000	100	2,100			2,100
700	Rehabilitation of NR 76a 60km (MPWT)	Donors Sought; Feasibility Study Required	2004-2007	24,000	1,000	3,000	140	4,140			4,140
759	Construction of Neak Loeung Bridge (MWPT)	JICA	2005-2008	70,000		1,000	1,000	2,000			2,000
762	Construction of National Road No.76B (MPWT)	Donors Sought; Feasibility Study Required	2004-2005	1,500	1,141	0		1,141			1,141
764	Balley Bridge Purchasing 300 m (MPWT)	Donors Sought; Feasibility Study Required	2004-2007	13,000	1,000	1,000	300	2,300			2,300
222	Reconstruction of NR 78 "Ban Lung-O Yadav" (MPWT)	Vietnam	2004-2007	25,000	2,000	2,000	500	4,500			4,500
473	Emergency Repair and Maintenance of NR and Provincial Road (MPWT)	Donors Sought; Feasibility Study Required	2004-2007	20,000	1,000	1,000	500	2,500			2,500
Ports and Waterways											
796	Sihanouk Ville Port Free Zone (MPWT)	Donors Sought; Feasibility Study Required	2005-2008	28,400	1,000	2,000	200	3,200			3,200
469	Dredging Access of Mekong Channel and Island (MPWT)	Donors Sought; Feasibility Study Required	2005-2007	4,500	500	500	100	1,100			1,100
470	Improvement Waterways-Tonle Sap Lake (MPWT)	Donors Sought; Feasibility Study Required	2004-2007	21,000	100	100	10	210			210
....	Chong Kneas Port Environment Project "Siem Reap" (MPWT)	ADB	2003-2007	30,000	500	1,000	500	2,000			2,000
....	Navigation Program of MRC	Donors Sought; Feasibility Study Required	2004-2010	25,000	500	500	100	1,100			1,100
....	Establishment of Maritime Training Center (MPWT)	Donors Sought; Feasibility Study Required	2005-2008	4,000	500	500	500	1,500			1,500
420	Improvement of Monduliri Airport (SSCA)	Donors Sought; Feasibility Study Required	2005-2007	1,423	325	607	491	1,423			1,423
....	Development of New CNS/ATM System (SSCA)	Donors Sought; Feasibility Study Required	2005-2007	5,700	1,334	2,266	2,098	5,698			5,698
Rail											
763	Rehabilitation of 6 concrete bridges (MPWT)	Donors Sought; Feasibility Study Required	2004-2006	570	200	170	0	370			370
760	Trans Asean Railway: New Link 255km (Phnom Penh-Vietnamese border) (MPWT)	Donors Sought; Feasibility Study Required	2006-2010	500,000	1,000	2,000	500	3,500			3,500

ANNEX-I: ODA/PUBLIC INVESTMENTS RESOURCE MOBILIZATION PROGRAM: 2005-2007

(all amounts in '000 of US\$)

PIP No.	Project Name/Title	Funding Status	Implementation Period	Total Project Costs	Planned Investments				Committed Resources		ODA Resource Mobilization Target
					2005	2006	2007	Total 2005-2007	GOVT.	External Partners	
232	Restoration of Rail Link "Sisophon-Poipet" (MPWT)	ADB, Malaysia	2004-2007	22,000	1,000	1,000	200	2,200			2,200
256	Rehabilitation of Southern Railway Line "P.P.-Sihanoukville (MPWT)	JICA	2004-2007	29,000	1,000	2,000	200	3,200			3,200
....	Restoration of Rail link "P.P.-Sisophon" (MPWT)	JICA	2004-2006	40,000	1,000	2,000	200	3,200			3,200
....	Rehabilitation of Northern Line (MPWT)	Donors Sought; Feasibility Study Required	2006-2010	34,500	1,000	1,000	200	2,200			2,200
				Sub-Total High Priority Pipeline Projects:	1,358,010	34,800	42,643	14,939	0	0	92,382
				Total Capital Investment Projects (on-going, committed and pipeline):	1,866,176	83,148	106,826	30,782	1,415	115,459	103,882
INFRASTRUCTURE & TRANSPORT - TECHNICAL ASSISTANCE PROJECTS											
COMMITTED PROJECT:											
....	Institutional Restructuring (SSCA)	ADB	2004-2005	250	150	100	0	250	0	250	0
				Sub-Total Committed Projects:	250	150	100	0	0	250	0
PIPELINE HIGH-PRIORITY PROJECT:											
546	Domestic Airports Study (SSCA)	Donors Sought; Feasibility Study Required	2005-2006	1,500	1,000	500	0	1,500			1,500
....	Urgent Rehabilitation and Improvement of Civil Aviation Meteorology (SSCA)	Donors Sought; Feasibility Study Required	2005-2007	600	300	240	60	600			600
				Sub-Total High-Priority Pipeline Projects:	2,100	1,300	740	60	0	0	2,100
				Total Technical Assistance Projects (committed and pipeline):	2,350	1,450	840	60	0	250	2,100
				Grand Total (CP & TA) :	1,868,526	84,598	107,666	30,842	1,415	115,709	105,982
WATER RESOURCES, SUPPLY & SANITATION - CAPITAL INVESTMENT PROJECTS											
ON-GOING PROJECTS:											
<u>Water Resource: Irrigation and Flood Control</u>											
146	Prey Nup Rehabilitation Project (MOWRAM)	AFD (France)	1998-2006	11,000	600	500	0	1,100	60	1,040	0
289	Stung Chinit Irrigation and Rural Infrastructure Project (MOWRAM)	ADB and AFD co-financing	2001-2006	23,000	6,000	6,000	0	12,000	1,300	10,700	0
397	Kamping Pouy Irrigation Rehabilitation and Rural Development (MOWRAM)	JICA + APS (Italia) + WFP	2001-2007	4,500	1,500	1,000	800	3,300	100	3,200	0
....	Agricultural Hydraulic Component/APIP (MOWRAM)	WB	1998-2005	5,300	500	0	0	500	100	400	0
....	Northwest Irrigation Sector Project (MOWRAM)	ADB and AFD (France)	2004-2009	30,872	7,568	8,317	8,000	23,885	4,777	19,108	0
306	Tamouk Reservoir Rehabilitation (MOWRAM)	KOICA (Republic of Korea) + Japan Nong Project Grant Aid	2003-2005	2,469	1,100	0	0	1,100	200	900	0
....	Multi-purpose Water Resources Development Project in Krang Ponley River Basin (MOWRAM)	KOICA + EDCF/Republic of Korea	2004-2009	30,000	5,000	6,000	10,000	21,000	1,260	19,740	0
....	Flood Emergency Rehabilitation Project/ Flood Control and Irrigation (MOWRAM)	WB	2001-2005	9,297	400	0	0	400	100	300	0
....	Rural Integrated Developmet on Western side of Phnom Penh Municipality (MOWRAM)	Government + EDCF/Republic of Korea	2003-2006	4,000	1,000	1,000	0	2,000	220	1,780	0
308	Baray Irrigation Rehabilitation Project (MOWRAM)	INDIAN, Feasibility Study & Detail Design	2003-2006	5,500	3,000	2,000	0	5,000	500	4,500	0
395	Technical Service Center for Irrigation Facilities (MOWRAM)	JICA (JAPAN), Project Type Technical Cooperation	2001-2010	10,000	1,200	1,200	1,200	3,600	80	3,520	0
496	The Study on Comprehensive Agricultural Development of Prek Thnot River Basin (MOWRAM)	JICA (JAPAN), Master Plan & Feasibility Study	2004-2006	2,000	1,000	700	0	1,700	100	1,600	0
393	The Project for Rehabilitation of Kandal Stung Irrigation System (MOWRAM)	JAPAN GRANT AID for General Project	2004-2006	12,000	7,000	4,700	0	11,700	1,000	10,700	0

ANNEX-I: ODA/PUBLIC INVESTMENTS RESOURCE MOBILIZATION PROGRAM: 2005-2007

(all amounts in '000 of US\$)

PIP No.	Project Name/Title	Funding Status	Implementation Period	Total Project Costs	Planned Investments				Committed Resources		ODA Resource Mobilization Target
					2005	2006	2007	Total 2005-2007	GOVT.	External Partners	
657	Provincial Towns Improvement Project-Community Sanitation and Health Awareness Program(MIME)	ADB	1999-2005	823	235	235	0	470	122	348	0
656	Provincial Towns Improvement Project-Provincial Town Water Supply(MIME)	ADB	1999-2005	14,811	4,490	4,490	0	8,980	2,334	6,646	0
654	Improvement of Water Supply System in Siem Reap Town(MIME)	Japan	2004-2006	16,000	1,000	9,000	6,000	16,000	350	15,650	0
....	Provincial & Peri-urban water supply and sanitation(MIME)	WB	2003-2008	20,000	4,000	4,000	4,000	12,000	0	12,000	0
Sub-Total On-going Projects				201,572	45,593	49,142	30,000	124,735	12,603	112,132	0
COMMITTED PROJECT:											
<u>Water Resource, Irrigation and Flood Control</u>											
New	Stung Tasal Reservoir Water Development (MOWRAM)	Pakistan	2005-2008	12,000	0	4,000	4,000	8,000	1,760	6,240	0
New	Establishment of Nationwide Irrigation Inventory (MOWRAM)	JICA	2005-2007	4,000	1,000	1,500	1,000	3,500	350	3,150	0
New	Stung Staung River Water Resources Development (MOWRAM)	China	2005-2008	8,000	1,000	3,000	3,000	7,000	870	6,130	0
New	Community self-reliance and Flood Risk Reduction (MOWRAM)	ADB	2005-2006	500	250	250	0	500	0	500	0
<u>Water Supply/Sanitation</u>											
New	Provincial & Peri-urban water supply and sanitation (MIME)	WB	2003-2008	1,500	6,000	0		6,000	0	6,000	0
Sub-Total Committed Projects				26,000	8,250	8,750	8,000	25,000	2,980	22,020	0
PIPELINE-HIGH PRIORITY PROJECTS:											
<u>Irrigation</u>											
398	The Project for Improvement of Meteorological Services for Reduction of Natural Disasters and Development of Socio-economy in the Kingdom of Cambodia (MOWRAM)	JAPAN GRANT AID for General Project	2005-2007	7,200	2,000	4,000	1,200	7,200	700	6,500	0
New	Waico Irrigation Development Project (MOWRAM)	Donor Sought	2005-2008	30,000	0	2,000	5,000	7,000	0	7,000	0
New	Small and Medium Scale Water Resources Development (MOWRAM)	ADB (PPTA)	2005-2006	1,200	600	600	0	1,200	200	1,000	0
New	Study on the Stung Pursat River Basin Management and Development (MOWRAM)	Donor Sought	2005-2006	1,200	600	600	0	1,200	100	1,100	0
New	Master Plan of Water Resources Development in Cambodia	KOICA	2005-2006	2,500	1,500	1,000	0	2,500	200	2,300	0
New	Battambang Multi-Purpose Dam Development Project (MOWRAM)	KOICA	2006-2007	1,200	0	600	600	1,200	100	1,100	0
New	The Basinwide Basic Irrigation and Drainage Master Plan Study (MOWRAM)	JICA	2005-2006	1,800	1,000	800	0	1,800	100	1,700	0
New	Upper Slaku River Irrigation System Rehabilitation Project (MOWRAM)	JAPAN GRANT AID for General Project	2005-2008	15,500	300	3,000	7,000	10,300	1,340	8,960	0
New	Basac Reservoir Rehabilitation Project (MOWRAM)	JAPAN NON PROJECT GRANT AID	2005-2006	1,800	1,500	300	0	1,800	200	1,600	0
362	Irrigation System Rehabilitation and Construction (MRD)		2004-2006	1,316	481	581		1,062			1,062
361	Construction of Irrigation Systems (MRD)		2004-2006	5,172	1,705	2,272		3,977			3,977
192	Small Irrigation Systems (MRD)		2005-2007	33,000	2,500	3,500	500	6,500			6,500
674	Establishment of Training Center of water supply /sanitation(MIME)	Japan	2004-2007	8,960	2,000	2,000	2,000	6,000			6,000
New	Study on water supply master plan in Battambang and Sihanoukville(MIME)	Japan	2004-2006	2,500	0	1,300	1,200	2,500			2,500
New	Water supply and sanitation for small towns(MIME)	AFD	2004-2006	4,000	0	0	0	0			0
New	Expansion of Chruoy Chang War Water Treatment Plant, Phase 2	WB	2005-2007	10,000	0	2,000	5,000	7,000			7,000
<u>Water Supply/Sanitation</u>											
432	Repair & Maintain Hand Pumps (MRD)		2004-2006	1,960	650	665	500	1,815			1,815
363	113 Wells Drilling (MRD)		2004-2006	440	159	123		282			282
Sub-Total High Priority Pipeline Projects:				129,748	14,995	25,341	23,000	63,336	2,940	31,260	29,136
Total Capital Investment Projects (on going, committed and pipeline):				357,320	68,838	83,233	61,000	213,071	18,523	165,412	29,136

ANNEX-I: ODA/PUBLIC INVESTMENTS RESOURCE MOBILIZATION PROGRAM: 2005-2007

(all amounts in '000 of US\$)

PIP No.	Project Name/Title	Funding Status	Implementation Period	Total Project Costs	Planned Investments				Committed Resources		ODA Resource Mobilization Target
					2005	2006	2007	Total 2005-2007	GOVT.	External Partners	
WATER RESOURCES, SUPPLY & SANITATION - TECHNICAL ASSISTANCE PROJECTS											
PIPELINE-HIGH PRIORITY PROJECTS:											
360	Study of Topography for Irrigation Systems:72650 ha (MRD)	Donors Sought; Feasibility Study Required	2004-2005	654	327	0	0	327			327
Sub-Total High Priority Pipeline Projects:				654	327	0	0	327	0	0	327
Grand Total (CP & TA) :				357,974	69,165	83,233	61,000	213,398	18,523	165,412	29,463
POWER AND ELECTRICITY - CAPITAL INVESTMENT PROJECTS											
ON-GOING PROJECTS:											
.... Micro Hydropower project for Rural Electrification in remote province of Cambodia "Mondoulkiri" (MIME)		Japan (grant)	2004-2008	4,800	120	2,280	1,950	4,350		4,350	0
Sub-Total On-going Projects				4,800	120	2,280	1,950	4,350	0	4,350	0
COMMITTED PROJECT:											
348	Hydro Dev.Plan: Stung Battam&Stung Mongkolborey(MIME)		2004-2005	650	150	200	0	350		350	0
556	Rural Electrification&Transmission Project(MIME)	ADB(loan),WB(loan)	2002-2008	110,000		25,000	25,000	50,000	3,000	47,000	0
652	Master plan for rural power supply by Renewable energy(MIME)	Japan(TA)	2004-2006	800	300	500	0	800		800	0
New	Capacity Extention 10MW and fuel type conversion of EDC C5(MIME)	Japan(Grant)	2004-2007	16,000	4,000	6,000	6,000	16,000	800	15,200	0
New	Design study and construction of minihydropower for RE in stung Siem Reap(MIME)	Japan (grant)	2005-2007	8,000	4,800	2,000	-	6,800		6,800	0
New	Takeo-Kampot 230KV Transmission line project(MIME)	KfW, Germany, National	2005-2007	15,000	0	3,000	6,000	9,000	400	8,600	0
New	Kampot-Sihanuokville 230KV Transmission line project(MIME)	ADB	2005-2007	20,000	0	2,000	10,000	12,000	2,000	10,000	0
New	Feasibility study of PhnomPenh-Kampong Cham 230KV Transmission line project(MIME)	Government of India	2005-2007	700	0	300	400	700		700	0
New	The construction of 1st phase thermal power plan of 90MW project(MIME)	Japan(JBIC)	2005-2009	106,000	0	350	350	700		700	0
New	Development study of stung Atay hydropower project(MIME)	Government of India	2005-2007	2,000	0	1,200	400	1,600		1,600	0
New	Master plan study of Hydropower in Cambodia(MIME)	Japan (TA)	2005-2007	2,000	1200	500	300	2,000		2,000	0
New	Pre-feasibility study of lower Srepok II hydropower project(MIME)	Japan (JBIC)	2005-2007	3,000	0	1,800	750	2,550		2,550	0
New	Hydropower development study of the Sesan river basin in Cambodia(MIME)	Veit Nam (grant)	2005-2007	1,000	0	600	250	850		850	0
New	study on stung Metoeuk Hydropower project	Thailand (EGAT)	2004-2006	2,000	1000	1,000	-	2,000		2,000	0
New	Feasibility study for the establishment of Electricity Network in Cambodia	Thailand (EGAT)	2004-2006	1,500	1000	500	-	1,500		1,500	0
Sub-Total Committed Projects				288,650	12,450	44,950	49,450	106,850	6,200	100,650	0
PIPELINE-HIGH PRIORITY PROJECTS:											
Energies											
196	Rural/Solar Electricity Support (MRD)	Donors Sought; Feasibility Study Required	2004-2005	3,450	2,273	0		2,273			2,273
274	Hydro Power: Mondulkiri (MRD)	Donors Sought; Feasibility Study Required	2004-2005	3,100	1,650	0	200	1,850			1,850
Sub-Total High Priority Pipeline Projects:				6,550	3,923	0	200	4,123	0	0	4,123
Total Capital Investment Projects (on going committed and pipeline):				300,000	16,493	47,230	51,600	115,323	6,200	105,000	4,123

ANNEX-I: ODA/PUBLIC INVESTMENTS RESOURCE MOBILIZATION PROGRAM: 2005-2007

(all amounts in '000 of US\$)

PIP No.	Project Name/Title	Funding Status	Implementation Period	Total Project Costs	Planned Investments				Committed Resources		ODA Resource Mobilization Target
					2005	2006	2007	Total 2005-2007	GOVT.	External Partners	
POWER AND ELECTRICITY - TECHNICAL ASSISTANCE PORJECTS											
ON-GOING PROJECTS:											
.... Appropriation Hydrologycal Network Improvement Project (MOWRAM)		AusAID	2001-2006	1,748	643	140	0	783	0	783	0
			Sub-Total On-going Projects	1,748	643	140	0	783	0	783	0
			Grand Total (CP & TA) :	301,748	17,136	47,370	51,600	116,106	6,200	105,783	4,123
TELECOMMUNICATIONS & INFORMATION - TECHNICAL ASSISTANCE PROJECTS											
PIPELINE-HIGH PRIORITY PROJECTS:											
195 Mass Media Education (MRD)		Donors Sought; Feasibility Study Required	2004-2006	387	129	129		258			258
785 Database Management for Integrated Rural Devt. (MRD)		Donors Sought; Feasibility Study Required	2004-2006	61	20	20		40			40
894 Labor Market Information System (LMIS)(MoLV)		Donors Sought; Feasibility Study Required	2005-2007	0	75	71	52	198			198
294 Telecommunication network central (MoPT)		JBIC (Soft Loan)	2005-2008	32,000	3,200	17,300	11,500	32,000	2,600	29,400	0
400 Fibre optic transmission link in Phnom Penh-Lao Border (MoPT)		ADB Feasibility Study Required	2006-2008	20,000	0	9,000	11,000	20,000	5,000	15,000	0
419 Rural Telecommunication Network Development (MoPT)		Donors Sought; Feasibility Study Required	2006-2007	2,700	0	1,500	1,200	2,700	1,000	1,700	0
295 Fibre optic transmission link in Phnom Penh-Kampong Thom-Siem Reap (MoPT)		Donors Sought; Feasibility Study Required	2005-2006	9,000	1,000	5,000	3,000	9,000	1,000	8,000	0
			Grand Total (TA) :	64,148	4,424	33,020	26,752	64,196	9,600	54,100	496
ENVIRONMENT & CONSERVATION & NATURAL RESOURCES - CAPITAL INVESTMENT PROJECTS											
ON-GOING PROJECTS:											
.... Establishment of a National Protected Area Training Centre in Bokor Natinnal Park		Wild Aid, WB	2004-2005	140	70	0	0	70			70
			Sub-Total On-going Projects:	140	70	0	0	70	0	0	70
PIPELINE-HIGH PRIORITY PROJECTS:											
New Health, safety, and environmental impact assessment in petroleum field (CNPA)		Donors Sought- (negotiating with Australia)	2005-2007	1,500	500	500	500	1,500	0	0	1,500
New Feasibility study and construction of gas pipeline linking from block A to Sihanoukville (CNPA)		Feasibility study and construction - negotiating with ADB	2005-2009	150,000	100	15,000	30,000	45,100	0	0	45,100
431 Environment & Sanitation (MRD)		Donors Sought; Feasibility Study Required	2004-2006	882	294	294	100	688	0	0	688
			Sub-Total High Priority Pipeline Projects:	152,382	894	15,794	30,600	47,288	0	0	47,288
			Total Capital Investment Projects (on going and pipeline):	152,522	964	15,794	30,600	47,358	0	0	47,358
ENVIRONMENT, CONSERVATION & NATURAL RESOURCES - TECHNICAL ASSISTANCE PROJECTS											
ON-GOING PROJECTS:											
391 Biodiversity and Protected Areas Management (MoEnv)		WB/GEF	2000-2005	4,910	1,016	0	0	1,016		1,016	0
406 WWF Conservation Program in Cambodia(MoEnv)		WWF/USA	1999-2006	3,515	665	665	0	1,330		1,330	0
612 Tonle Sap Environmental management(MoEnv)		ADB/GEF	2003-2008	15,000	3,550	3,550	0	7,100		7,100	0
613 Biodiversity management & conservation in TS biosphere(MoEnv)		GEF/UNDP	2003-2008	4,000	850	850	0	1,700		1,700	0
671 Environmental Management in the Coastal Zone (MoEnv)		DANIDA	2002-2006	3,170	400	400	0	800		800	0
787 Capacity development for the clean development mechanism(MoEnv)		Dutch/UNEP	2003-2005	305	110	0	0	110		110	0
786 Community forestry research project in Cambodia phase H????(MoEnv)		IDRC	2003-2006	234	58	60	0	118		118	0

ANNEX-I: ODA/PUBLIC INVESTMENTS RESOURCE MOBILIZATION PROGRAM: 2005-2007

(all amounts in '000 of US\$)

PIP No.	Project Name/Title	Funding Status	Implementation Period	Total Project Costs	Planned Investments				Committed Resources		ODA Resource Mobilization Target
					2005	2006	2007	Total 2005-2007	GOVT.	External Partners	
....	Enabling activity for development of national implementation plan	UNEP/GEF	2003-2005	490	78	0	0	78		78	0
....	Recovery & recycling and incentive program for the mobile air conditioner(MoEnv)	MLF/UNEP	2004-2007	625	200	200	0	400		400	0
....	Refrigerators air conditioning technician training(MoEnv)	MLF/UNEP	2004-2005	130	60	0	0	60		60	0
....	Custom training project(MoEnv)	MLF/UNEP	2004-2005	85	40	0	0	40		40	0
....	Project implementation and monitoring(MoEnv)	MLF/UNEP	2004-2005	50	20	0	0	20		20	0
....	Mekong River basin wetlands biodiversity conservation and sustainable use program(MoEnv)	UNDP/GEF/IUCN	2004-2008	3,427	70	70	0	140		140	0
....	Preak Toal Core Area Conservation Project(MoEnv)	WCS	2003-2005	74	35	0	0	35		35	0
....	Cambodia Wildlife Habitat Conservation(MoEnv)	CWHC	2004-2008	4,300	675	975	0	1,650		1,650	0
....	Co-operation in Protecting and Rehabilitating the Wildlife, Eco-system and Watershed Conservation Value in Samlaut Multiple Use Area, Battambang(MoEnv)	ANGELINA JOLIE CVD Wild Aid	2003-2007	1,500	300	300	0	600		600	0
....	Cardamon Mountains Wildlife Sanctuary Project(MoEnv)	FF1 /UNDP /EU/GEF	2003-2006	3,000	750	750	0	1,500		1,500	0
....	Bokor National Park Management(MoEnv)	Wild Aid	2004-2005	70	30	0	0	30		30	0
....	Botum Sakor National Park Management(MoEnv)	Wild Aid, US	2004-2006	770	208	208	0	416		416	0
....	Conservation Area Land Scape Management(MoEnv)	GEF /UNDP/WCs	2004-2010	4,000	700	700	0	1,400		1,400	0
387	Capacity Building of Liquid Waste Management(MoEnv)	EU	2004-2006	1,350	100	100	0	200		200	0
Sub-Total On-going Projects				51,005	9,915	8,828	0	18,743	0	18,743	0
PIPELINE-HIGH PRIORITY PROJECTS:											
New	Legal and economic assistance for petroleum (advisor or expert)	Donor required- (negotiating with Norway)	2004-2007	800	200	300	300	800	0	0	800
New	Petroleum basin modeling, framework structural analysis (CNPA)	Donors Sought; Feasibility Study Required	2005-2007	900	300	300	300	900	0	0	900
New	Master plan and management of oil and gas exploitation (CNPA)	Donors Sought; Feasibility Study Required	2005-2006	700	350	350	0	700	0	0	700
Sub-Total High Priority Pipeline Projects:				2,400	850	950	600	2,400	0	0	2,400
Total Technical Assistance Projects (on going and pipeline):				53,405	10,765	9,778	600	21,143	0	18,743	2,400
Grand Total (CP & TA) :				205,927	11,729	25,572	31,200	68,501	0	18,743	49,758
SOCIAL AND COMMUNITY SERVICES - CAPITAL INVESTMENT PROJECTS											
ON-GOING PROJECTS:											
594	Construction of SOS Children Villages in Cambodia (MoSVY)	SOS-KDI	2003-2007	4,000	1,000	700	500	2,200		2,200	0
605	Cambodian-Korean National School of Vocational Training (MoSVY)	KOREA	2003-2007	34,650	6,100	13,705	7,645	27,450		27,450	0
Sub-Total On-going Projects:				38,650	7,100	14,405	8,145	29,650	0	29,650	0
PIPELINE-HIGH PRIORITY PROJECTS:											
365	Family Food Production (MRD)	Donors Sought; Feasibility Study Required	2004-2007	5,099	1,200	1,200	1,200	3,600			3,600
70	Rural Credit -Village Bank (MRD)	Donors Sought; Feasibility Study Required	2004-2006	2,360	816	798	0	1,614			1,614
188	Community Development center (MRD)	Donors Sought; Feasibility Study Required	2004-2006	2,430	810	810	0	1,620			1,620
781	Construction of District of SVY (MoSVY)	Donors Sought; Feasibility Study Required	2005-2007	408	145	145	118	408			408
Sub-Total High Priority Pipeline Projects:				10,297	2,971	2,953	1,318	7,242	0	0	7,242
Total Capital Investment Projects (on going and pipeline):				48,947	10,071	17,358	9,463	36,892	0	29,650	7,242

ANNEX-I: ODA/PUBLIC INVESTMENTS RESOURCE MOBILIZATION PROGRAM: 2005-2007

(all amounts in '000 of US\$)

PIP No.	Project Name/Title	Funding Status	Implementation Period	Total Project Costs	Planned Investments				Committed Resources		ODA Resource Mobilization Target
					2005	2006	2007	Total 2005-2007	GOVT.	External Partners	
SOCIAL AND COMMUNITY SERVICES - TECHNICAL ASSISTANCE PROJECTS											
ON-GOING PROJECTS:											
Social and Community Services											
....	Partnership for Gender Equity (Phase II) (MoWA)	UNDP/Royal Government	2004-2007	900	243	365	292	900		900	0
....	Prevention of all Forms of Trafficking in Women and Children (Phase II) (MoWA)	IOM/Finland	2004-2006	1,339	446	446	447	1,339		1,339	0
....	Gender Mainstreaming and Advocacy (MoWA)	UNFPA	2004-2005	224	71	153	0	224		224	0
....	Gender sensitive monitoring planning and budgeting for implementation of NPRS (MoWA)	World Bank	2003-2005	300	100	0	0	100		100	0
....	Information Campaign to Combat Trafficking in Women and Children in Cambodia (MoWA)	IOM/USAID	2003-2005	839	323	0	0	323		323	0
....	Asian Regional Program for Expansion of Employment Opportunities for Women (MoWA)	ILO/Japan	2001-2006	700	150	150	0	300		300	0
....	Gender Mainstreaming and Policy Development through upgrading Information and Research Capacity (MoWA)	JICA	2003-2008	2,622	530	514	479	1,523		1,523	0
....	Sustainable Employment Promotion for Poor Women (MoWA)	ADB	2003-2005	400	75	0	0	75		75	0
....	Promotion of Women's Rights (MoWA)	GTZ	2002-2005	2,300	460	0	0	460		460	0
118	Reintegration of street people into the Community (MoSVY)	NGOs	2004-2006	1,734	646	442	0	1,088		1,088	0
119	Retraining for Former Sex Workers (MoSVY)	NGOs	2004-2006	503	175	98	0	273		273	0
Sub-Total On-going Projects				11,861	3,219	2,168	1,218	6,605	0	6,605	0
COMMITTED PROJECTS:											
....	Integrated Economic Empowerment Entrepreneurship and Employment for Women (MoWA)	Germany	2003-2006	1,652	551	551	550	1,652		1,652	0
....	Integrated Women's Empowerment Center (MoWA)	ADB and JICA	2005-2007	11,488	2,936	6,276	2,276	11,488		11,488	0
....	Entrepreneurship Development Programme for Women in Food Processing (MoWA)	TA/UNIDO	2004-2006	1,028	343	343	342	1,028		1,028	0
....	Malaria (MoWA)	Global Fund	2005-2009	542	87	87	123	297		297	0
Sub-Total Committed Projects				14,710	3,917	7,257	3,291	14,465	0	14,465	0
PIPELINE-HIGH PRIORITY PROJECTS:											
892	Setting up skills standard(MoLV)	Donors Sought; Feasibility Study Required	2005=2007	211	83	63	65	211			211
124	Operation of Social Security Fund(MoLV)	Donors Sought; Feasibility Study Required	2005-2007	284	143	113	28	284			284
337	Capacity Building for Employment Promotion(MoLV)	Donors Sought; Feasibility Study Required	2005-2005	1,037	1,037			1,037			1,037
114	Capacity Building for Ministry Staff (MoSVY)	Donors Sought; Feasibility Study Required	2005-2007	1,241	541	375	325	1,241			1,241
125	Construction and Renovation of Provincial Direction of SVY (MoSVY)	Donors Sought; Feasibility Study Required	2005-2007	340	130	130	80	340			340
595	Vocational Training of Youth Delinquencies (MoSVY)	Donors Sought; Feasibility Study Required	2005-2007	439	174	130	135	439			439
752	HIV/AIDS Prevention and impact mitigation through peer education in female garment factory workers (MoSVY)	Donors Sought; Feasibility Study Required	2005-2007	168	57	47	64	168			168
783	Community Support for Vulnerable Elderly People (MoSVY)	Donors Sought; Feasibility Study Required	2005-2007	114	33	37	43	113			113
New	Dormitories for girls (MoWA)	Donors Sought; Feasibility Study Required	2005-2007	456	152	152	152	456			456
New	Nutrition Improvement Project (MoWA)	Donors Sought; Feasibility Study Required	2005-2007	240	100	70	70	240			240
New	Computerization (MoWA)	Donors Sought; Feasibility Study Required	2005-2007	65	45	10	10	65			65
New	Childcare Centers (MoWA)	Donors Sought; Feasibility Study Required	2005-2007	180	60	60	60	180			180
New	Literacy Non Formal Education and Early Childhood Education (MoWA)	Donors Sought; Feasibility Study Required	2005-2007	750	250	250	250	750			750
Sub-Total High Priority Pipeline Projects:				5,525	2,805	1,437	1,282	5,524	0	0	5,524
Total Technical Assistance Projects (on going, committed and pipeline):				32,096	9,941	10,862	5,791	26,594	0	21,070	5,524
Grand Total (CP & TA) :				81,043	20,012	28,220	15,254	63,486	0	50,720	12,766

ANNEX-I: ODA/PUBLIC INVESTMENTS RESOURCE MOBILIZATION PROGRAM: 2005-2007

(all amounts in '000 of US\$)

PIP No.	Project Name/Title	Funding Status	Implementation Period	Total Project Costs	Planned Investments				Committed Resources		ODA Resource Mobilization Target
					2005	2006	2007	Total 2005-2007	GOVT.	External Partners	
CULTURE & FINE ARTS; RELIGIOUS AFFAIRS - CAPITAL INVESTMENT PROJECTS											
PIPELINE-HIGH PRIORITY PROJECTS:											
212	Restoration-Royal University of Fine Arts (MCFA)	Donors Sought; Feasibility Study Required	2005-2007	1,400	900	250	250	1,400			1,400
217	Repair of Ancient Temples (MCFA)	Donors Sought; Feasibility Study Required	2005-2007	3,000	781	1,219	1,000	3,000			3,000
417	The construction of the Museum at Five Province (MCFA)	Donors Sought; Feasibility Study Required	2005-2007	2,000	800	1,200	0	2,000			2,000
578	Renovation of the National Library (MCFA)	Donors Sought; Feasibility Study Required	2005	200	200	0	0	200			200
New	Contruction of an Institute of Anthropology (MoCR)	Donors Sought; Feasibility Study Required	2005-2007	1,000	500	300	200	1,000			1,000
New	Moral Education (MoCR)	Donors Sought; Feasibility Study Required	2005-2007	250	90	80	80	250			250
Grand Total (CP) :				7,850	3,271	3,049	1,530	7,850	0	0	7,850
DEVELOPMENT ADMINISTRATION/ GOVERNANCE - CAPITAL INVESTMENT PROJECTS											
ON-GOING PROJECTS:											
Criminal Justice											
....	Criminal Justice Assistance, Kandal Prison Construction (Mol)	Australia	2002-2007	12,000	3,450	1,100	460	5,010		5,010	0
Decentralisation											
....	Decentralisation Support Project (Mol)	UNDP	2001-2005	8,829	850	0	0	850		850	0
Sub-Total On-going Projects:				20,829	4,300	1,100	460	5,860	0	5,860	0
COMMITTED PROJECTS:											
Decentralisation											
....	Administration Reform & Decentralization - Phase II (Mol)	Germany	2005-2008	2,000	650	650	700	2,000	0	2,000	0
....	Capacity Building School for Commune Councils (Mol)	Japan - feasibility study required	2005-2006	1,000	500	500	0	1,000	0	0	1,000
Sub-Total Committed Projects:				3,000	1,150	1,150	700	3,000	0	2,000	1,000
Total Capital Investment Projects (on going and committed):				23,829	5,450	2,250	1,160	8,860	0	7,860	1,000
DEVELOPMENT ADMINISTRATION/ GOVERNANCE - TECHNICAL ASSISTANCE PROJECTS											
ON-GOING PROJECTS:											
Development Administration											
706	Improving Data in the National Institute of Statistics (MoP)	AusAID, UNFPA	2001-2005	604	386	0	0	386		386	0
833	Cambodia Socio Economic Survey (MoP)	UNDP, SIDA, WB	2003-2005	1,200	811	0	0	811		750	61
946	International Comparison Programme (MoP)	ADB	2003-2006	25	25	5	0	30		15	15
947	Caminfo (MoP)	UNICEF GTZ	2003-2005	169	56			56		0	56
653	NRE-National Capacity Development (CDC)	Denmark	2001-2007	4,370	553	553	553	1,659		1,659	0
59	Aid Coordination & Partnerships (CDC)	UNDP	2001-2005	2,157	585	0	0	585		585	0
743	Capacity Development for Poverty Monitoring and analysis (MoP)	UNDP	2004-2007	3,369	750	750	750	2,250			2,250
513	Capacity building for the Preparation of Cambodia Human Development Reports (MoP)	UNDP	2004-2007	2,609	750	750	750	2,250			2,250
714	Population and Development Policy (MoP)	UNFPA	2004-2007	1,141	128	420	420	968			968
....	Commune Council Development Project (Mol)	ADB, SIDA, Netherlands	2003-2005	16,030	13,225	0	0	13,225	350	12,875	0

ANNEX-I: ODA/PUBLIC INVESTMENTS RESOURCE MOBILIZATION PROGRAM: 2005-2007

(all amounts in '000 of US\$)

PIP No.	Project Name/Title	Funding Status	Implementation Period	Total Project Costs	Planned Investments				Committed Resources		ODA Resource Mobilization Target
					2005	2006	2007	Total 2005-2007	GOVT.	External Partners	
Governance											
738	SEILA Programme	WB, UNDP, DFID and SIDA, IFAD, National Budget	2001-2005	91,000	42,000	0	0	42,000			42,000
....	Commune and Community Based NREM Component (Seila Task Force)	DANIDA	2004-2007	5,700	1,419	1,419	1,419	4,257		4,257	0
Sub-Total On-going Projects				128,374	60,688	3,897	3,892	68,477	350	20,527	47,600
PIPELINE-HIGH PRIORITY PROJECTS:											
Governance											
75	Efficiency on Working Relation Between National Assembly-Senate and People (MoNASRI)	Donors Sought; Feasibility Study Required	2005-2009	3,059	834	594	254	1,682			1,682
412	Expansion of Education, Publication, and Dissemination of Laws (MnNASRI)	Donors Sought; Feasibility Study Required	2005-2008	2,913	660	660	660	1,980			1,980
740	Strengthen of Inspection Quality (MoNASRI)	Donors Sought; Feasibility Study Required	2005-2007	1,332	444	444	444	1,332			1,332
Development Administration											
917	Improving Official Statistics in Cambodia (MoP)	JICA	2005-2010	1,380	345	483	552	1,380		1,380	0
832	Capacity Development National Statistical System (MoP)	UNDP and other donors sought	2005-2007	1,377	583	731	63	1,377		1,000	377
718	Statistical System Development (MoP)	Donors Sought Feasibility Study Required	2005-2007	900	300	300	300	900			900
918	Population Consus (MoP)	Donors Sought Feasibility Study Required	2005-2007	8,500	0	500	1,800	2,300			2,300
919	Establishment Survey with establishment frame (MoP)????	Donors Sought Feasibility Study Required	2005-2007	400	0	100	300	400			400
538	Socio Economic Survey (MoP)	Donors Sought Feasibility Study Required	2005-2007	280	0	-	280	280			280
535	Statistical Data Bank/Warehouse (MoP)	Donors Sought Feasibility Study Required	2005-2007	580	200	190	190	580			580
941	Statistical Master Plan (MoP)	Donors Sought Feasibility Study Required	2005-2007	144	144	-	0	144			144
534	Census of Agriculture (MoP)	Donors Sought Feasibility Study Required	2005-2007	2,500	500	800	1,200	2,500			2,500
533	Coordination the work of National Council for Nutrition (MoP)	Donors Sought	2003-2007	500	167	167	167	500			500
950	Monitoring and Evaluation on Public Investment Programme (MoP)	Donors Sought	2003-2006	900	500	400	0	900			900
951	Third Socio-economic Development Plan (MoP)	Donors Sought	2005-2006	800	650	150	0	800			800
875	Cambodia Demography and Health Survey (MoP)	Donors Sought	2005-2006	1,500	1,000	500		1,500			1,500
Administration Reform Programme											
New	Implementing the PMG program (PAR)	Donors Sought	2005-2008	14,000	2,000	3,000	4,000	9,000			9,000
New	Developing the HRMIS (PAR)	Donors Sought	2005-2008	5,000	1,000	1,500	1,500	4,000			4,000
New	Implementing One Window Office (PAR)	Donors Sought	2005-2008	4,400	1,200	1,200	1,000	3,400			3,400
New	Integration Canadian software into Cambodian context (PAR)	Donors Sought	2005-2008	6,000	1,000	2,500	2,500	6,000			6,000
Sub-Total High Priority Pipeline Projects:				56,465	11,526	14,219	15,210	40,954	0	2,380	38,575
Total Technical Assistance Projects (on going, committed and pipeline):				184,839	72,214	18,116	19,102	109,431	350	22,907	86,175
Grand Total (CP & TA) :				208,668	77,664	20,366	20,262	118,291	350	30,767	87,175
TOTAL: On-going Projects					453,537	397,273	379,184	1,229,994	259,909	639,027	331,058
TOTAL: Committed Projects					59,738	118,152	82,075	259,965	17,020	241,645	1,300
TOTAL: High-priority Pipeline Projects					119,644	177,827	150,162	447,633	13,461	115,905	318,268
TOTAL: All Projects					632,920	693,252	611,421	1,937,593	290,390	996,577	650,626

ANNEX-I: ODA/PUBLIC INVESTMENTS RESOURCE MOBILIZATION PROGRAM: 2005-2007

(all amounts in '000 of US\$)											
PIP No.	Project Name/Title	Funding Status	Implementation Period	Total Project Costs	Planned Investments				Committed Resources		ODA Resource Mobilization Target
					2005	2006	2007	Total	GOVT.	External Partners	
								2005-2007			
	SUMMARY OF FINANCIAL REQUIREMENTS (in thousands of US Dollars)										
	Total Technical Assistance (Free-Standing & Investment-Related Grants)				197,431	169,716	146,872	514,019	66,355	254,795	192,870
	Total Capital Investments (Grants and Loans)				435,488	523,536	464,549	1,423,573	224,035	741,782	457,756
	TOTAL All Projects				632,920	693,252	611,421	1,937,593	290,390	996,577	650,626
	LESS: Estimated Counterpart/Capital Expenditure through RGC Budget (includes Govt. Cash Input and Estimated Project revenues)				290,390						
	ADD: Budget Support/Project Aid Requirements (Minimum Level): (average per year)				150,000 50,000				0		150,000
	NET EXTERNAL ASSISTANCE REQUIREMENTS (for 2005-2007): (average per year)				1,797,203 599,068				996,577 332,192		800,626 266,875
	ADD: IMF - Balance of Payments Support/Stand-by Facility: (average per year)				66,000 22,000				66,000 22,000		0 0
	TOTAL EXTERNAL ASSISTANCE REQUIREMENTS (for 2005-2007): (average per year)				1,863,203 621,068				1,062,577 354,192		800,626 266,875

ANNEX II

LIST OF ACRONYMS and ABBREVIATIONS

ACLEDA	..	Association of Local Economic Development Agencies
ADB	..	Asian Development Bank
ADD	..	Accelerated District Development
AFD	..	Agence Francaise pour Developpement, France
ASEAN	..	Association of South-East Asian Nations
AFTA	..	ASEAN Free Trade Area
AICO	..	ASEAN Industrial Cooperation Scheme
AIA	..	ASEAN Investment Area
AusAID	..	Australian Agency for International Development
BOT/BOO	..	Build, Operate and Transfer/Build, Own and Operate
BMC	..	Budget Management Centers
BSEC	..	Budget Strategy and Enforcement Center, MEF
CADF	..	Civil Aviation Development Framework
CAR	..	Council for Administrative Reform, Council of Ministers
CARD	..	Council for Agricultural and Rural Development
CARDI	..	Cambodian Agricultural Research and Development Institute
CDAF	..	Council for the Demobilization of Armed Forces, Council of Ministers
CDRI	..	Cambodian Development Research Institute
CIAP	..	Cambodia-IRRI-Australia-Project
CSOs	..	Civil Society Organizations
CDC	..	Council for the Development of Cambodia
CDC/CRDB	..	Cambodian Rehabilitation and Development Board/CDC
CDF	..	Comprehensive Development Framework, World Bank
CIB	..	Cambodia Investment Board/CDC
CG	..	Consultative Group
CIDA	..	Canadian International Development Agency
CNPA	..	Cambodian National Petroleum Authority
CMAC	..	Cambodia Mine Action Centre
CoM	..	Council of Ministers
CPA	..	Complimentary Package of Activities, Ministry of Health
CTA	..	Cambodian Telecommunications Authority, MPWT
CRDC	..	Commune Rural Development Committees, MRD
CVAP	..	Cambodia Veterans Assistance Program
DCR	..	Development Cooperation Report for Cambodia
DFID	..	Department for International Development, United Kingdom
DHO	..	District Health Office, Ministry of Health
DPWS	..	Department of Provincial Water Supply, MWRM
DTEE	..	Department of Techniques, Economics and Extension, MAFF
EAC	..	Electricity Authority of Cambodia
EIA	..	Environmental Impact Analyses
EDC	..	Electricite du Cambodge
EENT	..	Eye-Ear-Nose-Throat
EU/ EC	..	European Union/ European Commission
FAO	..	Food and Agriculture Organization, United Nations
FDI	..	Foreign Direct Investment
GDP	..	Gross Domestic Product
GMS	..	Greater Mekong Sub-Region
GS-CDAF	..	General Secretariat, Council for the Demobilization of Armed Forces
GSP	..	Generalized System of Preferences
Ha.	..	Hectare
HC	..	Health Centers, Ministry of Health
HCP	..	Health Coverage Plan, Ministry of Health
HRMIS	..	Human Resources Information Management System
ICORC	..	International Committee for Reconstruction of Cambodia
IFAD	..	International Fund for Agricultural Development
IIPP	..	Integrated Investment Priorities Program

ILO	..	International Labour Organization, United Nations
IMF	..	International Monetary Fund
IOs	..	International Organizations
IOM	..	International Organization on Migration
IPP	..	Independent Power Producer
IRRI	..	International Rice Research Institute
ITU	..	International Telecommunications Union, United Nations
JICA	..	Japan International Cooperation Agency
MAFF	..	Ministry of Agriculture, Fisheries and Forestry
MEF	..	Ministry of Economy and Finance
MFN	..	Most Favored Nation
MFIs	..	Micro-finance institutions
MIME	..	Ministry of Industry, Mines and Energy
MLMUPC	..	Ministry of Land Management, Urban Planning and Construction
MoE	..	Ministry of Environment
MoEYS	..	Ministry of Education, Youth and Sports
MoH	..	Ministry of Health
MoH-COCOM	..	Coordinating Committee, Ministry of Health
MoINF	..	Ministry of Information
MoP	..	Ministry of Planning
MoWVA	..	Ministry of Women's and Veterans' Affairs
MPA	..	Minimum Package of Activities, Ministry of Health
MPWT	..	Ministry of Public Works and Transport
MPP	..	Municipality of Phnom Penh
MPTC	..	Ministry of Posts and Telecommunications
MRD	..	Ministry of Rural Development
MT	..	Metric Tonne
MW	..	Megawatt
MWRM	..	Ministry of Water Resources and Meteorology
NAA	..	National Audit Authority
NBC	..	National Bank of Cambodia
NEAP	..	National Environmental Action Plan
NEC	..	National Election Commission
NGOs	..	Non-Government Organizations
NPRD	..	National Program to Rehabilitate and Develop Cambodia
NPAR	..	National Program for Administrative Reform
ODA	..	Official Development Assistance
OD	..	Operational Districts, Ministry of Health
OECD	..	Organization of Economic Cooperation and Development
OECD/ DAC	..	Development Assistance Committee, OECD
PAP	..	Priority Action Programs
PEP	..	Public Expenditure Program
PIP	..	Public Investment Program
PIMS	..	National Public Investment Management System
PPWSA	..	Phnom Penh Water Supply Authority
PSI	..	Pre-Shipment Inspection mechanism
PRDC	..	Provincial Rural Development Committees, Ministry of Rural Development
RDB	..	Rural Development Bank
RCAF	..	Royal Cambodian Armed Forces
RGC	..	Royal Government of Cambodia
RH	..	Referral Hospitals Ministry of Health
RN	..	Route National
SED	..	Socio-Economic Development Plan, 1996-2000
SEILA	..	(Khmer word for "foundation"; Government Rural Development Program
SMEs	..	Small-to-Medium sized Enterprises
SOEs	..	State-Owned Enterprises
SWAP	..	Sector-Wide Approach to Programming
TA	..	Technical Assistance
TdC	..	Telecommunications du Cambodge, Ministry of Posts and Telecommunications
TOFE	..	Tableau des Opérations Financières de l'Etat

TVET	..	Technical Vocational Education and Training
TSN	..	Transitional Safety Net
UN	..	United Nations
UNDP	..	United Nations Development Program
UNDAF	..	UN Development Assistance Framework
UNESCO	..	United Nations Educational & Scientific Cultural Organization
UNFPA	..	United Nations Fund for Population Activities
UNICEF	..	United Nations Children's Education Fund
UNAIDS	..	United Nations Fund for Aids Prevention
US\$..	United States Dollar
UXO	..	Un-exploded ordnance
VAT	..	Value-Added Tax
VDC	..	Village Development Committee, Ministry of Rural Development
VHF	..	Very High Frequency
WB	..	World Bank
WTO	..	World Trade Organization
Y2K	..	Year 2000