

## OUTCOME 1 – Economic Growth and Sustainable Development

**By 2015, more people living in Cambodia benefit from, and participate in, increasingly equitable, green, diversified economic growth**

### Introduction

Through UNDAF Outcome 1, the UN system coordinates efforts to develop the agricultural sector and promote equitable access to food and agricultural products; supports the development of a policy framework to promote economic diversification, job creation and skills development, and addresses environmental and climate change challenges.

The Cambodian economy has undergone a profound transformation since 1991, but the global economic crisis of 2007-2008 demonstrated that the growth is sensitive to external shocks. The Royal Government of Cambodia has put in place mechanisms designed to coordinate external assistance and enhance aid effectiveness in four priority areas that contribute to this outcome: agriculture; infrastructure; the private sector and employment; and human resources development. Good governance and gender mainstreaming are also central to its strategy.

There remains an urgent need to support diversification of the country's economic base. The current economic structure is characterized by a low value-added agriculture sector and an industrial sector which is heavily reliant on garments and footwear. There is a need to diversify and bring the agriculture and industry sectors up the value chains and attract investments in high value crops, agro processing and higher value-added manufacturing. This requires a solid strategy to develop human resources that are ready to actively contribute to, engage in and benefit from the next stage of development.

The RGC, through the Supreme National Economic Council (SNEC), is committed to develop a comprehensive Industrial Development Policy. This policy framework will guide the industrial transition and will include regulatory measures to address challenges in human resources development, boost capital and investment flow, and infrastructure development. The RGC updated its national trade integration strategy to enable the country to identify new potential markets for selected trade sectors, and needed skills and human resources so that Cambodia can rapidly move-up into regional Value Chains. The RGC is also developing a national employment policy that aims at achieving better informed and coordinated functioning labour market.

### 2012 and 2013 Results

The growth rate of the agricultural sector in 2013 was 4.3 percent. Rice is still the main crop, with production totalling 9.29 million metric tonnes (2012 figures) of which 4.3 million metric tonnes available for export. Support to the cassava crop production and export has been initiated, as cassava production ranks second, with a total of more than 7.61 million tonnes in 2012-2013.

The UN has completed the preparatory work and the core module of the first agricultural census in Cambodia. It will continue in 2014 with the supplementary modules and the results of the census will be available in 2015.

The UN assisted the Government, particularly the Ministry of Agriculture, Forestry and Fisheries (MAFF), to raise agricultural productivity focusing on poor smallholders. Significant achievements were made on the conduct of community engagement activities, training of trainers for Farmer Business Schools (FBS) and 'Save and Grow' Farmer Field Schools (FFS), targeting at organic and non-organic rice production, milling, seed production, credit and group buying of farm inputs.

The UN aimed to integrate disaster risk reduction in agriculture policies and strategies. A national plan of action for disaster risk reduction in agriculture has been developed and needs formal endorsement. A similar plan of action has been completed for Kampong Speu province and selected districts in Oddar Meanchey and Preah Vihear. Farmer co-operatives have been strengthened through enterprise planning and capital building activities. Planning for community based disaster risk reduction and climate change adaptation has been developed.

The UN strengthened the capacity of the poorest and most vulnerable peri-urban and urban population – particularly women – in food processing and value-addition, aiming at enhancing their ability to invest in scaling up and expanding livelihood activities.

The UN continued to provide technical and coordination support to Integrated Pest Management (IPM) programme which has laid the foundations for the Farmer Field School Programme nationally. Capacity of relevant government agencies (extension services, crop protection services) and non-governmental development partners to conduct IPM field programmes was strengthened. The UN played a key role in the development of a new legislation on agriculture materials including pesticides that has a direct impact on human and environmental health.

Improvements on animal husbandry were made through capacity building at relevant departments at the Ministry of Agriculture, Forestry and Fisheries (MAFF) on avian influenza control, foot and mouth disease control and other animal diseases.

The UN contributed to the development of several key policies aimed at promoting diversified, equitable and sustainable economic growth. Key recommendations on skill development framework were incorporated in the Industrial Development Policy (IDP) drafted by the SNEC. With technical support from the UN, the Cambodian National Petroleum Authority has developed the Petroleum Policy, which together with the Mineral Policy development by the General Department of Mine and Energy help regulate the extractive industry sector.

The UN supported the responsible, productive and sustainable management of forest resources through development of community forestry management plan and committees, and by support to strengthen forest demarcation, resource inventory, law enforcement, and Green Growth enterprise and business enterprise development.

The UN-REDD programme supported the Government in the implementation of the Cambodia REDD+ Roadmap. Key institutional structures for REDD+ have been developed with the establishment of a national REDD+ taskforce, technical teams and consultation group. A number of preparatory work to develop a national REDD+ strategy has been initiated including on benefit sharing, measuring, reporting and verification (MRV), and safeguards.

The UN supported the MAFF, the Ministry of Water Resources and Meteorology, the Ministry of Health, the Council for Agricultural and Rural Development (CARD), the National Committee for Disaster Management (NCDM), and the National Institute of Statistics (NIS) to produce and sustain regular issues of the Cambodia Food Security and Nutrition Quarterly Bulletin. The bulletin analyses standard indicators from Government administrative data and household sample surveys and provides an overview of food security and nutrition trends and emerging threats. At the same time, a series of capacity building initiatives on food security and nutrition were supported for national and sub-national level policy makers and planners while the update of the Food Security and Nutrition Strategy was initiated with support from the UN and other stakeholders.

Through the Project for Agricultural Development and Economic Empowerment (PADEE), the UN supported MAFF with the establishment and operation of 225 Improved Group Revolving Funds (IGRFs) with a membership of 11 000 households as part of an effort to bring rural financial services to those rural poor households which have so far been excluded from access to such services.

The National Social Protection Strategy for the Poor and the Vulnerable (NSPS) approved in March 2011 aims at ensuring that the poor and vulnerable benefit from improved social safety nets and social security as an integral part of a sustainable, affordable and effective system. With the support of UN agencies and relevant donors some social protection pilot programmes design have been completed and institutional arrangements are clear and ready to be applied using the existing structure of the government and linking to the Decentralization and De-concentration Reform. For example, the UN re-designed the existing food-for-assets programme into a more social protection-oriented, inclusive and better integrated Productive Assets and Livelihoods Support programme (PALS). Likewise the UN together with relevant donors have provided extensive policy support, which has led to the elaboration of the NSPS Mid Term Review and aims at

supporting the government in setting up a National Social Protection costed action/investment plan in the coming months.

The UN implemented Transfer of Environmentally Sound Technology (TEST) methodologies with selected enterprises representing pollution hotspots, which contributed to quality and resilience improvements of the Mekong River and Mekong River Basin. Further, the UN has assisted local enterprises to develop knowledge and implement energy improvements at their establishments. Through both interventions, the UN enabled beneficiating companies to gain annual saving of more than USD 6.6 million from their investment costs and 3.7 million Kwh of energy.

Productive and export capacities were enhanced through continued garment industry wide monitoring of working conditions from Better Factories Cambodia. Interventions included compliance monitoring with international and national labour standards, plus training and advisory services.

Labour market information and counselling services and employment agencies were strengthened. The National Employment Agency (NEA) operationalized its mandate on employment services and in the supervision and operation of job centres. Also, four resource centres were established for migrant workers and their families to provide information, counselling services and receive complaints.

Continuing its work on the protection of migrant workers, the UN worked with the Ministry of Labour and Vocational Training to develop Cambodia's submission to the process to agree on a Memorandum of Understanding on the sending of domestic workers to Malaysia. The Cambodian submission was based on inputs from government and non-governmental stakeholders and included measures to improve protection of migrant domestic workers.

Eight new prakas on labour migration, which supplement Sub-Decree 190 on Sending Workers Abroad through Private Recruitment agencies were launched in 2013 with UN support. The new prakas strengthen the existing protection mechanisms for migrant workers and set standards for private recruitment agencies, the recruitment process, and pre-departure orientation training.

To ensure continuous national policy support to achieve better informed, coordinated and functioning labour market, which is critical for economic diversification and growth through strengthened inter-sectoral linkages and production of higher value added goods, the UN has supported the formulation of national employment policy. To realize informed decision-making by the policymakers, a critical mass of knowledge on employment and labour market situation has been generated through stakeholder consultations. The UN will continue to support the formulation and finalization of this policy framework.

Recognising the importance of the empowerment of women entrepreneurs in Cambodia, the UN supported rural entrepreneurs to build their businesses and increase connections at the national, regional and international levels. In addition, the UN supported the Cambodian Women's Entrepreneurs Association (CWEA) in collecting information from women entrepreneurs at national and sub-national level.

With the help of the UN, HIV awareness and prevention has been included in the work plans of 175 enterprises; each having established a HIV and AIDS committee in compliance with the national policy.

## Challenges

Agricultural productivity is still low due to low levels of technology, poor farming skills, poor soil and water management, insufficient use of modern seed varieties, limited access to extension services, and the effects of climate change.

The capacity of farmers to absorb new technologies is low, and introducing improved production methods is a long process. The increasing rural/urban migration accentuates the capacity gaps in rural areas.

The low skilled workforce today represents a serious challenge to competitiveness, productivity and to increase value-addition in key economic sectors. Limited local capacities for implementing and promoting energy efficient technologies.

The weak labour market data and information system hinders the current and the future labour force, as well as education and training institutions, to make informed decisions in the types of skills and competencies to acquire.

National capacity to analyse, develop and endorse draft national standards remains limited. The active participation of the private sector in promotion of climate change mitigation and pollution control still needs fostering.

In 2012 and 2013, flooding and droughts negatively affected the operation of rural businesses. According to MAFF, 35,848 ha and 378,572 ha of wet season rice planted areas were affected in 2012 and 2013 respectively. While productivity has increased, local enterprises continue to compete with the influx of cheap imported products. Furthermore, the prices of domestic products, for example pork or cash crops such as cassava and maize, are unstable.

Illegal logging, land clearance/encroachment and unclear overlapping land claims continue to put pressure on forest, biodiversity and rural forest-resource dependent livelihoods.

Implementation of the 2011 National Social Protection Strategy (NSPS), as a redistribution policy through specific programmes to ensure poor and vulnerable people benefit from growth, has not been expanded due to limited evidence of successful model/pilot, and limited financial resource allocation from the government.

## Priorities for 2014 and 2015

Continue to contribute to improving access of the poorest rural households to micro-financing services. Further improve the productivity and the quality of products/services and access to markets for rural producers. Continue to support the sustainable management and use of fisheries resources, including through capacity development for Fisheries Communities and for conservation of habitats and threatened species.

Continue to support economic diversification and key sectors like the manufacturing sector or the mining sector (finalization of Mineral Policy) as well as support to the cassava crop, aquaculture and export capacities of fishery products.

Enhance response to climate change and disaster threats through adaptation and mitigation by establishing a climate change financing framework, M&E, REDD+ Strategy and Implementation Framework and Early Warning Systems. Continue to promote access to clean energy for promotion of energy efficiency.

Support in identifying and analysing current and emerging risks and vulnerability, and to strengthen government institutional capacity for developing pro-poor policy solutions in managing risks and vulnerability faced by smallholders and landless poor.

Continue to support the agricultural census in Cambodia.

Continue to build national and institutional capacity for trade, food safety, environmental and social standards.

Continue to build the technical capacity of Government partners to produce and disseminate the Food Security and Nutrition Quarterly Bulletin and develop a link to partners' actions.

Continue to support the finalization the National Food Security and Nutrition strategy and its dissemination.

Implement and collate evidence of successful pilot NSPS initiatives and review possibility for scale up by the Government.–

Strengthen national capacity to coordinate and implement policies and strategies for technical and vocational education training; strengthen national capacity to develop and implement gender-sensitive employment policies/strategies, with an emphasis on youth and migrant workers.

Continue support for the formulation and finalization of national employment policy, and expanding employment services in rural areas through the establishment of three additional job centres.

Contribute to the inclusion of climate change adaptation and mitigation principles into different existing strategies and policies.

Strengthen capacity to innovate and scale-up Integrated Pest Management (IPM) and pesticide risk reduction training and farmer education for sustainable intensification of crop production.

**Outcome area 1 expenditures for 2012 – 2014:**

**Estimated expenditure 2012: \$20,636,828**

**Estimated expenditure 2013: \$25,124,710**

**Projected expenditure 2014: \$26,416,334**

**Quantitative Analysis – indicators to be monitored in 2012 and 2013**

#	Indicator	Baseline	2012		2013		Planned Target 2015
			Planned	Actual	Planned	Actual	
1.9	Number of people who utilise extension services including farmer field school, trainings and services for agriculture, fisheries and forest dependent communities including responsible use of pesticides	Total: 18,718 Male: 11,231 Female: 7,487	N/A	2 701 famers (1 752 women) received extension services on climate resilient farming methods	N/A	2,379 women applied climate resilient farming techniques and 3,563 persons, of whom 2697 were female (76%) using FFS and FBS	Average of 30,000 per year
1.17	Operational information system (linked provincial to national level) on food security and nutrition including early warning system	Systems not in place yet	None	None	Production of 4 bulletins	Operational: 4 bulletins produced	Early warning system developed
1.27	Number of existing water resource infrastructure plans which have been updated to reflect climate change resilience (number)	0	2	3 canals, 3 water gates, 1 pumping station and 1 dam rehabilitated	4 irrigation schemes	4 medium-scaled irrigation plus 29 canal lines, 7 dams, 57 ponds, 14 water gates, and 2 spillways were rehabilitated	12
1.29	Number of national and sectoral plans and strategies which explicitly refer to climate change (number)	None	9	9	9	9	19
1.30	National REDD (Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries) Readiness Strategic Plan developed with costed annual work plan	None	Costed annual work plan	REDD+ strategy is being planned for 2013	Key governance bodies to develop the National REDD+ strategy established	REDD+ Task force and consultation group have been established	REDD+ Strategy developed
1.32	National Cleaner Production office created and registered as non-profit institution	Project office	Created and functioned since 2011	Created and functioned since 2011	Created and functioned since 2011	Created and functioned since 2011	Created and functioned since 2011
1.41	Percentage of enterprises who comply with international standards for labour and Technical Barriers to Trade (TBT)	TBT enquiry point established	N/A	N/A	15 companies	N/A	15 companies
1.51	Number of enterprise-level workplace policies and committees (esp. in garment and entertainment sectors) by the workforce to address HIV stigma and discrimination	0	100	85 workplace committees established by 2012. All these workplaces endorsed policy	100	90 workplace committees established by 2013. All these workplaces adopted and implemented policy with an action plan	100
1.59	Percent of beneficiaries who used any of NEA (National Employment Agency) schemes who have obtained work (wage employment or self-employed) within 6 months of completion	5%	20	58	20%	13%	23%

Baselines and targets are yet to be established in some cases.