

Cambodia - European Community

Strategy Paper

for the period 2007- 2013

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LIST OF ACRONYMS

ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area
ASEAN	Association of South East Asian Nations
CFSP	Common Foreign and Security Policy
CG	Consultative Group
CSP	Country Strategy Paper
DOF	Department of Fisheries
EBA	Everything But Arms
EC	European Community
ECCC	Extraordinary Chambers in the Courts of Cambodia
ECHO	Humanitarian Aid Department of the European Commission
ECOSORN	Economic and Social Re-launch of the Northern Provinces
EIA	Environmental Impact Assessments
EIB	European Investment Bank
EIDHR	European Initiative for Democracy and Human Rights
ESP	Education Strategic Plan
ESSP	Education Sector Support Programme
EU	European Union
FDI	Foreign Direct Investment
FLEGT	Forest Law Enforcement, Governance and Trade
FTA	Free Trade Agreement
GDCC	Government-Donor Co-ordination Committee
GDP	Gross Domestic Product
HSP	Health Strategic Plan
IF	Integrated Framework
IMF	International Monetary Fund
LDC	Least Developed Country
LRRD	Link between Relief, Rehabilitation and Development
MAFF	Ministry of Agriculture Forestry and Fishery
MDG	Millennium Development Goal
MFA	Multi-Fibre Agreement
MIP	Multi-annual Indicative Programme
MoEF	Ministry of Economy and Finance
MoEYS	Ministry of Education, Youth and Sports
NGO	Non-Governmental Organisation
NIP	National Indicative Programme
NSDP	National Strategic Development Plan
ODA	Official Development Assistance
PAP	Priority Action Programme
PERC	Rehabilitation Programme for Cambodia
PPI	Private Participation in Infrastructure
PRSO	Poverty Reduction Support Operation
PRSP	Poverty Reduction Strategy Paper
RGC	Royal Government of Cambodia

RS	Rectangular Strategy
SARS	Severe Acute Respiratory Syndrome
SLPP	Smallholder Livestock Production Programme
SME	Small and Medium-sized Enterprise
SP	Strategy Paper
SPF	Small Projects Facility
SWAp	Sector-Wide Approach
SWiM	Sector Wide Management
TRA	Trade-Related Assistance
UK	United Kingdom
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UN	United Nations
US	United States
USD	United States Dollar
UXO	Unexploded Ordnance
WB	World Bank
WHO	World Health Organization
WTO	World Trade Organisation

EXECUTIVE SUMMARY

This Strategy Paper (SP) covers the seven-year period from 2007 to 2013. It summarises the challenges faced by Cambodia, the context in which assistance is to be provided, and sets down corresponding objectives and priorities for European Community (EC) support for Cambodia together with an indication of the means to be used to provide aid.

The overarching objective of EC support to Cambodia is the sustainable reduction of poverty. This objective will be achieved mainly through the provision of general budget support to the implementation of the Royal Government of Cambodia's (RGC) National Strategic Development Plan (NSDP) and support to basic education. EC assistance for the implementation of the NSDP is to take the form primarily of budget support as part of the World Bank-led Poverty Reduction Support Operation (PRSO), together with technical assistance in the key fields focused on by the PRSO, in particular Public Financial Management. The EC is one of the lead donors in the field of basic education and is actively involved in the policy dialogue with the Ministry of Education, Youth and Sport. The EC will continue its role as a major donor in the education sector in Cambodia by providing sector budget support. EC Assistance in the two focal sectors will be complemented by a limited range of actions and support received through various thematic programmes and regional budget lines. The EC intends to fund additional actions in the field of Trade-Related Assistance and to provide support to EC-Cambodia Co-operation and Dialogue in the field of Governance and Human Rights. Under the Development Co-operation Instrument (DCI), an indicative allocation of €152 million has been earmarked for Cambodia for the period 2007-2013. These resources may be supplemented by projects and programmes financed under the regional programme for Asia and under various thematic programmes. The two focal sectors and additional actions are:

Focal Sector 1	Support to the National Strategic Development Plan (NSDP)
Focal Sector 2	Support to Basic Education
Additional Actions	Trade Related Assistance and Support to EC-Cambodia Co-operation and Dialogue in the field of Governance and Human Rights

The SP is fully aligned with the RGC's Rectangular Strategy and National Strategic Development Plan 2006-2010. EC assistance will be provided wherever possible through budget and sector support, so as to assure sustainable, effective policy dialogue, Government ownership and leadership and co-ordination with other donors, while keeping transaction costs as low as possible. The SP takes account of the experience of, and lessons learnt by the EC and other donors in the delivery of past assistance.

Activities carried out in the field of higher education will be financed within the context of the regional programming for Asia.

1. ANALYSIS OF THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION IN CAMBODIA

1.1 Analysis of the political situation

After twenty years of conflict and civil war, the signing of the Paris Peace Agreements in October 1991 launched Cambodia on a process of democratic reconstruction and transition to a market economy. The last national **elections** took place on 27 July 2003. Compared with previous elections, the atmosphere during the campaign period was less tense and there were fewer violent incidents. Following a period of almost a year of political stalemate between the three main parties, the National Assembly approved the new CPP (Cambodian People's Party)-FUNCINPEC¹ coalition government on 15 July 2004. The 123 seats in the National Assembly are apportioned as follows: CPP 73, FUNCINPEC 26, and SRP (Sam Rainsy Party) 24.

Even if important steps have been taken to establish a multi-party democracy, the 2003 European Union (EU) Election Observer Mission commented that, although the elections were well organised and gave a good opportunity for the many who voted to express their wishes freely, Cambodia still needs to progress further towards a fully functioning democracy. The Observer Mission referred particularly to the behaviour of the political parties during the electoral campaign and the language of political debate.

In an important step, the law to establish democratically-elected local **Commune Councils** was promulgated in 2001 and, in February 2002, Commune Councillors of all 1,621 Communes were elected for a five-year term. Participation by the population in identifying local development needs and relevant responses should lead to more sustainable poverty reduction.

It is estimated that during the Khmer Rouge period² between 1.5 and 2 million people died (roughly a quarter of Cambodia's population at the time). A majority of the country's educated workforce was eliminated. In June 2003, the RGC reached an agreement with the United Nations (UN) on the establishment of the **Extraordinary Chambers in the Courts of Cambodia (ECCC) or Khmer Rouge Tribunal**³. The estimated total cost of the Khmer Rouge Tribunal is USD 56.3 million and the UN has undertaken to raise USD 43 million of that amount for the international costs. The RGC has undertaken to raise USD 13.3 million for the Cambodian costs. The timely establishment of the tribunal will end 25 years of impunity for leaders responsible for the serious crimes committed during the Khmer Rouge period. In April 2005, the EC announced that it would be providing €1 million to support the Cambodian costs of the Khmer Rouge Tribunal.

¹ *Front Uni National pour un Cambodge Indépendant, Neutre, Pacifique et Coopératif*

² Between 17 April 1975, when Khmer Rouge forces entered Phnom Penh, and 7 January 1979, when Vietnamese troops captured Phnom Penh.

³ The RGC signed the "Law on Ratification of the Agreement between the United Nations and the Royal Government of Cambodia Concerning the Prosecution under Cambodian Law of Crimes Committed during the Period of Democratic Kampuchea" on 6 June 2003.

Although Cambodia has made important gains in the field of **human rights** in the last decade, it is still a country in a post-conflict situation. There are several local and international human rights organisations and civil society groups actively engaging in advocacy, training and protection work in the human rights field, but much remains to be done. Violence, both public and domestic, the latter mainly affecting women and children, remains endemic. Weak law enforcement exacerbates the situation, resulting in significant impunity, fuelled by corruption. Criminal prosecutions for alleged defamation or incitement are increasingly used as a tool of repression to silence the political opposition and government critics.

Trafficking of women and girls is a serious problem, with an estimated 40,000⁴ trafficked Cambodian women in Thailand alone. The Ministries of Women and Veteran Affairs and of the Interior are collaborating to promote public awareness, while the role of the police is being strengthened in internal and cross-border operations. Regional initiatives within the Association of South East Asian Nations (ASEAN) are also being developed. The sustainability of Cambodia's efforts in this field will depend on its success in alleviating poverty, particularly in the rural areas, as well as continued efforts to improve the legal framework and the judicial system.

Indigenous ethnic minorities account for less than 1% of the total population. The majority live in the remote rural areas in the North and Northeast, bordering Thailand, Laos and Vietnam. Their marginal political status, their social exclusion and the non-recognition of their concerns in development processes stem from the fact that indigenous peoples themselves do not have sufficient means, organisational structures and literacy in the Khmer-language to participate, or to formulate and express their own interests, needs and concerns in public. The largest non-indigenous ethnic group is that of the Vietnamese (5 percent of the population) followed by the Chinese (1 percent).

Problems with **land** grabbing and poor management of land concessions continue to affect many of the poor, including members of the ethnic minorities. The RGC has given its commitment to resolve these problems. In recent years, Cambodia has received large numbers of asylum seekers from the ethnic minority Montagnards from the Central Highlands of Vietnam. A tripartite agreement between the RGC, the Government of Vietnam and the United Nations High Commissioner for Refugees (UNHCR) was reached in January 2005 to facilitate co-operation on the treatment of these people. Cambodia is a signatory to the 1951 Convention on Refugees.

The RGC is sharing intelligence on **terrorism** with other countries and some donors are providing training to the police and customs authorities. The RGC has indicated further intelligence sharing and training as possible areas of collaboration with the EU and other international donors.

⁴ Ministry of Women and Veteran Affairs Cambodia

Over the last few years, there has been a significant increase in **illicit drugs** trafficking into and through Cambodia, which has caused a rapid increase in drug abuse in the general population, especially among young people. In the coming years this rapid escalation is expected to have a serious impact upon Cambodia's fragile economic and social status and to force many people and families into poverty. A cause of concern is the continuing sharp increase in the domestic abuse of amphetamine-type stimulants (ATS), particularly methamphetamine, mainly in urban areas but also increasingly in rural areas in association with labour-intensive agricultural activities, as well as due to social pressure.

Land mines and unexploded ordinance (UXO) remain a threat to personal safety and development. Injuries and deaths have levelled off at around 800 incidents per year. An analysis of statistics indicates that tampering and Explosive Remnants of War (ERW) are responsible for a dramatic increase in the number of mine victims. A new and more efficient strategy for mine action (mine clearance, mine risk education and mine victim assistance, in particular) is required in Cambodia in order to increase the impact of mine action in this country.

The general security situation relating to the availability of **small arms and light weapons** has improved, in part through the support provided by the European Union's Common Foreign and Security Policy (CFSP) project "EU Assistance on Curbing Small Arms and Light Weapons in Cambodia". Clearly this represents only a partial response to a complex issue which needs more attention and support, without overlooking the problems caused by the large amounts of surplus ammunition.

1.2 Analysis of the economic situation

Cambodia is one of the poorest South East Asian countries with a Gross Domestic Product (GDP) per capita of some USD 385 in 2005. The informal sector is estimated at some 80% of GDP, focusing on agricultural activities and cross-border smuggling. Income distribution is highly uneven and the poorest 20% account for only 6.9% of national income and consumption. Poverty remains most acute in the rural areas, where 75% of the poor live and depend on agricultural production and natural resource extraction for their livelihoods. There is a high level of "dollarisation" – i.e. use of US dollars in transactions – but it is not considered problematic in the short to medium term.

Although industrialization in the 1990s has reduced the agricultural sector's share of GDP from 55% in 1990 to 31.4% in 2004, agriculture remains important as a source of income for the large rural population. The industrial sector, on the other hand, has expanded rapidly and its share of GDP increased from 11% in 1990 to some 27% in 2004.

Macroeconomic growth and fiscal stability have improved since the beginning of 1999 and further strengthened under the International Monetary Fund's (IMF) Poverty Reduction and Growth Facility (PRGF). Restructuring of the banks in the context of the

financial sector reform has resulted in a banking system that is adequately capitalised and highly liquid. Trade reforms are taking place in the context of World Trade Organisation (WTO) membership and emphasis on Trade Facilitation and corruption matters is necessary to help the garment industry compete in a liberalised world market.

Economic growth has been favourable in recent years, averaging 9% in the period 2000 – 2005. The growth rate rose to 9.5% in 2004 and accelerated to 13.4% in 2005, despite negative external factors like higher oil prices and avian influenza. Cambodia's economic growth is mostly based on the garment, tourism and construction sectors, with garment exports having declined following the abolition of quotas at the start of 2005.

Fiscal management continues to suffer from weakness in revenue collection due to widespread smuggling, substantial exemptions from customs duty under the 1994 Law on Investment and the fact that around 80% of the economy is informal. In this context, Cambodia has persistently run up large budget deficits, averaging 6% of GDP in the period 2000-2004⁵. Government spending has maintained an upward trend, reaching 14.3% of GDP in 2005, while growth in revenue collection has not been as robust. Inefficient allocation of limited public resources is also a problem. Economic reforms need to focus on bringing the informal sector into the formal economy; otherwise any fiscal reform is bound to fail.

Inflation has not been a problem in recent years, averaging 2.6% in the period 2001-2004. Higher prices for oil and food are expected to increase inflationary pressure in 2005⁶. External debt amounted to 3.1 billion USD in 2005, equivalent to 50.5% of GDP.

Foreign investment flows⁷ declined from some 150 million USD in 1995 to 74 million USD in 2003 and 131 million USD in 2004, discouraged by political instability, a dysfunctional legal system, and corruption. In 2005, inflows of Foreign Direct Investment (FDI) picked up again and reached 169 million USD. The main sources of FDI are China, Malaysia, and Taiwan. The investment climate can be improved through structural reform, improved public finance management, reforms undertaken in the context of WTO membership, and also closer integration in the Mekong sub-region to promote trade and tourism. In recent years Malaysian and Thai companies have been the most active foreign direct investors in Cambodia, followed by the US and Vietnam. Manufacturing (mainly garments) and tourism have made up the lion's share of investment sectors, with construction being another important sector. Cambodia's major attractions for investors are its liberal economic regime and low wages, its Least Developed Countries (LDC) market access, and its major tourist sites. Investments in the garments sector have been dominant in the past years and even after the end of the Multi-Fibre Agreement (MFA) this source of investments has held up above expectations. The overall policy environment is considered favourable, with some investment restrictions concentrated in business services, media and traditional crafts.

⁵ EC support to improve Public Financial Management (see section 4.4.1) should help improve tax revenues.

⁶ Estimated by the IMF to reach 5.5% in 2005.

⁷ Source: ASEAN Secretariat, World Bank (WB), National Bank of Cambodia

Main challenges for the Cambodian economy will be to sustain economic growth at rates exceeding six percent annually, to ensure fiscal sustainability over the medium term, and to ensure continued implementation of structural economic reforms. Sustained economic growth through domestic demand expansion, export growth, and attraction of foreign investment, is necessary for poverty reduction and also to create jobs and absorb some 250,000 new entrants into the labour force annually. Development is needed in the agricultural sector to increase the purchasing power of the large, and mainly poor, rural population. Moreover, better access and ownership to land, water and other agricultural inputs, as well as to reliable, sustainable and affordable energy services, needs to be achieved.

In spite of the Government's expressed commitment to further economic reform measures and strict macro-economic management, risks remain that the pace of reforms will be hampered by inadequate institutional capacity, pervasive corruption, and linkages between political and business interests. The on-going discussion of the new IMF Poverty Reduction Growth Facility Programme should encourage the RGC to continue with its stabilisation programme. Fresh aid has been pledged, conditional upon corruption problems being addressed.

A major opportunity - and threat - to Cambodia's medium to long term growth is the discovery of significant amounts of offshore oil. Recent estimates show that in years from 2009 onwards oil revenue will start to exceed all current revenue sources, including ODA. Whether these revenues will translate into greater economic diversification and poverty reduction is the most salient issue in Cambodia's medium term outlook. The RGC is working on improving Public Financial Management (including through EC support), as a prerequisite to maximise the impact of oil revenues on poverty reduction. This can be achieved by strengthening institutional capacity in budget planning and implementation.

Macroeconomic indicators for 2001-2004

Year	2001	2002	2003	2004	2005
GDP (% change)	7.1	6.2	8.6	10	13.4
Per capita GDP (USD)	300	314	330	354	385
Inflation rate (%)	0.7	3.7	0.5	5.6	6.7
Budget balance (% of GDP)	-4.9	-5.6	-6.5	-6.2	-4.8
Current account balance (% of GDP)	-1.2	-2.5	-3.8	-2.4	-4.4
Population (million)	12.9	13.16	13.4	13.6	13.9
Gini Coefficient	N/A	N/A	N/A	40.4	N/A
Exchange rate (KR-USD)	3,900	3,935	3,980	4,031	4,116

Source: IMF and National Institute of Statistics

The European Union is Cambodia's third largest trading partner (after the US and Thailand) and its second export destination (after the US), accounting for 14.3% of external trade and 26% of Cambodia's exports in 2004. Cambodia is heavily dependent on a few sectors for its export performance. Textiles and clothing, mainly knitted clothing and woven clothing, amounted to 86% of exports to the EU, the rest being footwear. Main products imported from the EU were electrical machinery, equipment and parts, pharmaceutical products and mechanical machinery. Main exporting countries were France, Germany and Austria. Cambodia's trade surplus with the EU amounted to €418 million in 2004.

With Cambodia's entry into ASEAN in 1999, the EU granted to Cambodia the "Regional Cumulation" and Derogation benefits offered by the EU Preferential Rules of Origin. The derogation has been prolonged until the end of 2006. Also, since early 2001, Cambodia has benefited from the **Everything But Arms** (EBA) initiative, which grants duty-free and quota-free access for virtually all exports (except for arms) originating from Cambodia. Duties on the few excepted products will be gradually reduced until duty free access is granted for bananas in January 2006, for sugar in July 2009 and for rice in September 2009. In the meantime, there will be duty free tariff quotas for rice and sugar. These quotas will increase annually (15%). Cambodia's uptake of the opportunities offered by the EBA is limited mainly by the country's extremely narrow export base. Moreover, the level of in-country value-added is often insufficient to comply with the rules of origin attached to preferential trading schemes.

As a member of ASEAN since 1999, Cambodia participates actively in the regional integration process, including the **ASEAN Free Trade Area** (AFTA). Exports to ASEAN countries decreased from 42% to 6% of the total between 1998 and 2001, while imports from the ASEAN partners increased from 26% to 72%. Under AFTA, Cambodia will reduce duties on imports from ASEAN countries to 0.5% by 2010; this is expected to lead to increased investment. Negotiations are on-going for ASEAN Free Trade Agreements (FTAs) with China, Japan, Australia, New Zealand and India.

The agreement on Cambodia's **accession to the WTO** was ratified by Cambodia's National Assembly in August 2004. The accession commitments include the implementation of stringent criteria with regard to privatisation, the elimination of quantitative import restrictions, abstention from dumping, withdrawal of subsidies for favoured investors, and export restrictions. There is a transition period for a number of areas, including customs valuation, SPS, intellectual property protection, and standards and certification. Nevertheless, Cambodia is required to bring all laws and regulations on intellectual property into conformity with the Trade-related Aspects of Intellectual Property Rights (TRIPs), and has already put in place the major laws and regulations for trademarks, patents and copyrights. However, only the implementing decree for trademark registration has so far been adopted. Cambodia's membership of WTO, the outcome of the Doha Development Agenda negotiations and of the ASEAN FTAs in preparation will all have an impact on Cambodia's export performance. The end of the MFA is forcing the Cambodian textile and clothing industry to become more competitive,

but linked with these other developments it is also expected to discourage investors from re-locating their factories outside Cambodia.

The major buyer of Cambodian **exports** is the US, accounting for almost 60% of the total in 2004. This mainly reflects the procurement of a number of large US garments buyers. Of the EU countries, the UK and Germany together take in some 20% of Cambodian exports. Cambodia buys almost all its **imports** from the region, with Thailand supplying around a quarter of the total, followed by Hong Kong and China (with about 15% each), and Vietnam and Singapore (around 12% each). Trade with Vietnam is growing rapidly.

The expansion of **tourism** and promotion of perishable crops for export requires a comparable expansion in the provision of air traffic services. The Phnom Penh international airport has recently been upgraded, and there are plans to expand the runway to allow large planes to route directly to and from European and other international destinations. The European Commission has supported the training of services staff in activities related **international air safety**. More recently there has been discussion regarding the signature of multilateral air safety agreements between the European Union, on behalf of the Member States, and the Government of Cambodia to further develop the standards of air safety that will be required as air traffic volumes expand.

1.3 Analysis of social developments

Cambodia is ranked 130th out of 175 countries in the Human Development Index (HDI). Around 36% of its total population live on an income below 1 US\$ a day, while 40% of the rural population survive below the national poverty line (0.5 US\$ a day). A variety of conditions, including malnutrition, illiteracy, gender discrimination, limited access to social services and weak social capital, are exacerbating this situation.

Education: Adult literacy in Cambodia is 73.6%. Although gross and net primary enrolment ratios compare favourably with other Mekong countries, the significantly lower gross secondary and tertiary enrolment ratios⁸ are a cause of concern. Literacy among females aged between 15 and 24 years was 9% lower than the rate for males and the primary pupil-teacher ratio is much poorer than in Laos, Thailand and Vietnam. High drop-out rates in basic education, inequities in access for girls and in remote areas and the uncertain quality and standards of education services need to be addressed. The problem of the lack of schools in rural areas is further compounded by teacher shortages in those areas.

In recent years, the education sector has become a strong focus of reform, with the Ministry of Education Youth and Sport (MoEYS) launching a major overhaul of the sector. A sector-wide approach is being implemented in partnership with other development partners with the **Education Strategic Plan (ESP)** setting out the policies and strategies, and the **Education Sector Support Programme (ESSP)** designed to outline how Ministry systems, programmes and resources will actively implement key

⁸ standing at 18.7% and 2.8% respectively compared to 67.1% and 9.7% in Vietnam

reforms for equitable access, quality improvement and improved management and financing of education services at all levels. Reforms have led to significant progress, including improved access to basic education and improved effectiveness of education resource management. Enrolment for primary age children rose from 2.1 million to 2.7 million from 2002 to 2003, with the poorest Communes increasing their share of enrolments significantly. Despite some progress, the impact of recent reforms will take time to show results and further significant strengthening is required. Consequently, the educational status of the population remains among the lowest in the region and continues to present a major obstacle to economic and social development. Cambodia's education expenditure as a percentage of GDP still lags behind the average for low-income countries. Further strengthening of public financial management is needed in terms of the planning, timing and predictability of financial disbursement. In addition, the share of teaching salaries as a proportion of education expenditure has dropped to unsustainably low levels, highlighting the urgency of pay reform.

Health: Although considerable efforts and progress have been made, the health status of the Cambodian population remains one of the lowest in the region. Death rates from preventable and controllable diseases are very high among both adults and children, with the main causes being respiratory infections, diarrhoea, malaria and tuberculosis. The rural poor are particularly susceptible, due to a lack of access to safe water and sanitation. The current situation has high economic costs for the country, both increasing the burden on the healthcare system and reducing current and future productivity of the population.

Given the RGC's relatively low expenditure on the sector, health care is one of the main causes of household indebtedness and impoverishment. The high cost and low quality of health care in Cambodia, estimated to consume about 11% of household income, adds to the vicious cycle operating between ill-health, malnutrition, poor social services and poverty. Access to services remains low and uneven, resulting in serious health problems particularly for women and children. The wage share of health expenditure is too low to be sustainable, and the low level of salaries is recognised as a most critical factor limiting effective delivery of health services. More attention to behavioural change is required in order to improve the household health practices of consumers and carers with regard to nutrition, the use of preventive measures and healthy lifestyles.

Produced in 2002, the Government's first Health Sector Strategic Plan (HSP) aims "to enhance health sector development in order to improve the health of the people of Cambodia, especially mothers and children, thereby contributing to poverty alleviation and socio-economic development". The HSP marked a major shift from a strategy based on health facilities coverage to one based on outputs and outcomes. It defines priorities and strategies to reach its expected outcomes, including reduced maternal, infant and child morbidity and mortality, improved nutritional status among children and women, reduced total fertility rate, reduced household expenditure on health especially among the poor, and a more effective and efficient health system. The Ministry of Health has developed a "Sector Wide Management" (SWiM) approach, facilitating implementation and monitoring of the HSP in close consultation and collaboration with all stakeholders.

Cambodia still has one of the worst AIDS epidemics in Asia, even if infection rates are declining. There are an estimated 169,000 people living with HIV/AIDS and an estimated 49,000 children under 15 years of age have been orphaned by HIV/AIDS. Factors contributing to the epidemic in Cambodia include poverty, high prevalence of other sexually transmitted diseases, commercial sex, international and domestic migrations and the low social and economic status of women. AIDS threatens to de-stabilize current development gains, overloading health and community services and diminishing national productivity.

Since the beginning of the outbreak of **avian influenza** in 2004, four human cases (all of them fatal) have occurred in Cambodia. A co-ordination system among donors, UN agencies and the Cambodian Ministries has been established since 2004. The RGC has elaborated, in close collaboration with the Food and Agriculture Organization of the United Nations (FAO) and the World Health Organization (WHO), action plans for addressing the avian influenza problem in both its animal and human aspects. A joint action programme with the UN System has also been recently signed. Cambodia has actively participated in both the Geneva and Beijing preparation and pledging Conferences and is in the process of preparing, with UNDP assistance, a comprehensive National Avian and Human Influenza Plan which will also deal with a pandemic preparedness strategy.

Although Cambodia has achieved **food security** at the national level, many local communities continue to suffer from a shortage of rice. Many poor farmers sell a portion of their rice production as their cash crop to raise money for other purposes, leaving a net shortfall in their staple food. The lack of crop diversification also results in a lack of dietary diversity, and a lack of micronutrients and vitamins in the diet. Continued support, specifically targeting the basic human right of food security, will be required for some time to come. At the same time the improvement of agricultural techniques and promotion of agro-business will not only create economic growth, but will also provide higher basic incomes, better food security, and improved health in rural areas.

Cambodia has elaborated a set of national goals based on the Millennium Development Goals (MDGs), which have been incorporated in the National Strategic Development Plan (Annex 1)⁹. These goals represent an ambitious but realistic challenge for the Cambodian people and economy for 2015: (1) to eradicate extreme poverty and hunger, halving the number of people under the poverty line; (2) to achieve universal nine-year basic education and (3) to promote full gender equality. These basic goals are literally transcribed in Annex 1 of this document, and will form the basis of all EC interventions.

1.4 Analysis of the Environmental Situation

Environmental protection and the sustainable management of natural resources must form an integral part of the economic and social development strategy of the country. During

⁹ See Annex 1 of this document, which includes some of the most relevant Cambodian MDG indicators for EC intervention.

the post-conflict era, weak governance has resulted in misuse and misappropriation of many of Cambodia's natural resources, including land grabbing, illegal logging, and overexploitation of the national fish stocks. Moreover, inappropriate land concessions to commercial organizations without proper environmental impact assessments have exacerbated unsustainable natural resource exploitation. While Cambodia's extensive renewable and natural resources, particularly its forests and fisheries, are seen as potentially major contributors to future economic development of the country, it has also been shown that misuse of these resources will lead to environmental degradation and will actually increase rural poverty.

The over-exploitation of both marine and freshwater fish has already had a negative impact on species diversity and total fish stocks. Although fishery management systems do exist, these regulatory controls are not backed up by appropriate law enforcement, allowing unscrupulous operators to benefit from illegal fishing to the detriment of the poor. Likewise, illegal logging of high value timber is often followed by harvesting of the low value timber for charcoal production, with eventual land clearance, soil degradation, siltation and flooding. While Cambodia remains relatively free of industrial pollutants, the inappropriate use of inorganic pesticides and fertilizers is already having an impact on population health in both rural and urban areas.

It is important to remember that the government's priority is to provide livelihood opportunity and economic development for the country, and this may require commercial use of natural resources. However, an appropriate strategy for sustainable natural resource management is still possible in these circumstances, but has yet to be developed. Donor co-ordination in the environment and natural resources area is improving, but is still insufficient. There is a need for a shared programme with a budget allocation, as is now being developed between some EU member states and other donors in Cambodia. The mandate of the Ministry of Environment is clear in legal terms, but the Ministry's work programme is determined by the availability of donor funding. There is a need for long-term and systemic support focused on building capacity for the promotion of green alternatives, analysis of opportunities, monitoring of compliance with Environmental Impact Assessments (EIAs) and other legal requirements of development projects. Donors should work with the RGC to ensure that all investment projects comply with Cambodia's environmental legislation, both pre- and post-project implementation. Motivation and support are required for a re-orientation of Cambodian agricultural (and other natural resource management) policy and programmes toward sustainable, equitable, diverse, and green approaches. Agriculture, forestry and fisheries are components of overall land-use planning. Effective stewardship for sustainable development and poverty reduction will require close integration of the work of all line agencies concerned. Cambodia's accession to WTO and other trade liberalisation arrangements should provide considerable new market access for Cambodian products. The pro-poor trade development strategy emphasises the opportunities presented by green and other niche markets. However, considerable effort and support will be needed to enable Cambodian producers to meet the high quality standards that such markets will require. More information on the environment is included in the Country Environmental Profile in Annex 5.

2. AN OUTLINE OF THE POLICY AGENDA OF CAMBODIA

2.1 Overview of the Government's Reform Programme

The "Rectangular Strategy" of the Royal Government of Cambodia (RGC), adopted in July 2004, consists of four main axes: social stability; regional and international integration; partnership with the international community and the private sector for the development of the country; and macro-economic development. Good Governance features at the core of the new strategy, which focuses on four key reform areas (fighting corruption; legal and judicial reform; public administration reform; and armed forces reform and demobilisation). Agriculture, infrastructure, employment and development of human resources are the priority sectors identified in the strategy.

Cambodia is committed to achieving the MDGs and has identified a set of specific international development targets by 2015. The line ministries designated to play a key role in poverty reduction are the Ministry of Education, Youth and Sport (MoEYS), the Ministry of Health (MoH), the Ministry of Agriculture, Forestry and Fishery (MAFF) and the Ministry of Rural Development (MoRD).

Cambodia has also committed itself to implementing the February 2003 Rome Declaration on Harmonisation of development assistance. Following a series of Government-Donor workshops in 2004, an Action Plan for Harmonisation and Alignment has been adopted. The establishment of some 18 Government-Donor sectoral Working Groups to co-ordinate and support Government co-operation and donor support was agreed at the December 2004 CG Meeting.

In early 2006 the RGC adopted a single National Strategic Development Plan 2006-2010 which lays down how the Rectangular Strategy is to be implemented, and the RGC is committed to doing this through national sector programmes in the form of Sector-Wide Approaches (SWAp), SWiM and Programme-Based Approaches. The NSDP will be used as the national development framework for planning linked to resource allocation, including Official Development Assistance (ODA). The Ministry of Planning took the lead in the process of preparing the NSDP, with the technical support of the World Bank and UNDP. Consultation with other donors took place in the Technical Working Groups.

The SP 2007-2013 and MIP 2007-2010 are fully consistent with the objectives of both the "Rectangular Strategy" and the National Strategic Development Plan 2006-2010.

2.2 Assessing the process of reform

Given the short period of time that has elapsed since 1993, overall progress in establishing democratic structures in Cambodia has been good. Strategies have been formulated and are in place at the national and sectoral levels to promote economic and social development and to address poverty. The current Governance Action Plan covers several cross-cutting areas, including civil service reform, deconcentration and

decentralisation, judicial and legal reform, public finance reform, anti-corruption and gender equity. In relation to all of these issues, either initial successful steps have been taken towards improvement or strategy reforms have been formulated and have begun to be implemented.

An overall policy for **civil service reform** is under way, but there are major challenges to this long-term reform process, such as a sustainable pay reform. The definition of a policy for human resource development and management is also crucial for efficient services delivery. The Commune Council elections held in 2002 were an important step forward in delivery of the **decentralisation** process. Supporting the successful development of democratic structures at the commune level, the RGC approved in June 2005 the Strategic Framework for **Deconcentration and Decentralisation** for which the organic laws, especially on management of provincial and district municipalities, are to be enacted by end 2007. The deconcentration process will involve the transfer of executive and financial powers from line ministries to integrated Provincial and District authorities based on the principle of “democratic participation” and “public sector accountability”. The strengthening of human resource capacity at all administrative levels will be crucial in this regard, and will have to be addressed further. Effective performance and progress monitoring mechanisms, as well as appropriate funding levels, will be necessary to maximise the impact of local development projects on poverty reduction.

Reform of the legal and judicial sector remains one of Cambodia’s major policy challenges as it has an impact on all major policy areas. In 2003, the RGC adopted a Strategy on **Legal and Judicial Reform** and approved an action plan in 2005, setting out short-term to long-term priority activities for implementation. Both the development of skilled judicial professionals and the appropriate functioning of the courts represent major challenges. **Impunity**, in particular for people in positions of political and economic influence, remains a serious problem and the majority of Cambodian citizens are neither confident in the judicial system nor able to afford legal representation. **Corruption** remains widespread, undermining socio-economic development and hampering the development of the private sector. An Anti-Corruption Law is under preparation. **Juvenile justice** is a particular problem, characterised inter alia by the absence of prisons for minors, who are imprisoned with adults, and a lack of rehabilitation centres. The implementation of the **military demobilisation** programme agreed in 2001 has stalled and there is presently no clear policy direction from the RGC.

Regarding the working conditions in the industry, Cambodia has signed many of the ILO conventions and it is worth mentioning the ILO’s “Better Factories Cambodia” which is a multi-donor ILO project benefiting workers, employers and their organisations, government and consumers in Western countries. The project monitors and reports on working conditions in Cambodian garment factories according to national and international standards, by helping factories to improve their productivity and by working with the Government, workers’ and employers’ organisations and international buyers to ensure a rigorous and transparent cycle of improvement.

3. AN OVERVIEW OF PAST AND ON-GOING EC CO-OPERATION, CO-ORDINATION AND COHERENCE.

3.1 Overview of past and ongoing EC co-operation – Lessons Learned

The first EC-Cambodia Country Strategy Paper, covering the years 2000-2003, and National Indicative Programme (NIP) 2002-2004, established **poverty reduction** as the overriding objective for EC aid. Priority areas of intervention included rural support, basic education, health, humanitarian aid, mine clearance, support to the reform of public administration, and actions in support of human rights and the consolidation of democracy.

On-going projects are considered to be making good progress, taking account of the realities of Cambodia's situation as a country in transition. With improved national ownership of the development agenda and improved donor co-ordination, sector-wide co-operation has increased, particularly in the social sectors.

The lessons learned for each of the priorities set down in the NIP 2002-2004 (**€ 68.7 million**) are summarised as follows:

Rural development (€30.7 million): Two projects were launched under the NIP 2002-2004, with a total budget of €30 million. The first of these targets the development of livestock for smallholder farmers (SLPP), while the second is an integrated rural development project targeting communities in three Northern provinces of the country (ECOSORN). The ECOSORN project has been designed to take account of the nine years of experience of the EC in integrated rural development support in six provinces, through the PRASAC project. The PRASAC mid-term evaluation emphasised the two most successful components as “domestic water supply” and “roads”, which have been incorporated into ECOSORN. Lessons learnt from other rural development projects include **beneficiary participation**. Beneficiaries should be involved in the identification, formulation, implementation and monitoring of project activities¹⁰. Aimed at improving the livelihoods of rural inhabitants on a sustainable basis, these projects will run for five years, and will be the backbone of the Commission's support for rural development in that period.

Education (€20 million): The principal lessons learned from the EC's past support to the education sector underscore the importance of (1) ensuring a close alignment with government policy; (2) nation-wide support, covering reforms and capacity building, and (3) dispersing support in a manner that strengthens provinces, districts and communes as well as the central level. While combining budgetary support with the necessary capacity building has proved challenging, the results of the current EC sectoral budget support programme have so far been positive. By providing funding through the budget, the EC has been able to support institutional change and strengthening of the internal procedures of the MoEYS. The external monitoring and auditing of the EC targeted programmes of

¹⁰ ECOSORN preparation report., June-August 2003

MoEYS is also conducive to improved internal efficiency of funds allocated to the ministry. The continuous policy dialogue with the MoEYS has proved very fruitful and the ministry remains committed to achieving set targets for the sector.

As donors in education in Cambodia, except the Asia Development Bank (ADB), are focusing on particular areas of interest, the key feature of the EC support is its focus on strengthening the systems and procedures to make the other parts of the system work. In order for the students to achieve quality education a proper human resource management system needs to be in place, providing proper incentives for them to perceive their work as useful. There needs to be an internal audit control that works. There needs to be strengthened visionary planning for the sector with improved cross-departmental and inter-sectoral co-operation. These are issues that the EC, through its sector support combined with capacity building and technical support, is in a position to address effectively.

As regards higher education, since 2004 Cambodian students, scholars and universities can benefit from EC financing. Activities carried out in the field of higher education will be financed within the context of the regional programming for Asia.

Health (€ 5 million, plus thematic): EC support to the health sector has focused on support in the field of malaria control, sexually transmitted diseases (including HIV/AIDS) and reproductive health, as well as development of basic health services through a number of funding sources (ECHO, bilateral programmes, NGO co-financing, HIV/AIDS and reproductive health budget lines, the EC's contribution to the Global Fund to fight HIV/AIDS, Malaria and Tuberculosis, etc). Previous evaluations of EC-supported health actions noted that, although considerable sums had been spent, limited sustainable impact was apparent. Without a national framework for the sector, the large number of projects with different implementation, monitoring and evaluation procedures have also hindered the development of local capacity. As recognised by the Ministry of Health's *Health Sector Strategic Plan (2003-2007)*, the vertical approach of many disease control programmes had not spread benefits throughout the system. Focus on a single health problem had led to missed opportunities for addressing other health problems in the same target group. The development of the first HSP created a conducive framework for better prioritisation and co-ordination of support to the health sector. Under the NIP 2002-2004, the Commission, following an identification mission report¹¹, decided to support one of the six priority areas of the HSP, within the framework of the Sector-Wide Management (SWiM) approach adopted by the Ministry of Health, and started a joint co-financing partnership with UNICEF on **Behavioural Change Communication**. The behavioural change priority is aimed at encouraging healthier lifestyles, informed utilisation of services by consumers and improved and sensitive provision of service by health workers.

Trade (€ 3 million): From 2004 until 2006, the Multilateral Trade Assistance Project (Multrap) delivered support to Cambodia in implementing international trade agreements, specifically with reference to the WTO to which Cambodia acceded in 2004. A recent

¹¹ Identification Mission for Support to the Health Sector in Cambodia. (2003/57707)

evaluation of the project, implementation of which will finish in the second half of 2006, rated it overall '*effective in its achievement of the major objectives and targeted results*', particularly in trade facilitation and trade diversification activities. Components related to institutional support and specific WTO commitments were deemed to require more time and greater recurrence of support than could be provided within the time and funding constraints of Multrap. It was also observed that efforts in trade diversification will require substantial follow-up support if the activities initiated by Multrap are to have any significant long-term impact on the fundamental structure of the economy. These conclusions are being integrated in the design of projects and programmes under the present programming cycle. In addition, the EC-Cambodia Standards, Quality and Conformity Assessment Project (SQCAP) was developed as the national component of the EC-ASEAN Economic Co-operation on Standards, Quality and Conformity Assessment Project. The project started in 2005 with as its aim to reinforce the national capacity in the areas of food safety and industrial standards, allowing increased opportunities for international trade.

Governance and Democratisation (€10 million): For historical reasons, Cambodia has had, until now, a highly centralised administration system. Some EC-supported actions through civil society projects have already started to address this problem¹², and the RGC is trying to implement a Deconcentration and Decentralisation Strategy to improve local democratic participation and local governance. In this context, an EC-UNDP co-funding partnership has been established for support to the Commune Councils elected for the first time in 2003, and to enhance their service providers' function for local development activities. The successful implementation of this strategy is seen as essential to improving the financial situation of the poor in Cambodia, as 85 % of them live in the countryside.

Based on those prior experiences, the NIP 2005-2006 (€ 29.3 million) focuses on the following priorities within the focal areas for co-operation: **pro-poor economic development and the social sector**, with governance as a cross-cutting issue.

- **Priority 1: Pro-poor Economic Development (€15 – 17 million):** As a consequence of the rural areas being the main target of its intervention, the EC focuses on achieving sustainable development in the agricultural sector through: (a) the widening of the product base and (b) the development of mechanisms to link producers with markets. This is addressed by support for the development of Small and Medium-sized Enterprises (SMEs) in the agro-industry and following a value-chain approach. Support to trade sector reforms aimed at Cambodia's full integration into international and regional economic structures is also programmed. The EC will work in full co-operation with Government structures, other donors, private industry and NGOs active in these fields.
- **Priority 2: Social Sector Support (€9 –11 million).** The EC continues to enhance its support for a SWAp in education through increased allocations to Priority Action

¹² European Initiative for Democracy and Human Rights (EIDHR) project "*Local Democracy Promotion Project (LDPM)*" and two Asia Urbs projects "*Reform of Battambang Province Administration*" and "*Provincial Towns, Battambang and Siem Reap Districts*"

Programmes (PAP), which are having a direct impact on the quality and efficiency of basic education. This priority is addressed through additional and continued support for implementation of the Education Sector Support Programme (ESSP) from the Ministry of Education, Youth and Sport (MoEYS).

- **Cross-cutting issue: Governance (€2.5 – 3.5 million).** In view of the Commission’s objective of moving towards SWAps support is given, where conditions are appropriate, to improving the country’s public expenditure and financial management systems, a key requirement for the provision of budgetary support within SWAps. This priority will be specifically addressed through a specific action targeting public expenditure and financial management in the Ministry of Economy and Finance (MoEF) that will be closely co-ordinated with several donors. In addition, governance issues will be taken into consideration in the preparation of all EC programmes.

A CSP review mission in Cambodia, in February 2005, confirmed the relevance of the overall intervention, emphasising its coherence with a strong pro-poor focus (“Overall intervention logic is coherent with a well-targeted and strong pro-poor focus; poverty reduction is clearly addressed by all projects/programmes, including trade related assistance in an integrated and “*joined up*” manner. Indeed, most areas are seen by the EC Delegation as cross-cutting, which is a refreshing approach given the way that Chambers of Commerce and Industry (CCIs) are often dealt with elsewhere”).¹³

Humanitarian Assistance: From a humanitarian point of view, Cambodia is neither in an emergency situation nor in a post-emergency situation, but rather in a state of chronic rural poverty that needs mid- to long-term poverty eradication rather than short-term emergency relief interventions. Since 2004, therefore, ECHO has started scaling down its operations in co-operation with the other Commission services and with other donors in order to ensure as far as possible a smooth link between relief, rehabilitation and development (LRRD).

Meanwhile, DIPECHO (the ECHO natural disaster preparedness/mitigation programme) will continue to target local communities and the relevant institutions most vulnerable to natural disasters. DIPECHO is a primary vehicle for LRRD and, with the phasing out of ECHO programming by 2007, will provide a bridge for a coherent transition to support other longer-term EC funding instruments, including the EC Food Security Programme. (This world-wide thematic programme is currently supporting seven NGO projects in Cambodia and a new, sub-regional Food Security programme is in preparation that will include specific provisions for Cambodia).

Cambodia has not yet signed a framework agreement with the **European Investment Bank** (EIB) and has so far received no assistance. Cambodia is eligible for financing, and EIB will have a mandate to intervene in the country, but is unlikely to intervene in the short term.

13 CSP Strategy Review. Keynote Findings & Recommendations

3.2 Co-ordination and Coherence

The Commission is dedicated to the Paris Declaration of March 2005 on Aid Effectiveness, which sets out commitments, indicators and targets for enhanced ownership and alignment of aid, as well as for harmonisation, managing for results, and mutual accountability, for donors and partner countries.

Cambodia is highly dependent on donor aid, (with external financing reportedly accounting for roughly half of Government expenditures). In 2006, total ODA disbursements to Cambodia from the EU Member States and the Commission will amount to €137 million.

At the December 2004 Consultative Group (CG) Meeting, the Government and the donors agreed to Joint Monitoring Indicators for the implementation of reforms under the Government's Rectangular Strategy, and for more effective donor-government dialogue. Progress is reviewed at high-level quarterly Government-donor meetings. At the operational level, 18 "Joint Government-Donor Technical Working Groups" (TWGs), whose members include senior sectoral professional/technical staff of concerned Government institutions and bilateral and multilateral partners, co-ordinate development efforts in Cambodia. Progress reports from the Working Groups are reviewed every three months by the Government-Donor Co-ordination Committee (GDCC) chaired by the Minister of Economy and Finance, and including Government Ministers, Heads of Diplomatic Missions and heads of Development Agencies. The follow-up on indicators and the conclusions from the GDCC provide the basis for the donors and governments to present their activities at the CG meeting, normally held once a year.

At the 8th CG meeting in March 2006, the RGC and the donors welcomed the NSDP and the Public Investment Programme for 2006-2008 as a key sign of the RGC's ownership of the development agenda, and agreed to the NSDP's approach of providing a road map, prioritisation and resource requirement to help the RGC achieve the vision laid out in the Rectangular Strategy.

The European Union (EU Member States and the European Commission) is one of the largest donor partners of the RGC. EU donors active in Cambodia include Belgium, the Czech Republic, Denmark, France, Germany, Italy, the Netherlands, Poland, Sweden, the UK, and the European Commission. The EU donors' programmes are in education, health, HIV/AIDS, rural development, de-concentration and decentralisation, public financial management, legal and judicial reform, trade and private sector development.

Recognising that "The European Consensus on Development" of November 2005 states that the EU will take a lead role in implementing the Paris Declaration commitments on aid delivery and that the EU will advance co-ordination, harmonisation and alignment, which encourages partner countries to lead their own development process and supports a broad donor-wide engagement in national harmonisation agendas, EU donors in Cambodia are seeking to establish a Road Map for Aid Effectiveness. This will set down how the EU donors, through co-ordination of policies and harmonisation of procedures,

for example, will contribute to increasing the effectiveness of aid to Cambodia. The Road Map will set down wide-ranging measures that complement existing co-ordination mechanisms such as the Technical Working Groups, are in line with the Paris Declaration and enable the EU to take the lead on aid effectiveness wherever appropriate. The European Commission Delegation, together with the EU Presidency, will continue to lead EU co-ordination and harmonisation work and oversee the implementation of the Road Map.

3.3 Programmes of EU Member States and other donors

Belgium supports basic education, teacher training and the provision of health services in three provinces. In addition, it funds rural development projects, targeting rural livelihoods.

Denmark supports livelihood improvement for the rural poor through strengthened natural resource management. The support will increasingly be given at local level. The natural resource management and livelihood programme is implemented through a joint funding arrangement with the UK Department for International Development. Denmark also funds NGO projects on human rights, anti-corruption and activities to develop the Legal and Judicial Reform Strategy.

France is a donor to HIV/AIDS projects, supports higher education institutions, and is involved in institutional strengthening and development programmes in the legal, health and administrative sectors. It is also active in the field of rural development and trade sector reform. Furthermore, France funds NGO projects on human rights.

Germany is also a donor to a wide variety of projects in the field of Rural Development, Health and Governance.

Italy supports urban and rural development and provides relief to populations at risk.

Sweden is mainly supporting the UNICEF Expanded Basic Education Programme, decentralisation of government and NGO projects on human rights.

The **United Kingdom** development programme for 2005-8 focuses on working with others to strengthen aid effectiveness. Focal areas include support for improved access to health and HIV and AIDS services and information, public financial management, local governance and improved rural livelihoods and natural resource management. **Austria**, the **Czech Republic**, **Luxembourg**, the **Netherlands**, **Poland** and **Spain** provide support for rural energy, market access, NGO activities, humanitarian assistance, cultural co-operation, good governance and human rights, education and human resource development.

Japan's priority areas include good governance (administrative, financial and judicial reform), economic promotion, infrastructure improvement, enhanced food and

agricultural production, education and human resource development, health and natural resource management.

Australia is another significant bilateral donor and currently supports de-mining, governance, research and development, and legal and judicial reform. Australia also intends to provide assistance in the field of implementation of WTO commitments, SPS and economic governance, and to provide assistance in linking agriculture to trade.

USAID is working in the areas of Good Governance and Democratic Institutions; HIV/AIDS and Family Health; and Education.

UNDP's activities for the period 2001-2005 concentrate on the strengthening of governing institutions, poverty reduction and monitoring, and the management of natural resources. UNDP also supports de-mining and trade and investment facilitation. UNDP has earmarked close to USD 45.5 million in its Country Co-operation Framework for 2001-2005. UNDP, as one of the Integrated Framework (IF) lead agencies, currently has a programme in implementation called Trade Related Assistance for Development and Equity (TRADE), in which assistance to the Ministry of Commerce centres on developing national capacity to make the best of the benefits that Cambodia's membership of the World Trade Organization offers.

Other UN Agencies: WHO supports the health sector; UNICEF and United Nations Educational, Scientific and Cultural Organization (UNESCO) support the education and health sectors; United Nations Industrial Development Organization (UNIDO) works in the areas of market access, trade facilitation and standards; and United Nations Conference on Trade and Development (UNCTAD) is providing assistance on implementation of WTO commitments and training on multilateral trade negotiations, as well as completing a programme on E-business for SMEs.

World Bank: The WB prioritises five types of activities in Cambodia: (1) supporting good governance; (2) building physical infrastructure; (3) rebuilding human capital; (4) facilitating private sector development; and (5) disarmament, demobilization and reintegration (DDR). Its core projects/activities include support to the forestry sector, governance, legal and judicial reform, de-mining, trade facilitation and implementation of WTO requirements, and assistance with the development of the RGC's Private Sector Growth Strategy.

The **Asian Development Bank** strategy for Cambodia has two prime focal points: economic growth and poverty reduction. ADB activities support broad-based rural development through the promotion of water resource management, decentralisation, natural resource management, and agriculture sector reform. ADB also assists human and social development, via sector-wide initiatives in education and health and complementary support in water supply. A third area of activity is private sector development, mainly through the development of a national road network, Gender and governance in economic planning, public finance and legal reform also receive attention. Cumulative ADB lending to Cambodia as of 31 December 2003 was USD 775.3 million.

112 technical assistance projects (grants) have been approved with a total value of USD 72.9 million as of 31 December 2003.

3.4 Policy Mix

In a country like Cambodia, so dependent on donor support, the Commission's role is crucial in providing development assistance. However, the EC's role goes well beyond the amount of resources it provides through its bilateral programme to encompass the areas of trade and economic co-operation and political dialogue. The EC-Cambodia Co-operation Agreement sets the framework for EC-Cambodia co-operation while ensuring coherence of all Community policies. In implementing the present strategy, particular attention will be paid to developments in other EU policy areas such as trade, investment, employment, social policy, equal opportunities, education and culture, R&D, environment, justice and home affairs, in order to ensure coherence.

The Commission and Cambodia review progress in the implementation of the bilateral co-operation agreement through the EC-Cambodia Joint Committee, which is held every two years. Discussions include a dialogue on general policy matters and an overview of progress in the reform process. Governance and Human Rights is an area of particular focus with the planned establishment of a working group on "Co-operation in Institution Building, Administrative Reform, Governance and Human Rights" under the EC-Cambodia Joint Committee.

Against the background of the trade-related assistance provided for in this SP, developments in trade policy will be closely monitored, particularly those concerning the implementation of WTO commitments, the progress of the Trans-Regional EU-ASEAN Trade Initiative (TREATI) regulatory dialogue process, and the implementation of recommendations expected from the high-level "Vision Group" which is investigating the feasibility of an EU-ASEAN FTA. Consistency with the IF will also be sought. The EC will also ensure that EC support to Cambodia is consistent with action taken at the regional level in the context of the 1980 EC-ASEAN Co-operation Agreement and the 2003 Communication on a "New Partnership with South East Asia".

Civil aviation is a practical aspect of the Community's external relations with third countries with a specific focus on security and safety issues, both of which directly affect passengers travelling from and to the European Union. The signature of an air services agreement between the Community and Cambodia, bringing existing Air Services Agreements between Cambodia and EU Member States into conformity with Community law, would be a valuable concrete step to enhance relations in the important field of civil aviation. Both parties recognise the importance of increasing aviation safety and security.

EC support to Cambodia is consistent with a range of Community policies outside the direct framework of the country programme. EC co-operation with Cambodia is in line with the priorities agreed at the Johannesburg Summit on Sustainable Development and with the 2005 UN Summit conclusions on human and social development and the

promotion of productive employment and decent work as key instruments for poverty reduction. The cross-cutting nature of sustainable resource management is a key concern in the context of rural development as well as in the framework of the alleviation of the social consequences of reform.

4. THE EC RESPONSE STRATEGY

4.1 Justification of the response and of the choice of focal sectors

Co-operation with Cambodia follows the broad objectives of Community Development co-operation policy. Account is also taken of the various mechanisms available to the Commission for this response including the European Union's external policy actions (CFSP, conflict prevention, and NGO-funded activities including food security and targeted health and education initiatives).

All interventions within the bilateral programme will fall within the framework of the National Strategic Development Plan for Poverty Reduction (NSDP) for the period 2006-2010, prepared by the RGC in co-operation with development partners. The NSDP has the Cambodia Millennium Development Goals (CMDGs) as its overall target. It will integrate the priority actions to be financed through the Medium-term Expenditure Framework (MTEF) and the Public Investment Programme (PIP). This is the first step to put in place a comprehensive framework for budget support and it should also provide the framework for planning and delivering ODA.

Human resource development will form an integral part of all EC development programmes, as will environment and gender issues. In addition to the pre-requisite to undertake Environmental Impact Assessments, particular attention will be given to ensuring that environmentally friendly practices are promoted in rural activities. Participation of women in all EC programmes will also be actively promoted. As regards gender issues, women and children also form a particular focus for Cambodia.

The overarching goal of EC-Cambodia co-operation is poverty reduction. In choosing the actions under **the bilateral programme**, consideration has been given to the need to focus the EC's interventions on a restricted number of sectors so as to increase impact and to move towards sector programmes and, where possible, budget support. In addition, the added-value which the EC can bring and the particular experience it has accumulated in these sectors have also been taken into account. The implementation of all EC co-operation activities in Cambodia will be complemented by a stronger focus on policy dialogue with the Government and other key donors through the Government-Donor Technical Working Groups and other sectoral working groups established by the Government and through regular meetings between Commission representatives, from EC Headquarters and the EC Delegation, and different Ministries. This dialogue will facilitate the establishment of jointly agreed goals and assessment indicators, resulting in better targeted assistance programmes.

An indicative allocation of €152 million has been earmarked for Cambodia for the period 2007-2013. These resources may be supplemented by projects and programmes financed

under the regional programme for Asia and under various thematic programmes. The two focal sectors and the additional actions which are envisaged are:

Focal Sector 1	Support to the National Strategic Development Plan (NSDP)
Focal Sector 2	Support to Basic Education
Additional Actions	Trade Related Assistance and Support to EC-Cambodia Co-operation and Dialogue in the field of Governance and Human Rights

Indicators for the actual achievement of the above-mentioned sectors and actions will be based on the Cambodian Millennium Development Goals, as recorded in the NSDP, the most important of which are set out in Annex 1 of this document.

4.2 Cross-cutting Issues

Good governance and human rights, including the rights of ethnic minorities/indigenous peoples, will be mainstreamed in all the sectors covered by this SP.

Gender will be mainstreamed in all the sectors covered by the SP. Gender will feature prominently in the policy dialogue related to the support given to the NSDP. The recruitment and assignment of female staff at all levels will be encouraged. Gender training will be implemented at all levels. In the education sector the EC will, through sector policy dialogue, raise awareness among policymakers so that education strategies include gender issues.

Mainstreaming of **environmental issues** will also play a prominent role in the NSDP-related policy dialogue. In relation to the education sector, attention will be paid to environmental education, in particular the expansion of secondary school curricula to include more studies on specific environmental issues, as well as research to establish sound foundations for environmental education. Special efforts should be undertaken to enhance environmental education in teacher training. Finally, in the context of supporting Cambodia's efforts to integrate into the international economy, consideration could be given to helping Cambodia fulfil its obligations under the Multilateral Environment Agreements (MEAs). Support could also be provided in the environment field through a specific thematic budget line.

4.3 Risks Affecting the Strategy

The following issues have been identified as the main risks that could jeopardise the successful implementation of the Strategy Paper:

- Loss of momentum in the reform process, especially in key areas like the Deconcentration and Decentralisation Strategy, and resistance from vested interests;

- Fiduciary risk and a failure to ensure that adequate progress is made with budget transparency and tackling corruption;

To mitigate against these risks the European Commission will continue to provide support in a number of areas for the implementation of RGC's reform agenda. Furthermore, in relation to the risks associated with public financial management, in addition to the special fiduciary measures to be put in place, the Commission will contribute to a robust programme of technical assistance. Before committing itself to providing budget support to the RGC, the EC will carry out, or be involved with other donors in carrying out, a diagnostic study to assess fiduciary risk and pinpoint aspects that require particular vigilance. Should it be found that these risks are unacceptably high, the first focal sector in the response strategy will have to be reconsidered.

4.4 Main sectors of concentration

4.4.1 Support to the National Strategic Development Plan (NSDP) (Focal Sector 1)

The Royal Government of Cambodia's National Strategic Development Plan (NSDP) covering the period 2006 to 2010 was endorsed by the National Assembly in December 2005 and was presented to the Consultative Group in March 2006. This document, which integrates the provisions and characteristics of a Poverty Reduction Strategy Paper (PRSP) sets down intended achievements, linked to the Millennium Development Goals, for the period 2006 to 2010. The purpose of the NSDP is to operationalise the "Rectangular Strategy (RS) for Growth, Equity, and Efficiency" which was adopted by the Government in July 2004. Both the RS and the NSDP have at their core a comprehensive good governance reform programme. Governance issues have been identified by the Government and donors alike as a major obstacle to poverty reduction, growth, and enhanced aid effectiveness in Cambodia.

EC aid to Cambodia is aligned with the NSDP. Donor support to facilitate its implementation is fundamental if its aims are to be achieved. Primarily, EC assistance is seen as taking the form of budget support in the framework of the World Bank-led Poverty Reduction Support Operation (PRSO), together with technical assistance in key fields focused on by the PRSO, in particular Public Financial Management. The provision of aid through budget support is in keeping with the EC's keenness to use modern means of aid delivery that ensure strong government ownership, effective, policy dialogue and strong donor co-ordination, wherever possible. The provision of budget support through the PRSO will allow the EC to give much-needed policy advice to the government through continuous involvement in dialogue on key reform agenda issues, while at the same time making available funds to enable the reform agenda to be implemented. The PRSO is likely to evolve and expand over time and to address more of the focus areas of the NSDP. The PRSO will provide incentives and donor leverage for rapid progress to be made in such implementation. It will also be an effective forum for donor co-ordination, in which the EC will seek to establish a leading role.

The PRSO is the only planned general budget support initiative planned in Cambodia. The Government for the moment does not have the administrative capacity to handle two or more separate initiatives, and in the interests of aid effectiveness and donor coordination all donors considering providing budget support (EC, DfID, SIDA, AFD) intend to do so through the PRSO. A consolidated donor initiative will strengthen leverage in terms of ensuring adherence to the reform agenda set down in the NSDP.

In addition it should be noted that the fiduciary risks present in Cambodia are best tackled by the different donors acting together, both in order to strengthen leverage and to share information and expertise. It is also anticipated that the World Bank together with the other participating donors will put in place special fiduciary safeguard measures for the PRSO in Cambodia. These are likely to involve fund tracking. Again, this is best tackled by donors working together rather than alone.

4.4.2 Support to Basic Education (Focal Sector 2)

The educational status of the Cambodian population remains among the lowest in the region and continues to present a major obstacle to economic and social development. This is due to a number of factors, not least the fact that the vast majority of the educated workforce died or left Cambodia during the Khmer Rouge period.

“Enhancing the quality of education” is one of the priorities under the capacity building and human resource development “growth rectangle” under the “*rectangular strategy*”. The RGC aims to achieve the “Education for All” goals and, in order to do so, has developed a rolling five-year Education Strategic Plan and Education Sector Support Programme. MoEYS is already well advanced in implementing a sector-wide approach, and has developed a policy-driven education reform programme aimed at implementing key reforms for equitable access, quality improvement and the adequate management and financing of education services at all levels, with particular attention to pro-poor and gender-responsive policies.

The EC is one of the lead donors in the field of basic education and is playing a key role in supporting the sector-wide approach. The Commission is actively involved in the policy dialogue through its targeted budget support and as the deputy chair of the donor Education Sector Working Group. The EC will continue its role as a major donor in the education sector in Cambodia through the provision of sector budget support. Consideration will also be given to extending support to secondary schooling.

4.5 Additional Actions

Trade reform is a crucial area for poverty reduction where the EC can build on its existing programmes and existing multi-donor approaches, such as the Integrated Framework. In addition to the two focal sectors mentioned above, the EC intends to provide **trade-related assistance**, with a strong focus on sustainable development and

poverty reduction through economic reforms. There will also be a need for trade-related assistance for FTA negotiations with the EU in case such negotiations are launched, as recommended by the EU-ASEAN Vision Group. The integration of the local economy into regional and international markets and the promotion of a thriving private sector are crucial to poverty reduction. The EC is providing support for trade reform under the NIP 2002-2004 through the Multilateral Trade Assistance Project (MULTRAP) and two smaller projects in the areas of Intellectual Property Rights and Standards and Quality Assurance, and will continue support for trade reform under the NIP 2005-2006. The EC will also support the action “Development of SMEs in Agro-Industry Sector” under the NIP 2005-2006. Strong emphasis should be placed on making trade openness beneficial for the poor particularly in rural areas. In this context, Cambodia would be a potential candidate for a partnership under the EU Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT), which aims to facilitate trade in legal timber products while improving governance in the forest sector. Cambodia is a major timber exporter, while its forest sector is characterised by weak governance which undermines the sustainable potential of the wood industry and has a highly negative impact on the rural poor.

The Commission will also be providing support to the RGC to formulate a sector-wide approach in the area of trade reform. This will be done in co-operation with the other donors involved in this sector (EU Member States, UN, ADB and WB in particular). The RGC has recently created a Steering Committee for Private Sector Development and three Sub-Committees: the Sub-Committee on Investment Climate and Private Participation in Infrastructure (PPI); the Sub-Committee on Trade Facilitation and the Sub-Committee on SMEs. This structure could provide the platform to develop SWAp in one or more of the areas covered by the sub-committees. In particular, the Sub-Committee of Trade Facilitation has been identified as the platform to develop a Trade Reform SWAp, while progress towards a SWAp in the areas of SMEs development and PPI is less encouraging. The Trade Reform SWAp is expected to become the main mechanism for policy dialogue with the RGC for the trade sector reforms. This policy dialogue will contribute directly to the PRSO, which includes “private sector development” among its key areas of support.

The EC will focus its participation in the fields of trade reform, including trade facilitation, implementation of WTO commitments, capacity building for negotiation and implementation of regional and bilateral FTAs, and regulatory issues (SPS, TBT, IPR, etc), while paying due attention to the employment and social dimension of trade liberalisation. Through this approach, the EC's role in the trade reform area will be maintained and reinforced in the mutual interest of both the EC and Cambodia. In addition, in order to ensure that the poor will benefit from trade reform, the EC will support activities that pay special attention to rural poverty and the development of business opportunities for SMEs in rural areas. As women are a major catalyst in the Cambodian economy (particularly in rural areas), their role will be supported and strengthened.

The EC will also fund activities to support to **co-operation and dialogue in the field of governance and human rights** in order to promote constructive dialogue and stimulate co-operation between the RGC and the EC in a wide range of areas of mutual interest, in

particular in the areas of governance, legal and judicial reform (including possible further support to the Khmer Rouge Tribunal), institution building, administrative reform (including the fight against corruption) decentralisation and deconcentration, support for the election process, support for the country's efforts to alleviate the impact on the State and society of the contamination by mines and to fight the trafficking and control the spread of illicit small arms and light weapons, support to tackle problems related to trafficking of drugs and human beings, the role of civil society (including social partners) as well as human rights and core labour standards. Progress in all these areas is essential to underpin all elements of the RGC's reform programme. These small-scale activities will be complementary to those carried out in focal sector 1 (Support to the National Strategic Development Plan) and under certain thematic programmes. In addition, the EC is very likely to propose to the Cambodian authorities the creation, within the framework of the EC-Cambodia Co-operation Agreement, of a **sub-group on "co-operation in institution building, administrative reform, governance and human rights"**. This sub-group could provide suggestions for co-operation activities in this area.

4.6 Regional and Thematic programmes

In the context of co-operation with Cambodia, along with the interventions planned under this SP, the Commission intends to pursue thematic actions in the following areas:

- Democracy and Human Rights: Activities funded under the additional action "support to co-operation and dialogue in the field of governance and human rights" will be complemented by activities funded under this thematic programme.
- Non-State Actors in Development: assistance will be provided to NGOs and other civil society organisations, including social partners, working in Cambodia in a number of strategic sectors.
- Security, Migration and Asylum: migration and trafficking issues are becoming increasingly important in Cambodia.
- Human and Social Development: There will be a need to complement activities carried out under the education focal sector with smaller-scale initiatives in this field.
- Environment and Sustainable Management of Natural Resources Including Energy: This thematic programme could provide support along the following broad lines: working upstream on MDG7: promoting environmental sustainability; promoting implementation; better integration by the EU; strengthening environmental governance and EU leadership, and support for sustainable energy options in Cambodia.
- Food security: given the problems in achieving food security in certain local communities, it is expected that Cambodia will continue to benefit from activities funded under this thematic programme.

These thematic activities are complementary to the strategic objectives pursued by the Commission under the SP and form part of the policy dialogue with Cambodia. The financing of these thematic activities will be additional to financial resources provided

under MIPs. In addition, Cambodia will also benefit from activities funded under the Asia regional programme (including in the field of higher education) and may also benefit from activities funded under the Instrument for Stability.

Annex 1. Cambodia at a glance

The status of the country as to the likely achievement of the Millennium Development Goals at a glance

In October 2006, *United Nations Economic and Social Commission for Asia and the Pacific UNESCAP*, the *United Nations Development Programme UNDP* and the *Asian Development Bank ADP* have issued a report “Millennium Development Goals: Progress in Asia and the Pacific 2006”. This report is the latest update on the progress towards MDGs in Asia and the Pacific. It highlights the region's achievements and exposes issues on which much work remains to be done. The report looks in a more holistic way at overall country progress by assessing absolute MDG indicators in addition to MDG targets.

The report classifies the progress made by each country into 4 categories

- *Early achiever* — Has already met the target
- ▲ *On track* — Expected to hit the target by 2015
- *Off track – Slow* — Expected to hit the target, but after 2015
- ▼ *Off track – Regressing* — Slipping backwards, or stagnating

Goal	1	2	3	4	6	7															
	\$1/day poverty	Underweight children	Primary enrollment	Reaching grade 5	Primary completion rate	Gender primary	Gender secondary	Gender tertiary	Under-5 mortality	Infant mortality	HIV prevalence	TBC prevalence	TBC death rate	Forest cover	Protected area	CO ₂ emissions	ODP CFC consumption	Water urban	Water rural	Sanitation urban	Sanitation rural
Cambodia	▼	●	▼	▲	▲	▲	▲	▲	▼	▼	●	●	●	●	▼	●	●	●	●	●	●

GENERAL

Total Geographic area: Sq. Kms.,

181,035

Currency

Cambodian Riel (CR)

	Particulars	Unit	1993	2000	2005	2010 Projected
	KEY INDICATORS					
1.00	Poverty Levels				2004	
1.01	Total for the Country	% of popn	---	N/A	34.7	25.0
1.02	Phnom Penh	%	11.4	N/A	4.6	
1.03	Other Urban	%	---	N/A	24.6	
1.04	Rural	%	---	N/A	39.2	
1.05	Population below food poverty line	%	---	N/A	19.7	13.0
2.00	Gender Issues					
2.02	Women in Labour Force (LF): Agriculture	% of LF	fill up	35 (1998)	52.50	
2.03	In Industries	% of LF	fill up	44 (1998)	53.50	
2.04	In Services	% of LF	fill up	21 (1998)	27.00	37.00
3.00	Population					
3.01	Total	million	10.66	12.57	13.80	15.27
3.07	Rural	%	84.39	N/A	85.00	N/A
3.08	Urban	%	15.61	N/A	15.00	N/A
3.09	Annual Growth rate	%	2.49 (1998)	1.81	1.81(2004)	2.1
3.10	Total Fertility rate	%	5.2 (1996) 51.82/55.79	4.0	3.34 (2004)	3.4
3.11	Life Expectancy at birth -- yrs:	Male/Female	(1998)	54.4/60.6	57.87/64.14	
4.00	Macro Economic					
4.01	Annual GDP (<i>constant prices</i>)	Million US \$	2,124	3,522	4,793	6,536
4.02	<u>Share of GDP</u> : Agriculture: Crops	%	18.80	16.50	14.60	12.49
4.03	: Livestock and Poultry	%	8.90	5.40	4.90	4.55
4.04	: Fisheries	%	13.60	10.80	8.30	6.97
4.05	: Forestry	%	4.30	3.30	1.90	1.56
4.06	: Manufacturing Industry	%	8.00	16.00	22.60	23.82
4.07	: Construction	%	4.40	5.20	6.80	8.06
4.08	: Tourism (Hotels & Restaurants)	%	2.40	3.70	5.00	6.22
4.09	: Transport	%	6.30	6.60	6.50	6.63
4.10	: Other Services	%	4.40	6.10	6.40	7.30
4.11	GDP Per Capita	US \$	224	275	350	560
4.12	Annual GDP Growth Rate (<i>constant prices</i>)	%	3.90	6.50	6.30	6.00
4.13	Inflation year to year	%	114.30	(0.08)	4.80	3.00
4.14	Exchange rate:	US\$= Riels	2,814.00	3,924.00	4,200.00	4,450.00
4.15	Foreign Reserves US\$ -- months/imports		2.30	2.70	2.50	3.00
4.16	FDI: Investments -- for the year	US\$ million	124.00	142.00	169.00	352.00
5.00	Fiscal					
5.01	Budget Revenues : Total	Billion Riels	290.10	1,422.90	2,463.90	4,705.27
5.02	% GDP	% of GDP	4.3	10.10	11.30	13.70
5.03	Direct Taxes	% of GDP	0.10	1.00	0.80	0.98
5.04	Indirect & International Taxes	% of GDP	3.10	6.40	7.60	8.29

5.05	Non-Tax Revenues %	% of GDP	1.00	2.50	2.40	3.03
5.06	Total Budget Expenditure	Billion Riels	608.40	2,039.70	3,078.60	5,705.18
5.07	Civil Services/General Admn.	% of GDP	2.26	5.28	6.77	7.30
5.08	Defence & Security	% of GDP	3.23	3.20	2.07	1.79
5.09	Social Sectors	% of GDP			38.43	40.00
5.10	Fiscal Balance (current)	Billion Riels	(83.10)	188.27	422.04	1,506.90
6.00	Official Development Assistance (incl. NGOs)					
6.01	Total	US \$ mlns	322.00	467.00	550.00	550.00
14.00	Education				2004-05	
14.01	No of Primary Schools	Nos	4,693	5,468	6,180 (2004-05)	N/A (09-10)
14.02	Longest distance to a Pr. Sch	Kms		N/A	2.00	1.50
14.03	Net Enrolment: Total; Boys; Girls	% of total		87; 90; 84	91.9; 93.0; 90.7	100 for all
14.04	Net Enrolment: Urban; rural; remote	%			91.6; 92.4; 82.5	100 for all
14.05	Survival rate 1-6 yrs	%		51.0	53.1	100 for all
14.06	Lower Secondary Schools	Nos	354	367	800.00	
14.07	Longest distance to lower Sec. Sch	Kms			8 km	4 km
14.08	Net Enrolment: Total; Boys; Girls:	%		19; 21; 16	26.1; 27.1; 24.8	50% for all
14.09	Net Enrolment: Urban; rural; remote	%			41.3; 23.7; 3.9	75 urban; 50 others
14.10	Survival rate: 1-9	%		33	29.3	50
14.11	Literacy 15-24 yrs: Total, Male/Female	%		82 (1999)	83.4	95

Source: National Strategic Development Plan 2006-2010

CAMBODIA MDGs, INDICATORS AND TARGETS

The following Millennium Development Goals, referring to Cambodia and taken from the NSDP¹⁴, constitute the basic targets for EC interventions.

No	Particulars	Base	Year	2005		2010	2015	Status
				Target	Est			
CMDG 1: Eradicate Extreme Poverty and Hunger								
1. Halve, between 1993 and 2015, the proportion of people whose consumption is less than the national poverty line								
1.1	People with consumption less than the national poverty line (%)	(39)	1993	31	34.7 ¹⁵ (28.0)	25	19.5	C
1.2	Share of poorest quintile in national consumption (%) (comparable to 2004 estimates)	7.4 (8.5)	1993	9	(7)	10	11	E
1.3	Working children aged between 5-17 years (percent)	16.5	1999	13	22.3	10.6	8	E
2. Halve, between 1993 and 2015, the proportion of people who suffer from hunger								
1.4	Prevalence of underweight for <2 SD children under 5 years of age (percent)	45.2	2000	36	N/A	29	22	
1.5	Population below the food poverty line (percent)	(20)	1993	16	19.7 (14.2) ¹⁶	13	10	C

¹⁴ National Strategic Development Plan (NSDP). Annex I

¹⁵ Figures in brackets for 1.1 and 1.5 show the situation in the areas (56% of geographical area and 65% households covered in 1993 survey; the other areas were then inaccessible due to security situation.

¹⁶ Same as above.

1.6	Stunted (height for age <2SD children under 5 years of age (%)	44.6	2000	35	N/A	28	22	
1.7	Wasted (weight for height <2SD) children under five years of age (%)	15	2000	13	N/A	10	9	
1.8	Households using iodised salt (%)	14	2000	80	31.5	90	90	C
CMDG 2: Achieve Universal nine-year basic education								
3. Ensure all children complete primary schooling by 2010 and nine year basic schooling by 2015								
2.1	Net admission rate - primary level (%)	81	2001	95	81.0	100	100	D
2.2	Net enrolment ratio in primary education (%)	87	2001	95	91.9	100	100	C
2.3	Net enrolment ratio in lower secondary education (%)	19	2001	50	26.1	75	100	C
2.4	Proportion of 6-14 year olds out of school (%)	35	1999	22	18.7	11	0	A
2.5	Survival rate from grade 1 to 5 (%)	58	2001	77	59.2	100	100	D
2.6	Survival rate from grade 1 to 6 (last yr or primary) %	51	2001	73	53.1	100	100	D
2.7	Survival rate from grade 1 to 9 (%)	33	2001	52	29.3	76	100	E
2.8	Literacy rate among 15-24 years old (%)	82	1999	90	83.4	95	100	D
4. Eliminate gender disparity in nine-year basic education								
2.9	Ratio of girls to boys in primary education (%)	87	2001	98	89.5	100	100	C
2.10	Ratio of girls to boys in lower secondary education.(5)	63	2001	96	77.0	100	100	C
CMDG 3: Promote Gender Equality and Empower Women								
5. Reduce significantly gender disparities in upper secondary education and tertiary education								
3.1	Ratio of girls to boys in upper secondary education (%)	48	2001	59	59.9	80	100	B
3.2	Ratio of females to males in tertiary education (%)	38	2001	50	45.6	70	85	C
3.3	Ratio of literate females to males 15-24 yrs old (%)	87	1998	95	90.0	100	100	C
3.4	Ratio of literate females to males 25-44 yrs old (%)	78	1998	85	80.0	100	100	C
6. Eliminate gender disparities in wage employment in all economic sectors								
3.5	Female share in wage employment in Agriculture (primary sector) (%)	35	1998	50	52.5	50	50	A
3.6	Female share in wage employment in Industry (secondary sector) (%)	44	1998	50	53.5	50	50	A
3.7	Increase female share in wage employment in Services (tertiary sector) (%)	21	1998	30	27	37	50	C

Annex 2. Map of Cambodia



Source: UN Cartographic Section

Annex 3: EU/EC Co-operation Objectives

1. The EU Treaty Objectives for External Co-operation

In accordance with **Article 177 of the Treaty establishing the European Community**¹⁷, Community policy in development co-operation shall foster:

- Sustainable economic and social development of developing countries;
- Smooth and gradual integration of developing countries into the world economy;
- The campaign against poverty in developing countries.

The Community's development policy shall contribute to the **general objective** of developing and consolidating democracy and the rule of law, and encouraging respect for human rights and fundamental freedoms. Development co-operation is a multi-dimensional process covering broad-based equitable growth, capacity and institution building, private sector development, social services, environment, good governance and human rights.

Co-operation between the EC and Cambodia is covered by the Development Co-operation Instrument. The Regulation focuses on strengthening the co-operation framework and on making an effective contribution, through institutional dialogue, economic and financial co-operation, to sustainable development, social and economic stability and democracy.

2. Objectives of the EU as laid down in other relevant documents

Commission Communication COM(2001)469 "Europe and Asia: A Strategic Framework for enhanced partnerships" with the following six objectives: (i) contribute to peace and security in the region and globally, through a broadening of our engagement with the region; (ii) further strengthen our mutual trade and investment flows with the region; (iii) promote the development of the less prosperous countries of the region, addressing the root causes of poverty; (iv) contribute to the protection of human rights and to the spreading of democracy, good governance and the rule of law; (v) build global partnerships and alliances with Asian countries, in appropriate international fora, to help address both the challenges and the opportunities offered by globalisation and to strengthen our joint efforts on global environmental and security issues; and (vi) help strengthen the awareness of Europe in Asia (and vice versa).

On 9 July 2003, the European Commission adopted a Communication on a "New Partnership with South East Asia", setting out a comprehensive strategy for future EU relations with the region. The strategic priorities identified in the Communication include (1) Supporting regional stability and the fight against terrorism, (2) Human rights, democratic principles and good governance, (3) Mainstreaming Justice and Home Affairs issues (4) new dynamism into regional trade and investment relations (5) development of less prosperous countries, and finally (6) intensifying dialogue and co-operation in specific policy areas, such as economic and trade issues, justice and home affairs, science and technology, higher education and culture, transport, energy, environment, and information society.

Cambodia is signatory to the 1980 Co-operation Agreement between the European Community and the ASEAN countries. The Agreement covers trade, economic co-operation and

¹⁷ <http://europa.eu.int/eur-lex/lex/en/treaties/dat/12002E/htm/12002E.html>

development as a basis for institutionalised dialogue. An EC-Cambodia Co-operation Agreement¹⁸ was signed in April 1997, and entered into force on 1 November 1999. The Agreement confirms in its Article 1 that “*respect for the democratic principles and fundamental human rights established by the Universal Declaration on Human Rights inspires the internal and international policies of the Community and of Cambodia and constitutes an essential element of this Agreement*”. Cambodia is eligible to participate in co-operation programmes financed under the DCI [European Parliament and Council Regulation (EC) No. 1905/2006 of 18 December 2006 establishing a financial instrument for development cooperation]. This Regulation underlines the importance that the Community attaches to eradication of poverty in the context of sustainable development, including pursuit of the Millennium Development Goals, as well as the promotion of democracy, good governance and respect for human rights and for the rule of law. Co-operation shall also encourage integration into the world economy and aim to strengthen the relationship between the Community and partner countries through an increasing dialogue on political, economic and social issues conducted in mutual interest.

Cambodia also benefits from the EU’s **Everything But Arms (EBA)** initiative, which grants duty-free and quota-free access for all exports (except arms) originating from LDCs. Only imports of fresh bananas, rice and sugar are not fully liberalised immediately.

3. The EU’s Development Policy

On 20 December 2005, the Presidents of the European Commission, the European Parliament and the EU Council signed the first joint Development Policy Statement (DPS). This “European consensus” will provide the Union with a common vision of values, objectives, principles and means for development, with a clear objective of achieving policy coherence. The revised statement is intended to take account of changes both within the EU and internationally since the first statement on the European Community’s development policy was adopted by the Council and Commission in November 2000. The new joint statement is structured in two parts, which set out:

- in the first part, "the EU vision of development", the objectives, principles and methods by which the EU at Community and member state levels implement their development policies;
- in the second, "the European Community's development policy", guidance for implementation at Community level.

At the same time, the EU fully endorses the UN 2005 World Summit conclusions on human and social development (§47) with their commitment to make the goals of fair globalisation, productive employment and decent work key elements of national and international development policies.

¹⁸ http://europa.eu.int/eur-lex/pri/en/oj/dat/1999/l_269/l_26919991019en00180025.pdf

Annex 4. EC Co-operation with Cambodia

The European Union has played an integral role in the development of Cambodia since the peace accords were signed in Paris in October 1991. Between 1991 and 1999 some €262 million were provided in EC assistance to Cambodia, while EU Member States have funded bilateral cooperation programmes worth another €590 million. Initial EC assistance programmes sought to facilitate the reintegration of 375,000 former refugees and were mainly implemented through NGOs and international organisations. Following the elections in 1993, the Rehabilitation Programme for Cambodia (PERC) was initiated, with a budget of €88 million.

Despite the political instability of 1997, the Commission supported the continued implementation of programmes that were having an impact on the local populations – particularly those relating to rural development, education, de-mining and humanitarian aid. That unsettled period came to an end with the national elections in July 1998. On 1 November 1999, the EC-Cambodia Cooperation Agreement entered into force, reaffirming both parties' long-term commitment to cooperation. The Agreement focuses on trade, economic and development cooperation, while recognising the 'essential elements' of democratic principles and human rights.

The first EC-Cambodia Country Strategy Paper (CSP), covering the years 2000-2003, and National Indicative Programme (NIP) 2002-2004, established poverty reduction as the overriding focus of EC aid interventions. Priority areas of intervention included rural support, primary education and training, health, humanitarian actions, mine clearance, support for the reform of the public administration and military, as well as activities in support of human rights and consolidation of democracy. Issues such as human resource development, gender and the environment have since been mainstreamed into all EC development programmes.

On the basis of the reports evaluating individual projects/programmes and the Government's response, some general conclusions can be drawn on the implementation of EC-funded projects in Cambodia. On-going projects are considered to be making good progress, given the realities of Cambodia's situation as a country in transition. With improved national ownership of the development agenda and improved donor co-ordination, sector-wide co-operation has increased, particularly in the social sectors. The lessons learned for each of the priorities set down in the NIP 2002-2004 (**€68.7 million**) can be summarised as follows:

- **Rural development (€30.7 million):** Two projects have recently been approved under the CSP/NIP 2002-2005 with a total budget of €30 million. The first will target the development of livestock for smallholder farmers ("SLPP"), while the second will be an integrated rural development project targeting communities in Northern provinces of the country ("ECOSORN"). These projects will start in 2005 and run for five years, and will be the backbone of the Commission's intervention in rural development during that period. As the situation in many parts of Cambodia has moved from emergency relief and food security towards sustainable development, a major problem emerging in rural areas is the lack of both on and off-farm employment opportunities.
- **Education (€20 million):** The principal lessons learned from the EC's past support to the education sector underscore the importance of (1) ensuring a close alignment with government policy; (2) nation-wide support, covering reforms and capacity building, and (3) dispersing support so that it strengthens provinces, districts and communes as well as the central level. The results of the current EC sectoral budget support programme have

so far been positive and the first EC Independent Technical Monitoring Mission recommended that the EC consider broadening its support to other Priority Action Programmes which have a direct impact on the quality and efficiency of basic education.

- **Health (€5 million):** EC support to the health sector has focused on support in the field of malaria control, sexually transmitted diseases (including HIV/AIDS) and reproductive health via a number of funding sources (ECHO, bilateral programmes, NGO co-financing, HIV/AIDS and reproductive health budget lines, the EC's contribution to the Global Fund to fight HIV/AIDS, Malaria and Tuberculosis, etc). Under the NIP 2002-2004, the Commission has contracted UNICEF for a joint co-financing partnership on Behavioural Change Communication, which is supporting one of the six priority areas of the Ministry's Strategic Health Plan. Previous evaluations of EC-supported activities in the health sector noted that although considerable sums had been spent, there was little sustainable impact to show for it. In the absence of a national framework for the health sector, the large number of projects with different implementation, monitoring and evaluation procedures also created an obstacle to the development of local capacity. As recognised by the Health Sector Strategic Plan, the vertical approach of many disease control programmes has not spread benefits throughout the system. Focusing on a single health problem has resulted in missed opportunities to address health problems of a similar nature within the same target group.
- **Trade (€ 3 million):** From 2004 until 2006, the Multilateral Trade Assistance Project (Multrap) delivered support to Cambodia in implementing international trade agreements, specifically with reference to the WTO to which Cambodia acceded in 2004. A recent evaluation of the project, implementation of which will finish in the second half of 2006, rated it overall 'effective in its achievement of the major objectives and targeted results', particularly in trade facilitation and trade diversification activities. Components related to institutional support and specific WTO commitments were deemed to require more time and greater recurrence of support than could be provided within the time and funding constraints of Multrap. It was also observed that efforts in trade diversification will require substantial follow-up support if the activities initiated by Multrap are to have any significant long-term impact on the fundamental structure of the economy. These conclusions are being integrated in the design of projects and programmes under the present programming cycle. In addition, the EC-Cambodia Standards, Quality and Conformity Assessment Project (SQCAP) was developed as the national component of the EC-ASEAN Economic Co-operation on Standards, Quality and Conformity Assessment Project. The project started in 2005 with as its aim to reinforce the national capacity in the areas of food safety and industrial standards, allowing increased opportunities for international trade.
- **Governance and Democratisation (€ 10 million):** In the field of governance and democratisation, the EC is particularly, but not exclusively, supporting the decentralisation and deconcentration process to improve local democratic participatory mechanisms and local governance, and to enhance the service-provider function of the Commune Councils for appropriate local development activities. The Commission has supported electoral processes in Cambodia since the holding of National Assembly elections in 1998.

The NIP 2005-2006 (€29.3 million) focuses on the following priorities within the focal areas for co-operation: **pro-poor economic development and the social sector**.

- **Priority 1: Pro-poor Economic Development (€15-17 million)** focuses on achieving sustainable development through: (a) widening of the product base; and (b) the development of mechanisms to link producers with markets. This priority will be addressed by allocating resources to support the development of SMEs in the agro-industry and following a value-chain approach. Support to trade sector reforms aimed at achieving Cambodia's full integration into international and regional economic structures is also planned. The EC will work in full co-operation with government structures, other donors, private industry and NGOs active in these fields.
- **Priority 2: Social Sector Support (€9-11 million).** The EC will continue to enhance its support for a SWAp in education through increased allocations to Priority Action Programmes (PAPs) which are having a direct impact on the quality and efficiency of basic education. This priority will be addressed through continuing support to the Ministry of Education, Youth and Sport (MoEYS) implementation of the Education Sector Support Programme (ESSP).
- **Cross-cutting issue: Governance (€ 2.5-3.5 million).** In view of the Commission's objective of moving towards SWAps, where conditions are right, support will be given to activities aimed at improving the country's public expenditure and financial management systems. These aims are key to the provision of budgetary support within SWAps. In addition, governance issues will be taken into consideration in the preparation of all EC programmes. This priority will be specifically addressed through a particular action targeting public expenditure and financial management in the Ministry of Economy and Finance (MoEF). This action will be closely co-ordinated with several donors.

2002-2004

Priority Sector 1: Support to Rural Development	€30.7M
Action 1: Economic and Social Relaunching of the Northern Provinces	€20 M
Action 2: Strengthening the Livestock sector	€ 5 M
Action 3: Support to DU 4	€ 5 M
Action 4: Launching of studies on fisheries sector development	€0.7 M
Priority Sector 2: Support to the Social Sector	€25M
Action 1: Support to the Education Sector	€ 20 M
Action 2: Support to the Health Sector	€ 5M
Priority Sector: Trade Sector Development	€3 M
Action 1: EC support to Cambodia's WTO accession	€2 M
Action 2: Cambodia's participation in the EC/ASEAN IPR programme	€0,5 M
Action 3: Cambodia's participation in the EC/ASEAN standards programme	€0,5 M
Cross Cutting Issues: Governance and Democratisation	€10M
Action 1: Support to the decentralisation process	€10M

2004 -2006	€million	€million	€million
1: Pro-poor Economic Development			15-17
The development of SMEs in Agro-Industry Sector;		8-10	
Support to the Trade Sector; €7,3 million	7-8		
2: Support to the Social Sector			9-11
Support to the Basic Education Sector		9-11	
Cross Cutting Issue: Governance			2,5-3,5
Support to public financial management reform	2,5-3,5		
Total			29,3

Annex 5. Summary Country Environmental Profile of Cambodia

Introduction

Cambodia's history of war has had a profound negative impact on the country's environment, directly through the dumping of pesticides and the placing of mines, and indirectly through the legacy of lawlessness and under-development. Furthermore, around 80 percent of Cambodia's poor live in rural areas and are dependent upon agricultural production and natural resource extraction for their livelihoods. This immense dependence on the productivity of agriculture, which contributes over 40 percent of total GDP, has created great stresses within the rural environmental space. Government policy to address these issues is increasingly effective, in part thanks to substantial international support. However, many challenges remain.

Principal environmental challenges

Amongst the most important environmental challenges in Cambodia are:

- (1) deforestation and biodiversity loss,
- (2) over-fishing,
- (3) siltation,
- (4) over-use of pesticides,
- (5) waste management, and
- (6) environmental problems related to the Mekong River.

(1) Deforestation: This is possibly the most serious environmental problem facing Cambodia. Before 1960, 73 percent of Cambodian land consisted of forest areas, compared to 61 percent in 2002. The percentage change in the area of natural forests between 1960 and 2002 in Cambodia is approximately a fall of 12 percent, well above the average of around 1 percent for Asia as a whole. Widespread illegal logging and abuse of government concessions continue to result in rapid deforestation. The World Bank has estimated that up to 94% of the total volume of logging is illegal. The wide-scale deforestation has led to loss of biodiversity, soil erosion, successive rice crop failures and the siltation of waterways, in turn harming fresh water fisheries. The floods that displaced 2.2 million Cambodians in 2000 and led to a shortage of seed for the next cultivation period have also partly been blamed on deforestation.

(2) Overexploitation of Cambodia's aquatic resources: Unsustainable fishing is taking place in many areas, notably in Tonle Sap - Cambodia's largest lake - which supplies 40 percent of the country's fish protein. Fish stocks are diminishing rapidly. Over-fishing is a major concern, since inland fisheries contribute approximately 16 percent to GDP and at least 4 million people in Cambodia depend on inland fishing for their livelihoods as their primary or secondary source of income and employment. Taking associated activities into account, this figure may increase to more than 50% of the entire population. In addition, most rural, many peri-urban and even urban households fish occasionally for household consumption and added income.

(3) Siltation: Adding to the problem of over-fishing, deposits of silt in Cambodia's main river channels are adversely affecting fish migration. The increased siltation of the Great Lake has also caused rapid temperature rises in the water, killing fish in the process.. The most likely main cause of the heavy siltation is the deforestation in the upper reaches of the Tonle Sap watershed and around the Great Lake, as well as the gem mining in western Battambang.

(4) Indiscriminate use of pesticides: Many dangerous pesticides that are banned or restricted in the Western world have been exported as remaining stockpiles to Cambodia and other developing countries. The products often arrive in Cambodia from Vietnam or Thailand and are labelled in a language and script that is incomprehensible even to the minority of Cambodian farmers who are literate. Farmers use these highly toxic pesticides on a large scale, but lack the appropriate knowledge about the harmful effects of these products on health and the environment. A 1994 Government report revealed that 82 percent of Cambodian farmers believed that pesticides had no effect on human health. Exposure of children to harmful chemicals is also widespread. The potential dangers are considerable: acute poisoning, chronic health effects (e.g. reproductive system infections, cancers), pesticide resistance, pest resurgence, and contamination of water systems and food chains. Even though many dangerous pesticides are officially banned under Cambodian law, there is no control of what is sold and the prohibited goods remain widely available.

(5) Waste: The fact that Cambodia's major cities have been experiencing a rapid increase in waste since 1991 constitutes another environmental problem. The disposal of wastewater, including sewage, is also a growing problem. The existing infrastructure for dealing with these problems is largely deficient: drainage systems easily stop functioning and open garbage dumps, notably in Phnom Penh, cause damage to air quality, soils and surface and groundwater and involve a high risk of the spread of disease.

(6) Environmental problems along the Mekong River: Floods, drought and damage from brine in the delta, and large fluctuations in flow between wet and dry seasons lead to large differences in water levels and a deterioration of water quality during parts of the year. In addition, actions by upstream countries that alter the hydrological cycle of the River Mekong and the annual flooding pattern are a potential threat to Cambodia's aquatic resources and habitats. Main stream dams in China and over 6,000 dams constructed in the lower Mekong basin since the 1950's have reduced mean peak flood levels and changed water discharge, leading to a cumulative impact on river flow levels and fish migration. The planned construction of dams in China, Laos PDR and Thailand and the proposed blasting of rapids by China are all factors which could threaten the very existence of the inland fisheries. Pollution of the Mekong River is also expected to worsen with advancing industrialisation.

Legislative and institutional framework. The first environmental legislation in Cambodia was approved in 1993. In 1996, the National Assembly enacted a framework legal instrument - the Law on Environment Protection and Natural Resource Management - which requires the government to prepare environmental plans and pass sub-decrees. Since then, several strategic plans and legislative acts in the field of environmental management have been passed.

Environmental issues are mainly the responsibility of the Ministry of Environment and the Ministry of Agriculture, Forestry and Fisheries (MAFF), but the Ministry of Water Resources and Meteorology, the Ministry of Land Use Management, Urbanisation and Construction, as well as a number of cross-agency national ministerial committees, also share part of the responsibility. Cambodia is also a signatory to various international and regional agreements related to sustainable development and environmental protection.

Approach The Cambodian government's environmental policy starts from the premise that environmental and natural resource issues are interrelated with other problems, such as poverty and underdevelopment. Consequently, environmental concerns are addressed from a cross-sectoral perspective: the government tackles environmental problems while at the same time targeting closely related problems like poverty, access to land and governance issues. This

approach is reflected in a number of strategic programmes, such as the 1994-95 National Program to Rehabilitate and Develop Cambodia (NPRD), the SEDP I (1996-2000) and the SEDP II (2001-2005).

With the assistance of UNDP, the government is currently preparing an Environmental Action Plan. An interim programme has been developed for the near future, focusing on:

- *Human resource development;*
- *Environmental information and monitoring systems;*
- *Legal framework and EIA procedures;*
- *Public information and awareness building;*
- *Development of national policies for water and land use management;*
- *Conservation of nationally protected areas;*
- *Control and enforcement;*
- *Research activities.*

Specific policies The RGC has attempted to arrest the slowdown in agricultural sector growth in recent years by promoting large-scale **irrigation**, particularly in the northwest region, where rainfall is uneven. The irrigation promotion strategy was initiated to improve water control on agricultural land in times of drought and flood, which would boost the volume of Cambodia's commercial production and support supplementary crop production. Whilst this pro-poor measure is in line with the RGC's overall development strategy, such a broad solution to low agricultural output can lead to the overuse of land and the increased use of fertilisers and pesticides, which damages the groundwater table and the inland fishing industry. The pollution caused to the groundwater table may make it more difficult to increase the proportion of the rural population who have access an improved water source, which currently stands at 26 percent compared with 54 percent for the urban areas.

The slowness of reform within the **forestry** sector has encouraged an intense period of forest exploitation over the past 15 years. Unsustainable and illegal logging continues, due in part to the suspension of logging concessions in 2002 and the lack of commitment on the part of the RGC to push forward a draft forestry law that bolsters law enforcement and control. A sub-decree on Community Forestry was signed in October 2003, but it is highly criticised by environmentalists. There is also regular reporting in the local press of active involvement in illegal logging by the military. In the Aural wildlife/forestry reserve there have also been attacks by the army on staff of the Cardamon Mountains Wildlife Sanctuaries Project. Furthermore, insufficient community participation in the process of forestry reform has led to a situation where there are no incentives for those working in and around the land to set up a sustainable land management system.

Following the fisheries policy reforms carried out in October 2000, the fisheries sector has shifted from complete dependence on fishery resources to the conservation of these resources and ensuring food security for the rural poor whose livelihood depends on those resources. The first step of the fishery reform was to reduce the fishing lot concession area by 56.46% (about 538,522 hectares) to be used for the benefit of family fishing. The second step was the establishment of the Community Fisheries Development Office (CFDO), the Sub-decree on Community Fisheries (signed and promulgated on 10 June 2005) and the associated regulatory framework for strengthening Community Fisheries. The Department of Fisheries has also drafted the new fisheries law to respond to socio-economic development demands and new fishing technology. The Fisheries Law was promulgated in May 2006 and the name and management structure of the Department of Fisheries will be changed under the "Fisheries Administration". Problems related to good governance are a prime constraint on the enforcement of fishing regulations. Governance-

related deficiencies concern the legal vacuum in which most fishing operations take place, lack of accountability of public institutions and local leaders, insecurity, especially for ethnic minority fishermen, and illegal activities by police and military.

In 2003 the Cambodian Government established a **Climate Change** Office within the Ministry of Environment in 2003. Several projects have since been launched, including one focusing on institutional and human capacity-building for formulating and implementing the Clean Development Mechanism. Another project seeks to develop a national program of action on climate change adaptation.

International Assistance The following international organisations have funded environmental projects in Cambodia: GTZ, USAID, the Asian Development Bank, the World Bank, the World Conservation Union, The Wildlife Conservation Society, the World Resources Institute, the World Wildlife Fund (WWF), the WWF Global Network, the Mekong River Commission for Sustainable Development, the UNDP, and the United Nations Environment Programme (UNEP) Environment Assessment Programme for Asia and the Pacific. Another major donor is the Mekong River Commission (MRC) funded largely by Danida.

The EC addresses environmental issues in Cambodia through support for NGO projects based on the relevant horizontal budget lines. The EC financially supports the Cambodia Fuelwood Savings Project and the Integrated Biodiversity Conservation and Development of the Cardamon Mountains project. The project commitments total just under € 2.6 million, with an annual disbursement of approximately € 830 000 in 2003. In the fisheries sector, the EC funded the substantial PRASAC programme aimed at improving agricultural production, income generation and crop diversification. PRASAC promoted some small-scale pisciculture projects, and EC also funds NGOs engaged in the extension of integrated pisciculture and provides funds for NGO implemented food security projects which provide some inputs for pond culture. It is also likely that Cambodia will be added to the countries participating in the EU Small Grants Programme for the Promotion of Tropical Forests (PTF) project. At present, the EC does not have a bilateral programme with Cambodia in the forestry sector. EC interventions in the forestry sector take a non-confrontational approach and seek to encourage and build capacity for better forestry management.

Overall, donor coordination appears to be inefficient. A “Consultative Group” comprising RGC and donor representatives (mentioned above) meets annually to review progress, set indicators and pledge development aid and a “Working Group on Natural Resource Management” meets on an *ad hoc* basis to discuss forestry, fisheries and land issues. So far, neither group has apparently influenced individual donor agendas. The Cambodian Ministry of Environment has also expressed concern that it has lost control of conservation, because of the presence of so many international agencies that all employ slightly different strategies.

Annex 6. Donor Matrix

Annex 6. Donor Matrix
In EUR

Donor/ Sector	Economic	Management Development Administration	Natural resources	Agriculture, Forestry and Fisheries	Energy	Transport	Education / HRD	Health	International	Trade Domestic	Trade Area	Development Industry	Social	Development Communication	Disasters	Preparedness Humanitarian	Aid & Relief	Total
Multilateral	18.018.026	58.452.478	45.995.426	106.949.101	43.550.242	236.702.565	80.222.644	94.347.893	711.367	0	131.247.645	0	75.243.716	0	0	0	891.441.103	
IMF	3.548.511		36.412.613	28.896.286	23.627.447	58.385.316	4.741.955	26.212.471					51.173.593				3.548.511	
WB																	229.449.680	
ADB	14.203.636	42.916.335		41.352.149	19.922.795	178.317.250	62.649.782	28.813.960			65.070.154						453.246.061	
UNDP	265.88	13.706.802	7.131.360					5.636.973	711.367		50.686.859						78.139.241	
UN-Other		1.829.340	2.451.453	36.700.666			12.830.907	33.684.489			15.490.632		24.070.123				127.057.611	
EC + MS	43.665.209	28.650.789	39.540.889	75.179.629	31.386.978	8.100.000	70.731.016	89.289.315	5.554.449	466.24	43.038.824	1.500.000	60.446.365	0	408.991	8.404.559	506.363.254	
Belgium				244.42			11.381.180	11.633.144					13.391.809				36.650.553	
DK	5.086.578		13.376.181	1.706.296			214.51				144.724						20.528.290	
France	26.429.439			38.480.000	30.200.000	3.000.000			1.800.000		6.000.000	1.500.000	35.500.000				142.909.439	
Germany	3.000.000			2.493.143		5.100.000	10.531.584	7.922.000	750		7.496.000		2.300.000				39.592.727	
Italy							542.208				2.690.649		465.14				3.697.997	
NL		2.132.233											1.258.804				3.391.037	
Sweden	9.067.255	3.239.728					17.222.002				20.520.743		53.551			1.018.540	51.121.820	
UK		8.754.827	19.811.256	655.52			874.026	54.570.693					1.578.961				86.245.283	
EC	81.937	14.524.000	6.353.452	31.600.251	1.186.978		29.965.506	15.163.478	3.004.449	466.24	6.186.708		5.898.100		408.991	7.386.019	122.226.109	
Australia	3.305.658	7.902.556	1.278.163	30.592.361			12.266.700	1.946.953			17.210.959		18.996.746	1.519.345		17.430.487	112.449.929	
Canada		7.654.436		5.964.496							10.082.838						23.701.769	
Japan	3.643.501	1.342.057	2.460.173	4.632.664	3.278.095	33.061.592	23.096.176	14.483.357		957.388	27.971.616		8.001.028	55.449			122.983.096	
USA		43.573.141					8.787.000	73.248.816									125.608.957	
Others	205.814	181.275	103.73	3.149.315		69.265.911	33.743.710	6.907.886	1.627.912	35.68	2.257.561	373.098	675.148	143.748			118.670.788	
Tot.Others	7.154.973	60.653.465	3.842.067	44.338.836	3.278.095	102.327.503	77.893.586	96.587.011	1.627.912	993.068	57.522.975	373.098	27.672.922	1.718.542	0	17.430.487	503.414.539	
Total	68.838.208	147.756.731	89.378.382	226.467.566	78.215.315	347.130.068	228.847.245	280.224.219	7.893.728	1.459.308	231.809.444	1.873.098	163.363.003	1.718.542	408.991	25.835.046	1.901.218.896	
% EC	0,12%	9,83%	7,11%	13,95%	1,52%	0,00%	13,09%	5,41%	38,06%	31,95%	2,67%	0,00%	3,61%	0,00%	100,00%	28,59%	6,43%	

Source: Cambodia CDC/CDRB Database (<http://CDC/KHMER.BIZ>)