

THE EC-CAMBODIA
COUNTRY STRATEGY PAPER
2000-2003

(the EC-CAMBODIA NATIONAL INDICATIVE PROGRAMME 2002-2004 is attached)

SUMMARY

The signing of the Paris Peace Agreements in October 1991 launched Cambodia on a process of democratic reconstruction and transition to a market economy after almost thirty years of conflict and civil war. This process, which was backed by a UN presence until the first parliamentary elections took place in May 1993, facilitated the foundation of a constitutional monarchy with King Sihanouk as head of state, and led to the appointment of a power-sharing government comprising of three parties. Two co-prime ministers were appointed, Prince Ranariddh of the royalist FUNCINPEC party and Hun Sen of the Cambodian People's Party (CPP).

The process came to a halt in July 1997 when First Prime Minister Prince Ranariddh was ousted after armed clashes between the two main parties of the government coalition. The events of 1997 had important economic repercussions, causing GDP growth to fall from 7,4% to 2%, a decline in per capita income, a dramatic drop in tourism and investments and a significant drop in external aid. As Cambodia depends on the international community for almost 60% of its budget, the situation seriously undermined the rehabilitation process under way.

The successful outcome of the national elections in July 1998 resulted in a new coalition government between CPP and FUNCINPEC late November 1998, this time, based on a common political programme.

The new government's most important task is to find solutions to the country's most pressing needs in order to maintain a degree of macroeconomic stability, which is the foundation of all sustainable reform and economic and social development.

Since 1992 the EC has invested more than € 250 million in such priority sectors as aid to refugees, rural development, primary education, health, institutional support, environment, mine clearance, human rights and development of democracy, emergency humanitarian assistance and support for strengthening the rule of law. After the events in 1997 the Community had little option but to focus its strategy on gradually consolidating existing programmes, which were either social and humanitarian (primary education, health and mine clearance) or address such issues as the needs of the poorest communities (rural development).

The political platform of the new government, as well as the discussions at the Donor's Conference in February 1999, have created a good basis for the identification of Community aid for the forthcoming years.

With poverty reduction as the overriding focus of Community aid interventions, rural support, primary education and training, health, humanitarian actions, mine clearance, support to the reform of the public administration and military as well as activities in support of human rights and consolidation of democracy will be the most important areas for Community aid for the period 2000-2003. The possibility for a successful implementation of a programme in the environment sector will also be examined.

I. General Presentation

Country Background

Cambodia's estimated 11.5 million¹ inhabitants are spread across a territory of 180 000 km². The country is divided into 23 provinces and municipalities and nine main rural regions. Between 85%-90% of the population lives in the rural area. The majority of the population is of Khmer origin. Minorities include Vietnamese, Chinese, Malays and Chams.

Political Context

Cambodia's civil war officially ended in 1991 with the Paris Peace Agreements which paved the way for the arrival of the United Nation Transitional Authority for Cambodia (UNTAC). During UNTAC, a large number of NGOs and humanitarian agencies became active in Cambodia. In 1993, the repatriation of refugees from the camps on the Thai border was finalised; a new constitution was promulgated by King Sihanouk and a coalition government was established. Prince Ranariddh, from the royalist FUNCINPEC² party became first prime minister and Hun Sen, from the Cambodian People's Party (CPP) became second prime minister.³

However, the conflict continued between the newly created Royal Cambodian Government and the Khmer Rouge who pulled out from the peace process and still controlled large parts of the Cambodian territory, especially in the north and northwest. The situation therefore remained unstable, unsafe and violent in some parts of the country.

In July 1994 the Khmer Rouge were declared illegal and the government enforced a policy that favoured defection. In September 1996, this policy met an important success with the defection of Ieng Sary, the former minister of foreign affairs of the Khmer Rouge, who left the pro-Pol Pot movement together with several thousand men. In 1997, the areas of Pailin, Phnom Malai and Samlot, (traditional Khmer Rouge stronghold along the Thai border) were pacified.

In July 1997, the political differences between the two party factions in power ended in the ousting of Prince Ranariddh and the take-over by second Premier Hun Sen. Troops loyal to first Premier Prince Ranariddh established their resistance bases in the north and northwest of the country.

These events resulted in a significant drop in donor's assistance, National elections were eventually scheduled for 26th July 1998. International donors had stressed that aid for Cambodia would not resume unless opposition politicians who had fled during the July events – including Prince Ranariddh - were able to take part in the election.

This condition and others set up by the international community were met and the elections took place as scheduled.⁴

The results of the elections in Cambodia have shown 41.4% of the votes in favour of the CPP, 31.7% in favour of the FUNCINPEC and 14% in favour of Sam Rainsy's party.

The Joint International Observer Group (JIOG) in its final statement considered the overall electoral process acceptable and "credible" to an extent that the results reflected the will of the Cambodian people. The "loosing" parties initially refused to endorse these results claiming that on the contrary these elections had been characterised by fraud in the counting and seat allocation.

On 13 November and after several weeks of negotiations under the leadership of King Sihanouk, the political deadlock, which had impeded the formation of a new democratically elected government, was finally overcome. This also meant that for the first time in its history, there is a real opposition within the parliament, represented by the Sam Rainsy Party. The main feature of the agreement included among others the adherence of CPP and FUNCINPEC to the establishment of a coalition government with Hun Sen as Prime Minister and Prince Ranariddh as Chairman of the National Assembly. A Senate was also created further to an agreement between the two major parties. It permits to provide a relevant position to Mr Chea Sim, former President of the National Assembly and at the same time gives a political forum for appointed political personalities.

In December 1998, the last Khmer Rouge commanders defected and in March 1999 Ta Mok was captured by government forces. The formerly KR-controlled regions are now again under the control of the government. The question on how the principal Khmer Rouge leaders should be made accountable for their crimes remains an outstanding issue.

Cambodia has recovered her seat at the United Nations General Assembly, which had been declared vacant in July 1997; and became the 10th member of ASEAN in April 1999. Communal elections are now scheduled for 2001.

Political Platform of the new Government

The government will have to find solutions to the country's most pressing needs in order to maintain a degree of political and macroeconomic stability, which is the foundation of sustainable reform and economic and social development. The political platform, which was part of the coalition agreement concluded in the end of November 1998, contains the following main elements:

- strong emphasis is being put on the economic and financial sectors with a commitment towards, inter alia, a free market economy, liberal trade policy, creating a viable investment climate, privatising state property, a sound budget policy and low inflation. Agriculture, including environment protection, electricity, human resource development are given priority. There is a strong commitment to action to improve management of the forestry sector.
- in the political domain national reconciliation, development towards democracy, guaranteeing human rights and furthering the rule of law are ranking foremost according to the platform. Reform shall be targeting administration, judiciary, military and police, as well as economy, including the fight against corruption.
- "austerity will be applied properly to defence spending".

Economic Situation⁵

With a per capita GDP of US \$ 280 in 1998, Cambodia is one of the world's 20 poorest countries. In 1999, annual growth is estimated to 4%⁶ and inflation to 6,5%.

Agriculture accounts for 43 % of GDP and employs 75% of the workforce. The production of rice accounts for 13% of GDP and takes up 91% of the cropped area. Rubber and other crops (such as jute) account 9% of GDP, livestock for 11% of GDP. Fisheries accounted for 3.2% of GDP and forest products for 5.9% of GDP. Industry accounts for 20.1% and services for 36.9% of GDP.⁷

Cambodia's political, economic, financial and monetary situation since the early 1980s is characterised by two main features: the devastation caused by war and internal strife and a rapid shift towards a market economy. The Cambodian economy was centrally planned from the early 1980's until 1991. Reform attempts started in 1985 with a gradual liberalisation, but gathered momentum only after 1992. Progress towards a market economy has since been considerable, with state-owned companies now accounting for less than 10% of GDP.

The transformation has, however, been hit hard by political instability and the regional financial crisis and hampered by growing macroeconomic imbalances. These unfavourable developments have led to an estimated real GDP growth of 1% in 1998.⁸

Cambodia is heavily dependent on international assistance. External aid accounts for almost 60%⁹ of the national budget, which is characterised by very low tax revenue, half the average for low-income countries¹⁰, and heavy defence spending (almost 40% in 1997).¹¹

Trade

The total value of exports from Cambodia, including re-exports, reached almost one billion US \$ in 1998. Main products were garments, which accounted for almost 40% of all exports, and forestry products, accounting for 18% of all exports. Imports totalled 1.227 billion US \$ with the main products being cigarettes and petroleum products.

In conformity with an approach that actively promotes access of Cambodian exports to third markets and thereby accelerates and strengthens the national industrialisation process, the EC has recently initialled a Textile Trade Agreement with the Royal Government of Cambodia. This agreement provides to Cambodia an unlimited access to the EU market for Cambodian textiles exports, until the expiry of the agreement at the end of year 2002. Moreover, Cambodia is eligible to benefit from the EC Preferential Rules of Origin for ASEAN members as it became a member of the regional grouping in April 1999.

EU Imports from Cambodia totalled € 177 million in 1998¹². Main products were knitted clothing and woven clothing. Main importing countries were Germany, U.K. and France.

Exports from the EU countries totalled € 73 million in 1998. Main products were electrical machinery, equipment and parts, pharmaceutical products and mechanical machinery. Main exporting countries were France, Germany and Austria.

II. Sectoral Development Policies

a. Agriculture and rural development

Acknowledging that the achievement of increased economic growth and a significant reduction in rural poverty depends fundamentally on improvements in the agricultural sector; the government has accorded high priority to this sector. Its strategy is aimed at: (i) improving food security and reducing reliance on the outside world (food aid), (ii) making sure that displaced persons can farm safely, (iii) increasing amenities and earnings, (iv) improving agricultural outreach services and the availability of inputs, (v) developing agricultural lending locally and centrally, and (vi) developing the services and managerial skills of rural development institutions.

Planning and resource allocation need to be decentralised and a whole series of tasks gradually transferred to the private sector, among them the distribution of fertilisers, machinery services and the production of livestock vaccines.

Mine-clearance activities aimed at reducing the human and economic toll of farming unsafe land will be an integral part of rehabilitation and rural development strategy in a number of areas, especially in the north and northwest.

b. Forestry

The Forestry sub-sector constitutes a major national asset with 58% of the land area being under forest cover. The forest also provides almost 90% of rural energy supply.

The rate of deforestation between 1993 and 1997 was in excess of 180,000 ha per years. This was an increase from 70,000 ha/year in the period between 1973-1993. The reason for this acceleration was mainly a result of greater harvesting pressure from loggers and local communities. In addition there has been a continuous degradation of forests due to uncontrolled and indiscriminate logging.

Government forest revenues, based on official volumes, were reported at just over US \$ 4 million as of November 1998. The estimated loss to the government was calculated to be well in excess of US \$ 60 million¹³.

In the Sustainable Forest Management Policy and Action Plan (1999-2004) the government outlines its major strategies and actions to ensure sustainable development of Cambodia's remaining forests and to check illegal logging. These include a) institutional strengthening b) review of forest law and its enforcement c) proper forest resource management d) review of the forest industry and trade e) forestry taxation.

In addition, the government undertook by the end of 1998 some immediate measures including a) ending investments in wood processing, b) review all forest concession contracts and cancel contracts that has not started operations, c) check on the adherence of approved management plans, d) cancellation of collection permits e) seizure and destruction of illegal sawmills and of illegally felled wood.

Important progress has been made in the sector during the last year, such as the preparation of a new Forestry Law, the establishment of a Forestry Crime Monitoring Unit, the appointment of an international NGO as an independent Forestry Monitor and the undertaking of a Forest Concession Review.

c. Environment

Throughout the last decades, considerable environmental degradation have been wrought on Cambodia's natural resources through deforestation of tropical forest, coastal zone deterioration, industrial pollution, depletion of fish stocks and urban decay. With the National Environmental Action Plan the government has tried to ensure that environmental considerations are integrated into social and economic policies.

In practice this has been very difficult to implement, as divergent interest of different line ministries have been put against each other. The Ministry of Environment, with its very limited budget, has often been in a disadvantageous position due to strong economic interest in other ministries.

d. Education

Rebuilding the education system destroyed by the Khmer Rouge between 1975 and 1979 is crucial to Cambodia's social and economic development. The main problems addressed in the basic education investment plan are the lack of qualified teachers and budget resources, obsolete curricula and dilapidated infrastructure. The government's sectoral priorities are: (i) to improve the quality of primary and secondary education by training teachers, reforming legislation and curricula and providing suitable teaching materials, (ii) to improve access to schooling by rehabilitating the infrastructure, (iii) to strengthen the public sector's planning and management capacities at central, provincial and district level.

In conjunction with the European Community, the ADB and the ILO, the Ministry of Education, Youth and Sports has also pledged to draft a special strategy for technical and vocational education, which would be of direct relevance to as much as one third of the country's youth. Salaries and performance-related pay for teachers remain a key factor in educational reform.

The Ministry of Education is currently in a process of revising existing policies and priorities. In order to improve public sector management and the management of aid resources the Ministry has established high level task forces for the formulation of policy reform, linking this process with the broader fiscal and public administration reform. A donor consultation process has also been initiated with the aim of formalising donor co-ordination in the sector.

e. Health

The state of the health sector in Cambodia is among the worst in the developing world. Infant mortality is 115 per 1000 live births, according to the National Health Statistics Report, 1997, MoH. Death rates from preventable diseases are very high among both adults and children, with the main causes being respiratory infections, diarrhoea, malaria and tuberculosis. An AIDS epidemic is already a real threat for the future of the country.

The 1st Health Workforce Development Plan provides a framework for human resource development over the period 1996-2005. The government has also committed itself to increasing the level of health expenditure a target of 2% of GDP by the year 2002, up from 0.35% in 1998. It is worth noting that more than 82% of overall health expenditure per capita is household spending¹⁴.

The Ministry of Health's sectoral policy has focused mainly on the working of primary health services at district level and the development of national prevention programmes. The lack of financial resources and poorly trained staff has however, seriously handicapped the implementation of the policy.

External aid and the endeavours of NGOs have permitted some integration of provincial and national health systems. Adjusting and shifting resources for hospital development from urban centres to rural areas is another of the Ministry's priorities. Key initiatives include prevention and treatment campaigns against malaria, schemes to treat tuberculosis, AIDS control and campaigns targeting hygiene and family planning.

In-service and basic training for medical and paramedical staff is of paramount importance, as are the Ministry's efforts to find a long-term solution to the supply of medicines.

f. Infrastructure

Reconstruction and rehabilitation of physical infrastructure commenced after the parliamentary elections in 1993 and is a key component in the work to improve economic activity, especially in the rural areas. Progress has, so far, been slow due to the number of ministries involved in each sector.

For the forthcoming period several sectors have been identified as priority sectors for upgrading. These include road networks, irrigation development, rural and urban water systems, sanitation, ports and waterways, telecommunications and energy.

The proposed plans includes training, reform of the regulatory systems, strengthening of the institutional capacities in planning and management, in addition to the actual reconstruction and maintenance of physical infrastructure.

g. Government Programme for structural reforms

In order to implement the reform strategy, the government has established the Special Council for State Reform, which is to supervise the overall reform programme.

i) Reform of the Public Administration

Structural reform of the public administration remains a priority for the new government. A comprehensive civil service reform programme was prepared by the Government. One component of the reforms is to reduce the size of the civil service by 20 %. This reduction is unlikely to save money, as wages will have to be increased. Nevertheless, there are important gains to be made by making the civil service more effective, efficient and productive and by improving the co-ordination between the ministries and governmental work.

Decentralisation is a key component of the government's reformulation of government and democracy. The Commune Administration Law is presently under discussion in the Council of Ministers and will be presented to the National Assembly later in 2000. In addition, work on the Electoral law remains to be done and the commune boundaries need to be established. After this work had been finalised it is estimated that it will take 9-10 months to prepare the elections. This would mean that elections would take place late in the year 2001 at the earliest.

Since 1996 the Royal Government has been formulating and testing a model of decentralised governance in twenty percent of the country, the SEILA Programme. Following further technical review and adjustment in 2000, the Government will officially adopt decentralised management systems based on those piloted by SEILA, to support Commune Councils throughout the country.

ii) Reform of the Judiciary System.

Capacity building in all branches of the administration, systematic dissemination of legislative enactment as well as ensuring the enforcement of these laws has been identified as crucial for the restoration of the Rule of Law in Cambodia.

iii) Reform of the Economic and Financial Policies

National income allocated to the national budget in Cambodia is low, even by comparison with other least developed countries. Reforming the public finances is therefore a key component of the reform programme. Measures include a) implementation of the Law on Taxation b) implementation of the VAT c) transparency and strict limitation of tax and duty exemptions d) ensuring the proper taxation of natural resources and e) strengthening the tax administration. These measures are being implemented gradually since February 1999.

iv) Demobilisation and Disarmament of the Military and the Police

Cambodia's two recent attempts at demobilisation, in 1993 and 1995-96, have not materialised due to political unrest. The pilot phase for the new programme for Demobilisation of Armed Forces is underway and the full-scale demobilisation of the remaining 30.000 military personnel is scheduled to start in November 2000. The programme, to be implemented during three years is estimated to cost US \$ 45 million¹⁵.

The successful demobilisation of the military is a key component to ensure political stability and security in Cambodia. In addition it should also enable the government to redirect spending from the military to the social sector.

III. International aid (1992-98)

Total external aid for the period 1992-98 amounted to US \$ 2.754 billion (excluding UNTAC operations). Bilateral aid accounts for 62.4% of the total, with multilateral organisations accounting for 30.8% and NGOs for 6.8%. Other than the EC, the main bilateral donors were: Japan, France, Australia, Germany, United States, and Sweden. 55% of the multilateral aid came from the United Nations and the World Bank/IMF.

European Commission support for the period 1992-98 amounted to US \$ 207 million (€ 265 million for the period 1992-1999). Total aid from EU Member States and the Commission was close to US \$ 786 million, which represented 28.5% of the total from all donors for the period.

Though the NGOs' contribution may seem small in absolute figures, they have played a pivotal role in humanitarian and emergency operations for the reconstruction of Cambodia.

After the events in 1997 many donors froze their external assistance to Cambodia, limiting interventions to humanitarian actions only.

In 1997 outside assistance in the form of bilateral and multilateral aid was down 29% and 38% respectively on the year before.

From 1992 to 1998 the most important sectors for external aid were rural development, transport, humanitarian aid, economic management, education and human resources, health and agriculture/forestry/fisheries.

Last but not least, the Cambodian administration is seriously lacking in the institutional resources needed to create a more favourable climate for private-sector initiatives and mobilising budget resources in such key sectors as infrastructure, telecommunications and energy.

IV. Role of the European Community

In the period 1992-97 the Community focused its support to Cambodia on two key tasks:

- 1) strengthening political relations
- 2) implementing rehabilitation, reconstruction and development projects.

In 1992, the European Commission, persuaded that the success of the € 20 million “European Rehabilitation Programme” (ERP) would depend on flexible and rapid action, identified activities immediately improving the beneficiaries' quality of life while laying the foundations for a long-term impact.

The aim was to develop the socio-economic environment for the benefit of local communities and foster the resettlement of displaced persons and returnees:¹⁶ the programme therefore emphasised the need for physical results rather than long-term planning.

Responsibility for executing the various projects was entrusted, by the Commission, to a series of European NGOs. These proved effective in meeting the needs of rural communities, including returnees.

Among the programme's key activities were training in the sphere of public health, the development of water resources, the rebuilding of primary schools, agricultural training, irrigation, the rehabilitation of hospitals and mine clearance.

Encouraged by the results of operations since 1992, in 1994 the Community adopted the € 67.1 million “European Rehabilitation Programme for Cambodia” (Programme Européen pour la Réhabilitation du Cambodge–PERC), shifting the focus to rural development, primary education, institutional support and human rights.

The health sector received specific support in the field of malaria control and the care and prevention of sexually transmitted diseases (STDs).

Other, non-programmable humanitarian assistance has been given through ECHO and NGO co-financing.

The events of the summer of 1997 inevitably affected the Commission's strategy in Cambodia. Between mid-1997 and the end of 1998, Commission support was limited to consolidating existing programmes, which were either social and humanitarian (primary education, health and mine clearance) or address such issues as the needs of the poorest communities (rural development and vocational training).

In addition, the Commission contributed to € 10,75 million to the electoral process in 1998.

With the establishment of the new government in November 1998, the political situation has stabilised and the resumption of international aid was confirmed at the World Bank's Donors' Meeting in February 1999. At the meeting more than US \$ 470 million were pledged for 1999. In order to improve donor co-ordination and monitoring, it was agreed that there would be quarterly review meetings between the government and external partners in order to do "joint stock-taking of performance against goals".

The EC-Cambodia Co-operation Agreement, signed in April in 1997, has been ratified by the European Parliament and the Cambodian National Assembly and entered into force on 1st of November 1999.

V. Potential and constraints

The Royal Government of Cambodia (RGC) was born from a commitment by different political tendencies to pursue a process of national reconciliation. The RGC has faced difficult challenges requiring bold and simultaneous action in a number of fields and sectors to create the consensus needed to re-launch social and economic growth. One of its first tasks is to construct, a long-term approach, something clearly expressed in the National Programme for the Rehabilitation and Development of Cambodia (PNRD). The overriding objective is to create a fair, just and peaceful society by stimulating economic growth to raise standards of living for all Cambodians.

The success of this strategy in today's Cambodia requires the establishment and maintenance of the institutional and physical infrastructure needed for private-sector growth. In order to achieve this, urgent action to establish the rule of law and create a competent and responsible administration is needed.

Moreover, a policy combining growth, sustainability, equity and social justice is necessary to achieve the desired results. As it is, delays and major constraints threaten to undermine the strategies adopted and jeopardise the results achieved so far.

There is a clear difference between urban and rural areas as regards the level of poverty in Cambodia. 85% of the Cambodian population is concentrated in the rural areas and 75% of the poor belong to farmer headed households.¹⁷ Considering the extent of rural poverty in Cambodia, one of the main challenges for the government and donors will be to increase rural labour productivity. The main constraints to the development of the agricultural sector are the lack of skills and training of the rural population, poor irrigation systems, the lack of access roads to remote areas, the lack of financing, the lack of marketplaces, landmines and the lack of legislation regarding land titles.

The factors that have held back Cambodia's development have their roots mainly in the political instability, experienced by the country since the formation of a power-sharing government in 1993, the lack of the physical, financial and human resources needed to rebuild the country, and the problem of enforcing – not to mention developing and strengthening - the existing legal framework. Political stability and a good security situation is thus a prerequisite for the development of the country.

Poor quality of human resources due to a lack of education and training is one of the most important constraints for the development of the country. 40% of Cambodians have never attended school, 34% are illiterate and less than 1% have had training beyond high school¹⁸. Enrolment rates for primary education remains low (less than 80%) and basic education is of low quality.

In addition, health problems among the population deserves a special mentioning as it is the most important reason for private indebtedness among the population, often resulting in the inability to send children to school or in worst cases the need to sell family land. Human development indicators are among the poorest in Southeast Asia. Cambodia also has one of the most rapidly growing HIV/AIDS epidemics in the region.

The main structural weaknesses include the physical constraints imposed by run-down or non-existent infrastructure (roads, bridges, etc.) and the financial constraints imposed by dependence on external resources, limited local management capacities and the squandering of national revenue on the non-productive sectors. The chaotic management of natural resources (timber trade) has served to line the pockets of private interests, often outside the scope of the budget.

1998 was a milestone in the history of modern Cambodia. The successful elections of 26 July gave the country a new chance to consolidate peace once and for all and press on with the democratisation process that had begun in 1993. The declaration of the new government on its strategy for economic, social and environmentally sound development provides a good basis for future EC co-operation with Cambodia.

VI. Strategy

The basic objectives of Community assistance remain relevant, and ongoing analysis of the political situation will show whether conditions are right for keeping and/or increasing development assistance.

Poverty reduction should be the main focus of EC aid interventions in Cambodia. The RGC is currently in the process of preparing a Poverty Reduction Strategy Paper (PRSP), which at a later stage will be merged or replace the Social and Economic Development Plan. The Commission will be fully supportive of this process which will look at indicators of poverty, macro and sectoral policies as well as the legal and institutional framework.

Support should be given to ensure that the preparation of the PRSP is a process which is nationally owned and driven. Broad participation and monitoring from the government, international donors and civil society should be aimed at.

In order to follow the implementation of the Government's reform programmes, the World Bank has promoted the setting up of donors' working groups to monitor the progress of the situation in Cambodia. The working groups have been very constructive and it will be of utmost importance that the Commission actively participates in these sectoral monitoring and co-ordination meetings in the forthcoming period

On a technical level, the continuity of activities for the overall co-ordination of programmes will need to be maintained. The Technical Co-ordination Office's mandate as interface between operations on the ground, the regional Delegation in Bangkok and Commission departments in Brussels has consequently been renewed.

The focus for the forthcoming period will be consolidation of sectoral actions, institutional strengthening activities and actions aimed at the sustainable development of the north and northwestern provinces.

Consolidation of Sectoral Actions

Considering the fact that 85% of the Cambodian population is concentrated in the rural areas and 75% of the poor belong to farmer headed households, a main objective for Community support remains to improve the conditions for a self-sustainable development in these communities. Building on the Commission's previous record of successful activities, this will include the continuation of multi-annual activities in the sector of rural development, initially involving the consolidation phases of operations begun in the past, notably with a view to reinforcing their socio-economic impact in farming areas of the six provinces already covered by the Commission programme. The key areas are food security, rural finance, water and microenterprises as well as vocational training.

Activities supporting the development of provincial and/or local health services should be an integral part of EC development programmes. Strengthened co-ordination of EC-supported activities undertaken by NGOs in Cambodia will be a priority area to address. In addition, support to actions in the field of malaria control, the care and prevention of sexually transmitted diseases and HIV/Aids will continue.

Education, whether formal or vocational/professional, is one of the key determinants of Cambodian society's future economic and social development. The investment made so far by the EU in the areas of basic education and vocational training as been considered effective by independent accounts, including UNESCO. The EU should therefore remain present in this key sector by expanding and deepening its action which gives the EU a high profile in the country.

In addition to the above-mentioned areas, support to the preservation of the natural environment and forestry will be considered. The commitment of the government to support such actions will be crucial, as the successful implementation of programmes are closely linked to the enforcement of existing laws in this field and the successful co-operation between different ministries.

Institutional Strengthening

Human and institutional capacity building remains a priority for Cambodia. Taking stock of its experience from the previous institutional reform programme, the Commission is well placed to support the Cambodian government to continue and expand the reform of the public administration in order to increase its efficiency and to allow for greater autonomy at provincial level. The support should be focused on some key ministries taking into account the on-going EC programmes in the country. This also includes the reform of the judiciary system, necessary to establish the Rule of Law.

Another constant in the Community's Cambodia strategy has been the promotion of new measures in favour of civil society, notably through the development of human rights education in schools and other activities to promote human rights and democracy. Given the new government's increased openness in this field the aim for the period will be to present a multiannual strategy after consultations with NGOs and other agencies active in the field.

The successful implementation of Cambodia's Veterans Assistance Programme (CVAP), for the demobilisation and disarmament of the military will be of utmost importance for the development of the country, as it will pave way for the transition to a peacetime development of the country. It is expected that the funds earmarked for defence would be reduced significantly. This will allow government spending to be redirected from military expenditure to the social sector. Support to specific actions in the CVAP programme should therefore be considered, complemented by a programme to control small arms among the population.

Sustainable Development of the North and Northwestern Provinces.

With the formerly Khmer Rouge-controlled regions in the North and Northwestern Provinces again under the control of the government, additional actions in support of the development of the rural communities in the area will be needed.

The defection of the last Khmer Rouge by the end of 1998 has led to large amounts of returning refugees and displaced persons to the northern and northwestern provinces. EC humanitarian actions in the coming years, in co-operation with UNHCR, Cambodian Red Cross and various NGOs, should target the most vulnerable populations as internally displaced people, refugees, returnees, children and women. Activities could include primary education, basic village health and sanitation, including access to low cost potable water for domestic use, and basic access roads and low-cost bridges. The need for a rural development programme for these provinces will also be examined.

The eradication of antipersonnel mines and UXOs calls for further funding and support for demining activities. This could involve strengthening operating structures and/or stepping up mine and UXO clearance activities on the ground. The principal objective of EC action should be to support efforts to better integrate mine action in contaminated areas of the country into the wider poverty alleviation and rural development programmes. There will also be a continued need for humanitarian demining actions for reinstallation and resettlement purposes.

All the above actions shall be increasingly co-ordinated with initiatives implemented through the bilateral co-operation of the EU Member States.

Endnotes

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- ¹ General Population Census for Cambodia, May 1998.
 - ² FUNCINPEC = Front Uni National pour un Cambodge Indépendant, Neutre, Pacifique Et Coopératif
 - ³ CPP is the former Communist party that was installed into power further to the Vietnamese intervention in Cambodia which brought down Pol Pot's Khmer Rouge government.
 - ⁴ EU and Japan were the two major donors contributing to the process.
 - ⁵ Source : Figures from 1998 unless otherwise stated. Source: EIU Country report 3rd quarter 1999
 - ⁶ Source : EIU Country report 3rd quarter 1999
 - ⁷ Source : EIU Country report 3rd quarter 1999 and World Bank, Public Expenditure Review, January 1999
 - ⁸ Source : EIU Country report 3rd quarter 1999; Government figures indicate a growth of 1% in 1998.
 - ⁹ 1997. World Bank, Public Expenditure Review, January 1999
 - ¹⁰ World Bank, Public Expenditure Review, January 1999
 - ¹¹ WB estimate. World Bank Public Expenditure Review, Jan 1999
 - ¹² Eurostat
 - ¹³ Cambodia Public Expenditure Review, The World Bank, 1999
 - ¹⁴ Donors account for 13.9%, while government accounts to merely 4% (figures for 1996, in Cambodia Public Expenditure Review, The World Bank, 1999)
 - ¹⁵ Statement by H.E Sok An, Senior Minister, Chairman of the Council for Demobilization of Armed Forces. CG meeting 24-26 May, 2000
 - ¹⁶ In 1992-93 350 000 refugees returned to Cambodia from Thailand.
 - ¹⁷ Ministry of Planning 1999
 - ¹⁸ United Nations Human Development Report 1999



EUROPEAN COMMISSION

DIRECTORATE GENERAL I B

EXTERNAL RELATIONS: SOUTHERN MEDITERRANEAN, MIDDLE AND NEAR EAST,
LATIN AMERICA, SOUTH AND SOUTH-EAST ASIA AND NORTH-SOUTH CO-OPERATION
South and South-East Asia - DG IB /C3

CAMBODIA

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1.1 OVERVIEW ON EC CO-OPERATION POLICY IN CAMBODIA SINCE 1990

Co-operation Type	Budget Line	Actions	EC Funding
<u>I. Economic Co-operation</u>			
Economic	B7-3010	1	0.495
EC Investment Partners - ECIP	B7-8720	3	0.364
<u>II. Development Co-operation</u>			
Technical & Financial	B7-3000	18	170.15
Environment	B7-6200	1	0.638
<u>III. Humanitarian Assistance</u>			
Refugees	B7-2120	21	36.838
Human Rights	B7-7020	6	1.845
Drugs	B7-6210	2	1.664 220
Rehabilitation	B7-6410	10	37.78
ECHO Emergency Aid	B7-2190	93	-3.78
	B7-2170		+ 6.0
	B7-2100		= 40.0
			53.404
<u>IV. NGO Co-Financing</u>			
NGO Activities	B7-6000	196	24.739
NGO Cambodia	B7-6005	14	5.049
TOTAL IN M €		352	257.568

1.2 EC NGO CO-FINANCING ACTIONS IN CAMBODIA SINCE 1979 (B7-6000)

Year	Reference	Organisation	Projects	EC Funding
1979	NGO/188/79	Oxfam – UK	1	0.098
1983	NGO/77/83	Fonds pour la Cooperation au Beveloppement – B	1	0.096
1984	NGO/199/84 NGO/13/84 NGO/25/84	SOS Enfants Cambodge – F Fonds pour la Cooperation au Developpement – B Oxfam – B	3	0.125
1985	NGO/200/85 NGO/30/85 NGO/40/85	Fonds pour la Cooperation au Developpement – B Oxfam – B	3	0.110
1986	NGO/3/86 NGO/43/86 NGO/57/86 NGO/191/86 NGO/263/96 NGO/28/86 NGO/32/86 NGO/29/86	Trocaire – IRL SOS Enfants Cambodge Mani Terese – I NOVIB – NL Oxfam – B Fonds pour la Cooperation au Developpement - B	8	0.443
1987	NGO/3/87 NGO/81/87 NGO/85/87 NGO/54/87	Trocaire – IRL FOS – B Oxfam – UK Oxfam – B	4	0.167
1988	NGO/6/88 NGO/52/88 NGO/163/88 NGO/142/88 NGO/19/88 NGO/139/88 NGO305/88 NGO/213/88 NGO/216/88 NGO/219/88 NGO/68/88 NGO/223/88 NGO/354/88 NGO/69/88 NGO/375/88	Oxfam – UK Trocaire – IRL Enfants et Developpement - F Comite Catholique contre la Faim - F Oxfam – B OHI – B FOS – B NOVIB – NL	15	2.87
1989	NGO/59/89 NGO/979/89 NGO/265/89 NGO/11/89 NGO/45/89 NGO/55/89 NGO/76/89	NOVIB – NL Enfance Espoir – F FOS – B Trocaire – IRL Enfants et Developpement - F Mani Terese – I	7	0.572

1990	NGO/292/90 NGO/29/90 NGO/83/90	Health unlimited – UK CFCF – F FOS – B	3	0.078
1991	NGO/104/91 NGO/105/91 NGO/150/91 NGO/72/91 NGO/244/91 NGO/246/91 NGO/317/91 NGO/360/91 NGO/373/91 NGO/8/91 NGO/9/91 NGO/45/91 NGO/48/91 NGO/53/91 NGO/62/91 NGO/63/91 NGO/78/91 NGO/93/91 NGO/94/91 NGO/103/91	Enfance Espoir – F Enfants et Developpement - F FOS – B Progetto Continenti – I APS – I Medecins sans Frontieres – B NOVIB – NL Oxfam – UK Trocaire – IRL Concern – IRL AFDI – F Comite Catholique contre la Faim - F Enfants et Developpement - F Secours populaire Francais - F VSF – F Oxfam – B Health unlimited – UK Helpage – UK Save the Children – UK	20	1.64
1992	NGO/1/92 NGO/8/92 NGO/34/92 NGO/53/92 NGO/54/92 NGO/55/92 NGO/133/92 NGO/182/92 NGO/65/92 NGO/158/92 NGO/31/92 NGO/277/92 NGO/298/92 NGO/71/92 NGO/74/92 NGO/75/92 NGO/78/92 NGO/81/92 NGO/126/92 NGO/139/92 NGO/142/92 NGO/143/92	Handicap International - F and B Health unlimited – UK Oxfam – UK Trocaire – IRL Medecins sans Frontieres – F Les Enfants d'Angkor – F Cambodia Trust – UK L'Appel – F Comite Catholique contre la Faim - F Enfants et Developpement - F Gilde Europeenne du Raid - F Helpage – UK Voluntary Services Overseas - UK VSF – F Secours populaire Francais - F	22	3.65

1993	<p>PVD/45/93 PVD/125/93 PVD/216/93 PVD/37/93 PVD/217/93 PVD/288/93 PVD/51/93 PVD/308/93 PVD/836/93 PVD/6/93 PVD/26/93 PVD/27/93 PVD/29/93 PVD/36/93 PVD/43/93 PVD/45/93 PVD/46/93 PVD/78/93 PVD/79/93 PVD/113/93 PVD/122/93 PVD/139/93</p>	<p>Ligue Francaise de l'Enseignement et de l'Education KHMER Foundation International - D Enfants et Developpement - F Comite Catholique contre la Faim - F VSF – F Enfance Espoir – F ICCO – NL Concern – UK AICF – F L'Appel – F CFCF – F Fondem – F MDM – F Medecins sans Frontiers – F Partage avec les Enfants du tiers Monde - F International Christian Relief – UK Oxfam – UK CIFCD – B HI – B Amici del Rwanda – I</p>	22	2.27
1994	<p>PVD/10/94 PVD/66/94 PVD/80/94 PVD/115/94 PVD/349/94 PVD/362/94 PVD/674/94 PVD/1/94 PVD/7/94 PVD/15/94 PVD/19/94 PVD/52/94 PVD/69/94 PVD/70/94 PVD/71/94 PVD/72/94 PVD/80/94 PVD/23/94 PVD/95/94 PVD/114/94 PVD/122/94 PVD/166/94</p>	<p>Institut Belleville – F ICCO – NL Malteser Hilfsdienst – D PSF – F Helpage International – UK Cambodia Trust - UK NOVIB – NL Concern – UK CIFCD – B HI – B Oxfam – B TDH – D AICF – F L'Appel – F Comite Catholique contre la Faim - F CFCF – F Enfants et Developpement - F Secours populaire Francais - F SOS Sahel – F Oxfam – UK Voluntary Services Overseas - UK APS – I</p>	22	2.08

1995	<p>PVD/24/95 PVD/63/95 PVD/54/95 PVD/100/95 PVD/129/95 PVD/130/95 PVD/148/95 PVD/212/95 PVD/552/95 PVD/553/95 PVD/554/95 PVD/555/95 PVD/556/95 PVD/34/95 PVD/1024/95 PVD/39/95 PVD/46/95 PVD/52/95 PVD/57/95 PVD/58/95 PVD/62/95 PVD/86/95 PVD/91/95 PVD/93/95 PVD/94/95 PVD/96/95 PVD/114/95 PVD/123/95</p>	<p>Geres – F NOVIB – NL Enfance Espoir – F Action Nord-Sud – F APS – I Helpage International – UK Concern – IRL Progetto Continenti – I Comite Catholique contre la Faim - F Enfants et Developpement - F L'Appel – F Secours populaire Francais - F VSF – F Fondem – F CIFCD – B FOS – B Hi – B Medecins sans Frontieres – B Oxfam Solidarite – B Health unlimited – UK Voluntary Services Overseas - UK</p>	29	4.25
1996	<p>PVD/56/96 PVD/58/96 PVD/72/96 PVD/61/96 PVD/82/96 PVD/86/96 PVD/90/96 PVD/92/96 PVD/122/96 PVD/14/96 PVD/241/96 PVD/474/96 PVD/357/96 PVD/139/96 PVD/643/96 PVD/646/96 PVD/804/96 PVD/826/96 PVD/5/96 PVD/7/96 PVD/12/96 PVD/33/96 PVD/53/96 PVD/60/96 PVD/63/96 PVD/69/96 PVD/78/96 PVD/119/96 PVD/123/96 PVD/126/96 PVD/152/96</p>	<p>CESVI – I Southeast Asian Outreach – UK Enfants Refugies du Monde - F SIPAR – F ISF – F MDM – F VIS – I HI – B Medecins sans Frontieres – F and B Health unlimited – UK GRET – F ASPECA – F Solidaritatsdienst – International – D Broedelijk Delen – B Caritas – B CIFCD – B FOS – B Concern – IRL Comite Catholique contre la Faim – F Enfants et Developpement – F Fondem – F L'Appel – F VSF – F Progetto Continenti – I Vides – I ADD – UK Voluntary Services Overseas – UK</p>	32	4.00

1997	PVD/133/97 PVD/161/97 PVD/241/97 PVD/329/97 PVD/341/97 PVD/434/97 PVD/544/97 PVD/555/97	VSF – F Enfance Espoir – F Helpage International – UK Health unlimited – UK Enfants et Developpement - F Enfants Refugies du Monde - F Broederlijk Delen – B	8	2.29
TOTAL IN M €			196	24.739

1.3 DETAILS ON EC FUNDED CO-OPERATION IN CAMBODIA

Reference	Economic Co-operation (B7 - 3001)	EC Funding
KHM/91/448	Development of human resources in Cambodia	0.495
TOTAL IN M €		0.495

EC Investment Partners (ECIP) funded Projects (B7 - 8720)		
Facility	Actions	EC Funding
1 - Grants for the Identification of Projects and Partners	1	0.077
2 - Interest free Advances for Feasibility Studies	2	0.288
3 - Financing of Capital Requirements	0	-
4 - Financing of Training or Management Assistance	0	-
1B - Privatisation of Public Utilities	0	-
TOTAL IN M €		0.364

Reference	Rehabilitation Projects (B7 - 6410)	EC Funding
KHM/94/48	Rehabilitation PERC	9.6
KHM/95/98	Rehabilitation PERC (1995)	11.5
KHM/96/71	Complementary plan to PERC	9.5
KHM/97/102	Population census	0
KHM/97/110	Operational support to Cambodian Mine Act - CMAC	1.9
KHM/97/613	REPLIC project	1.5
KHM/97/873	Pedagogic rehabilitation in schools (CREP)	

KHM/98/150	Progr. Pluri-annuel au secteur Déminage	6.0
TOTAL IN M €		40.00
Reference	Technical & Financial Co-operation (B7 - 3000)	EC Funding
KHM/94/14	Technical assistance to the agricultural sector and primary education	57.4
KHM/94/45	Technical assistance for food for work	0.957
KHM/94/102	Employment and income generation programme	0.800
KHM/97/257	Institutional support programme (bridging)	0.910
KHM/97/259	PASEC - Phase I	2.6
KHM/97/331	Technical Co-ordination Office – BCT - Phase I	0.300
KHM/97/432	Reinsertation of Khmer elite	0.300
KHM/97/513	Support for democratic electoral process	9.5
KHM/98/181	PRASAC - Phase II	39.0
KHM/98/182	PASEC - Phase II	7.0
KHM/98/183	Technical Co-ordination Office – BCT - Phase II	4.0
KHM/97/513	Electoral Programme Rider 1 & 2	1.25
TOTAL IN M €		121.35

Reference	Environment Projects (B7 - 6200)	EC Funding
KHM/97/393	Economy of fire wood in Kompong - Chhang province	0.638
TOTAL IN M €		0.638

Reference	Drug Projects (B7 - 6210)	EC Funding
KHM/92/815	Research on drug addiction	0.166
TOTAL IN M €		0.166

Reference	NGO Cambodia Projects (B7 - 6005)	EC Funding
KHM/91/448	Development of human resources in Cambodia	0.495
KHM/92/481	Reconstruction help of southern Asia (private initiative)	0.554
KHM/93/718	Additional formation of repatriated doctors	0.200
KHM/93/682	Rehabilitation centre in Battambang	0.500
KHM/93/720	Agricultural training in food production	0.300
KHM/94/28	Health programme in Stung Mean Chey & Dangkao	0.500
KHM/94/40	Primary health education programme	0.500
KHM/95/53	Developing media-led health education campaigns	0.200
KHM/95/56	Preah Kossamak hospital formation project	0.300
KHM/95/63	Health care development programme in 4 Kampot districts	0.500
KHM/96/66	Computer training for secretaries in Phnom Penh	0.045
KHM/96/67	Professional training in Angkor region	0.345
KHM/96/68	Inland water transport training	0.360
KHM/96/69	Economic and social rehabilitation of handicapped people	0.250
TOTAL IN M €		5.049

Reference	Human Rights Projects (B7 - 7020)	EC Funding
KHM/92/603	Promotion of human rights and democratic process	0.420
KHM/93/?	Democratic education in schools - Phase I	0.227
KHM/93/?	Identification mission	0.049
KHM/94/?	Promotion of human rights and democratic process	0.800
KHM/97/?	Democratic education in schools - Phase II	0.164
KHM/97/?	Women's education on human rights and democratic process	0.185
TOTAL IN M €		0.420

Reference	Refugee Projects (B7 - 2120)	EC Funding
KHM/91/25	Primary health programme for drug addicts	0.269
KHM/91/26	Pedagogical guides for Khmer	0.240

KHM/91/448	Development of human resources in Cambodia	0.495
KHM/92/457	Support to the handicaped in Khmer camps II	0.450
KHM/92/467	Leprosy	0.096
KHM/92/624	Urban environment in Battambang	0.500
KHM/92/458	EC Cambodia rehabilitation programme - Phase I	8.0
KHM/92/462	Technical assistance	0.320
KHM/92/474	Aerial photography for resources mapping	0.355
KHM/92/522	Health planning	0.200
KHM/92/595	Support for repatriation II	3.0
KHM/92/612	Veterinary services Herat & Badghis	0.250
KHM/92/624	Urban environment in Battambang	0.500
KHM/92/625	Support for repatriation II	2.0
KHM/93/681	Ec Cambodia rehabilitation programme Phase II	12.0
KHM/94/62	Water supply programme in Siem Reap	0.353
AFG/95/59	Mine clearance in central and northern province	2.9
AFG/95/60	Mine clearance in Kandahar city	1.1
KHM/95/63	Cambodia resettlement and reintegration	3.0
AFG/95/65	Orthopaedic workshops and physiotherapy programme	0.810
KHM/97/114	Demobilisation and reintegration of veterans	0
TOTAL IN M €		36.838

**List of ECHO funded Emergency Aid Projects
(B7-2190, B7-2170, B7-2100)**

Organisation	Type of Disaster Aid	EC Funding
Action Nord-Sud France KH/93/1001	Miscellaneous	0.350
Action against Hunger- UK KHM/98/1002 KHM/98/1016 KHM/98/1023 TPS/98/1009	Miscellaneous Rehabilitation Water / Sanitation Disaster Preparedness	0.400 0.210 0.175 0.200
Action contre la Faim – F KH/94/4001 KH/95/0301 KH/95/0201A KH/95/0401A KH/96/0201 KH/96/0302B KH/96/0303C KH/96/0401A KH/96/0402B KH/96/0305E KH/97/0301A KH/97/0501 KH/97/0502	First Aid Logistics / Technical assistance Food Food Water / Sanitation Health and Medical Health and Medical Rehabilitation Rehabilitation Food Water / Sanitation Water / Sanitation Disaster Preparedness	0.350 0.155 1.5 0.500 0.250 0.220 0.400 0.240 0.110 0.317 0.445 0.270 0.250
Action Nord-Sud France KH/95/0202B KH/95/0601 KH/96/0301A KH/96/0403C KH/97/0503 KH/98/1003	Food Logistics / Technical assistance Rehabilitation Rehabilitation Water / Sanitation Rehabilitation	0.800 0.500 0.320 0.100 0.520 0.200
Asso. Europeenne pour la Cooperation KH/95/0203C	Miscellaneous	0.021
Care Deutschland KH/97/0502 KH/98/1004	Water / Sanitation Rehabilitation	0.310 0.180
Catholic Relief Services KH/97/0403	Health and Medical	0.180

CESVI Cooperazione e Sviluppo		
KH/97/0402	Health and Medical	0.225
KHM/98/1021	Health and Medical	0.200
Gruppo Volontariato Civile – I		
KHM/98/1005	Health and Medical	0.250
COGEPAG		
KH/93/1001	Demining	1.0
Co. Francaise d’Assistance Speciale		
KH/94/1001	Demining	1.0
Concern Worldwide		
KH/95/0101A	Shelter	0.165
KH/95/0102B	Water / Sanitation	0.130
Danchurchaid		
KHM/98/1008	Rehabilitation	0.120
Croix Rouge Française		
TPS/98/1010	Disaster Preparedness	0.250
Croix Rouge Internationale		
KH/90/4004	Medical Aid	0.250
KH/91/2001	Food Aid	0.200
KH/93/4001	Medical Aid	0.285
KH/97/0306F	Household Products & Equip.	0.145
Handicap International – B		
KH/90/3002	Medical Aid	0.200
KH/93/3001	Medical Aid	0.250
KH/94/2001	Medical Aid	0.256
KH/94/3001	Medical Aid	0.380
KH/95/0701	First Aid Items	1.5
KH/96/0101A	Demining	0.290
KH/96/0304D	Demining	0.560
KH/97/0101	Health and Medical	0.400
KH/97/0302B	Health and Medical	0.400
KH/95/0402B	Health and Medical	0.320
KH/95/0501	Health and Medical	0.350
KH/98/1007	Health and Medical	0.350
Oxfam – Belgium		
KH/90/4003	Sanitation	0.160
Health Net International		
KH/97/0504	Health and Medical	0.350
Malteser Hilfsdienst		
KHM/97/0307F	Health and Medical	0.195
KHM/98/1022	Health and Medical	0.220

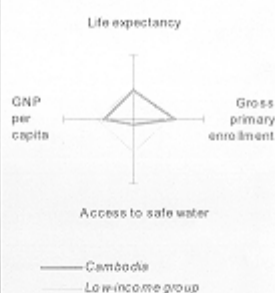
Medecins du Monde - France		
KH/90/1003	Medical Aid	0.100
KH/90/2001	Medical Aid	0.230
KH/93/0020D	Medical Aid	0.240
KHM/98/1009	Health and Medical	0.185
Medecins sans Frontieres - France		
KH/90/1001	Medical Aid	0.200
KH/90/2003	Medical Aid	0.220
KH/90/4001	Medical Aid	0.220
KH/91/1002	Medical Aid	0.250
KH/91/2005	Medical Aid	0.225
KH/97/0201	Health and Medical	0.535
KH/97/0305E	Health and Medical	0.080
KH/97/0505	Health and Medical	0.180
KH/98/1010	Health and Medical	0.255
Medecins sans Frontieres - Belgium		
KH/90/1002	Medical Aid	0.200
KH/90/2002	Medical Aid	0.220
KH/90/3001	Medical Aid	0.300
KH/90/4002	Medical Aid	0.370
KH/91/1001	Medical Aid	0.250
KH/91/2004	Medical Aid	0.225
KH/97/0303C	Health and Medical	0.200
KH/97/0304D	Health and Medical	0.100
KH/98/0011	Health and Medical	0.600
KH/98/1018	Health and Medical	0.260
KH/98/1019	Rehabilitation	0.175
KH/98/1020	Health and Medical	0.160
Trocaire – Ireland		
KH/91/2002	Food Aid	0.075
Mekong Committee Switzerland		
KH/91/2007	First Aid	0.121
Save the Children Fund		
KH/91/2003	First Aid	0.075
KHM/98/1014	General	0.200
The Halo Trust		
KHM/98/1006	General	1.0
Secours Populaire Francais		
KH/91/2006	Food Aid	0.079
United Nations – HCFR		
KH/97/0401	General	1.0
TOTAL IN M €		28.404

Cambodia at a glance

POVERTY and SOCIAL

	Cambodia	East Asia & Pacific	Low-income
Population mid-1997 (millions)	10,5	1.751	2.036
GNP per capita 1997 (Atlas method, US\$)	300	970	350
GNP 1997 (Atlas method, US\$ billions)	3,2	1.700	712
Average annual growth, 1991-97			
Population (%)	2,7	1,3	2,0
Labor force (%)	2,7	1,8	2,4
Most recent estimate (latest year available since 1991)			
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	22	33	28
Life expectancy at birth (years)	54	69	59
Infant mortality (per 1,000 live births)	103	37	82
Child malnutrition (% of children under 5)	38	20	..
Access to safe water (% of population)	13	77	69
Literacy (% of population age 15+)	..	16	46
Gross primary enrollment (% of school-age population)	110	110	53
Male	119	120	100
Female	100	119	82

Development diamond*



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1976	1986	1996	1997
GDP (US\$ billions)	3,1	3,0
Gross domestic investment/GDP	20,4	16,1
Exports of goods and services/GDP	26,4	30,2
Gross domestic savings/GDP	4,5	4,2
Gross national savings/GDP	16,6	10,3
Current account balance/GDP	-5,9	-6,9
Interest payments/GDP	0,1	0,1
Total debt/GDP	68,8	69,9
Total debt service/exports	1,2	1,1
Present value of debt/GNP	53,1
Present value of debt/exports	175,3
(average annual growth)				
GDP	..	5,4	7,0	1,0
GNP per capita	4,4	-1,4
Exports of goods and services

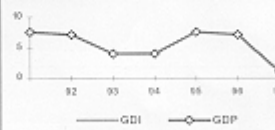
Economic ratios*



STRUCTURE of the ECONOMY

	1976	1986	1996	1997
(% of GDP)				
Agriculture	50,7	51,1
Industry	15,3	14,5
Manufacturing	5,3	5,7
Services	34,0	34,4
Private consumption	87,3	86,9
General government consumption	8,2	8,9
Imports of goods and services	42,3	42,1
(average annual growth)				
Agriculture	..	3,1	2,4	1,5
Industry	..	8,8	18,2	-2,9
Manufacturing	..	7,2	13,2	7,3
Services	..	6,8	6,9	2,6
Private consumption
General government consumption
Gross domestic investment
Imports of goods and services
Gross national product	..	5,4	7,0	1,0

Growth of investment and GDP (%)



1999 World Development Indicators CD-ROM, World Bank

Note: Figures in *italics* are for years other than those specified. The diamonds show four key indicators in the country (in **bold**) compared with its income-group average. If data are missing, the diamond will be incomplete.

Cambodia

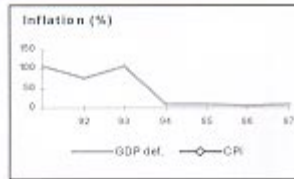
Summary education profile

						Unweighted group average, 1996	
	1980	1985	1990	1995	1996	East Asia & Pacific	Low-income
Socio-economic context							
Per capita GNP (US\$)	..	..	140	280	500	..	..
Adult literacy rate (%), (age 15 +)	..	..	..	..	..	17	47,6
Average years of schooling of adults	..	..	..	..	..	..	..
Structure and coverage of the system							
<i>Duration of education (years)</i>							
Primary level	4	4	5	5	6	5	6
Secondary level	6	6	6	6	6	6	6
Compulsory schooling	..	..	..	6	..	..	..
<i>Gross enrollment ratio (%)</i>							
Primary level	..	..	121,0	126,0	110,0	102,7	80,8
Secondary level	..	29,0	32,0	27,0	29,0	54,0	30,1
Tertiary level	1,5	1,4	1,2	1,5	1,4	12,9	5,1
Population aged 6-23	..	..	..	..	..	..	..
<i>Net enrollment ratio (%)</i>							
Primary level	..	..	..	..	97,7	..	..
Secondary level	..	..	..	..	..	..	..
Student flow: primary level							
Pupils reaching grade 5 (% of cohort)	..	..	..	49,2	..	..	..
Repetition rate (%)	..	..	..	30,4	27,0	..	..
School life expectancy (years)	..	..	..	..	..	..	..
Student flow: secondary level							
Progression to secondary level (%)	70,0	49,0	..	53,0	..	..	..
Repetition rate (%)	..	..	..	..	..	..	..
Public expenditure on education							
Total spending as a percentage of GNP	..	..	..	..	2,9	..	..
<i>Current spending per student (% of per capita GNP)</i>							
Primary level	..	..	..	..	..	..	..
Secondary level	..	..	..	..	..	..	..
Tertiary level	..	..	..	..	..	48,3	..
<i>Current spending on teaching materials</i>							
Primary level (%)	..	..	..	..	..	..	..
Secondary level (%)	..	..	..	..	..	..	..
Ratio of pupils to teachers							
Primary level	43,8	37,5	35,6	45,0	44,4	27,8	41,9
Secondary level	25,5	38,8	15,2	18,2	19,3	19,8	..
Girls' enrollment share							
Primary level (%)	..	..	..	44,4	44,9	47,3	44,5
Secondary level (%)	..	37,4	30,8	37,6	38,7	..	..
Private sector enrollment share							
Primary level (%)	..	..	..	..	..	..	..
Secondary level (%)	..	..	..	..	..	..	..

Note: .. means that data are not available or that aggregates cannot be calculated because of missing data in the years shown. 0 or 0.0 means zero or less than half the unit shown. Figures in italics refer to the most recent year available within two years of the year indicated. Net enrollment ratios exceeding 100 indicate discrepancies between the estimates of school-age population and reported enrollment data.

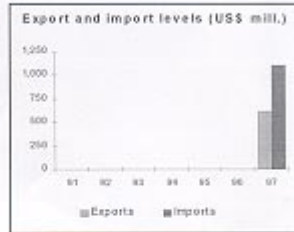
PRICES and GOVERNMENT FINANCE

	1976	1986	1996	1997
Domestic prices				
(% change)				
Consumer prices
Implicit GDP deflator	7.1	9.2
Government finance				
(% of GDP)				
Current revenue
Current budget balance
Overall surplus/deficit



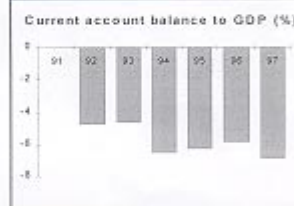
TRADE

	1976	1986	1996	1997
TRADE				
(US\$ millions)				
Total exports (fob)	621
Food
Agricultural raw materials
Fuels
Ores and metals
Manufactures
Total imports (cif)	1,112
Food
Agricultural raw materials
Fuels
Ores and metals
Manufactures



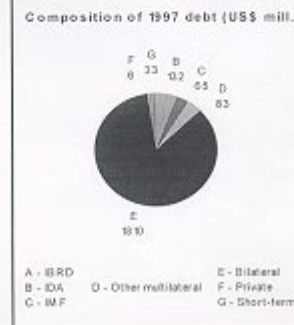
BALANCE of PAYMENTS

	1976	1986	1996	1997
BALANCE of PAYMENTS				
(US\$ millions)				
Exports of goods and services	306	396
Imports of goods and services	1,287	1,252
Resource balance	-480	-355
Net income	-86	-43
Net current transfers	381	188
Current account balance	-185	-209
Financing items (net)	254	244
Changes in net reserves	-60	-34
Memo:				
Reserves including gold (US\$ millions)	266	299
Conversion rate (DEC, local/US\$)	2,624.1	2,969.0



EXTERNAL DEBT and RESOURCE FLOWS

	1976	1986	1996	1997
EXTERNAL DEBT and RESOURCE FLOWS				
(US\$ millions)				
Total debt outstanding and disbursed	2,100	2,129
IBRD	0	0
IDA	108	132
Total debt service	10	10
IBRD	0	0
IDA	1	1
Composition of net resource flows				
Official grants	205	178
Official creditors	76	39
Private creditors	-3	-3
Foreign direct investment	294	203
Portfolio equity	0	0
World Bank program				
Commitments	0	57
Disbursements	46	30
Principal repayments	0	0
Net flows	46	30
Interest payments	1	1
Net transfers	45	30



**NATIONAL INDICATIVE PROGRAMME
(2002–2004)**

CAMBODIA

Country/Region	:	CAMBODIA
Budget Years	:	2002–2004
Budget Line	:	B7-300, B7-301
Legal Base	:	ALA Regulation (Council Regulation 443/92 of 25/02/92)
Cost of Order	:	€ 68,7 M
Programming Service	:	DG RELEX H/5
Acting Head of Unit	:	W. McColgan
Co-Ordinator	:	H. König

NB: This National Indicative Programme limits its scope to budget years 2002–2004. It is part of the Country Strategy Paper, which also gives the framework for co-operation 2000-2003.

NATIONAL INDICATIVE PROGRAMME
2002-2004
Cambodia

1. *EC- Cambodia Country Strategy Paper*

2. *Summary of the Strategy and Priorities*

<u>Focal sector 1:</u>	Rural development
<u>Focal sector 2:</u>	Social Sector.
<u>Focal sector 3:</u>	Trade Sector Development
<u>Cross-cutting issues:</u>	Governance and Democratisation

3. *Indicative Budget*

4. *Priority 1: Support to Rural Development*

4.1 **Strategic Context/Justification**

4.2 **Actions**

4.2.1 **Economic and Social Relaunch of the Northwestern Provinces**

4.2.2 **Support to the livestock sector**

4.2.3 **Support to Demining Unit #4**

4.2.4 **Launching of studies on the fisheries sector**

5. *Priority 2: Support to the Social Sector*

5.1 **Strategic Context/Justification**

5.2 **Actions**

5.2.1 **Support to the Education Sector**

5.2.2 **Support to the Health Sector**

6. *Priority 3: Trade Sector development*

6.1 **Strategic Context/Justification**

6.2 **Actions**

6.2.1 **Support to Cambodia's WTO accession**

6.2.2 **Cambodia's participation in the EC/ASEAN IPR programme**

6.2.3 **Cambodia's participation in the EC/ASEAN standards programme**

7. *Cross-cutting issues: Democratisation and Good Governance*

7.1 **Strategic Context/Justification**

7.2 **Actions**

7.2.1 **Support to the decentralisation process**

1. EC-Cambodia Country Strategy Paper

The EC-Cambodia Country Strategy Paper 2000-2003 was agreed with the Royal Government of Cambodia and approved by the ALA Committee in year 2000. Although the present National Indicative Programme covers a period which exceeds the period of the CSP by one year, it can be expected that the main priority sectors for EC co-operation with Cambodia will remain the same.

In line with the May 2000 Development Council Conclusions on EC Development Cooperation Policy, the primary objective of the EC cooperation strategy in Cambodia is the reduction of poverty.¹⁸ Priority areas for EC support for the period 2000-2003, identified in the CSP, are rural support, primary education and training, health, humanitarian actions, mine clearance, support to the reform of the public administration and the armed forces, as well as activities in support of human rights and consolidation of democracy.

The focus for the forthcoming period will be consolidation of sectoral actions in rural development, health, education and governance. Activities will be focused mainly in the north-western provinces of Cambodia, but will include components on central level when required.

The EC has identified the need to inter-link trade policy and development policy in order to achieve objectives related to poverty reduction. Thus, in line with the EC development cooperation objective of poverty reduction, activities in support of the integration of Cambodia into the world economy will be important in the forthcoming years.

The concern for the environment will be mainstreamed into all EC development co-operation activities in Cambodia. In preparation of programmes or projects, Environmental Impact Assessment (EIA) should be undertaken where appropriate. The Institutional Support Programme¹⁸ already under preparation will provide Technical Assistance to the Ministry of Environment and the TA should, in addition to other tasks, assess the need for additional EC support to assist Cambodia to enhance its capacity to undertake Environmental Impact and Strategic Environment Assessments and other activities aimed at pursuing sustainable development.

Gender considerations will be taken into account in preparations of all projects and programmes.

Coherence of EU policies, complementarities within the EU and with other donors, as well as complementarities between the different EC budget lines, will be pursued in all areas of the co-operation programme.

2. *Summary of the Strategy and Priorities*

Sectoral Actions

Priority Sector 1: Rural development

The achievement of increased economic growth and a significant reduction in rural poverty will depend fundamentally on improvements in the **agricultural sector**. Key problems to address are (i) improving food security and reducing dependence on the outside world (food aid), (ii) making sure that displaced persons can farm safely, (iii) increasing farmers' income, (iv) establishing links between products (crop diversification) and markets; (v) improving agricultural extension services and the availability of inputs, (vi) developing rural credit services at national and local levels, and (vii) developing the services and managerial skills of rural development institutions.

Considering the fact that 85% of the population is concentrated in the rural areas and 75% of the poor belong to farmer-headed households, a main objective for Community support remains to improve the conditions for self-sustainable development in these communities. The continuation of multi-annual activities in the sector of rural development will be based on the Commission's previous record of successful activities.

EC support will focus on food security, livestock rearing, fisheries development, rural finance, water management, crop diversification, micro-enterprises and vocational training.

The presence of vast numbers of **landmines**, which take a high human and economic toll on the rural population cultivating unsafe land, remains a particular problem in Cambodia. Although the number of mine victims has been decreasing in Cambodia since the early 1990's, there are still approximately 832¹⁸ casualties per year (including 166 deaths and 666 injuries) related to landmines/UXOs.

The principal objective of EC action is to support efforts better to integrate mine action in contaminated areas of the country into the wider poverty alleviation and rural development programmes. The EC has taken a comprehensive approach towards mine action in Cambodia, through activities funded by the development cooperation budget line and the special budget line for mine action activities. Actions include institutional support for the setting up of the Cambodian Mine Action and Victim Assistance Authority (CMAA); local capacity development through the support of Land Use Planning Units; and several mine clearance activities implemented by NGOs or integrated into the Cambodia Mine Action Centre (CMAC) structure.

Priority Sector 2: Social Sector

Cambodia ranks 136 out of 174 developing countries in the UNDP 2000 Human Development Report, scoring a Human Development Index (HDI) of 0.512 in 1998, one of the lowest in Southeast Asia. Improving the educational and health status of the Cambodian population are key ingredients in enhancing the ability to work and the overall well-being of the people, thus allowing the increase and maintenance of the country's economic growth and social stability.

Educational indicators in Cambodia are dramatically low, and represent one of the main obstacles for sustainable development and poverty reduction. In line with EC development priorities in the educational sector, priority should be given to basic education, primary education in particular, with specific attention to gender issues and disadvantaged groups. EC support should also address the need for literacy and skills training for functionally illiterate youth (possibly through NGOs). The EC has already implemented several successful and highly appreciated programmes in the Education Sector, such as PASEC - support to primary education, EPP/CREP - rehabilitation and construction of school facilities and REPLIC - vocational training and employment for rural communities.

Health. Activities supporting the development of provincial and/or local health services should be an integral part of EC development programmes. In addition, support to disease prevention and health promotion actions should be considered within the areas where the EC has already supported projects, namely Malaria Control, Sexually Transmitted Diseases and Reproductive Health. Strengthened co-ordination of EC-supported activities undertaken by NGOs in Cambodia will be a priority area to address, in order to ensure complementarity with other EC activities, in the health sector and in other sectors. However, the direction for further EC support to the health sector will be conditional upon the findings of additional assessments, the health sector reform process and involvement of other donors.

Priority Sector 3: Trade Sector Development

Trade Sector Development. The gradual integration of developing countries into the world economy is a major objective of EC development co-operation. Cambodia is committed to liberalising its trade regime in preparation for the ASEAN Free Trade Area (AFTA) Common Effective Preferential Tariff arrangements. Cambodia also applied for WTO membership in December 1994, and submitted the Memorandum on its Foreign Trade Regime in June 1999. Meeting commitments under AFTA and preparing for accession to the WTO are great challenges for Cambodia, which will require technical assistance to the Cambodian administration, both for institution and capacity-building.

Cross-cutting issues: Governance and Democratisation

Governance and Democratisation. The principles of governance do not yet fully rule the functioning of Cambodian public institutions. The level of corruption is high and impedes sustainable socio-economic development. The EC has supported the development of governance within various previous projects and will launch shortly a further Institutional Support Programme for institutional capacity-building within seven key Ministries, including training activities. Local governance development and support to the decentralisation/democratisation process is a priority for the EC, as it should contribute to poverty alleviation.

3. Indicative Budget

During the period covered by the National Indicative Programme, from 2002 to 2004, a total EC grant of **€ 68.7 million** can be committed to the EU-Cambodia co-operation. (These indications do not pre-empt the powers of the European Union's budgetary authorities.) A breakdown of this aggregated grant amount follows:

3.1 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
3.2 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
3.3 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
3.3 Cross Cutting Issues: Governance and Democratisation	€ 10M
Action 1: Support to the decentralisation process	€ 10M

4. Priority 1: Support to Rural Development

4.1 Strategic Context/Justification

The Paris Accord signed on 23 October 1991 allowed the return home of 350,000 refugees, who mainly resettled in the Northwest of Cambodia. To support the returning population the Commission launched an € 18 million rehabilitation programme in the Northwest of the country.

Encouraged by the results of operations since 1992, the Community adopted in 1994 the € 67.1 million "European Rehabilitation Programme for Cambodia" (Programme Européen pour la Réhabilitation du Cambodge–PERC), shifting the focus to rural development, primary education, institutional support and human rights. The main component of the PERC was the € 40 million Programme de Réhabilitation et d'Appui au Secteur Agricole du Cambodge (PRASAC I), implemented in six provinces surrounding Phnom Penh. The evaluation of PRASAC (Phase I) conducted in October 1997 concluded that the project had contributed to the general rehabilitation of the socio-economy, was laying the groundwork for supporting sustainable development and would justify the consolidation of efforts with a second phase, which will end in December 2004.

In the Northwest, many parts of the region remained insecure, the population was unstable, and many returnees were undertaking secondary migrations, often to urban centres. With the

agreement between former Khmer Rouge leaders and the central government, late in 1998, access is now possible in most of the previously isolated areas and there has been a gradual recovery of economic activities. This progress allowed the launch of long-term development activities, in certain part of the area, based on the achievements of previous humanitarian assistance programmes in the region. Thus, an identification study for an important rural development programme in the Northwestern Provinces was conducted at the end of 2000 and a second mission is currently in preparation.

Rural livelihoods depend to a large degree on access to basic assets land, labour, water and capital (On-farm and Off-farm). The sustainable development of the farming system within which the farmer and his family are operating, depends not only on the quantity of these basic assets, but also on the quality, together with judicious decision-making based on family priorities. Livestock and fisheries within a rural farming system represent not only a main element of food security, but also a source of cash, income and income security. Livestock and fisheries development can in diverse ways, therefore, have the potential to improve people's livelihoods directly and indirectly, and this diversity within the mechanisms of the farming systems should be taken into account. Based on successful experiences in neighbouring countries, a study for future programmes in the livestock and fisheries sectors should be planned.

After 30 years of conflict, Cambodia is among the most mine/UXO affected countries in the world. The legacy of war is still visiting devastating effects on the population and the whole economic, social and cultural foundations of the country. Mines laid by all factions in the Cambodian conflict continue to maim and kill civilians and military personnel and make agricultural land unsafe. The great majority of mined areas are located in the provinces along the Thai-Cambodia border, where most of the fighting occurred since 1979. The eastern provinces are mostly affected by UXOs as a result of the Vietnam War, though there are also some mined areas.

The presence of landmines still results in poverty and displacements. Families continue to live in unmarked mine fields, especially in the Northwestern provinces. In line with the Commission's Communication on Action against Landmines¹⁸, the EC should assist Cambodia, as one of the most seriously mine affected countries in the world, in the implementation of its obligations under the Ottawa Convention. EC support to CMAC mine clearance activities would be favouring the reform of the de-mining sector and it would reinforce the decentralisation of CMAC clearance operations. The EC is currently supporting mine action in Cambodia in the form of institutional support to the Cambodian Mine Action Authority and through a project for the development of Land Use Planning Units. The proposed action is thus an operational demining component of a wider covering strategy for the sector.

4.2 Actions

Action 1: Economic and Social Relaunching of the Northwestern Provinces (ECOSORN)

A preparatory study for this programme was undertaken at the end of 2000. A feasibility study is currently in preparation and is expected to be fielded in 2002. Below, examples are given of activities that could be supported, based on the results of the preparatory study. These areas of intervention would have to be examined further at the programme formulation stage.

1. Objectives

The overall objective of the project is to make a positive contribution to poverty reduction and more sustainable development in rural areas in the North-western Provinces in Cambodia.

This should lead to:

- Increasing food security for the rural farming communities;
- Increased income for farming communities

The project's specific objectives are to:

- (i) increase family income and employment through greater agricultural productivity, diversity and enhanced product value;
- (ii) build village capacity to plan, implement and monitor development;
- (iii) strengthen local government capacity for long-term, strategic planning

2. Expected Results

- Increased agricultural output for rural communities in the target areas
- Increased earnings for rural communities in the target areas
- Improved agricultural techniques, for example through new crop varieties, soil conservation, crop diversification and extension advice.
- Improved protection from, or avoidance of, drought and flood.
- Enhanced capacity in planning and forecasting of government provincial and district staff
- Enhanced capacity of government provincial and district staff in questions related to agriculture extension, water management and irrigation

3. Activities

Agriculture production and extension activities

- Training of government, provincial and district staff
- Training of trainers
- Training activities for village populations (livestock, pest management, crop diversification, development of groups of producers, development of links between traders and producers, and vocational training linked to agriculture development at village or commune level.)

Water Management and Irrigation:

- Irrigation and drainage provision or rehabilitation
- Water management and agricultural extension training
- Development of small-scale village-based irrigation infrastructure

Human resource development in provincial and district administrations

-
- Technical assistance to provincial line departments, such as Rural Development and Water Resources Management
 - Training activities at provincial and district levels

4. Implementation

The implementation of the Programme, which will be defined during the formulation stage, could take account of the following main principles:

- ***Decentralised management, at provincial level, should be favoured.***
- ***Best use of local human resources must be sought, in particular those that have been developed during the implementation of EC projects.***
- Involvement of NGOs active in the target districts should be sought.
- Close co-operation with other donors, particularly the ADB, which is preparing a major rural development programme in the same provinces, and EU Member States, should be foreseen.
- The programme should focus on the village as the basic unit of development and would work with in the SEILA planning process, particularly for infrastructure works, but also within the de-concentration, decentralisation framework.

5. Risks, conditions

The existence of landmines is still a problem which can cause delays in the implementation of the programme.

Limitations in technical capacity at ministry level can hamper the implementation of the programme.

6. Main Indicators

Main indicators for the programme will be developed by the formulation mission.

7. Financial Envelope

EC contribution: € 20 million

8. Indicative timeframe

A feasibility study is currently in preparation and is expected to be fielded in 2002, with the aim of launching a minimum 5 year programme in 2003.

9. Commitment:

2003

Action 2: Support to the livestock sector

An identification/formulation study is currently in preparation and is expected to be fielded in 2002. Below are given examples of activities that could be supported. These areas of intervention should be examined further at the programme identification stage.

1. Objectives

The overall objective of the project is to make a positive contribution to poverty reduction and more sustainable development in rural areas, addressing constraints on the efficiency of the different producer-consumer chains of the livestock sector. This should lead to:

- Increasing food security for the rural farming communities
- Providing rural farming communities with an additional source of income

The project's specific objectives are:

(i) the strengthening of veterinary services and the extension network at all levels for an efficient and sustainable delivery of animal health and production services, and thereby,

(ii) reducing incidence of disease, improving management practice and increasing livestock productivity.

2. Expected Results

- Improved legal framework for veterinary legislation and enhanced capacity in the relevant Ministries and departments;
 - Finalisation of a nation-wide Animal Health System;
 - Improved capacity in planning livestock development and animal disease control
- Improved livelihoods, through increased food security and possibilities for additional sources of income, of livestock owners particularly in the rural farming communities

3. Activities

Co-operation activities will build on knowledge acquired in EC livestock programmes in other countries in the region.

The programme could include the following activities:

- Technical assistance to the Department of Livestock and Fisheries in the Ministry of Agriculture to improve laboratory capacity, the legislative programme and information systems.
- "Extension Activities" aiming at improving the delivery of veterinary and animal production services.
- Of particular interest also is the possibility to support regional co-operation between the bordering countries in the region (China, Vietnam, Laos and Cambodia), considering migratory flows and cross-border trade of livestock and on-going EC supported programmes in the livestock sector in some of these countries.

4. Implementation

The implementation of the Programme will be defined during the formulation stage.

5. Risks, conditions

Risks and conditions will be assessed at the identification/formulation stage.

6. Main Indicators

Main indicators for the programme will be developed by the formulation mission.

7. Financial Envelope

Estimated EC contribution: € 5 million

8. Indicative timeframe

A identification study is currently in preparation and is expected to be fielded in 2002, with the aim of launching a minimum 5 year programme in 2003.

9. Commitment

2002/2003

Action 3: Support to Demining Unit 4

The examples of activities listed below will be examined further at the programme identification stage

1. Objectives

The overall objective of the project is to make a positive contribution to poverty reduction and more sustainable development, by improving access to additional agricultural lands for the poor and landless population, and allowing the rehabilitation of basic infrastructures through the clearance of landmines and UXO, thereby contributing to the development of the target provinces.

Specific project objectives include:

- (i) Enhancing safety for the resettlement of rural communities in the target provinces
- (ii) Contributing to the mine action sector reform, so that it reaches a high level of effectiveness and efficiency
- (iii) Increasing possibilities for development agencies to engage in development activities within the target provinces

2. Expected Results

- Decrease in the number of mine casualties in the target provinces;
- Increased socio-economic opportunities for local communities as more land becomes available for cultivation;
- Enhanced planning capacity of CMAC's Demining Unit Headquarters;

-
- Increased mine clearance capacity within the 10 de-mining platoons of Demining Unit 4;
 - Improved livelihoods, through increased food security and possibilities of additional sources of income of livestock owners, particularly in the rural farming communities

3. Activities

- Technical Assistance to DU 4 as regards operational and planning procedures
- Training activities for deminers in quality control and security procedures
- Support to DU 4 mobile platoons, marking teams and awareness teams.

4. Implementation

The Cambodian Mine Action Centre will be responsible for the implementation of the project, assisted by European technical assistance, preferably organised under a Project Management Unit structure. The implementation period should be minimum 3 years.

5. Risks, conditions

Risks and conditions will be assessed at the identification/formulation stage

6. Main Indicators

- Number of square metres cleared and handed over to local communities
- Use of cleared land by the communities
- Number of beneficiaries
- Number of development agencies involved in the use of land demined by the project.

7. Financial Envelope

Estimated EC contribution: € 5 million

8. Indicative timeframe

An identification study should be fielded in 2002, with the aim of launching programme in 2003/2004.

9. Commitment

2003

Action 4 : Launching of studies on the fisheries sector development

A study of the sector should be fielded in 2002-2003.

1. Objectives

The overall objective of the study is to assess the need and possibilities for a future EC supported project in the fisheries sector in Cambodia. With a positive assessment, further studies to design a project that will make a positive contribution to poverty reduction and more sustainable development in rural areas, addressing constraints on the efficiency of the

different producer-consumer chains of the fisheries sector, could be foreseen. This should lead to:

- Increasing food security for the rural farming communities
- Providing rural farming communities with an additional source of income.

2. Expected Results

On the basis of the appraisal results and analysis of findings, the reports of the study should give a comprehensive basis for the Commission's analysis of future support to the fisheries sector. This should include an analysis of the viability and sustainability of future EC support activities; feasibility, likelihood of success, complementarity with other on-going and foreseen projects by the EC as well as other donors.

3. Activities

- The Study Team should liaise closely with the Ministry of Agriculture, Forestry and Fisheries and with the Ministry of Environment to assess the need for technical assistance to establish and implement the legal framework of the sector;
- Contact with the Mekong River Commission should be established in order to explore the need and scope for future co-operation activities;
- The needs and possibilities to provide technical assistance to training of fishermen in fishing techniques, in environment protection and preservation of natural resources should be assessed.
- An analysis of the small and medium-sized enterprises in the fisheries sector should be included in the study.

4. Implementation

The study could be conducted in one or several stages. At least one Cambodian expert should be included in the Study Team.

5. Risks, conditions

Risks and conditions of future EC support will be assessed at the studies stage.

6. Main Indicators

Main indicators for the programme will be developed by the formulation mission.

7. Financial Envelope

Estimated EC contribution: € 0,7 million

8. Indicative timeframe

The Studies are expected to be fielded in 2002-2003

9. Commitment

2002

5. *Priority 2: Support to the Social Sector*

5.1 Strategic Context/Justification

The November 2000 Declaration by the Council and the Commission on the Community's development policy identifies the promotion of equitable access to basic social services, such as health and education, as one of the six areas of concentration for Community action in order to contribute to poverty reduction in developing countries, with priority to the least developed countries and low-income countries. In addition, the EC has taken a positive approach to supporting Sector Programmes, particularly in health and education, in countries where such a process is on-going.

The education priorities of the EC focus on poverty alleviation and include support to basic education, and primary education in particular - which are considered as fundamental rights - with specific attention to gender issues and disadvantaged groups. The EC has endorsed the international commitment by the Dakar Forum in April 2000 to compulsory and free universal primary education by 2015. In accordance with these priorities an EC programme in sub-sectors identified in the Ministry of Education, Youth and Sport (MoEYS) Education Strategic Plan (ESP) and the Education Sector Support Programme (ESSP) should be foreseen. Activities should build on the positive results achieved by previous EC programmes in the sector.

The health priorities of the EC focus on reproductive health, prevention of HIV/AIDS, the major communicable diseases, and the need to improve health systems and to target resources towards the poorest. The EC is also committed to meeting the OECD International Development Goals, where three goals are more directly health related; a reduction of 2/3 of the levels of infant and child mortality, reduction of 3/4 in the level of maternal mortality by 2015 and universal access to reproductive health services by 2015. With these priorities in mind support to the Health Sector in Cambodia should be foreseen.

Pro-poor reforms in social sectors, in particular for education and health, are priorities for the Government of Cambodia. The Ministries of Education and Health have been selected by the RGC as the two first pilot ministries for implementing decentralisation and fiscal reforms and for developing new partnerships with donors (sector-wide approaches). The Government has committed itself to increasing the level of public expenditure on the social sectors and improving the quality of public services.

Education Sector. There have been significant achievements made in the Education Sector in Cambodia during the past five years. In this time, the primary schooling phase has been extended from 5 to 6 years with the introduction of the 6-3-3 system in 1996. Primary school enrolment has grown from 1.6 to 2.2 million, with an additional 500–600 schools being constructed or extended. Secondary school enrolment has grown overall to 330,000 students. Quality improvement achievements include provision of free textbooks for Grades 1–9 since 1997, alongside various forms of training and upgrading for around 60,000 teachers¹⁸. Finally, and consistent with the Government's commitment, the share of discretionary recurrent spending on education has risen from 9% in 1994 to more than 15%, projected for 2001.

The main policy thrust of the Government is to achieve Education for All (EFA) by 2015 (*comment: target for 2010 is 9 years of basic education for all children, as indicated in the last sentence of this paragraph*). This target presents a major challenge. Enrolment projections to achieve it indicate the need to reach around 2.4 million students in primary (grades 1-6), 0.8 million in lower secondary (grades 7-9) and 0.3 million in upper secondary

(grades 10-12). In the Education Strategic Plan 2001–2005 (ESP) the Government, through the Ministry of Education, Youth and Sport, has signalled its commitment to a pro-poor and policy-led education reform programme for the next decade. The ESP and the ESSP documentation establish as the central “priority of priorities” the provision of universal quality education for boys and girls in grades 1 to 9 by the year 2010.

Because of the deficiencies of the formal education system, however, about 1/5 of children do not have access to primary education, and about 1/3 of children entering primary school drop out before having completed the six grades, with the risk of relapsing into illiteracy. Estimates indicate that 4 million Cambodian youths and adults - 28% of them aged 15 to 29, and in particular women - are functionally illiterate, in the sense that they have not sufficient knowledge and skills to function effectively in society and meet the demands of their daily life. There is a high correlation between illiteracy and poverty, with the illiterates and those living below the poverty line being in the same group of the population. Consistent with the Government's aim of fighting poverty and protecting social stability, one of the priorities of the Ministry of Education is, therefore, to provide market-driven skills' training for those many out-of-school and poorly-educated youths in order to equip them to earn an income, in particular in rural areas.

The EC should therefore support the formal basic education sector, in order to halt the increasing number of school drop-outs and to improve the quality of education. In addition, the EC should pilot literacy and skills training activities targeting the poor as part of an integrated approach to poverty reduction and socio-economic development of the ECOSORN provinces.

The Commission has been active in the education sector in Cambodia since 1994, when the PASEC I programme started. After a positive evaluation in 1997 a decision on a second phase was taken, PASEC II, which started in 1999 and came to an end in April 2001. Other past projects include the EPP project (rehabilitation of provincial schools of pedagogy) and Chantier Ecoles/Repic (vocational training and employment for poorly educated youth in rural areas). The EC also supported The Ministry of Education, Youth and Sports (MoEYS) in the construction and rehabilitation of primary schools, through the CREP project which ended in 2001. MoEYS will receive technical assistance from the EC through an expert who will be placed in the ministry within the framework of the Institutional Support Programme, scheduled to start in 2002.

Health Sector. The past twenty years of conflict have left Cambodia with public health services and infrastructure that struggle to address the heavy disease burden experienced by its people. Although considerable effort and progress have been made, the cycle of poverty, ill health and debt remains economically crippling for most Cambodian families. Cambodia's health status is among the lowest in the Western Pacific Region. Infant mortality was 80 per 1000 live births in 1998¹⁸ compared to the regional average of 38 per 1000 live births¹⁸. Under-five mortality is high at 115 per 1000 live births, with the main causes of morbidity and mortality being diarrhoeal disease, acute respiratory infection, dengue haemorrhagic fever and vaccine-preventable diseases. In some groups, half of the children below the age of 5 experience chronic malnutrition and micro nutrient deficiencies that reduce their ability to fight or recover from disease.

The maternal mortality rate of 473 per 100,000 live births (1998)¹⁸ is four times higher than the regional average², with the majority of deliveries still occurring in the home unattended by trained personnel. The main causes of mortality are complications of abortion, eclampsia and haemorrhage. Adults also experience a high burden of communicable diseases, with malaria and TB being the main causes of morbidity and mortality in the economically productive age group. HIV/AIDS is becoming a priority health problem with the sero-prevalence rate for 18-45 years olds reaching 3.7% in 1998.

A large proportion of the diseases and deaths are actually avoidable. Altogether, it is estimated that more than 3/4 of the diseases in Cambodia can be prevented or controlled. The current incidence of diseases has, however, high economic costs for the country, since it increases the burden on the health care system while reducing current and future productivity of the population. Furthermore, given the very low contribution of the Government, health care costs are one of the main causes of household indebtedness and impoverishment.

Root causes of such a situation include the very low educational status of the population, meaning that most people - in particular the poor - are unaware of simple measures they could use to protect and improve their health. More than 70% of households seek care in the first instance from the private sector, notably from unlicensed and untrained drug sellers or traditional healers: in the absence of a regulatory framework, many private providers take advantage of the ignorance of their clients to prescribe treatments that offer the greatest financial rewards for them, rather than the greatest health gains for their clients.

There is, as expected, a strong correlation between socio-economic status (including income and education levels) and preventive/curative health-seeking behaviour, as well as health outcomes. Current attention to improving the population's health-seeking behaviour is highly inadequate, with very little investment by MoH and donors, other than for some specific vertical health promotion campaigns. This suggests that an EC action targeting disease prevention and health education, for both consumers and providers, could have a critical impact on the health status of the population.

In addition to poor consumer knowledge of appropriate health care practices, several key obstacles are consistently identified as contributing to the low quality and coverage of public health services, and the subsequent poor health status of the population : (i) insufficient funds for running costs and salaries, (ii) lack of sufficiently trained and motivated staff, and (iii) lack of accountability for financial and staff management. New management models are currently being advocated to improve the quality and efficiency of the public health services at provincial/operational district levels (the "contracting-out" and the "boosting strategy" models). According to the needs and to the involvement of other donors, the EC could envisage supporting the development of public health services at operational district level in the areas of the ECOSORN programme.

EC current support to the health sector includes support in the field of malaria control and reproductive health. In addition, the Commission has supported a substantial numbers of NGO projects in the health sector. EC support to the health sector in Cambodia has been declining during recent years in comparison to past support provided to the Ministry of Health and to NGOs.

5.2 Actions

5.2.1 Support to the Education Sector

The EC support will have to fit within the framework of the Education Sector Support Programme (ESSP) designed by the MoEYS. The examples of actions listed below will have to be examined further at the programme identification stage. This is, in particular, because the ESSP is a rolling programme that will be refined every year, and because major donors to the education sector still need to define their future contributions within the ESSP. ESSP sequencing of programme priorities and funding needs, can be expected to evolve and change while implementation progresses. There is consequently at this stage a need to remain flexible and open, bearing in mind that an EC support will not be operational before 2003. The EC fully supports the Sector-wide co-ordination process in the sector and should aim to participate fully in the discussions between the Government and all donors.

1. Objectives

The overall objective of the programme is to make a positive contribution to poverty alleviation by (1) improving the quality and efficiency of basic education, and (2) providing the functionally illiterate young with the basic skills and knowledge required to improve their daily life.

The programme's specific objectives are:

- (i) Strengthen the capacity of relevant MoEYS departments for undertaking professional education reforms.
- (ii) Strengthen the quality and efficiency of education services delivery for grades 1-9.
- (iii) Support the reform of the teacher training system thereby ensuring that teachers will be capable of teaching revised curricula, multi-grade classes and multi subjects.
- (iv) Support the continuous development of life skills strategies and programmes for grades 1-9, and their integration with literacy/skills training activities.
- (v) Enhance accessibility to basic education for the poorest groups of society.
- (vi) Provide out-of-school and functionally illiterate youth with opportunities for acquiring basic literacy, numeracy and professional skills, in support to the rural development and health programmes.

2. Expected Results

- Improved capacity of both central MoEYS departments and provincial/district authorities in programme operational planning and budgeting, management and monitoring.
- Improved overall student performance and a reduction in repetition and drop out rates.
- Improved teaching capacity of primary and lower secondary education teachers.
- Adaptation of the basic education curriculum to life skills and socio-economic realities.
- Increased enrolment, retention and progression of students from the poorest families.

-
- Reduction of functional illiteracy rates within the out-of-school youth.
 - Increased capacity of illiterate/semi literate youth to engage in economic activities and improve their daily life, including their health status.

3. Possible Activities

The examples of activities listed below will have to be examined further at the programme identification stage, to take account of the implementation and evolution of the ESSP and of other donors support.

- Capacity building for MoEYS staff in the planning, management and monitoring of education reforms, at central, provincial and district levels;
- Assistance to the MoEYS for improving the functioning of basic education services, including the improvement of the curricula, textbooks and instructional materials, the planning and management of school operating budgets, and the organisation and implementation of reception and remedial classes;
- Pre- and in-service teacher training, targeting in particular the teaching of life skills, multi-grade teaching and multi-subject teaching;
- Assistance to the MoEYS for the development of life skills strategies and programmes for grades 1 to 9;
- assistance for the implementation of the "Scholarships for the Poor Programme".
- In the geographical areas of the ECOSORN project, pilot activities to develop skills training/non formal education for youth, in support to rural development activities and health promotion activities.
- Assistance to MoEYS in optimising the use of resources from the formal education system (teachers, facilities, life skills and TVET training courses), for skills training/non formal education.

4. Implementation

The implementation of the Programme will be defined during the formulation stage, but a few points are worth mentioning:

Involvement of NGOs active in the field of education, in particular skills training and non-formal education, should be sought.

The Ministry of Education, Youth and Sports (MoEYS) is strongly in favour of EC support, both to programme-related activities and capacity-building, being nation-wide.

The possibility of providing direct programme support through the ESSP should be further assessed in the identification/formulation stage.

There is a need for an immediate support for capacity-building throughout the MoEYS; this should be taken into account when preparing a future programme.

5. Risks, conditions

The implementation of the ESSP will require extensive donor support and co-ordination. At present, many donors have indicated that they will continue to provide support to geographical areas and there is a reluctance on behalf of most donors to provide direct programme support to the ESSP. Thus, there is a further need for reconciliation and for

greater co-ordination between major supporters of the sector in establishing compatible thematic and geographical objectives and monitoring indicators within the overall umbrella of the ESSP. Failure to achieve agreement on key priority issues will impose considerable pressures on the MoEYS in its efforts to implement its sector reforms. It is acknowledged that the process involved in reaching such agreements may well be detailed and lengthy.

The low salaries of teachers is a particular obstacle that needs to be addressed in the sector.

6. Main Indicators

Main indicators for the programme will be developed by the formulation mission.

7. Financial Envelope

Estimated EC contribution: € 20 million

8. Indicative timeframe

A formulation mission should be fielded in early 2002 with the aim of finalising programme preparations in 2002 and starting implementation in 2003.

The initial programme duration is foreseen to be 5 years. It is however important to recognise that long term commitment is needed to support the implementation of the education sector reforms; this may call for a renewed programme.

9. Commitment

2002

5.2.2 Support to the Health Sector

Whereas the Sector Wide Management (SWIM) process is at an early stage with the National Health Master Plan still to be finalised, it is too early to commit substantive support to health sector reform in Cambodia. In addition, the Ministry of Health, the World Bank, the ADB and DfID are in the process of designing the content of a USD 100 million joint programme in support to the Health Sector for the years 2003-2007, that will cover a very large range of activities, including the provision of health services, support to the health sector reform and SWIM, and support to technical programmes.

At present, it would seem more appropriate for the Commission, while supporting this SWIM process, to develop an interim programme focused on capacity-building in a key sub-sector. Two inter-linked key areas for intervention have been identified: support to Health Education and Reproductive Health. The EC should also explore the possibility of supporting the development of public health services at operational district level, preferably through NGOs, in the provinces supported by the ECOSORN project.

Below, examples are given of activities that could be supported. These areas of intervention would have to be examined further in the light of further progress in the reform of the health sector and of other donors' involvement, at the programme identification stage.

1. Objectives

The overall objective of the action is to make a positive contribution to poverty alleviation by improving the health status of the Cambodian population, through (1) improving health promotion and education, including for communicable diseases and reproductive health, and (2) improving the quality and efficiency of public health services.

Specific objectives could include:

- (i) Supporting the efforts of the Government of Cambodia to move towards a sector-wide management process in the health sector.
- (ii) Improving the basic knowledge of the population concerning healthy lifestyles and the treatment of the more common health problems
- (iii) Improving the health status among women, particularly those of child-bearing age.
- (iv) Supporting the development of public health services in specific geographical areas, in liaison with the ECOSORN project.

2. Expected Results

- Increased capacity of the Ministry of Health to implement and manage health sector reforms.
- Improved health situation of large numbers of Cambodian people who do not benefit significantly from attempts to improve the public health sector.
- Increased knowledge about birth spacing, pregnancy, childbirth, child care, nutrition, post-natal care, leading to reduced levels of infant and child mortality as well as a reduction in the level of maternal mortality.
- Improved public health services delivery in specific areas within the ECOSORN programme.

3. Activities

Activities could include:

- assistance to the Ministry of Health for the planning, management and monitoring of health reforms, at central, provincial and operational district levels, the development of human resources management and the strengthening of legislation and regulations. Supporting public health information and awareness campaigns in a wide range of health topics, mothercraft skills etc, in liaison with the Education Programme.
- Reinforcing the capacity of the National Centre for Health Promotion and Primary Health Care in the piloting of health education work, including the development of health education material for use by provincial and local health services and the promotion of outreach work with local communities, women's groups, parent/teacher associations etc.
- Reinforcing health education teaching capacity within the four regional training centres,
- Assisting the Ministry of Health in regulating the import, manufacture and sale of pharmaceutical products and ensuring the provision and use of cost-effective drugs, including social marketing, for high-incidence diseases.
- Supporting Reproductive Health programmes
- Assisting the Ministry of Health in improving the management and delivery of public health services in selected operational districts of the ECOSORN provinces (preferably through NGOs).

4. Implementation

The implementation of the action will be defined during the formulation stage. The identification mission should also look at possible implementing partners, including NGOs that have been active in EC projects in the past.

5. Risks, conditions

There is a substantial risk that the Sector Wide Management process will not take off in the next coming years as expected. Donors have voiced doubts about the capacity of the Cambodian government to manage the sector wide approach at the present time due to the lack of management capacity, including monitoring and evaluation systems, and the absence of properly developed and functioning accounting systems.

The EC should encourage MoH efforts to embark on a sector-wide process but a substantial donor buy-in will be needed to ensure good results. Therefore the option to support programmes in priority sectors should remain open.

6. Main Indicators

Main indicators for the programme will be developed by the formulation mission.

7. Financial Envelope

Estimated EC contribution: € 5 million.

8. Indicative timeframe

An identification mission should be launched in 2002 to identify the framework for possible EC support to the health sector, focused on the EC health sector development priorities. The aim is to start to implement an action in 2003/2004. The programme should be implemented over three to five years, with the possibility of additional extended support for a sector wide programme.

9. Commitment:

2003

6. Priority 3: Trade Sector Development

6.1 Strategic Context/Justification

Trade Sector Development

The gradual integration of developing countries into the world economy is a major objective of EC development co-operation. The EC has identified the need to inter-link trade policy and development policy in order to achieve objectives related to poverty reduction. Thus, for the EC, trade-related technical assistance to developing countries is a high political and operational priority (Doha Development Agenda). It is clear that important pre-requisites to achieve sustainable economic growth are an open trade regime and a business-friendly environment of law, tax and public policy for enterprises. One of the most important ways by which a business-friendly environment can be provided and sustained is through increased

economic openness. A key feature of such openness is a country's integration into the global trading system.

Cambodia is committed to liberalising its trade regime in preparation for the ASEAN Free Trade Area (AFTA) Common Effective Preferential Tariff arrangements. Cambodia applied for WTO membership in December 1994, and submitted the Memorandum on its Foreign Trade Regime in June 1999. The first Working Party was held in May 2001.

Meeting commitments under AFTA and preparing for the accession to the WTO are great challenges for Cambodia and there are several important shortcomings to be addressed by the Government of Cambodia. These include basic management weaknesses, shortage of financial and human resources and weaknesses in the legislative framework. This will require technical assistance to the Cambodian administration both for institution and capacity building.

Cambodia currently participates in WTO and ESCAP training aimed at improving the capacity to participate more effectively in international trade negotiations. Further assistance might be needed, in particular, for human resource development in the Ministry of Commerce and other authorities involved in international trade. The Institutional Support Programme¹⁸ already under preparation will provide Technical Assistance to the Ministry of Commerce and the TA should, in addition to other tasks, assess the need for additional EC support to assist Cambodia to enhance its capacity. Particular attention should be given to the co-ordination and complementarity with the "Integrated Framework for Trade-Related Technical Assistance to LDCs".

Action 1: EC support to Cambodia's WTO accession

Certain key areas for intervention have been identified outlining possible interventions. Below, examples of activities are given that could be supported in these niches. These niches of intervention would have to be examined further at the programme identification stage.

1. Objectives

The overall objective of the action is to assist Cambodia to improve and build basic conditions for a sustained and stable economic growth. The specific objective of the programme is to assist Cambodia in preparing for accession to the WTO.

2. Expected Results

- Increased knowledge among Cambodian officials about international trade policy related matters in a free trade environment;
- Strengthened expertise on WTO provisions, rules and disciplines
- Improvements in the legal and regulatory framework and the administrative capacities to ensure compliance with WTO requirements.

3. Activities

Possible actions could include:

- Specific Technical Assistance on international trade related matters, including the drafting of trade related regulations and legislation. Actions could include support for

skills upgrading through training, seminars, and workshops; and transfer of know-how by European experts;

- Institutional strengthening to ensure the implementation of WTO-related regulations and legislation
- Dissemination of information with the aim of enhancing awareness and understanding of the consequences and benefits of WTO membership for Cambodia. Actions may include training, seminars, conferences, workshops.
- Trade and Investment related research.

4. Implementation

EC activities will need to be co-ordinated with relevant activities of other donors and designed with assistance of DG Trade. Particular attention should be given to the co-ordination and complementarity with the "Integrated Framework for Trade-Related Technical Assistance to LDCs".

5. Risks, conditions

In order to reach optimal results, trade sector strategy reform should be addressed through a comprehensive and integrated approach. This will require a strong commitment from the Government of Cambodia and co-operation between major donors and agencies.

6. Main Indicators

- Number and extent of WTO regulations/legislation adopted and implemented;
- Number of government officials and organisations participating in various activities (e.g., training, seminars, workshops, etc.)
- Level of increased awareness, understanding and dialogue by participants in various activities (e.g., based on feedback forms).
- Information/advocacy material produced.
- Number of research reports produced

7. Financial Envelope

Estimated EC contribution: € 2 million

8. Indicative timeframe

Considering the important challenges Cambodia faces in view of its accession to WTO, an Identification Mission should be undertaken in 2002 to formulate a programme in full consultation with other donors involved in this sector. Implementation should be foreseen to start in 2003.

9. Commitment:

2002/2003

Action 2: Cambodia's participation in the EC/ASEAN IPR programme

With Cambodia's accession to the EC/ASEAN Agreement the Royal Government of Cambodia requested to be included in regional EC/ASEAN programmes for which they are eligible.

1. Objectives

The general objective of this EC/ASEAN programme is to enhance EU/ASEAN investment and trade. The specific objective is:

to achieve further economic co-operation by upgrading the ASEAN intellectual property rights systems, in line with the highest international standards and practices;

2. Expected Results

- strengthened intellectual property administration within ASEAN;
- enhanced ASEAN co-operation on intellectual property enforcement and protection;

3. Activities

Cambodia will be able to participate in activities already established under the EC/ASEAN co-operation programmes on Intellectual Property Rights.

4. Implementation

Implementing details are already established under the EC/ASEAN Co-operation Programme on Intellectual Property Rights and the implementing agency has been chosen.

5. Risks, conditions

Not applicable

6. Main Indicators

Main indicators are already established under the EC/ASEAN Co-operation Programme on Intellectual Property Rights

7. Financial Envelope

EC contribution (Cambodian component): € 500.000

8. Indicative timeframe

Preparations for Cambodia's participation in the EC/ASEAN Co-operation Programme on Intellectual Property Rights should be finalised in 2002.

9. Commitment:

2002

Action 3: Cambodia's participation in the EC/ASEAN standards programme

With Cambodia's accession to the EC/ASEAN Agreement the Royal Government of Cambodia requested to be included in regional EC/ASEAN programmes for which they are eligible.

1. Objectives

The general objective of this EC/ASEAN programme is to enhance EU/ASEAN investment and trade. The specific objective is:

to achieve further economic co-operation by assisting ASEAN countries in the development of technical regulations and standards, conformity assessment procedures and quality structures and practices compatible with those of the EU.

2. Expected Results

- strengthened quality assurance infrastructure of the less developed ASEAN countries;
- increased exchange of good quality practices between economic sectors of the EU and ASEAN.

3. Activities

Cambodia will be able to participate in activities which will be established under the EC/ASEAN co-operation programme on Standards.

4. Implementation

Implementing details are already established under the EC/ASEAN Co-operation Programme on Standards.

5. Risks, conditions

Not applicable

7. Financial Envelope

EC contribution (Cambodian component): € 500.000

8. Indicative timeframe

Preparations for Cambodia's participation in the EC/ASEAN Co-operation Programme on Standards should be finalised in 2002/2003

9. Commitment:

2003

7. Cross-cutting issues

7.1 Strategic Context/Justification

Governance and Democratisation

The November 2000 Declaration by the Council and the Commission on the Community's development policy identifies the sustainable establishment and functioning of democratic institutions, ruled by good governance principles, including the rule of law, as a major area for EC co-operation. The EC's promotion of the democratisation process, including the promotion of human rights, shall aim at both the strengthening of this cross-cutting issue and at the strengthening of the impact and the sustainability of co-operation.

The good governance priorities of the EC are the development of institutional capacity-building activities, in particular relating to poverty alleviation, which include the improvement of the public services delivery and the promotion of local democracy better to respond to the needs of the population, the fight against corruption and the strengthening of the rule of law, by improving the legal and judicial system.

EC priorities towards the promotion of the democratisation process include support to the electoral process, development of the civil society and promotion of gender equity.

Good governance. While the concept of good governance is not new to Cambodia, the Government has acknowledged the necessity to strengthen and improve good governance, better to alleviate poverty. The Governance Action Plan (GAP), approved in March 2001, identifies priority actions, such as (i) the improvement of public services delivery, by strengthening the public administration, in particular at de-concentrated levels, better to respond to the needs of the population; (ii) the development of local democracy in order to reduce poverty (decentralisation process, election and establishment of commune councils); (iii) the improvement of social justice and the strengthening of the legal framework to encourage and secure further private investments.

The EC has already contributed to the institutional capacity-building process through various programmes (Institutional Support Programme I to various Ministries and National institutions, CAD, specific components of PRASAC, PASEC, CREP, institutional support to set up the CMAA and TPO project). The EC will further fund a three-year Institutional Support Programme II to seven key Ministries to contribute to the strengthening of governance in Cambodia, in particular through training of civil servants in charge of key reform activities, which aim at poverty alleviation. Necessary complementary support activities could be identified later, on the basis of the first outputs of the programme and considering the evolution of the Cambodian context.

In early 2001, Cambodia irremediably embarked on a decentralisation process to strengthen local democracy and improve poverty alleviation. Once elected, the 1621 commune councils will be responsible for local development and entitled to manage technical, human and financial resources, better to identify and meet the needs of local populations. The Government has approved a support strategy, created a new inter-ministerial reform council, the National Council to Support the Communes (NCSC), and set up other institutions to support the process. The tasks are huge, as the commune councils will be endowed with new rights and duties to improve local governance and development. The NCSC is conducting consultations to draw up a road map, that will list and address the requested activities during the first mandate 2002-2007 (e.g. required legal provisions, capacity-building and training activities, information dissemination activities). The process of de-concentration of public

administration is also meant as supporting this long-term objective and challenging decentralisation process.

The EC approach of gender equity and promotion of the role and participation of women in social and economic development is to address these issues within EC-funded programmes, in order to contribute better to the process and better to sustain the achievements in the framework of the overall socio-economic development.

Action 1: Support to the decentralisation process

The examples of activities listed below will have to be examined further at the programme identification stage.

1. Objectives

The overall objective is: to improve local democracy and local development and to contribute to the overall poverty alleviation process in selected provinces in the North-west of Cambodia.

The specific objectives are:

- (i) Improved local democratic participatory mechanisms and improved local governance;
- (ii) Improved service providers' function of the commune councils and improved appropriate local development activities.

2. Expected Results

Both at national and provincial levels (in the ECOSORN provinces).

- adequately trained commune councillors to fulfil their official tasks;
- population informed about the purpose, challenges, functions and duties of the commune councils within the decentralisation process;
- civil servants trained for their support duties to the decentralisation process;
- improved technical and material capacity of the commune councils to fulfil their tasks;
- improved planning and management of local development activities;
- improved funds transfers to the commune councils, local budgets management, that should lead to the increase of available local budgets, including increased own financial resources of the commune councils.

3. Activities

Activities should be undertaken mainly at provincial levels (in the ECOSORN provinces) but some supporting activities should be considered at national/central level.

- dissemination of tasks and duties of the commune councillors and training sessions required;
- efficient public awareness campaign on the decentralisation process;
- dissemination of support tasks and duties of the civil servants to the decentralisation process and training sessions as required;
- mobilisation of technical and material resources to allow the commune councils to fulfil their tasks (in the ECOSORN provinces);

-
- support activities for the implementation of the planning and management mechanisms at local level (if necessary elaboration of planning and management process modalities and/or required adjustments);
 - improvement of funds transfers mechanisms from the central level up to the commune councils, improvement of local budgets management and support activities to improve the capacity of the commune councils to raise local revenues.

4. Implementation

To be determined by a further study and/or identification mission, taking into account the existing National institutions, other involved development partners and the forthcoming EC-funded ECOSORN programme.

5. Risks, conditions

As various donors would contribute to dissemination, public awareness and training activities, it is mandatory for the NCSC to ensure that various programmes do not promote divergent messages and procedure, leading to divergent understandings across the country.

Lack of transfers and/or lack of sufficient transfers to communal budgets could prevent the commune councils from undertaking local development activities. Poor use of transfers by commune councils could discredit the decentralisation process. Poor local revenue-raising, because of poor local potential resources, could undermine local autonomy and meaningful decentralisation.

6. Main indicators

- Results of the next commune councils election (if commune councillors who do not fulfil their tasks objectively are not re-elected).
- Number and level of complaints from the population against the commune councillors.
- Availability of necessary and adequate technical and material resources for the commune councils.

7. Financial Envelope

EC contribution: € 10 million

8. Indicative timeframe

Study or Identification mission by the end of 2002. Implementation by 2003.

9. Commitment:

2003

COUNTRY STRATEGY PAPER

2004-2006

CAMBODIA

NB: The National Indicative Programme (chapter 6) limits its scope to budget years 2005–2006. It is part of the Country Strategy Paper, which gives the framework for cooperation 2004–2006.

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PREAMBLE

The Council Regulation (EEC) N° 443/92 of 25 February 1992 on financial and technical assistance to, and economic co-operation with the developing countries in Asia and Latin America (“ALA Regulation”), which applies to Cambodia, indicates that, whenever possible, indicative five-year programming shall be established for each country. The Regulation also foresees that the indicative multi-annual guidelines that apply to the main partner countries shall be adopted in coordination with a committee composed of representatives of the EU Member States. The multi-annual strategic planning is based on a Country Strategy Paper (CSP), which sets out the co-operation framework for the time period covered by the CSP. The CSP is translated into operational guidelines, laid down in the multi-annual National Indicative Programmes (NIPs).

The previous EC-Cambodia Country Strategy Paper, covering 2000-2003, was agreed with the Royal Government of Cambodia and approved by the ALA Committee in 2000. With the establishment of a common framework for CSP a National Indicative Programme, covering the years 2002-2004, was approved by the ALA Committee in 2002. **As the previous CSP was prepared before the common framework for CSPs was agreed, it covered only the years 2000-2003. It has therefore been agreed that the new CSP will cover the period 2004-2006 in order to be in line with other CSPs in Asia. The CSP 2004-2006 therefore covers activities to be committed in 2004 from the NIP 2002-2004 as well as activities foreseen in the new NIP covering 2005-2006.**

The General Affairs and External Relations Council (GAERC) of March 2003 fixed four criteria against which to assess the validity of the CSPs and the need for possible changes of the CSP and/or the National Indicative Programme. Mid-Term Review (MTR) missions were fielded to verify the CSPs against these criteria. The MTR for Cambodia was carried out during the first quarter of 2003. As the MTR observed, the new priorities in external EU/Community policies (TRTA, JHA issues etc) are sufficiently covered in the current CSP/NIP, taking into account EC resources available. However, considering the cross-border nature of issues such as human trafficking and the existing regional co-operation in combating drug trafficking, additional activities on the regional level could be considered. Changes in the international context were not deemed to have had a significant impact on the framework for EC-Cambodia relations. The development inside ASEAN is being addressed bilaterally and through regional EC-ASEAN programmes.

The MTR concluded that the CSP remained relevant and highlighted that a new CSP, covering 2004-2006, should be prepared as the current one was due to expire at the end of 2003. The MTR also concluded that the focal sectors foreseen in the NIP 2002-2004 were complementary to co-operation activities by EU Member States and other donors, and that no revision of the NIP 2002-2004 was required.

This document therefore covers the EC-Cambodia Country Strategy Paper 2004-2006 and the National Indicative Programme 2005-2006.

THE EC-CAMBODIA COUNTRY STRATEGY PAPER 2004-2006

Executive Summary

Cambodia is still in the process of emerging from a severely traumatic post-crisis situation.

Violence, domestic and public, remains endemic. Weak law enforcement exacerbates the situation, resulting in significant impunity, fuelled by corruption. Although important steps have been taken to establish a multi-party democracy and to address governance and human rights issues, Cambodia still needs to progress further towards a fully functioning democracy.

According to IMF and Asian Development Bank (ADB) data, real GDP growth reached 5.2% in 2003. Real GDP growth in 2004 is expected to reach around 4-4.5%. In 2005, GDP growth may decelerate even further, due to increased competition arising from the textiles quota liberalisation. The share of garment exports in total domestic exports was 85% in 2002, and although tourism receipts totalled only ¼ of the value of garment exports, these two sectors are by far the mainstays of the Cambodian export structure. Cambodia's garment export industry, totalling 1,6B US\$ in 2003, will face stiff competition from other garment exporters when trade among World Trade Organization (WTO) members is fully liberalised in 2005.

A variety of conditions, ranging from malnutrition, illiteracy, gender discrimination, limited access to social services to weak social capital, contribute to the country's socio-economic inadequacies. Poverty in rural areas is most acute. 80% of the poor live in rural areas and are dependent upon agricultural production and natural resource extraction for their livelihoods.

Cambodia faces multiple challenges in education, including a low-skilled population characterized by low productivity, a high number of out-of-school youth due to persisting deficiencies of the formal school system, and a very young and rapidly growing population increasing the demand for education services. In addition, the health status of the Cambodian population is among the lowest in the Western Pacific region. The high cost and low quality of health care in Cambodia, is estimated to consume about 11% of household income.

The Cambodian authorities have embarked on an ambitious reform programme. The key priority of the government is to foster broad based economic growth with the private sector playing the lead role, to improve the access of the poor to social services, to promote sustainable management and use of natural resources and to improve governance.

The overarching goal of EC-Cambodia co-operation is to target poverty reduction in rural areas. The co-operation policy, outlined in this paper, aims to support the implementation of this and other EU policy objectives. Taking into consideration the activities of other

donors as well as experience from previous EC co-operation with Cambodia, the paper concludes that the EC's co-operation programme should focus on two focal sectors:

Taking into account relevant economic sectors that have a bearing on rural areas, including trade, the first focal area for EC-Cambodia co-operation will be **pro-poor economic development**. The EC strategy in this focal area will target rural livelihoods. While development of agriculture is emphasised - particularly as regards small-scale irrigation, crop diversification and improved technologies - attention will also be given to the development of local SMEs, their access to market and trade enhancing measures.

Considering that poverty alleviation in the rural areas is closely linked with development in health and education, support to the **social sector** will be the second focal area for EC support. Crosscutting and complementary themes to the focal sectors are related **governance and democratisation issues**.

In addition, human resource development will form an integral part of all EC development programmes, as will environment and gender issues. As regards gender issues, women and children form a particular focus for Cambodia under the EIDHR and the participation of women in human resource development activities is encouraged.

The implementation of EC cooperation activities in Cambodia will be complemented by an increased focus on policy dialogue in the identified focal sectors. The Commission will, through policy dialogue, support the RGC's move towards SWAPs in the focal sectors.

Abbreviations

ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area
ALA	Asia Latin America
ASEAN	Association of Southeast Asian Nations
AUNP	Asean University Network Programme
CAR	Council for Administrative Reform
CFSP	Common Foreign and Security Policy
CG	Consultative Group
CPP	Cambodian People's Party
CSP	(EC) Country Strategy Paper (for Cambodia)
DAC	Development Assistance Committee
DFID	Department for International Development (UK)
DTIS	Diagnostic Trade Integration Study
EC	European Commission
ECOSORN	"Economic and Social Relaunch of the Northwestern provinces"
ECHO	EC Humanitarian Office
EIDHR	European Initiative for Democracy and Human Rights
EFA	Education for All
ESP	Education Strategic Plan
ESSP	Education Sector Support Programme
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FUNCINPEC	Front Uni National pour un Cambodge Indépendant, Neutre, Pacifique et Coopératif
GAERC	General Affairs and External Relations Council
GAP	Governance Action Plan
GMO	Genetically Modified Organisms
HDI	Human Development Index
HRMIS	Human Resource Development Information System
HSP	Health Sector Strategic Plan
ICC	International Criminal Court
IDA	International Development Association
IFAPER	Integrated Fiduciary Assessment and Public Expenditure Review
IFC	International Finance Corporation
IMF	International Monetary Fund
JHA	Justice and Home Affairs
JICA	Japan International Co-operation Agency
MAFF	Ministry of Forestry and Fishery
MDG	Millennium Development Goals
MEF	Mid-Term Expenditure Framework
MFI	Multinational Financial Institutions
MoC	Ministry of Commerce
MoEF	Ministry of Economy and Finance

MoEYS	Ministry of Education, Youth and Sport
MoH	Ministry of Health
MoRD	Ministry of Rural Development
MS	Member States (of the European Union)
MTR	Mid-Term Review
NEAP	National Environment Action Plan
NGO	Non-Governmental Organisation
NIP	National Indicative Programme
NPRS	National Poverty Reduction Strategy
ODA	official development assistance
OECD	Organization for Economic Co-operation and Development
PAP	Priority Action Programmes
PERC	Rehabilitation Programme for Cambodia
PLG	Partnership for Local Governance
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
RGC	Royal Government of Cambodia
SEDP	Socio-Economic Development Plan
SME	Small and Medium Enterprise
SOCB	state-owned commercial banks
SPS	Sanitary and Phyto-Sanitary measures
SRP	Sam Rainsy Party
SWAp	Sector Wide Approach
SWiM	Sector Wide Management
SWOT	Analysis of Strengths, Weaknesses, Opportunities, Threats
TBT	Technical Barriers to Trade
TREATI	Trans-Regional EU-ASEAN Trade Initiative
TRTA	Trade Related Technical Assistance
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Education, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
UXO	Unexploded ordnance
WB	World Bank
WFP	World Food Programme
WHO	World Health Organization
WTO	World Trade Organisation

Cambodia at a glance

INDICATOR	VALUE	YEAR(S)
Area	181.000 sq. km	
Population	14.2 million	2003
Annual population growth	2,2%	1996-2002
GDP (US\$)	3.9 billion	2003
GDP per capita	280 \$	2003
Real GDP growth (%)	5.0	2003
Consumer price inflation (average %)	1.7	2003
Current account balance (US\$)	-218.1 million	2003
Life expectancy	54 years	2002
Infant mortality rate (per 1.000 births)	97	2001
Maternal; Mortality (per 100.000 births)	437	2002

Sources: WB, ADB, UNDP

1. EUROPEAN UNION POLICY OBJECTIVES

Article 177 of the *Treaty of the European Communities* sets out the three broad objectives for Community development co-operation. These are: fostering of sustainable economic and social development; the smooth and gradual integration of the developing countries into the world economy; the fight against poverty. This article also states that Community policy should contribute to the general objective of developing and consolidating democracy and the rule of law and encouraging the respect for human rights and fundamental freedoms.

Further to the Commission's Communication on "*The European Community's Development Policy*"¹, the Joint Council and Commission Declaration on Development Co-operation of November 2000 states that Community development policy is grounded in the principle of sustainable, equitable and participatory human and social and environmental development. Promotion of human rights, democracy, the rule of law and good governance are integral elements of EC policy, as well as the link between trade and development, support for regional integration and co-operation. The Declaration also specifies that, in line with the macro-economic framework, the Community must also continue its support in the social sectors (health and education).

¹ COM (2000) 212 final of 26.04.2000

The Treaty establishing the European Community foresees that the EC and the Member States shall co-ordinate their policies on development co-operation and shall consult each other on their assistance programmes, including in international organisations and during international conferences. Efforts must be made to ensure that the Community development policy objectives are taken into account in the formulation and implementation of other policies affecting the developing countries. Furthermore, as laid down in Article 20 of the Agreement, systematic account shall be taken of mainstreaming into all areas the following cross-cutting themes: gender and environmental issues, institutional development and capacity building.

The Commission communication "*A new partnership with South East Asia*"² identifies six strategic priorities, and outlines actions by which the EU's relationship with ASEAN and the countries of South East Asia could be improved. In particular, the EU should work to support regional stability and the fight against terrorism; contribute to the protection of human rights and to the spreading of democracy, good governance and the rule of law; mainstream justice and home affairs issues; further strengthen our mutual trade and investment flows with the region and support the development of the less prosperous countries of the region.

In its communication on conflict prevention³ the Commission has announced its intention to focus more clearly its co-operation on addressing root causes of conflict in an integrated way. Within this framework, the Commission will aim to incorporate specific conflict prevention measures in its development programmes.

2. THE POLICY AGENDA OF CAMBODIA

The "Rectangular Strategy" of the RGC foresees four main axes: the social stability, the regional and international integration, the partnership with the international community and the private sector for the development of the country, and the macro-economic development. Good Governance features at the core of the new strategy. It includes the adoption of the law against corruption (that will set up an independent institute to control public finances), the reform of the administration (with an increase of public servants' salaries of 10-15% per year, the simplification of procedures, etc.) and the army (with the demobilisation of soldiers) and the legal & judicial reform (adoption of new codes, setting up of Commercial Court, Administrative Court and Juvenile Court). Agriculture, infrastructure, employment and development of human resources are the priority sectors identified in the strategy.

Cambodia is committed to achieving the Millennium Development Goals (MDG) and has identified a set of specific international development targets by 2015. Although much household survey data has been gathered over the last decade, the data is not comparable due to differences in methodology and coverage. The government has established a poverty monitoring and analysis system which will be the main tool for regular reporting on progress in achieving the development goals. Cambodia presented its first MDG

² COM (2003) 399 final of 09.07.2003

³ COM (2001) 211 final of 11.04.2001

report in 2001. The report does not cover the full set of MDG but should rather be seen as the foundation for future expanded MDG reports.

The Second 5year Socio-Economic Development Plan 2001-2005 (SEDP II) was adopted by the Royal Government of Cambodia on 29th July 2002. The strategy of the SEDP II can be summarised as follows;

- i) to foster broad based economic growth with equity, with the private sector playing the lead role;
- ii) to promote social and cultural development by improving the access of the poor to education, health, water and sanitation, power, credit, markets, information and appropriate technology;
- iii) to promote sustainable management and use of natural resources and the environment, and
- iv) to improve the governance environment through effective implementation of the Governance Action Plan (GAP).

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).

A National Poverty Reduction Strategy (NPRS) was adopted in December 2002, building on the Interim Poverty Reduction Strategy and the SEDP II. The EC participated in the consultation process throughout the preparation of the NPRS. The NPRS includes a comprehensive set of performance indicators, and establishes mechanisms for tracking progress in achieving targets over time.

By preparing and offering a strategic poverty reduction document the Royal Government of Cambodia expects that its development partners will increasingly align their assistance with this programme. The Government intends to link the NPRS process to the Consultative Group (CG) process. This mirrors the statement by the Council and the Commission on 10th November 2000 on EC Development Policy that stresses support to national PRSPs where they exist.

It is foreseen that the next Socio-Economic Development Plan and the corresponding NPRS will be merged and presented as one document in 2005.

The priority actions required to implement the Government's Poverty Reduction Strategy are structured under four pillars: promoting opportunities, expanding capabilities, reducing vulnerability, and improving security and governance.

The EC's Country Strategy Paper (CSP) 2004-2006 closely follows the priority sectors identified in the NPRS by the Royal Government of Cambodia. These sectors are sub-divided into three headings, namely:

Poverty and inequity challenges: rural development, basic education and health.

Economic challenges: fiscal reform, trade and private sector development.

Governance and democratisation challenges: legal and judicial reform, decentralisation and donor coordination.

Seven key points are to be made regarding the NPRS:

i) The National Poverty Reduction Strategy was prepared through extensive consultations with line ministries, the private sector, civil society organisations and donors. This is to be commended considering the country's long history of conflict and civil war, which formally ended with the signing of the Paris Peace Agreements in 1991, although the last Khmer Rouge only agreed to lay down their arms as late as 1998.

ii) Considering the extent of the agreed reform programme and the need for comprehensive sectoral strategies, a major challenge for the new Government is to ensure that the priorities of the NPRS are linked to the Government's Medium-term Expenditure Framework (MEF). This would place the NPRS in a central position in the preparation of the national budget, and provide individual line ministries with greater opportunities to achieve the stated NPRS targets.

iii) A strong emphasis is put on the need to improve rural livelihoods through the promotion of sustainable agricultural development and a diversification of agricultural produce, and a need to invest in small and medium sized enterprises with value-added processing capacities

iv) The Education Strategic Plan (ESP) for 2001-2005 was jointly endorsed by the RGC and donors/NGOs in mid 2001 to achieve the goal of "Education for All" (EFA) within eight years. The Education Sector Support Programme (ESSP) aims to ensure that public resources primarily benefit the poor and includes interventions targeting the most vulnerable groups. Challenges remain numerous, considering the low salaries of teachers and a lack of infrastructure and material.

v) The NPRS confirms the importance of trade as a critical component of poverty reduction. Taking advantage of a recently concluded trade diagnostic study, prepared for the then up-coming accession to the WTO in September 2003, the NPRS reflects upon a range of trade issues, including an analysis of the risks associated with multilateral trade liberalisation.

vi) Gender issues are particularly well-addressed throughout the NPRS. The disaggregation of indicators by gender has been done for education, health, and the legal sector in order to better address the participation of women in society and in development programmes.

vii) Governance issues are clearly addressed in the NPRS, identifying the fight against corruption as a cross-cutting issue critical for reducing poverty, and facilitating the important process of decentralisation. However, while the GAP was developed to tackle

problems within national governance institutions and systems, its rapid implementation will be the real sign of the government's commitment to deal with these issues.

3. ANALYSIS OF THE POLITICAL, ECONOMIC AND SOCIAL CONTEXT

3.1 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. This process, which was backed by a UN presence until the first parliamentary elections in May 1993, facilitated the foundation of a constitutional monarchy with King Sihanouk as Head of State, and led to the appointment of a power-sharing government comprising two parties. Two co-prime ministers were appointed, Prince Norodom Ranariddh of the royalist FUNCINPEC party and Hun Sen of the Cambodian People's Party (CPP).

The process came to a halt in July 1997 when First Prime Minister Prince Norodom Ranariddh was ousted after armed clashes between supporters of the two main government coalition parties.

The national elections of July 1998 resulted in a National Assembly composed of three parties: Cambodian Peoples' Party (CPP), Front Uni National pour un Cambodge Indépendant, Neutre, Pacifique et Coopératif (FUNCINPEC) and the Sam Rainsy Party (SRP). Post-election negotiations resulted in the formation of a coalition government between the CPP and FUNCINPEC in late November 1998, with the SRP as the opposition. At the same time, the creation of the Senate was suggested by the King. Senators have been appointed by the political parties present in the National Assembly and by the King. The mandate of the current Senators is now foreseen to come to an end by March 2005.

In February 2002, Commune Councillors of all the 1621 Communes were elected for a five-year mandate, allowing a multi-party system at the commune level to strengthen local democracy and the participation of the population in local development.

The last national elections took place on 27th July 2003. Although the atmosphere calmed down after the riots against the Thai embassy and some Thai business interests in Phnom Penh (29th January 2003), concerns remained during the pre-election period over the number of alleged political killings and the inflammatory, xenophobic rhetoric of some political parties during the campaign. However, compared with previous elections the atmosphere during the campaign period was less tense and there were fewer violent incidents. Following several months of political stalemate between the three main parties, the National Assembly agreed the new CPP-FUNCINPEC coalition government on 15 July 2004.

After long negotiations with the United Nations, the Law on the establishment of extraordinary chambers in the courts of Cambodia for prosecution of crimes committed during the period of Democratic Kampuchea, was promulgated in August 2001. The UN General Assembly approved, after additional negotiations, the Draft Agreement on the

modalities for the implementation of the Law, which set out the structure of international contributions (technical and financial) necessary for the process. This led to the signature of the Agreement by the RGC and the United Nations in June 2003. The Agreement will require ratification by the Cambodian side, amendments to the Law and an exchange of letters before the formal establishment of the extraordinary chambers. The political commitment of the RGC as well as international support will be critical for the implementation of the process.

Although Cambodia has made important gains in the field of human rights in the last decade, it is still a country in the early stages of a post-conflict situation. There are a number of human rights organisations and civil society groups 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. Even if important steps have been taken to establish a multi-party democracy and to address governance issues, Cambodia still needs to progress further towards a fully functioning democracy. Indigenous ethnic minorities account for less than 1 percent of the total population. Although discrimination against ethnic minorities is not a major problem, ethnic minority groups are mainly living in the poor and remote areas of the country and thereby facing additional difficulties as regards access to health and education.

3.2 Economic Situation, structure and performance

With a GNP per capita of 280 US\$ and rural earnings amounting to 40 US\$ a month per household, Cambodia is one of the poorest among East Asian countries.

Annual growth rates reached 7% between 1999 and 2001, driven largely by a buoyant garment export sector and the implementation of an internationally supported economic reform agenda. Foreign investment flows, however, declined sharply from 140.9m US\$ in 2001 to 47.8m US\$ in 2002⁴. According to IMF and Asian Development Bank (ADB) data, real GDP growth reached 5.2% in 2003, reflecting a strong rebound in agriculture. In 2003, the agricultural rebound offset weaker non-agricultural growth stemming from the SARS-related decline in tourism, and from election-related uncertainties. Real GDP growth in 2004 is expected to reach around 4-4.5%. In 2005, GDP growth may decelerate even further, due to increased competition arising from the textiles quota liberalisation⁵. Inflation in 2004 is expected to increase to an annual average of around 2.3%, reaching 3% in 2005. This is primarily due to higher oil and food prices.

The riel has stabilised against the dollar since 1999, halving the riel-denominated inflation rate to 3% between 1999 and 2002. The central bank has been intervening in the foreign exchange market to stabilize excessive short run exchange fluctuations. A high level of “dollarisation” exists in country, a situation that is not considered problematic in the short to medium term. Overall share of government spending maintains an upward

⁴ ADB figures 2003

⁵ almost 80% of Cambodian exports are represented by garments

trend reaching 17.6% of GDP in 2002. RGC recorded an overall fiscal deficit of 7.4% in 2002, higher than the government's aim of 6%. In 2003 fiscal discipline has slipped further due to election related spending.

Income distribution in Cambodia is highly uneven, with the poorest 20% sharing only 6.9% of national income and consumption. Poverty in rural areas is most acute. 80% of the poor live in rural areas and are dependent upon agricultural production and natural resource extraction for their livelihoods. Poor agricultural productivity growth in 2002 and modest services sector growth between 1994 and 2001, as evidenced by average annual growth rates of -2.7 and 2.8% respectively, does not bode well for the needs of a labour force expected to grow annually by around 250,000. The need for new employment opportunities challenges the government and the private sector to create jobs in rural areas.

3.3 Social developments

Low incomes alone do not explain poverty in Cambodia. A variety of conditions, ranging from malnutrition, illiteracy, gender discrimination, limited access to social services to weak social capital, contribute to the country's socio-economic inadequacies. 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, whilst 40% of the rural population survive below the national poverty line (0.5 US\$ a day).

Adult illiteracy in Cambodia is 32.7%. Although gross and net primary enrolment ratios compare favourably with other Mekong countries, significantly lower gross secondary and tertiary enrolment ratios⁶ are 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.

While Cambodia is self-sufficient in rice production on a national level, factors such as poor infrastructure, varying soil quality, access to land, variable rainfall, drought and flood, result in an uneven distribution of the national staple. A lack of dietary diversification is one of the main causes of malnutrition, and micronutrient deficiencies in country. In addition, access to rural land continues to be impeded by the presence of landmines and unexploded ordnances (UXOs).

The health status of the Cambodian population is among the lowest in the Western Pacific region. The high cost and low quality of health care in Cambodia, estimated to consume about 11% of household income, cripples poor families and adds to the vicious cycle operating between ill health, malnutrition, poor social services and poverty. 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 poor in rural areas are particularly susceptible, due to a lack of access to safe water and sanitation.

⁶ standing at 18.7% and 2.8% respectively compared to 67.1% and 9.7% in Vietnam

3.4 Assessing the process of reform

Given the short period of time that has passed since the country experienced a return to democracy, the overall progress has been good. Strategies are in place at the national and sectoral levels to promote economic and social development and to address poverty.

Macroeconomic growth and fiscal stability have improved since the beginning of 1999 and were further strengthened under the Poverty Reduction and Growth Facility (PRGF). Tax revenues have increased but continue to suffer due to widespread smuggling and considerable exemptions from customs duty under the 1994 Law on Investment. Problems relating to collection have also affected income. The reform of the financial sector with respect to the re-structuring of the banking sector has been successful in so far that it has resulted in a banking system that is well capitalised and highly liquid. The RGC has started a complex reform of the trade sector, including streamlining custom administration.

The sectors where the reform process has been most dynamic are the social sectors, particularly education and health. The RGC is making steady progress in increasing funding for the social sectors and in improving the efficiency and effectiveness of spending on health and education. Despite this progress, disbursement rates in both the health and education sectors remain well below expectations due to chronic cash shortages and systemic and institutional constraints. This means that Cambodia's education and health expenditures as a percentage of GDP still lag behind the average for low-income countries, and compare poorly with the average levels of expenditure by countries in the region.

There is still a need for improvements as regards the implementation of reforms in public administration and in the legal and judicial sectors. The programme for the demobilisation of the military, agreed in 1999, has so far only been able to achieve a reduction in "ghost soldiers".

3.5 Main sectoral policies

Agriculture and natural resources

Cambodia is well-endowed with natural resources relative to the size of its population. Agricultural products have been identified as having a major potential for export led growth. The Government has acknowledged the need to modernise the agricultural sector whilst, at the same time, strengthening the capacities and resources of smallholder farming. Agricultural growth is to be achieved through increased private sector participation, improved infrastructure, private irrigation, crop diversification, and improved technologies. The RGC is now engaged in the promotion of private sector development, mainly among SMEs and a small number of international companies. The aim of private sector development is to link farmers to markets and recreate the delivery

mechanisms and retailer networks and associations that were destroyed during the years of war. Areas needing particular attention are access to information and capital.

The forestry sector remains problematic. Although a draft forestry law has been prepared, little thought has thus far been given to a practical sustainable forestry strategy. Unsustainable logging reportedly continues, and as a result the sector contributes very little to government revenue. Major problems also exist in the fisheries sector with the 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 and fish stocks are diminishing rapidly.

Trade development

A "pro-poor trade strategy" was endorsed by the Council of Ministers in 2001 and as a step to implement this strategy, a diagnostic trade integration and competitiveness study (DTIS) has been undertaken, outlining the links between trade development and poverty reduction, and the impact of trade reform on economic growth. With the support of the Integrated Framework, the Ministry of Commerce has developed an Action Plan containing a set of policy recommendations and priority capacity building needs to overcome the constraints identified. Trade policy priorities have been mainstreamed into the NPRS and a Technical Assistance Matrix has been developed. The RGC is presently revising the DTIS to include recent changes, primarily the need to comply with the terms of the accession protocol to the WTO. The revised DTIS will include an updated framework for Trade Related Technical Assistance (TRTA). It will make recommendations on how to improve policy dialogue and donor coordination, including a possible move towards a sector wide approach (SWAP).

The modernisation and simplification of import and export procedures and border controls is necessary to increase the competitiveness of Cambodian products on the world market. In particular, the garment sector would benefit enormously from such reforms. Restructuring of procedures needs to be accompanied by training for the customs services, and salaries/benefits of custom officials increased. In August 2004, the RGC presented a Trade Facilitation programme which includes also the setting up of a single window and a single administrative document for custom procedures. The WB will finance a programme for customs' automation.

Education

In recent years, the education sector has increasingly become a strong focus of the RGC's reforms, with the Ministry of Education Youth and Sport (MoEYS) launching a major overhaul of this sector. The MoEYS is fostering a sector approach and a policy-driven education reform programme aimed at implementing key reforms for equitable access, quality improvement and improved management and financing of education services at all levels.

In close cooperation with other stakeholders the MoEYS produced its first Education Strategic Plan (ESP) in 2001, which is supported by a rolling Education Support Sector Programme (ESSP). Priority Action Programmes (PAP) outline the key policy reforms of the MoEYS and are supported by financial management reforms in the Ministry of Economy and Finance. The ESP/ESSP medium-term programme is complemented by the long-term national Education for All (EFA) plan.

In the end of 2003, a comprehensive revision of the ESP was started to consolidate current achievements and to extend and deepen the range of policy and strategic reforms. The purpose of the ESP revision is also to enable a more immediate implementation of the RGC's broader development agenda, which includes: the realisation of NPRS poverty reduction targets through improved pro-poor access to education opportunities at all levels; the enhancement of Cambodia's economic competitiveness within the WTO framework, by improving the market responsiveness of education and training systems; the acceleration of economic growth and the advancement of social well-being through the deepening and diversification of Cambodia's human resource base and the achievement of agreed Millennium Development Goals (MDGs).

Health

Produced in 2002, the Government's first Health Sector Strategic Plan (HSP) provides guidance to the Ministry of Health (MoH) and international partners for the development of the health sector. The strategy is "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 marks a major shift from a strategy based on health facilities coverage to one based on outputs and outcomes.

The HSP defines the priority areas of work and strategies to follow in order to reach its expected outcomes, which include: reduced maternal, infant and child morbidity and mortality rates, improved nutritional status among children and women, reduced total fertility rate, reduced household health expenditure especially among the poor, and a more effective and efficient health system. The MoH has developed a "Sector Wide Management" approach, which facilitates the implementation and monitoring of the strategic plan in close consultation and collaboration with all stakeholders.

Governance

The current Governance Action Plan covers several cross-cutting areas, including civil service reform, decentralisation and deconcentration, judicial and legal reform, public finance, anti-corruption, and gender equity.

The overall policy for **civil service reform** is in place, but there are important challenges for this long-term reform process. It will be crucial that the long awaited sustainable pay reform is clearly defined in consultation with all stakeholders, and implemented. The definition of a policy for human resource development and management is also critical

for efficient services delivery. The legal framework of the **decentralisation** process and its relationship with the deconcentration process is not fully in place. Progress has been made since the election of the Commune Councillors, with a legal framework allowing them to plan, develop and manage the communes' development plans and budgets. However, it has yet to be ensured that the communes have adequate human resources for socio-economic planning and development at the local level. The RGC has established a RGC/donor Working Group for the development of a joint long-term Strategic Framework on decentralisation and deconcentration.

While the legal framework has been expanded, the problem of weak enforcement remains unsolved. In 2003 the RGC adopted a Strategy on **Legal and Judicial Reform**, and a subsequent action plan, setting out short-term to long-term priority activities for implementation. A draft anti-corruption law has been adopted by the Council of Ministers, but has not yet been approved by the National Assembly. The implementation of the **military demobilisation** programme agreed in 2001 has stalled and there is presently no clear policy direction from the RGC. Large numbers of soldiers with arms contribute to violent crime and personal insecurity among the general population. To reverse this situation, the Government is actively promoting the registration and/or collection of small arms and weapons by the public, the armed forces, and the police.

3.6 External Environment

Both exports and imports increased significantly between 1999 and 2003. Exports increased by 20% per annum during the period, enhanced by an impressive growth in the garment and tourism sectors. The share of garment exports totalled 85% of total exports in 2002. Industries such as rubber, logs and sawn timber lag behind at 3.4% and 2.2% of total exports respectively (according to official figures), reflecting a general lack of will on forestry reform.

Cambodia's membership of the Association of Southeast Asian Nations (ASEAN) in 1999 and thus automatic accession to the ASEAN Free Trade Area (AFTA) has impacted on trade flows. Exports to ASEAN countries decreased from 42% to 6% of total between 1998 and 2001, whilst imports from the ASEAN region increased from 26% to 72% of total during the same period. To support its commitments under AFTA and its own development goals, the RGC has reformed the tariff regime to boost investment. It agreed to reduce tariffs on imported goods from ASEAN members to 0-5% by 2010. Negotiations are on-going for signing FTAs with USA, Australia, India, China.

Cambodia's trade will continue to be shaped by key WTO rules and regional arrangements. The share of exports to the US has continued to increase and reached 68% in 2003, thanks to the quotas granted to Cambodia by the US on garment products under the US-Cambodia textile agreement. With garments and textiles accounting for 99% of exports to the US, the phasing out of quotas in 2005 under the WTO Agreement on Clothing and Textiles will challenge the industry's ability to increase its competitiveness and prevent investors from re-locating their factories outside the country.

Cambodia's accession to the WTO was approved by WTO ministers on 11 September 2003, and the agreed terms were ratified by Cambodia's National Assembly in August 2004. Stated commitments within the WTO framework 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, export restrictions and other sub-areas.

EU-Cambodia Trade Relations

EU Imports from Cambodia totalled **€419 million** in 2003. Main products were knitted clothing and woven clothing. Main importing countries were Germany, U.K. and France. Exports from the EU countries totalled **€ 79 million** in 2003. Main products were electrical machinery, equipment and parts, pharmaceutical products and mechanical machinery. Main exporting countries were France, Germany and Austria.

In 1999 the EC initialled a “**Textile Trade Agreement with the Royal Government of Cambodia**”. This agreement provides Cambodia with unlimited access to the EU market for Cambodian textiles exports and assures the Cambodian origin of the exported products through a system of agreement and triple-checking for such trade. With Cambodia's entry into ASEAN, the EU has 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. Moreover, since early 2001, Cambodia benefits from the **Everything But Arms** (EBA) initiative, which grants duty-free and quota-free access for all exports (except arms) originating from Cambodia.

3.7 Sustainability of current policies

One of the main challenges for the sustainability of current policies will be to ensure the **continued implementation of structural economic reforms**. Although the Government has declared its commitment to further economic reform measures and strict macro-economic management, there is a risk that the pace of implementation of reforms will be hampered by the lack of institutional capacity, pervasive corruption and the strong links between political and business interests. Discussions regarding a new IMF Poverty Reduction Growth Facility Programme are due to commence with the formation of a new government, which will put pressure on the Government to continue the stabilisation programme.

The success of Cambodia's efforts to alleviate poverty in the rural areas will depend on its ability to **ensure sustained growth** through increased domestic demand, continued export growth and increased foreign investments. The performance of the agricultural sector, which accounts for 40% of GDP will be particularly important as it will influence the consumption capacity of Cambodia's largely rural population. At the same time, sustainable management and use of natural resources remains a challenge for the development of the rural areas.

Cambodia still has one of the worst AIDS epidemics in Asia, even if infection rates are declining. Cambodia has an estimated 169,000 people living with **HIV/AIDS** and there

are already an estimated 49,000 children under 15 years of age 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. The AIDS epidemic could potentially de-stabilize current development gains, overloading already stretched health and community services and diminishing national productivity.

The **trafficking of women and girls** is a major problem with an estimated 40,000⁷ trafficked Cambodian women in Thailand alone. The Ministry of Women and Veteran Affairs and the Ministry of Interior are collaborating to promote public awareness, while the role of the police is being strengthened in cross-border operations. Regional initiatives within ASEAN are also being developed. The sustainability of Cambodia's efforts in this field will depend on the success of Cambodia's efforts to alleviate poverty, particularly in the rural areas, as well as continued efforts to improve the legal framework and the judicial system.

The Government is sharing intelligence on **terrorism** with other countries and some donors are providing training to the police and customs authorities. The Government has said that its first priority will be dialogue with the religious sects and indicated intelligence sharing and training as possible areas of collaboration with the EU and other international donors.

3.8 Medium term challenges

Cambodia's development challenges can be grouped under three main themes: reducing the high incidence of poverty, particularly in the rural areas; increasing exports through continued reform of the economic sector; and addressing governance and democratisation.

Poverty and inequity challenges

80% of the poor in Cambodia rely on agriculture related activities for their primary source of income. In addition, the country is presently experiencing the impact of a demographic skew in its population – the baby boom of the mid eighties - that is now producing around 250,000 unemployed youth each year, mainly in rural areas. Therefore, **rural development remains a key issue for addressing poverty in Cambodia.**

It will be necessary to modernise the agricultural sector with appropriate technologies while, at the same time, strengthening the capacities and resources of smallholder farming. Better access and ownership to land, water, and other agricultural inputs need to be achieved. The scale of development required to achieve the economic and social development targets suggests that significant private sector involvement will be needed for rural development, especially with regard to the expansion of agricultural production and agro-processing. Considering the number of areas that need to be addressed, the Government must prepare an integrated framework to guide the direction of

⁷ Ministry of Women and Veteran Affairs Cambodia

rural/agricultural development and reflect more seriously upon the allocation of resources within this framework. An initiative to establish a technical working group in the agricultural sector, involving donors and government, aims to address some of these issues, including better targeting of pro-poor agricultural development.

According to the Participatory Poverty Assessment Report of 2001, most of the poor have low educational attainment. The annual ESSP reviews and other studies highlight that a number of major challenges for **education development** remain. In particular, high drop-out rates in basic education, inequities in access for girls and 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. The increase in enrolment rates have not been matched by a concurrent increase in the number of skilled teachers.

In addition to the focus on achieving the completion of a nine year basic education for all, equitable access to relevant post-basic education and life skills training must be ensured to meet the needs of new labour markets and to improve economic rates of return. While a number of policy measures to implement pro-poor policies have been undertaken, further strengthening of public finance 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, indicating the urgency of pay reform.

Although considerable effort and progress has been made, the **health** status of the Cambodian population remains one of the lowest in the region. The current incidence of diseases has high economic costs for the country, since it increases the burden on the health care system while reducing the 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. Access to services remains low and uneven, with significant provincial variations, resulting in serious health problems for women and children. Substantial physical and financial barriers remain for access to services by the poor. As in the education sector, the wage share of expenditure is too low to be sustainable, and the low level of salaries has been recognised in several studies as one of the most critical factors limiting the effective delivery of health services. Much more attention to behavioural change is required to improve the household health practices of consumers and carers with regards to nutrition, the use of preventive measures and healthy lifestyles.

Economic challenges

Cambodia will face significant challenges in sustaining economic growth at rates exceeding six percent annually and ensuring fiscal sustainability over the medium term. Despite significant progress since 1999, further improvements in **fiscal performance** will be needed over the medium term. In order to improve revenue performance through the collection of tax arrears, the Government will need to ensure that no counter-productive tax exemptions or preferential treatments are given to specific sectors or selected

taxpayers. Contracts with the private sector should be made more transparent and the provisions of contracts need to be properly enforced to ensure that appropriate revenues can be transferred to the state budget. Cash management procedures need to be strengthened through improved cooperation between relevant agencies in order to enable timely and complete disbursements to line Ministries.

Despite impressive efforts in the **trade sector** in preparation for Cambodia's accession to the WTO, a substantial amount of challenges remain. With the expiry of the Multi-Fibre Arrangement for WTO members in 2005, the expected increase in global demand in the garment sector risks being offset by increased competition, particularly from Chinese producers. Customs administration remains an area of serious concern. Porous borders, extensive informal trade resulting in a lack of government revenue and unfair competition with formal traders, low civil service salaries all contribute to the enormous task ahead. In order to attract FDI, the RGC must improve the business environment by ensuring that the trade regime is not anti-export biased, reducing official and un-official tariffs, improving the efficiency of the customs regimes and lowering cross frontier transaction costs.

The programme of reforms prepared by the Government to implement the commitments undertaken to accede to the WTO will provide the first steps towards improving the environment for FDI and trade development. However, the Government will be required to demonstrate a strong political commitment to implement and enforce these new regulations. Vested interests and weak capacity in the Cambodian administration are important obstacles to the success of the trade reform.

An improvement in the implementation and enforcement of **private sector**-related regulations is crucial to Cambodia's ability to attract investments in the private sector. The Government's commitment to increased education and skills training, trade liberalisation and improvements in regional transportation routes could provide new opportunities for agro-processing if efforts are made to ensure the provision of credit to SMEs in rural areas.

Governance and democratisation challenges

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. The development of skilled judicial professionals represents a major challenge, as well as appropriate functioning of the courts. **Impunity**, in particular for people in positions of political and economic influence, remains a problem and the majority of Cambodian citizens are neither confident in the judicial system nor can they afford legal representation. Corruption remains widespread, undermining socio-economic development and hampering the development of the private sector. **Juvenile justice** is a real problem, characterised inter alia by the absence of prisons for minors, who are imprisoned with adults, and a lack of rehabilitation centres. Street children are often gathered up by authorities and taken to temporary detention centres.

The Commune Councillors' elections held in 2002 throughout the country were an important step forward in the **decentralisation** process. The participation of the population in the identification of local development needs and relevant responses will lead to more sustainable poverty reduction if a clear and comprehensive legal framework defining the roles, powers and functions of different levels of the decentralised system can be developed. The strengthening of human resources capacity at the commune, provincial and district levels will be crucial in this regard. While decentralisation is a long-term process and concrete local development results will prove significant in the coming years, proper performance monitoring mechanisms are necessary to define improvements, based on lessons learned, and to improve the impact of local development projects on poverty reduction.

4. OVERVIEW OF PAST AND ONGOING EC COOPERATION

4.1 Overview of past and on-going EC co-operation

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 Euros was provided in EC assistance to Cambodia, while EU Member States have funded bilateral cooperation programmes worth another 590 million Euros. 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 88 million Euros Rehabilitation Programme for Cambodia (PERC) was initiated. This was a long-term programme that ran from 1994 to 1999, and included several important sub-programmes, including PRASAC I (Programme de Réhabilitation et d'Appui au Secteur Agricole du Cambodge) for rural development, PASEC I (Programme d'Appui au Secteur Education du Cambodge) for primary education, together with institutional support and human rights projects.

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 pertaining to rural development, education, de-mining and humanitarian aid. This 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, 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 to the reform of the public administration and military as well as activities in support of human rights and consolidation of democracy. The possibility of an EC intervention in the environment sector was also examined but did not materialise in the end.

The first National Indicative Programme (NIP), for 2002-2004, identified actions in the sectors of rural development, the social sector - education and health - and trade. Governance and democratisation were identified as cross-cutting themes. Issues such as human resource development, gender and environment have since been mainstreamed into all EC development programmes.

4.2 Degree of implementation of the NIP 2002-2004

From the NIP 2002-2004 three main activities, amounting to approximately €40 million, remain to be committed in 2004. Progress of the actions under implementation (notably support to basic education and WTO support) has been positive, however, it is too early to draw any conclusions for other actions implemented from the NIP 2002-2004.

Area of co-operation	2002	2003	2004	TOTAL 2002-2004
	€M	€M	€M	€M
1: Support to Rural Development				30
ECOSORN			25	
Support to the livestock sector		5		
2: Support to the Social Sector				25
Support to the Basic Education Sector	20			
Health			5	
3: Trade Sector Development				3
EC support to Cambodia's WTO accession	2			
Participation in the EC/ASEAN IPR programme		0,5		
EC-Cambodia Project on Standards, Quality and Conformity Assessment			0,5	
Cross Cutting Issue: Governance		0,9		10,7
Support to the decentralisation process			9,8	
Total				68,7

It is anticipated that all funds under the NIP 2002-2004 will be committed by the end of 2004 with implementation commencing late 2004 or early 2005.

4.3 Lessons learned from previous EC programmes in Cambodia

Based on evaluation reports of individual projects/programmes and the Government response, some general conclusions can be drawn on the implementation of EC-funded projects in Cambodia. The projects are perceived as fully relevant to the country situation and to the existing Cooperation Agreement. Ongoing 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 main EC programmes in *rural development* have clearly demonstrated a positive and significant impact. Agricultural extension activities that include new growing methods, integrated pest management, crop diversification, support to livestock and support to the development of producer association have demonstrated positive and sustainable benefits to the local population. Rural water supply and sanitation continue to be a priority in all

provinces of Cambodia and has been targeted successfully both in humanitarian as well as rural development programmes. However, experience has shown that constraints to access to land due to UXO and landmine contamination is better addressed from a rural development perspective, rather than a purely humanitarian response as they can be major obstacles to the implementation of rural development programmes.

Large-scale infrastructure is needed for the development of rural Cambodia. However, issues of ownership and maintenance dictate that primary and secondary rural roads and large-scale irrigation are better constructed by the government under loan agreements rather than using grant aid which could be more directly targeted for poverty alleviation.

Lessons have been learnt regarding the formation of future intervention strategies. 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. Future interventions should work towards the development of employment opportunities in agribusiness, including fisheries, livestock, and forestry.

Commission support to the *education* sector has covered areas such as support to primary education, construction and rehabilitation of primary schools, development of life skills training at basic education levels and vocational training. Later Commission programmes have been instrumental in supporting MoEYS reforms, in particular the planning and implementation of the Priority Action Programmes, capacity building in budget management at provincial/district/schools levels, and the new MoEYS approach to school governance.

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 such that it strengthens provinces, districts and communes as well as the central level.

In response to the MoEYS sector-wide and policy-driven reforms and to financial reforms in the Ministry of Economy and Finance (MoEF), the EC designed a new programme in 2002 to support MoEYS's priority policies and action programmes in the Education Strategic Plan/Education Sector Support Programme. These sought to promote equitable access to, and completion of, quality basic education and non-formal education, with special attention to girls and the most vulnerable. The current EC programme consists of a sectoral budget support combined with institutional support and technical assistance to strengthen policy planning and management in education and to support the development of financial and accounting management and audit systems in education. Results have so far been positive and 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.

EC support to the *health* sector has focussed on support in the field of malaria control, sexually transmitted diseases and reproductive health. In addition, the Commission has supported a substantial number of NGO projects in the health sector. Previous evaluations of EC-supported activities in the health sector noted that although considerable sums had been spent, limited sustainable impact was noted. 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 for addressing health problems of a similar nature within the same target group.

A programming mission reviewing EC support to the health sector undertaken in 2001 concluded that, while continued support to the MoH's development of a comprehensive national policy could serve as a basis for a sector-wide approach, a complementary EC action targeting disease prevention and health education would have a critical and sustainable impact on the health status of the population. Implementation of this action, identified in the NIP 2002-2004, will commence in 2005.

In the field of *governance and democratisation*, the EC has funded projects promoting human rights awareness and empowerment of civil society, the legal protection of children through the European Initiative for Democracy and Human Rights (EIDHR), as well as institutional support and capacity building programmes aimed at the development of sustainable democratic structures. The EC is in particular, but not exclusively, supporting the decentralisation and deconcentration process to improve local democratic participatory mechanisms and local governance, and to enhance the service providers' function of the Commune Councils for appropriate local development activities. A €10 million programme in support of the decentralisation process, identified in the NIP 2002-2004, is to be committed in 2004.

The Commission has supported electoral processes in Cambodia since the holding of the National Assembly elections in 1998. EC assistance has included support to the organisation of the elections, voter education activities, media access, and the deployment of Election Observation Missions. Since the costs for the organisation of the elections have increasingly been borne by the Cambodian authorities, the Commission has shifted to providing targeted technical assistance to the National Election Committee, following recommendations from the EU Election Observation Missions.

The assessment of the electoral processes by EU Election Observation Missions in 1998, 2002 and 2003 showed an increase in the technical capacity of the national institutions responsible for the electoral process. The atmosphere during the election period was less tense and the number of violent incidents declined. It is clear that the presence of international observers, the majority of whom are from the EU, has contributed to this development.

The question of the **Commission's capacity to implement programmes** in an efficient manner is crucial. Project development, management and implementation has improved in recent years with the creation of the new EuropeAid Cooperation Office, the opening of the Delegation of the European Commission in Phnom Penh, and with the deconcentration of the external service. The devolution of project management to the EC Delegation has improved financial management as well as management of project implementation as an increased number of implementation decisions can be taken locally, thereby reducing risk of delays.

Experiences from the implementation of previous EC assistance has shown that progress often has been hampered due to the lack of a sector programme, prepared by the government and agreed with donors. In addition, best results have been noted in sectors where both the government and donors have been committed to allocate human resources/capacity to follow up on the sector programmes through discussions on policy and implementation issues in the sectoral working groups. The EC strategy proposed herewith will therefore concentrate on fewer priority sectors (and within these sectors a limited number of programmes) to increase EC expertise and know-how in focal sectors, leading to higher quality and better coordinated projects. Additional EC Technical Assistance in support of the development and implementation of sectoral programmes will be considered, if needed.

Difficulties in preparation of new projects/programmes have been experienced due to changes introduced with the new Financial Regulation, resulting in delays in the finalisation of some project proposals. Delays have also been experienced as regards the agreement on additional posts to the Phnom Penh Delegation, resulting in an imbalance between workload and human resources. These problems have now largely been addressed.

4.4 Programmes of EU Member States and other donors

According to OECD-DAC, in the year 2001, total ODA disbursements to Cambodia from the Commission and EU Member States amounted to US\$ 112.5 million, which represented close to 28% of the total ODA (grants and loans) during that year. In terms of total EU aid disbursements, the EU is the second largest donor in Cambodia, after Japan (with US\$ 120 million in 2001).⁸

4.4.1 EU Member State programmes

EU Member States active in Cambodia include Belgium, Denmark, France, Germany, Sweden and the UK. They support programmes in the areas of education, health, rural development, decentralisation and deconcentration, legal and judicial reform, trade and private sector development.

⁸ Details of aid disbursements and commitments to Cambodia, according to the OECD/DAC classifications, can be found in annex 9.

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** is funding NGO projects on human rights and it supports the Danish Institute for Human Rights in its activities to develop the Legal and Judicial Reform Strategy. **France** is a donor for 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. In addition, France funds NGO projects on human rights. **Germany** is also a donor to a large variety of projects. In the educational field, it supports vocational and small enterprise-type training. In the health sector, Germany's focus is on health sector reform and reproductive health. Administrative and trade sector reform, as well as rural development and SME promotion are other areas of attention. **Sweden** is mainly supporting the UNICEF Expanded Basic Education Programme, decentralisation of government and NGO projects on human rights. The **UK** firstly co-funds education and health sector projects of the World Bank and the ADB. Secondly, institutional development and safe motherhood are being supported. The UK also supports a government programme on decentralised governance and some activities targeting rural livelihoods. Another focus is NGO projects on human rights, and a last area of attention is trade sector reform.

4.4.2 Other donors

Japan is by far the most important bilateral donor to Cambodia. Its priority areas include good governance (administrative, financial and judicial reforms), economic promotion, infrastructure improvement, enhanced food and agricultural production, education and human resource development, health and natural resource management. Another significant bilateral donor is **Australia**. The Australians currently support demining, governance, research and development, and legal and judicial reform. They also intend to assist in the field of WTO capacity, SPS and economic governance, and to provide assistance in linking agriculture to trade. Projects funded by **Canada** include demining, support for legislative and administrative reform, and assistance with the drafting of the Commercial Court law and regulations and the setting up of a Commercial Arbitration Centre. **New Zealand** and **Norway** are small but active donors. In the trade sector, New Zealand provides assistance in SPS, legal metrology and custom evaluation, and Norway channels funds through UNIDO in the areas of market access, trade facilitation and standards. Relating to private sector development, New Zealand is preparing a small intervention in agricultural diversification and technology.

The leading international organisations working in Cambodia are the UN agencies (UNDP, UNFPA, UNICEF, UNIDO and UNCTAD), the World Bank, ADB, IMF and IFC.

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 demining and is involved in trade and investment facilitation. UNDP has earmarked close to US\$ 45.5 million in its Country Cooperation

Framework for 2001-2005. Of the other UN agencies, **UNESCO** supports the education and health sectors, **UNIDO** works in the areas of market access, trade facilitation and standards, and **UNCTAD** is providing assistance on WTO accession and training on multilateral trade negotiations, as well as completing a programme on E-business for SMEs.

The **World Bank** prioritises five types of activities in Cambodia: supporting good governance (1), building physical infrastructure (2), rebuilding human capital (3), facilitating private sector development (4), and demobilising and reintegrating soldiers (5). Some of its core projects/activities at present include support to the forestry sector, governance, legal and judicial reform, demining, trade facilitation and implementation of WTO requirements, and assistance with the development of the RGC's Private Sector Growth Strategy. Over the years the Cambodian government has borrowed a total of US\$ 657.20 million and has received more than US\$ 15 million in grants from the World Bank.

The **Asian Development Bank's** strategy for Cambodia has two prime foci: economic growth and poverty reduction. ADB's activities firstly 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 activities is private sector development, mainly through the development of a national road network. Furthermore, gender and governance in economic planning, public finance and legal reform receive continuous attention. Cumulative ADB lending to Cambodia as of 31 December 2003 was US\$775.3 million. 112 technical assistance projects (grant) have been approved with a total value of \$72.9 million as of 31 December 2003.

IMF and **ITC** have supporting roles in the areas of trade and private sector development.

4.4.3 Donor coordination

Cambodia is highly dependent on donor aid, (with external financing reportedly accounting for 49% of expenditures in 2001). Following recent events in Afghanistan and Iraq, donors have been under pressure to reduce commitments to Cambodia. Under these circumstances, there is a need for the Government to achieve agreed benchmarks, for more effective donor-government dialogue and for better coordination between donors. The RGC at the June 2002 Consultative Group meeting proposed the formation of a Government–Donor Partnership Working Group under the CG mechanism to build more effective development mechanisms with Cambodia's external partners. The Working Group and three sub-Working Groups are presently monitoring the preparation of three studies, and the findings will be presented to the next CG Meeting (2004).

Under discussion are the creation of:

- at policy level, "Government-Donor Coordination Committee" (GDCC) to be chaired or co-chaired by Government and whose membership will include key

Senior Ministers and Ministers and the heads of mission of diplomatic and multilateral institutions of Cambodia's development partners.

- at operational level, 17 "Joint Government-Donor Technical Working Groups" whose members will include senior sectoral professional/technical staff of concerned Government institutions, and bilateral and multilateral partners.

Several EU Member States have bilateral co-operation programmes with Cambodia. Co-ordination between the EC and Member States is ensured via the ALA Committee, via the EC Delegation in Phnom Penh and through the donor co-ordination working groups. The EC Country Strategy and the National Indicative Programme, as well as individual projects/programmes, are discussed with EU Member States and other donors during their preparation. The Commission is also participating in the working groups established under the CG mechanism and specific working groups following the implementation of sector-wide programmes. The Commission has been particularly pro-active in the working group on the implementation of the education sector programme, lending its support to the move towards a sector-wide approach. Based on the positive experiences in the education sector, it is foreseen that the Commission will take a similar pro-active approach in the other focal areas for support, health and pro-poor economic development (including both rural development and trade).

5. RESPONSE STRATEGY

5.1 Principles and objectives for co-operation

Co-operation with Cambodia follows the broad objectives of Community Development co-operation policy, defined in the Commission's Communication of April 2000 and the Declaration of the Development Council of November 2000. These documents affirm that the strategic areas for EC action are sustainable development, the social sectors, integration into the world economy, fight against poverty, democracy, human rights and the rule of law.

Account must also be taken of the various mechanisms available to the Commission for this response including the European Union's external policy actions (CFSP, conflict prevention, ECHO humanitarian aid operations, and NGO funded activities including food security and targeted health and education initiatives).

The principles and objectives outlined in this CSP are in full accordance with EU policy guidelines and remain largely unchanged from the previous CSP and NIP.

5.2 Priorities for co-operation

The priorities for co-operation have been jointly defined on the basis of the following criteria:

- Response to the medium term challenges facing Cambodia;

- Relevance to the overarching goal of poverty reduction;
- Convergence with the key priorities of the RGC, expressed in the SEDPII and NPRS;
- Complementarity with other donors and with EU Member States in particular;
- Lessons learned and acquired know-how in specific sectors, based on experience from previous EC co-operation programmes;
- EC and RGC capacity to manage and monitor programmes;
- Level of commitment to structured sector policy dialogue and capacity within relevant line Ministries;
- Existence of agreed sector plans and commitment to move to a sector-wide approach.

Based on the above-mentioned criteria, and with the aim of focusing on a limited amount of priority sectors, several sectors which could merit EC support, one notable example is the legal sector where the EC has very limited previous experience in Cambodia, have not been included among the focal sectors.

Taking these aspects into account, the overarching goal of EC-Cambodia co-operation is to target poverty reduction in rural areas. **Pro-poor economic development**, taking into account relevant economic sectors that have a bearing on rural areas, including trade, will thus remain the first focal area for EC support. As outlined in previous sections, poverty alleviation in the rural areas is closely linked with development in the **social sectors**, health and education, making this the second focal area for EC support.

Crosscutting and complementary themes to the focal sectors are related governance and democratisation issues.

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 environment-friendly practises are promoted in rural development and rural enterprise development 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 under the EIDHR (see 5.2.3)

The implementation of EC cooperation activities in Cambodia will be complemented by an increased focus on policy dialogue with the government and other key donors through the sectoral working groups established by the government and through regular meetings between Commission representatives, from EC headquarters and the EC Delegation, and different Ministries. Such a dialogue will facilitate the establishment of jointly agreed goals and assessment indicators, resulting in better targeted assistance programmes. As is already the case in the education sector, the Commission will continue to liaise with other donors in order to support the RGC's move towards SWAPs in identified focal sectors.

5.2.1 Pro-poor economic development

The Commission is one of the main actors supporting rural development in Cambodia. Whereas previous EC support focused heavily on the agricultural sector, as the situation in Cambodia has moved from rehabilitation to sustainable development, the lack of on and off-farm employment opportunity in rural areas has been identified as a major problem. Based on its long experience in the sector, the Commission is well placed to take a leading role, together with main actors such as the ADB and the World Bank, in pushing for greater coordination between line ministries involved in the rural development sector as well as among donors in general. The Commission is also well placed to provide trade related technical assistance, thereby linking trade possibilities to development issues.

- The EC-Cambodia Pro-poor Economic Development strategy focuses on rural livelihoods. While development of agriculture is emphasised - particularly as regards small-scale irrigation, crop diversification and improved technologies - attention will also be given to the development of local SMEs.

This is fully in line with the priorities in the NPRS, which defines the agricultural sector as the engine of growth for the country, both for exports and for consumption internally, and highlights the need for diversification of the agricultural production and value added opportunity through the development of agro-business. The SEDP II plans to foster broad based economic growth with equity, with the private sector playing the lead role.

- Trade policy priorities have been incorporated into the NPRS and the Government is currently undertaking a revision of the diagnostic trade integration and competitiveness study (DTIS), prepared under the Integrated Framework. The revision will update the framework for Trade Related Technical Assistance (TRTA) and it will also assess the possibility to use a SWAP approach for delivering TRTA.
- In addition to targeted support to activities identified in the DTIS, the Commission is implementing a trade action plan with Southeast Asia, the Trans-Regional EU-ASEAN Trade Initiative (TREATI), comprising dialogue and joint activities with the goal of facilitating trade and investment flows. Indicated priority areas include customs co-operation, technical barriers to trade, investment and SPS matters.
- The EC pro-poor economic development response strategy will be complementary to the activities of other donors. The EC will involve other donors in the identification and design of its cooperation programmes and will actively promote the setting up of more effective coordination mechanisms between donors and Government Ministries involved in both agriculture and trade reform/private sector development.

5.2.2 Social sector response strategy

The added value of EC support to the social sectors is represented by the solid EC experience both as regards support to health and education programmes in general, as well as its particular experience in education and health sectors in Cambodia. In addition, recently established sector plans provide a good basis for move towards a sector-wide approach, with increased attention to policy discussions between the RGC and donors, which is fully in line with EC priorities. The continued EC support to the sectors will give an additional support to the social ministries in achieving these aims.

Education

As highlighted in the National Poverty Reduction Strategy, education is one of the key determinants of Cambodian society's future economic and social development. Over the last years, the Royal Government of Cambodia (RGC) has shown an increasingly genuine commitment to pro-poor reforms in social sectors. The Ministry of Education, Youth and Sports (MoEYS) has been selected as a pilot Ministry, together with the Ministry of Health, for implementing the Government budget reforms and to develop new partnerships with donors. In close consultation with donors and the civil society, MoEYS has developed its own sector policy encompassing key reforms to assure equitable access, quality improvement, management and financing of education at all levels, with particular attention to pro-poor and gender responsive policies.

- MoEYS sector-wide and policy-driven reforms have led to significant progress in sector performance, including improved access to basic education and improved effectiveness of education resource management. The EC is one of the lead donors in the field of basic education and is playing a key role in the move towards a Sector Wide Approach. The performance-based mechanism established for the release of the EC budget support is already encouraging the Government to pursue the reforms that are essential for switching to modern sector-based management of education.
- The EC response strategy is therefore to continue and enhance its support to the MoEYS for implementing ESP/ESSP strategies and producing desired policy outcomes, within the long-term objectives of the EFA plan.
- This will be done, depending on progress, through increased support to Priority Action Programmes having a direct impact on the quality and efficiency of basic education, including those strategies which address continuous teacher development and education service efficiency, scholarships and incentives for equitable access and sustainable provision of core instructional materials.

Health

Poor health is the major cause of impoverishment and other forms of social deprivation, such as loss of educational and employment opportunities, and seriously undermines the

country's economic and social development. To respond to these challenges and support the National Poverty Reduction Strategy and the Millennium Development Goals, the Ministry of Health has designed, in collaboration with all stakeholders, the Health Sector Strategic Plan 2003-2007, which for the first time provides an agreed sector-wide strategic framework to guide the use of domestic and external resources to the sector. The MoH has also developed a Sector Wide Management (SWiM) approach, which facilitates a coordinated implementation and monitoring of the strategic plan.

- The programming mission undertaken in 2001 concluded that in the absence of an agreed sector-wide plan for the health sector, EC support should be directed towards supporting the SWiM process, but to develop an interim programme focused on capacity-building in a key sub-sector. Although the Health Sector Strategic Plan has been agreed in the meantime, discussions with the MoH and other donors active in the sector have led to the conclusion that this strategy remains valid.
- The EC therefore identified, in the NIP 2002-2004, a five-year project that will specifically support MoH in implementing its strategies for Behavioural Change Communication identified as one of the priority areas of the Health Sector Strategic Plan. Under a joint co-financing arrangement with UNICEF, the project will improve the capacity of health providers nationwide to deliver effective behavioural change communication for better health-seeking behaviour and healthier lifestyles. This initiative is consistent with, and supports, the Sector-Wide Management (SWiM) approach adopted by the MoH.
- By supporting implementation of a key component of the Health Sector Strategic Plan and by following closely broader health reforms addressed through the multi-donor Health Sector Support Project, the EC will be able to encourage the MoH in its move towards a Sector Wide Approach.

5.2.3 Coherence and complementarity with EU policies

Coherence with EC/EU policies

A key objective of EC action in Cambodia is to support the country's move from a state of conflict to sustained peace through reconstruction and stabilisation activities, using all budgetary instruments available. The anchoring of democracy in Cambodia through assistance to elections, decentralisation and conflict resolution should thus continue to be a priority. Food security is another area of concern, and activities under the thematic budget line will be complemented by programmed actions aimed at removing obstacles to food production and trade through the strengthening of institutional and legal frameworks.⁹

⁹ On-going and planned activities include support to the decentralisation process, conflict resolution activities under the European Initiative for Democracy and Human Rights and the EU Joint Action on Small Arms, actions addressing trade infrastructure, customs procedures and regulations, tariff and non-tariff barriers and support to the development of NGO's in the agro-business.

Governance and democratisation issues

The Joint Declaration of the Council and the Commission on the Community's development policy (November 2000), identifies the sustainable establishment and functioning of democratic institutions, ruled by good governance principles, including the rule of law, as a major area of concentration for Community action. To reduce the fiduciary risk to public funds and to facilitate the use of budget support, the EC will support priority reforms aimed at improving the country's public expenditure and financial management systems.

Social sector support

In their Joint Statement of November 2000, the Commission and the Council affirmed that equitable access to social services, i.e. health and education services, is a vital dimension of poverty reduction. EU policies also state that a SWAP should be pursued and promoted in health and education as foreseen in the CSP.

The Education Sector Programme, supported by the EC is fully in accordance with EC commitments made in the Dakar Forum in April 2000 and the Millennium Development Goals (MDG) for education. EC support to the health sector is also in line with the MDG for health and with EC policies on health, AIDS and population.

Rural development

The response strategy in this sector is in line with the objective of the EC rural development policy to achieve a sustainable reduction in rural poverty. With a focus on the agricultural sector, including support to the development of the agro-business and market links, the EC strategy is coherent with the EU policies for both rural development and private sector development.

Complementarity with other EC budgetary instruments

Cambodia is a focus country under the European Initiative for Democracy and Human Rights (EIDHR) 2002-2004. Areas identified for EC actions include: 1) **promotion of human rights**; 2) **conflict prevention and resolution**, aimed at developing early warning, mediation, reconciliation and confidence-building mechanisms at local level; 3) **strengthening the legal system**, with the aim of improving possibilities for victims of human rights abuses and other vulnerable groups to receive support through the provision of legal or para-legal assistance, protection and facilitating rehabilitation of victims of serious human rights abuses (trafficking in human beings, land grabbing, labour rights) and of **vulnerable groups (women, children, prisoners)**. These areas are coherent with EU policies and in line with the areas of concern established in the CSP, such as the shortcomings of the judicial system and trafficking in human beings.

Support for the Khmer Rouge Tribunal is also considered under applicable budgetary instruments.

In 2000, **ECHO** launched a global plan, intending to phase out of areas where humanitarian needs were already met. However pockets of extreme vulnerability persist, obliging ECHO to adopt a differentiated approach so that extreme humanitarian situations would still be addressed as needed. ECHO's interim report on the global plan 2000, the ECOSORN report of RELEX as well as ECHO's field assessments describe some areas where ECHO intervention is still justified such as the north-west provinces of Oddar Meanchey, Prey Vohar and Bantey Meanchey and the north-east provinces of RatanaKiri, MondulKiri, and Stung Treng. Interventions in 2003 have mainly been in the areas of basic health, water supply and hygiene.

The EC is one of the main contributors to the Global Fund to Fight AIDS, TB and Malaria. Implementation of programmes in Cambodia in all three areas of intervention is on-going.

Under the CSP 2004-2006, in accordance with applicable procedures and subject to availability of funds, Cambodia is also eligible for support under other EC horizontal budget lines, including in particular the following:

- 21 02: Food aid/Food security and support operations
- B7-210: ECHO
- 21 02 05: Environment in the developing countries and tropical forests
- 19 02 04: Community participation in action concerning anti-personnel mines
- 21 02 03: Co-financing with European NGOs, operations in developing countries
- 21 02 13: Decentralised co-operation
- 21 02 07 02: Aid for poverty-related diseases (HIV/AIDS, malaria and tuberculosis) in developing countries
- 21 02 07 03: Aid for population and reproductive health care
- 19 04 03: European Initiative for Democracy and Human Rights
- 19 04 04: Support for activities of the International Criminal Tribunals and setting up of the ICC

Complementarity with EU Member States Programmes

As has been illustrated in previous sections of the CSP, the focal sectors for EC cooperation with Cambodia are complementary to the strategies of EU Member States. Consultations with EU Member States confirm that rural development, with a particular focus on the creation of market opportunities, is viewed as a key area to be addressed by the EC and EU Member States. Education and health have also been identified as focal sectors and there is a strong wish, among several EU Member States active in these sectors, to support the RGC's move towards SWAPs in those sectors, possibly through pooled funding, or budget support.

Coordination between the Commission and EU Member States ahead of Consultative Groups meetings, to enable joint statements and pledges, will be increased. The Commission also intends to look at additional “harmonisation activities” such as those successfully undertaken in, for example, Vietnam.

Complementarity with other donors

Donors and NGOs have been consulted during the preparation of the EC-Cambodia CSP. The EC response strategy is fully in line with the RGC sectoral development plans identified in the NPRS and endorsed by donors. Depending on the progress in the focal sectors, EC interventions will be coordinated in the sectoral donor-government working groups or with a few key donors. Supporting the EC aim to move towards a sector wide approach where appropriate conditions exist, technical assistance will be considered to assist the RGC with the preparation of sectoral frameworks or plans.