

EN

**MULTIANNUAL
INDICATIVE
PROGRAMME
2014-2020**

**For the European Union's
cooperation with
the Kingdom of Cambodia**



LIST OF ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
ASSDP	Agriculture Sector Strategic Development Plan
ASEAN	Association of Southeast Asian Nations
AusAID	Australia's Aid
A&W	Agriculture and Water
CAP	Consolidated Action Plan
CBI	Core Breakthrough Indicator
CDC	Council for the Development of Cambodia
CMDG	Cambodia Millennium Development Goals
CSP	Country Strategy Paper
DP	Development Partner
DTIS	Diagnostic Trade Integration Study
EC	European Commission
ECCC	Extraordinary Chambers in the Courts of Cambodia
ECE	Early Childhood Education
ECOSORN	Economic and Social Relaunch of Northwest Provinces in Cambodia
EMIS	Education Management Information System
ESP	Education Strategic Plan
ESWG	Education Sector Working Group
EU	European Union
FAO	Food and Agriculture Organisation
FiA	Fisheries Administration
FMIS	Financial Management Information System
GAVI	Global Alliance for Vaccination and Immunisation
GDP	Gross Domestic Product
GNI	Gross National Income
GPE	Global Partnership for Education
HDI	Human Development Index
IFAPER	Integrated Fiduciary Assessment and Public Expenditure Review
IPSAS	International Public Sector Accounting Standards
JMI	Joint Monitoring Indicator
JTWG	Joint Technical Working Group
LDC	Least Developing Country
MDG	Millennium Development Goals
MIC	Middle Income Country
MIP	Multiannual Indicative Programme
NGO	Non-Governmental Organisation
MoEF	Minister of Economy and Finance
MoEYS	Ministry of Education Youth and Sport
MSME	Micro Small and Medium Enterprises
MTEF	Medium Term Expenditure Framework
NAA	National Audit Authority
NRM	Natural Resources Management
NSDP	National Strategic Development Plan
ODA	Official Development Assistance
PAR	Public Administration Reform
PBES	Provincial Business Environment Scoreboard
PCR	Primary Completion Rate
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PFMRP	Public Finance Management Reform Programme
PRASAC	Programme de Réhabilitation et d'Appui au Secteur Agricole au Cambodge
RGC	Royal Government of Cambodia
RS III	Rectangular Strategy phase III

SLPP	Small Livestock Production Programme
SME	Small and Medium Enterprises
SNA	Sub-National Administration
SNDD	Sub-National Democratic Development
TWG	Technical Working Group
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
USA	United States of America
WB	World Bank

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1. The Overall Lines for EU Response

1.1. Strategic Objectives of the EU's Relationship with Cambodia

Cambodia has achieved outstanding socio-economic progress from 2004-14, not only because of its impressive economic growth rates¹ (it was the 11th fastest growing economy 2004-14²), but it has also been one of the best performing Millennium Development Goal (MDG) achievers in the world. Cambodia ranked as the 4th best performing MDG achiever in 2011 (up from 15th place in 2010) and was the 2nd best performing among all the LDCs (up from 5th place in 2010). It has already achieved or even surpassed six of the MDGs ahead of time. Despite this, Cambodia's Human Development Index (HDI) was still ranked very low in 2014, both regionally and globally³, however, the rate of HDI improvement has been unprecedented, with the country ranked 1st in the Asia Pacific region in 2010, as making the most progress in improving social indicators over the decade.⁴ Cambodia's growth was pro-poor, with not only a sharp decline in poverty incidence (from 52% in 2004 to 20% in 2011), but also reduced inequality as the consumption of the poor increased proportionately faster than that of the non-poor and rich⁵ – unlike the widespread regional pattern of growing inequality.

However, the majority of those lifted out of poverty remain highly vulnerable. With most just above the poverty line, the slightest loss in income of a little as USD 0.30 a day would bring around 3 million of the vulnerable Cambodians back into poverty and would double the country's poverty rate to around 40%.⁶ Therefore, much remains to be done to consolidate the gains already made and to make further progress towards achieving, sustainable and resilient socio-economic growth and poverty alleviation. While the biggest contributor to poverty reduction, so far, has been agricultural sector activities and higher crop prices (chiefly related to rice), there is a widespread recognition by all the development partners (DP) as well as by the Royal Government of Cambodia that medium to long-term progress in socio-economic growth and poverty alleviation will require across-the-board and deeper structural reforms. This will still be related not only to the agricultural sector reforms, but also to human capital development and to good governance reforms, as an underlying precondition for any sustained, and sustainable, development.

The Rectangular Strategy Phase III (RS III) is the country's overarching "Socio-economic Policy Agenda" for the period 2013-2018 which comprehensively addresses the issue of sustained development, analysing the country's current national and regional development context and key challenges and opportunities to achieving its ambition of becoming an upper-middle income country by 2030 and a high-income country by 2050. "Growth, Employment, Equity and Efficiency", the four RS III's Strategic Objectives include: 1. Ensuring an average annual economic growth of 7% which is sustainable, inclusive, equitable and resilient to shocks; 2. Greater job creation, in particular for the youth; 3. Achieving a more than 1 percentage point reduction in poverty incidence annually, including the realisation of other MDG targets, and placing higher priority on the development of human resources and sustainable management and use of natural resources; 4. Further strengthening institutional capacity and governance, at both national and sub-national levels, and ensuring the efficiency of public services to better serve people.

The EU will support Cambodia to achieve these ambitions, sharing common strategic objectives of further poverty reduction, equitable growth and sustainable development in its economic, social and environmental dimensions enhancing good governance, democracy and the rule of law. In choosing the actions under the EU bilateral cooperation programme, the aim is to focus the EU's interventions on a restricted number of sectors so as to increase their impact. **The three EU focal sectors for development cooperation** selected for the period 2014-2020, are: **Agriculture/Natural Resource Management, Education/Skills and Good Governance.** They

¹ At almost 10% GDP growth annually until the 2008, global economic crisis slowdown, and an estimated 7.3% in 2013.

² World Development Indicators, World Bank, 2013.

³ Cambodia ranked 138th in the UNDP 2012 Report on HDI.

⁴ Report on Human Development Index 2000-2010, UNDP

⁵ While the average consumption increased by 37.8%, the increases were higher among the poor than for the rich – with an increase of 56.5% for the poorest 20% of the population, an increase of 51.6% for the subsequent quintile, 45% for the third quintile, 38.4% for the fourth quintile and a 26.8% increase for the richest 20% of the population. The Gini Index decreased steadily from 2007 to 2011, from 0.374 to 0.282 ("Where Have All the Poor Gone? Cambodia Poverty Assessment 2013", World Bank).

⁶ *ibid.*

are aligned with the priorities of the RS III, thereby closely supporting the Government's own reform agenda. Good Governance is at the "Core" of the RS III and "Promotion of the Agricultural sector" and "Capacity Building and Human Resources Development" are two of the four key priority areas of the Strategy. The RS III and its four sectors will be further operationalised through the **National Strategic Development Plan (NSDP) 2014-2018**, expected to be adopted in 2014 and to contain a detailed results framework, with indicators and a timeframe for implementation, consistent with other sector policies⁷.

The European Development Partners (DP) working in Cambodia⁸ have engaged in a **Joint Programming process**, and adopted a joint **European Development Cooperation Strategy for Cambodia 2014-2018** in April 2014. This coordinated approach is in line with EU international commitments to aid effectiveness, as agreed in Paris (2005), Accra (2008), Busan (2011) and Mexico (2014) and as enshrined in the EU's Development Policy "Agenda for Change" (2011). As well as more efficient and transparent delivery of development aid, and increased national government ownership, joint programming will also increase the visibility of EU and EU Member States' development programmes in Cambodia towards the Government, civil society, the private sector, the wider donor community and other stakeholders, who have all been consulted in the preparation of the Joint EU Strategy. The Royal Government of Cambodia has strongly supported the process at the highest levels, to improve transparency and predictability, and European alignment behind its national development agenda. It has encouraged other donors and partners to enter into similar joint exercises. The joint programming process thus has the potential to significantly increase the voice and political weight of the EU as a development actor in Cambodia.

The European Joint Strategy is provisionally funded with an allocation of broadly EUR 1.4 billion for the 2014-2018 period. It is fully aligned with the RS III and will support all areas of the government's strategy covering national development reforms. Each European partner will focus on three priority sectors of intervention. The Joint Strategy will replace, on a voluntary basis, some of the European partner's bilateral development cooperation strategies for Cambodia, including the EU's Country Strategy Paper (CSP), thus serving also as a **basis and guideline for the EU Multi-Annual Indicative Programme (MIP) 2014-2020.**⁹

The Joint Strategy reiterates the **core European values** including human rights, democracy, rule of law, fundamental freedoms, gender equality, social justice, labour rights, corporate-social responsibility and environmental sustainability as the underlying foundations of all European development cooperation activities in Cambodia, and around the world. **The EU and its Member States are by far the largest granters of Official Development Assistance (ODA) to Cambodia**, with a **traditional comparative advantage** of knowledge and experience in the sectors which are not typically the hallmark of some "newer" donors – in particular in the **areas of good governance including human rights, core labour rights, human capital development and environmental sustainability.** The Joint European Strategy 2014-2018 and the EU multiannual indicative programme (MIP) 2014-2020 offer a solid platform to deliver developmental impacts and results in areas important for Cambodia's future socio-economic growth and prosperity, with the principle objective of further poverty alleviation.

There is also a positive and favourable political momentum in 2014 to reinforce the EU's dialogue and cooperation with the country. Politically, Cambodia is currently at a crossroads, following the July 2013 national elections. It is therefore even more important that the EU's political and policy dialogue with Cambodia remains strong and committed.

1.2. Choice of Sectors

All three selected MIP focal sectors have been agreed with EU partners in the context of the joint programming division of labour and have the advantage of building upon the already **well-established EU cooperation activities, experience and lessons learned** from the previous CSP and MIPs 2007-2013. They will be

⁷ Once the NSDP 2014-2018 is finalised the Sector Intervention Framework (Annex III) of the present MIP might need to be adjusted to better reflect and align behind the Government's own results framework which will be included in the NSPD.

⁸ EU/EC, the European Union Member States active in Cambodia (the Czech Republic, Germany, Finland, France, Ireland, Spain, Sweden and the United Kingdom) and Switzerland

⁹ A mid-term review of the MIP is foreseen to take place in 2017.

complementary to, as well as enhanced by, the cooperation plans of other European partners over the coming period. Moreover, the EU Delegation is **already the lead/facilitator**, among development partners, for aid coordination structures for dialogue with the Cambodian Government in the area of Fisheries and Forestry and is the co-lead with the World Bank on Public Financial Management (PFM) reforms. Within the EU donor group alone, the EU Delegation is the lead also in the areas of Education and Agriculture¹⁰ and very active in supporting the coordination on Sub-National Democratic Development (SNDD).

The choice of sectors also fully **corresponds to EU development priorities globally**, as outlined in the **Agenda for Change**, with its two axes of: i) *Human rights, democracy and other elements of good governance* (democracy, human rights and the rule of law, public sector management, corruption, civil society and local authorities and natural resources management) and ii) *inclusive and sustainable growth for human development* (education, jobs, stronger business environment and regional integration, and sustainable agriculture).

The three **focal sectors are also closely inter-related**, with the good governance sector reforms, which focus on increasing accountability and transparency in governance, underpinning and preconditioning the success and pace of reforms in the other two sectors, in particular in education. Within all EU programmes there will be close cooperation with the Royal Government, civil society, the private sector and other development partners to ensure effective links between all reforms, and to enhance aid effectiveness and transparency, and accountability in the use of public resources.

Gender equality and empowerment of women, as development actors, will be mainstreamed in all three chosen focal sector programmes as an important driver of poverty reduction and sustainable development. **Nutrition** as a cross-cutting issue will also be given attention in education and agriculture/natural resource management programmes. The **environment** will also be considered as a cross-cutting issue within interventions in all focal sectors, with the establishment of the necessary environmental safeguards for all cooperation activities undertaken. When preparing Annual Action Programmes, all programmes and projects that might have an environmental impact will undergo a specific environmental assessment to analyse such impact and propose mitigation measures. In these cases, a Strategic Environmental Assessment (SEA) or an Environmental Impact Assessment (EIA) will be carried out.

Finally, Information and Communication Technologies (ICT) are also cross-cutting and their applications are proven drivers for creating more inclusive and sustainable growth, innovation and entrepreneurship and supports effective development and capacity building within the chosen RS III's strategic objectives.

1.2.1. Agriculture/Natural Resource Management

Securing the sustainable management of Cambodia's natural resources is challenging due to a combination of complex and interlinked factors, including increasing pressures from rapid population growth, expansion of industrial agriculture as well as developments in transport and energy without appropriate spatial and land use planning and risk mitigation measures. Combined with shortcomings in legal clarity, law enforcement, and land rights, these pressures have led to an unsustainable exploitation of natural resources, inequitable benefit sharing, and conflicts over access and use rights. Hence, one of the most pressing issues in Cambodia today is how to use, manage, distribute and preserve its natural resources in a sustainable way for the benefit of all.

As highlighted by the new Cambodia Rectangular Strategy Phase III, the agricultural sector (including forestry and fisheries) "*continues to play an important role in supporting economic growth, ensuring equity, securing food security, and promoting development of the rural economy*". Cambodia remains a predominantly agrarian society with approximately two-thirds of its population engaged in agriculture and over one-half of them depending upon the land for their daily subsistence.

Cambodia depends highly on an extensive low-value agriculture system that is climate change sensitive due to lack of innovation, undeveloped processing sectors and lack of market competitiveness. While the Government of Cambodia has made substantial efforts in developing production and value-chains for rice and selected

¹⁰ Within the TWG structures, UNESCO is the TWG co-chair with the Government on Education and FAO and AUSAID on TWG Agriculture.

commercial crops (sugarcane, rubber, cassava etc) essentially for exports, others such as other crops, fisheries, livestock and forestry products remain without any substantial level of support, but still represent a significant share of the agricultural sector's economy (around 25%, 15% and 9% respectively). These less-supported sub-sectors are crucial for rural poverty alleviation, food security and nutrition, and the sustainable management of natural resources. They therefore deserve a stronger focus to enhance productivity, diversification and the development of the value-chain. Cambodia has also made commitments on legal timber production and trade and is currently considering the negotiation of a Voluntary Partnership Agreement (VPA) on Forest Law Enforcement, Governance and Trade (FLEGT) with the EU, which would contribute to this programme objective on agriculture and natural resources management.

Inefficient value chains, weaknesses in the legal and regulatory framework and its enforcement have limited the development and competitiveness of the sector. Of particular importance for the development of export sectors is the slow progress in the development of standards, including Sanitary and Phyto-Sanitary, and weak enforcement. Although financial markets have grown significantly in recent years, access to finance for businesses engaged in the agricultural sector remains difficult. This has resulted in limited opportunities for small and rural businesses, including farmers, to be integrated into the supply chain of medium and large companies with access to domestic and export markets. Equally important, is that these distortions discourage investment to expand existing operations, and to develop support industries.

The choice of agriculture as a focal sector under this MIP responds to the priorities of the draft Cambodian National Strategic Development Plan (NSDP) and is in line with priorities underlined in the European Commission's "Agenda for Change". It will advance our existing cooperation with the Ministry of Agriculture, Forestry and Fisheries and will build on and consolidate our past and current bilateral and thematic programmes in the sector. These include ongoing support to the Ministry of Commerce for trade policy development and implementation, support to the development of Small and Medium Sized Enterprises (SMEs) in the agricultural sector, as well as the thematic climate change, forestry and environmental projects aimed at improving the local sustainable management of forestry and other natural resources. All of these have highlighted the need for the EU to have a more strategic and sector-wide engagement in the sector, with a focus on institutional strengthening, value-chain development (including private sector engagement), equitable growth and sustainable natural resources.

1.2.2. Education/Skills

The education sector has become a focus for reforms in the last decade, with the Ministry of Education Youth and Sport (MoEYS) embarking on the implementation of a sector-wide approach in cooperation with development partners in early 2000, focusing on improving equitable access (including abolition of school fees), quality and efficient management of the education system at all levels.

ASEAN integration in 2015 and the objective of Cambodia to become an upper middle income country by 2030, give a renewed impetus to the crucial investment needed in the education sector. The education policy framework was updated in 2014 with the National Strategic Development Plan (NSDP), and the Education Strategic Plan for the period 2014-2018. Overall, the broader context of reform is favourable in the education sector, with on-going national reforms in the areas of Public Financial Management, Public Administration and Sub-National Democratic Development (deconcentration and decentralisation) having strong impacts in education sector performance. The key importance of foundation skills acquired during basic education is acknowledged by the Government. Technical and Vocational training and skills development is becoming a key priority in Cambodia. The mismatch between supply and demand of the labour market needs to be addressed if the socio-economic growth objectives, as set by the Government in the national strategic documents are to be met.

Significant progress has been made in terms of access to schooling in the early years¹¹: Early Childhood Education (ECE) is being expanded quickly (60% of 5-year olds enrolled in 2013-14), and net enrolment rates in primary have reached 98% in 2013-14 (including 3% private), with gender parity. Repetition rates have fallen to 5% and primary completion is at 89% for 2013-14. There are however several challenges remaining regarding access and equity. Enrolment at secondary and tertiary level remain relatively low (Gross Enrolment Rate of 55%

¹¹ All data is sourced from the latest Government data published: Education Congress report, MoEYS, March 2014

in lower secondary (including private 2%) and 26% (incl. private 1%) in upper secondary in 2013-14), which cause a significant barrier to accessing technical and vocational training or higher education. Dropout at primary and secondary levels remains relatively high (11% and 21% respectively). Poverty is the main reason for non-attendance or drop-outs of school. The opportunity cost to poor households to keep children in school is high, especially in some of the provinces where working in a factory makes an attractive alternative, especially for girls. Migration for work is also a contributing factor. Over-age pupils is also a major problem. Geographical disparities are observed in terms of education outcomes, and require targeted interventions to increase equity in access to education.

Despite an increased allocation to education in 2014 (16%) of the budget, reversing the declining trend observed since 2007, there is still limited space for quality investments. This has an impact on availability of teachers in remote areas, motivation of teachers, availability of textbooks, on the high student teacher ratios, or insufficient funds for supervision. Other challenges are linked to more systemic or capacity issues, which are now being addressed through reforms, including with the renewed focus on PFM, increasing the attention on budget allocations, on budget execution, on capacity strengthening, particularly at provincial, district and school level.

The European Union has been supporting and acting as one of the lead development partners in the sector since 2003. The EU has supported education through the use of budget support coupled with capacity development activities in education planning, management and monitoring for improved education service delivery, sector performance and outcomes, and strengthening capacities at national and subnational levels. Education was a focal sector in the EU Cambodia Country Strategy Paper 2007-2013 when the support included attention to equity and access and a focus on reducing disparities in education outcomes between districts and schools. It also addressed sector budget allocations and execution, increased school autonomy, improved financial management, and improved planning. In the future work will focus on quality, with attention given to teacher qualifications, the analysis of the national assessments, and to equity in access, with the expansion of the scholarship system. Budget allocations to the sector need to be increased if the ambitious reform is to achieve its targets.

The increased financing for education in 2014, together with the ambitious Education Strategic Plan and reform agenda are major opportunities for the sector to address remaining challenges. The EU will continue its long-term support to the education sector and to the Ministry more specifically, to help it consolidate and maintain the gains made in primary enrolment, further reducing disparities and increasing equity, ensuring that children complete basic education, as well as supporting the efforts of the ministry to strengthen the quality and relevance of education, as well as improved management and administration. In this framework the EU could also support statistical capacity building, which can help to improve the quality of official statistics in Cambodia and hence provide the EU with more accurate data to monitor the indicators of the MIP and also to increase ASEAN integration.

It should be noted that, in addition to actions foreseen in this MIP, the Erasmus+ programme will also offer opportunities for Cambodia's Education Strategic Plan on higher education under the Asia regional MIP.

1.2.3. Governance and Administration

Improvements in governance is one of the most important factors for inclusive and sustainable growth in Cambodia, as poverty and social exclusion are inextricably linked to weak governance. Poor governance continues to be one of the most significant obstacles to Cambodia's efforts to reduce poverty, and foster sustainable development and growth, while protecting human rights. This is recognised by the Government and Development Partners alike. Focussing on strengthening the responsiveness and accountability of the state through good governance reforms is key to the success of all reforms in Cambodia. The 2013 general elections resulted in an unexpected loss of parliamentary seats for the ruling party. Although a protracted political deadlock followed for nearly one year there was an increase in the Government's commitment to key reforms. The Rectangular Strategy III has at its core a comprehensive good governance reform programme. In accordance with EU policy, a rights based approach encompassing all human rights, including labour rights, will be applied across all priority areas, to assist partner countries in implementing their international human rights obligations and to support the right holders, with a focus on poor and vulnerable groups, in claiming their rights. Ensuring an enabling environment for civil society is also a cross-cutting theme in EU governance support. The EU support to

the governance sector will build on the EU Delegation's expertise and institutional legacy in support of international criminal justice, decentralisation, elections, and public financial management.

The EU support to **Public Financial Management Reform (PFMR)** is closely interlinked with other key national reforms – the public administration reform, legal and judicial reform and SNDD – also underpinning their success. An effective PFM Reform Programme is also key for the continuing EU sector budget support in the field of education¹². With the EU's commitment to progressively increase the use of the Cambodia's own national systems, where greater budget predictability will be critical for further expanding the use of country systems, the support to Public Finance Management Reform Programme is therefore fundamental and will help the Cambodia more effectively and efficiently allocate financial resources to priority areas, while also leading to great transparency and accountability to the population. Such reforms are at the core of the Government's Rectangular Strategy III.

The EU has been supporting PFM reforms to improve Government's service delivery under the CSP 2007-2013, aimed at improving revenue mobilisation and fiscal space, better alignment of expenditure with national priorities, better availability of financial information for timely decisions and proactive management and increasing accountability and transparency at all levels. All EU support in the area of PFM is with other partners through a World Bank-managed trust fund. It is the result of policy dialogue with the Government and is fully aligned to the Government's sector strategies. Significant progress has been made since the launch of Stage 1 of the reform (2004-2008). However, the reform plan was overly ambitious compared to internal capacities or funding availability. Early gains were seen in ending the liquidity crises by promoting sound cash management and fiscal discipline. This has led to increased budget credibility and predictability. Budget credibility has been instrumental in restoring macroeconomic stability which in turn has greatly supported economic growth. Future priorities include procurement and revenue policy and administration that will lead to stronger links between budget planning and policies. This is a long-term process to be completed by 2025.

There is a high level of political commitment to the reforms by the Government of Cambodia. The 2013 election outcome and the subsequent change in MoEF leadership have provided a new momentum to the reforms, thus providing an enabling environment for the continuation of our support.

EU support to **Decentralisation (Sub-National Democratic Development – SNDD)** began in 2002. The EU has been a major partner and has contributed considerably to helping to establish democracy at the grassroots level. In June 2005, the Strategic Framework for Decentralization and Deconcentration Reforms outlined a comprehensive policy for sub-national democratic development, which was translated into the Organic Law in 2008. In May 2010, the National Program for Sub-National Democratic Development (2010-2019) was approved with implementation beginning in 2011. Indirectly elected councils at provincial and district levels were formed in May 2009 and by 2014 all necessary regulations to operationalise district and municipal funds have been put in place. The reform policy is clear and comprehensive, ownership is strong and the policy is generally supported by civil society. However, the vision for democratic reform is not uniform throughout government and various systemic challenges remain. While the Sangkats (communes) have introduced the concept of accountability and increased the voice of citizens, further democratisation through decentralisation at district and municipal level has been delayed. In the difficult political context, supporting the reform efforts to increase accountability remains a challenge. However, the enabling environment for civil society is present, including for Community Based Organisations (CBOs) and small associations at the sub national level. This respect for the constitutional freedoms remains a key asset in Cambodia's governance landscape and provides an opportunity to increase democracy through citizens' engagement.

EU support will continue to work on both strengthening the "demand side of governance" by supporting citizens' voices, welfare, rights and participation in decision-making and the "supply side of governance" by supporting the state's capacity to respond to, manage and implement the needed reforms. EU support to the implementation of the National Program for Democratic Development at the Sub-national Level 2010-2019 will include the strengthening of elected councils, particularly at district and municipal levels, and support an enabling legal and policy environment to promote their autonomy and to provide discretionary space.

¹² The use of this aid modality will depend on Cambodia meeting the required eligibility criteria.

The EU supports efforts to end impunity for war crimes, crimes against humanity and genocide as part of its external relations strategy globally. Support for the **Extraordinary Chambers in the Courts of Cambodia (ECCC)** and efforts to improve the national criminal justice system in Cambodia reflect the EU's longstanding commitment and added value in supporting human rights and the rule of law. To date the EU has supported the ECCC for an amount of EUR 7.3 million.

The support to the ECCC is important for the completion of the proceedings of the three on-going cases against those accused of being most responsible for the crimes and violations committed during the Khmer Rouge regime. The process will contribute to justice and the reconciliation process in Cambodia.

The ECCC is also important as it can serve as a model for the development and improvement of the legal and judicial system in Cambodia, particularly given its "hybrid" nature. The ECCC is in fact a Cambodian court with international participation and assistance, established under domestic law. This special Court, where national judges, prosecutors and law clerks are working side-by-side with international judicial and legal UN staff, is designed to provide fair trials in conformity with international standards and may apply both national and international law. The composition of the Court and the application of both national and international law enable the Cambodian staff, particularly judges, to acquire know-how and expertise at the ECCC which can then be transferred to the national Courts.

Despite a politically charged environment, the ECCC managed to proceed with judicial cases, upholding international standards. Nevertheless, challenges remain in mobilising sufficient support for the Court, making the EU contribution highly valuable.

Given the weak electoral system in Cambodia and the EU's past involvement in local as well as national elections, **possible support for electoral reform** would complement the decentralisation reform by ensuring better electoral standards for the next Commune Council (2017) and national elections. The EU is recognised by stakeholders as a credible and objective partner with a high degree of competence. Provided that the political situation will allow for EU support in this area¹³, the latter would prove highly valuable.

2. Financial Overview

FOCAL SECTORS	MIP 2014-2020	%
1. Agriculture/Natural resource management (Fisheries & Forestry)	EUR 144 million	35%
2. Education/Skills	EUR 140 million	34%
3. Governance and Administration (of which EUR 10 million for the ECCC for the period 2014-2015)	EUR 120 million	29%
Support measures	EUR 6 million	2%
TOTAL	EUR 410 million	100%

3. EU Support per Sector

3.1. Agriculture/Natural Resource Management (EUR 144 million)¹⁴

3.1.1 The following overall and specific objectives will be pursued:

The **overall objective** will be to contribute significantly to the achievement of Cambodia's NSDP strategic goals for the agriculture sector¹⁵, while ensuring that the growth in this sector is achieved in an equitable, inclusive and

¹³ The decision on possible financial support to electoral reform will be taken following the observation and evaluation of political developments – notably depending on whether a formal agreement on electoral reform is reached between the Government and the opposition.

¹⁴ Blending might be used as an implementation modality within this sector

environmentally responsible and sustainable way, to protect natural resources, and for the benefit of the entire rural population of Cambodia.

The **specific objective** is to enhance the development, sustainable management, and climate resilience of Agricultural planning and practices and Natural Resources based systems to the benefit of all stakeholders and economic actors.

3.1.2. The main expected results are:

1. **Improved business enabling environment for the agriculture and NRM related sectors**, through the improvement of existing national capacities, policies and regulations which support the development of sustainable agricultural and forestry use and commercialisation, stimulate innovation and private sector investment, and ensure protection of natural resources.
2. **Strengthened value chains**, including increased productivity, processing efficiency, improved product quality and increased market competitiveness in domestic and export markets that result in increased rural incomes and employment creation.
3. **Empowered local communities to participate in the conservation and management of agriculture and natural resources including sustainable forest management (FLEGT)** through the improvement of national and sub-national capacities, regulations and law enforcement.

The programme will be implemented in synergy with the other major development partners involved in the sector, including some key EU Member States.

3.1.3. Donor coordination and policy dialogue:

The **Technical Working Groups (TWGs)** of direct concern to this programme are: (1) The TWG-Fisheries; (2) The TWG Agriculture & Water; (3) The TWG-Forestry Reform; and (4) The TWG for Private Sector Development. Other coordination structures of relevance include the Steering committee for Private Sector Development and Trade. As of 2014, the TWGs for Fisheries and Forestry are performing well and offer a suitable platform for efficient coordination and policy dialogue; the TWGs for Agriculture and Private Sector Development have been improved as a result of the 2014 changes in government and are complemented by committed development partners Groups.

Specific coordination with European Member States takes place in the context of the TWGs as well as through monthly Development Councillors meetings chaired by the EU Delegation.

3.1.4. The Government's Financial and Policy Commitments:

The first Strategic Rectangle of the RS III is entirely devoted to the Promotion of the Agriculture Sector. Most sub-sectors have also developed specific strategies and planning frameworks as references for their annual planning and budgeting.

Institutionally, the sector is led by the Ministry of Agriculture, Forestry and Fisheries through Agricultural Sector Strategic Development Plans (ASSDP) aligned to the RS and NSDP priorities (an Agriculture Master Plan is also at initial stages of development to align with the Government Vision 2030). Most sub-sectors have also developed specific strategies and planning frameworks as references for their annual planning and budgeting (Rice Policy; Strategic Planning Framework for Fisheries 2010-2019; National Forest Programme 2010-2029; Livestock Strategy etc.).

However, with the RS III reaffirming Government priority on sustainable socioeconomic growth in the sector, two other Ministries are playing an increasingly important, even leading, role in the development of the sector. These are the Ministry of Commerce (for all matters related to value-chain development and private sector

¹⁵ As defined in Cambodia inclusive of Forestry and Fisheries.

engagement) and the Ministry of Environment (for matters relative to natural resources management), within strategic references such as the Diagnostic Trade Integration Strategy (DTIS), Cambodia Trade Integration Strategy or the Green Growth Road Map.

The Government's budgetary commitment to agriculture could be significantly increased, as it has been extremely donor dependent. The EU will further engage with the Royal Government of Cambodia, through the relevant TWGs and through bilateral policy dialogue, in order to reverse the trend. It is also expected that an increased involvement of the private sector in the development of sub-sectors, and an increased tax base will also support the long-term financial sustainability of the sector. In absolute amounts committed, the Government's 2014-2018 budgetary projections for the agriculture and natural resources management sector are as follows: (1) in terms of recurrent budget, the three main concerned ministries will share a total budget of USD 420 million (Ministry of Agriculture, Forestry and Fisheries: ± USD 235 million; Ministry of Environment: ± USD 50 million; Ministry of Commerce: ± USD 135 million); (2), in terms of capital expenditures, the sector has received an indicative allocation of USD 1,214 million, equally shared between "Agriculture & Land Management", "Seasonal Crops"; "Environment and Conservation" and "Manufacturing, Mining & Trade", though the latter is not limited to the just the agricultural sector.

3.1.5. Environmental assessment:

EU support in this sector will be subject to standard EU environmental policy and screenings, in particular the Environmental Impact Assessments and Strategic Impact Assessments, in view of addressing pro-poor environmental and climate change concerns in project/programme formulation and implementation, where needed, as per EU Guidelines (<http://capacity4dev.ec.europa.eu/public-environment-climate/documents>). The findings of the "EU Country Environmental Profile (CEP): Cambodia 2012" will be taken into account in programming and implementation.

3.1.6. The overall risk assessment of the sector intervention:

Outcome of governance reform processes: the Royal Government of Cambodia is simultaneously undertaking three interlinked governance reforms under the umbrella of the Rectangular Strategy Phase III. Each of these major reforms – PFMR, SNDD and PAR reforms – implies major changes across the whole of government, at national and sub-national levels. It is however anticipated that these changes, if effective, will also benefit the agriculture sector. The EU support to the sector will be aligned with these reforms.

Institutional weaknesses: The agriculture, forestry and fisheries sub-sectors falls between various sector ministries and agencies with limited implementation capacity, fragmented institutional arrangements and weak coordination. This might result in competition between institutions for resources, and possible delays in passing some of the enabling legislation and regulations. Capacity to enforce laws and regulations (environmental and business related) is also weak. The support will rely on existing sector specific Government, Donors and Private sector policy dialogue arrangements to ensure appropriate coordination.

Land management deficiencies: Large scale land acquisitions for agriculture investment in a context of relative insecurity of land tenure for the vast majority of smallholders, and the conversion of critical forestry/fisheries habitats into agricultural lands, is a threat to development of the sector. This programme will thus place a priority on supporting appropriate mitigation measures aimed at sustainable management of natural resources. In parallel, the Delegation and the EU Member States will use their key role in the agricultural, land and water resources management sectors to ensure that clarification of land issues, including land tenure and access rights, remain a priority at policy and enforcement levels.

Climate change and other environmental factors might disrupt Natural Resources Management and the development of agricultural value chains. An increase in the temperature is likely to affect agricultural productivity. Farmers may be forced to adopt unsustainable farming practices which will exacerbate environmental degradation. Over-exploitation of natural resources could undermine future socio-economic development, increase greenhouse gas emissions and even lead to social unrest and instability. The programme focus will be on the promotion of sustainable agricultural practices countering environmental degradation, sustainable land use planning and protection of natural capital and fostering innovation and investment for better resilience and adaptation.

3.2. Education/Skills (EUR 140 million)

3.2.1. The following overall and specific objectives will be pursued:

The **overall objective** is to promote equitable access to, and the completion of, quality education, with particular attention to pro-poor and gender-responsive policies. This will be done in full support of, and alignment with, national and sector development plans of the Royal Government of Cambodia which aim to achieve its long-term vision of social and economic development and poverty reduction.

The **specific objectives**, aligned with the Education Strategic Plan, are to provide financial and technical support:

1. **To improve equitable access** for all to education services;
2. **To enhance quality and relevance** of learning;
3. **To ensure effective leadership and management** of education staff at all levels.

3.2.2. The main expected results are:

Under Specific objective 1:

1. **Improved equitable access for all** children to all levels of education, particularly increased access to Early Childhood Education, basic education (primary and lower secondary) and non-formal education.
2. **Improved implementation of inter-sectoral activities** impacting on education (including nutrition) as foreseen in the Education Strategic Plan.

Under Specific objective 2:

1. **Improved quality and relevance of education**, in particular greater teaching skills, quality development, and relevance and quality of learning.

Under Specific objective 3:

1. **Improved system efficiency and increased capacity at all levels**, in budgeting, planning, design, implementation, development, monitoring and evaluation of policies and reforms in the education sector, particularly with regard to improving equitable access to quality education, and efficient management of the sector.

3.2.3. Donor coordination and policy dialogue:

There is very good cooperation between the Ministry and Development Partners (DPs). The DPs in the education sector, which includes NGOs, are grouped as the Education Sector Working Group (ESWG) and meet at least once a month. A new Global Partnership for Education (GPE) programme is about to start and the EU, together with the other DPs, will be involved in the annual reviews organised in the framework of the GPE. These reviews are currently being discussed and are likely to become joint reviews complementing the Education Annual Congress. The MoEYS and the ESWG meet every quarter as the Joint Technical Working Group (JTWG).

Policy dialogue has been successful in jointly identifying strengths, weaknesses, achievements and challenges in the sector based on evidence, and in informing the Government for decision-making. The EU has been particularly active in discussions on the education budget, including on increased allocations, execution of MoEYS resources, the targeting of specific interventions towards disadvantaged areas/populations, an increased focus on quality and attention to teacher development, and on an increased transparency. Important steps have been taken in these areas, with the education share of the budget increasing in 2014, hopefully reversing a declining trend, with revisions of regulations allowing increased allocations of programme budget to the school level, with a decision to increase the salaries of teachers, to pay salaries through bank accounts, and with the decision to scale up scholarship programmes. A shared understanding has been built on key challenges which have led to the integration of interventions to tackle these in the ESP 2014-18.

3.2.4. The Government financial and policy commitments:

The priority for education in Cambodia is reflected in the RS III. The first 'side' of the 4th rectangle (Capacity Building and Human Resource Development) is 'strengthening the quality of education'. The focus is on ensuring equal opportunity for access to basic education, both formal and informal, without discrimination, and improving the qualifications and motivation of teachers. The Cambodia Education Law was endorsed in October 2007.

In line with the priorities set for the education sector in the draft National Strategic Development Plan 2014-2018 (NSDP) of the Royal Government of Cambodia the Education Strategic Plan 2014-2018 formulates 3 policy strategies for education: i) Ensuring Equitable Access for all to Education Services; ii) Enhancing the quality and relevance of learning; and iii) Ensuring effective leadership and management of education staff at all levels. The Education Strategic Plan (ESP) 2014-2018 has been prepared in a consultative manner, with Development Partners and civil society commenting at the various stages, and is considered relevant, and ambitious, responding to the sector identified challenges. It is structured around 7 sub-sectors (early childhood education, primary education, secondary and technical education, higher education, non-formal education, youth development and physical education and sport). The Government's financial projections for the recurrent budget of the Ministry of Education, Youth and Sports present an increase from USD 327 million¹⁶ for 2014 to USD 584 million by 2018 (increase of more than 70%).

The ESP 2014-2018 builds on an analysis of the achievements made previously, acknowledging the overall progress, particularly in access to early childhood education and for primary education, but also the lessons learned, challenges, and bottlenecks to be addressed in secondary education in terms of systems, and necessary focus on access and retention, quality and relevance. The expected impact of wider reforms such as SNDD, PFM and public administration reform is also recognised. The importance of sector financial allocations and improved execution to meet the ambitious targets is acknowledged, especially in view of pre-2014 funding levels which fell short of those expected. The priority reform agenda of 8 points identified by the new Minister (appointed in September 2013), which include PFM reform, personnel management, the strengthening of examinations system, quality and efficiency of the system and the development of technical and soft skills for youth is also giving a renewed impetus to the sector reform and highlights the priority of these areas in the Education Strategic Plan.

The financial projections for the sector are still being finalised (NSDP), and the prospects of meeting the ambitious objectives of the plan will depend on the Government's effective commitment to significantly increase the share of the budget allocated to education. The ESP budget projections for 2014-18 indicate that the budget would nearly double by 2018, with a share of the overall budget for education sector reaching 26% in 2018 (from 16% in 2014). The ESP projections are, however, only indicative and it will be important that these commitments are fulfilled in future years if the government objectives in the education sector are to be achieved.

3.2.5. Environmental assessment:

EU support in this sector will be subject to standard EU environmental policy and screenings, in particular the Environmental Impact Assessments and Strategic Impact Assessments, in view of addressing pro-poor environmental and climate change concerns in project/programme formulation and implementation, where needed, and as per EU Guidelines (<http://capacity4dev.ec.europa.eu/public-environment-climate/documents>). The findings of the "EU Country Environmental Profile (CEP): Cambodia 2012" will be taken into account in programming and implementation.

3.2.6. The overall risk assessment of the sector intervention:

Further progress in education reforms is partially dependent on progress in other areas of governance, including the fight against corruption, public financial management, public administration reform, SNDD (deconcentration and decentralisation). The achievement of the agreed ESP targets will also depend on adequate budget resources of the Government to implement its policies and actions. Institutional capacity and human resources remain weak in Cambodia, placing constraints on the effective implementation of the reforms. The EU has been supporting the

¹⁶ Conversion with an exchange rate of 4000 KHR/ 1 USD.

strengthening the education system through capacity building at all levels and will continue to provide this type of support.

The risk assessment undertaken in the framework of current programmes concludes that there are substantial political and high corruption risks in Cambodia. There has been progress on the anti-corruption front since 2011, including with an increased number of actions and arrests in the cases of corruption in the public sector, public announcement of official fees, some recent improvements in the law giving some additional power to the Anti-Corruption Unit (ACU) and with anti-corruption being outlined as one of the key challenges in the new RS III. However, the ACU's capacity and independence needs to be improved and corruption remains a major issue. In the education sector, political risks are limited, but additional attention is needed to strengthen the financial monitoring, audit and implementation of the legal and regulatory frameworks in order to ensure that the risk of irregularities can be satisfactorily mitigated.

Mitigation measures related to the existing level of corruption are essentially enforced at national level by the emerging ACU. There have been very recent suggestions by the DPs to establish a new TWG on Anti-corruption (proposal for it to be co-chaired by the ACU on the Government side). Further progress is also required to strengthen mechanisms for transparency and accountability within government and the continued strengthening of the PFM systems supported by the EU is important in this respect. The political agreement in mid-2014 between the ruling party and the opposition includes the creation of a new parliamentary commission on anti-corruption, which will be chaired by the opposition. Support to the on-going implementation of the FMIS, the strengthening of the National Audit Authority and the implementation of the new procurement policy are examples of far-reaching interventions in this regard. In the education sector, policy dialogue will continue to focus notably on the need to place more emphasis on reaching disadvantaged populations, to involve all stakeholders (including teacher associations) in sector policies and reviews, and to strengthen PFM systems, audit and controls to reduce the opportunities for leakages. In terms of adequate national funding for education, the EU's policy dialogue with the Government will continue to stress its importance, in support of the MoEYS efforts to increase budget allocations for the sector in the period 2014-2018, as proposed in the ESP.

3.3. Governance and Administration (EUR 120 million)

3.3.1 The following overall and specific objectives will be pursued:

Overall objective: is to contribute towards inclusive, equitable growth and sustainable development in its economic, social and environmental dimensions in Cambodia by strengthening democratic development and rule of law, improved access, quality and utilisation of service delivery and bringing public services closer to the people while recognising that poverty and social exclusion are inextricably linked to weak governance, which continues to be significant aspects of Cambodia's fragility.

Specific objective 1 related to the [Public Finance Reform Programme \(PFMRP\)](#) is to improve the governance of public funds in terms of planning, budgeting, execution, reporting and auditing in order to increase efficiency, transparency and accountability and improve the delivery of public services as set out in the Government's NSDP.

Specific objective 2 related to the [Sub-National Democratic Development \(SNDD\)](#) is to support Sub-National Administrations (SNAs) to promote the welfare (voice, rights, livelihoods) of citizens, improve equality between citizens and communities, especially women and vulnerable groups, and ensure fairness in access to services in line with the results and activities foreseen in the decentralisation policy framework.

Specific objective 3 related to the [support to the ECCC](#) is to the completion of the proceedings of the three on-going cases against those accused of being most responsible for the crimes and violations committed during the Khmer Rouge regime ensuring international standards of justice in conducting fair trials. The EU will work with other stakeholders to draw-up a viable exit or mitigation strategy concerning EU support. The EU will also continue to work with other partners on a comprehensive programme for the reduction and rationalisation of costs of the ECCC including a close monitoring of the timescale for the ECCC to complete its work.

Specific objective 4 related to the [support to electoral reform](#) is to assist the National Election Committee to ensure that local and national elections meet international electoral standards, including through implementing recommendations from election observation missions.

3.3.2. The main expected results are:¹⁷

Under Specific objective 1 (PFM):

1. **Enhanced national and local capacities in PFM**
2. **Improved revenue mobilisation and fiscal space** for deploying other key Governance reforms (Legal and Judicial, Deconcentration & Decentralisation, Public Administration).
3. **More efficient use of resources and better alignment of expenditure with national priorities** to improve Government's service delivery.
4. **Increased reliability, accountability and transparency** (availability of financial information) of Government's operations at all levels of the management line.

Under Specific objective 2 (SNDD):

1. **The district and municipal fund is fully operational** and budgeted by the Government.
2. **Local governance indicators** are improved.
3. **The legal framework and local capacity of Sub-National Administrations (SNAs)** is in place for SNA's own source revenue collection.

Under Specific objective 3 (ECCC):

1. **Final verdict on Case 002 and investigations on Case 003 and Case 004** completed and availability and full disclosure of case documentation on these three cases.
2. **Trials are conducted according to the international standards;**
3. **A completion strategy is implemented;**

Under Specific objective 4 (Electoral reform):

1. **Elections are in line with international standards** as verified by independent observers.

3.3.3. Donor coordination and policy dialogue:

For the ECCC, the EU will work with other stakeholders to draw-up a viable exit or mitigation strategy concerning EU support. The EU will also continue to work with other partners on a comprehensive programme for the reduction and rationalisation of costs of the ECCC including a close monitoring of the timescale for the ECCC to complete its work. Political developments since the 2013 election have opened the door for more frank and evidence-based discussions in the governance sector as reflected in the policy dialogue being conducted with government in the Technical Working Groups. It is hoped that such dialogue can be sustained and will translate into better results under SNDD, PFM and for the Cambodian judiciary.

¹⁷ **Expected results for electoral reform** will be determined by political circumstances which allow for engagement.

For **PFM**, Policy dialogue between DPs and MoEF is organised through the PFM Technical Working Group which reviews reform progress and discuss DP support. TWG-PFM is chaired by the Minister of Economy and Finance and EU Delegation and the World Bank act as co-facilitators. Development Partners and the leadership from the MoEF meet on a quarterly basis.

The lead development partner for **SNDD** is currently Sweden and the Asian Development Bank. Active engagement by the EU ensures EU stake in policy dialogue, including through membership on key Steering Committees where implementation challenges, the political context, and progress is discussed.

For the **ECCC**, policy dialogue takes place through the Steering Committee meetings of donors to the Court and the Principal Donors' Group meetings held regularly in New York – as well as through the Meetings of the Friends of the ECCC held in Phnom Penh and in which the EU is represented. Policy dialogue with the Royal Government of Cambodia is ensured through meetings with the national administration of the ECCC and the Minister of the Council of Ministers as Chairman of the Task force on the Khmer Rouge Trials.

3.3.4. The Government's financial and policy commitments:

The Rectangular Strategy – Phase III is an ambitious policy, in terms of its structure, coverage and substance and it offers a sound basis for building a joint European response. Good governance is at the core of the Rectangular Strategy and the priorities in Phase III include: Fighting corruption; Legal and Judicial Reforms; Public Administration Reform; and Reform of the Armed Forces. Financial commitments vary annually but increased to 2014 in all three targeted reforms.

Total consolidated national commitments to PFM, SNDD and ECCC will vary on external contributions and the overall budget may be adjusted to the resources accordingly. For the PFM, total budget for the period 2014-2020 is assessed at USD 13 million per year, of which development partners have pledged USD 9 million and the government to support the difference. For the SNDD, reform budget is calculated at around USD 47 million per year with a national commitment identified as "government's effort" amounting to USD 24 million, which is approximately half of it. For the ECCC, the 2014 amount is confirmed at USD 2.8 million. Government budget anticipated for the period covered by the MIP, 2014-2020, (with 2020 being the year in which the ECCC should have fulfilled its mandate in full with all on-going three cases) would be approximately USD 19 million. In total, the Royal Government's financial engagements for the part of the Governance sector covered by the EU MIP would amount to EUR 160 million, exclusive of the electoral reform support.

3.3.5. Environmental assessment:

EU support in this sector will be subject to standard EU environmental policy and screenings, in particular the Environmental Impact Assessments and Strategic Impact Assessments, in view of addressing pro-poor environmental and climate change concerns in project/programme formulation and implementation, where needed, as per EU Guidelines (<http://capacity4dev.ec.europa.eu/public-environment-climate/documents>).

3.3.6. The overall risk assessment of the sector intervention:

In addition to the general challenges common to all sectors in Cambodia, support for good governance is particularly predisposed to the following **cross-cutting risks**:

- The emergence of a Law on Associations and Non-governmental Organisations and other legislation that effectively limits fundamental freedoms notably with regard to the enabling environment for advocacy groups, grassroots groups and associations. This will be mitigated if high level policy dialogue by the EU is sustained and ensures any legislation and its implementation supports an enabling environment.
- Future elections are not seen as legitimate by the citizens thereby undermining citizen participation in the reforms. Electoral reform support and engagement by the EU in the political dialogue could serve to mitigate this risk and improve national and sub-national representation.
- The vested political and financial interests of the ruling elite work to limit budget transparency. To mitigate this risk, further support for civil society at national and subnational levels to promote budget transparency,

including the publication of audited financial statements, and through the Social Accountability Framework will be key.

- The patronage system and corruption continues to prevail, including at subnational levels. To mitigate this, both demand and supply sides of governance will need to have a strong focus on social and political accountability at all levels of government. EU support to strengthening institutional capacities and strengthened political and policy dialogue with the Government will also be important.

Additional risk in the **PFM** reforms is weak institutional capacity in the MoEF to enhance the reforms. For this reason, support needs to be provided to the implementation of a comprehensive Reform Capacity Development plan.

A major risk in the **SNDD reform** is that progress is limited by vested local interests at sub national level and powerful, centralised line ministries. Careful monitoring and support for the implementation of the Organic Law at sub national level and EU involvement in cross sector policy dialogue can work to ensure coherence across reforms and maintain focus on voice and accountability.

Concerning the **ECCC** there is a risk of financial shortfalls in the Court's budget, which could stop its operation. This can be mitigated by increased predictability of EU funding through a multi-annual financial allocation. There is an additional risk of political interference in the proceedings, which needs to be mitigated by close project monitoring combined with high level EU policy dialogue. A possibility also exists that the accused pass away or become unfit to stand trial before the end of the proceedings. The appropriate tranching of support could help to mitigate these risks. An evaluation for further EU financial support to ECCC beyond the present EUR 10 million allocation will be done by 2015.

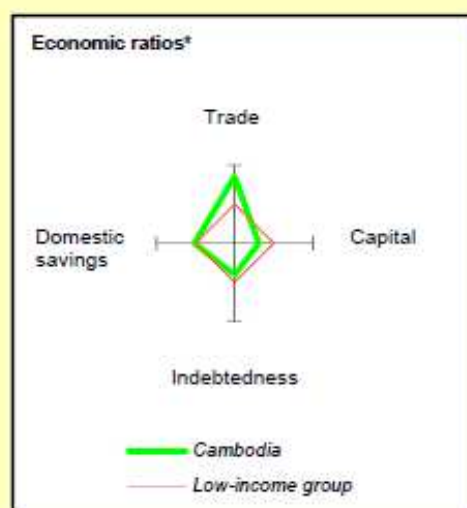
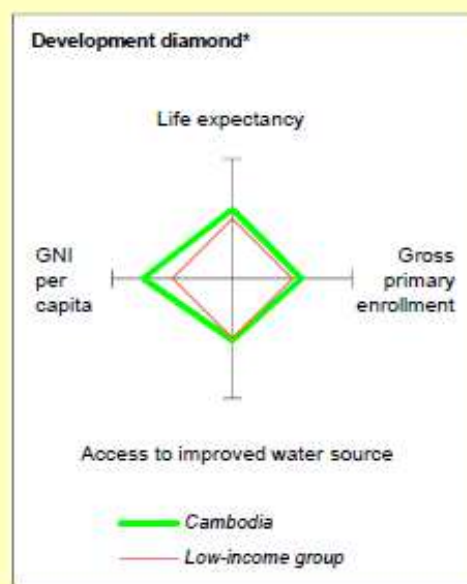
4. Support Measures

An **indicative amount of EUR 6 million** will be set aside for support measures to accompany programming, formulation or implementation of actions in the three focal sectors.

1. Main macro-economic, trade and social indicators

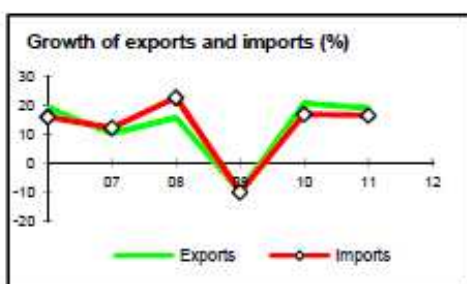
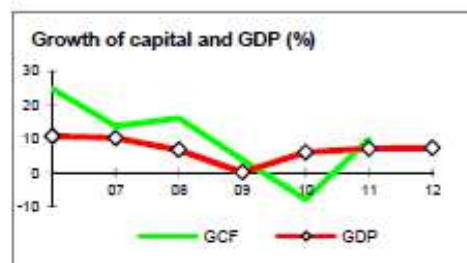
(Source: World Bank, Cambodia at a Glance, 15 March 2014, http://devdata.worldbank.org/AAG/khm_aag.pdf)

POVERTY and SOCIAL	Cambodia	East	Low-		
		Asia & Pacific		income	
2012					
Population, mid-year (millions)	14.9	1,992	846		
GNI per capita (Atlas method, US\$)	880	4,884	590		
GNI (Atlas method, US\$ billions)	13.0	9,728	499		
Average annual growth, 2006-12					
Population (%)	1.5	0.7	2.2		
Labor force (%)	2.7	0.9	2.6		
Most recent estimate (latest year available, 2006-12)					
Poverty (% of population below national poverty line)	21	..	..
Urban population (% of total population)	20	50	28		
Life expectancy at birth (years)	71	74	62		
Infant mortality (per 1,000 live births)	34	17	56		
Child malnutrition (% of children under 5)	29	5	22		
Access to an improved water source (% of population)	71	91	69		
Literacy (% of population age 15+)	74	94	61		
Gross primary enrollment (% of school-age population)	124	112	108		
Male	127	111	111		
Female	121	113	106		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1992	2002	2011	2012	
GDP (US\$ billions)	..	4.3	12.8	14.0	
Gross capital formation/GDP	..	18.1	17.1	..	
Exports of goods and services/GDP	..	55.4	54.1	..	
Gross domestic savings/GDP	..	9.3	11.7	..	
Gross national savings/GDP	..	15.4	11.1	..	
Current account balance/GDP	..	-2.2	-3.0	-5.9	
Interest payments/GDP	..	0.2	0.4	0.6	
Total debt/GDP	..	68.2	34.5	40.7	
Total debt service/exports	4.1	0.9	1.2	1.5	
Present value of debt/GDP	28.4	
Present value of debt/exports	46.1	
	1992-02	2002-12	2011	2012	2012-16
(average annual growth)					
GDP	7.4	7.9	7.1	7.3	..
GDP per capita	4.8	6.2	5.3	5.4	..
Exports of goods and services	21.5	13.3	18.9



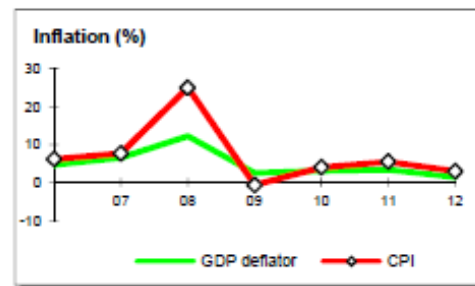
STRUCTURE of the ECONOMY

	1992	2002	2011	2012
(% of GDP)				
Agriculture	..	32.9	36.7	35.6
Industry	..	25.6	23.5	24.3
Manufacturing	..	18.6	16.1	16.0
Services	..	41.5	39.8	40.1
Household final consumption expenditure	..	85.3	82.3	..
General gov't final consumption expenditure	..	5.4	6.0	..
Imports of goods and services	..	64.3	59.5	..
	1992-02	2002-12	2011	2012
(average annual growth)				
Agriculture	3.0	5.8	3.1	4.3
Industry	15.3	8.8	14.5	9.2
Manufacturing	18.9	9.0	16.2	5.0
Services	7.8	8.0	5.0	8.1
Household final consumption expenditure	5.7	7.3	5.1	..
General gov't final consumption expenditure	7.7	13.9	7.8	..
Gross capital formation	11.5	11.8	9.8	..
Imports of goods and services	15.1	13.0	16.3	..



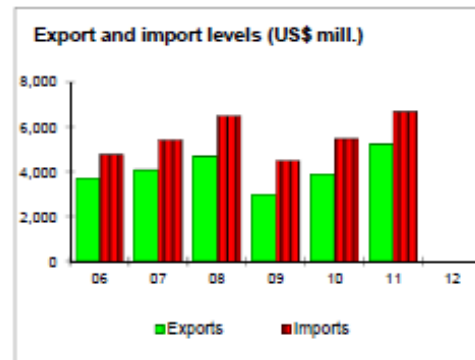
PRICES and GOVERNMENT FINANCE

	1992	2002	2011	2012
<i>Domestic prices</i> (% change)				
Consumer prices	..	3.2	5.5	2.9
Implicit GDP deflator	..	0.7	3.4	1.4
<i>Government finance</i> (% of GDP, includes current grants)				
Current revenue	..	10.4	12.3	..
Current budget balance	..	1.0	1.0	..
Overall surplus/deficit	..	-3.7	-2.7	..



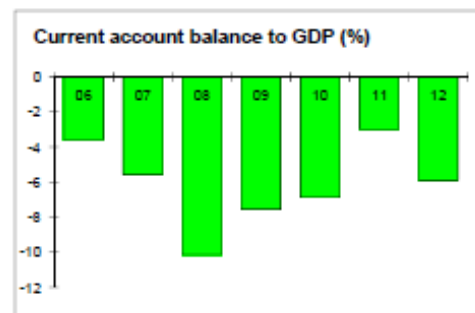
TRADE

	1992	2002	2011	2012
<i>(US\$ millions)</i>				
Total exports (fob)	265	1,770	5,220	..
Forestry	..	63	199	..
Rubber	..	41	47	..
Manufactures	..	1,405	4,311	..
Total imports (cif)	351	2,361	6,710	..
Food	..	..	105	..
Fuel and energy	..	..	1,124	..
Capital goods	..	..	406	..
Export price index (2000=100)	..	103	..	..
Import price index (2000=100)	..	103	..	..
Terms of trade (2000=100)	..	100	..	..



BALANCE of PAYMENTS

	1992	2002	2011	2012
<i>(US\$ millions)</i>				
Exports of goods and services	314	2,374	7,432	8,573
Imports of goods and services	373	2,736	8,033	9,511
Resource balance	-59	-362	-603	-938
Net income	-21	-184	-586	-649
Net current transfers	120	451	653	708
Current account balance	41	-95	-382	-826
Financing items (net)	..	183	704	1,165
Changes in net reserves	..	-89	-322	-338



2. MDG Progress Index 2011 – Cambodia

(Source: Center For Global Development: <http://www.cgdev.org/content/publications/details/1424377>)

Top MDG Progress Index Performers 2011

Country	MDG Progress Index Score		
	2011	2010	Δ (2010-2011)
Honduras	7.0	7.0	0.0
Cambodia	6.5	5.5	1.0
Vietnam	6.5	6.0	0.5
Sri Lanka	6.0	4.0	2.0
Azerbaijan	5.5	4.5	1.0
Burkina Faso	5.5	5.0	0.5
Nepal	5.5	5.5	0.0
Nicaragua	5.5	5.0	0.5
Mongolia	5.5	5.0	0.5
Armenia	5.0	5.0	0.0
Bolivia	5.0	5.0	0.0
Gambia, The	5.0	4.5	0.5
Ghana	5.0	5.0	0.0
Kyrgyz Republic	5.0	6.0	-1.0
Lao PDR	5.0	6.0	-1.0
Uganda	5.0	5.0	0.0

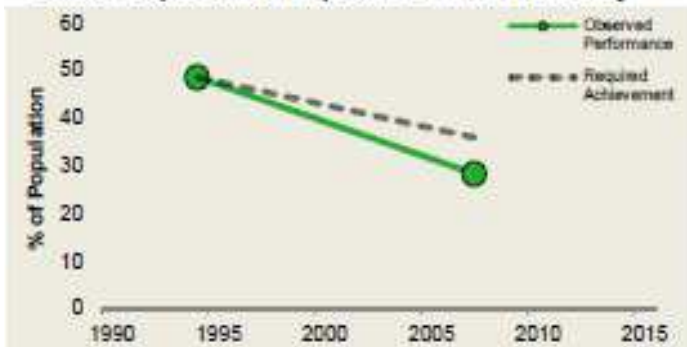
Best Performers

Cambodia MDG Progress Index Scorecard 2011: 6.5 (in range 0-8)

Score = 0 (Red diamond) Score = 0.5 (Yellow triangle) Score = 1 (Green circle)

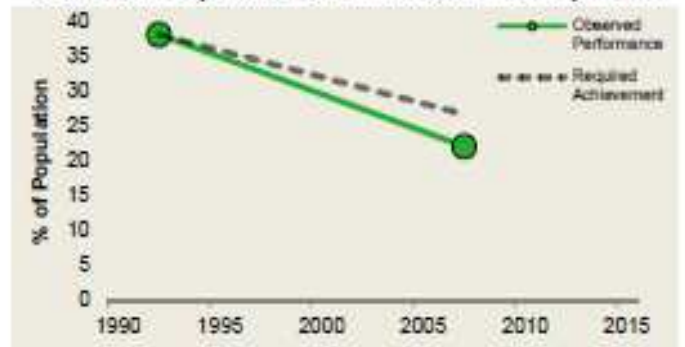
MDG 1A: Extreme Poverty

Halve Proportion of Population Under \$1.25/day



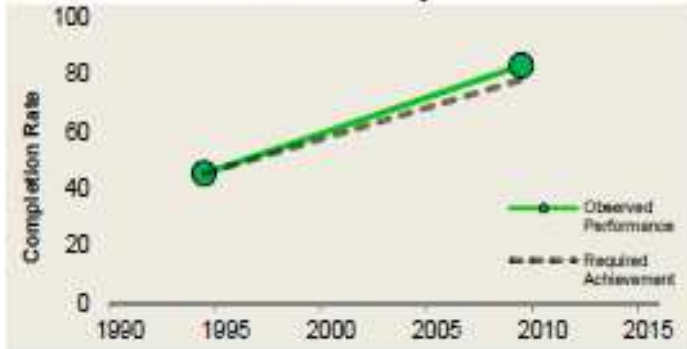
MDG 1C: Hunger

Halve the Proportion of Undernourished Population



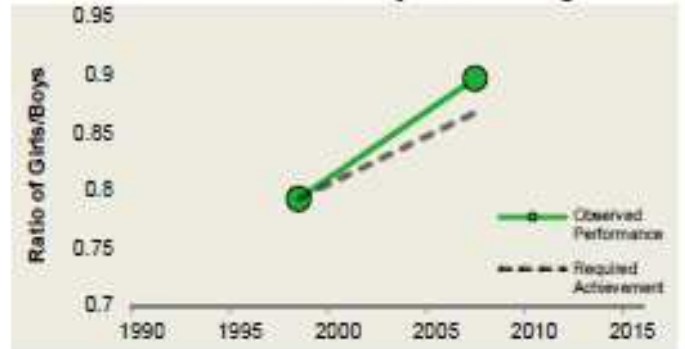
MDG 2: Education

Achieve Universal Primary Education



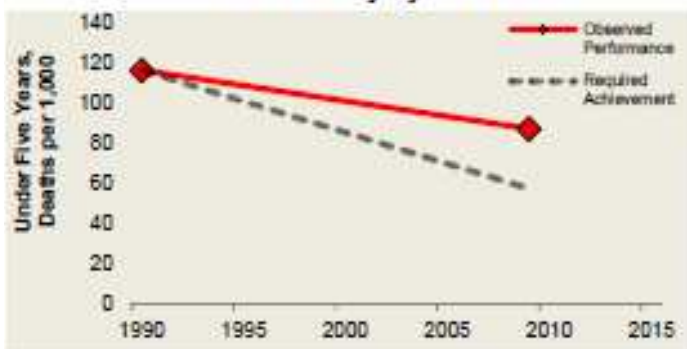
MDG 3: Gender Equality

Achieve Gender Parity in Schooling



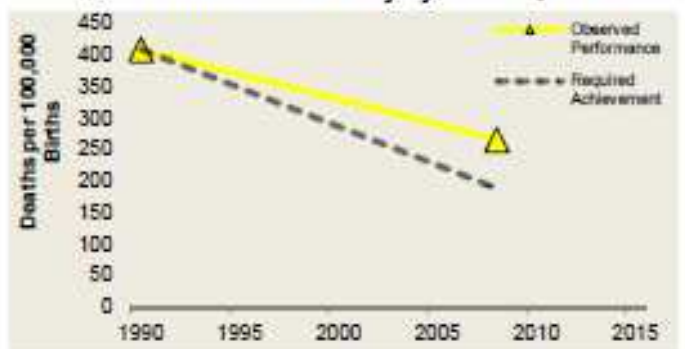
MDG 4: Child Mortality

Reduce Child Mortality By Two-Thirds



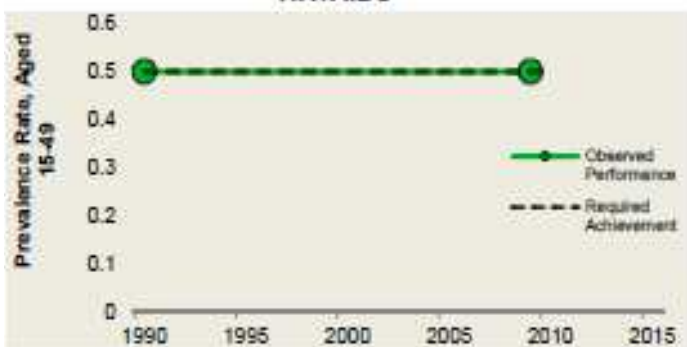
MDG 5: Maternal Health

Reduce Maternal Mortality by Three-Quarters



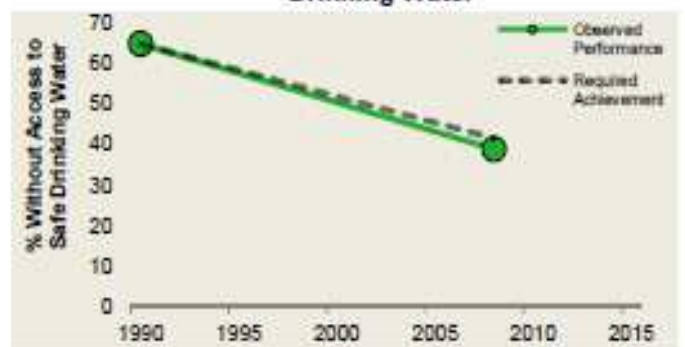
MDG 6: Combat HIV/AIDS

Halt and Begin to Reverse the Spread of HIV/AIDS



MDG 7: Environmental Sustainability

Halve the Proportion of People Without Access to Safe Drinking Water



Attachment 2: Donor Matrix

Total actual ODA disbursements by all sectors and all donors, cumulative for 3-year period 2011-2013, in millions of USD

* National Government's classification of sectors is used. ** Figures include both grants and concessional loans.

Sector	Donor	EU Group EC+MS+SWI	EU/EC	UN Agencies	GAVI	Gl. Fund	WB	ADB	China	Japan	Korea	Australia	USA	New Zealand	Canada	TOTAL
Social Sectors																
Health (including HIV/AIDS)		127.5	7.2	17.2	22.3	116.7	18.5	6.4	0	38.1	15.2	62.7	106.8	0	3.7	596.3
Education		64.4	34.8	77	0	0	50.9	40	0	46.4	23.9	15.6	10.3	5.9	0.7	369.9
Economic Sectors																
Agriculture		40	18.9	27.7	0	0	10.1	18.2	279.2	40.5	15.5	35	43	3.2	6.7	540.7
Manufacturing, Mining & Trade		14.8	14.8	0.4	0	0	0	0	0	51.5	0	0	43	0	0.3	124.8
Rural Development		59.7	5	2.5	0	0	25.7	21.9	0	27.4	1.7	6.3	0	0	16.3	172.3
Banking and Business Services		43	0	0.8	0	0	0.9	94.3	0	0	0	0	0	0	0	139
Urban Plan & Management		0.9	0	0	0	0	0	0.1	0	21	0	0	0	0	0	22
Infrastructure																
Information and Communications		1.4	0	0.7	0	0	0	0	0	3.4	1.1	0	0	0	0	6.6
Energy, Power and Electricity		23.8	1.4	0.6	0	0	13.6	13.6	91.5	28	0.3	0	0	0	0	172.8
Transportation		0	0	50.5	0	0	29	67.8	686.5	152.2	59	24.1	0	0	0	1122.1
Water and Sanitation		27.6	4	5.7	0	0	0	13.7	0	49.1	30.8	4	0	0	0.3	142.3
Services & Cross-sectoral programmes																
Community and Social Welfare		15.7	1.9	32.4	0	0	0	0.2	149.7	0.07	0	29.3	0	0	0.2	229.5
Culture & Arts		7.4	0	4.5	0	0	0	0	0	4.6	0	0	0	0	0	16.5
Environment and Conservation		5.7	1.3	7.4	0	0	0.02	2.4	0	8.2	0	0.3	43	0.8	0.3	69.4
Climate Change		10.7	3.4	15.1	0	0	1.3	0	0	2.3	0	0	0	0	1.6	34.4
Gender		14.2	1.7	6	0	0	0	0	0	3.3	0	6.3	0	0	1.1	32.6
Governance & Administration		174.2	59.2	27.2	0	0	37.9	38.2	0	18	3.5	27.8	30.4	0	12.4	428.8
Tourism		0.4	0	0.5	0	0	0	1.4	0	3.3	0	0	0	1.8	0	7.4
Budget & BoP Support		0.02	0	0.3	0	0	0	14.7	0	0	0	0	0	0	0	15
Emergency and food aid		8.2	7.2	16.3	0	0	0	13.8	0	2.8	0	12.2	21.2	0	5.3	87
Other		29.7	0.4	3.2	0	0	0	0.9	0	60.3	0.3	3.3	0	0	0.5	98.6
TOTAL		669.3	162.2	296	22.3	116.7	187.9	347.6	1207	560.5	151.3	226.9	297.7	11.7	49.4	4306
Of which grants (excluding concessional loans)		572.3	162.2	276.7	22.3	116.7	130.4	127.2	0.4	332.7	65.6	221.6	214.2	11.6	49.4	2303
<i>Number of currently ongoing projects</i>		<i>215</i>	<i>75</i>	<i>100</i>	<i>5</i>	<i>4</i>	<i>16</i>	<i>65</i>	<i>24</i>	<i>108</i>	<i>42</i>	<i>27</i>	<i>13</i>	<i>5</i>	<i>24</i>	<i>852</i>

Source: Table built based on data compiled from the official ODA database of the CDC on 15 April 2014 (database is based on donors' own ongoing reporting)

Attachment 3: Sector Intervention Framework

The results, indicators and means of verification specified in the present annex may need to evolve to take into account changes intervening during the programming period. They may also need to be adjusted following the adoption of the NSDP 2014-2018 (adoption expected in May or June 2014) in case the final NSDP results framework should vary significantly from what is expected.

*Any missing information on baselines (and baseline years) and targets (and target years) will be provided at the latest in the action document.

SECTOR 1: AGRICULTURE / NATURAL RESOURCE MANAGEMENT

SPECIFIC OBJECTIVE: To enhance the development, sustainable management and climate resilience of Agricultural planning and practices and Natural Resources based systems to the benefit of all stakeholders and economic actors.

<i>Expected Results</i>	<i>Indicators</i>	<i>Means of verification</i>	<i>Baseline*</i>	<i>Target*</i>
1. Improved Business Enabling Environment for the agriculture and NRM related sectors, through the improvement of existing national capacities, policies and regulations which support the development of sustainable agricultural and legal forestry use and commercialisation and stimulate innovation and private sector investment and ensure protection of natural resources.	Business Environment Ranking	Doing Business ranking (WB report)	137 (2013)	At least gain of 20 positions
	% FDI related to agriculture sector (including forestry and fisheries)	Government statistics (Council for Development of Cambodia)	674 MUSD (2011)	Sustained annual increase by 7 % ¹⁸
	% of smallholder farmers and agriculture/NRM-based MSMEs accessing financial services and products	Specific surveys, PBES	(43% of sample surveyed in 2010)	Sustained increase of 2% annually
	% of vulnerable families to climate change ¹⁹	Government statistics	47% (2013)	37%

¹⁸ NSDP target

¹⁹ NSDP indicator

2. Strengthened value chains, including increased production, processing efficiency, improved product quality and increased market competitiveness in domestic and export markets that result in increased rural incomes and employment creation.	Share of agriculture products in Cambodian GDP (including share of the forestry and fisheries sub-sectors) ²⁰	Government statistics	26%	36%
	Net income generation within Cambodian agriculture, fisheries and forestry sectors and sub-sectors (including share in value added for smallholder farmers and agro/NRM-based SMEs) ²¹	Technical studies	tbc	tbc
	Aquaculture production (in tonnes) meets food security and export demands	Fisheries Administration statistics	67,000 tons	185,000 tons
	Crop diversification Index ²² (% of total cultivated area)	Ministry statistics TWG-A&W report	31%	35%
3. Empowered local communities to participate in the conservation and management of agriculture and natural resources through the improvement of national and sub-national capacities, regulations and law enforcement.	Number of provinces with spatial planning in place at sub-national level.	Ministry of Land Management	1	5
	Sustained wild-harvested fish production (<i>excludes production from rice fields</i>) ²³ .	FiA and TWG-Fi reports	500,000 tons	500,000 tons
	N° of Protected Areas with a management plan that is publicly available	Ministry of Environment	0	10
	N° of Community Forestry, Community Fisheries and Community Protected Areas with an approved management plan	Ministry of Environment, Forestry Administration, Fisheries Administration; TWGs Forestry Reform, TWGs Fisheries	116	750

²⁰ NSDP indicator

²¹ With the exception of aquaculture, no national indicator exists yet in that respect or in terms of wealth generation in the agricultural sector at any level of the value-chains (except for the rice value-chain) – it is however seen by all specialists as the indicator to use in term of equitable and sustainable growth. To be discussed with the Government.

²² NSDP Core Indicator and TWG-A&W JMI output indicator

²³ Strategic Planning Framework for Fisheries core indicator and JMI core indicator. Considered as a conservation indicator due to the community-based management nature of capture fisheries and current threat to wild fisheries.

SECTOR 2: EDUCATION / SKILLS ²⁴

SPECIFIC OBJECTIVE 1: Improving equitable access for all to education services

<i>Expected Results</i>	<i>Indicators</i>	<i>Means of verification</i>	<i>Baseline*</i>	<i>Target*</i>
1. Improved equitable access for all children to all levels of education, particularly increased access to Early Childhood Education, basic education (primary and lower secondary) and non-formal education	CBI: Percentage of 5-year-olds in all aspects of ECE	EMIS - Education Congress Report	56.5%	80%
	CBI 2: Number of Districts achieving Primary Completion Rate (PCR) of at least 80%	EMIS - Education Congress Report	119	144
	CBI 3: Number of provinces achieving a Lower Secondary completion Rate of at least 40%	EMIS - Education Congress Report	7	17
2. Improved implementation of inter-sectoral activities impacting on education (including nutrition) as foreseen in the ESP	% of children with an acceptable nutritional status ²⁵	EMIS - Education Congress Report	20%	90%

SPECIFIC OBJECTIVE 2: Enhancing the quality and relevance of learning

<i>Expected Results</i>	<i>Indicators</i>	<i>Means of verification</i>	<i>Baseline</i>	<i>Target</i>
1. Improved quality and relevance of education, in particular greater teaching skills and quality development, and relevance and quality of learning	CBI6: Status of national assessment on student learning achievement at grade 3, 6 and 8 in Khmer and mathematics. Milestones: National assessment 1) done, 2) analysed and 3) used for planning	Education Congress Report	Grade 3 being implemented	Grade 8 being implemented

²⁴ The selected indicators are the Core Breakthrough Indicators (CBI) of the Education Strategic Plan (ESP) 2014-2018. Based on currently available information we are aligning to these Government indicators and targets.

²⁵ ECE (Early Childhood Education) ESP 2014-2018 indicator

SPECIFIC OBJECTIVE 3: Ensuring effective leadership and management of education staff at all levels

<i>Expected Results</i>	<i>Indicators</i>	<i>Means of verification</i>	<i>Baseline</i>	<i>Target</i>
1. Improved system efficiency and increased capacity at all levels, in budgeting, planning, design, implementation, development, monitoring and evaluation of policies and reforms in the education sector, particularly with regard to improving equitable access to quality education, and efficient management of the sector.	CBI 10: Percentage of programme budget executed	MoEYS approved budget	86.7% (2013)	95%

SECTOR 3: GOVERNANCE AND ADMINISTRATION

SPECIFIC OBJECTIVE 1 (PFM): Improving the governance of public funds in terms of planning, budgeting, execution, reporting and auditing in order to increase efficiency, transparency and accountability and improve delivery of public services as set out in the Government's NSDP

<i>Expected Results</i>	<i>Indicators</i>	<i>Means of verification</i>	<i>Baseline*</i>	<i>Target*</i>
1. Enhanced national and local PFM capacities	Overall PEFA Assessment rating	IFAPER – PEFA	To be defined ²⁶	To be defined ²⁷
2. Improved revenue mobilisation and fiscal space for deploying other key Governance reforms (Legal and Judicial, Decentralisation, Public Administration)	National revenue as a % of GDP	IFAPER – PEFA	To be defined under CAP 3 ²⁸	To be defined under CAP 3 ²⁹
	Progress in implementation of threshold for salary payments through the use of bank accounts	Ministries Quarterly and Annual Reports		
3. More effective use of resources and better alignment of expenditure with national priorities to improve Government's service delivery	National Strategic Development Plan is costed and sector priorities integrated in the Medium Term Expenditure Framework	IFAPER – PEFA	To be defined under CAP 3	To be defined under CAP 3
	Costed Sector Strategies produced and integrated in the Budget Strategic Plans	Ministries Quarterly and Annual Reports		

²⁶ Last PEFA: 2009; last IFAPER 2011

²⁷ Next PEFA: 2014 – to be published in Q1 2015

²⁸ To be finalised in Q4 2015

²⁹ To be finalised in Q4 2015

	Number of ministries implementing Full Programme Budgeting			10 line ministries (2015)
	Number of ministries with an allocated capital budget			All ministries
4. Increased reliability, accountability and transparency (availability of financial information to the public) of Government's operations at all levels	Overarching indicator: Status of financial reporting systems Milestones:			
	1) Decree for implementation of the new budget classification approved by the Government			
	2) Decree for implementation of the new chart of account approved by the Government			
	3) Implementation of the Financial Management Information System (FMIS) Treasury Centric Module	IFAPER – PEFA Ministries Quarterly and Annual Reports	To be defined under CAP 3	To be defined under CAP 3
	4) Accounting and financial reports are published on a monthly, quarterly and annual basis and are consistent with the International Public Sector Accounting Standards-Cash Basis (IPSAS)	NAA audit reports		
	5) Audit reports of the Government annual financial statements (titled ‘Report on the Draft Law on Budget Settlement’) are published annually			
6) A comprehensive citizen-friendly budget is published every year, in accordance with best practice such as the IMF Manual on Fiscal Transparency				

SPECIFIC OBJECTIVE 2 (SNDD): To support SNAs to promote the welfare (voice, rights, livelihood) of citizens, improve equality between citizens and communities, especially women and vulnerable groups, and ensure fairness in access to services in line with the results and activities foreseen in the decentralisation policy framework

<i>Expected Results</i>	<i>Indicators</i>	<i>Means of verification</i>	<i>Baseline*</i>	<i>Target*</i>
1. The district and municipal fund is fully operational and budgeted by the Government	By 2015 (2016 budget) 5% of the national budget has been transferred to Sub-National Administrations (SNAs) as the result of functional reassignment	National budget and relevant regulations	0% (2013)	tbc

2. Local governance indicators are improved	Local governance index – Cambodia	Local governance survey ³⁰	55.75 (score) 2011	Improvement in index value
3. The legal framework and local capacity of SNAs is in place for SNA's own source revenue collection	% of SNAs total budget collected in the form of own source revenues	National budget and relevant regulations	0% (2013)	3% (2015)

SPECIFIC OBJECTIVE 3 (ECCC): To raise standards in the administration of justice in Cambodia by stimulating greater demand for internal accountability of justice operators and ensuring international standards of justice in conducting fair trials that are to bring justice to the victims of the Khmer Rouge

<i>Expected Results</i>	<i>Indicators</i>	<i>Means of verification</i>	<i>Baseline*</i>	<i>Target*</i>
1. Majority of ECCC national staff continues working for the national criminal justice systems	Number of Cambodian judicial and legal personnel at the ECCC working in the domestic courts	Technical survey of the judicial and legal staff working in the national judiciary	46% (23 staff members out of 50) (2014)	70%
2. Improved application of international standards of justice by national courts	International standards of justice applied at the ECCC and subsequently transposed into the national judicial system	UN reports, reports of the TWG Legal and Judicial Reform, EU reports	2013	
3. Work plan of the ECCC achieved (final verdict on Case 002 and investigations on Case 003 and Case 004 completed) and increased public knowledge on ECCC and its proceedings	Status of work plan of the ECCC	Progress reports on the work of the ECCC and analysis by the UN and the EU	2013: Verdict in C002 expected by August 2014. Investigations in C003 and C004 expected to be completed by 1 st Quarter 2015	Work plan achieved

³⁰ Local Governance Survey, National Committee for Sub-National Democratic Development

	Public availability of case documentation on the three ongoing cases	Court records		Full disclosure of case documentation
	% of population with awareness and knowledge about the ECCC and its proceedings	International organisations and civil society reports and surveys	74% of the population (2010) ³¹	90% (2015)

SPECIFIC OBJECTIVE 4 (Electoral reform): To assist local and national elections in meeting international electoral standards

<i>Expected Results</i>	<i>Indicators</i>	<i>Means of verification</i>	<i>Baseline*</i>	<i>Target*</i>
1. Elections are in line with international standards as verified by independent observers	Election performance index	International and national civil society reports	2014	Improvement in perceptions of Electoral Integrity Index

³¹ Harvard Population Based Survey on Knowledge and Perception of Justice and the ECCC

Attachment 4: Indicative Timetable for Commitments

Focal Sectors	Indicative allocations (in EUR million)	2014	2015	2016	2017	2018	2019	2020
1. Agriculture/Natural resource management (Fisheries & Forestry)	144		95				49	
2. Education/Skills	140	40		100				
3. Governance and Administration	120	10	30	45	20		15	
Support measures ³²	6							
Total commitments³³	410	50	125	145	20		64	

³² Estimated needs for support measures for the period 2015-2016 are EUR 2 million.

³³ Annual total breakdowns are presented exclusive of support measures