



**KINGDOM OF CAMBODIA
NATION RELIGION KING**

ROYAL GOVERNMENT OF CAMBODIA

**2007 ANNUAL MINISTERIAL REVIEW OF
THE HIGH LEVEL SEGMENT OF ECOSOC
Geneva, 2-4 July 2007**

A large, detailed blue royal emblem of Cambodia, featuring a central crown with a sunburst, flanked by two mythical animals holding a banner, and a sword resting on a pedestal below, all surrounded by a laurel wreath and a lotus flower at the base.

**Progress in Achieving Cambodia
Millennium Development Goals:
Challenges and Opportunities**

**PREPARED BY THE MINISTRY OF PLANNING
MAY 2007**

Table of Contents

I. INTRODUCTION

II. CURRENT STATUS OF CMDG

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women.
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases.
7. Ensure environment sustainability
8. Develop a global partnership for development.
9. De-mining, UXO and victim assistance.

III. ACHIEVEMENT AND GAPS IN REALIZING CMDG TARGETS

1. Achievements
2. Shortfalls
3. Discrepancies among provinces

IV. NATIONAL STRATEGIC DEVELOPMENT PLAN (NSDP) 2006-2010

- 1) Vision of National Strategic Development Plan (NSDP)
- 2) Good Governance at National and International Levels
- 3) Globalization
- 4) Mobilization of Financial Resources

V. THE DEVELOPMENT CHALLENGES

VI. WAYFORWARD TO ADDRESS CHALLENGES

PROGRESS IN ACHIEVING CAMBODIA MILLENNIUM DEVELOPMENT GOALS: CHALLENGES AND OPPORTUNITIES

323

I. INTRODUCTION:

Since the 1990s, Cambodia has made significant progress in its transition towards prosperity and development. In the process, Cambodia has re-established peace and security after almost three decades of war and civil conflict; moved to a multi-party political system with vigorous efforts to develop and strengthen the country's democratic institutions; and transformed the isolated, state-controlled and subsistence-oriented economy to a market-driven and open economy.

Over the last decade, Cambodia has achieved full peace, security, political stability and solid economic growth, maintained sound macroeconomic stability, and made remarkable progress in both human and economic development. In particular, the country's garment and tourism industries have speedily expanded from a very low base; and physical infrastructures are undergoing rapid rehabilitation and expansion. In the area of social development; Cambodia has made considerable advances. School enrolments have substantially increased; the health system have been rebuilt; and Cambodia has emerged as a model of successful HIV/AIDS prevention.

From the adoption of the Millennium Declaration in 2000, Cambodia has expressed its full commitment to the Millennium Development Goals (MDGs). In 2003, the global MDGs have been localized in Cambodia and these are called Cambodia Millennium Development Goals (CMDGs). The CMDGs reflects Cambodia realities based on a strong national consensus.

Through adopting a participatory process of consultation, specific indicators have been identified for each CMDGs, including the benchmark and the short, medium and long term target values to be reached during 2005, 2010 and 2015. In all, the CMDGs cover 9 goals, 25 overall targets, and 106 specific targets covering (i) extreme poverty and hunger; (ii) universal nine-year basic education; (iii) gender equality and women's empowerment; (iv) child mortality; (v) maternal health; (vi) HIV/AIDS, malaria and other diseases; (vii) environmental sustainability; (viii) global partnership for development; and (ix) de-mining, UXO and victim assistance.

II. CURRENT STATUS OF CMDG:

Since the late 1990s, Cambodia has made significant progress in many areas of human and social development. In some areas, however, progress has been mixed. In particular, progress has been uneven in reducing poverty, hunger and malnutrition; in improving the level and quality of education; in reducing inequality between women and men, and in the area of maternal health. There is still a lack of infrastructure, and there is unsustainable resource depletion and environmental degradation.

Cambodia has made significant progress in promoting gender equality and most of the indicators are close to targets. However there are major problems, especially in the area

of domestic violence, which have only very recently begun to be addressed. A new law on domestic violence was enacted by the Royal Government in September 2005. The Royal Government is committed to gender mainstreaming as outlined in its Rectangular Strategy. Awareness on issues of human rights and gender equality also need to be promoted.

The significant progress over the last decade in implementing pro-poor policies and wide-ranging reforms aimed at strengthening democracy, rule of law and good governance, the most formidable development challenge faced by the Royal Government of Cambodia (RGC) today is to meet the targets set under the CMDGs, essential to reducing poverty and improving the livelihoods and the quality of life of all Cambodians.

The following is the progress of achieving and the current status of the CMDGs indicators vis-a-vis their intermediate targets for 2005 which are consistent with achieving the CMDGs in 2015.

1. Goal 1: Eradicate Extreme Poverty and Hunger

Cambodia is classified as "Least Developed, low income food deficit country " (LDC and LIFDC) . At present prices , per capita GDP is estimated at a low of US\$ 513 in 2006. GDP growth is estimated at a high 10.80 percent in 2006 . Inflation will contained at 4.7 percent and the exchange rate remained stable.

The RGC's Population Policy relates to many sectors and issues such as health including reproductive health, education, environment, economy, gender, migration, youth and ageing. The Government is strengthening capacities of policy makers and planners to integrate population related factors into development planning processes at all levels. Data from the CDHS 2005 provides evidence on the implementation of this policy as follows:

- The annual population growth rate has declined from 2.49 percent in 1998 to 1.81 percent in 2004, but the number of population is still growing (population momentum).
- There has been a decline in the fertility rate, from 4.0 births per woman in 2000 to 3.4 births per woman in 2005. Both education and wealth have an effect on fertility. On average, Cambodian women would like 3.3 children. The Total Fertility Rate (TFR) is on track to reach the CMDG 2015 target.
- Almost all women are familiar with some methods of contraception and 27.2 percent of married women were currently using a modern contraceptive method.
- Cambodia has a large dependent population of children and adolescents. However, with declining in fertility the proportion of population under age 15 years has started recently to decline.
- Cambodia now has its largest youth population ever. CDHS 2005 shows that 57 percent of the population is in the age group 15-64. Children under 15 years of age account for 39 percent of the population, and nearly 5 percent of the population is over the age of 65.
- The average household size has decreased from 5.4 in 2000 to 5.0 persons in 2005.

According to the Recall data on consumption, the proportion of population under the national poverty line (poverty headcount index) is 34.7 percent in 2004. For Phnom Penh Municipality the incidence of poverty is 4.6 percent, other urban area 24.6 percent and in the rural area 39.2 percent.

The nutritional status of children has improved, albeit slowly, between 2000 and 2005, with the stunting rate decreasing from 45 to 37 percent, and wasting decreasing by half, from 15 per cent to 7 per cent. The overall prevalence of underweight children has decreased from 45 per cent to 36 per cent, meeting the target for 2005. The household usage of iodized salt has increased dramatically from 14 per cent in 2000 to 73 percent in 2005.

While the success in reducing poverty in urban and more accessible rural areas is commendable given Cambodia's recent history, the challenge over the next decade is to vastly reduce poverty in the remaining more rural less accessible areas. Meeting the CMDGs target of halving the poverty rate for the entire country from the available benchmarks of 1993/1994 would require faster economic growth along with its greater pro-poor orientation in the coming decade including the promotion of full and productive employment and decent work.

Estimates for geographically narrow, but comparable samples indicate a fall of 11 percent points (reducing poverty by 1 percent per year) between 1993 and 2004. Similarly, the percentage of population living below the food poverty line for the comparable geographically areas fell of 6 percent point over the same period.

2. Goal 2: Achieve Universal Nine Year Basic Education:

Cambodia has made significant progress in increasing access to basic education, but still the country needs to go along way to reach the targets set under the CMDGs. In 2006, the net enrolment ratio in primary education has been estimated at 91.3 percent as against the target of 95 percent. This was 87 percent in 2001. The net enrolment rate for remote areas increased from 82.5 percent in 2005 to 83.7 in 2006. The longest distance to primary and lower secondary schools was reduced.

A far greater shortfall, however, is observed in the case of lower secondary education where the net enrolment ratio increased to only 31.3 percent (from 19 percent in 2001) compared to the target of 50 percent in 2005. However, the past five years have actually shown a significant reduction in gender gap at the lower secondary level. The ratio of girls to boys in lower secondary education increased from 63% in 2001/02 to 77% in 2005/06. For grade 7 intake, the ratio of girls to boys increased from 70% to 89% during the same period. This can be attributed to the government's effort to provide scholarships to poor students, especially girls, with support from donors. While it is still below target, there have been positive developments in narrowing the gender gap at the lower secondary level.

The survival rate from grade 1 to grade 6 has decreased by 3 percent (from 51 percent to 48 percent) between 2001 and 2006 although the stipulated target was 73 percent in 2005. The survival rate from grade 1 to grade 9 has declined by 7 percent (from 33 percent to 26.5 percent) between 2001 and 2006, leaving wide gaps with the stipulated targets set

for realizing the goal of achieving universal nine-year basic education. These unwanted trends were attributed to high level of repetition and drop out at these two levels. This shows the persistence of a low level of efficiency of the education system in Cambodia.

There seems to exist a high percentage of over-aged children stuck up at the primary level, creating disincentive among parents to send their children to school. Improving the quality of education and creating better employment opportunity for graduates from lower and higher secondary schools are also important factors that can enhance the demand for secondary education.

Another major concern is the issue of bridging the gender gap in basic education, as measured by the ratio of girls to boys in primary and lower secondary education. Although the target is to achieve full gender equality at both levels by 2010, actual performance in 2006 shows large shortfalls, especially in lower secondary education.

3. Goal 3: Promote Gender Equality and Empower Women:

Over the years, gender disparity at upper secondary and tertiary education has been declining and, in 2006, the ratio of females to males in both upper and tertiary education are close to their targets under the CMDGs. Similarly, the ratio of literate females to males in the age group 15-24 years is close to its target for 2006.

In 2006, vigorous efforts were made to promote gender mainstreaming in the entire spectrum of Cambodian society, including in national policies and programmes, sectoral plans and community development planning and budgeting. Five ministries have developed their Gender Mainstreaming Action Plans, four of which have started their implementation. These and other efforts for enhancing the rights and role of women in Cambodia will continue to be pursued earnestly. Female participation in local governance also increased. The proportion of female commune councilors increased from 8.7 percent in 2002 to 14.64 percent in 2007.

The RGC is committed to gender mainstreaming as outlined in its Rectangular Strategy and the vision stated in the policy documents Neary Rattanak recognizes the need for strengthening laws and their enforcement. An action plan of the law on preventing domestic violence and protecting the victims which was endorsed by the RGC in 2005 has been developed and implemented. A draft law on preventing women and girl trafficking which is consistent with the UN Protocol and the national penal code is under consideration. However, as a measure to enhance the status of women, the financial support policy on social insurance to civil servant was amended to include death and maternal leave.

4. Goal 4: Reduce Child Mortality:

Results from the Cambodia Demographic and Health Survey (CDHS) 2005 demonstrate a significant reduction in both infant and under-five mortality rates. The under five mortality rate decreased from 124 per 1,000 live births in 2000 to 83 in 2005. Similarly, infant mortality rate decreased from 95 in 2000 to 66 in 2005.

The positive trends in the last five years are consistent with the reported increase in coverage for key child survival interventions in the same period. For example, 60 percent of children aged 12–23 months were fully immunized in 2005 compared to 40 per cent in 2000, and 60 per cent of infants under six months were exclusively breastfed in 2005 compared to just 11 per cent in 2000.

Child mortality rates are much higher in rural areas (under-five mortality is 111) than in urban areas (under-five mortality is 76), while economic status and education of mothers are strongly linked with childhood deaths. For example, infant mortality rate was three times higher among children whose mothers are in the poorest quintile than those in the highest wealth quintile in 2005. Similarly, infant mortality rate of children born to mothers with no education was 111, while those with mothers with primary education and secondary or higher education were 90 and 45, respectively.

Neonatal mortality (death within the first month of life) represents 42 per cent of all infant deaths and a third of under-five deaths. Thus, decreasing neonatal deaths is crucial in achieving CMDG Goal 4, and requires concerted effort to improve maternal and newborn care in Cambodia.

Furthermore, the proportion of mothers who start breast-feeding newborn child within one hour of birth increased from 11 percent in 2000 to 35 percent in 2005 surpassing the target set for 2005 of 28 percent. Such achievements are likely to have significant positive implications for improving child health in general, reducing child mortality and for building a healthy new generation.

Although child and infant mortality has significantly decreased, the gap between the rich and the poor has widened considerably in the last 5 years with now three times as many poor children dying compared to their richer counterparts.

5. Goal 5: Improve Maternal Health:

Recent information from the CDHS 2005 reports a maternal mortality ratio of 472 per 100,000 live births compared to 437 per 100,000 live births in 2000. The proportion of married women using modern birth spacing methods has increased to 27.2 percent in 2005 from 18.5 percent in 2000 but falls short of the target of 30 percent required to achieve the CMDGs. 66 percent of women received antenatal care compared to only 38 percent in 2000 and 44 percent of births delivery were attended by skilled health personnel compare to 32 percent in 2000. The CIPS 2004 data suggests that more than one fifth of the illness related causes of death of women in 15-44 years age group is accounted for by pregnancy related complications and during deliveries. While there is clearly progress in some areas, the maternal mortality ratio remains high and this requires further assessment, support and expansion of initiatives.

6. Goal 6: Combat HIV/AIDS, Malaria and other diseases:

Cambodia has made significant progress in achieving the CDMG for AIDS. The prevalence rate among adults (15-49 years) has declined from a high of 3% in 1997 to 1.9% in 2003. The Cambodia Demographic and Household Surveillance (2006) data

indicates a household prevalence of 0.6%. The CDHS data will be reconciled/calibrated with 2006 HIV Sero-Surveillance data in June 2007, and is likely to confirm declining trends in incidence and prevalence. STI sentinel surveillance data (2005) however, indicates a concentrated epidemic among males who have sex with males. While there are notable declines in prevalence among sex workers (direct/indirect), the epidemic remains concentrated. While no official prevalence data is available for injecting drug users/drug users, passive surveillance indicates an emerging epidemic among this population.

If access to prevention of mother to child transmission (PMTCT) services are not expanded, the rate of HIV-infected pregnant women and HIV transmission from mother to child will be increased. Although the availability of and access to PMTCT services has increased, only about 2.6% of HIV infected pregnant women currently receive a complete course of Anti Retro Viral (ARV) to prevent mother to child transmission of HIV. There is an urgent need for strategic planning of the expansion of PMTCT services in order to reach Universal Access of PMTCT services by 2010.

7. Goal 7: Ensuring Environmental Sustainability

Recent information on the key issue of environmental sustainability in Cambodia, that is on forest coverage and management, are not available. Efforts made in pursuing forestry reform have significantly contributed to maintain the forest coverage in the last few years. Continued efforts in reforestation have also contributed to maintain the coverage.

Significant progress has made in environmental protection and conservation. In 2006, three eco-tourism destinations have been established and two more destinations are being developed. In addition, more fishery communities in multi-purpose use areas and Tonle Sap Lake and protected area communities have been set up and are contributing to drastic reduction in earth-filling of natural bodies of water and prevention illegal land encroachments and forest depletion. In addition to the land areas of 723 hectares taken back in 2005, the RGC took back many illegal-occupied lands covering 2,455 hectares in protected areas in 2006. Till 2006, 77 protected area communities have been established and among those 8 communities were formed in 2006. The boundaries of 16 protected areas have been marked till 2006 and out of them 2 were done in 2006, and the official mapping of these protected areas has been conducted. However, environmental protection and the natural resource management continue to face constraints in regard to institutional and legal framework in particular the weak coordination among concerned agencies and authorities. The management of factory solid and liquid wastes has been improved contributing to reduction in their environmental impact.

The forest depletion process is partly reflected in the high incidence of fuel wood dependency. In 1993, 92 percent of households were dependent on fuel wood which slightly declined to around 86 percent in 2005 while the target was 70 percent. These targets will remain elusive unless serious efforts are taken in both forestry and energy sectors.

The access to safe water sources amongst the rural and urban population has increased to around 42 percent and 76 percent respectively in 2005 to exceed respective targets by 39 percent and 12 percent. Similarly, the access to improved sanitation amongst the rural population has increased to 16 percent compared to a target of 12 percent in 2005. In case

of urban population, the realised access to improved sanitation is 55 percent while the target was 59 percent in 2005. The relatively poor performance in realizing the target in access to improved sanitation amongst the urban population may be explained by the large influx of rural poor into the urban areas. As such, future efforts need to focus on improving agricultural productivity to reduce the pace of rural-urban migration, and to improve the living conditions of the urban poor.

8. Goal 8: Develop a global partnership for development

We cannot provide localized indicators, targets and a thorough analytical framework of this goal. Five issues are particularly relevant in the context of Cambodia: Overseas Development Assistance (ODA), ICT, Partnership for Sustainable Development in Cambodia, Trade/Market Access, and Debt.

Overseas Development Assistance (ODA) flows

ODA is of critical importance in Cambodia as it represents a very large proportion of public financial resources. Cambodia remains highly aid-dependent at its present level of development. Cambodia's urgent need is to rapidly move to a new and expanded era of partnership with the international community which has provided extremely valuable financial and technical support in its fight against poverty. Ensuring that ODA resources are utilized in an effective and accountable manner to realize the MDGs is of paramount importance. However, in spite of major improvements, the current situation is such that a significant proportion of ODA is still being planned and delivered without any consultations and/or participation of any Government institution. This situation has resulted in inadequate Government ownership of many projects; "piece-meal" efforts and insufficient coordination among donor agencies on sectoral issues and institution building; and a proliferation of different procurement, disbursement, auditing and monitoring procedures.

The UN system agencies in Cambodia have developed a United Nations Development Assistance Framework (UNDAF) with a view to bring greater coherence to the United Nations programs. At the 6th CG Meeting, held in Cambodia in June 2002, a RGC proposal for the establishment of a Government-Donor Partnership Working Group was endorsed and the Working Group was formally established in August 2002. In the Education and Health sectors, the RGC has succeeded in building partnerships to carry out joint planning and programming culminating in the Education Strategic Plan (ESP), the Education Sector Support Program (ESSP) and [the Health Sector Support Project](#). There is a need to further pursue such efforts and develop appropriate mechanisms to: (i) systematically assess the comparative strengths of development partners; (ii) ensure coherence between donors who participate in Partnership arrangements under the Sector-Wide Approach (SWAP) and those who intend to continue on with the traditional project-based assistance; (iii) simplify and harmonize the internal rules and procedures of the many agencies and harmonize the wide variety of capacity building practices of donors.

Information Communication Technology (ICT):

ICT cut across conventional boundaries and is of critical importance to the development of Cambodia. The Royal Government acknowledged this importance through the creation of the National Information Communication Technology Development Authority (NIDA). ICT is as an enabler to help expedite the monumental development tasks ahead. Because ICT will be utilized as an enabler, compatibility and interoperability will be another issue of great importance. The RGC has firmly embarked on the Government Administration Information System (GAIS) project. This GAIS project includes three major core applications; namely, resident, vehicle and real estate registration.

Moreover, the Royal Government has implemented other projects such as computerized payroll to public servants, statistical survey, electronic payment system, military demobilization, registration and human resource management system.

Partnership for Sustainable Development in Cambodia

The Paris Peace Agreement required the International communities to assist Cambodia in restoring, reconstructing and developing the country through the establishment of 'International Committee on Reconstruction Cambodia – ICORC'. This committee was set up to monitor and coordinate funds provided by International communities.

Within more than ten years back, Cambodia achieves a lot of successes (especially in the education and health sectors) due to its own efforts and resources with a combination of the bilateral and multilateral cooperation with donor communities.

The experience of more than ten years shows that the cooperation to restore and sustain Cambodian development a vision of partnership to strengthen ownership and leadership of Cambodia is essential. This point of views required a full implementation of four main principles: 1) Mutual respect, 2) Mutual trust, 3) Mutual accountability, and 4) Mutual transparency. Therefore, for further implementation on the millennium development goal of Cambodia, the Royal Government of Cambodia sees several reform measurements as crucial for the implementation of the above four principles.

The above four principles have not been yet fully applied in the same time even though investigating mechanisms, compromise, and evaluation have been openly, transparent, and accountable implemented (Consultative Group meetings between the Royal Government of Cambodia and donor communities which have been undertaken annually, semi-annually, and quarterly).

As emphasised in the Rectangular Strategy, strengthening partnership with all development partners--the donor community, the private sector and the civil society--is a top priority of the Royal Government. The basic principles of building and strengthening partnerships with the donor community are embodied in the Resolutions of the UN General Assembly as well as the initiatives of the Development Assistance Committee (DAC) of the OECD, World Bank and UNDP.

An important challenge in the above context is to improve aid effectiveness in reducing poverty and achieving the CMDGs. This requires the development partners to align their assistance programs with Cambodia's development priorities and to harmonise their practices based on internationally agreed principles and guidelines, such as in the arena of

DAC/OECD. This will not only improve aid coordination and aid effectiveness but also enhance national ownership of development activities. In this respect, to monitor the progress on the implementation of Rome Declaration's Commitment, the Royal Government of Cambodia (RGC) Action Plan on Harmonization and Alignment 2004-2008 has been prepared through a long process of consultation with the concerned stakeholders especially external development partners (EDP) and was endorsed in November 2004. An important element of this Action Plan is the Royal Government's commitment to prepare a single National Strategic Development Plan (NSDP) 2006-2010 that will serve as a framework for alignment of all ODA supported activities.

The Royal Government has taken measures to strengthen the Government-Private Sector Forum, established in 1999, to enhance its effectiveness as a mechanism of partnership between the two sectors. A Steering Committee for private sector development has been established to work closely with the development partners willing to assist in private sector development in Cambodia.

The cooperation between the Government and the civil society for reducing poverty and achieving the CMDGs is also a priority area for the Government. The Royal Government seeks the civil society to become an effective partner in nation building through activities that serve and benefit the people, especially the poor. The participation of the NGOs in the process of socio-economic development is an expanding area through which the civil society contributes directly to poverty reduction in Cambodia.

Under the facilitating policies of the Royal Government, the civil society and the NGOs have been playing important roles in monitoring the implementation of poverty reduction initiatives in Cambodia. The civil society organisations, including the NGOs, are instrumental with their strong position in the society to transmit the needs and concerns of the poor and the vulnerable groups to the policy makers and assist in better targeting and monitoring of poverty reduction efforts.

In Cambodia, an effective way of strengthening institutional and partnership arrangements in internalising the PRS and the CMDGs has been the Working Group mechanism to monitor progress on specific policy issues which is operational since 1999. A total of eighteen Technical Working Groups (TWGs) have been set up, one Technical Working Group on Planning and Poverty Reduction (TWG-PPR) and seventeen TWGs at sectoral/thematic level. These joint TWGs provide a useful forum for strengthening partnerships across all stakeholders, including the development partners. To ensure coordination among the TWGs, a Government-Donor Coordination Committee (GDCC) has been established to provide policy guidance, to set priorities and to propose measures to resolve issues raised by the TWGs. The RGC has decided to assume full ownership and leadership of the annual aid mobilization consultation by transforming the Consultative Group (CG) process to a Cambodia Development Cooperation Forum (CDCF) from 2007.

Trade/Market Access

The RGC considers the private sector, both domestic and foreign, as the “engine of growth”. To remove the critical bottlenecks impeding the development of the private

sector as well as to provide inputs in the processes of administrative and regulatory reforms, a Government-Private Sector Forum was established in December 1999.

Recognizing that trade is a powerful and important catalyst for Cambodia's socio-economic development, the RGC has accorded a high priority to development of trade for Cambodian products and integration of trade policies into the country's national development policy toward poverty reduction.

Trade policy framework

Cambodia has put in place a trade policy framework in 2001 to promote growth and contribute to poverty reduction. This has resulted in dynamic export performance and integration of the country in numerous regional bodies and accession to WTO in 2003. The Royal Government is preparing a Sector Wide Approach Programme for the sector. Meanwhile, Cambodia's intermediate challenge is to ensure that favorable trade agreements already reached are taken advantage of by the trade sector to export Cambodian products so that exports become diversified and broaden away from dependency on garments industry alone.

Cross-cutting reforms

The RGC's on-going reforms in various areas such as in governance, legal and judicial sector and in public administration as well as in infrastructures will contribute to a better climate for trade and investment by the private sector.

Enhancing role of trade in Cambodia's development

Along with ensuring a sound macroeconomic policy framework and improving policy predictability, the RGC's priority is to develop human and institutional capacities, remove procedural and institutional bottlenecks to reduce transactions costs, take full advantage of market access opportunities, intensify horizontal and vertical diversification especially to boost productivity and move up the value chains, and promote competitiveness and sub-regional/regional cooperation to increase Cambodia's exports and facilitate the integration of domestic enterprises into the international economy. The key to enhancing the role of trade in Cambodia's development is, however, to provide greater market access to its products in the global market especially in markets in developed countries.

Overhauling legal framework and institutional structures

Cambodia has overhauled the legal framework, procedures and institutional structures in line with international standards including the implementation of harmonized customs nomenclature. A comprehensive customs code is being revised to conform to WTO standards. The government is also implementing a reform agenda covering 2004-2008 that includes a trade facilitation programme and a single window for customs. Policy and legal reforms are also being carried out to unleash the potential of the private sector, safeguard commercial activity, and promote foreign direct investment into Cambodia.

Debt

Though the debt burden has been manageable up to now, it is rapidly growing and there is a danger that debt service will absorb more and more of the limited public budget, thereby crowding out resources to invest in development. There is a need to come to a consensus to increase the grant share in ODA and to use loans for investments which have higher expected economic returns.

9. Goal 9: De-mining, UXO and Victim Assistance

Continued efforts in de-mining operations have contributed to improve social and economic conditions of poor farming households in remote areas and to promote rural development. The 2006 de-mining and UXO de-fusing or destruction operations has increased mine-free land areas from 30,263 hectares (NSDP estimated figure: 32,974 hectares) in 2005 to 35,436 hectares in 2006. The number of human casualties has decreased by 50 percent, from 2005 actual figure of 875 (NSDP estimated figure: 797) to 440 in 2006. The areas rendered mine free has been converted for social and economic purposes such as cropping areas, residential areas, and different social and economic infrastructures.

III. ACHIEVEMENT AND GAPS IN REALIZING CMDG TARGET

1. Achievements:

Although Cambodia is on track to achieve at least 23 of the 59 CMDG targets for which information is available, it is not on track in case of many critical areas relating to food security, poverty reduction, education and sustainable social and economic development. Cambodia's present performance in relation to the CMDGs is mixed and uneven.

- Significant improvements in poverty rates in urban and more accessible rural areas.
- Expansion of primary education to more children.
- Significant reduction in mortality rates for both infants and under-five year olds.
- Improved immunization against major childhood diseases.
- Improved breastfeeding rates.
- Reduction of gender disparity in most areas especially in primary education, adult literacy, and wage employment in agriculture and industry.
- Noteworthy reduction of communicable diseases, especially HIV/AIDS.
- Improved urban access to safe water and rural access to improved sanitation

2. Short falls

- High rural poverty rates.
- Failure to increase net enrolments at higher levels and achieve high survival rates at all levels of education.
- Limited progress in achieving the goals of universal nine-year basic education particularly those beyond primary education.
- Gender disparity in secondary and tertiary education.
- Persistent of domestic violence against women.
- Access to quality health services especially in case of women and maternal health.
- Environmental degradation, especially forest depletion and water resources.

- Persistence of human casualties from landmines and UXOs.

3. Discrepancies among provinces

There are significant discrepancies among provinces in terms of progress toward CMDGs. The situation varies from one CMDG to another. However, the coastal area and Eastern provinces bordering with Viet Nam appear to be comparatively better off.

CMDG Composite Indices by Goal

Code	Provinces	CMDG1	CMDG2	CMDG3	CMDG4	CMDG5	CMDG6	CMDG7	CMDG9	CMDG
12	Phnom Penh	0.784	0.962	0.825	0.827	0.786	0.79	0.989	0.999	0.870
08	Kandal	0.692	0.779	0.627	0.47	0.437	0.807	0.409	0.985	0.651
20	Svay Rieng	0.573	0.683	0.631	0.533	0.435	0.727	0.467	0.964	0.627
18	Sihanoukville	0.783	0.702	0.603	0.327	0.539	0.657	0.376	0.998	0.623
23	Kep	0.752	0.655	0.71	0.327	0.539	0.591	0.35	0.996	0.615
07	Kampot	0.79	0.767	0.716	0.327	0.539	0.596	0.231	0.915	0.610
10	Kratie	0.603	0.635	0.735	0.442	0.311	0.612	0.37	0.970	0.585
03	Kampong Cham	0.643	0.722	0.555	0.387	0.326	0.735	0.34	0.897	0.576
14	Prey Veng	0.39	0.611	0.534	0.332	0.399	0.795	0.459	1.000	0.565
21	Takeo	0.723	0.771	0.493	0.549	0.323	0.56	0.119	0.973	0.564
06	Kampong Thom	0.435	0.651	0.686	0.569	0.292	0.738	0.231	0.895	0.562
04	Kampong Chhnang	0.557	0.683	0.484	0.422	0.279	0.682	0.31	0.992	0.551
01	Banteay Meanchey	0.743	0.65	0.517	0.739	0.462	0.552	0.108	0.641	0.551
05	Kampong Speu	0.675	0.602	0.441	0.806	0.208	0.555	0.17	0.940	0.550
09	Koh Kong	0.685	0.408	0.306	0.549	0.545	0.675	0.351	0.873	0.549
02	Battambang	0.697	0.693	0.604	0.38	0.746	0.667	0.34	0.000	0.516
24	Pailin	0.612	0.544	0.418	0.38	0.746	0.223	0.416	0.785	0.516
13	Preah Vihear	0.604	0.362	0.458	0.442	0.311	0.868	0.228	0.856	0.516
19	Stueng Treng	0.674	0.397	0.417	0.442	0.311	0.701	0.243	0.899	0.511
15	Pursat	0.644	0.654	0.637	0.238	0.334	0.735	0.29	0.547	0.510
17	Siem Reap	0.532	0.595	0.486	0.386	0.189	0.504	0.165	0.553	0.426
22	Otdar Meanchey	0.598	0.327	0.191	0.386	0.189	0.938	0.004	0.642	0.409
11	Mondulhiri	0.363	0.149	0.299	0.254	0.097	0.819	0.25	0.993	0.403
16	Ratanakiri	0.308	0.153	0.309	0.254	0.097	0.574	0.117	0.957	0.346

Source: CMDR 2003

IV. NATIONAL STRATEGIC DEVELOPMENT PLAN (NSDP) 2006-2010

1) Vision of National Strategic Development Plan:

The development vision of the Royal Government in the National Strategic Plan (NSDP) 2006-2010 is to ensure a socially cohesive, educationally advanced and culturally vibrant Cambodia without poverty, hunger, disease and other social evils. The Government's mission is to realize this vision through establishing a democratic political system and a liberal market economy, for which sustainable economic and human development and poverty reduction are essential.

NSDP aligned with CMDGs

The NSDP explicitly takes into account the progress made so far in achieving the CMDGs and sets its goals and targets for 2010 which are consistent with the targets set under the CMDGs in 2015.

People-centered perspective of NSDP

Prepared through a highly participatory and inclusive process, a people-centered perspective has been ensured in NSDP through making poverty reduction and achieving the CMDGs as its primary goal and incorporating several priority actions, such as allocating more than 60% of public sector outlays to the rural areas and to direct pro-poor programmes; specific targeting in development focus to disadvantaged areas where current poverty levels are high; providing earmarked resources to priority cross-cutting programmes such as gender mainstreaming.

Implementing the NSDP

At present, the RGC is streamlining its implementation mechanisms for effective programming of NSDP. The priority goals, broad strategies and allocations under the NSDP will be further broken down into sub-goals and specific actions under the sectoral plans which each ministry/agency will prepare following the thrust and priorities of NSDP. The existing rolling three-year Public Investment Programme (PIP) mechanism will be used to identify, plan, phase and cost specific activities every year. The PIPs will form an integral part of the NSDP. The RGC will ensure that the Medium Term Expenditure Framework (MTEF) and the annual budgets are synchronized with the NSDP. For successfully implementing the NSDP, Cambodia needs a public sector investment of US\$ 3,500 million during 2006-2010 for which increased donor assistance and more effective harmonization among the donors will be urgently required.

Regular monitoring and evaluation of NSDP

To ensure that NSDP implementation proceeds along the intended path at the required pace to achieve its goals and targets, regular monitoring and evaluation of progress has been taken as an integral component of NSDP. The progress of NSDP implementation will be monitored and evaluated on an annual basis using a set of 'core indicators' identified for the purpose. The annual progress report, containing findings and proposed corrective actions, will be extensively shared with all stakeholders for consensus-building and implementing appropriate follow-up actions. *The first annual progress report 2006 on the implementation of NSDP and the PIP 2008-2010 will be used as government document for aid mobilization which has planned to be held on the 19-20 June 2007.*

CAMInfo, the national development indicator database, has been developed at National Institute of Statistics (NIS) of Ministry of Planning to provide updates of core NSDP indicators based CMDGs.

2) Good Governance at National and International Levels

Democracy where people periodically voice their choice of leaders through elections to political and legislative institutions has already taken strong roots in Cambodia. An independent National Election Commission conducts the democratic elections based on full adult franchise with the latest one held in 2003.

Ensuring good governance

The Royal Government has put in place highly participatory system for grassroots level involvement in governance. With the commune councils in place through commune

level elections in 2002 and in 2007 and decentralization starting with the Seila programme based on bottom-up, integrated, participatory, decentralized rural development, the Royal Government has approved its Strategic Framework for Decentralization and Deconcentration (D & D) in June 2005. The framework provides clear guidelines and procedures to increasingly devolve responsibilities and resources for development to provincial, district and commune levels. On 18 August 2006, a National Committee for the Management of Decentralization and Deconcentration (NCDD) managed by the Ministry of Interior was established. In 2006, the budget allocation for commune and sangkat funds (CSF) accounted for 2.45 percent of the current expenditures of the national budget and around 30 million US Dollars of external funds both grants and loans were allocated to implement D & D reform related projects and programs. The share of Defence and Security in the national budget has been steady declining and is expected to stabilise around 17.30 percent by 2010.

Attacking corruption

The RGC has adopted and pursues a multi-pronged attack on corruption. The Royal Government's aim is to reduce all opportunities for corruption through putting in place unambiguous laws and procedures, clear transparency, accountability and predictability together with stringent punishment for those detected of corrupt behavior. As the Anti-Corruption Law proceeds through various stages of intense scrutiny, the already existing legal framework and institutional mechanisms are being invoked to reduce or at least prevent corruption; a Sub-Decree on An Anti-Corruption was adopted on 22 August 2006. A clear Plan of Action has been adopted for legal and judicial reform.

Administration reform

A National Programme for Administration Reform has been taken up around four strategic objectives: improving delivery of public services; enhancing pay salaries and performance; developing capacity of people and institutions; and promoting use of information and communication technology. Innovative tools like Priority Mission Groups (PMGs) have been designed to accelerate special tasks.

Other reform areas

In addition to cross-cutting areas of judiciary and law, public finance, civil administration and anti-corruption, RGC's reforms in specific areas such as in land and forestry management and armed forces and demobilization are important elements of its good governance agenda. The land reforms are being implemented to develop land tenure and land market and ensure pro-poor land access. **The most emphasis will be on proving clear, incontestable, legal land ownership titles to provide security of tenure to those in actual use of the land they occupy. The challenges are to control and curb further land concentration in few hands, including review of already granted large concessions exceeding limits under the 2001 land law, where land is still lying fallow and unproductive.** In case of forestry, the reforms are designed to spell out and implement a clear strategy to address management of concessions, annual coupes, community forests and protected areas in a sustainable manner. The Royal Government is also steadily pursuing de-mining operations which are not only humanitarian and security related

issues but have significant social and economic implications especially on land distribution and security of poor farming households in remote areas.

3) Globalization

With Cambodia's accession to the WTO in September 2003, along with new opportunities, new challenges have emerged for its small and fragile economy.

Facing challenges of globalization

The best way Cambodia can face the challenges of globalization and benefit from the process is to promote a strong economy with expanding productive capacities. For this, Cambodia has put emphasis on developing several facilitating factors such as strengthening of domestic enterprises and infrastructure; development of human resources and technological capabilities, diversifying the external sector; and creating market access. For increasing domestic supply responses, stress has been put on developing small and medium enterprises (SMEs) and agro-based industries, improving access to the credit market, ensuring labour market flexibility, investing in skill development, disseminating market and technical information, and similar measures.

Expanding physical infrastructure

Under the NSDP 2006-2010, the Royal Government has worked out an integrated approach to expanding physical infrastructure with emphasis on critical components; creating an enabling environment for increased FDI flows including technology transfer and acquisition; developing enterprises especially SMEs in rural and urban areas; facilitating the availability of affordable energy; developing and diversifying agriculture and promoting agro-industries; expanding manufacturing and mining activities especially through domestic and foreign private investment; expanding sustainable tourism; and promoting rural development and food security for all Cambodians.

Capacity development

In order to strengthen its capacities to manage the globalization process, the RGC has taken measures to reinforce institutional support structure for the private sector to enhance their roles in national trade and investment policy processes. Policies have been put in place to respond more effectively not only to the needs of the productive sectors through better integration of trade capacity building and private sector development activities but also to ensure that, in the process, national poverty reduction goals are promoted.

4) Mobilizing Financial Resources

In Cambodia, mobilization of financial resources is a major development issue. The rate of domestic savings is very low; and the country suffers from a poor and relatively unexplored resource base, low productivity, and an underdeveloped and inefficient financial institution system.

Financial sector policies

The Royal Government's aim is to create a favorable financial environment to achieve more diverse and pro-poor economic growth. Therefore, prudent financial management forms the center-piece of all relevant programmes of RGC. The RGC is implementing a Public Financial Management Reform Programme (PFM) and a rolling five-year Medium-Term Fiscal and Expenditure Framework (MTF/EF) is in place to project government income and expenditure.

The Financial Sector Blueprint (FSB) 2001-2010 forms the guiding tool for policies and programmes of this sector and envisages the development of a sound, market-based financial system by 2010. This will enhance resource mobilization for sustainable economic growth.

FDI inflows

Total FDI inflow to Cambodia was estimated at US\$ 142 million in 2000 which increased to only **US\$ 381 million in 2005 and estimated at US\$ 404 million in 2006**. For Cambodia, a major concern is, therefore, to find out ways and means by which FDI flows can be substantially increased to accelerate growth. A related concern, from the pro-poor growth perspective, is to direct such flows towards SMEs, agriculture, agro-processing and other sectors with a more direct linkage to the rural economy.

V. DEVELOPMENT CHALLENGES

The process of transformation of the Cambodian economy faces many challenges--poor macroeconomic conditions; less developed state of the country's social, institutional and physical infrastructure; underdeveloped financial systems; extremely inadequate availability of funds and materials; inability of the majority of the Cambodians to **find decent work and** meet the basic needs.

Despite such formidable constraints, the policy framework recognizes that the country's development potential can best be realized by pursuing outward-looking policies that foster Cambodia's re-integration into the regional and the world economy. In this respect, Cambodia has adopted a 'dual track policy' under which the emphasis is on creating a strong domestic foundation of the national economy along with promoting beneficial external linkages through trade, investment and financial cooperation, especially in the region. This will provide a solid base for ensuring a balanced development of Cambodia and reduce the nation's exposure to external volatility.

The first development challenge is to maintain a high growth rate **to productive** generate employment and income earning opportunities for an ever-growing population. Trade is a potential candidate to become this growth engine since it opens vast market opportunities in a globalise world economy. Trade can also play a leading role in initiating reforms and policy changes in other sectors including: legal reforms to comply with international standards and ensure a FDI-friendly environment; public sector reforms to reduce red tape and corruption; education sector reforms to train youths in sectors where Cambodia

enjoys a comparative advantage and investment in rural and urban infrastructure to reduce transaction costs for the private sector and make it more competitive.

The second development challenge is to pursue a growth strategy, which will benefit all Cambodians. More attention will need to be given to pro-poor growth policies through investment in sectors where the poor are concentrated and can find sustainable employment [and decent work](#). Moreover, growth should translate into increased government revenue, part of which should be allocated to social protection programs for those unable to seize economic opportunities.

High population growth has implications for virtually all CMDGs and represents a major challenge for Cambodia. An effective population policy attuned to the social and cultural context of Cambodia that addresses such issues as female education and access to contraception is required for Cambodia to reverse trends in resource degradation and poverty.

Cambodia will not be able to achieve the CMDGs by 2015 unless its national efforts are strengthened and reinforced through global support. Worse, Cambodia would then fall further behind other developing countries in Asia and the Pacific, thereby widening social and economic disparities in the region. Therefore it is important to work out customized support to address Cambodia's challenges, keeping in view its diverse needs. A needs assessment that costs the resources necessary to attain the CMDGs as against resources available (both internal and external) that can be mobilized would be most useful in this regard.

With the RGC's commitment to the principles of social justice, human welfare and empowerment, one of its important agendas has been to internalize the CMDGs within the government and broader civil society. Cambodia is striving to develop a broader constituency for the CMDGs seeking to realize the goals through knowledge-sharing, awareness-raising and information-based partnership building with all stakeholders.

At present, Cambodia has prepared the National Strategic Development Plan (NSDP) 2006-2010 by combining the earlier Socio-Economic Development Plan (SEDP) and National Poverty Reduction Strategy (NPRS) processes and integrating it with the CMDGs. The resulting CMDGs-based NSDP will be rooted in the 'Rectangular Strategy' for growth, employment, equity and efficiency, which provides the political platform of the Royal Government in the Third Legislature (2004-2008) of Cambodia's National Assembly.

The comprehensive agenda of the Rectangular Strategy aims at improving public institutions, strengthening good governance and modernizing economic infrastructure. The objectives are to promote economic growth, generate [productive employment and decent work](#), ensure social equity, enhance efficiency of the public sector and protect the nation's natural resources and cultural heritage. All these are crucial for achieving the CMDGs and promoting sustainable development.

Nevertheless, Cambodia's progress toward the CMDGs is constrained by a number of impediments. An important one is the chronic shortage of investment funds to meet its priority requirements. This resource gap needs to be resolved through increased flow of

external finance. This is necessary since the current concessions given to Cambodia by the international community provide only limited benefit and need to be supplemented by increased inflows of development finance.

VI. WAYFORWARD TO ADDRESS CHALLENGES

If Cambodia is to achieve the CMDGs, greater financial inflows through aid, reduced debt servicing and increased current account inflows, as outlined in MDG 8, are critical to bridge the resource gaps and foster the country's required growth. There also exist strong justifications for this, since the amount of official development assistance (ODA) to Cambodia is low compared to that received by many other least developed countries. Further such assistance needs to ensure that donor support is aligned to Cambodian national priorities, that it is managed for results and that there is mutual accountability between the RGC and the development partners.

A second important concern for Cambodia is better access to international markets, especially in the developed countries. This includes enhanced market access for its overseas workers. The granting of quota-free and duty-free schemes for all dutiable products originating from Cambodia will contribute to higher export earnings and make trade work for development and the CMDGs.

In view of the emerging CMDG deficits, the urgent need of Cambodia is to secure adequate external assistance and targeted support in specific areas. These areas include agriculture and rural development, infrastructure and technology, health, education and capacity building in trade related areas. Massive investments in these areas are needed in order to be on track to meet the CMDGs.

Cambodia needs special assistance from the global community due to its inability to meet its basic needs from domestic resources, regardless of its own policies or quality of governance. This is mainly due to historical reasons. Such assistance is needed to help break the poverty cycle, including developing human resources, providing food security, removing supply-side constraints, managing forests and biodiversity, and protecting the environment.

Cambodia can achieve the CMDGs provided bold initiatives are taken by the development partners and the global community to complement its pro-CMDG national strategies with required financial, technical and other supports and by creating win-win partnerships. A collective effort is the key to achieving the CMDGs and ensuring sustained growth and stability in Cambodia.

