



# European Development Cooperation Strategy for Cambodia 2014-2018

November 2014



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Joint programming is a direct result of European partners' longstanding internal and international commitments to delivering better aid and development results through greater internal coherence and efficiency in the face of proliferation and expansion of development activities.

Joint programming is a process whereby the European partners take strategic decisions based on a comprehensive view of European and other donors' support to Cambodia. It includes a joint analysis and response to the partner country's national development strategy, defining an in-country division of labour among the European partners and presenting indicative financial allocations per sectors and per partner.

Joint programming respects all European partners' sovereign decisions related to the final level of financial allocations for Cambodia and implementation modalities to be adopted. The European joint programme does not therefore encompass the bilateral implementation plans of individual European partners. However, it does allow European partners to substitute their individual country strategies with this European Development Cooperation Strategy as appropriate.



This European Development Cooperation Strategy for Cambodia 2014-2018 reaffirms the European partners' commitment to supporting Cambodia in continuing its impressive social and economic development, making faster progress towards achieving Cambodia Millennium Development Goals and actively participating in the global post-2015 development agenda. At the same time, we recognise that a number of challenges related to democratic governance remain.

This strategy reflects the importance that we place on joint collaboration and partnerships as catalysts for achieving results and increasing effectiveness of our joint development efforts. It is for this reason that ten European development partners active in Cambodia – the Czech Republic, the European Union, Finland, France, Germany, Ireland, Italy, Sweden, Switzerland and the United Kingdom – have come together to produce this joint strategy which details our joint priorities, planned programmes and associated framework for monitoring results.

The priority areas of the European Development Cooperation Strategy for Cambodia 2014-2018 are based on the consideration of the Royal Government's development priorities, on our shared values and principles, on the lessons learned from the previous European development cooperation and on the European partners' comparative advantage.

The Royal Government of Cambodia has set an ambitious target of becoming a prosperous upper middle-income country by 2030. With this strategy, we demonstrate how we plan to work together to build upon the priorities and analysis embedded in the Royal Government's Rectangular Strategy - Phase III and in the National Strategic Development Plan and to help Cambodia achieve these goals. By working together, we hope to generate greater synergy through our shared understanding of Cambodia's development priorities and articulation of a consistent set of messages.

The Royal Government adopted a vision of a prosperous society with a strong economy that is diversified, dynamic, and resilient, and where there is an equitable distribution of opportunities. European partners share this vision, recognising that development needs to be country-led with an overarching focus on poverty reduction and sustainable development founded on democratic values.

We also wish to build on our comparative advantages derived from the strengths and experiences of each of the European partners, acquired both in Cambodia and globally. Our long-standing experience in applying policy coherence for development and using a wide range of instruments in policy areas such as environment, trade, the information society and immigration will further enable synergy, consistency and maximum effective use of our resources for promoting development.

This Strategy provides the overall direction for European development cooperation programmes and defines the division of labour between the European partners. We hope that the implementation of the Strategy will further consolidate and streamline European cooperation with Cambodia and will therefore also contribute to increasing the coherence and impact of our aid.

We acknowledge the efforts and contributions made by the European Development Counsellors over the past eighteen months to formulate this document in a consultative and evidence-based manner, learning from experiences of the past European development cooperation and building on views of all stakeholders in Cambodia to ensure we effectively support Cambodian development efforts and achievement of equitable and sustainable development.

We are looking forward to implementing this strategy in close partnership with the Royal Government of Cambodia, civil society, private sector and other development partners.

Phnom Penh, 20<sup>th</sup> November 2014

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## LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AfT	Aid for Trade
ASEAN	The Association of South-East Asian Nations
BE	Belgium
CDC	Council for the Development of Cambodia
CDCF	Cambodia Development Cooperation Forum
CDPF	Capacity Development Partnership Fund
CH	Switzerland
CMDG	Cambodian Millennium Development Goal
CRDB	Cambodian Rehabilitation and Development Board
CSES	Cambodia Socio-Economic Survey
CZ	Czech Republic
DE	Germany
EBA	Everything But Arms
ECCC	Extraordinary Chambers in the Courts of Cambodia
EITI	Extractive Industries Transparency Initiative
EMIS	Education Management Information System
EU	European Union
EUD	EU Delegation
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FI	Finland
FLEGT	Forest Law Enforcement, Governance and Trade
FMIS	Financial Management Information System
FR	France
GAVI	Global Vaccine Alliance (formerly known as Global Alliance for Vaccines and Immunization)
GDCC	Government-Development Partner Coordinating Committee
GFATM	The Global Fund for Fighting HIV/AIDS, Tuberculosis and Malaria
GSP	Generalised System of Preferences
HoM	Head of Mission

HU	Hungary
ICT	Information and Communication Technologies
IE	Ireland
IMF	International Monetary Fund
IT	Italy
JMI	Joint Monitoring Indicator
KHR	Cambodian Riel (currency)
LDC	Least Developed Country
MAFF	Ministry of Agriculture, Forestry and Fisheries
MBPI	Merit-Based Pay Initiative
MDG	Millennium Development Goal
MEA	Multilateral Environmental Agreement
MEF	Ministry of Economy and Finance
MFAIC	Ministry of Foreign Affairs and International Cooperation
MIC	Middle Income Country
MLMUPC	Ministry of Land Management, Urban Planning and Construction
MoI	Ministry of Interior
MoP	Ministry of Planning
MoWA	Ministry of Women’s Affairs
MSME	Micro, Small and Medium Enterprises
NBP	National Biodigester Programme
NGO	Non-Governmental Organisation
NSDP	National Strategic Development Plan
ODA	Official Development Assistance
P&H	Partnership and Harmonisation
PAR	Public Administration Reform
PFM	Public Financial Management
PFMR	Public Financial Management Reform
PIP	Public Investment Programme
POC	Priority Operating Costs
RGC	Royal Government of Cambodia
SE	Sweden
SNDD	Sub-national Democratic Development
TVET	Technical and Vocational Education and Training

TWG	Technical Working Group
UK	United Kingdom
UNDP	United Nations Development Programme
UNESCO	United Nations Education, Science and Culture Organisation
UNFPA	United Nations Population Fund
USD	United States Dollar
USG	United Studies Group
UXO	Unexploded Ordnance
VET	Vocational Education and Training
WB	World Bank
WTO	World Trade Organisation



## INTRODUCTION

European development partners active in Cambodia namely the European Union and its Member States active in Cambodia: the Czech Republic, Finland, France, Germany, Ireland, Italy, Sweden and the United Kingdom; and Switzerland are committed to reducing and eradicating poverty as the primary aim of their development cooperation.

This European Development Cooperation Strategy for Cambodia 2014-2018 establishes a **joint long-term vision for European partners' development cooperation in Cambodia** and reaffirms European partners' commitments to supporting Cambodia and responding to the country's needs as identified by the Royal Government of Cambodia.

This European Strategy relates primarily to the European partners' **bilateral development cooperation programmes** in Cambodia in the period 2014-2018. European partners' however also provide funding through other programmes, including thematic, regional, academic, humanitarian as well as through multilateral cooperation with a range of international institutions. Thus, European partners' funding envelope in Cambodia in the five years period covered by the strategy is estimated at EUR 1.4 billion (nearly USD 1.8 billion)<sup>1</sup>.

European partners believe that developing countries are mainly responsible for their own development, based on national strategies to which European development programmes should be aligned. This European Strategy is thus **aligned to the Royal Government's Rectangular Strategy-Phase III** which represents the socio-economic policy agenda of the Royal Government of Cambodia with its four strategic objectives of growth, employment, equity and efficiency. In turn, the National Strategic Development Plan 2014-2018 (NSDP) is expected to translate these strategic objectives into a national implementation plan with associated results framework.

The **strategic goals of this European Strategy** are to work in partnership with the Royal Government of Cambodia and other partners to reduce poverty; enable equitable and sustainable growth and development; foster respect for human rights, democratic participation and an active civil society in Cambodia; and improve the effectiveness and impact of development cooperation. This joint European Strategy therefore builds on an existing strong, long-term and close cooperation amongst European partners active in Cambodia and between European partners and the Royal Government of Cambodia. The strategy also draws on the experiences of previous development cooperation programmes implemented successfully by European partners in partnership with the Royal Government of Cambodia.

The **priority areas for European development cooperation** include the following:

- **Social development** – including education and health;

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<sup>1</sup> All financial information provided in this document is in the form of indicative estimates only and does not represent a formal commitment by any of the European development partners concerned

- **Supporting sustainable and equitable economic growth** – including support for agriculture and food security, rural development, spatial planning, vocational training, skills development, trade facilitation and supporting banking and business services;
- **Infrastructure** - both in urban and in rural areas, including electricity transmission and distribution, water supply, roads, irrigation schemes, lighting, waste management, sanitation and drainage, public transportation and other economic infrastructures;
- **Governance and Cross-cutting issues** – including the key cross-sector governance reforms of Public Financial Management (PFM), Public Administration Reform (PAR) and Sub-national Democratic Development (SNDD) and for the promotion of cross-sector issues of human rights, gender equality, disability, climate change, civil society development and promotion of culture and arts.

The European Strategy is informed by the **values, goals, principles and commitments** shared by the European partners and the Royal Government of Cambodia, including the principle of country-led poverty reduction and the achievement of the Millennium Development Goals, respect for human rights, democracy, fundamental freedoms and the rule of law, and space for a vibrant participation by civil society in national development policies and programmes.

The European Development Cooperation Strategy for Cambodia 2014-2018 sets out the **priorities** for future European partners' development cooperation defines the sectoral **division of labour** and provides **indicative financial allocations** per sector and per partner for the period of the strategy, using the Cambodian Government's Official Development Assistance (ODA) sector classification. This document does not however go into details of how individual European partners will carry out their work in the agreed sectors and areas and which modalities and implementing partners they would use. Such issues will be elaborated in the bilateral implementation plans that each European partner will develop according to their internal rules and procedures. These bilateral implementation plans will nevertheless be guided by and aligned to the commitments set out in the European Strategy document, in terms of sector focus, indicative financing and duration.

This Strategy has been prepared in consultation with the Royal Government of Cambodia, civil society, other development partners and the private sector and it seeks to ensure coherence with the Royal Government's Development Cooperation and Partnerships Strategy 2014-2018.

This Strategy represents a **reference guide** for all non-resident EU Member States who have programmes or may begin new development cooperation in Cambodia in the period of the strategy's implementation, to ensure coherence among all European programmes.

## 1. DEVELOPMENT CONTEXT

Cambodia is on track to meet most of the MDGs. Economic activity remains strong driven by robust garment exports, tourism, and construction, despite a slow global recovery. The country has managed to sustain high economic growth despite the global economic downturn, to significantly reduce poverty and to improve critical social indicators in health and education.

Cambodia is ranked as the nineteenth fastest growing economy in the world according to the World Bank's [Global Economic Prospects](#) report (2014). Cambodia is ranked fourth among developing countries of the world in achieving the MDGs according to the Centre for Global Development [MDG Progress Index](#). (2013)

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### 1.1 CAMBODIAN MDG ACHIEVEMENTS

The Royal Government of Cambodia adapted the eight universally agreed MDGs. In addition, the Royal Government recognised that an additional and specific major constraint on development in the country is the continued contamination of land by mines and unexploded ordnances (UXO), hence the Government added de-mining, UXO and victim assistance as Cambodia's ninth MDG.

#### **CMDG 1: Eradicate extreme poverty and hunger**

The share of population living below the national *poverty line* has been drastically decreased. Cambodia has achieved a drastic decline in poverty - more than 50 percent from 2007 to 2011. This makes Cambodia one of the countries with the highest rate of poverty reduction worldwide in recent years. However, despite this success, most families have only been lifted out of poverty by a small margin, and instead of being poor are now near-poor and at a high risk of falling back into poverty at the slightest income shock. An average loss of just KHR 1,200 in income per day (approximately USD 0.30) would push 3 million near-poor Cambodians back into poverty, doubling the country's current poverty rate from 20.5 percent to about 40 percent<sup>2</sup>.

Moreover, while poverty reduction is on track, much of the population is still below the poverty line and inequality remains high - widely varying growth rates in income across provinces and districts will require targeted *regional development* policies. The threshold between the informal sector poor and the near-poor population is blurred; with the latter facing a severe risk of impoverishment in times of crisis, such as increased health expenditures. Further clarity is therefore needed regarding social protection policies and programmes for the near poor.

An important indicator that is off track is reducing *malnutrition*. Child nutrition and poor sanitation remain key issues affecting cognitive development, health, and poverty alleviation. Tackling nutrition however requires a multi-sectoral approach, including improved maternal and child care practices; increased diet diversity; increased agricultural productivity and diversity, better access to credit; increased and equitable access to clean water; improved sanitation and increased access to relevant

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<sup>2</sup> WB (2013) Where have all the poor gone?, Cambodia Poverty Assessment, The World Bank, November 2013

health services. Cross-sector and inter-ministerial cooperation in this area has proven challenging in the past.

### **CMDG 2: Achieve universal nine-year basic education**

Cambodia is on target to achieve its goals to achieve universal primary education. The Royal Government has been successful with first-order reforms in education that have increased enrolment rates in primary schools. The gender parity index is 0.996, and regional disparities have been almost eliminated except for Rattanakiri province in Cambodia's northeast.

Efforts need to be directed to improving the flow rates in primary education: the repetition rate and drop-out rates have not shown much progress in decreasing and the targets for lower secondary schools cannot be achieved until primary flow rates are improved. There are also large regional differences in lower secondary school completion, however the gender parity index is higher than 1, at 1.120. Overall, despite increases in enrolment, progress in youth literacy is lower than expected. UNESCO data shows (based on EMIS and Cambodia Socio-Economic Surveys (CSES)) that the literacy rate for the age group 15-24 years has improved from 76.3% in 1998 to 87.5% in 2008, and is reported to be 97.6% in 2012.

### **CMDG 3: Promote gender equality and empower women**

Gender parity in upper secondary school is almost on track, whilst in tertiary education it is slightly off-track. The ratio of literate females to males for 15-24 year olds is on track, however for 25-44 year old women, it is off track, which requires some attention as this will have impacts on poverty, health and education outcomes in the near future.

Persistent gender power imbalances, stemming from conservative traditional norms in Cambodia which value women less than men, lead to poverty, illiteracy, gender discrimination, and other obstacles that prevent women from effectively participating in Cambodia's development. Gender-based violence and trafficking in persons for both sexual and labour exploitation remain serious problems and require greater attention.

Women in Cambodia are important economic actors, often responsible for the production and marketing of products. Nevertheless, they are historically underrepresented in decision-making and leadership capacities. Moreover, it is much more difficult for women to obtain business loans, and this financial constraint keeps women in poverty. Some progress has been achieved in women's political representation however; women are still underrepresented in top decision-making positions and in the National Assembly.

### **CMDG 4: Reduce child mortality**

Remarkable progress has been made on key health indicators related to child mortality and infant and under-five mortality where many targets have been met or exceeded. Wide regional variations however still need to be addressed.

## [CMDG 5: Improve maternal health](#)

Maternal mortality also declined significantly exceeding the 2015 revised target. Further progress in CMDG 5 requires a continued improvement in access to health care and family planning services, increasing the number of trained health personnel, conducting information campaigns and addressing the inadequate family practices and care-seeking behaviour during pregnancy and childbirth.

## [CMDG 6: Combat HIV/AIDS, malaria and other diseases](#)

Deaths from malaria and the HIV prevalence rate amongst the adult population in Cambodia have been significantly reduced. Notable progress has been achieved in providing a growing share of the eligible population with antiretroviral therapy. Cambodia is one of only six countries with low and concentrated epidemics of HIV/AIDS that has achieved universal access in 2011: commonly understood as the provision of antiretroviral therapy to at least 80 per cent of the people who need it. Most developing countries are far from achieving this goal.

## [CMDG 7: Ensure environmental sustainability](#)

In the area of conservation and protection of natural resources, Cambodia has experienced some modest gains. Legal frameworks and national strategic plans are now in place for natural resource management and the numbers of Community Based Forestry groups and Community Fishery Groups have significantly increased over the last decade although the formal registration process for these groups remains slow. In addition, both rural water and sanitation are on track to meet the targets. In land titling, current progress is below the projected target, but the pace of registration significantly increased in 2012 through dedicated land campaigns.

Both protected areas and forests remain under severe pressure from illegal logging, encroachment, economic land concessions and insufficient numbers of rangers. As a consequence, forests and protected areas have suffered losses with the forest cover remaining below 60%. In addition, formal registration process of Community Based Forestry and Community Fishery Groups are slow and must be accelerated. The proportion of households dependent on fuel wood has not decreased as planned and remains very high.

Securing sustainable management of Cambodia's natural resources capital base is challenging due to a combination of many interlinked factors, including increasing pressures from rapid population growth, expansion and intensification of agriculture as well as developments in transport, energy etc. 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 will the country manage and distribute its natural resources and for whose benefit.

Climate change impacts and disaster events (i.e. floods and droughts) further aggravate the situation, disproportionately affecting the poor and rural population who are most dependent on natural resources and least able to cope with adverse shocks. Moreover, the current structure of Cambodia's economy is such that it relies significantly on inputs from its natural capital. Sustainable harvesting of

timber and non-timber forest products, rice production, tourism and clean water provision are important pillars of the Cambodian economy that can only be maintained and developed on a firm base of secured natural capital. Overall, the effective mainstreaming of environment, climate and disaster risk reduction into climate relevant sectors such as forestry, fisheries, agriculture, industry, energy, infrastructure, etc. remains challenging.

#### CMDG 8: Develop a global partnership for development<sup>3</sup>

No specific Cambodian targets have been set for this MDG, however a range of information and analyses of trends in Official Development Assistance (ODA), trade, information and communication technologies are available.

*Development cooperation disbursements* (ODA and NGO core resources) have generally trended upwards over the past decade and amounted to USD 1.46 billion in 2013. Over the period 2004-2013 there have been year-on-year compound increases in support of 11.4% annually.

As the profile of development partners supporting Cambodia has changed, the modalities of support have also changed markedly over the past decade. Over the past decade, while disbursements of the technical cooperation projects - supporting government reforms, service delivery and capacity - remained relatively unchanged throughout the period (ranging between USD 250-300 million annually), the investment programmes (delivering physical investments such as infrastructure) however have tripled from around USD 300 million in 2003/04 to more than USD 1 billion in 2013. This change in ratio between grants and loans is consistent with the funding pattern in a country that is approaching the middle-income status.

Many gains have been made on the global *development effectiveness agenda*, however much remains to be done in a development partner environment that is still crowded and fragmented. In addition, effective development cooperation also requires *coordination across government* and an integration of strategic planning, budgeting and aid management. Mechanisms for dialogue at all levels also need to ensure *diversity of actors* and the differential contribution of all stakeholders, respecting national ownership while emphasising development results.

In terms of *trade*, Cambodia benefits from a regime of tariff-free imports to a number of developed economies, including the European Union under the 'Everything But Arms' (EBA) regime. Cambodia's exports amounted to USD 6.8 billion in 2013 with the EU as the prime market for Cambodian products. Garments and textiles exports continue to grow, however the biggest relative boom has occurred in the rice and sugar exports.

The Association of South-East Asian Nations (*ASEAN integration in 2015*) and Cambodia's graduation into *Middle Income Country (MIC) status* represent key considerations for medium-term development. Cambodia is firmly progressing from low-income towards a lower-middle income status hence the Royal Government is now aiming to build the necessary foundations of a middle-income country. As Cambodia

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<sup>3</sup> More information on development cooperation trends in Cambodia are available from the Council for the Development of Cambodia who produce analytical work related to development effectiveness. See [www.cdc-crdb.gov.kh](http://www.cdc-crdb.gov.kh)

approaches middle-income status the relative share of ODA in financing national development will decline, and Cambodia will need to secure and maximise alternative funding sources to ensure continuation of socio-economic development.

Cambodia's graduation from the *Least Developed Country (LDC) status* on the other hand, is a longer-term prospect than the change in income status. Cambodia's progress and reclassification will mean that access to concessional finance and to favourable markets will be more limited and this does require consideration to avoid the potential 'middle-income' country trap and ensure continued socio-economic development.

#### [CMDG 9: De-mining, UXO and victim assistance](#)

Cambodia has made remarkable progress in reducing casualties from mines and UXOs. The annual number of civilian casualties recorded has fallen from a record 4,320 in 1996 to 111 in 2013, hence exceeding the current target of 461.

Large areas of contaminated land have been cleared, however since the contaminated area is greater than originally expected, this target will not be achieved by 2015. Cambodia has also obtained an extension to 2019 under the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction. Almost all elements of a victim assistance framework have now been adopted and implementation is under way.

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## 1.2 PROGRESS ON KEY REFORM AREAS

### [Economic reforms](#)

Growth remains strong driven by robust exports, tourism, and construction, despite the recent floods and some slow down during the 2013 national election. Growth is projected to pick up to 7.25 percent in 2014 and reach 7.5 percent over the medium term along with global recovery, improvements in infrastructure, competitiveness, and investment climate<sup>4</sup>. Stable food and fuel prices are expected to keep inflation at around 3-4 percent in 2014. Medium-term economic wealth creation would continue to come from export led expansion in the garment, footwear, tourism, rice, cassava and fisheries sectors.

*Foreign direct investment (FDI)* plays an important role in supporting growth. The UN World Investment Report listed Cambodia amongst the most successful LDCs in attracting FDI in 2012, reaching almost USD 1.6 billion, a year-on-year increase of 73%. However, it should be noted that FDI flows are volatile. The report also named Cambodia as one of the emerging bright spots within the South-East Asian region, particularly for labour intensive FDI and value chain activities. Looking at financial services, by value, Cambodia attracted the largest amount of greenfield projects out of all LDCs worldwide in 2012.

Early signs of diversifying foreign direct investment could be bolstered with better infrastructure and improved electricity supply as electricity costs in Cambodia remain very high, despite considerable

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<sup>4</sup> IMF Cambodia 2013 Article IV consultations, IMF Country Report No. 14/33, February 2014

progress made in the *energy* sector. Supply also remains unreliable and presents an obstacle to strengthening Cambodia's competitiveness and economic development. The need for increasing nationwide electricity supply and extending the main grid into low population density areas presents an additional challenge to reducing electricity tariffs.

Well-managed *micro-finance* institutions can make major contributions to poverty reduction and employment creation. However, the successful penetration of microfinance has been mainly concentrated in urban areas. The provision of sustainable microfinance services in rural areas, where the majority of Cambodia's poor live, remains weak. As a result, there are still substantial untapped opportunities for microfinance institutions in Cambodia.

The impact of the global economic crisis has exposed the vulnerabilities of Cambodia's narrowly focused highly open economic structure and limited options for productive *employment*. Structural reforms and accompanying economic diversification is now a priority concern. With the projected higher growth rate for the working-age population and more young people entering the labour force in the future, achieving decent employment will increasingly become challenging. Moreover, there are serious concerns about the quality of employment in Cambodia (a large share of which is in the informal sector) related to low earnings and poor working conditions. Continued improvement in the business climate, governance, and human capital, including through education and training, would provide support to private sector development and boost employment creation.

### Governance reforms

Cambodia is in the process of a peaceful political transition and the end of the political stalemate in mid-2014 will provide the base for a meaningful progress towards building governance structures that are accountable, predictable and transparent to the general public, which respect the Rule of Law, encourage citizenship engagement and protect and promote human rights.

The Governance system in Cambodia remains overall characterised by weak institutions, hierarchical decision-making and the formal system of loyalties and patronage. Progress however has been achieved in the implementation of the *public sector reform* agenda, which can be linked to strong European development cooperation support. Simultaneous implementation of the Public Financial Management (PFM), Public Administration and Civil Service (PAR), Sub-National Democratic Development (SNDD) and the Legal and Judicial institutional reforms is expected to contribute further to the enhanced public governance.

The *Public Financial Management Reform* programme remains essential to finance vast development needs without jeopardising fiscal sustainability. This reform will further strengthen revenue administration through improved tax policies, while increasing the efficiency of public spending and the quality of public services. The government is committed to studying the conditions for further disclosure of budget documents to the public. In parallel, the Ministry of Economy and Finance (MEF) is further enhancing budget integration (including loans and grants, recurrent and investment budgets), in particular through the elaboration of integrated Budget Strategic Plans in 10 line ministries by 2015 and subsequently in all sectors. The MEF is also committed to strengthen procurement procedures towards a more transparent budget.

Continuing low level of basic salaries in the civil service is hindering the development pace in Cambodia as well as the achievements of the *Public Administration Reform* programme specifically. With the recent creation of the new Ministry of Civil Service, however, compensation reform may receive the needed impetus and the links may be strengthened between this pillar of the reform and improvements in managing human resources in Cambodia's public administration as well as introducing public service standards.

The *Sub-National Democratic Development Reform* has possibly the greatest potential impact on the development of democratic governance in Cambodia. The reform is proceeding, with considerable financial support from development partners, however the organisation, structure and function of the sub-national authorities are yet to respond fully to the needs and challenges of local economic development and quality public service delivery. A well-organised decentralised system of governance will contribute to an enhanced accountability and transparency at all levels.

The legislative framework generally meets international standards; however the practice of accountability and transparency is not well developed. *Reform of the Judiciary* has been slow and fundamental laws on the independence of the judiciary remain challenged. In addition, there is a limited dissemination of knowledge of laws and a significant need for capacity building of law enforcement personnel at all levels. *Corruption* is widespread and represents a significant obstacle to democratic governance and sustainable development in Cambodia. An independent strengthened judicial system will be the key for tackling endemic corruption.

The *human rights* situation is evolving in a generally positive direction, however the outbreak of and the use of violence in early 2014 followed by a restriction on *freedom of expression and assembly* put the evolving democratic system at risk. Impunity remains widespread and an independent strengthened judiciary will be fundamental for the protection and promotion of civil and political rights.<sup>5</sup> The parliamentary reform is also critical for the further democratisation of the country and combined with strengthened local authorities, an independent judiciary and a well-functioning parliament will serve to better respond to any human rights violations.

*Civil society* is vibrant and there is a large number of NGOs that scrutinise the government and foster demand for accountability, especially at the national level. Several of these are well-organised and professional organisations, however many have overall little experience with fostering social accountability. In recent years civil associations and community-based organisations have begun to emerge at the local level fostering demand for governance and creating avenues for dialogue and information exchange at the local level.

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### 1.3 DRIVERS OF CHANGE

Considering the changes over the past decade, several drivers of change have emerged in Cambodia and these need to be taken into consideration when planning development cooperation interventions.

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<sup>5</sup> See also: Report of the Special Rapporteur on the situation of human rights in Cambodia, Surya P. Subedi, August 2014

Firstly, there has been a significant change in [demographics](#). Of the approximately 9.5 million registered voters, more than half are under 30 years old. These young people were born after the Khmer Rouge regime and the civil wars that followed, which were the primary reference points for the population to date. The [Cambodian youth](#) is looking forward and beginning to compare Cambodia's development to that of other countries in the region, rather than to its own dark past. This has led to a generational shift in attitudes and voting allegiances. While the younger generation appreciates the economic gains made in the recent years, they have also witnessed the consequences of growth which has left many rural and urban poor people dispossessed and they want a greater share of the benefits of growth.

[Women](#) in Cambodia are highly active in economic life, but are not so well represented in the political system. The increasing rate of urbanisation and the growing employment opportunities, especially for young women in the textile industry, will in all likelihood lead to new social, political and economic demands and challenges to traditional ways of thinking.

The power of [media](#) and especially social media has been growing fast. In terms of [information and communication technologies \(ICT\)](#), the number of users of mobile phones and those with access to the Internet have been increasing exponentially, however they are still far below regional averages. The Royal Government is taking measures to ensure a continued rapid expansion in the use of these services and their potential for development. With this increase, young Cambodians have been flocking to social networks, facilitating the faster and wider flow of information.

Cambodia's vibrant [civil society](#) is also an important driver of change and plays a key role in Cambodia's democratisation and in the promotion of human rights based approaches. However, a strong civil society also depends on the complementary actions of reform-minded actors in the public service. Well-educated and reform-oriented individuals now entering the [public service](#) could influence change in the near future: there is an increasing awareness among civil servants that Cambodia needs to make radical reforms in order to meet future development challenges and be in a position to take advantage of the opportunities in the dynamic business environment. [Local governments](#) are also increasingly important drivers of change in the context of the sub-national democratic development and provide a mechanism for individuals to influence public policy and decisions that affect their daily lives.

Western development partners have a significant influence, primarily as [trading and economic partners](#). In September 2013, European Union took over the United States of America as the prime market for Cambodian products on overall exports. The choices made by European buyers related to labour conditions and standards are therefore increasingly important to key sectors of Cambodia's economy. In the textile industry, [trade unions](#) play an increasingly important, although still limited, role in improving the working conditions and therefore the livelihoods of people.

## 2. FOUNDATIONS OF THE EUROPEAN DEVELOPMENT COOPERATION STRATEGY

The priority areas of the European Strategy are based on the consideration of the Royal Government's development priorities as expressed in the Rectangular Strategy - Phase III and detailed in the National Strategic Development Plan 2014-2018; on shared values and principles, on the lessons learned from the previous European development cooperation and on the European comparative advantage.

### 2.1 ROYAL GOVERNMENT'S DEVELOPMENT VISION AND FRAMEWORK

The Royal Government adopted a vision of a prosperous society with a strong economy that is diversified, dynamic, and resilient, and where there is an equitable distribution of opportunities. The Royal Government aim is that Cambodia reaches the upper-middle income country status by 2030 and high-income status by 2050. The new Rectangular Strategy – Phase III will play a key role in building the foundations to meet this vision. European partners are committed to aligning with the national strategy and supporting the Royal Government in achieving this commendable vision.

The **Rectangular Strategy- Phase III**, with its central theme of Growth, Employment, Equity and Efficiency reflects the ambition of the Royal Government to promote long-term sustainable national development and poverty reduction through achieving the **four Strategic Objectives** of the Rectangular Strategy – Phase III:

- 1) Promoting *economic growth* of at least 7% annually which will be sustainable, inclusive, equitable and resilient to shocks;
- 2) Promoting *employment*, especially for the youth through increased competitiveness and investment;
- 3) Promoting *equity* by 1% reduction in poverty incidence annually and achieving remaining Cambodian Millennium Development Goals, prioritising human resources development and sustainably managing natural resources;
- 4) Promoting *efficiency* by strengthening institutional capacity and governance and improving public services.

**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.

The **four priority areas** for action that will guide development efforts to achieve the objectives outlined above are outlined as:

- i) Agriculture development (diversification, value-added, productivity);
- ii) Development of physical infrastructure;
- iii) Private sector development and employment;
- iv) Capacity Building and human resource development.

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. However, the performance monitoring aspect of the Rectangular Strategy – Phase III is weak as it is a policy statement rather than a plan. Performance indicators are expected to be detailed in the National Strategic Development Plan, which will operationalise the Rectangular Strategy, in the form a results framework. The Rectangular Strategy – Phase III is relevant to Cambodia’s development challenges and represents an overall credible and comprehensive policy framework which can be used as the basis for programming joint European development cooperation and for coordination and dialogue between the European partners and with other development actors.

In addition, the Royal Government has formulated a Development Cooperation and Partnerships Strategy 2014-2018 that reflects the country's intended shift from a focus on aid effectiveness to a focus on development effectiveness. This strategy outlines how Government intends to build inclusive partnerships with all development actors, including private sector and civil society organisations and to explore new partnering modalities such as south-south and triangular cooperation. This strategy also introduces results-based approaches and provides opportunities for strengthened inter-sectoral coordination.

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## 2.2 SHARED VALUES AND PRINCIPLES<sup>6</sup>

This European Strategy is based on the **common values and principles** shared by the European partners and the Royal Government of Cambodia namely:

- **Development needs to be country-led** – Country ownership and leadership of development needs that are based on national strategies mobilising domestic resources and ODA and ensuring consistency in all policy areas, to which development partners can align;
- **Overarching aim is poverty reduction** - particularly focusing on the Millennium Development Goals and on the post-2015 development goals. This will help meet other challenges such as sustainable development, HIV/AIDS reduction, security, conflict prevention, forced migration, etc.
- **Democratic values** - respect for human rights, democracy, fundamental freedoms and the rule of law, good governance, active citizens' participation, vibrant civil society, solidarity, social justice and effective multilateral action, particularly through the United Nations.

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<sup>6</sup> These values and principles are enshrined in the international legal framework, in particular in the UN Human Rights conventions, and in European and Cambodian legal frameworks, policies and guiding documents, including but not limited to the Rectangular Strategy – Phase III, NSDP, Development Cooperation and Partnerships Strategy (2014-18), Paris Declaration, Accra Agenda for Action, Busan Global Partnership for Development Effectiveness, Lisbon Treaty, European Consensus on Development, Swiss development policy as defined in the Parliamentary Message on International Cooperation 2013–2016, Council Conclusions on promotion of human rights, EU Code of Conduct on Division of Labour, the New European Pact for gender equality 2011 – 2020, Council conclusions ‘The Future Approach to EU Budget Support to Third Countries, the Council Conclusions on Europe’s Engagement with Civil Society, the Agenda for Change and European partners’ inputs into Busan

- **Sustainable development** – there needs to be a balance between activities aimed at wealth creation, the protection of environment and natural resources and growth, which is sustainable and benefits the population as a whole;
- **Conflict-sensitive program management** - particularly in the post-conflict context of Cambodia, identifying dividing and connecting forces in dynamic and heterogeneous contexts to help mitigate the potential for social tension and unrest in sensitive contexts. Promoting platforms for dialogue and exchange between different communities, civil society organisations and local authorities will be an important means to support trust-and confidence-building;
- **Investing in people** - primarily through high quality education and adequate health care is the only guarantor of achieving long-term economic growth, poverty reduction and a resilient society;
- **Gender equality** - closing gender gaps in employment and education and addressing all forms of violence against women is a vital factor and a precondition for reaching the full socio-economic potential;
- **Partnership, transparency and mutual accountability** - European partners and the Royal Government of Cambodia's resources for development need to be efficiently deployed to maximise their effectiveness. Transparency and accountability based on an open and inclusive political dialogue are vital to achieving development results and ensuring effectiveness.

European partners will continue to work in partnership with the Royal Government of Cambodia as well as with civil society and other development actors, to promote and facilitate development in line with these values.

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### 2.3 POLICY COHERENCE FOR DEVELOPMENT

This European Strategy is primarily relevant for the European partners' bilateral programmes in Cambodia which are managed by their country or regional offices. European partners however consider it important that all of their policies and programmes should support Cambodian efforts to achieve sustainable development, the Millennium Development Goals and post-2015 development agenda. European partners therefore adopted an approach of ensuring policy coherence for development by taking into consideration the impact of non-bilateral programmes and non-aid policies.

With respect to non-bilateral programmes, European partners provide additional development cooperation funds from a range of *thematic and regional funds*. This includes funding for **civil society capacity development**, regional support for **ASEAN** and the **Mekong River Commission**, and **regional integration** for the benefit of Cambodia. European partners also complement their bilateral programmes by supporting education and skills development through the provision of **scholarships, research opportunities and academic cooperation**.

With respect to non-aid policies in the context of *trade and finance*, European partners apply the **Generalised System of Preferences (GSP)**, which provide trade preferences to developing countries and

confirm European markets as the most open market in the world for exports from least developed countries. Under the [Everything But Arms](#) scheme, Cambodia is granted duty-free/quota-free access for all products, except arms and ammunition.

In order to help Cambodia reap the benefits of trade agreements and promote regional integration, the European partners have considerably increased their [Aid for Trade \(AfT\)](#) in recent years: collectively, they are the largest provider of AfT in the world. European partners support Cambodia in its efforts to comply with core [human rights and international labour and environmental conventions](#), particularly through the incentive-based GSP+ scheme. European partners also remain committed to supporting [fair and ethical trade](#) schemes.

European partners encourage and support European companies in adhering on a voluntary basis to internationally recognised guidelines for [corporate social responsibility](#) in their business operations in Cambodia. European partners also continue at bilateral and multilateral level to pursue a balanced [intellectual property rights](#) policy vis-à-vis developing countries, taking into account their level of development and capacity.

The [policy on raw materials](#) attaches great importance to improving governance in developing countries and ensuring that due revenues are received by governments and used in a transparent, development-oriented way. European partners are therefore supporting raw materials transparency schemes such as the [Extractive Industries Transparency Initiative \(EITI\)](#) and [Forest Law Enforcement, Governance and Trade \(FLEGT\)](#).

At [multilateral level](#), European partners have intensified their efforts to achieve progress on the Doha Development Agenda, with a focus on concluding, at the 9th WTO Ministerial Conference, a Trade Facilitation Agreement as well as agreeing on certain agriculture and development deliverables, some specifically for LDCs.

With respect to *climate change*, European partners are the largest contributors to [climate financing](#) to developing countries. They have also delivered on and surpassed their commitments to Fast Start Finance which supports immediate action by developing countries to strengthen their resilience to climate change and mitigate their greenhouse gas emissions, including those from deforestation. The expected adoption of the 2015 Climate Agreement will guide European development cooperation in Cambodia and establish a stronger framework to mitigate the risks of climate change on the country's development and help increase Cambodia's resilience.

More details about non-bilateral programmes and non-aid policies are available in Annex B.

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## 2.4 EUROPEAN PARTNERS' COMPARATIVE ADVANTAGE

European partners have comparative advantages in a number of areas based on the historical traditions of European countries as well as on their long experience of development cooperation with Cambodia. European partners also have a long-standing experience in applying policy coherence for development and using a wide range of instruments in policy areas such as environment, trade, the information

society and immigration to enable synergy, consistency and maximum effective use of resources for promoting development.

**Democratic governance tradition:** Europe has a long history of building democratic culture based on equality and participation, ensuring citizens' rights and accountable public administrations, including at the local level. Periods of crisis across Europe have also given European partners an understanding of how to contextualise democracy and good governance in a range of institutional contexts.

**Human rights-based development:** Commitment to human rights has been a corner stone of European partners' development cooperation for a long time and this has been made explicit in European legal and policy commitments to put human rights at the centre of our relationship with partner countries: these commitments are clearly spelt out in the development and trade instruments.

**Regional integration:** The European Union is the most advanced example of regional integration including the free movement of persons, goods, services and capital and set up an economic and monetary union. As such European partners are well-placed to support initiatives such as the ASEAN Economic Community and to understand the impacts that regional integration can have on countries with differing levels of socio-economic development.

**Social protection and welfare:** Geographical and historical comparisons of social welfare show that Europe has historically played a leading role in the development of social protection and welfare schemes, provision of social services, including health and education, and human resource development. European partners' knowledge and experience is directly valuable for supporting development of high quality and capable human resources to meet the immediate and long-term needs of economic growth and improving competitiveness of Cambodia.

**Public service reforms:** European public services have undergone significant reforms over the past three decades which makes European partners uniquely positioned to share their experience and provide support for public service reforms.

**Technology and scientific development:** Europe is at the cutting edge of technology development, including telecommunications, e-commerce and social networking. Hence, the evolving technology sectors, such as telecommunications, in Cambodia and the ASEAN region, provide an opportunity to exchange useful lessons and experiences.

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## 2.5 LESSONS LEARNT FROM PREVIOUS DEVELOPMENT COOPERATION

With respect to *general lessons*, these note that **post-conflict** transition is a process that is not linear; it takes time for the deeper impacts and fragilities to be addressed. Cambodia is now twenty years on from the formal end of the conflict, yet some fragilities persist, reinforced by deeper social norms, whilst new fragilities have emerged as the state becomes dominant, creating new tensions and risks of social conflict.

**State building** as a means of ensuring stability needs to be balanced with civil society development as a means of building accountability and social cohesion. Stability requires a capable, accountable and responsive state, positive state-society relationships and an atmosphere of safety, security and choice in

which citizens are and feel able to function and achieve personal, family and community level ambitions. State building must not be viewed in a state-centric way – but must incorporate notions of citizenship and social stability alongside state stability.

The [cross-sector dependence of reforms](#) in Cambodia is very high. For example, further progress in education reforms will partly also depend on progress in other areas of governance, including the fight against corruption, the legal and judicial system, public financial management, public administration and sub-national democratic development. [Inter-governmental and cross-sector coordination](#) is therefore an essential component for the success of the key reforms and for effective development they underpin. The existing dialogue architecture does not, however, fully support the inter-linkages between Government's reform programmes nor does it reinforce the implementation of reforms across Government in a joined-up manner.

European partners support and participate in the existing [coordination mechanism](#) as the main structure for dialogue and promoting development effectiveness in Cambodia. However, certain structural challenges need to be acknowledged. For example, Technical Working Group (TWG) sector coverage structure does not always correspond to the NSDP sectors' structure hence there is no forum which would facilitate discussion of cross-TWG issues. TWGs' mandates, while formalised in the guidelines, are not always implemented in practice, hence some TWG chairs have not been facilitating discussion of certain topics of interest to development partners. Moreover, some TWGs do not meet very often and/or are very formal due to the participation of high-level officials. With such challenges, the necessity for development partners to try to reach the highest possible level of alignment amongst themselves is even greater. The education, PFM and decentralisation sectors are good examples of close cooperation of European development partners and how it leads to better results.

Given the [complexity of the core reforms](#), and particularly the sub-national decentralisation reform, it is of paramount importance that development partners align their support to Cambodia's reform programme or there is a high risk of undermining the national efforts. In addition development partners' expectations of the outcomes of the reforms in the time scale of their support should be appropriate. Often partners need to stay with a difficult and at times frustrating process to realise the long-term benefits. There is indeed a risk of inflated [expectations](#) in terms of what the key reform process can deliver in the short term on poverty reduction and governance. Experience from education, health and decentralisation suggests that the objectives of the programmes were often linked with the assumption of wider reform progress in related areas such as human resources, PFM, good governance, regulation of private practice of public sector health staff, compensation reform for civil servants and the decentralisation process. These complex government reforms however have been slower than planned which affected the pace of the implementation and the impact of support in the various sectors.

European partners' experience further indicates that it is important to understand [incentives](#) that drive the motivation of actors in development cooperation programmes. While the use of salary supplements was in the past considered a necessary mechanism to give an impetus to programme implementation, experience however suggests that salary supplementation undermines the sustainability of reforms in the public sector.

Over the past several years, European partners have developed a number of [joint positions](#) on key policy issues which underpin European partners work and dialogue with the Royal Government. These include the joint European positions on the Merit-Based Pay Initiative (MBPI) in 2008; on Priority Operating Costs (POC) in 2011; on cross-reform Joint Monitoring Indicators (JMIs) in 2011; on the Global Fund incentives in 2013 to name a few. More recently, in 2013, European partners have actively contributed to the formulation of development partners' joint positions on key strategic issues for policy dialogue with the Government, which included policy briefs related to land, budget transparency, Public Administration Reform and skills development. European partners experience in formulating these joint positions and 'speaking with one voice' in the dialogue with the Government has demonstrated the impact of a joint European approach on increasing the leverage in policy dialogue as well as its potential for generating critical mass within the wider development partners group.

[Co-funded programmes](#) also provide valuable lessons. Notably experience from management of the Climate Change Multi-Donor Trust Fund suggests that trust funds should be anchored in and aligned with a proper institutional setting. Moreover, transaction costs are significantly reduced when development partners pool resources and use common management procedures. While experience shows that capacity building is best supported through partnerships between the government, private sector and civil society, for the larger investments a national fund or budget support can be more appropriate vehicles. Project-based approaches on the other hand are often less sustainable and tend to promote fragmentation requiring a lot of effort to ensure coordination. However, it should be acknowledged that project-based approaches can be usefully applied in the context of programme-based approaches or for a specific research and the development or pilot initiatives.

Concerning [capacity development](#), there is a need to focus development partners' support on a limited number of strategic capacity development interventions that are guided by medium-term objectives and a medium-term monitoring framework rather than ad hoc annual planning and monitoring. In terms of capacity development at the local level, promising results were achieved where social capital was established in community groups and links to the Commune Councils were created. However, in programmes where the emphasis is purely on service delivery, capacity development results may be short-lived.

With Cambodia approaching middle-income status [multi-stakeholder dialogues](#) that include civil society, the private sector as well as non-traditional donors, regional and south-south partners will become increasingly important. However, the current structure for dialogue does not facilitate interaction and dialogue between different development stakeholders.

Further important lessons to be noted from supporting the core reforms as well as from support to specific sectors are discussed in Annex C.

### 3. EUROPEAN DEVELOPMENT COOPERATION PRIORITIES

The overarching goal of the European Strategy is to work in partnership with the Royal Government of Cambodia and other partners to reduce poverty; enable equitable and sustainable growth and development; foster respect for human rights and democratic principles and an active civil society in Cambodia; and improve the effectiveness and impact of development cooperation.

European partners' support is aligned with the Royal Government's Rectangular Strategy – Phase III which is operationalised through the National Strategic Development Plan. This Strategy therefore uses the areas identified in the Rectangular Strategy (core and rectangles) to demonstrate the alignment of the European priority areas and how they will support Government's development goals.

#### 3.1 SUPPORT FOR GOVERNANCE - THE CORE OF THE RECTANGULAR STRATEGY

European partners consider improvements in governance the most important factor for inclusive and sustainable growth in Cambodia, recognising that poverty and social exclusion continue to be amongst the most significant aspects of Cambodia's fragility. European partners will therefore support the Government in strengthening the institutional capacity and **governance** of public institutions in order to improve the efficiency of public service delivery and the investment climate through support to the continuing reform of the public administration, including sub-national democratic development reform. European partners will also support the strengthening of oversight institutions to bring public services closer to the people, promote democratic processes at sub-national level and ensure checks-and-balances in the exercise of power. To this effect, European partners will work on both strengthening the '**demand side of governance**' supporting citizen's voice and participation in decision-making and the '**supply side of governance**' by supporting state's capacity (i.e. the capacity of the administration, among the elected officials and the public institutions) to respond to, manage and implement needed reforms. European development cooperation programmes will therefore work with various development actors and complement their programmes by efforts that directly strengthen Cambodian citizens' knowledge, skills and ability to participate in public life.

European partners will continue to support the **Public Financial Management** Reform Program aimed at improving the efficiency and effectiveness of Cambodia's public financial management system according to international standards, through enhancing budget credibility and transparency, enhancing financial accountability through introducing the financial management information system (FMIS) and strengthening links between planning, budgeting and results.

The **Public Administration Reform** (PAR) has long been a focal sector for support by European partners. Support and participation in a dialogue with the Government on options for a sequenced comprehensive **Compensation Reform** and on the implementation of the human resources management and operational review instruments in ministries will continue, and further support in this regard will be discussed.

European partners will continue their support to **Sub-National Democratic Development** reform through the implementation of the National Program for Democratic Development at the Sub-national Level

2010-2019 with an emphasis on local participation and democratic accountability. European partners will also focus on strengthening of elected councils, particularly at district and municipal levels, and support an enabling legal and policy environment for their autonomy and discretionary space. This could include the gradual transfer of functions and resources from the national to the sub-national levels, the development of human and institutional capacity at the sub-national level, the strengthening of roles and responsibilities of sub-national councils and the strengthening of a unified sub-national administration which can coordinate public activities and administration within its jurisdiction.

European partners will also cooperate closely with the Royal Government and other partners to ensure transparency, accountability and probity in the use of public resources and eliminate risks and opportunities for [corrupt practices](#) within the public administration and in the implementation of development cooperation programmes. In addition, support will be provided for capacity development and awareness raising programmes with civil society linked to transparency of financial resources and corruption.

European partners recognise that strengthening of human rights is the key to securing a successful reform process in Cambodia: encompassing political, civil, social, economic and cultural rights as well as support to minorities. The focus of European support will be on the areas of the rule of law, land rights, freedom of association and creating space for civil society, freedom of expression, freedom of information and the media, institutional protection of human rights and promotion of women's rights.

Preservation and promotion of the rich [Cambodian heritage and traditions](#) has been and will continue to be a high priority as culture can be a driver for sustainable development. European development partners will continue ensuring preservation and sustainable development of built and living heritage, including vocational training on stone conservation informed by the scientific research. [Cultural diversity](#), both European and Cambodian, will also be promoted as the key element for development and mutual understanding.

[Gender equality](#), including women's political and economic rights is essential for poverty reduction and sustainable development. Gender equality will be supported through specific programmes and by mainstreaming gender equality throughout the European partners' development cooperation programmes and projects. European programme outcomes will be formulated to allow for gender-specific planning and budgeting and data for monitoring the European programmes will be disaggregated by gender whenever feasible.

European partners will in particular strengthen [justice and the rule of law](#), strengthening citizens' and institutions' knowledge and enforcement of human rights. Support will also be provided for the Extraordinary Chambers in the Courts of Cambodia (ECCC), including to the Victims' Support Section.

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### 3.2 SUPPORT FOR PROMOTION OF THE AGRICULTURE SECTOR, INCLUDING RURAL DEVELOPMENT (RECTANGLE 1)

[Agriculture](#) remains the livelihood base of the majority of the population, whilst poverty is most widespread in rural areas and among people belonging to ethnic minority groups. In order to allow the poor to benefit more from the forecasted strong economic growth, European partners will support

further development of agriculture including the promotion of livestock production and aquaculture, and enhancing agricultural productivity, modernisation and commercialisation. Moreover, European cooperation will support development cash crops, value chains, smallholder and family farming, promotion of farmers' organisations, contract farming, direct sowing, mulch-based and conservation agriculture. Support will be provided for further implementation of the Strategic Planning Framework for Fisheries 2010-2019 and the National Forest Programme 2010-2019.

European partners will continue promoting a human rights-based holistic approach to [land distribution](#) and facilitating equitable rural economic growth. They will continue supporting the Government in speeding up the implementation of land reform and in particular of inclusive land registration and communal land titling for indigenous people as crucial for the future development of Cambodia.

Support will also include strengthening links between land reform and other reforms, especially in agriculture, in order to ensure food security and environmental sustainability as well as gender equality. Special focus will also be given to regulating and securing land tenure of informal settlers in urban and rural areas, indigenous people communities' [land registration](#), and improved approaches for land distribution to the poor, which European partners consider a human rights issue. The sustainability and pro-poor orientation of the land reform thus remains at the core of the European development efforts. European support will contribute to the progressive realisation of the right to adequate food and shelter with the FAO "Voluntary Guidelines on Responsible Governance of Tenure of Land, Forests and Fisheries in the Context of National Food Security" serving as the main reference.

Addressing [nutrition and food security](#) will be an integrated component within the support to the agricultural sector. European partners believe that through supporting equitable access to land, targeting smallholder farmers, women and poor households, as well as food insecure households, and by incorporating explicit nutrition objectives into the agricultural programmes there is potential to yield improvements in nutrition.

European partners will support the Royal Government in [rural development](#), including by investing in rural infrastructure, and will focus on the improvement of living conditions for the poor population in rural areas of Cambodia, with a special focus on indigenous population, poor and vulnerable households as well as small-scale farmers that received or will be receiving land titles. The needs of future generations, especially [sustaining the natural resources](#) as the basis of rural livelihoods, will be safeguarded through support to analysing local conditions and integrating them into balanced spatial planning approaches. Support will be provided for improvements in [livelihood resilience](#) through enhanced production capacities and improved market access. Moreover, communities making a living from community resources such as forest and fisheries will be supported through secured and equitable [access to community resources](#) as well as market access for [non-timber forest products](#).

In addition, European partners will also support progress towards CMDG 9 through continued funding for the clearance of mines and [UXOs](#) and post-clearance development.

Ensuring transparent and efficient management, conservation and use of [land and natural resources](#) and protection of the [environment](#) is a fundamental component of the European approach to sustainable and inclusive development. Conversely, [climate change](#) and environmental degradation are global

challenges that have the potential to bring about an unprecedented reversal in progress on poverty reduction and undermine efforts towards the achievement of the Millennium Development Goals. The fight against climate change and the sustainable management of natural resources including the protection of ecosystems (such as wetlands and forests) can on the other hand create new economic opportunities and assist Cambodia to move towards a more sustainable development path.

In accordance with and implementation of the FAO Voluntary Guidelines European partners will continue their support to the sub-national level for participatory spatial planning, the monitoring and enforcement of compliance with those plans, including balanced and sustainable territorial development, as a cross-sectoral tool for mainstreaming climate change and environmental aspects and harmonising these with development needs in fields such as forestry, agriculture, tourism and infrastructure. European programmes will further aim to strengthen resilience through agro-forestry and forestry activities of smallholders. European partners will support the implementation of the Cambodia Climate Change Strategic Plan, the National Policy on Green Development and the National Strategic Plan on Green Development 2013-2030. They will also support Cambodia in implementing international policies such as FLEGT, including cross-boundary cooperation to address illegal trade of timber from and to neighbouring countries.

European partners will continue to provide support for strengthening technical and institutional capacity to promote the mainstreaming of climate change responses into the policies, laws and plans at national and sub-national levels. Support will also include the mainstreaming of climate resilience in priority sectors, promoting pilot activities at the local level for knowledge sharing and the promotion of green economy through dialogue.

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### 3.3 SUPPORT FOR DEVELOPMENT OF PHYSICAL INFRASTRUCTURE (RECTANGLE 2)

European partners will support infrastructure for economic and social sectors through a combination of grants and loans. Support for development of [infrastructure in rural areas](#) will include construction of electricity transmission and distribution lines, support to water supply operators, rehabilitation of rural roads, rehabilitation of irrigated schemes, support to sanitation schemes and investments in markets. Moreover, solid waste technology and infrastructure is both an area of expertise in a number of European countries and an important challenge for Cambodia. Recent signs of interest have been noted from potential EU investors providing an opportunity for European partners to facilitate such investment projects and developmental endeavours.

European partners will support the development of [urban infrastructure](#) by funding the extension of production capacity for water supplies facilities, public lighting, waste management, sanitation and drainage, public transportation, economic infrastructure and energy.

European partners will also be providing support to the [domestic biodigesters](#) as an indigenous, sustainable energy source through the development of a commercial, market oriented, biodigester sector in selected provinces of Cambodia, in line with the National Biodigester Programme (NBP) of the Ministry of Agriculture, Forestry and Fisheries (MAFF).

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### 3.4 SUPPORT FOR PRIVATE SECTOR DEVELOPMENT AND EMPLOYMENT GENERATION (RECTANGLE 3)

European partners support will contribute to improving the regulatory framework to improve the [business, trade and investment environment](#). European partners will continue to provide Aid for Trade, to strengthen Cambodia's trade policies, build trade-related infrastructure and improve productive capacity. European partners will also support measures to increase and expand Cambodia's export market, provide support to trade facilitation and assisting Cambodia in taking better advantage of trade opportunities offered by open and integrated markets. The trade-related assistance supports preparation for Cambodia's further economic integration into the region.

European support will also include development of [Micro, Small and Medium Enterprises \(MSME\)](#); improving the business climate through increased access to finance; and strengthened and expanded business-related support services. European partners will continue supporting the [banking and microfinance sector](#), facilitating the expansion of microfinance services, especially targeting the poor and agricultural communities to promote the rural economy.

European partners' support for [private sector growth](#) will include tailored long-term investment programmes, including equity investment, but also quasi-equity and debt. European partners will also support [public private partnerships](#) which offer significant potential to consolidate growth and to maximise its benefits for the population.

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### 3.5 SUPPORT FOR CAPACITY BUILDING AND HUMAN RESOURCES DEVELOPMENT (RECTANGLE 4)

[Human capital development](#) and growth are closely linked. To alleviate poverty, the economy must grow. However, without quality investments in people, economic growth may not lead to poverty alleviation and socioeconomic development, nor be inclusive or sustainable. European partners will support human resource development in Cambodia both through supporting education and development of people's knowledge and skills, in formal and informal education and on the job training, as well as through supporting health, including nutrition.

European programmes will continue their support to [education](#) through support to the Education Strategic Plan 2014-2018. Main focus will continue to be on increased and equitable access to quality education at primary and secondary level. Specific attention will be paid to areas such as early childhood education, inclusive education, school operating budgets, scholarships, teacher qualifications and teacher deployment, quality assurance and national assessments. Policy dialog on key priority areas for the sector will continue as will capacity development interventions aimed at supporting the strengthening of the education system and the delivery of quality services.

[Technical and vocational training](#) and the development of technical and soft skills for youth will be supported through the reform of training curricula and programs, strengthening national qualification standards and establishing national competency standards, aimed at fulfilling the demand of the labour market. In order to achieve the latter, the private sector (employers) should be involved in the definition of curricula, the training of trainers and the management of trainees.

At the policy level, European partners will support the Royal Government in implementing action plans for the Vocational Education and Training (VET) policy, ensuring the match of the VET-offer with private sector needs and the promotion of basic rights. European support will also focus on skills development for men and women in rural areas, enabling them to benefit from upcoming potential employment opportunities, in particular in the booming tourism sector. Support will also be extended for including migrant workers' rights in national development strategies.

European partners will support higher education to improve its quality regarding ASEAN and international standards and its appropriateness to the labour market. European partners will also support the links between higher education and [scientific research](#), technology development and innovation as well as promote scientific production for development and the private sector. European Partners will support the inclusion of Cambodia into ASEAN area through the promotion of multicultural and multilingualism issues in the education sector. Moreover, support for skills development will be provided through [scholarship programmes](#), academic exchange of experts, students, researchers and officials.

Contributing to the efforts of the Royal Government of Cambodia to develop a [health system](#) that provides universal access to an essential package of quality health services based on fairness in financial contribution and equity in access remains a priority for European development cooperation. We will support equity in [access to health services](#) through co-financing the expansion of the health equity funds for the poor and support other social protection schemes for the vulnerable, including the near-poor to protecting them from the risk of excessive health spending. The draft Health Financing Policy will provide the framework for further consolidating and integrating existing social health protection mechanisms with the final goal of achieving universal coverage. Improving quality and accreditation of public and private health service providers, as outlined in the National Policy for Quality in Health and the Quality Improvement Master Plan, as well as other governance-related issues such as transparency and efficiency of health sector financing are other areas on which European development cooperation will focus. European partners' support will contribute to strengthening both the demand and supply side of the Cambodian health system, with the focus on the latter, and partnerships will be established and strengthened with both government and non-governmental health service providers.

European Partners will continue to support multilateral health organisations and vertical initiatives in charge of the [vaccination for all](#) and the fight against [HIV, malaria and tuberculosis](#).

In the context of the “Fast Track Initiative Road Map” of the Ministry of Health, European partners will provide support for improving [maternal and child health](#) in Cambodia by supporting the Ministry of Health and the National Center for Maternal, Neonatal and Child Health in further reducing maternal and child mortality in selected target provinces.

The Government’s [Social Protection](#) strategy is supported by a number of initiatives, in particular in the health sector, through the EU contribution to improving social protection in health as well as in the education sector by supporting scholarships and school feeding programmes.

#### 4. ESTIMATED FINANCIAL PROJECTIONS 2014-2018

European partners' indicative financial projections for the period of this strategy are estimated at EUR 1.4 billion (nearly USD 1.8 billion).

This amount incorporates the funding from the commitments made prior to 2014 which are scheduled for disbursement during the period of this strategy. It also includes the estimates of the new financial commitments which will be made by the European partners for the period 2014-2018. The figures in these tables will be revised and updated on an annual basis.

European partners' support is aligned with the Royal Government's Rectangular Strategy – Phase III which is operationalised through the National Strategic Development Plan. This Strategy therefore uses the NSDP sector classification to classify the funding for the selected priority areas for support in Cambodia. NSDP sector classification is also in line with the Cambodia ODA sector classification and will therefore enable easier Government planning.

Estimates of projected financial contributions by each European partner covered by this strategy are provided in Table 1 below. Estimated financial contributions per sector and sub-sector are provided in Table 2 overleaf.

**Table 1: Indicative financing per partner**

*(Note: Includes planned disbursements from the funds committed prior to 2014 and estimated new commitments 2014-2018)*

<i>EUROPEAN PARTNER</i>	OVERALL CONTRIBUTION (IN € MILLION)	FUNDS ALREADY SCHEDULED FOR DISBURSEMENT (IN € MILLION)	ESTIMATED NEW COMMITMENTS (IN € MILLION)	GRANTS (IN € MILLION)	LOANS (IN € MILLION)
Czech Republic	3.00		3.00	3.00	
EU Delegation	471.20	131.20	340.00	471.20	
France	556.80	133.48	423.31	78.23	478.57
Germany	169.42	47.55	121.88	169.42	
Italy	0.40		0.40	0.40	
Ireland	2.05	1.05	1.00	2.05	
Sweden	112.00	22.04	89.60	112.00	
Switzerland	56.00	10.00	46.00	56.00	
<b>Estimated financing</b>	<b>1,370.87</b>	<b>345.68</b>	<b>1,025.19</b>	<b>892.30</b>	<b>478.57</b>

**Table 2: Indicative financing using NSDP sector classification**

(Note: Includes planned disbursements from the funds committed prior to 2014 and estimated new commitments 2014-2018)

CAMBODIA SECTOR	OVERALL CONTRIBUTIOMN (IN € MILLION)	FUNDS ALREADY SCHEDULED FOR DISBURSEMENT (IN € MILLION)	ESTIMATED NEW COMMITMENTS (IN € MILLION)	GRANTS (IN € MILLION)	LOANS (IN € MILLION)	LEAD PARTNER
<b>Social sectors</b>						
Education (including vocational training)	250.32	59.20	191.12	237.10	13.22	EU
Health	96.02	32.83	63.19	96.02		DE/FR
<b>Economic sectors</b>						
Agriculture (including forestry and fisheries)	191.46	67.26	124.20	156.65	34.81	EU
Rural Development (including Land and UXO clearance)	100.14	20.51	79.63	70.51	29.63	DE
Urban Plan & Management	10.87	10.87			10.87	FR
Manufacturing, Mining & Trade	1.75	1.75		1.75		EU
Banking and Business Services	41.09	18.87	22.22	3.87	37.22	FR
<b>Infrastructure</b>						
Water and Sanitation	30.04	30.04		0.04	30.00	FR
Energy, Power and Electricity	53.72	9.27	44.45	9.27	44.45	FR
<b>Cross-sector programmes</b>						
Climate change	8.30	2.10	6.20	8.30		EU
Community and Social Welfare	1.60	1.60		1.60		
Culture & Arts	11.03	11.03		11.03		FR
Environment and Conservation	12.42	4.42	8.00	12.42		SE
Gender	6.88	1.21	5.67	6.88		DE
Governance & Administration	233.86	63.61	170.25	233.86		
Civil Society	6.95	6.95		6.95		
Economic and Development Policy/Planning	2.51	2.51		2.51		EU
Elections	10.02	0.02	10.00	10.02		EU
Human Rights	26.85	7.65	19.20	26.85		SE
Legal and Judicial Reform	1.45	1.45		1.45		
Public Service Reform						DE
Public Financial Management	54.34	14.34	40.00	54.34		EU
Sub-National Democratic Development	94.88	26.33	68.55	94.88		SE
ECCC	26.50	2.00	24.50	26.50		
Other (Rule of Law, Anti-corruption, Transparency, Audit)	10.36	2.36	8.00	10.36		
Tourism	21.36	1.50	19.86	2.25	19.11	FR
Experts, study funds	21.96	9.61	12.35	21.96		
Other	278.03		278.03	18.77	259.26	
<b>Total funding projections</b>	<b>1,370.87</b>	<b>345.68</b>	<b>1,025.19</b>	<b>892.30</b>	<b>478.57</b>	

Aside from the bilateral development cooperation, which is programmable at the country level, European partners provide additional financing for development cooperation in Cambodia through a range of thematic and regional non-bilateral funding sources, as noted in the Table 3 below. More details about the existing non-bilateral programmes are available in Annex B.

**Table 3: European partners non-bilateral programmes (thematic and regional)**

CAMBODIA SECTOR	BE	EU	CH	CZ	DE	FI	FR	HU	IE	IT	SE	UK
Trade		■										
Energy		■				■						
Climate change and environment		■	■		■							
Civil society		■	■		■	■	■	■	■		■	■
Human rights		■	■		■	■	■				■	■
Disability and inclusion				■	■							
Regional cooperation (ASEAN, MRC)	■	■	■		■	■	■		■		■	■
Migration		■	■							■		
Urban development					■						■	
Public-private partnerships					■							
Volunteer services					■		■					
Academic cooperation and research	■		■	■			■					
Scholarships	■	■	■	■	■	■	■				■	■
Core costs of UN and IFIs	■	■	■	■	■	■	■	■	■		■	■
Core costs of the Global Fund and GAVI	■	■	■	■	■	■	■	■	■		■	■

## 5. DIVISION OF LABOUR<sup>7</sup>

European partners support the development effectiveness agenda of the Royal Government of Cambodia, particularly the desire to promote programme-based approaches which provides opportunities for the European partners to increase sector concentration, individually and collectively, and make use of lead partners as well as delegated cooperation modalities.

Division of labour and related division of roles, for example lead, active, silent partner, contributes to streamlining coordination processes, better coordination of policy dialogue and reduction of transaction costs. European partners are actively pursuing complementarity of programmes and improving effectiveness by looking at how to reduce transaction costs. However, division of labour is challenging, particularly in the complex sectors such as governance and rural development, both of which have a large number of active development partners, where it is hard to have one lead partner for the entire sector.

A decision on whether a partner should play the role of the lead partner is based on more sophisticated arguments than simply the magnitude of resources provided by a partner to a given sector. These arguments include consideration of, inter alia, a partner's comparative advantage in terms of expertise and experience (historical track record in sector and/or globally); ability to provide assistance through a certain modality; performance/effectiveness of development cooperation support to date; mandate of the partner; and potential impact of partner's aid as a catalysts for other sources of finance for development.

European partners act as Lead Development Partner Facilitators in seven TWGs and one coordination body as noted in the Table 4 below. These lead partners represent all development partners' in formal policy dialogue with the Government.

In addition to acting as co-facilitators in the TWGs, European partners have also identified lead European partners for all the key sector issues, as noted in the Table 2 above.

The non-bilateral financing, noted in the Table 3 earlier, does not feature in the regular policy dialogue and negotiations and therefore does not fall within the remit of division of labour arrangements at the country level. Nevertheless, to the extent possible, European partners regularly share the information relevant to planning and lessons from these programmes to ensure overall consistency and coherency in European programming.

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<sup>7</sup> This section represents the proposed division of labour. These arrangements however are subject to change over time, pending scaling-down or scaling-up of the projected sector support.

**Table 4: European partners as leads in policy dialogue with the RGC**

TWG/Coordination group	Chair/Co-chair	Development Partner Co-Facilitator(s)
Decentralisation & Deconcentration (TWG SNDD)	Ministry of Interior (Mol)	Sweden – ADB
Fisheries (TWG Fi)	Fisheries Administration, Ministry of Agriculture, Forestry and Fisheries (MAFF)	EU
Forestry Reform (TWG Fr)	Forestry Administration, Ministry of Agriculture, Forestry and Fisheries (MAFF)	EU
Health	Ministry of Health	WHO (TWG Secretariat: WHO, Germany, UNFPA)
Land	Ministry of Land Management, Urban Planning and Construction (MoLMUPC)	Germany
Partnership & Harmonisation (TWG P&H)	Cambodian Rehabilitation and Development Board, Council for the development of Cambodia (CRDB/CDC)	Sweden – UNDP
Public Administrative Reform (TWG PAR)	Ministry of Civil Service	Germany – WB
Public Financial Management Reform (TWG PFM)	Ministry of Economy and Finance (MEF)	EU – WB-IMF
Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria Country Coordination Committee	Ministry of Health	Germany and France – USG

## 6. MONITORING AND EVALUATION

European partners continuously monitor the impact and results of the European development cooperation, considering increased development effectiveness and promoting mutual accountability in Cambodia. Experience from previous development cooperation programmes shows that monitoring and evaluation are essential for learning and reflective programme development. Well-designed and appropriate systems need to be in place at strategic, programme and implementation levels. This European Strategy therefore includes a results framework and an associated monitoring and evaluation plan which will serve to monitor the key outcomes, outputs and related indicators, track progress towards planned development results of the European Strategy, and generate lessons for future programming.

### 6.1 MANAGING FOR RESULTS

Respecting the principles of ownership and alignment, European partners will not create a parallel system for monitoring, but rather will reinforce the existing national processes. The European Strategy results framework is therefore aligned with the Rectangular Strategy – Phase III and associated national processes for results management, however it is intended as a concise framework that includes the outcomes which are of particular importance for the European development cooperation programmes in Cambodia.

The national results framework, developed in the framework of the NSDP 2014-2018, will ultimately serve as the [main guidance](#) for the monitoring of development cooperation results. This framework however was only completed in late 2014 hence the European Strategy’s results framework was therefore developed with a view to being adjusted, if necessary, once the NSDP implementation begins.

At the sector level, the NSDP and its results framework are translated into sector development plans with the associated sector-level results frameworks. European Development Cooperation Strategy results framework includes the outcomes which are informed by the [sector level results frameworks](#), including Government and development partners’ [Joint Monitoring Indicators](#) (JMIs) which are jointly agreed and monitored through the relevant TWGs mechanism. European partners’ support at sector level is aligned to sector development plans and directly supports the achievement of the JMIs.

Details of the results framework with its stated objectives and expected outcomes are provided in the matrix in the Annex D of this document.

### 6.2 MONITORING AND EVALUATION ARRANGEMENTS

[Monitoring](#) of the European Strategy will be done jointly by the European partners on an annual basis and will be linked to the Government’s reviews of the NSDP and the Rectangular Strategy - Phase III. The monitoring process will primarily be informed by the existing national statistical and monitoring systems and evidence-based planning processes at both the national and sub-national level. Monitoring of the results will therefore take place through the established processes for Government and development partners’ joint monitoring processes at national and sector level, as well as through the individual

monitoring of the European partners bilateral implementation plans. These exercises will provide the basis for the joint assessments of overall progress of the European Strategy.

Monitoring of the European Strategy will be further complemented by active participation of the European partners in monitoring the results of the Development Cooperation and Partnerships Strategy 2014-2018, which is based on the relevant development effectiveness indicators, drawn from the monitoring framework of the Global Partnership for Effective Development Cooperation.

Successful implementation of the European Strategy will help mitigate against the risks identified in the results matrix above, however European partners will monitor the situation on the ground and be prepared to take additional actions where necessary. Moreover, as noted earlier, European partners will adopt a conflict-sensitive program management and 'do no harm' approach to mitigating potential social tensions in sensitive contexts and issues. Promoting platforms for dialogue and exchange between different communities, civil society organisations, local and national authorities will further support trust-and confidence building.

The [evaluation](#) of the strategy results will focus primarily on the outcome level which captures the collective value-added of the European partners in Cambodia. Monitoring of progress will nevertheless also be informed by the European partners' monitoring and evaluation arrangements, related to their individual project and programme portfolios, as set out in the respective bilateral implementation plans. In particular, evaluations will assess relevance, effectiveness, efficiency and sustainability of the European development cooperation outcomes and their contribution to the national development. The evaluation will also serve to provide direction for the subsequent European joint programming processes.

European partners actively participate in the established mechanisms for cooperation and promoting development effectiveness in Cambodia.

*Institutional arrangements for policy dialogue in Cambodia*

Structures for policy dialogue in Cambodia are formalised in a process which is lead by the Royal Government of Cambodia. The Government's policy on managing development cooperation is articulated in the Development Cooperation and Partnerships Strategy 2014-2018 which establishes the Cambodia Rehabilitation and Development Board/Council for the Development of Cambodia (CRDB/CDC) as the national focal point for all matters related to development cooperation.

Development Cooperation and Partnerships Strategy 2014-2018 reaffirms the roles and responsibilities of Government agencies as follows:

- CRDB/CDC remains the RGC's coordinating body with responsibility for overall policy leadership on ODA mobilisation and management and will lead the partnership dialogue, formulating and monitoring the results framework and maintaining records on all external and NGO project funding.
- CDC serves as the General Secretariat to the Government-Private Sector Forum and will coordinate these meetings in consultation with 8 working groups.
- Ministry of Planning (MoP) prepares and monitors 5-Year Plans – the NSDP - to guide ODA allocations and alignment. The Ministry of Planning shall also produce the 3-year rolling Public Investment Program (PIP) in cooperation with CDC and line ministries/agencies to identify priority projects based on inputs from the ODA Database and line ministries.
- Ministry of Economy and Finance (MEF) prepares the macroeconomic framework and, using inputs from CDC and the PIP on external financing, identifies broad loan/grant financing requirements for implementing annual public investment programs while maintaining macro-economic stability and debt sustainability. MEF is the sole RGC signatory for loan financing and will manage loan-financed projects, including portfolio management, project appraisal and monitoring.
- Ministry of Foreign Affairs and International Cooperation (MFAIC) shall be the diplomatic window for development cooperation. CRDB/CDC retains the mandate for country programming and negotiation of grant financing while the Ministry of Economy and Finance manages loans agreements.
- Line ministries and agencies shall lead the Technical Working Groups where relevant and shall actively participate at an appropriately senior level in all TWGs that are relevant to their mandate. Ministries that chair a TWG will lead on results identification and monitoring. In

cooperation with CDC and MoP, they shall review data in the ODA and NGO Databases maintained by CDC in order to prepare their inputs for the PIP.

### ***Government-development partner policy dialogue arrangements***

The RGC established a complex coordination structure. The dialogue arrangements are specified in the Development Cooperation and Partnerships Strategy 2014-2018 and consist of four layers, which include:

- i) Cambodia Development Cooperation Forum (CDCF) as the highest-level policy dialogue forum that takes place every two years.
- ii) Government - Development Partner Coordinating Committee (GDCC) which takes place annually.
- iii) Joint Technical Working Groups (TWGs) which number 19 groups and serve as the technical fora for discussing key policy issues in sectors and the related Joint Monitoring Indicators (JMIs). JMIs are a core element of mutual accountability and the CDCF meetings serve to endorse new JMIs which guide the work of TWGs and GDCC in the periods between CDCFs.
- iv) Bilateral development partners' consultations and portfolio reviews.

The TWG Partnership and Harmonisation (TWG P&H) is a forum for discussing aid management and aid coordination issues specifically. The RGC also established a TWG Network in 2007, which takes place 2-3 times per year and provides an opportunity for dialogue, peer-review and cross-learning between the TWGs. European partners actively participate in relevant TWGs and are acting as co-chairs.

### ***Development partner coordination processes***

Development partners meet monthly in an Informal Donor Lunch, chaired by a Lead Development Partner Facilitator (LDPF), to discuss issues of common priority, agree joint policy positions when needed and coordinate approaches to the Government's aid coordination machinery.

Whilst the monthly informal donor lunches provide a forum for discussion on procedure, policy and issues of technical substance, and the TWG Partnership & Harmonisation works with Government to review and enhance aid coordination systems, development partners also have regular informal exchanges, usually at the technical level, on a range of coordination and aid effectiveness issues pertinent to the sectors they are active in.

At times, development partners also hold specific workshops, such as the workshop 'Enhancing Policy Dialogue' held in October 2011, to facilitate a more in-depth discussion on means to strengthen policy dialogue with the government.

### ***European partners' coordination processes***

There is a regular formal European coordination mechanism, primarily through the monthly European Development Counsellors' meetings and European Union Human Rights Group meetings. All the

meetings are chaired by the EU Delegation and subsequently provide inputs for the monthly EU HoMs meetings as well as for the Informal Donor Lunches.

European partners are also engaging in effective exchanges at technical level and formulating joint European positions on all policy issues for dialogue with the Royal Government or with other development partners. A number of joint positions on the key policy issues which underpin European partners work have been developed over the past years. These include the joint European positions on the Merit-Based Pay Initiative (MBPI) in 2008; on Priority Operating Costs (POC) in 2011; on cross-reform Joint Monitoring Indicators (JMIs) in 2011. More recently, in 2013, European partners have actively contributed to formulation of Cambodia development partners' joint positions on key strategic issues for policy dialogue with the Government, which include policy briefs on land (3 papers), budget transparency, Public Administration Reform and skills development.

European partners are conscious not to limit their coordination solely to the European group, hence they are active in wider coordination forums e.g. European partners act as facilitator and co-facilitators in 8 of the 19 TWGs, as noted in Table 4 earlier. They are also active in other coordination groups hence France has been particularly active as the co-lead in several groups, including in the Cambodian Country Coordinating Committee for the Global Fund to fight AIDS, Tuberculosis and Malaria; the International Coordinating Committee for the Safeguarding and Development of the Historic Site of Angkor; and the Friends of the ECCC.

#### ***Aid information management systems***

The Royal Government established the Cambodia ODA Database and NGO database with the principal aim of promoting an evidence-based development management system that can effectively support the processes of tracking external funding for the National Strategic Development Plan and national budgeting. ODA Database is accessible on-line and records details of on-going and planned project and programmes funded by all development partners in Cambodia. The database is populated by development partners twice a year and *inter alia* serves to inform the Development Effectiveness Reports produced by the CRDB/CDC ahead of CDCF meetings.

## ANNEX B: EUROPEAN NON-BILATERAL POLICIES AND PROGRAMMES

European non-bilateral and non-aid policies and programmes include a wide range of issues and areas where the challenge of attaining synergies with development cooperation objectives is considered particularly relevant for achieving Cambodian MDGs.

**Agriculture and food security** – European partners will continue their efforts to minimise the level of trade distortion related to their support measures to the agricultural sector, and facilitate Cambodia's agricultural development. European thematic programmes also aim to improve food security in favour of the poorest and the most vulnerable under a medium and longer term perspective and to lead to sustainable solutions. These programmes address food security at global, continental and regional levels, complementing the geographical programmes and coming to the fore where geographical instruments cannot fully operate.

**ASEAN** - ASEAN and the European countries are natural partners and share the same goals for their citizens – that of peace, stability and prosperity. European partners are working to bring the two regions closer together through a range of cooperation programmes, including on regional integration, climate change, renewable energies, biodiversity, urban management, legal strengthening, and building the capacity of institutions in the region, such as the ASEAN secretariat and supreme audit institutions.

**Culture** - European Embassies and cultural institutions - such as the French Institute and British Council - actively promote cultural exchanges and various events such as the annual EU Film Festival.

**Democracy and human rights** – European partners support a wide range of human rights initiatives carried out by Cambodian and International and other civil society organisations, churches and foundations. This includes strengthening the key institutions of a democratic society (e.g. parliaments, political parties, independent judiciary), as well as promoting good governance and opportunities for civil society participation.

**Energy** - Contributing towards meeting the needs of developing countries by promoting access to sustainable energy sources and by supporting interconnection of energy infrastructures and networks.

**Environment** – European partners will support Cambodia in implementing the Multilateral Environmental Agreements (MEAs), and will work to ensure that the existing capacities are taken into account during MEA negotiations. They will continue to promote pro-poor environment-related initiatives and policies, and will sharpen the focus on climate and environmental change in its own policies. European partners' thematic programmes help Cambodia to address environmental and natural resource management issues and to meet obligations under multilateral environmental agreements. They will also support Cambodia in implementing international policies in such areas as fighting climate change, tackling land degradation and desertification, biodiversity protection and proper management of chemicals and wastes. Support will also include FLEGT.

**Health** - European partners are providing the largest share of contributions to the Global Fund against HIV/AIDS, Tuberculosis and Malaria (GFATM), the GAVI Alliance and UNITAID, hence making a major contribution towards Cambodia's achievement of CMDG 6 to Combat HIV/AIDS, malaria and other

diseases. Germany and France are currently also represented as members of the Coordination Committees facilitating the GFATM projects' implementation in Cambodia.

**Humanitarian response** – European partners provide emergency assistance in Cambodia in case of floods and other natural disasters.

**Information society** – European partners are addressing the digital divide by exploiting the potential of information and communication technologies as a development tool and as a significant resource for attaining the MDGs.

**Investing in People** – Thematic programme for investing in people aims to support actions in the area of human and social development, in particular: education, health, gender equality, social cohesion, employment, childhood and youth, as well as culture.

**Investment** – Regional investment facility (Asia Investment Facility) for blending grants and loans in the areas of energy, private sector development, social infrastructure and environment-related projects.

**Journalism and media** – European partners support medial development in Cambodia through providing training for Cambodian journalists and media professionals.

**Mekong River Commission** – European partners are supporting poverty-alleviating and environmentally friendly development of hydropower, as well as engaging in protecting the population from the negative impacts of climate change in the Lower Mekong Basin.

**Migration** – European partners promote the synergies between migration and development, to make migration a positive factor for development. They support third countries in their efforts to ensure better management of migratory flows in all their dimensions. The thematic programmes do not directly address the root causes of migration but put an emphasis on capacity building in countries of origin, transit and encourage cooperation initiatives to develop and share experience, working methods and best practices regarding various aspects of migration.

**Multilateral institutions** – European partners contribute core funding for multilateral and regional institutions that are active in Cambodia, such as multilateral development banks and funds, the IMF, the United Nations, the Global Fund and GAVI.

**Public-Private Partnerships** – European partners support public-private partnerships, primarily those which strengthen the effects of the official development cooperation and private businesses by co-financing common activities.

**Reconciliation and justice** – European partners are seconding expert advisors to support reconciliation and justice in connection with the Khmer Rouge Tribunal. These programmes include activities in the area of legal advice, reconciliation, remembrance, mental health and media. These advisors work as teachers at the Royal University of Phnom Penh, as psychologists for the Transcultural Psychosocial Organisation and as lawyers in different civil society organisations.

**Research and innovation** – European partners promote the integration of development objectives, where appropriate, into its research and development policies and innovation policies, and will continue to assist developing countries in enhancing their domestic capacities in this area.

**Research and training** – European partners support partnerships between Cambodian and European academic, research and training institutions to facilitate innovative education, research and knowledge sharing through joint North-South initiatives in response to Cambodian and regional development issues. These programmes are aiming to strengthen the research capacities of Cambodian universities and institutes through cooperation and partnership, facilitate exchanges of Cambodian and international scientists and provide opportunities to perform researches that are unique in Cambodia. European support is also contributing to creating degree programmes and non-degree professional certificate programmes through a joint North-South initiatives.

**Scholarships** – European partners provide funding for scholarships to Cambodian students to study at the leading European Universities. These programmes aim to foster mutual enrichment and better understanding between the European and Cambodian countries through the exchange of people, knowledge and skills at higher education level. In the period 2014-2018 approximately 500 scholarships will be awarded for Cambodians at masters, doctorate and post-doctorate level.

**Security** – European partners treat security and development as complementary agendas, with the common aim of creating a secure environment and breaking the vicious circle of poverty, conflict, environmental degradation and failing economic, social and political structures. They will enhance its policies in support of good and effective governance and the prevention of conflict and state fragility. European partners promote cooperation in fighting corruption, organised crime and terrorism.

**Senior expert services** – European partners provide highly qualified retired experts on short-term missions and assignments.

**Social dimension of globalisation, promotion of employment and decent work** – Support within this area includes strengthening the social dimension of globalisation with a view to ensuring maximum benefits for all, both men and women. One of the main objectives globally is to promote decent employment conditions and work for all.

**Support to civil society and non-state actors** - Civil society organisations play a vital role as promoters of democracy, social justice and human rights. European partners support capacity development of non-state actors in order to strengthen their voice in the development process and to advance political, social and economic dialogue. European thematic programmes also aim at encouraging non-state actors and local authorities, both from Europe and in Cambodia, to get more involved in development issues.

**Trade** – European partners are strongly committed to ensuring a development-friendly and sustainable outcome for the Doha Development Agenda recognising that integration of the LDCs into the multilateral trading system requires meaningful market access, support for the diversification of their production and export base, and trade-related technical assistance and capacity building. European partners promote trade to drive development by keeping their markets open to exports from least-developed countries. All products from Cambodia (except arms) enjoy duty-free and quota-free access

to the European Union. This benefits in particular the garments, footwear and textiles industries. But goods of light manufacturing and increasingly rice are also being exported. Technical support and training is provided to help Cambodia take advantage of the opportunities offered by international trade, including the European Union's large single market.

**Transport** - Addressing the specific needs of both landlocked and coastal developing countries by promoting the inter-modality issues for achieving network inter-connectivity as well as security and safety issues.

**Volunteers** – European partners provide volunteers and experts to work in Cambodia in the areas of childcare and education, social services and environment. The aim of these programmes is to enhance learning-by-doing, facilitate intercultural understanding and help increase awareness of how development policy issues impact on Cambodian and European common future.

## ANNEX C: LESSONS LEARNED FROM PREVIOUS DEVELOPMENT COOPERATION

Following the discussion of European partners experience from previous development cooperation, presented in section 2.5, there are further important lessons to be noted from *supporting the core reforms* as well as from *support to specific sectors*.

The main lesson with respect to the [Public Administration Reform](#) (PAR) is that the low official basic salaries in the civil service are a significant obstacle to service delivery through their negative effect on motivation and work attendance. Human resource management and compensation reform are urgently needed to ensure that capable and qualified staff are employed and retained. Experience suggests that the extent and speed of elaboration and implementation of the Compensations Strategy largely depends on the political will and understanding of ministries. PAR remains the key to the progress of the reform agenda in all sectors and absence of progress has hampered all attempts to coordinate with the other two cross sector reforms - PFM and SNDD.

European partners have been supporting the [Sub-National Democratic Development reform](#) (SNDD) since the establishment of the first directly elected commune councils in 2001/2002 and have contributed significantly to the progress and the democratic vision of the reform process. Commune councils are increasingly also acknowledging the importance of mainstreaming 'cross-cutting' issues such as gender equality, protecting natural resources and ensuring climate change resilience at the local level. The lack of own funds and revenues on local level however hampers possibilities for taking initiative for local development addressing people's needs and increasing democratic accountability.

The support of the European partners to [Public Financial Management Reform](#) (PFMR) in a coordinated approach has proven essential in contributing to the significant progress made since 2004, notably in restoring budget credibility (which has been instrumental in restoring macroeconomic stability and spurring growth) and paving the way to increased financial accountability throughout all government entities. The lessons from the PFMR highlight the importance of the Government's political commitment to the reform. This has at some occasions however led to overly ambitious plans compared to internal capacities or funding availability, such as full implementation of programme-based budgeting across all line ministries, due to the complexity of the process.

Regarding the *sector or theme-specific experience*, European development partners have been very active in the [education sector](#), providing budget support, technical assistance, trainings, scholarships, support to NGOs delivering education services, and support to programmes through multilateral agencies. Experience shows that close cooperation between European and other partners, especially in the jointly funded Capacity Development Partnership Fund (CDPF), has played a critical role in the rapid recovery and expansion of the education system and has been instrumental for donor coordination in general.

European partners have been supporting [health sector reforms](#) since the 1990's. Their experience shows that the efforts of the government and development partners are often implemented in an uncoordinated way by multiple stakeholders. Hence, the ownership and accountability of the government for achieving health objectives and the assertiveness of undertaking structural reforms and

inter-ministerial dialogue could be strengthened. Moreover, while transaction costs for the Government have decreased, they have increased for development partners, as coordination between donors is also very time consuming. This also implies that Government should make appropriate budget allocations from the national treasury for priority interventions and commodities in order to secure the sustainability of key structural reforms.

European partners have been supporting the "backbone" of the [climate change](#) response in Cambodia through the Cambodia Climate Change Alliance. This joint European approach has proved successful in reducing transaction costs and also significantly contributed to a better and more effective mainstreaming of climate change (and to some extent green growth) considerations in different sector strategies. Key lessons from this support suggest that participatory engagement of line ministries and multiple stakeholders in strategic planning creates ownership and preparedness for implementation and that ensuring quality and coherence requires technical support and cross-institutional coordination.

European partners have been providing substantial support to the Cambodia's [agricultural sector](#) since the early 1990s recognising that agriculture remains a key driver of Cambodia's economic growth and a key contributor to poverty alleviation and food security. Lessons from the past development cooperation highlight the weak institutional base in the sector. Experience suggests that future development of the sector will be conditional on several elements: (i) a more comprehensive and coherent strategic approach to the development of the sector as a whole; (ii) a restructuring and substantial strengthening of its key public institutions, including local government, to ensure coordination at the field level as coordination at the central level is sometimes much more difficult to attain; (iii) a much higher involvement of farmers' associations, private sector actors and local government in the development of the sector; and (iv) a much more responsible management of natural resources. Moreover, it is not clear if the current trend of commercial agriculture development will be an asset or threat for the sector but this will need to be factored into future cooperation programmes.

European experience in supporting [rural development](#) shows that Government actors at provincial and district levels are appropriate and mostly capable of coordinating rural development activities that characteristically involve a large number of various stakeholders and agencies from several ministries. Moreover, the sub-national democratic development reform is essential for the development of the rural sector: in particular for defining the roles of the provincial and district levels and the transfer of respective functions to the district level where council, board of governors and line agency staff could play a significant role in coordinating development initiatives and service provision.

Supporting [gender equality](#) through the Ministry of Women's Affairs (MoWA) and other RGC entities with long-term legal advisors has been successful; however MoWA has limited decision-making power and resources and is dependent on the collaboration of other ministries. Facilitating inter-ministerial coordination, which is generally weak in the Cambodian government system, is an important task for the future. Given the cross-cutting nature of gender, the coordination of development partners' support could be improved. The PBA approach facilitated by MOWA could be a helpful tool to overcome this weakness.

Securing sustainable management of Cambodia's [natural resources](#) is challenging due to a combination of interlinked factors, as noted earlier. Many pressures on natural resources are cross-sectoral (with

infrastructure, hydropower, agriculture and urbanisation all playing an important role) and this will require increased coordination across Government departments, provinces, districts, local communities and an increased dialogue with civil society organisations and the private sector. A comprehensive approach and regulatory framework is needed to balance competing resource uses, ensure sustainable management of Cambodia's key natural resources such as forests and water and mitigate the adverse impacts of climate change.

The lessons from European partners' support to [land reforms](#) since 1995 suggest that constraints in the coordination among relevant ministries and the lack of dialogue in the land sector with the Ministry of Land Management, Urban Planning and Construction (MLMUPC) are serious obstacles to work in the sector. This is further compounded by the adverse incentives resulting from promoting the land reforms. Transparency and mutual accountability standards and a more strategic approach in the sector are needed, as well as participation of the civil society.

Experience from the [legal and judicial reform](#) finds that the Government's coordinating body – the Council for Legal and Judicial Reform – was not given sufficient authority to hold implementing agencies to account for their contribution to the implementation of the reform. This held back the reform process and prevented the coordinating body from accessing funds both from the national budget and development partners. Moreover, a lack of political will resulted in blocking all substantive dialogue between the Government and development partners. Recently, however, the Council's General Secretariat was integrated into the Ministry of Justice which may result in a renewed effort to promote reforms.

## ANNEX D: RESULTS MATRIX

Further to discussion of the principles and arrangements for monitoring and evaluation of the Joint Strategy provided in the Section 6, the matrix below provides the details of the results framework which will guide the assessments of progress of the implementation of the strategy against agreed results. This results framework is considered a living document and will be updated in the course of the implementation of the joint strategy, as appropriate.

<b>Rectangular Strategy Goal 1 (Governance - Core): Strengthened capacity, efficiency and quality of public services that raised public confidence in government and responds to the needs and aspirations of the Cambodian people and business community.</b>				
<b>European Strategy Outcome 2014-2018</b>	<b>JMI-based Output</b>	<b>JMI-based Output indicators</b>	<b>Risks</b>	<b>Lead and Active partners</b>
1. Improved efficiency and effectiveness of Cambodia's public institutions, systems and services according to international standards, making public service delivery more effective ('supply side of governance')	[PFM] Further improvement in budget comprehensiveness and transparency	Citizen friendly budget is published every year (this is actually an activity in the PFM JMI framework, but we find it a useful a measurable indicator in the JS result framework)	RGC ambition to improve the coordination of key governance reforms is not realised.  Informal systems dominate over the formal despite the RGC ambitions to strengthen the latter.	<u>EU</u> D (PFM) SE
	[PAR] Action Plan for Administrative Reform is approved by the RGC. Areas of focus include compensation reform, public service standards and HR management and development.	The action plan for Administration Reform is approved by the RGC in 2014		<u>DE</u> (PAR) EUD
	[SNDD] Functional reassignment process implemented, resulting in the transfer of functions, staff, and resources from Central Government to SNAs.	By 2015 (2016 budget), 5% of the national budget has been transferred to SNAs as the result of functional reassignment		<u>SE</u> (SNDD) CH EUD
2. Cambodian citizens, in particular women and vulnerable groups, voice their needs, exercise their rights, and participate in national and local decision-making ('demand side of governance')	[LJR & Gender] Increasing availability of free, unconditional and quality legal services for female victims of gender-based violence.	A system for the registration of relevant data on cases of violence against women (including court data) is established at MoWA	RGCs ambitions to fight corruption, as outlined in the Rectangular Strategy Phase III, are not realised.	<u>DE</u> (Gender)
	[Anti-corruption] Individual citizens are actively engaged in the fight against corruption	Participation by young people, private sector and civil society in anti-corruption activities (will be monitored e.g. through reporting from Transparency International)		<u>SE</u> (AC)
<b>Rectangular Strategy Goal 2 (Agriculture sector &amp; rural development - Rectangle 1): Agriculture production is increased, diversified and commercialised to benefit all Cambodians</b>				

European Strategy Outcome 2014-2018	JMI-based Output	JMI-based Output indicators	Risks	Lead and Active partners
3. Equitable and sustainable economic growth and production capacities with livelihood resilience and market access as well as improved food security and nutrition	[Agriculture] Improved productivity, diversification, commercialisation of agriculture, improved rural infrastructure as well as quality of public and private service provision	Irrigated area for rice crop reached 1.545 million ha	RGC not fulfilling its stated commitments to protect natural resources for agricultural development from external threats by mega projects, climate change, etc.)	<u>FR</u> CH DE EUD IE
	[Land] Equitable access to land and land tenure security	At least 10 indigenous peoples communities (IPCs) are communally titled per year	RGC not achieving/realising its stated commitments to co-operate among RGC agencies to include forest/protected areas crimes in inter-agency efforts to fight high-level corruption and address organised crime.	<u>DE</u> (Land)
	[Natural resources] Sustainable management of natural resources through strengthened and increased Community Forestry, and maintained availability of fresh water and marine fisheries production.	300 new Community Forestry, Community Protected Areas and Community Fisheries Management Plans formally approved		<u>EUD</u> (Forestry) <u>EUD</u> (Fisheries) CH (Forestry and Fisheries)

**Rectangular Strategy Goal 3 (Development of physical infrastructure - Rectangle 2): Comprehensive connectivity of the transport, electricity and information technology and telecommunication sectors, in addition to further development of irrigation system and clean water supply sectors, consistent with the framework of land management and urban planning.**

European Strategy Outcome 2014-2018	JMI-based Output	JMI-based Output indicators	Risks	Lead and Active partners
4. Infrastructure for social and economic sectors is developed and contributes to Cambodian people's welfare.	National electricity grid network improvement:  (a) Construction of 115 KV transmission line such as Phnom Penh (SPP) – Svay Rieng, Kirirom III – Sre Ambel, and Stung Hav – Sihanoukville  (b) Construction of 230 KV transmission line such as Phnom Penh loop line (WPP-SPP), Phnom Penh (NPP) – Kampong Cham, Osom – Lower Upper Reussey Chrum Hydro power – Tatay Hydro, and Kratie – Kampong Cham	To complete the construction of the transmission lines stated in the Output		<u>FR</u> DE

**Rectangular Strategy Goal 4 (Private sector development & employment generation - Rectangle 3): Improved policies and related services and instruments, developed financial and banking sector and labour market, and reduced costs of doing business that make Cambodia an attractive and competitive destination for investment in the region, especially within the framework of ASEAN Economic Community.**

European Strategy Outcome 2014-2018	JMI-based Output	JMI-based Output indicators	Risks	Lead and Active partners
5. Cambodia is better equipped to compete in the regional and global marketplace through its people being endowed with opportunities, capacities and required skills.	[Trade and Private Sector Development] Improved policies and regulations which stimulate transparency in trade, innovation, private sector investment and the creation of more and better jobs.	Procedures of border agencies and for doing business are automated and more transparent by the end of 2014 (and will be monitored through doing business ranking and accessibility of the National Trade Repository).		<u>FR</u> (financial services) <u>EUD</u> (trade)
	[TVET] Increased access to TVET programs, the improvement of the quality and the relevance of the TVET system and the strengthening of the governance and management in TVET delivery	Increased number of TVET trainees, and in particular of female trainees and involvement of the private sector in TVET curricula development	Lack of coordination among relevant government agencies and with the private sector	<u>CH</u> (employment & skills) EUD DE SE
<b>Rectangular Strategy Goal 5 (Capacity building and human resource development - Rectangle 4): <i>Developed human resources and competitiveness in an increasingly open regional labour market, with healthy, skilled and productive labour, developed regulatory frameworks, standards and training institutions that allow for improved quality in education and health services.</i></b>				
European Strategy Outcome 2014-2018	JMI-based Output	JMI-based Output indicators	Risks	Lead and Active partners
6. Strengthened human capital that contributes to economic growth, poverty alleviation and inclusive and sustainable socioeconomic development	[Education] Student learning performance in Khmer and Mathematics at Grade 3 and Grade 6 improved	Results of the national assessment of student learning in Khmer and Mathematics at Grade 3 and Grade 6 available for policy considerations.		<u>EUD</u> SE FR
	[Health] A functional and sustainable health system, producing improved results in health and providing access to an essential package of quality health services for all Cambodian people, particularly the poor and vulnerable, including women and children.	Proportion of deliveries at health facilities increased to 83% in 2014 and to 85% in 2015 (result 2013: 80%; baseline 2012: 76.06%)  The incidence of catastrophic health expenditure for the poor and vulnerable has decreased in Cambodia	Delay of core reforms in areas such as health financing, regulation of private service and decentralisation.  RGC ambition for sector stewardship and coordination with other relevant stakeholders.  Sufficient RGC financial resources.	<u>DE</u> CH FR

