

Strategy for development cooperation with

Cambodia

January 2008 – December 2010



REGERINGSKANSLIET

Government Offices
of Sweden



8 May 2008

Ministry for Foreign Affairs

Department for Asia and the Pacific Region

Cooperation strategy for development cooperation with Cambodia, 2008–2010

Summary

In two decades Cambodia has gone from being a one-party state marked by civil war to being a parliamentary democracy. Poverty has decreased over the past 10 years, but 35 per cent of the population still lives below the national poverty level (USD 0.45 per person per day). The country faces major challenges such as tackling widespread corruption, establishing the rule of law with an independent judiciary, embedding democratic culture and values, creating employment and diversifying the economic base, tackling climate change and environment-related threats, reducing growing inequality and preventing a new AIDS epidemic from gathering momentum.

This strategy will govern Sweden's development cooperation with Cambodia. It is based on the Government's policy for international development cooperation, the policy for global development and on the priorities laid down in Cambodia's poverty reduction strategy. Strategic choices have been made based on analyses of poverty in the country, experience from previous cooperation, the commitments of other donors and Sweden's comparative advantages.

Part 1. Objectives and direction of cooperation

1. Objectives and priorities

1.1 Overall Swedish objectives

The overall objective of Sweden's development cooperation with Cambodia is for poor women and men to have better access to legal rights and adequate non-discriminatory public services.

The cooperation will thus help to achieve the objective of Swedish development cooperation – to create the conditions for poor women and men to improve their lives – and it will help to achieve the objective of Sweden’s policy for global development – to contribute to equitable and sustainable global development. The cooperation is based on the two perspectives of the policy for global development: poor people’s perspective of development and the rights perspective, as well as Cambodia’s development objective as expressed in the national poverty reduction strategy for 2006–2010.

Measures for adapting to the effects of climate change will be integrated into cooperation activities. The principles of accountability, transparency and non-discrimination will guide Sweden’s development cooperation with Cambodia.

1.2 Objectives for each cooperation area

The cooperation strategy will include continued support to primary education and democratic governance. This support will be complemented by measures carried out by non-governmental organisations to support civil society and to spread increased awareness of democracy and individuals’ rights. The objectives of the cooperation areas are:

- *Primary education:* Improved access to and quality of primary education for girls and boys living in poverty.
- *Democratic governance:* A decentralised public administration with greater capacity to satisfy the rights of poor women and men living in rural areas.
- *Human rights;* A lively civil society as promoter of democracy and human rights.

The strategy focuses mainly on three sectors that are priorities in Cambodia’s poverty reduction strategy – the *National Strategic Development Plan* (NSDP) – and that remain relevant and are priority sectors for the Swedish Government. The main part of cooperation is directed at democratic governance, greater protection for and lawful application of human rights, and support for primary education. These are sectors in which Sweden has been active for a long time.

The budget allocation for Cambodia will amount to a maximum of SEK 550 million during the strategy period. The yearly volume should be

approximately SEK 150 million for 2008, approximately SEK 175 million for 2009 and approximately SEK 225 million for 2010.

During the strategy period there may reason to examine whether there is cause to further increase this volume. Before any changes are made, there must be consultations between the Government Offices/Ministry for Foreign Affairs and Sida (the Swedish International Development Cooperation Agency). A change in the volume of cooperation requires a decision by the Government.

1.3 Dialogue objectives

The overall dialogue objective is that Sweden will work towards improving the quality of Cambodia's next NSDP in terms of a clear focus on poverty reduction and gender equality, as well as participation of civil society in the design and implementation of the strategy.

The cooperation areas will have the following dialogue objectives:

- *Primary education:* Ensure that the allocation of resources benefits poor girls and boys.
- *Democratic governance:* Establish and implement appropriate structures and forms for the reform programme for decentralisation with the aim of reaching vulnerable and poor women and men in rural areas.
- *Human rights:* Work to encourage the Cambodian government to hold an improved dialogue with civil society on issues concerning respect for and the protection of human rights.

The dialogue is to be held together with other donors and with Cambodian stakeholders in the activities that Sweden is supporting. Sweden is pursuing a dialogue with the Cambodian government via Unicef on the education sector. Special dialogue issues that Sweden wants to pursue are therefore raised, above all, at the annual sector reviews. Sweden has a high profile in the donor circle's dialogue with Cambodian representatives on the decentralization programme. The prospects for beginning a special dialogue on human rights, possibly together with other donors, will be looked into.

1.4 Process objectives

The strategy's overall process objective is to work actively, together with other donors, towards the harmonisation of international development assistance within the framework of a Joint Assistance Strategy (JAS), in

collaboration with the Cambodian government and in line with Cambodia's next poverty reduction strategy, starting in 2011.

The process objectives of the cooperation areas are:

- *Primary education:* A greater proportion of Swedish support will go via programme support.
- *Democratic governance:* Work together with other donors towards improved predictability and efficiency in the reform programme for decentralisation, public financial management and the area of statistics.
- *Human rights:* The rights perspective is to be reflected more clearly in the joint monitoring indicators agreed upon by the Cambodian government and the donors.

2. Direction and scope

2.1 Support to the education sector

Access to primary education is crucial for young people's opportunity to development. The link between access to education and reduced poverty, as well as Sweden's long-established, active commitment in this sector in Cambodia, are reasons for retaining the focus on education. Sweden will continue to provide support to primary education so as to increase the number of poor and marginalised girls and boys who get the opportunity to go to school, and to help to improve the quality of teaching. Ensuring that the allocation of resources benefits those who are most vulnerable is an important issue that Sweden is pursuing. The objective is to switch Swedish support to programme support. Cambodia's national objectives for the education sector are equal access to and improved quality in teaching, a more effective education system and institutional capacity development at national and local level.

2.2 Democratic governance

Sweden will support work to strengthen and improve the current decentralisation reform and the establishment of an efficient and competent public administration for local development with a special emphasis on rural areas. Important aspects of the decentralisation reform are poverty reduction, gender equality, accountability, popular participation and conflict management at local level. Swedish support is in line with Cambodia's national sector objectives covering the fight against corruption, legal reforms, public administration reform and a more effective decentralisation reform.

There are plans for continued support to reforms in the area of public financial management, with a focus on capacity development and the fight against corruption. This includes supporting an improvement of the national capacity to plan, implement and follow up poverty strategies.

As a part of efforts to improve the Cambodian authorities' planning capacity, Sweden may consider helping capacity development in, for example, the area of statistics.

During the strategy period, the possibility of a smaller budget support – within the framework of the World Bank's special form of budget support known as *Poverty Reduction and Growth Operation* (PRGO) – will be considered. A special government decision is required for this support.

2.3 Support for human rights

In order to strengthen democratic developments and improve the protection and implementation of human rights, Sweden will continue to support the UN's monitoring and capacity-building mechanisms. A representative civil society has an especially important task as a promoter and monitor of democracy and respect for human rights. Coherence and synergies between support to central government and to civil society are sought, as it is important that national reforms gain acceptance in society. Cambodia's national poverty reduction strategy has not formulated specific objectives for the human rights area, as this is not seen as a separate sector.

There are plans for continued support to the exercise of political and citizens' rights and other democratic processes through election support. Further support in connection with the trials of the Khmer Rouge leaders may be called for, as well as support to independent radio stations.

2.4 Other strategic initiatives

Support to national environment and climate-related programmes will be looked into and may be considered during the strategy period. Support should then be linked to the regional measures that Sweden is financing in this area so that synergies can be achieved between regional and bilateral measures. Corruption and other forms of deficient democratic governance are strongly linked to the unsustainable use of natural resources in Cambodia. By supporting democratic governance, Sweden is indirectly helping to develop and strengthen institutions and systems that enable a larger proportion of the national budget to reach the local

level and be used for local development, more efficient agriculture and the sound use of land.

A gender equality perspective will permeate the strategy, with a focus on girls' and boys' equal right to education and women's participation in politics at central and local level.

2.5 Forms of development assistance

Around three quarters of the country allocation is made up of programme support. In addition, the Swedish Government will, during the strategy period, consider whether general budget support on a small scale is appropriate. During the strategy period, the possibility of going over to programme support in the education sector will be looked into. Support to civil society goes via Swedish non-governmental organisations. Support to the area of statistics is provided in the form of institutional cooperation between Statistics Sweden and the National Institute of Statistics (NIS).

Since introducing development assistance cooperation with Cambodia, Sweden has mainly channelled its support via other donors – decentralisation support has gone via UNDP and education support via Unicef. Depending on how much of an impact the UN's reform work for a unified UN programme has and which other cooperation opportunities open up, Sida (the Swedish International Development Cooperation Agency) should keep the issue of forms of financing on the agenda. Providing support via other bodies promotes harmonisation but can at the same time lead to fewer dialogue opportunities. Careful consideration will therefore be given to the choice of channels.

All activities will be guided by great responsibility and caution with regard to the risks of Swedish development assistance funds not being used for the intended purposes.

3. Implementation

Poor people's perspective of development and the rights perspective are to be applied during assessments of and dialogue on all initiatives carried out in Cambodia. In addition to this, analysis of, dialogue on and follow-up of gender equality and environment and climate issues will also be integrated. Measures will be planned and implemented in a way that strengthens domestic capacity. Synergies between related measures for support to civil society are to be better used so as to provide more knowledge of how poor women and men react to the effects of the planned programmes. These insights will be valuable in the dialogue with the Cambodian government and other donors. Potential synergies with

Sida's regional support to organisations that work for human rights and in the media sector will also be identified and strengthened.

Land distribution, the exclusion of young, human rights, gender equality and HIV/AIDS are all areas with inherent conflicting objectives of varying seriousness. During the strategy period, Sida should increase its capacity to analyse and tackle these issues while remaining aware of their complexity. This also applies to the issue of migration, both internal and regional.

Support to civil society via Swedish NGOs will remain a priority. Most support should go to organisations that work for human rights and to organisations that have a greater focus on environment and climate-related problems.

During the initial part of the strategy period, Sida will continue to participate actively in the planned reform programme for decentralisation and will represent the circle of donors in dialogue with the relevant Cambodian authorities. In the education sector, Sida should look into the possibility of having another donor represent Sweden in dialogue with the Cambodian authorities. This means that Sida initially has to be prepared to allocate resources to draw up alternative forms for this division of responsibilities. Resources should also be allocated for participation in dialogues about possible programme support in the education sector.

3.1 Cooperation with other donors, including multilateral actors

Support to primary education via Unicef, support to the reform programme for decentralisation in cooperation with the UK Department for International Development (DFID), UNDP and/or other donors, support to public financial management together with a number of donors are all examples of donor cooperation that is already underway or planned. Close contact should also be maintained with the UN's Cambodia Office of the High Commissioner for Human Rights (COHCHR).

Every technical working group has one (or two) leading donor representative to coordinate the donors' contacts and discussions with relevant ministries. Sida has had the role of lead donor for decentralisation support and should allocate capacity to continue in this role if desired by other donors.

During the strategy period, DFID will close its office in Phnom Penh, but it will remain as a financial backer. There is an interest in allowing

Sida to administer funding from DFID within the sectors prioritised by Sweden in line with the Nordic Plus model. Ireland has also expressed a similar interest. During the strategy period, Sida should look into the possibility of administering funding from DFID and Ireland.

3.2 Common direction, harmonisation and coordination

The EU member states in Cambodia are working towards a clearer division of labour between donors where one donor is appointed to speak in the name of other donors in sectors where several EU donors are represented, in accordance with the guidelines in the *EU Code of Conduct on Complementarity and Division of Labour*. Sweden will continue to play an active role in this work. Sweden will also work actively to achieve a situation where more effective forms of support for capacity development are designed together with other donors.

4. Follow-up

A fundamental aspect in following up the strategy's overall objective is to follow up how work to achieve the Millennium Development Goals and to meet the national poverty reduction strategy is progressing. Cambodia has come a relatively long way in developing a development assistance follow-up system. The core of the follow-up system is made up of the joint technical working groups between the Cambodian government and the donors. An inter-ministerial working group has been created to follow up the national poverty reduction strategy. Sida follows and participates in the different follow-up forums that have been set up.

The cooperation strategy will be operationalised in the annual country plans and a results matrix will be attached to each country plan. The plan will be followed up and developments analysed in the annual country report. Reports on cooperation with multilateral organisations and the EU Commission will be delivered within the framework of the annual country reports; the aim of this is to contribute to Sida's overall report to the Swedish Ministry for Foreign Affairs in line with its appropriation directions. The cooperation performance assessment that is to be carried out at the end of the strategy period is to be based on continuous evaluation. The results assessment will influence the design of the next strategy.

Part 2. Background

1. Summary of the country analysis

The democratisation process in Cambodia is slowly progressing. Political violence has decreased and there is a greater degree of political stability

and economic development. However, decades of civil war have left deep scars in the form of widespread poverty and weak political, economic and social institutions. Cambodia is one of the poorest countries in Asia with a GDP per capita of approximately USD 500 in 2006. Average growth in the country has amounted to approximately 7 per cent over the last ten years, and this has mainly been generated by the textiles industry, tourism and other service sectors. Growth in the agricultural sector has decreased and its proportion of GDP has dropped in recent years due to poorly defined and unequal access to arable land, and other factors. One important issue for Cambodia's economy and development is how anticipated income from oil and gas will be administered.

Increased agricultural production and a diversification of the rural economy are crucial to sustainable economic development and successful poverty reduction. Cambodia has one of the youngest and fastest-growing populations in the world. Approximately 60 per cent is under 25 years, and more than half of unemployed people are young. Rapid growth, increased investment and more jobs are therefore necessary to Cambodia's development and stability. The standard of living has increased on average over the past decade, but at the same time the economic gap between towns and rural areas and between poor and rich people has widened. Approximately 35 per cent of the population is estimated to be living below the national poverty level (USD 0.45 per person per day) and three quarters of these people live in rural areas. People with disabilities and minorities are especially vulnerable.

There were no developments in a clearly positive direction for democracy and human rights during the last strategy period (2002–2007). There is a lack of credible progress towards legal reforms. A lack of respect for freedom of expression and freedom of assembly, a vulnerable political opposition and a tendency within the dominant governing party towards greater concentration of power are some of the remaining obstacles to democratic development in the country.

Corruption levels remain high and this continues to be a serious obstacle to the country's development, including the application of human rights. The reform programme for public financial management includes measures to improve the procurement system and anti-corruption measures. An anti-corruption law that was planned long ago has still not been adopted. Protection of property has been set aside and poor people are disadvantaged by unequal access to and distribution of natural resources and a greater concentration of land ownership. This is often a cause of violent conflicts. Legal impunity and legal uncertainty have also been contributory factors in large-scale environmental damage and the

squandering of natural resources. Poor people will not be able to participate fully in the development of Cambodia until legal impunity and legal uncertainty are replaced by a functioning legal system.

Illegal logging and illegal land concessions are examples of obstacles to poverty reduction that are related to the environment and natural resources. The past 25 years have seen rapid deforestation, and the forest concessions system has been heavily criticised as it does not guarantee sustainable care and results in serious environmental problems. Overfishing and inadequate water quality as a result of poor sewage treatment and waste management are other problems related to the environment and natural resources. Corruption and deficient democratic governance are issues that are strongly linked to the unsustainable use of natural resources in Cambodia.

Women's status in Cambodian society is low. Women are under-represented in leading and decision-making positions in society, and they face discrimination on the labour market. A law forbidding domestic violence was not adopted until 2005. Prostitution and the trafficking of children and women are widespread problems. The authorities have managed to halt an HIV epidemic, but the majority of new cases of HIV are in women and their children. Maternal mortality remains high.

Cambodia has managed to reduce the gaps between girls' and boys' attendance at primary school, but after the first few years of school, drop-out rates are considerably higher among girls than they are among boys. Literacy is at approximately 85 per cent for men and 64 per cent for women. Inadequate quality in teaching, long distances to schools and relatively high costs for attending school are contributory factors to children from poor families being disadvantaged.

The number of migrants in Cambodia has risen. This is mainly a result of internal migration – from rural areas to towns, but also between different rural communities. Poverty, a lack of arable land and unemployment are the main causes of this migration. According to figures from the Cambodian Ministry of Planning, 35 per cent of the population are internal migrants. At the same time, regional migration is on the rise. Illegal migration such as human trafficking and forced resettlement remains a major problem in Cambodia and in the region as a whole.

Cambodia is a member of the World Trade Organisation (WTO) and the Association of Southeast Asian Nations (ASEAN).

Cambodia's strategy for poverty reduction

At the beginning of 2006, the Cambodian government adopted a new poverty reduction strategy, the *National Strategic Development Plan* (NSDP) for the period 2006–2010. The purpose of the strategy is to compile and define the priority national development goals. The government's efforts to reach the Millennium Development Goals are reflected in the strategy.

The poverty reduction strategy focuses on good governance through fighting corruption, reforming public administration, laws and the legal system, as well as reforming defence. Other strategic areas are improved agricultural production, physical infrastructure, development of the private sector, increased employment and knowledge and capacity development.

The poverty reduction strategy raises good governance as a crucial issue for the country's development. Furthermore, the strategy provides a mandate to direct 60 per cent of the budget towards the needs of rural areas for improved public services. However, the strategy is lacking a poverty focus and a gender equality perspective, and it is too vague as an instrument for strategic management. This applies not least to an understanding of the role of agriculture in reducing poverty, the need for opportunities for poor women and men to influence society, and the integration of issues related to the environment and natural resources. The process of producing a plan has seen limited participation of civil society. The donor community has backed the poverty reduction strategy, and its shortcomings have been discussed with Cambodia in joint working groups for further operationalisation and follow-up of the plan. The current strategy is therefore a good base to build on prior to the next strategy.

Cambodia has made a certain amount of progress in reaching some of the eight Millennium Development Goals (MDGs) by 2015. Infant mortality in newborns and children under the age of five has decreased, and the number of children being vaccinated against common infant diseases has risen. It is questionable whether Cambodia will manage to reach the goal of halving material poverty if the agricultural sector is not given priority as a growth sector. It is also questionable whether Cambodia will manage to reach the goal of providing access to quality health care, above all for women, and of ensuring sustainable development.

Some of the obstacles to effective development assistance in Cambodia that have been identified are the lack of national ownership and the weak institutional administrative capacity. Long-term development

cooperation projects are important for increasing national ownership and government accountability.

2. Summary performance assessment

Sweden's development cooperation with Cambodia began in 1979 with humanitarian support to the country via Unicef. The country strategy for Cambodia 2002–2007 established two main objectives – to promote opportunities for poor women, men and children living in rural areas to influence and improve their living conditions, and to promote conditions that contribute to democratic governance, with a special emphasis on democratic development and respect for human rights.

Three cooperation areas were identified from the general objectives: the promotion of democratic governance, poverty reduction in rural areas and primary education. The Swedish objectives and cooperation areas have been well in line with Cambodia's poverty reduction strategy. The initiatives taken have been characterised by long-term cooperation with a focus on capacity development. Support to mine clearance activities and infrastructure projects has, in line with the strategy, been phased out during the period.

The main forms of cooperation have been the funding of UN bodies, development banks and bilateral donors, support to civil society via Swedish NGOs and budget support via the World Bank. Support has also been channelled via Sida's international education programme, and there has been humanitarian support. Through cooperation with multilateral organisations and other donors, Sweden has contributed to harmonisation efforts in Cambodia.

During the strategy period, cooperation has run to approximately SEK 150 million per year. The decentralisation programme and primary education have been the two areas to receive the most support during the strategy period.

The performance assessment of the broader initiatives shows that the following results were achieved during the strategy period, in relation to the objectives set. Support to the decentralisation programme, *Seila*, via UNDP has helped to establish popularly elected local governments. With the support of the national *Seila* programme, the local governments have developed the capacity to run public services and cooperate with local authorities in line with democratic principles that correspond to the needs and priorities of poor people. The local governments plan and deliver fundamental infrastructure and services, help to deal with local conflicts and cooperate with organisations in civil society. The

decentralisation programme has had a strong focus on gender equality issues.

Support to primary education via Unicef has worked well, and access to education for poor girls and boys has improved. The proportion of school registrations has risen from 87 per cent in 2001 to 92 per cent in 2005. An extension of the programme was approved in 2006 and it will continue throughout the forthcoming strategy period for Cambodia from 2008–2010.

Poorly defined and unequal access to land is a major obstacle to agriculture-based development and poverty reduction. The legal framework has been improved, but ownership is still not clearly defined. The conclusion from cooperation in the area of land and natural resources is that the lack of cooperation between relevant ministries is a serious obstacle.

Support to civil society has mainly been provided via Forum Syd and Diakonia. The conditions for a democratic civil society have varied according to the political climate. Some positive signs are an increase in general awareness of the principles of human rights and democracy, as well as greater popular participation in the drafting of new laws.

It has been difficult to hold an effective dialogue between Sweden and Cambodia about the development of democracy and human rights. A lack of access to the dialogue of EU circles during previous periods, as well as the fact that Sweden is not represented locally by an ambassador, have contributed to difficulties.

3. Summary analysis of other donors' initiatives and roles in the country, including multilateral actors and the European Commission

There are some 30 donors active in Cambodia. Japan is the largest bilateral donor with initiatives in most sectors. Other major donors are the Asian Development Bank (ADB), the World Bank, the United States, France, Germany, South Korea, Australia, Sweden and the United Kingdom. During recent years, the sectors that have received the greatest volumes of development assistance are health, education, infrastructure and institutional capacity development. The *Education for All Fast Track Initiative Catalytic Fund* has approved USD 57 million for primary school teaching in Cambodia for 2007–2009. In 2005, the World Bank, the ADB and the UK drew up a joint country analysis in connection with the development of cooperation strategies for Cambodia. The UN bodies later adopted the analysis. Development assistance to Cambodia

is still characterised by project support and technical cooperation, even though there are programme support measures in certain sectors. As a contribution to greater harmonisation, 18 technical working groups between the Cambodian government and the donors have been set up.

The European Commission's country strategy 2007–2013 is mainly targeted at two areas – support to the implementation of Cambodia's poverty reduction strategy and continued sector budget support to primary education. Other cooperation areas are development of the private sector and support to cooperation and dialogue on democratic governance and human rights. Support to migration and asylum issues is also considered in the country strategy.

An action plan has been drawn up to make EU development cooperation in Cambodia more effective. The purpose of the plan is to define more clearly the division of responsibility and labour between the development assistance activities and the dialogue of EU countries and the Commission. The Commission's plans for the strategy period 2007–2013 are largely in line with the Swedish objectives for cooperation with Cambodia. Sweden will continue to work for harmonised cooperation with the Commission in areas such as primary education, budget support, democratic governance and human rights.

Since 2001, Cambodia has been entitled to export almost all kinds of goods produced in Cambodia to the EU free of tariffs and quotas within the framework of 'Everything But Arms'. Tariffs on bananas, sugar and rice will gradually be reduced during the period up to 2009. The profits for Cambodia under these measures are currently limited as the country's export levels are on the whole very low.

Investments from and cooperation with China and South Korea have become increasingly important for Cambodia. Each year, major agreements are entered into on the financing of road construction and bridges, but also on forest concessions and other business activities. Both countries have published their planned financing frameworks for development initiatives, but not the contents of the agreements.

The prospects of integrating, above all, China in the dialogue on Cambodia's development policy are slim. China does not make demands for improvements in human rights and democratisation in the same way as Sweden and many other donors do.

There are opportunities for tripartite cooperation with Thailand if Cambodia would agree to such an arrangement.

4. Summary analysis of Sweden's role in the country

4.1 Sweden's role and comparative advantages

Swedish development assistance amounts to almost five per cent of all development assistance to Cambodia. Apart from Japan, most of the donors are almost as small or smaller than Sweden. However, few of the other like-minded countries are present in Cambodia (only Denmark and Canada once the UK has withdrawn); this means that Sweden's role will become even more important in pursuing the implementation of the Paris Declaration, human rights issues and the perspectives of poor people. Swedish development cooperation has the potential to work as a catalyst for change and reforms in the design of development assistance initiatives. Few other donors have the same opportunities as Sweden does for providing general support to organisations that work on rights issues. Sweden is seen as a credible actor with no historical or geopolitical interests in the country. Moreover, Sweden's experience of and focus on capacity development are an asset to cooperation with Cambodia and other donors.

4.2. Other Swedish relations

Sweden's relations with Cambodia are dominated by development cooperation. Whenever other policy areas are affected, coherence should be sought so as to reach a maximum effect on poverty reduction and development and to counteract potential negative effects. Sweden's ongoing efforts to remove EU trade barriers are one example of this.

An integrated view of conflict prevention, crisis management and peace-building is required. Peace and security are fundamental to poverty reduction and, in the longer term, to achieving sustainable political, economic and social development.

Cooperation between the EU and ASEAN and cooperation within the framework of the Asia Europe Meeting (ASEM) are important forums for dialogue on issues such as democracy and human rights.

Few Swedish companies are active in Cambodia, but there appears to be a growing interest in establishing business activity there. If there is to be an increase in Swedish commercial activity, the economic and political situation in Cambodia needs to develop in a positive direction. Action must be taken to remedy corruption and the lack of a functioning legal system if direct foreign investments are to increase.

Swedish tourism is expected to continue rising as Swedish travel agencies have begun organising charter holidays to Cambodia. This can open the

way for other types of relations between the two countries, but it can also lead to risks considering, above all, the underdeveloped health care system in Cambodia. It can also mean an increase in consular matters for the office in Phnom Penh to deal with.

5. Overall considerations concerning objectives and the direction of future cooperation

Anticipated objectives at outcome and impact level have been drawn up in line with the country analysis and experience of previous cooperation, Sweden's comparative advantages, development assistance priorities, other donors' programmes and Cambodia's poverty reduction strategy.

The main part of cooperation is directed at democratic governance, greater protection for and application of human rights, and support to primary education. These are sectors in which Sweden has long been active and that most definitely remain relevant.

During the strategy period and prior to the forthcoming strategy, support to the sector programme related to sustainable development and land rights will be looked into.

Cambodia will be the only country in southeast Asia where Sweden is engaging in long-term development cooperation. This is expected to have consequences, above all towards the end of the strategy period, for recruitment to the office in Phnom Penh and opportunities for deeper and broader engagement in the country.

Attachment:

1. Draft of cooperation agreement

**AGREEMENT BETWEEN SWEDEN AND CAMBODIA ON
DEVELOPMENT COOPERATION 9 May 2008 – 31 DECEMBER 2010**

Sweden, represented by the Swedish International Development Cooperation Agency, Sida, and Cambodia, represented by the Government of Cambodia, have agreed as follows.

ARTICLE 1 SCOPE AND OBJECTIVES OF THE AGREEMENT

The overall Swedish objective of the co-operation during the strategy period is that poor women and men in Cambodia will have an increased rule of law and receive adequate non-discriminating social services, specific objectives as follows;

- Enhanced quality and access to primary education for girls and boys that live in poverty
- A decentralised public administration with increased capacity to provide rights for poor women and men in the country side, for example women's political participation
- An active civil society as promoter of democracy and human rights

Poor people's perspective on development and the rights perspective , as well as development objectives set out in Cambodia's National Strategic Development Plan 2006-2010 (NSDP) should guide the cooperation.

The responsibility for the development of projects/programmes under this Agreement rests with Cambodia. The role of Sweden is limited to the contribution of resources to such development cooperation.

ARTICLE 2 THE SWEDISH CONTRIBUTION

Sweden shall keep available financial resources for development cooperation between Sweden and Cambodia during the period 9 May 2008 to 31 December 2010. As for the contribution of financial resources, Sweden shall keep available at least 400 000 000 Swedish kronor (SEK 400 000 000).

The contribution of resources shall be made in accordance with the requirements laid down in specific agreements between the parties on projects/programmes of development cooperation, and shall be made available on a grant basis.

ARTICLE 3 UTILISATION OF THE SWEDISH CONTRIBUTION

3.1 The main areas of cooperation shall be the following:

- Primary education
- Democratic governance
- Human rights

The Parties shall regularly review the allocation of contributed funds to projects/programmes of the development cooperation.

3.2 At these reviews Sweden and Cambodia shall follow up on the Swedish contribution and on the progress of the programmes/projects. The following issues shall constitute the key areas for overall policy dialogue between the Parties:

- Implementation of the National Strategic Development Plan (NSDP) with focus on poverty alleviation, gender equality and participation of the civil society

ARTICLE 4 REFERENCES TO OTHER AGREEMENTS

The development cooperation between the Parties is also governed by:

- the Agreement on General Terms and Conditions for Development Cooperation between the Government of Sweden and the Royal Government of Cambodia, dated 15 January 2007; and
- specific agreements for projects/programmes of development cooperation.

ARTICLE 5 ENTRY INTO FORCE AND TERMINATION

This Agreement shall enter into force on 9 May 2008 and remain valid until 31 December 2010. The Agreement may be terminated prior to the end of the agreement period by either party giving the other party at least six months written notice.

The termination of this Agreement shall not affect the validity of any specific agreements that are in force between the Parties.

Two originals of the text of this Agreement, written in the English language, have been signed.

Place and date

For Sweden, represented by Sida

Place and date

For Cambodia, represented by
specify

Signature

Signature

Name and title in block letters

Name and title in block letters



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