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**COUNTRY STRATEGY AND PROGRAM
2005–2009**

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ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
ASEAN	–	Association of South-East Asian Nations
CAPE	–	country assistance and program evaluation
CPP	–	Cambodian People's Party
COS	–	country operational strategy
CSP	–	country strategy and program
DFID	–	Department for International Development (UK)
EA	–	executing agency
FDI	–	foreign direct investment
GAP	–	governance action plan
GDP	–	gross domestic product
GMS	–	Greater Mekong Subregion
IFAPER	–	Integrated Fiduciary Assessment and Public Expenditure Review
MDG	–	Millennium Development Goals
MEF	–	Ministry of Economy and Finance
MFA	–	Multi-Fiber Agreement
NGO	–	nongovernment organization
NPRS	–	National Poverty Reduction Strategy
O&M	–	operation and maintenance
ODA	–	official development assistance
PFM	–	public financial management
PRPA	–	Poverty Reduction Partnership Agreement
RCSP	–	Regional Cooperation Strategy and Program
SARS	–	severe acute respiratory syndrome
SEDP II	–	Socio-Economic Development Plan 2001–2005
SFMP	–	Sustainable Forestry Management Plan
WTO	–	World Trade Organization

NOTE

In this report, "\$" refers to US dollars.

CAMBODIA COUNTRY STRATEGY AND PROGRAM 2005-2009

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EXECUTIVE SUMMARY

Cambodia is at a crossroads in its development as it moves from a postconflict situation towards a more normal development paradigm. More than two decades of international isolation and conflict that ended in 1991 devastated much of the country's physical, social, and human capital, forcing Cambodia to start from scratch in rebuilding its infrastructure and institutions. Although important economic and social gains have been made over the past decade, the development agenda remains daunting. Poverty remains widespread and intense—with 35%–40% of the population remaining below the poverty line—and inequality appears to be increasing. Recent relatively robust growth has not led to a significant reduction in poverty, and achieving many of Cambodia's Millennium Development Goals (MDGs) will be difficult. The challenge of reducing poverty will become more daunting with the expected sharp downturn in the economy caused by the phasing out of the Multi-Fiber Agreement at the end of 2004.

With the peaceful formation of a coalition government on 15 July 2004, the Government has moved quickly to seize the reform agenda by launching a Rectangular Strategy For Growth, Employment, Equity, and Efficiency, which is intended to guide implementation of its economic agenda during the remainder of its term in office. The Government has signaled its commitment to addressing deeply entrenched governance issues that have long hindered development and social progress and has also initiated a number of measures to address some of the structural constraints to growth.

The Rectangular Strategy, which sets out the Government's reform agenda as a series of interlocking rectangles, has governance at its core. The other rectangles focus on the desired environment to implement the strategy, and on promoting economic growth through agriculture, infrastructure, private sector growth and employment, and human resource development. The Government is now in the process of developing action plans to implement the strategy, which will become the basis for the budget, the medium-term expenditure framework, and the public investment program.

Given the extremely low domestic revenue base, external assistance has and will continue to be the dominant source of finance for the public investment program. Within this context, the Government has prioritized strengthening its aid management capacity and effectiveness and improving donor aid coordination. Cambodia is preparing to implement the Rome Declaration on Harmonization. At the request of the Government, the existing Government–donor technical working groups (TWGs) have been restructured to enhance government ownership and provide the basis for more effective management of official development assistance (ODA) in 17 priority sectors and thematic areas. It is in the context of the Government's reform process on the one hand and the emerging global challenges on the other, that this country strategy and program (CSP) is framed.

ADB's overarching goal in Cambodia is sustainable poverty reduction. In line with the priorities and strategies identified in the Government's Rectangular Strategy, the CSP will focus on three strategic pillars: (i) broad-based economic growth through investments in physical infrastructure, development of the financial sector, support for greater regional integration, sustainable development of small and medium-sized enterprises, and investments in agriculture and irrigation; (ii) inclusive social development through basic education, empowering vulnerable groups such as women and ethnic minorities, control of communicable diseases, provision of rural water supply and sanitation facilities, and community-based sustainable management and conservation of natural resources in the Tonle Sap basin; and (iii) good governance, through improvements in public financial management to enhance the development effectiveness of

public expenditures, and decentralization and deconcentration initiatives to strengthen local participation in government, and improve public service delivery. Ensuring the development process is more broad-based and inclusive has also led to the inclusion of geographic (Tonle Sap basin) and subregional (Greater Mekong Subregion) focuses to support one of the poorest and most environmentally-sensitive regions of Cambodia, and to benefit from the broader opportunities provided by ADB's Greater Mekong Subregion program. Four crosscutting themes—governance, private sector development, gender, and the environment—are also proposed to support the poverty reduction objectives of the Rectangular Strategy.

Sector interventions within these three interlinked and mutually reinforcing strategic pillars are based on: the identification of priorities based on consultations with all stakeholders; ADB's comparative advantage; a realistic assessment of Government's commitment to reform; and the likely extent of interventions by other development partners in particular areas. They also take account of the constraints to poverty reduction in Cambodia. ADB is a pioneer of sectorwide approaches (SWAs) in Cambodia and will bring its experience to bear in selectively applying SWAs or program-based approaches (PBAs) in the future assistance program to improve the focus of external assistance, bring down transaction costs, and ensure policy coherence among different development partners' interventions. Where SWAs or PBAs are not viable, ADB will continue to seek cofinancing for individual interventions to increase resource mobilization at the most preferential terms.

The CSP was developed based on wide-ranging consultations with the Government, donors, civil society, and the private sector. In particular, ADB, the World Bank, and the Department for International Development of the United Kingdom (DFID) prepared their Cambodia country strategies in unprecedented close cooperation and coordination. By working together, the partners hope to improve their common understanding of the development challenges in Cambodia and to implement a coordinated response. This process has led to a common assessment of development trends and issues, the Government's development strategy, and risks to the implementation of that strategy (Chapters I–II and part of Chapter VI of the CSP). It was agreed that the text of the strategy documents of the three institutions would be the same in these areas. ADB, DFID, and the World Bank have also agreed on a framework of general agency responsibilities for focal areas and outcomes. The partnership is not exclusive, being part of an effort to increase cooperation with other development partners at both strategic and operational levels (for example, the United Nations (UN) agencies have recently joined the strategy process of the three institutions, and has used the joint assessments for its United Nations Development Assistance Framework process. This has led to better coordinated interventions, avoiding duplication of investments and conflicting policy advice. ADB will also strengthen civil society involvement in its Cambodia operations.

In terms of monitoring development impacts, ADB will actively support the TWGs, which have developed action plans and monitoring indicators for joint monitoring over the next year. These were endorsed at a recently concluded consultative group meeting. Monitoring of the CSP will be strengthened by a results matrix, which will be updated and refined in subsequent country strategy and program updates.

I. CURRENT DEVELOPMENT TRENDS AND ISSUES

A. Development Context

1. Cambodia is at a crossroads in its development as it moves away from a postconflict situation towards a more normal development paradigm. More than two decades of isolation and conflict that ended in 1991 with the signing of the Paris Peace Agreements devastated much of the country's physical, social, and human capital, forcing Cambodia to start from scratch in rebuilding its infrastructure and institutions.

2. Much has been achieved in recent years. Cambodia has made important progress in ensuring peace and security, rebuilding institutions, establishing a stable macroeconomic environment, and putting in place a liberal investment regime. Notwithstanding these achievements, the development agenda remains daunting. Poverty remains widespread—with 35–40% of the population remaining below the poverty line—and inequality appears to be increasing. Recent economic growth has been narrowly based, and has not led to a significant reduction in poverty. Achieving many of Cambodia's Millennium Development Goals (MDGs) will be difficult.

3. With peace and macroeconomic stability now more firmly entrenched, the country has the opportunity to make far-reaching economic reforms to achieve sustained socioeconomic development. Within this context, the Government has developed a comprehensive reform agenda to achieve Cambodia's MDGs. This is set out in the Second Socio-Economic Development Plan (SEDP II), 2001–2005; the National Poverty Reduction Strategy (NPRS) 2003–2005; and the Rectangular Strategy For Growth, Employment, Equity, and Efficiency.

B. Economic Growth

4. Reflecting prudent macroeconomic policies, significant aid inflows and the signing of a bilateral trade agreement with the US in 1996, Cambodia's gross domestic product (GDP) grew by an average 6.8% per year from 1999 to 2002, compared with 5.6% per year from 1995 to 1998. However, GDP growth has been in decline since its peak of 10.8% in 1999, and the figure for 2003 was 5.2%. Growth in 2003 was held back by both the severe acute respiratory syndrome (SARS) outbreak and anti-Thai riots, which adversely affected tourism. The fact that it took 1 year to form a new government after elections in July 2003 also dampened business confidence. On the positive side, agriculture production staged a strong recovery from a drought-induced decline in 2002, and the export-oriented garment industry expanded strongly. Over the past decade, the industrial sector has been the main engine of growth, with industry's share of GDP increasing from 13% in 1992 to 26% in 2003, and that of agriculture falling from 48% to 34% during this period. The manufacturing subsector was the largest contributor to incremental GDP, with garments being the key driver of such growth. Tourism also contributed significantly to growth, while agriculture has grown modestly, lagging behind population growth. The outlook for economic growth in 2004 is clouded somewhat by weaker prospects for agriculture and there are fears of a sharp slowdown in 2005, following the phasing out of the Multi-Fiber Agreement (MFA) at the end of 2004.

5. With Cambodia's economy remaining highly dollarized, the authorities have had limited scope to employ traditional tools for monetary management. As a result, prudent fiscal policy has been the key to ensuring price stability, and Cambodia has achieved rates of inflation well below 4% since 1999. However, with demand for riel continuing to increase with economic growth, the authorities have recently intervened in foreign exchange markets to stabilize the

exchange rate. As a result, it remained broadly stable at about 4,000 riels per US dollar in 2003, with inflation averaging only 1.2%. However, the government's revenue performance in 2003 deteriorated because of a drop in trade and excise taxes, despite recent efforts at improving tax administration and collection. The fall in revenues widened the overall fiscal deficit to 7% of GDP in 2003 from 6.7% in 2002, and reduced spending in the priority sectors of health, education, rural development, and agriculture. As in recent years, large aid inflows helped finance the deficit. Despite a modest decrease in the trade deficit, the current account deficit (excluding official transfers) widened to 10.2% of GDP in 2003 from 9.0% in 2002, because of a smaller services surplus as receipts from tourism decreased. The deficit was financed through private and official transfers and capital inflows, including about \$77 million in foreign direct investment (FDI). Gross foreign exchange reserves were \$737 million at the end of 2003 and were sufficient to cover almost 3 months of imports. The total debt at the end of 2003 was estimated to be 70.8% of GDP. Cambodia's debt to the United States and the Russian Federation is being negotiated and is currently not being serviced. As a result, the debt service ratio relative to exports of goods and services at the end of 2003 was only 2.9%. However, the debt service ratio relative to government revenue was 14.8%, placing Cambodia in the category of debt-stressed countries.

6. Cambodia must resolve several structural constraints to economic growth. The existing sources of growth are narrowly based on garments and tourism. Prospects for garments are, however, uncertain with the phasing out of the MFA. New sources of growth must be tapped to achieve the 6–7% growth target in the Rectangular Strategy and find employment for the estimated 250,000 persons entering the labor market each year. With 90% of the poor living in rural areas, promoting agriculture is the best way of to accelerate growth, absorb a large part of the growing labor force, and address poverty more directly. Agricultural production, however, remains far below its potential because of low productivity and limited access to arable land and markets. New, or diversified, sources of growth would require significantly higher rates of productivity and investment. However, the prospects for a significant increase in public investment are limited because of the very low government revenue base. On the other hand, private investment is hampered by infrastructure bottlenecks (particularly in power and transportation), a weak and shallow financial system, a lack of skilled labor, and weaknesses in governance, ranging from an ineffectual policy and regulatory environment and poor service delivery to bureaucratic inefficiency and endemic corruption. All of these serve to increase transaction costs significantly and to weaken business confidence, productivity, and the competitiveness of the economy. While gains have been made in structural reforms over the last decade—particularly those relating to trade, price and exchange rate liberalization, tax and financial sector reforms, and privatization and leasing of state enterprises—the policy and institutional setting in almost all sectors of the economy merits substantial reform. Progress has been particularly slow in legal and judicial reforms, forcing the private sector to operate under uncertain market rules. A strengthened revenue mobilization effort will also be crucial for the Government if it is to increase social spending and improve the quality of public services. The new Government has moved quickly to address some of these issues, particularly reducing the cost and time associated with import and export procedures and company registration, and in ratifying Cambodia's accession to the World Trade Organization (WTO). While benefits from membership of WTO due to increased market orientation and access are expected to be wide-ranging—requiring more than 40 pieces of legislation relating to commercial transactions to be adopted over the coming years—emphasis needs to be placed on proper implementation of the legislation if the benefits are to materialize.

C. Poverty¹

7. Despite data limitations, there is consensus on the principal characteristics of poverty in Cambodia. About 35–40% of the population has expenditure levels below the income poverty line, with 15–20% living in extreme poverty. Poverty in Cambodia is overwhelmingly rural, from a low of 10–15% in Phnom Penh, to 40–45% in rural areas, reaching 70–80% in some areas around the Tonle Sap basin. Despite relatively robust growth over the past decade, official figures indicate that the incidence of poverty has declined only modestly, from 39% in 1994 to 36% in 1999. This is due to a range of factors, including the narrowness of the existing sources of growth, with few if any backward linkages to the domestic economy, the exclusion of the poor from the mainstream economy, the poor quality of and lack of access to social services, unavailability of credit, the lack of equitable access to land, forestry and fisheries resources, and the exclusion of the poor (and particularly of minority groups and women) from the decision-making that shapes their lives.

8. Progress in reducing human dimensions of poverty has been mixed. There has been considerable progress towards the universal primary education target, with the net primary school enrollment rate increasing from 76% in 1997 to 87% in 2001. The quality and affordability of education has also improved, but further progress is needed. There is still significant gender inequality in education, with girls currently accounting for only 39% of lower secondary school enrollment and recording higher drop-out rates. The population's health status is low, with child mortality estimated to be 115 per 1,000 live births. Data from 2000 show a high maternal mortality ratio of 437 per 100,000 live births. Around 85% of deliveries take place at home and skilled personnel attend less than half of all deliveries. There is an unmet demand for family planning services that has led to a population growth rate of about 2.5% per year, aggravating poverty and increasing the pressure on natural resources. Although Cambodia has the highest HIV/AIDS prevalence rate in Asia, it has made substantial progress, with the adult prevalence rate declining from 3.9% in 1997 to 2.6% in 2002.

9. Poverty assessments suggest that income inequality has increased, especially in rural areas. Slow agricultural growth has exacerbated income inequality. Despite Government commitments, inequalities are also evident in the status of minority groups, those displaced by conflict, and women. Poverty assessments also indicate that poverty increases with household size and number of children, and is highest where the household head is engaged in agriculture. While households headed by women are not significantly poorer than others, they are often more vulnerable, have less land and labor resources and thus rely more on risky coping strategies, such as selling assets, or pulling children out of school and sending them to work. Education plays an important role in determining rates of poverty. Poverty rates are similar when the household head has no schooling or primary schooling only, and are significantly lower when the household head has secondary, technical, or higher education.

10. A significant number of people are also chronically vulnerable, moving into and marginally out of poverty as external factors affect their lives. The poor also experience a high degree of food insecurity, even in provinces that enjoy a rice surplus. The ADB-sponsored participatory poverty assessment of 2001 indicated that the poor feel disempowered, and have

¹ The most current multi-partner poverty assessment is summarized in the National Poverty Reduction Strategy (NPRS), which is the Government's poverty reduction strategy. Before the preparation of the country strategy and program (CSP), ADB prepared a review of the state of knowledge of poverty in Cambodia (Knowles, James. 2003. *Cambodia Poverty Review*. Manila: ADB.) to summarize findings in NPRS and from other sources.

limited access to land and natural resources, physical infrastructure, and basic social services.² Many also said the erosion of family and community relationships were a major concern and that they lacked confidence in local and provincial administrations. Accidents and illness were repeatedly mentioned as leading causes of vulnerability and poverty. Households spend a large proportion of their income on health care and a single accident or illness can be financially devastating.³

11. **Progress Towards Achieving the Cambodia's Millennium Development Goals.**

While Cambodia has made some progress towards achieving some of its MDGs, attaining many of the targets will be difficult. Cambodia is likely to meet its MDG target for universal primary education, but meeting the targets for secondary education (including female secondary school enrollment) seems unlikely. There has also been some progress towards achieving health-related goals, but at current rates, the increases are probably not sufficient to meet the MDGs. The country is, however, likely to meet its MDG target of reducing the HIV prevalence rate by 2015, although HIV transmission patterns are shifting, with most new infections occurring among married women and their children, a difficult group to target. Continued focus is needed to ensure that the incidence rate declines. Meeting the MDG target of halving the population below the national poverty line by 2015 would require considerably faster economic growth and a more pro-poor orientation to that growth.

D. Political Environment

12. The Paris Peace Agreement of October 1991 initiated the process of recovery and nation building in Cambodia. The first multi-party elections were held in July 1993, with United Nations (UN) involvement. In September 1993, a new constitution was adopted, which established the Royal Government of Cambodia as a multiparty liberal democracy under a constitutional monarchy. Cambodia is a signatory to the Millennium Declaration and is a party to the six main international human rights instruments.

13. Three main political parties have dominated Cambodian politics over the last decade: the Cambodian People's Party (CPP), FUNCINPEC,⁴ and, more recently, the Sam Rainsy Party (SRP). Since 1993, three other nationwide elections have been organized, including the first commune elections in February 2002.

14. Although the CPP dominated the elections on 27 July 2003, it did not win the two-thirds majority required under the constitution to form a government on its own. A new government was formed on 15 July 2004 after protracted negotiations between the CPP and FUNCINPEC (which at one time also represented the interests of the SRP) on forming a coalition government. During this period, the National Assembly did not meet, and no legislative business was transacted. Apart from the general climate of uncertainty created by this prolonged hiatus, a number of problems affected the activities of all development partners, including: (i) the absence of an authorized budget, which limited the Government's capacity to borrow, as well as to carry out some policy measures; and (ii) the inability to pass legislation required to meet tranche conditionality under program loans.

² ADB. 2001. *Cambodia Participatory Poverty Assessment*. Manila. The World Bank and ADB are conducting updated participatory poverty assessments.

³ The health sector support strategy, 2002–2007, estimates that households pay on average 12% of their income for health care.

⁴ FUNCINPEC is the French acronym for the National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia.

15. The formation of a new government on 15 July 2004 nevertheless represented a major step forward in the political development of Cambodia. While forming the Government has taken a very long time, it has taken place through a process of dialogue, where all outstanding differences between the political parties were apparently resolved, and without recourse to the violence that characterized previous election outcomes. The new political environment has also been underpinned by the recent abdication of King Sihanouk and the peaceful coronation of his son, Prince Sihamoni. Democracy is also gaining ground in other areas. The commune elections of 2002 represented an important step in a comprehensive program of political, administrative, and financial decentralization. Civil society and NGO groups are participating more in various areas of public concern and a relatively underdeveloped media is beginning to exercise its newly won freedoms. However, civil society organizations face significant challenges in accessing information, engaging in dialogue with the Government, and taking part in participatory processes. The Government's capacity to engage in policy dialogue with civil society is growing, but participatory mechanisms have yet to become a part of the mainstream of public planning or monitoring processes.

E. Governance and Institutional Capacity⁵

16. Most institutions in Cambodia were barely functioning when the Government began its first mandate in 1993. Although Cambodia has made important progress in rebuilding its institutions, the country continues to operate far below its economic and social potential because of weak governance. Key areas of governance requiring attention include reducing corruption and reforming the legal and judicial system, public financial management (PFM), public administration, and local governance. The government is well aware of these challenges and has proposed reforms in key policy documents, including the Governance Action Plan, SEDP II, NPRS, and the Rectangular Strategy. Despite much effort being devoted to policy formulation, the implementation of reforms has been slow. There is also a need for ordinary citizens to participate more fully in public decision-making to improve accountability and reduce corruption.

17. **Legal and Judicial Reform.** Strengthening the justice system and the integrity of the courts is key to ensuring effective rule of law. The rule of law plays an important role in empowering the poor, providing effective guarantees to private investors and ensuring impartial dispute resolution. Although the Council of Legal and Judicial Reform has prepared a draft action plan for reform, the failure to enforce existing laws undermines attempts at reform. Legal reform issues include inconsistencies in legislation, limited transparency in legislative processes, weak capacity to draft laws, and lack of participation by stakeholders. Judicial reform issues include weak governance and corruption in the judiciary, the need for reform of the Supreme Council of Magistracy, the small number of trained judges and lawyers, and the low salaries of judges and prosecutors.

18. **Public Financial Management.** Weaknesses in public expenditure management have resulted in inefficient allocation of limited public resources, reducing their development impact. Public expenditures were 19.4% of GDP in 2003, low by international standards, and the revenue to GDP ratio of 12.0%, with tax revenues accounting for only 8.4% of GDP, is among

⁵ ADB prepared a country governance assessment in 2000 (ADB. 2000. *Enhancing Governance for Sustainable Development*. Manila). A publication prepared by the World Bank and ADB in 2003 (World Bank and ADB. 2003. *Integrated Fiduciary Assessment and Public Expenditure Review*. Phnom Penh: World Bank and ADB) provides a detailed assessment of governance issues in Cambodia. ADB also prepared a review of governance at the sector level for the CSP and a supplement to the governance assessment (ADB. 2003. *Assessment of Implementation of Selected Sectoral Policy and Reforms in Cambodia*, Manila).

the lowest in the world. The chronic imbalance between government responsibilities and domestic revenues is an important contributor to weak governance and corruption, manifested in low public sector salaries, underprovision of essential services, informal payments for services, underfunding of operation and maintenance (O&M), and the centralization of authority over the limited revenues.

19. The Government is committed to comprehensive reform of PFM and with donor support aims to (i) improve budget formulation by strengthening the links between policies and budgets and by introducing a medium-term expenditure framework, and (ii) improve budget execution by strengthening cash management and overhauling treasury operations. A public expenditure tracking survey is being initiated for both the education and health sectors to identify bottlenecks and leaks in public finances at national and local levels. The Government will also have to strengthen systems of accountability to reduce the fiduciary risks to public funds.

20. **Public Administration Reform.** Given the serious problems afflicting the civil service—low pay, absence of clear hiring and promotion policies, and low skills leading to low capacity—comprehensive civil service reform is an important priority if service delivery is to be improved. There is an urgent need to rationalize the civil service, introduce effective performance management, and upgrade salaries of the remaining staff to a living wage. There is also a need to improve the sectoral and geographic deployment of civil servants, as well as to improve coordination across ministries.

21. **Corruption.** Weak institutions and limited accountability mechanisms are legacies of Cambodia's recent history and contribute to high levels of corruption. Although difficult to quantify, the evidence suggests that corruption seriously constrains economic growth, private sector development, and poverty reduction. A recent study of the country's competitiveness identified the cost of corruption as the single most important constraint faced by the private sector in doing business in Cambodia.⁶ Other surveys also indicate that corruption is a key concern of households, firms, public officials, nongovernment organizations (NGOs), and academics.⁷

22. Gaps in the legal framework and weak implementation and enforcement of existing regulations and laws have hampered anti-corruption efforts. Although some progress has been made towards establishing a National Audit Authority and introducing procurement procedures in most ministries, the existing draft anti-corruption law needs to be made to comply with international best practice (e.g., as reflected in the UN Convention against Corruption) and enacted.

23. **Decentralization.**⁸ The Government sees decentralization as crucial to the strengthening of a local voice in government and improving public service delivery. While the holding of commune elections was an important first step, further efforts are needed to expand opportunities for citizens to influence and participate in government. Currently the commune councils control very limited resources, resulting in low levels of implementation of services and investment. They still lack the authority, administrative capacity, and financial resources to accelerate development at their level, and have limited means for dispute resolution.

⁶ World Bank. 2004. *Cambodia: Seizing the Global Opportunity: Investment Climate Assessment and Reform Strategy*. Washington, DC: World Bank.

⁷ World Bank Client Survey June 2003; Asia Foundation Survey 2003.

⁸ Decentralization refers to the transfer of governmental powers, mandates and resources from central government to sub-national authorities. Deconcentration refers to assignment of central administration to a lower level of administration.

Government policy on deconcentration has not yet been clearly articulated and there is a need for stronger harmonization between decentralization and deconcentration policies. An effort is currently being made to arrive at a comprehensive perspective for decentralization and deconcentration.

F. Gender Assessment⁹

24. Cambodia has among the lowest levels of gender equity in Asia as measured by the gender-related development index (0.557) and the gender empowerment index (0.364).¹⁰ Social attitudes and tradition deem women to be of lower status. The consequences of these traditional attitudes are clearly manifest in the significant gender inequities in educational attainment and levels of literacy, rates of child labor, access to public services, and representation in decision-making positions. Human poverty is greater among Cambodian women than among men across all economic groups.¹¹

25. Women make significant contributions to the national economy and the income and well-being of their households. They comprise 54% of the agriculture and fisheries workers and their incomes provide more than half of household expenditures. Within the context of a shift to a market economy and private sector development, women have made significant gains in securing paid employment in recent years. These gains have, however, been limited to the garments industry whose immediate future is uncertain. The garment sector employs relatively well-educated young women and a substantial number of rural households receive regular income transfers from their daughters. Outside agriculture and garments, women are primarily self-employed in small, informal enterprises and comprise 49% of self-employed retail traders. In addition to culturally prescribed notions of "male" and "female" occupations, the lower levels of literacy and education of women make it difficult for them to compete. Lack of access to, or control over, productive resources and services including credit, land and land titles, agricultural inputs and extension services are critical gender issues.

26. Although progress is being made in responding to gender inequities in social sectors, serious gaps remain. In education, while there is increasing gender equity at the primary school level, severe disparities persist at higher levels of schooling, and the female child labor rate of 50% in the 14–17 age group is considerably higher than the male rate of 36%. In health, although progress is being made in rebuilding clinical health services, Cambodia's maternal mortality ratio remains one of the highest in the region at 437 per 100,000 live births, suggesting the need to pay more attention to reproductive health and to improve access to health information and services.

27. Women are underrepresented in both elected and appointed positions as well as in mid to high levels of the civil service. Only 8.5% of the commune councilors and 12.2% of National Assembly members are women. This underrepresentation of women is directly related to the small number of female candidates in party lists. Cambodia's nascent legal framework affords many rights to women, yet most are unaware of these rights. General weaknesses in the judicial system, together with their low social status, leave women with little legal protection. As a result, women are highly vulnerable to trafficking, domestic violence, and rape. The legal standing of

⁹ United Nations Development Fund for Women (UNIFEM), World Bank (WB), ADB, United Nations Development Programme (UNDP) and Department for International Development of the United Kingdom (DFID/UK). 2004. *A Fair Share for Women: Cambodia Gender Assessment*. Phnom Penh: UNIFEM, WB, ADB, UNDP, DFID/UK.

¹⁰ UNDP. 2003. *Human Development Report 2003*. New York: UNDP.

¹¹ Ministry of Planning. 2000. *Cambodia Human Development Report 2000*. Phnom Penh: Royal Government of Cambodia. .

women in property disputes is also a concern. While some progress in formulating policies promoting gender equality has been achieved, mainstreaming gender continues to be a serious challenge, and the political will to implement such policies remains weak.

G. Private Sector¹²

28. The private sector in Cambodia is dominated by the informal sector, which accounts for over 80% of GDP and close to 90% of employment outside the public sector. Much informal sector activity is concentrated in agriculture. The informal industrial sector accounts for almost half of total industrial output and supplies mainly the domestic market. It has been estimated that more than 90% of enterprises in Cambodia are small (fewer than 100 employees) and operate entirely in the informal sector. Some 7,000 private enterprises registered with the Ministry of Commerce constitute the formal private sector, which has been narrowly focused on garments and tourism. FDI has played an important role in developing the formal private sector and is the main source of exports. However, since the late 1990s FDI has been in decline. The private sector's efforts to promote growth and employment are constrained by (i) weak governance, including an underdeveloped legal framework and an ineffective regulatory regime, excessive red tape, and widespread corruption; (ii) a lack of access to, and the high cost of, institutional finance; (iii) high costs and a lack of infrastructure in such sectors as transport and energy; (iv) limited human technical and managerial skills; and (v) limited access to land, information, and competitive markets.

29. Surveys of firms reveal that complex registration and licensing procedures and associated formal and informal charges impose significant burdens. Enterprises therefore have an incentive to remain informal to avoid these high costs. The country's limited tax base means that the tax burden has to be borne by the small number of registered enterprises. Exporters complain that red tape associated with export processing causes significant delays, while smuggling from neighboring countries has a negative impact on domestic manufacturers. Poor transport infrastructure and unofficial tolls, and the high cost of electricity caused by a lack of generating capacity, also increase the cost of doing business in Cambodia. Land tenure issues related to the low level of land titling dissuade investments in agriculture, while a lack of access to credit, especially for small and medium-sized enterprises (SMEs), constrains private sector growth. There is no development strategy for the SME sector, which is characterized by weak entrepreneurial skills and accounting standards. SMEs have limited access to market information and technology.

30. The Rectangular Strategy reiterates that the private sector must be the main engine of growth, employment generation, and poverty reduction. It commits the Government to addressing the deficiencies outlined above. Private sector development has taken on an added sense of urgency with the phasing out of the MFA quota system, the need to raise competitiveness in light of WTO accession, and the high rates of unemployment among new entrants to the labor market. In response, the Government has launched a comprehensive private sector development program with a focus on facilitating trade, developing SMEs, and enhancing private participation in infrastructure provision. A number of reforms have already been introduced to reduce the cost and time of export and import transactions, remove disincentives to SME formalization, and improve transparency in managing private participation in infrastructure projects. Ensuring that key reform measures are actually implemented and are sustainable will be a major challenge.

¹² See ADB. 2004. *Private Sector Assessment for the Kingdom of Cambodia*. Manila, and footnote 6.

H. Environment¹³

31. **Environmental Management.** Cambodia's economy depends heavily on agriculture, fisheries, and natural resources and the unique ecosystem centered on the Tonle Sap basin. Environmental management in Cambodia is weak and the legal framework does not meet the country's environmental needs. Information and guidelines on crucial aspects such as allowable forestry cut, fish yields, and groundwater resources are lacking. Weak stakeholder participation reduces the scope for community-based management. The roles and responsibilities of the environmental agencies at various levels need to be clarified, given that up to 14 agencies are involved in managing the Tonle Sap basin. Management capacities are particularly weak at provincial level. The Government's key environmental challenges include (i) decreasing forest cover, which reduces biodiversity, causes erosion, accelerates river siltation, and increases flooding; (ii) untreated wastewater; (iii) unsustainable irrigation; (iv) degradation of inland fisheries and coastal resources; and (v) poor protection of biodiversity and protected areas.

32. Over 20% of incomes of poor households are sourced from the commons, mainly fisheries and forestry, and serve as a safety net when other sources fail. Efforts to formalize community access rights to fisheries and forests are in their infancy and there is limited capacity to support community management or to ensure adequate enforcement to exclude large-scale commercial interests. Although private forest concessions that were environmentally unsound or economically unviable have been cancelled, illegal logging continues. The Government has released many private fishing concessions in the Tonle Sap to community groups for them to manage. While this is an important step towards enhancing access of the poor to fisheries resources, further strengthening of the regulatory framework and local capacity is required to ensure that communities enjoy the benefits of sustainable fisheries management.

33. **Tonle Sap Basin.** Around the Tonle Sap some 1.7 million people depend on fishery-based livelihoods. In the dry season, the Tonle Sap River drains into the Mekong and Bassac Rivers near Phnom Penh. Both these rivers flow into Viet Nam's Mekong delta. When the Mekong rises with the monsoon rains, the Tonle Sap's flow reverses to the north-west into the Tonle Sap Lake, raising its level by up to 10 meters and increasing its area from 3,000 square kilometers to 16,000 square kilometers. This unique hydrological cycle generates vast areas of seasonally-flooded forests with intense biodiversity, and provides the people of Cambodia with 40–70% of their protein intake. Despite the natural and ecological wealth of the Tonle Sap basin, it is one of the poorest regions of Cambodia. The population growth rate is rapid, the population young and social indicators low. The competing pressures on natural resources have put the entire basin at risk of overexploitation.

I. Regional Cooperation

34. The Government sees regional and international integration as one of the key pillars of its development agenda. Regional cooperation will provide Cambodia with the economies of scale and opportunities to attract investment, create employment, generate income and reduce poverty. Key to Cambodia's commitment to enhance regional links has been its active role in the Greater Mekong Subregion (GMS) and its membership of the Association of South-East Asian Nations (ASEAN). Cambodia is also pursuing other efforts to harmonize trade and investment policies in the context of ASEAN and the East Asian Free Trade Area.

¹³ See ADB. 2003. *Environmental Assessment for Cambodia*. Manila, and World Bank. 2003. *Cambodia Environment Monitor*. Washington, DC: World Bank.

II. THE GOVERNMENT'S DEVELOPMENT STRATEGY

A. Development Goals and Strategy

35. The Government's development strategy, as reflected in the Rectangular Strategy, draws on the SEDP II and the NPRS and is a synthesis of the priorities of these documents.¹⁴ The SEDP II is a comprehensive development program focusing on growth promotion, regional integration, and poverty reduction. It serves as the Government's principal planning document. The NPRS is closely based on the SEDP II and elaborates the poverty reduction agenda, providing a framework for support by international development partners and a comprehensive set of indicators to monitor progress towards achieving Cambodia's MDGs. The NPRS identifies eight priority poverty reduction outcomes, each of which has detailed actions: (i) maintaining macroeconomic stability; (ii) improving rural livelihoods; (iii) expanding job opportunities; (iv) improving capabilities; (v) strengthening institutions and improving governance; (vi) reducing vulnerability and strengthening social inclusion; (vii) promoting gender equality; (viii) focusing on population through maternal health, increased access to education, and rural opportunities.

36. Following the formation of the new Government in July 2004, the Prime Minister launched the Rectangular Strategy, which is intended to guide the implementation of the economic policy agenda of the Government during its remaining term in office. The Rectangular Strategy, which can be visualized as a series of interlocking rectangles, has good governance at its core. The other rectangles focus on the desired environment to implement the strategy, and on promoting economic growth through agriculture development, rehabilitation and construction of physical infrastructure, private sector development, and capacity building and human resource development (see Box 1). While conceptually sound, the Rectangular Strategy currently lacks an action plan, and needs prioritization and costing. To implement the development vision set out in the Rectangular Strategy, the Government and its development partners have agreed to prepare a single planning document, the National Strategic Development Plan during the next planning cycle covering 2006–2010.

B. Resource Mobilization and Investment

37. The NPRS and the Rectangular Strategy are predicated on an average annual real GDP growth rate of 6–7%. This would require a substantial increase in the volume and productivity of investment, from a projected 20% of GDP in 2004. Moreover, the actions and investments enumerated in the NPRS call for financing in excess of \$1.5 billion over 2003–2005. In the face of increased competition for concessionary aid, there is therefore a need to redouble efforts to mobilize domestic revenues to finance growth and poverty reduction. As indicated in the Rectangular Strategy, this would require a significant effort to improve the collection of tax and non-tax revenues, by reducing corruption and tax evasion, dismantling the structure of tax exemptions, broadening the tax base, and strengthening tax and customs administration. A complementary priority is improving the effectiveness of spending, by linking expenditures more tightly to priority outcomes. There is also a related need to improve the investment climate and reduce the cost of doing business for the private sector.

¹⁴ The NPRS serves as the country's poverty reduction strategy paper.

Box 1: Cambodia Rectangular Strategy, 2004–2008

The Rectangular Strategy, 2004–2008, aims to enhance economic growth, employment, equity, and social justice by implementing the SEDP II and the NPRS. The strategy is visualized as a structure of interlocking **rectangles**.

First, the core of the strategy is **good governance**, focusing on four areas: (i) anti-corruption efforts, (ii) law and the judiciary, (iii) public administration and decentralization, and (iv) armed forces demobilization.

Second, the environment for the implementation of the strategy consists of four elements: (i) peace, stability and social order; (ii) partnership with stakeholders, including the private sector, development partners, and civil society; (iii) a favorable macroeconomic environment; and (iv) regional and international integration.

Third, the four strategic “growth rectangles” are: (i) agricultural productivity, diversification, and competitiveness; (ii) private sector growth and employment; (iii) rehabilitation and construction of physical infrastructure; and (iv) capacity building and human resource development.

Fourth, each strategic “growth rectangle” has four sides.

- Growth rectangle 1: (i) improved productivity and diversification, (ii) land reform and mines clearance, (iii) fisheries reform, and (iv) forestry reform.
- Growth rectangle 2: (i) strengthened private sector and investments, (ii) promotion of SMEs, (iii) creation of jobs and improved working conditions, and (iv) establishment of social safety nets for workers.
- Growth rectangle 3: (i) transport infrastructure, (ii) water resources management and irrigation, (iii) energy and power grids, and (iv) information and communication technology.
- Growth rectangle 4: (i) enhanced quality of education, (ii) improved health services, (iii) greater gender equity, and (iv) a rational population policy.

C. Role of External Assistance

38. External assistance has contributed to the implementation of all major public sector development projects in Cambodia. From 1992 to 2003, official development assistance (ODA) disbursements to the country reached \$5.2 billion, with 28% from multilateral sources, 64% from bilateral sources, and 8% from NGOs. Grants account for 80% of ODA. In 2003, about \$546 million in ODA was disbursed, equivalent to nearly 8% of GDP. Pledges made during the annual consultative group meetings have increased from \$471 million in 1999 to \$548 million in 2000 and \$635 million in 2002. Based on a revised definition of ODA, donors pledged \$504 million in 2004.¹⁵ On a per capita basis, Cambodia has received significantly more ODA than other low-income countries during the past decade. Aid inflows were mainly used to improve health and education, rebuild physical infrastructure, and build institutional capacity. Given Cambodia's substantial financial needs, its limited capacity to mobilize domestic revenues, and the narrow private sector base, it will continue to depend heavily on ODA in the medium term. However,

¹⁵ The revised definition takes account of changes in methodology and coverage effected recently in order to comply with the official Development Assistance Committee/Organisation for Economic Co-operation and Development (DAC/OECD) definition of official development assistance (ODA). Based on this revised definition, the comparable figure in 2002 was \$514 million.

measures to boost external resources need to be matched by improvements in the efficiency, integrity and effectiveness with which these resources are used.

39. A key priority is to strengthen the capacity and effectiveness of the Government's aid management linked to the MDGs, in order to achieve greater Government ownership and development impact. While aid coordination is the mandate of the Council for the Development of Cambodia, there is a need to strengthen links and harmonize procedures with other key agencies concerned with ODA, such as the Ministry of Economy and Finance (MEF), and the Ministry of Planning. Given existing weaknesses, significant portions of ODA are handled off-budget and are therefore difficult to account for. There is also a need to improve donor aid coordination to enhance development effectiveness—over 50% of all development assistance has gone towards capacity building, and ad hoc project-based salary supplementation schemes are common. The large number of development partners providing assistance, coupled with the lack of an effective strategic or coordinating framework, has fragmented assistance and limited its impact. The multiplicity of implementation and financing structures has undermined the development of government systems and increased the costs of providing assistance to Cambodia. Furthermore, differing policy prescriptions by development partners have sometimes undermined the achievement of sustainable and unified development policies.

40. A number of initiatives are, however, currently underway to promote better development partnerships. These include measures to implement the Rome Declaration on Harmonization; the restructuring of the existing Government–donor technical working groups (TWGs) at sector and thematic levels; the harmonization of country strategies by ADB, Department for International Development of the United Kingdom (DFID) and the World Bank and the coordination of their programs based on comparative advantage; and a greater reliance on sectorwide development programs. The Government has also collaborated with ADB and the World Bank in preparing a report on standard operating procedures for improved implementation of donor projects. The preparation of a single planning document for 2006–2010 also provides an opportunity to ensure greater development impact by increasing Government and donor harmonization around a unified development framework.

D. ADB's Assessment of the Government's Development Strategy

41. The SEDP II and NPRS processes introduced new approaches and themes to development planning in Cambodia, including (i) open and extensive participation by stakeholders; (ii) engagement of virtually all line agencies in the process; (iii) greater focus on key crosscutting themes, including governance, public sector performance, and private sector development; and (iv) use of agreed indicators linked to the MDGs to monitor progress in poverty reduction.

42. During the first quarter of 2004, an assessment of the first year of NPRS implementation by the Government and key donors noted a need to (i) address weaknesses in costing and prioritization, (ii) improve links between strategies and budgets and introduce a medium-term expenditure framework; (iii) broaden government responsibility, ownership, and coordination; (iv) build national capacity for poverty monitoring as well to evaluate key programs and policies; and (v) further elaborate pro-poor rural and infrastructure development strategies. Development partners often took the lead in developing the strategies, reducing Government input and prioritization.

43. The Rectangular Strategy represents a serious attempt by Government to demonstrate ownership of the development process. It builds on a sound diagnosis of the causes of poverty and identifies governance as the most important precondition for economic development. However, the Rectangular Strategy's growth targets appear ambitious, given the likely significant negative impact of the phasing out of the MFA on growth, which is projected to slow down to 2.3% in 2005, and the lack of any immediate alternative to garments as a driver of growth. Moreover, its coverage in terms of reforms and changes needed is ambitious. Effective implementation would require development of a focused and costed agenda.

III. ADB'S DEVELOPMENT EXPERIENCE

A. Impact of Past Assistance

44. ADB resumed lending to Cambodia in 1992, and as of 31 October 2004 32 public sector Asian Development Fund (ADF) loans amounting to \$775.70 million had been approved.¹⁶ Of these, 11 loans (\$238.9 million) have been closed and 21 loans are active (\$536.8 million). Of the 21 active loans, 17 have been declared effective (\$440.50 million), and four amounting to \$96.35 million were awaiting effectiveness as the signing of Loan Agreements was delayed by the time taken to form the Government.¹⁷ From 1992 to 31 October 2004, 112 technical assistance (TA) grants totaling \$73.64 million were approved. Of these, 34 (30%) worth \$18.77 million were project preparatory TAs, and the remaining 78 (70%) worth \$54.87 million were advisory and operational TAs, mainly for capacity building and institutional strengthening. ADB has also approved five Japan Fund for Poverty Reduction (JFPR) TAs for \$9.9 million. There are currently 30 active TAs, amounting to \$17.55 million.

45. ADB's assistance to Cambodia can be divided into three periods: (i) 1992–1995, implementing an interim strategy focused on relief, rehabilitation and recovery; (ii) 1996–2000, implementing the 1995 country operational strategy (COS), aimed at shifting from rehabilitation to sectoral development; and (iii) 2001–2004, implementing the 2000 COS. The 2000 COS identified poverty reduction as its overriding objective, to be achieved through (i) sustainable economic growth through agriculture and rural development, (ii) human resources and social development, and (iii) creating an enabling environment for private sector development. The main crosscutting theme was governance.

46. Since the resumption of lending in 1992, six projects have been post-evaluated by project completion reports and three of these have been further evaluated by project performance audit reports. All of these projects have been rated either successful or highly successful. During this period, 29 TA completion reports (TCRs) and eight TA performance audit reports (TPAR) have also been completed. Of the TCRs, 28 projects were classified as successful or highly successful, and one as partially successful. Of the TPARs, one project was

¹⁶ Almost one third of these have originated through GMS projects.

¹⁷ The four loans are: ADB. 1993. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Kingdom of Cambodia for the Agriculture Sector Development Program* Manila, ADB. 1993. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Kingdom of Cambodia for the Agriculture Sector Development Project*. Manila, ADB. 1993. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Kingdom of Cambodia for the Northwest Irrigation Project*. Manila, and Loan 2052-CAM (ADB. 1993. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Kingdom of Cambodia for the Greater Mekong Subregion [GMS] Power Transmission Project*. Manila). Although the loans were signed on 10 November 2004, the Northwest Irrigation Project and the GMS Power Transmission Project are yet to be declared effective due to delays in submission of legal opinion.

rated as highly successful, five as successful, and two as partially successful. The partially successful TAs were capacity-building advisory TAs. The poor performance in this area has been attributed to insufficient attention to institutional strengthening with the result that the institutions failed to deliver project outcomes.

47. The limited number of completed projects, together with the short time span since completion, makes it difficult to assess the overall impact of ADB's operations in Cambodia. Outcomes are still evolving. Moreover, given the increased emphasis on sectorwide approaches (SWAp), it is becoming difficult to distinguish development outcomes that can be attributed to ADB interventions alone rather than in combination with those of other development partners. Project outcomes are also affected by exogenous factors such as droughts and floods. Based on outcomes that are still evolving, a recent country assistance and program evaluation (CAPE) for Cambodia concluded that ADB's overall assistance program during 1992–2002 was responsive and relevant.¹⁸ However, the CAPE recommended that (i) governance be addressed explicitly in the future (not just as a crosscutting theme) so that macroeconomic management can be improved as a prerequisite for sustainable growth; (ii) more emphasis be given to creating an enabling environment for private sector development to promote SMEs and attract more foreign investment; (iii) future assistance be prioritized for more effective results, using ADB's comparative advantage (e.g. sector performance and extent of ADB interventions in that sector relative to other funding agencies), together with the country's needs.

48. The CAPE identified the key strengths and weaknesses of ADB's overall assistance program. ADB's strengths begin with responsiveness, as it delivered assistance quickly and flexibly, particularly during the recovery phase of Cambodia's development in the early 1990s and in the wake of the flood and drought-induced emergencies of 2001–2002. ADB's program averaged \$61 million annually and incorporated loans that focused on establishing the conditions for economic development along with those that addressed poverty directly. The size and balance of the ADB's portfolio was appreciated by the Government. The CAPE noted the following specific issues.

- (i) **Successful long-term and sectorwide approach.** ADB's pioneering work promoting a SWAp in education was acknowledged. Positive comments were also made on ADB's long-term assistance to education, health, finance, agriculture, and natural resources management.
- (ii) **Regional links through GMS.** ADB's lead in improving links between Cambodia and its neighbors through road and power networks, and in strengthening institutional capacity to address issues at both political and operational levels was welcomed.
- (iii) **Effective and continuous policy dialogue.** ADB's large program and its combination of lending and technical assistance have fostered effective policy dialogue, which is appreciated by stakeholders. ADB has supported the approval of several laws (covering banking, audit, land, and forestry). ADB technical assistance has also supported the Office of the Prime Minister, the Supreme National Economic Council, the National Audit Authority, and the PFM system.

¹⁸ A country assistance program evaluation for Cambodia was conducted by ADB's Operations Evaluation Department through the latter half of 2003 to assess the performance of ADB's country assistance programs over 1992–2002.

49. Among the key weaknesses that reduced the effectiveness of ADB's interventions in Cambodia, the CAPE noted the following: (i) the failure explicitly to address the need for improved governance through public sector reforms as a priority; (ii) a narrow approach to institutional strengthening, which has led to many capacity-building advisory TAs focusing on providing training for individuals rather than on institutional development and skills transfer; (iii) a lack of intermediate sector indicators in the country assistance programs to monitor progress towards COS objectives and the MDGs; and (iv) weak aid coordination. Weak coordination resulted in (i) piecemeal results, duplication of efforts and overburdening of the Government, (ii) reduced opportunities to mobilize cofinancing, (iii) inconsistencies in the implementation of some policy reforms, and (iii) limited collective policy dialogue with the Government on complex and sensitive issues such as corruption.

B. Portfolio Performance and Status

50. As of 31 October 2004, the overall rating of ongoing loans in the portfolio was found to be generally satisfactory, with all loans classified as satisfactory in terms of achieving development objectives. In terms of implementation progress, 17 loans (81%) were "satisfactory", and four (19%) were "unsatisfactory" because they were not yet effective for the reasons outlined above (paragraph 44). These four loans also meant that 19% of the portfolio was considered at risk, which was higher than the ADB-wide average of 18% as of 31 October 2004. Contract award (14%) and loan disbursement (17.8%) ratios as of 31 October 2004 were above the ADB-wide averages (13.3% for contract awards, and 10.9% for loan disbursement) for the same period. In 2003, actual contract awards amounted to \$61.88 million (85.08% of the projection for the year) and disbursements were \$73.28 million (73.93% of the projection). In 2004, the performance of contract awards (43.4% of the projection for the year) and disbursements (47.4% of the projection), was adversely affected by delays in loan tranche releases caused by the late formation of the Government.

51. Various measures have been undertaken in recent years to improve portfolio performance. These include (i) the holding of joint country portfolio review missions with the World Bank and the Government to coordinate policy dialogue on portfolio implementation and capacity-building issues, (ii) closer monitoring of ongoing projects followed by bimonthly meetings with project directors and/or project managers to act on impediments to implementation, and (iii) increased delegation of projects to the Cambodia Resident Mission and closer follow up with executing agencies and the MEF by the Resident Mission to expedite approvals on procurement and withdrawal applications. The Resident Mission provides frequent advice to executing agencies and MEF on project implementation issues. Despite progress, the CAPE found that capacity building is still required, mainly to train staff, improve project readiness, harmonize local bidding documents and procedures, and standardize operating guidelines and manuals.

52. There are a number of policy- and project-specific issues that need further attention if portfolio performance is to improve. Cambodia lacks a legal framework for involuntary resettlement, and has only informal procedures and ad hoc institutional arrangements. A draft national resettlement policy was prepared under an ADB TA¹⁹ in 2000 and will be expanded into a subdecree with the assistance of another TA in 2005, during which improved regulatory and implementation arrangements will be mandated, and capacity developed. In the meantime, however, there are significant issues of noncompliance with ADB's policy on involuntary resettlement and with project loan agreements and approved resettlement plans. Details of

¹⁹ Regional technical assistance (RETA) 5935 (ADB. 2000. *Technical Assistance for National Resettlement Policy Enhancement and Capacity Building*. Manila).

noncompliance in seven ongoing projects have been raised with Government, which has acknowledged the seriousness of the situation and is committed to taking corrective action. Other project-specific issues include the enforceability of the approved road fund, the timely release of counterpart funds, the appropriate use of imprest accounts, and further improvements to approval procedures within line ministries and MEF to expedite processing of withdrawal applications and procurement. A number of policy issues, such as the treatment of value-added tax (VAT) on inputs to power generation and the drinking water supply, and the need for a clear policy on the privatization of rubber plantations and agriculture input companies, also need to be addressed.

C. Conclusions and Lessons for the Country Strategy and Program

53. Over 10 years of operations in Cambodia, the CAPE review and other analyses, and discussions with Government and other stakeholders have yielded a number of key lessons. One is the need for patience and perseverance. Cambodia's reengagement with the international community is just over a decade old. The unique challenges facing the country mean that the bulk of development interventions must be long-term in nature, requiring continuing financing over many programming periods. Given capacity constraints within Government agencies, there is a need to adopt a realistic and pragmatic set of expectations in relation to project implementation, along with a clear understanding of the social and political dynamics of governance and reform.

54. Given that narrowly focused capacity-building initiatives have in the past lessened the positive institutional impact of many advisory TAs, there is a need for a broader approach to institutional strengthening. In future, the focus must be on improving the management, operational, and budgetary systems of institutions as a whole. An institutional diagnostic should be conducted first, and skills transfer and exit strategies formulated. These should be regularly monitored during implementation.

55. Another lesson is that the understanding of corruption is shallow, both by the Government and development partners. Careful analysis of the intensity, nature, roots, antecedents, and parameters of corruption in Cambodia and in comparison with other countries is required for pragmatic and effective anticorruption measures to be formulated. This requires an understanding that reducing corruption is a long-term process that starts with strengthening institutions and stimulating popular opposition to institutionalized corruption.

56. Intensifying coordination among development partners and stakeholders, and strengthening the Government's capacity to manage aid remain important concerns. Although there are positive signs of improved development partner coordination, more needs to be done to avoid inconsistencies in the adoption of policy reforms and to reduce the Government's transaction costs.

57. Helping the Government to strengthen links among leading NGOs, community groups, the private sector and line ministries is one way in which better governance, community participation, and service delivery can all be fostered at the same time.

IV. ADB'S STRATEGY

A. Summary of Key Development Challenges

58. ADB's overarching goal in Cambodia is sustainable poverty reduction. The binding constraints to poverty reduction remain numerous, and include inadequate and narrowly based economic growth, limited access to and poor quality of social services, landlessness, lack of access to natural resources, social exclusion, poor governance, and endemic corruption. The key development challenges include: increasing opportunities for economic advancement, improving livelihoods and reducing vulnerability, and facilitating participatory governance at all levels.

B. Country Strategy and Program Strategic Focus

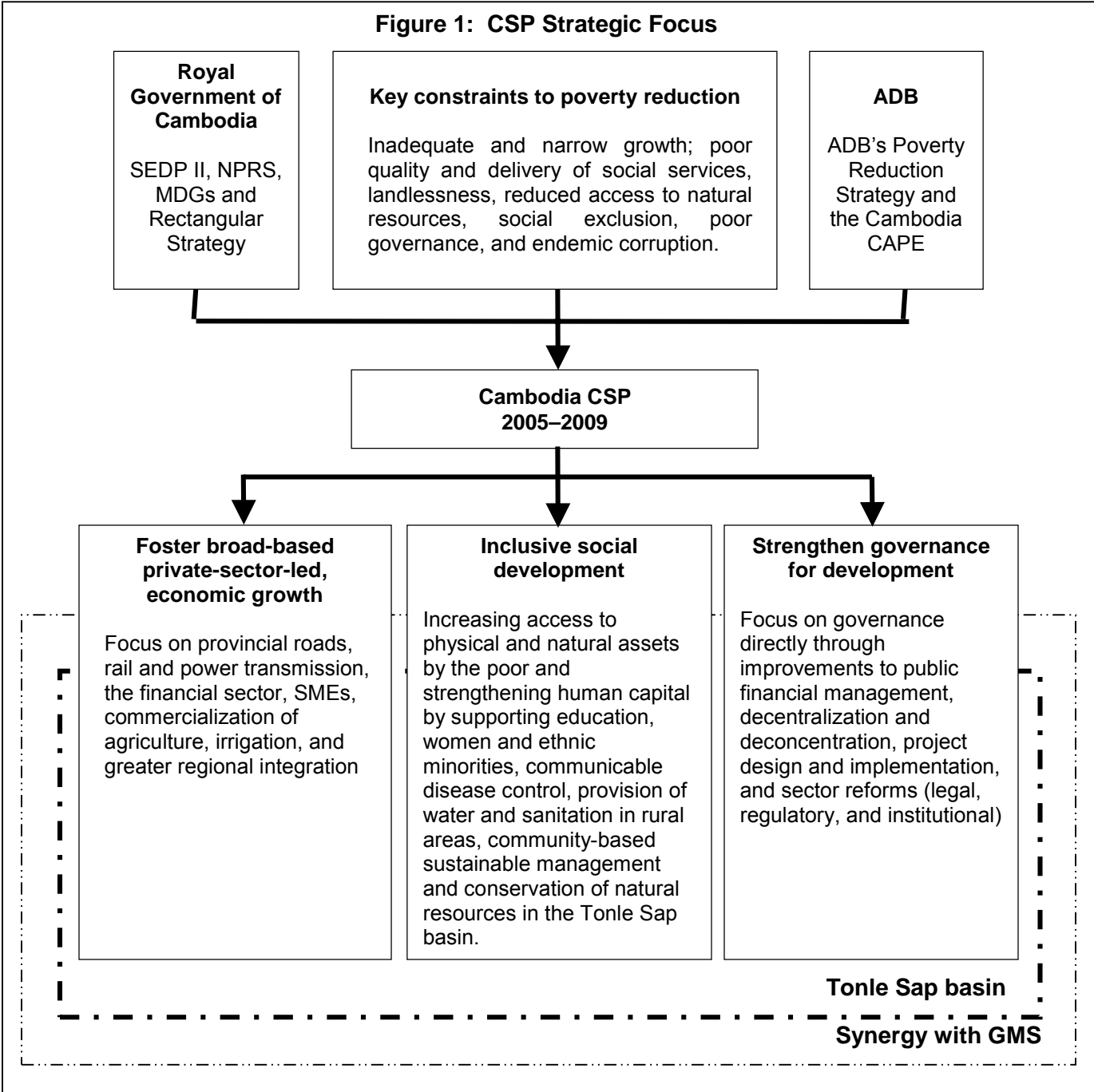
59. To respond to the above, ADB's strategy will focus on supporting broad-based economic growth, inclusive social development, and good governance. A focus on the Tonle Sap basin to address geographical disparities in development, and subregional focus to benefit from the broader opportunities provided by ADB's GMS program are also included. Figure 1 outlines the country strategy and program's (CSP) strategic focus.

60. **Broad-based economic growth.** Broad-based economic growth is essential to sustain poverty reduction and increase government revenues so that public services can be properly financed. While economic growth has been fairly strong in the past decade, it has been limited to a few sectors and has had a limited impact on the poor. Cambodia needs to resolve numerous structural constraints to growth, including a limited number of new sources of growth, infrastructure bottlenecks, a weak and shallow financial system, a low skills base, and weaknesses in governance. ADB will work to support the enabling conditions for pro-poor, private-sector-led sustainable growth through investments in physical infrastructure, development of the financial sector, support for greater regional integration, sustainable development of SMEs, and investments in agriculture and irrigation.

61. **Inclusive Social Development.** Although Cambodia has made progress in increasing the depth and quality of its human capital, the country's MDG indicators remain among the worst in the region. Although coverage of basic services has expanded, the quality of services is low. The CSP will help improve the welfare of the poor by enhancing livelihoods and reducing vulnerability by increasing access by the poor to assets (both physical and natural) and by strengthening human capital. Specifically, ADB will focus its support on improving education, empowering vulnerable groups such as women and ethnic minority groups, controlling communicable diseases, providing rural water supply and sanitation facilities, and promoting community-based sustainable management and conservation of natural resources in the Tonle Sap basin.

62. **Good Governance.** Weak governance remains a key obstacle to achieving faster economic growth and reducing poverty in Cambodia. In response, ADB will adopt an increasingly proactive role in governance initiatives through its projects. In its future assistance program, ADB will focus on governance directly by: (i) improving accountability and service delivery; (ii) supporting legal, regulatory and policy reforms; (iii) strengthening institutional capacity building; and (iv) improving efficiency and effectiveness of project implementation. Through this approach, ADB will help the government to achieve a gradual, incremental and (to the extent possible) irreversible improvement in governance practices on several fronts.

63. ADB recognizes that these three strategic pillars (broad-based economic growth, inclusive social development, and good governance) are interlinked and mutually reinforcing. Unless institutions in Cambodia are strengthened, economic growth will falter and vulnerability will increase. Economic growth and private sector development will lay the foundation for good governance, by creating a strong constituency for transparency and rule of law. Social stability is both a by-product and a necessary pre-condition for economic growth and good governance.



1. Sector Selectivity

64. Sector interventions in ADB's future assistance program to Cambodia, within the context of a reduction in ADF resources, will be based on the following criteria: the binding constraints to poverty reduction; the identification of priorities from consultations with stakeholders; ADB's comparative advantage; past performance in particular sectors; a realistic assessment of Government's commitment to reform; and the likely extent of interventions by other development partners in particular areas. Notwithstanding tremendous country needs, and an increase in the number of activities brought on by the GMS program, ADB will make a concerted effort to be more selective with its interventions to improve the effectiveness of its assistance. However, as ADB is one of the largest donors in Cambodia (in terms of funding and sector involvement), exiting from a sector would require careful consideration and cooperation with other donors to ensure adequate cover for the funding shortfall. Such an understanding has been reached with the World Bank in the health sector, and ADB will gradually pull out of the sector with the World Bank increasing its presence in health. Exiting from the health sector has enabled ADB to support rural water supply and sanitation, a sector that is critical to achieving the MDGs. ADB's involvement here is intended to be catalytic, in that it will attempt to draw in the Government and other donors into this important sector which currently lacks adequate funding. ADB, DFID, and the World Bank have also harmonized their strategies, coordinated their programs, and agreed on areas where one partner has a comparative advantage and will take the lead. This approach has been extensively discussed with, and has the full backing of, the Government. The "lead agency" will also provide support for the Government to develop and implement sector strategies. ADB will take the lead role in four priority sectors: (i) agriculture and water resources; (ii) education; (iii) finance; and (iv) transport. In areas where one partner takes the lead role in helping the government formulate the sector strategy and program, the others will play a supporting role by continuing to undertake technical assistance and investment lending and also by participating in national dialogue on development policies and related concerns in the relevant sector. Thus, ADB will continue to support the power sector (where the World Bank will take the lead).

2. Non-Governance Thematic Priorities

65. **Private Sector Development.** ADB will help the Government improve the climate for private sector development through a combination of investments, and policy, institutional and regulatory reforms. Towards this end, ADB's interventions will be designed to further relieve key infrastructure bottlenecks (especially in transport and power) that increase the cost of doing business. They will also promote human resources development (education and vocational and/or skills training) for a more productive labor force, and financial sector reforms to reduce the cost of and increase access to finance. In future, there will be a sharper focus on private-sector initiatives with a high poverty reduction impact. Specifically, ADB will support SMEs to increase their productivity, competitiveness, and employment generation potential. Private sector operations will also be undertaken as and when opportunities arise. While prospects for developing private sector operations are currently limited, future possibilities in trade facilitation, and in the rail, road and financial sectors are being actively explored by ADB's Private Sector Operations Department. ADB's support may take the form of direct loans, equity financing, or credit enhancement products.

66. **Gender.** Discrimination against women because of sociocultural reasons remains an issue of concern. ADB will continue to focus its operations on creating economic opportunities for women and enhancing their livelihoods. More specifically, it will: (i) intensify mainstreaming of gender concerns in ADB projects by strengthening operational relationships between line

ministries and the Ministry of Women's Affairs (MoWA); (ii) contribute to gender equality and empowerment through targeted interventions in education, agriculture, natural resource management, rural development, and SME development; (iii) continue to strengthen MoWA's policy analysis and advocacy capacity; and (iv) promote regional links and collaboration with other GMS countries to address the vulnerability of women to human trafficking, migration, and crossborder communicable disease.

67. **Environment.** ADB's will aim at the sustainable use of natural resources to enhance livelihoods and reduce poverty. Given its natural wealth and importance to sustaining the population of Cambodia, the Tonle Sap will remain an area of special focus, and interventions will emphasize community-based natural resource management, within an integrated basin-wide approach. ADB will promote improvements to the information systems that are crucial for environmental management, and support institutional capacity building of agencies responsible for environment and natural resources at both national and local levels. Within the Tonle Sap basin, ADB will support development of alternative livelihood systems for communities whose current activities are incompatible with the preservation of the environment. Although the focus will be on the Tonle Sap basin, environmental sustainability will be addressed in all sector projects through strict adherence to ADB's environmental assessment process. In future, there will be an increased focus not just on monitoring the individual impacts of projects, but on their cumulative impacts.

3. Geographical Focus

68. To improve the development impact of its assistance program, ADB will increasingly focus some of its interventions on the Tonle Sap basin, to enable greater synergies among different interventions, and to focus support for poverty reduction and environmental management on one of the poorest and environmentally most sensitive regions of Cambodia (see Appendix 3). The Tonle Sap basin includes all or part of 8 of Cambodia's 24 provinces and covers 80,000 square kilometers (44% of Cambodia's total area)²⁰ with a combined population of 3.6 million, one third of Cambodia's total population.

69. ADB's focus on the Tonle Sap basin has several implications. First, ADB will develop interventions to improve environmental stewardship and livelihoods in the Tonle Sap basin. Second, ADB will ensure that, whenever feasible, subnational projects (i.e., projects without a national focus) will be located within the Tonle Sap basin. In particular, ADB will gradually move some of its interventions in agriculture, power, and rural water supply and sanitation to the Tonle Sap basin. While ADB will continue to support transport projects throughout the country, many of these will be located in the Tonle Sap basin. ADB will, however, retain flexibility to look at this geographical focus within the context of other donors' programs in the Tonle Sap. The transition to the Tonle Sap basin will be gradual, and will probably not be completed during the 2005–2009 CSP period.

4. Synergy with the GMS Program

70. Given the high incidence of poverty in many GMS countries, and the complementarity of the Cambodia CSP and the regional cooperation strategy and program for the GMS,²¹ greater

²⁰ The provinces covered are Banteay Meanchey, Battambang, Kompong Chhnang, Kompong Thom, Oddar Meanchey, Preah Vihear, Pursat, and Siem Reap. In addition ADB will support natural resource management in other areas if necessary for the environmental stewardship for the Tonle Sap basin.

²¹ ADB. 2004. *Regional Cooperation Strategy and Program 2004–2008, The GMS–Beyond Borders*. Manila.

efforts will be made in future to strengthen the synergy between the CSP and the broader opportunities provided by the GMS program. Towards this end, the projects identified for Cambodia in the regional cooperation strategy and program shall periodically be reviewed to ensure integration and support for the achievement of the outcomes identified in the CSP. While projects in the transportation, power, telecommunications, and tourism sectors will continue to receive attention given their positive role in promoting growth, there will also be an emphasis on addressing institutional capacity weaknesses to ensure sustainability of project benefits. There will be a focus on promoting livelihoods and reducing vulnerability through projects on flood management and mitigation and on minimizing the negative social consequences of increased mobility, such as the transmission of communicable diseases. The CSP's focus on environmental stewardship of the Tonle Sap basin will have positive implications for the GMS, since the Tonle Sap basin is key factor in the sustainability of the Mekong River basin.

V. ADB'S ASSISTANCE PROGRAM

A. Overall Assistance Level

71. Cambodia has been classified as a category A borrower since ADB resumed lending operations in 1992, and may borrow only from the ADF. Although the resource envelope under ADF IX has increased, Cambodia's indicative planning figure (IPF) for 2005–2006 is \$104.30 million, or \$52.15 million per year (with a carry-forward possibility, allowing a minimum of \$39.11 million per year and a maximum allocation of \$65.19 million). The lower IPF allocation to Cambodia is mainly due to revisions in the policy on performance-based allocations, specifically the greater weight given to governance. This more than offset an improvement because of the smaller weight given to population (the "small-country bias"). During 2005–2006, subregional (GMS) projects will also be considered as an addition to the country allocation. ADB will continue to maintain flexibility in its assistance program by using a combination of program lending, sector development programs, sector lending, and special funds to match Cambodia's needs. The 2005–2006 non-lending program based on Technical Assistance Special Fund (TASF) and Japan Special Fund (JSF) resources (and excluding cofinancing and regional TA) is expected to average around \$3.3 million per year. Of this amount, approximately 71% will be for project preparatory TA and the remainder for advisory TA. Advisory TAs will mainly focus on institutional strengthening and capacity building to develop more effective sector institutions, improve governance, and enhance the overall impact of development assistance. ADB will continue to actively pursue cofinancing, particularly from grants and concessional loan sources, for both its lending and non-lending programs.

72. Given the wide range of development issues to be addressed in Cambodia, the full range of ADB's operational and financial instruments will be employed. SWAps and program-based approaches (PBAs) will be promoted where feasible, and on the basis of need (see paragraph 90 below). Policy dialogue and reforms will continue to be addressed through sector development programs. Where ongoing reforms are led by other donors, ADB will lend on a project basis. A new innovation in the lending program for Cambodia is the availability of grant financing. As a poor debt-stressed country, Cambodia could receive up to 50% of its total ADF assistance in the form of grants under the ADF IX grants allocation framework. This is a positive development for a country which while having an estimated debt service ratio (relative to exports of goods and services) of only 2.9% in 2003, had a debt service to government revenue ratio of 14.8%, placing it in the category of debt stressed countries. Moreover, with the phasing out of the MFA at the end of 2004 and its likely adverse impact on the country's principal source

of exports, garments, Cambodia remains highly vulnerable to adverse external developments. Cambodia also ranks as one of the poorest countries in Asia, and is unlikely to attain the MDG target of halving the population below the national poverty line by 2015. Many of the non-income MDG targets will also be unattainable. Given intense poverty, the pressing need for basic social investment, and limited prospects for such investment because of the very low government revenue base, selective and focused grant assistance would represent a major addition to resource availability. The Government has indicated that it wishes to use ADF grants, in either stand-alone or blended forms, for projects addressing national poverty reduction objectives encapsulated in the MDGs. This approach is consistent with ADB's overarching goal of sustainable poverty reduction in Cambodia and the strategic priorities in the CSP. In the 2005 lending program, grant financing is envisaged for projects dealing with rural water supply and sanitation, and for controlling communicable diseases.

B. ADB Assistance for the Strategic Priorities

1. Broad-Based Pro-Poor Economic Growth

a. Economic Infrastructure

73. **Transport.** As with much economic infrastructure, the transport sector was severely damaged by the years of conflict in Cambodia. Although notable progress has been made since the early 1990s in restoring a core road network connecting the main centers within Cambodia, and the national economy with neighboring countries, much remains to be done. Most of the roads, especially those to rural and agricultural communities, are in a poor condition. This has led to high transport costs and restricted the access of the poor to markets and social services, adversely affecting competitiveness, the expansion of economic opportunities, rural livelihoods, and poverty reduction. Critical sector issues and constraints include the lack of a reliable management and financing mechanism for road maintenance, the need for consolidation and transparent management of public expenditures on roads to increase efficiency in allocation, institutional strengthening and capacity building of sector institutions, inadequate legal and regulatory frameworks to promote greater private participation in the sector, and lack of capacity among domestic private sector contractors. Improved access is a cornerstone of the government's Rectangular Strategy, as it will help to reduce costs of farm inputs, increase prices available to farmers, and open up non-farm income earning opportunities.

74. ADB has been one of the lead partners in the transport sector and has helped to connect Cambodia to Viet Nam and Thailand through highway projects, and to link primary roads to local communities. ADB will continue to assist the Government to improve access by further restoring Cambodia's secondary national and provincial roads and by rebuilding the institutional and physical infrastructure of Royal Railways of Cambodia. This will be done with greater private sector participation in both road and rail sectors. ADB will also support strengthening the Fund for the Repair and Maintenance of Roads by helping to establish appropriate institutionalized funding mechanisms. It will help develop policy-making and regulatory oversight capacities of the road transport agencies. ADB's GMS program will continue to support the harmonization of cross-border trade and transport regulations, ensuring that Cambodia derives more value-added from its role as a "land bridge" between Thailand and Viet Nam. The GMS program will also provide TA support for policy reform of the telecommunications sector as a follow-up to ongoing GMS support in this area.

75. **Power.** The adequate supply of reliable and affordable power is a prerequisite for private-sector-led economic growth. Cambodia has the lowest electrification rate in Asia and

among the highest electricity costs in the world. Only about 15% of the total population is serviced by the power system. ADB will continue its important supporting role in restoring power supplies to Phnom Penh and principal provincial towns, helping provide competitive and reliable power for private rural distributors. Future ADB assistance will focus on expanding the country's power generation, transmission, and distribution systems, including to rural and poor areas. This will be done in close coordination with ongoing and future GMS power sector projects to ensure lower costs and economies of scale.

b. SME Development and the Financial Sector

76. ADB will help to create an enabling environment for SMEs by (i) establishing a development framework and appropriate institutional structures so policy towards SMEs is effectively coordinated and implemented across various ministries; (ii) enhancing governance and business regulations by improving company registration processes and developing a transparent business licensing system; (iii) improving SMEs' access to finance by developing a credit information system, assisting enterprises in accounting and taxation systems, and developing a legal framework for leasing; and (iv) assisting in the development of business services and public-private partnerships.

77. Although ongoing interventions by ADB and IMF to support the financial sector have strengthened the banking system (the deposit base grew from only 4% of GDP in the early 1990s to 12% by the end of the decade), the financial sector continues to exhibit low levels of intermediation, restricted outreach, a lack of development of nonbank financial institutions, and a limited range of products and services. Several factors have inhibited credit growth, including inadequate mechanisms to support the enforceability of financial contracts, lack of reliable borrower information, high operating costs, low levels of transparency and weak human resources capacity. Given the critical role of the financial sector in economic development, ADB will continue its leading role in supporting financial sector development and is currently working with the Government to update its financial sector blueprint. Future ADB involvement will depend on the outcome of this update, but is expected to focus on (i) strengthening bank and nonbank supervision, (ii) further developing the payments system and the interbank market, (iii) implementing new accounting regulations to improve transparency and facilitate information sharing, (iv) building the legal infrastructure to support financial intermediation and commercial activity, (v) fostering private sector development of the insurance business while strengthening the regulatory framework and supervisory system, and (vi) additional investments in human resource capacity building.

78. **Tourism** has the potential to support further economic growth and job creation, and is a key area for private sector participation. ADB has supported the development of tourism in Cambodia through improved transport (roads and airports) and urban development in key tourism areas. Future support in this area will focus on the promotion of regional tourism within the GMS.

c. Agriculture and Water Resources Management

79. While a significant proportion of Cambodia's economic production comes from agriculture, the sector has lagged in growth. With 90% of the poor living in rural areas, the low growth rates in agriculture have been a major impediment to poverty reduction. Boosting agriculture productivity, diversification, and competitiveness would enhance economic growth, employment, equity, and social justice. ADB's strategy, built around its past and ongoing agriculture sector projects, will focus on (i) improving farmers' ability to raise productivity,

diversify towards higher-value products, and connect to markets; (ii) enhancing the market environment for private agriculture-based enterprise growth; and (iii) strengthening institutional capacity for competitive agriculture commercialization. This will include strengthening extension support to farmers' groups, advisory support and export promotion for agriculture-based enterprises, quality and safety standards for agriculture produce, price information, and implementation of land concessions. ADB's support for irrigation development will be integral to its support for agriculture and will emphasize improved water management for high and stable crop yields and incomes. ADB will promote an integrated basin-oriented approach to irrigation design, and encourage water-using farming communities to manage small and medium-sized irrigation schemes sustainably. While the main thrusts of ADB's interventions in agriculture are directed at increased commercialization, food security issues will be addressed by agriculture and irrigation components of projects under the Tonle Sap basin strategy.

Table 1: Proposed Projects to Address Broad-based Economic Growth

Proposed Project	Program Year
Lending Projects	
Agriculture and Natural Resources	
• Agriculture Sector Development Program	2004/2005 ^a
• Agriculture Sector Development Project	2004/2005 ^a
• Northwest Irrigation Project	2004/2005 ^a
• Irrigation and Water Resource Management Sector Development	2007
Energy	
• Second Power Transmission and Distribution Project	2006
Finance	
• Financial Sector Program I (Subprogram III)	2005
• Financial Sector Program II (Subprogram I)	2007
Industry and Trade	
• SME Sector Development	2004/2005 ^b
Transportation and Communication	
• Transport Infrastructure Development and Maintenance Project	2006
• GMS: Rehabilitation of the Railways in Cambodia	2006
Other	
• GMS Pro-poor Tourism Development	2006
Non-lending Projects	
Agriculture and Natural Resources	
• Business Initiatives in Rural Development	2005
• Irrigation and Water Resource Management (PPTA)	2006
• Agriculture Sector Development Program II (PPTA)	2007
Finance	
• Financial Sector Program Implementation	2005
• Financial Sector Program II (PPTA)	2006
• Financial Sector Program Implementation	2007
Industry and Trade	
• Enhancing Business Development Services for SME	2006
• SME II (PPTA)	2007
Transportation and Communication	
• Transport Infrastructure Development and Maintenance (PPTA)	2005
• GMS: Rehabilitation of the Railways in Cambodia (PPTA)	2005
• GMS: Telecom Sector Reform	2005
Other	
• GMS: Pro-poor Tourism Development (PPTA)	2005

^a Loan signing, November 2004.

^b Loan approval, December 2004.

2. Improving Livelihoods and Reducing Vulnerability

a. Education and Training

80. Increased educational opportunities are central to reducing vulnerability and poverty. While considerable progress has been made in improving access to primary education over the past decade and budget allocations for education have increased, Cambodia is unlikely to meet its MDG target for access to lower secondary education. There has been some improvement in making access more equitable, but gender disparities in education persist, and the quality of education needs to be improved at all levels. ADB has been a lead donor in supporting a SWAp and the Government's Education Strategic Plan (ESP), 2001–2005, which aims to improve the equitability of access to education services, improve the quality and efficiency of education, mobilize resources to increase budgetary support, strengthen and develop the institutional capacity for decentralization, and strengthen partnerships with other donor agencies, other countries, and national and international organizations. The ongoing education sector development program is supporting policy reforms, institutional capacity building, development of education facilities at primary and secondary levels, and technical and vocational education and training. ADB will continue its support for the ESP and Education Sector Support Program, 2004–2008, through (i) supporting implementation of policy reforms which will expand opportunities for the poor at primary, secondary, and post-secondary levels; (ii) enhancing access to secondary education by means of a targeted investment program for facilities development; (iii) consolidating decentralized vocational training efforts through the life-long community learning centers concept and encouraging public–private sector partnerships; (iv) providing a targeted and expanded program of education incentives for the poor with an emphasis on girls and minorities; and (v) providing capacity building support for decentralized education, especially at the post-basic level and in non-formal education. ADB will also continue to support the Phnom Penh plan, which provides training for senior GMS officials.

b. Rural Livelihoods and Reducing Vulnerability

81. Under ADB's SWAp to the Tonle Sap basin, the focus will continue to be on promoting management and conservation of natural resources, with a view to promoting sustainable livelihoods within the basin area. Specifically, interventions will focus on protecting and supplementing the assets of the poor (physical, social, and natural) through community-based natural resource management, the provision of small-scale community infrastructure (e.g. rural access roads, foot bridges, small irrigation pumps, community wells for safe water), skills development training, and institutional development and capacity building, to promote alternative livelihood activities.

82. As agreed with the World Bank, given the acute resource constraints, ADB will gradually move out of the health sector, while the World Bank allocates more resources to health. ADB will instead include rural water supply and sanitation as a new area of focus, given the lack of any appreciable donor support in the sector and its importance in achieving health-related MDGs. Interventions to improve rural water supply and sanitation are meant to be catalytic, and ADB's future involvement in this area will be centered on the Tonle Sap basin. ADB will, however, continue to be involved in health through efforts to control communicable diseases that could be more effectively addressed through a regional (GMS) perspective.

Table 2: Proposed Projects to Improving Livelihoods and Reducing Vulnerability

Proposed Projects	Program Year
Lending Projects	
Agriculture and Natural Resources	
• Tonle Sap Sustainable Livelihoods	2005
• Chong Kneas Environmental Improvement (Standby)	2005
• Tonle Sap Lowland Stabilization	2007
• GMS: Flood Management	2007
Education	
• Education Sector Development Program III (Standby)	2007
Health, Nutrition and Social Protection	
• GMS: Communicable Disease Control in Border Areas	2005
Water Supply, Sanitation and Waste Management	
• Rural Water Supply and Sanitation	2005
Non-lending Projects	
Agriculture and Natural Resources	
• Tonle Sap Lowland Stabilization (PPTA)	2005
• Study of the Influence of Build Structures on the Fisheries of the Tonle Sap	2005
• Capacity Building of the Inland Fisheries Research and Development Institute II	2005
• Tonle Sap Watershed Management (PPTA)	2006
• GMS: Flood Management (PPTA)	2006
• Enhancing Activities to Implement the Stockholm Convention on Persistent Organic Pollutants	2007
• Enhancing the Role of Women in Inland Fisheries	2007
• Study of Inland Aquatic Resources Trade Patterns	2007
Education	
• Dormitories for Secondary School Girls	2005
• Education Sector Development (PPTA)	2006
Industry and Trade	
• Women's Integrated Empowerment Centers	2005
Water Supply, Sanitation and Waste Management	
• Sustainable Rural Water Supply and Sanitation (PPTA)	2005
• Tonle Sap Water Supply and Sanitation Project (PPTA)	2007

3. Strengthening Governance for Development

83. As outlined in paragraphs 16–23, Cambodia faces serious governance challenges. Given the size of the agenda, it is essential that development partners coordinate their efforts. ADB will therefore support government initiatives to (i) improve accountability and service delivery to its people through PFM, decentralization, and increased participation in local resource management; (ii) increase efforts to secure legal, regulatory and policy reforms in areas critical for growth, such as the financial sector, SMEs, agriculture, education, telecommunication and the railways; (iii) continue to support institutional capacity building to improve corporate governance and efficiency in sectors in which it operates; and (iv) improve the design and implementation of projects, such as the development of standard operation procedures, to improve efficiency and effectiveness. Because of resource constraints and involvement of other partners, ADB will not be directly involved in other areas such as public administrative reform and legal and judicial reform (see also Appendix 1, Table A1.5).

84. Corruption is a very serious challenge. There is widespread recognition in Cambodia that corruption seriously constrains economic growth, private sector development, and poverty reduction, and that it undermines the rule of law. ADB will work jointly with Cambodia's other development partners and the Government to increase accountability and fight corruption. ADB's approach to fighting corruption is based on tackling the systematic and institutional aspects of corruption by (i) reducing opportunities for corruption by developing and promoting simplified laws and processes; (ii) increasing the "voice" against corruption by encouraging participation in development; (iii) increasing transparency and efficiency in public management, especially PFM and the financial sector; and (iv) undertaking strict oversight of ADB-assisted projects.

Table 3: Proposed Projects to Strengthen Governance for Development

Proposed Projects	Program Year
Lending Projects	
Improving Accountability and Service Delivery	
• Facilities for Commune Councils Phase II	2006
Legal, Regulatory, Policy Reform and Institutional Capacity Building	
• Agriculture Sector Development Program	2004/2005 ^a
• SME Sector Development	2004/2005 ^b
• Financial Sector Program I (Subprogram III)	2005
• Transport Infrastructure Development and Maintenance Project	2006
• Irrigation and Water Resource Management Sector Development	2007
• Financial Sector Program II (Subprogram I)	2007
• Education Sector Development Program III (Standby)	2007
Non-lending Projects	
Improving Accountability and Service Delivery	
• Facilities for Commune Councils Phase II (PPTA)	2005
• Support to Decentralization Program (PPTA)	2006
• Support to Public Financial Management II	2007
Legal, Regulatory, Policy Reform and Institutional Capacity Building	
• Establishment of Tonle Sap Basin Management Organization III	2005
• Financial Sector Program Implementation	2005
• Transport Infrastructure Development and Maintenance (PPTA)	2005
• GMS: Rehabilitation of the Railways in Cambodia (PPTA)	2005
• GMS: Telecom Sector Reform	2005
• Capacity Building for Tonle Sap Poverty Reduction Initiative II	2006
• Establishment of Tonle Sap Basin Management Organization IV	2006
• Irrigation and Water Resource Management (PPTA)	2006
• Financial Sector Program II (PPTA)	2006
• Financial Sector Program Implementation	2007
• SME II (PPTA)	2007
• Agriculture Sector Development Program II (PPTA)	2007
• Establishment of Tonle Sap Basin Management Organization V	2007

^a Loan signing, November 2004.

^b Loan approval, December 2004.

a. Strengthened Public Financial Management

85. ADB will work in close collaboration with other development partners to support implementation of the Government's comprehensive and sequenced PFM reform program. ADB assistance—the first phase of which is to make the budget credible—will be in the context of an agreed SWAp and will build on results achieved during previous ADB interventions (i.e. public

expenditure tracking surveys, budget process, medium term expenditure frameworks, and public audit).

b. Decentralization

86. ADB's support for decentralization has focused on strengthening the institutional capacity of commune councils, by supporting the establishment of commune facilities and the production of maps to facilitate commune-level implementation of the Land Law. These investments are complemented by capacity building activities for commune councilors, staff, and supporting government departments in local government administration. ADB will continue to support the provision of commune facilities and local government capacity building while working with the Government and other development partners to develop a cohesive system of local governance with harmonized structures for service delivery. Other ADB interventions in the area of rural livelihoods, particularly natural resources management, will directly support the Government's efforts to enhance the role and authority of local government.

C. External Funding Coordination and Partnership Arrangements

87. Cambodia is one of the leading Asia-Pacific countries in preparing to implement the Rome Declaration on Harmonization. The Government—in close cooperation with leading development partners, including ADB—has actively promoted greater harmonization between partners and improved alignment of their assistance programs with the Government's core development strategy. An action plan on harmonization and alignment has been drafted with the assistance of partners and will serve as the principal framework for improving coordination. A Partnership Declaration signed by Government and leading development partners is based on country-level implementation of the Rome Declaration on Harmonization, and sets out the key objectives of greater harmonization and alignment of external assistance. The principal mechanism for coordination among the Government and development partners are a series of TWGs. At the request of the Government, the TWGs have been restructured to enhance Government ownership and provide the basis for more effective management of ODA in 17 priority sectors and thematic areas, facilitate Government and donor dialogue with civil society, the private sector, and other stakeholders. ADB's Cambodia Resident Mission will continue to play a leading role in donor harmonization and in the TWGs.

88. ADB's assistance program has been formulated in close cooperation with other leading development partners. In particular, ADB, the World Bank, and DFID prepared their Cambodia country strategies in unprecedented close cooperation and coordination. The strategies were developed in close consultation with Government, donors, civil society, and the private sector. By working together, the partners hope to improve their common understanding of the development challenges in Cambodia and to implement a coordinated response, thereby reducing the Government's transaction costs in dealing with its partners (see also paragraph 64). The partnership is not exclusive, being part of an effort to increase cooperation with other development partners at both strategic and operational levels (for example, the UN recently joined the strategy process of the other three institutions).²² ADB will also strengthen civil society involvement in its Cambodia operations and endeavor to strengthen links among NGOs, community groups, the private sector, and line ministries to promote better governance, community participation, and service delivery.

²² The United Nations (UN) has also used the joint analysis of Current Development Trends and Issues in this CSP (Chapter I) for its United Nations Development Assistance Framework (UNDAF) process.

89. ADB will continue to work closely and further develop relationships with other development partners at strategic and project levels. Initiatives to support the GMS will be particularly important and ADB has worked closely with the UN, the Mekong River Commission, and World Bank and with several bilateral partners, including the Government of Japan, on country and sector strategies in the Mekong region. The Government of Japan has been a major supporter through TA support from JSF for capacity building and from JFPR for poverty reduction. ADB has also entered into partnership arrangements with NGOs such as the Worldwide Fund for Nature. The Government of Finland has been an active supporter of the Tonle Sap initiative. ADB is working closely with most development partners through the education SWAp. In the health sector, ADB is working with DFID and the World Bank to support the health sector strategy. ADB will work with Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) and the World Bank to support the Government to develop a legal framework for land resources. The Government of France has worked with ADB in rural development and the power sector.

90. Greater use will be made of SWApS or PBAs to harmonize external assistance. ADB has been a pioneer of SWApS in Cambodia and will bring its experience to bear in selectively applying SWApS or PBAs to the assistance program in order to improve the focus of external assistance, bring down transaction costs, and ensure policy coherence. Where SWApS or PBAs are not viable (e.g. because of the nature of the intervention, or lack of other active development partners) ADB will actively pursue cofinancing from official and commercial sources. ADB will maintain dialogue with the Government to identify appropriate financing for the projects it will support during 2005–2009, specifically the use of its credit enhancement products.

D. Indicative Internal Resource Requirements

91. Based on ADB-wide staff time coefficients for 2004, and the proposed 2005 work program for Cambodia, the current staff resource requirement to implement ADB's core operations in Cambodia is provisionally estimated at 903 staff weeks²³. This does not, however, include the processing of the GMS loan and TA program and a number of other initiatives such as managing for results, donor harmonization, and activities related to the 17 TWGs, which require more resources and a considerable increase in staff time.

VI. RISKS AND PERFORMANCE MONITORING AND EVALUATION

A. Risks

92. The Government's Rectangular Strategy and CSP face a number of risks. Cambodia is at a critical juncture as it moves away from a postconflict situation towards a more normal development paradigm. The full engagement of Cambodia in regional and world relations has reduced political uncertainty and contributed to improved policy predictability, but is also forcing it to abide by new pressures. The joint strategies of ADB, DFID, and World Bank have been designed to mitigate or manage these risks.

93. **Weak capacity in public financial management and inadequate incentives for the civil service breed corruption, constrain delivery of key public services, and retard implementation of key reforms.** Inadequate capacity to raise and manage public finances is a key constraint on the Government's ability to achieve its development objectives. This difficulty

²³ This does not include staff weeks of national officers.

is worsened by low public sector salaries, which force public servants to depend on unofficial charges or other income-earning opportunities to secure a living wage. These factors have constrained the delivery of public services, and made corruption a major problem. By working together with its development partners on a comprehensive PFM reform program that incorporates systematic approaches to corruption prevention and action on civil service incentives, ADB, DFID, and the World Bank will aim to mitigate and manage this risk. Support for local governance is designed to strengthen the local voice in government, improve public service delivery, and reduce opportunities for corruption.

94. **Cambodia's global competitiveness is fragile.** Cambodia's economy is small and vulnerable to shocks. Recent growth has been heavily dependent on a few sectors such as garments and tourism, which are vulnerable to adverse changes in the global market and political conditions. If Cambodia is unable to diversify and broaden its economy, prospects for growth and poverty reduction could be seriously undermined. The joint strategies are designed to mitigate this risk collectively by focusing assistance on the productivity and market orientation of the agriculture sector, infrastructure service provision, financial sector development, and an enabling environment for private sector growth in general, and SMEs in particular.

95. **Donor coordination does not improve and transaction costs for the Government increases.** Better donor coordination must move beyond discussions to enhanced impact on the ground. There is also a risk that ADB, DFID, and the World Bank may work well together but not with other donors. To mitigate this, the three agencies have committed themselves to an inclusive approach. Recent initiatives to restructure the TWGs and harmonize donor procedures are also meant to minimize these risks and improve the effectiveness of aid delivery.

96. **The various governance initiatives fall short of expectations.** There is clear recognition among the Government and development partners that improving governance is essential for improved development effectiveness. Most development partners have increased their focus on governance and have launched projects and programs to help build Government capacity, as well as mechanisms to boost public accountability. However, this will be a long and complex process, requiring deep and meaningful reforms in institutions, consensus, strong internal conviction, and ownership. This will not be easy and there may be a temptation to substitute process for genuine reforms, if the commitment to reforms is weak. To minimize this risk, the volume of assistance from the three institutions will be clearly linked to progress on reforms.

97. **Increased complexity of projects causes deterioration in quality.** The quality of the portfolio of the three development institutions may deteriorate as they become more complex. The joint strategies will help mitigate this risk by continuing to provide adequate TA to support project preparation, and human resource and institutional capacity building. There will also be a greater emphasis on involving concerned stakeholders in the design, implementation, and monitoring of projects.

B. Monitoring Process and Plan

98. The Government recognizes the need to build its institutional capacity in development management, monitoring, and evaluation. Towards this end, the restructured Government–donor TWGs will support implementation of the Rectangular Strategy through action plans and indicators at the sector and thematic levels, which will be jointly monitored.

99. ADB will actively support the TWGs in which it participates. ADB, DFID and the World Bank will jointly monitor and evaluate the sectors in which they are involved in a major and supportive role. Twice a year, ADB, DFID, and the World Bank will meet to discuss progress in implementing their strategies, including progress against outcomes and progress in working with other development partners. Once a year, the three agencies will solicit the views of the Government and other stakeholders on the performance of the three agencies. ADB will also continue to assist the strengthening of policy analysis and development management within Government, building on its ongoing work in reforming PFM. It will help to build capacity in economic policy and strategy analysis at the Supreme National Economic Council. Future support to the National Institute of Statistics of the Ministry of Planning will be reexamined on the basis of need and other donor involvement.

100. ADB is currently piloting results-based CSPs in a small number of its developing member countries. Such CSP's include a results framework, which is a planning and management tool that defines the links between strategic development goals, outcomes, indicators and interventions. Even though the Cambodia CSP is not among the pilot results-based CSPs, it includes a modified version of a results framework to help answer the following questions. (i) What are the MDGs and national goals that ADB assistance will contribute to? (ii) What are the key outcomes that are expected to result from ADB's assistance, combined with the efforts of other development stakeholders? (iii) What indicators will be used to assess intermediate progress towards these outcomes? (iv) What development interventions will ADB support to contribute to the achievement of targeted results?

101. This results framework has not benefited from the process a fully results-based CSP needs to go through. The main purpose at this stage is to point out the direction of ongoing efforts and present an indicative list of key outcomes and indicators in order to assess and make adjustments to ADB's ongoing program. As the intention is for these outcomes and indicators to be at the core of a regular reporting of progress of implementation, they need to be refined and specified as the program evolves (see Table A1.12). The annual CSP update exercise will evaluate (i) progress made in the delivery of key results; (ii) the further refinement of intermediate indicators, based on project and TA performance and revisions to the road maps, (iii) sector portfolio performance; (iv) relevance of the lending and non-lending pipeline; and (v) performance-based allocation of ADF resources.

COUNTRY AND PORTFOLIO INDICATORS, AND ASSISTANCE PIPELINE

Table A1.1: Progress Towards the Millennium Development Goals and Targets

Goals and Targets	Country Status
<p>Goal 1: Eradicate Extreme Poverty and Hunger</p> <p>Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 per day.</p> <p>Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger.</p>	<p>Poverty dropped from 39% in 1993 to 36% in 1999. If direct trends are continued, the poverty rate will drop to 28% by 2015, compared with a target of 19.5%.</p> <p>Benchmarks: prevalence of underweight children under five years of age 45.2% in 2000; prevalence of stunted children under five years of age 44.6% in 2000; and proportion of population below the food poverty line 20% in 1993. Target is to reduce by half the benchmark figures in 2015.</p>
<p>Goal 2: Achieve Universal Primary Education</p> <p>Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.</p>	<p>The net primary school enrollment rate has increased from 76% in 1997 to 91% in 2003.</p>
<p>Goal 3: Promote Gender Equality and Empower Women</p> <p>Target 4: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015.</p>	<p>The ratio of girls to boys in primary, lower secondary and upper secondary education was 87.7%, 66.9% and 50.1% respectively for school year 2002–2003.</p>
<p>Goal 4: Reduce Child Mortality</p> <p>Target 5: Reduce by two thirds, between 1990 and 2015, the under-five mortality rate.</p>	<p>The child mortality remains stable at about 120 per 1,000 live births. Cambodia is unlikely to meet its target of reducing under-five mortality to 65 per 1000 live births in 2015.</p>
<p>Goal 5: Improve Maternal Health</p> <p>Target 6: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio (MMR).</p>	<p>The MMR was estimated at 437 per 100,000 live births in 2000, down from an estimated 590 in 1995.</p>
<p>Goal 6: Combat HIV/AIDS, Malaria, and Other Diseases</p> <p>Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS.</p> <p>Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.</p>	<p>The HIV prevalence rate in the age 15 to 49 population has dropped from 3.9% in 1997 to 2.6% in 2002. A linear trend extrapolation would suggest that Cambodia will meet its target of 1.8% in 2015.</p> <p>Poliomyelitis has been eradicated from Cambodia, and immunization has increased substantially since 1990. Malaria remains a significant health problem.</p>
<p>Goal 7: Ensure Environmental Sustainability</p> <p>Target 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.</p> <p>Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water.</p> <p>Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.</p>	<p>Cambodia has a serious problem with unsustainable and illegal logging and fishing. However, since 1998 the Government has increased the proportion of fishing areas released for community fisheries to 56%. Cambodia is on track to meet its CMDG target of 60% by 2015.</p> <p>The population with access to safe drinking water increased from 20% in 1995, to 26% in 2000. The country is unlikely to meet its target of 80% by 2015.</p> <p>Urban poverty (excluding Phnom Penh) has dropped from 36.6% in 1993 to 29.9% in 1997, representing 80,000 people.</p>

Source: Royal Government of Cambodia. 2003. *Cambodia Millennium Development Goals Report 2003*. Phnom Penh. United Nations. 2005. *United Nations Development Assistance Framework 2006–2010 for Cambodia*. (Draft).

Table A1.2: Country Economic Indicators

Item	Fiscal Year				
	1999	2000	2001	2002	2003 ^a
A. Income and Growth					
1. GDP Per Capita (\$, current)	252	275	279	282	296
2. GDP Growth (% in constant prices)	10.8	7.0	5.7	5.5	5.2
a. Agriculture	3.4	(1.5)	2.2	2.7	9.2
b. Industry	19.3	30.7	12.9	17.7	6.7
c. Services	10.9	5.7	4.2	4.5	1.6
B. Saving and Investment (current and market prices, % of GDP)					
1. Gross Domestic Investment	17.0	17.3	21.2	22.2	21.0
2. Gross National Savings	11.8	14.4	20.1	21.3	17.8
C. Money and Inflation (annual % change)					
1. Consumer Price Index	4.0	(0.8)	0.2	3.3	1.2
2. Total Liquidity (M2)	17.3	26.9	20.4	31.1	15.3
D. Government Finance (% of GDP)					
1. Revenue and Grants	12.8	13.2	13.5	14.0	12.9
2. Expenditure and Onlending	14.1	15.3	16.3	17.8	17.4
3. Overall Fiscal Surplus (Deficit)	(1.3)	(2.1)	(2.8)	(3.8)	(4.5)
E. Balance of Payments					
1. Merchandise Trade Balance (% of GDP)	(13.4)	(15.0)	(14.1)	(14.1)	(13.2)
2. Current Account Balance (% of GDP)	(13.2)	(11.6)	(9.3)	(8.8)	(10.5)
3. Merchandise Export (\$) Growth (annual % change)	47.0	28.7	13.9	12.1	17.7
4. Merchandise Import (\$) Growth (annual % change)	38.9	24.1	8.7	10.9	13.3
F. External Payments Indicators					
1. Gross Official Reserves (including Gold, \$ million)	422	484	548	663	738
(in weeks of current year's imports of goods)	11.7	11.3	11.7	13.0	12.6
2. External Debt Service (% of exports of goods and services)	10.2	8.0	3.1	2.8	2.9
3. Total External Debt (% of GDP)	66.5	66.8	67.2	68.4	70.8
G. Memorandum Items					
1. GDP (current prices, KR billion)	13,131	13,810	14,544	15,667	16,748
2. Exchange Rate (KR/\$, average)	3,775	3,910	3,900	3,935	3,980
3. Population (million)	11.960	12.176	12.396	12.620	12.849

GDP = gross domestic product, KR = riel.

^a Preliminary.

Sources: National Bank of Cambodia, International Monetary Fund staff estimates, Asian Development Bank. 2004. *Asian Development Outlook 2004 Update*. Manila.

Table A1.3: Country Poverty and Social Indicators

Item	Period		
	1985	1990	Latest Year
A. Population Indicators			
1. Total Population (million)	7.5	8.6	13.091 (2004)
2. Annual Population Growth Rate (% change) ^a	2.7	3.6	1.81 (2004)
B. Social Indicators			
1. Total Fertility Rate (births/woman)	6.0	5.6	3.8 (2002)
2. Maternal Mortality Rate (per 100,000 live births)	—	900	437 (2000)
3. Infant Mortality Rate (below 1 year/1,000 live births)	149	80	96 (2002)
4. Life Expectancy at Birth (years)	47.1	50.3	54 (2002)
a. Female	48.6	52	62 (2002)
b. Male	45.7	48.9	55.8 (2002)
5. Adult Literacy (%) ^a	58.4	62.0	73.6 (2004)
a. Female	44.0	48.8	64.1 (2004)
b. Male	76.2	77.7	84.7 (2004)
6. Primary School Gross Enrollment Rate (%)	191.7	120.9	123.4 (2001)
a. Female	173.9	108.1	116.4 (2001)
7. Secondary School Gross Enrollment Rate (%)	29.1	32.1	21.3 (2001)
a. Female	21.5	19.3	15.9 (2001)
8. Child Malnutrition (% below age 5)	—	52	45.2 (2000)
9. Population Below Poverty Line (%)	—	39 (1994)	35.9 (1999)
10. Population with Access to Safe Water (%)	—	13.2 (1994)	30 (2000)
11. Population with Access to Sanitation (%)	—	20 (1994)	21 (2000)
12. Public Education Expenditure (% of GDP) ^b	—	—	2.03 (2004)
13. Human Development Index ^c	—	0.512	0.556 (2001)
Rank	—	—	130
14. Gender-Related Development Index ^c	—	—	0.551 (2001)
Rank	—	—	105
C. Poverty Indicators			
1. Poverty Incidence	—	39 (1994)	35.9 (1999)
2. Percentage of Poor to Total Population	—	—	—
a. Phnom Penh	—	11.4 (1994)	9.7 (1999)
b. Other Urban	—	36.6 (1994)	25.2 (1999)
c. Rural	—	43.1 (1994)	40.1 (1999)
3. Poverty Gap	—	9.2 (1994)	6.5 (1999)
4. Poverty Severity Index	—	3.1 (1994)	2.0 (1999)
5. Gini Index	—	0.37 (1994)	0.45 (1999)
6. Human Poverty Index ^c	—	—	42.8 (2001)
Rank	—	—	73

— = not available.

GDP = gross domestic product.

^a NIS, Ministry of Planning. 2004. Cambodia Inter-Censal Population Survey 2004, General Report.

^b Current Education Expenditure. This figure comes from Budget and Financial Affairs Department of the Ministry of Economy and Finance (17 September 2004).

^c UNDP. 2003 *Human Development Report 2003*. New York.

Table A1.4: Country Environment Indicators

Indicator	1980	Latest Year
A. Energy Efficiency of Emissions		
1. GDP/Unit of Energy Use (PPP\$/kgoe)	—	—
2. Traditional Fuel Use (% of total energy use)	100	89.3 (1997)
3. Carbon Dioxide Emissions		
a. Tons	0.3	0.7 (1999)
b. Tons per Capita	0.0	0.05 (1999)
B. Water Pollution: Water and Sanitation		
1. % Urban Population with Access to Safe Water	—	54 (2000)
2. % Rural Population with Access to Safe Water	—	26 (2000)
3. % Urban Population with Access to Sanitation	—	56 (2000)
C. Land Use and Deforestation		
1. Forest Area (million hectares)	—	9.3 (2000)
2. Average Annual Deforestation		
a. Km ²	—	561 (1990–2000)
b. % Change	—	0.6 (1990–2000)
3. Rural Population Density (people/km ² of arable land)	—	268 (1999)
4. Arable Land (% of total land)	11.3	21 (1999)
5. Permanent Cropland (% of total land)	0.4	0.6 (1999)
D. Biodiversity and Protected Areas		
1. Nationally Protected Area		
a. Million Hectares	—	4.3 (2002)
b. % of Total Land	—	23.7 (2002)
2. Mammals (number of threatened species)	—	29 (2002)
3. Birds (number of threatened species)	—	19 (2002)
4. Higher Plants (number of threatened species)	—	31 (2004)
5. Reptiles (number of threatened species)	—	10 (2002)
6. Amphibians (number of threatened species)	—	0 (2002)
7. Fish (number of threatened species)	—	16 (2004)
E. Urban Areas		
1. Urban Population		
a. Million	0.8	2.3 (2002)
b. % of Total Population	12	18 (2002)
2. Per Capita Water Use (liters/day)	—	—
3. Wastewater Treated (%)	—	—
4. Solid Waste Generated per Capita (kg/day)	—	—

— = not available.

GDP = gross domestic product, kg = kilogram, kgoe = kilograms of oil equivalent, km² = square kilometer, PPP = purchasing power parity.

Sources: World Resources Institute (WRI). 2003. *World Resources 2002–2004: Decisions for the Earth: Balance, voice, and power*. Washington D.C.; World Bank. 2004. *World Development Indicators 2004*. Washington D.C. World Bank; www.Fishbase.com.

Table A1.5: Development Coordination Matrix

Sector/Thematic Focus	ADB Strategy/Activities	Other Development Partners' Strategies/Activities
<p>Governance</p>	<p>Governance and anti-corruption activities. ADB will adopt an increasingly proactive role in governance initiatives through its lending and nonlending modes. It will focus on governance directly by supporting improvements in public financial management (PFM), and decentralization and deconcentration to strengthen public service delivery and accountability.</p> <p>Support will be extended to improve project design and implementation, and sector reforms, including securing legal, regulatory and institutional reforms to improve corporate governance and sector efficiency in the sectors where ADB operates.</p> <p>Based on comparative advantage and involvement of other donors, ADB will address corruption by focusing on some of its more institutional aspects through PFM and decentralization and deconcentration. Moreover, all ADB interventions in governance (including those aimed at improving corporate governance and sector efficiency in the sectors in which ADB operates, and project design and implementation) are aimed at improving transparency and accountability, which directly and indirectly address all forms of corruption.</p>	<p>Public administration reform. AusAID, CIDA, the EC, and UNDP support capacity building for the Council for Administrative Reform to implement the Public Administration Reform (PAR) Program, and support institutional development for public service delivery. Japan and the Republic of Korea, and UNDP support ICT development for PAR.</p> <p>Pubic financial management. AusAID, DFID, the EC, France, IMF, Japan, SIDA, UNDP and the World Bank will provide joint support to the Government to implement the public financial management reform program.</p> <p>Democratic governance and human rights. AusAID, CIDA, SIDA, UNDP, and USAID support protection for human rights and democratic development through civil society organizations.</p> <p>Legal and judicial reforms. AFD, CIDA, the EC, Japan, GTZ, and the World Bank support legal and judicial reforms. AusAID provides criminal justice assistance for greater adherence to international human rights standards for the criminal justice system. Japan supports the drafting of a civil code and a civil procedure code. AFD and Japan support the Royal School of Administration for training of judges. The Netherlands provides assistance in strengthening law enforcement.</p> <p>Decentralization and deconcentration. DFID, DANIDA, the EC, Japan, GTZ, the Netherlands, SIDA, UNDP, and the World Bank will help implement decentralization and deconcentration. The EC and GTZ also support the deconcentration process. UNCDF supports development of a policy framework for fiscal decentralization.</p>

Sector/Thematic Focus	ADB Strategy/Activities	Other Development Partners' Strategies/Activities
<p>Sustainable Economic Growth</p>	<p>Improving access through further restoration of Cambodia's secondary national and provincial roads and by rebuilding the institutional and physical infrastructure of the Royal Railways of Cambodia. ADB will also support strengthening the Fund for the Repair and Maintenance of Roads by helping to establish appropriate institutionalized funding mechanisms, and help develop the policy-making and regulatory oversight capacities of the road transport agencies. ADB's GMS program will continue to support the harmonization of cross-border trade and transport regulations. The GMS program will also provide TA support for policy reform of the telecom sector as a follow up to ongoing GMS support in this area.</p> <p>Energy. Focus on expanding the country's power generation, transmission and distribution system, including to rural and poor areas. This will be done in close coordination with ongoing and future GMS power sector projects to ensure lower costs and economies of scale.</p> <p>Tourism. Focus on improved transport (roads and airports) and urban development in key tourism areas. Future support in this area will focus on the promotion of regional tourism within the GMS.</p> <p>Agriculture. Focus on (i) improving farmers' ability to raise productivity, diversify towards higher-value products, and connect to markets; (ii) improving the market environment for private agriculture-based enterprise growth; and (iii) strengthen institutional capacity for competitive agriculture commercialization. This would include strengthening extension support to farmer groups, advisory support and export promotion for agriculture-based enterprises, quality and safety standards for agriculture produce, price information, and implementation of land concessions. Support to irrigation development will emphasize improved water management for stable crop yields and incomes and address food security issues.</p>	<p>Transport and energy. AFD, AusAID, the People's Republic of China, Japan, OPEC Fund, the Republic of Korea, Thailand, USAID, Viet Nam, and the World Bank support road and bridge construction and rehabilitation. Japan also provides an overall transport study. SIDA also supports a road rehabilitation study. The EC, GTZ, WFP, and the World Bank support rural road rehabilitation works.</p> <p>Supply of railway locomotive and wagons (AFD), supply of railway tracks (Malaysia), a railway study (the People's Republic of China and Japan), an inland waterways study (Finland), and port rehabilitation and development (Japan).</p> <p>AFD and Japan support power supply. India and Japan support hydropower development. Power transmission lines will be supported by KfW and NDF. The World Bank supports rural electrification and transmission. The development of telecommunications is supported by Japan.</p> <p>Agriculture. Development of agriculture sector policy (AFD, AusAID), agriculture sector analysis (New Zealand), agriculture productivity and quality improvement (AFD, AusAID, Japan, the World Bank), irrigation (AFD, EC, FAO, IFAD, India and Japan, the World Bank), agriculture extension and research (AusAID), the agriculture access market (AusAID, CIDA, GTZ, UNIDO), agriculture development in mine-affected area (AusAID, CIDA, Japan), smallholder rubber plantation development, and production of silk and related industry (AFD).</p> <p>Rural livelihoods and natural resource management (DANIDA, DFID), natural resources management in agriculture and food security and policy and strategy for agri-industrial development (FAO), and integrated rural and agriculture development (EC, IFAD, Japan).</p> <p>Land use management and administration is supported by AFD, DFID, the EC, Finland, GTZ, and the World Bank.</p>

Sector/Thematic Focus	ADB Strategy/Activities	Other Development Partners' Strategies/Activities
Private Sector Development	<p>ADB will improve the climate for private sector development through a combination of catalytic investments, and through policy, institutional and regulatory reforms. ADB will address key infrastructure bottlenecks (especially transport and power) that increase the cost of doing business, human resources development for a more productive workforce, and financial sector development to reduce the cost and increase access to finance, and create an enabling environment for SME development.</p> <p>ADB will attempt to create a conducive environment for an efficient, market- oriented SME sector by establishing an SME development framework, improving governance and regulatory reform related to SMEs, increasing SMEs' access to finance, and supporting capacity building for business development services and access to markets.</p> <p>In the financial sector, ADB will promote the development of a sound, market-based financial system by establishing a foundation for banking and insurance industries and financial markets.</p>	<p>Fiscal reform and development of the banking system (IMF), assistance to micro-finance institutions (AFD), credit line to SMEs through commercial banks (GTZ, USAID).</p> <p>Developing business associations (Asia Foundation), developing provincial SMEs (Asia Foundation), rehabilitation and introduction of public-private management of city markets (AFD), study on regional development of Phnom Penh-Sihanoukville growth corridor, economic policy studies, and Sihanoukville port development (Japan), private sector forum coordination, and support to small enterprises (GTZ, IFC, Japan, MPDF, USAID, UNIDO), garment sector project and labor dispute resolution (ILO, USAID).</p> <p>WTO accession (AusAID, the EC, GTZ, UNESCAP, USAID), trade promotion and export development (ICT, the World Bank), trade facilitation (Japan, the World Bank), and vocational training and enterprise development (India and Japan).</p>
Inclusive Social Development	<p>Enhancing livelihoods and reducing vulnerability through increasing access of the poor to assets (both physical and natural) and human capital. Specific support will be on education, empowering vulnerable groups such as women and ethnic minorities, control of communicable diseases, the provision of rural water supply and sanitation facilities.</p> <p>Education. Focus on (i) supporting implementation of policy reforms which provide expanded opportunities for the poor at primary, secondary, and postsecondary levels; (ii) facilitating enhanced access to secondary education by means of a targeted investment program for facilities development; (iii) consolidating decentralized vocational training efforts through life-long community learning centers and encouraging public-private sector partnerships; (iv) providing a targeted and expanded program of education incentives for the poor, with an emphasis on girls and minorities; and (v) providing capacity building support for decentralized education, especially at the post basic level and in nonformal education. ADB will also continue to support the Phnom Penh Plan, which provides training for senior GMS officials.</p>	<p>Education. Basic education (Belgium, the EC, Japan, SIDA, UNICEF, USAID, the World Bank), education for all (Japan, UNESCO)</p> <p>Japan supports teacher-training programs in math and science for junior secondary education.</p> <p>Nonformal education (the EC, Japan, UNESCO), adult education (AusAID, WFP), education of highland children (AusAID), vocational education (Japan, GTZ, the Republic of Korea, WFP)</p> <p>Health sector development and strengthening of health services (AusAID, DFID, the EC, Japan, UNDP, the World Bank, WHO).</p> <p>Strengthening responses to HIV/AIDS (DFID, CIDA, the EC, UNDP, UNESCO, UNICEF, USAID, WHO, the World Bank).</p> <p>Reproductive health (DFID, the EC, GTZ, UNFPA, USAID, WHO), maternity hospital, and reducing infant and child mortality (Japan), children's hospitals (Switzerland), and child protection (UNICEF).</p>

Sector/Thematic Focus	ADB Strategy/Activities	Other Development Partners' Strategies/Activities
		<p>Health and nutrition (CIDA, UNICEF, WFP), safe drinking water and sanitation (the EC), and urban water supply (Japan, the World Bank). Japan, UNICEF and WHO support the immunization program.</p> <p>Fighting against tuberculosis (Japan and WHO).</p> <p>Drug control (CIDA, UNCDP), health insurance (GTZ), population policy (UNFPA).</p>
Environmental Sustainability	<p>Support for environment and natural resource management aims at promoting rural livelihoods and enhancing rural incomes, with an emphasis on sustainable development of natural resources. Community-based management systems and capacity building of local institutions will be promoted. Although the focus will be on the Tonle Sap basin, environmental sustainability will be addressed, as required, in all sector projects.</p>	<p>CIDA supports capacity building for mine action management. Japan, SIDA and UNDP support mine clearance.</p> <p>DANIDA supports natural resource management and protection of the environment in the coastal zone.</p> <p>Rural livelihoods (DFID), forest concession management and environment protection (the World Bank).</p> <p>Integrated biodiversity conservation, forestry management and conservation (the EC).</p> <p>Natural resource management (FAO), Tonle Sap sustainable livelihoods (Finland).</p> <p>Forestry management and monitoring, Tonle Sap environment management (UNDP-GEF), and Tonle Sap biosphere reserve (UNESCO). Forestry and environmental resources management (Japan, GTZ).</p> <p>Irrigation, flood protection and drainage, capacity building for forestry sector (Japan).</p>
Gender and Development	<p>ADB will focus its operations on creating economic opportunities for women and enhancing their livelihoods. More specifically, ADB will (i) intensify mainstreaming of gender concerns in ADB projects by strengthening operational relationships between line ministries and the Ministry of Women's Affairs (MoWA); (ii) contribute to gender equality and empowerment through targeted interventions in education, agriculture, natural and water resource management, provincial roads, rural development, and SME development; (iii) continue to strengthen MoWA's capacity in policy analysis and advocacy; and (iv) promote regional links</p>	<p>Gender mainstreaming and policy development (Japan), partnership for gender equity (UNDP), promotion of women's rights (GTZ), gender-sensitive planning, budgeting, and monitoring for poverty reduction (the World Bank), expansion of employment opportunities for women (FAO, GTZ, ILO, Japan, Ireland, New Zealand).</p> <p>Information campaign to combat trafficking in women and children (USAID/IOM), project to combat trafficking in women and children in the Mekong subregion (UNIAP), prevention of all forms of trafficking in women and children (Finland, IOM), domestic violence prevention (GTZ), gender and reproductive</p>

Sector/Thematic Focus	ADB Strategy/Activities	Other Development Partners' Strategies/Activities
	and collaboration with other GMS countries, especially in the areas of human trafficking, migration, and cross border communicable disease management.	health (UNFPA), HIV/AIDS policy for women and girls (UNAIDS).
Regional Cooperation	Investment in regional transport links, power transmission, tourism, telecommunications (GMS), and community-based HIV/AIDS prevention (Cambodia, the Lao People's Democratic Republic, and Viet Nam), and flood management and mitigation. Institutional capacity weakness will also be addressed to ensure sustainability of project benefits.	<p>AusAID supports a program that pays particular attention to the needs of the new ASEAN countries (Cambodia, the Lao People's Democratic Republic and Myanmar), as the poorest and least 'integrated' countries in the region. Priorities include governance (economic management, trade-related capacity building and social protection programs, including social safety net strengthening and people trafficking) and health (HIV/AIDS and communicable disease control).</p> <p>CIDA provides capacity building for regional economic integration and UNDP provides institutional support to the Mekong River Commission. Japan and GTZ support flood mitigation at the Mekong River Commission.</p> <p>The EC's Asia-wide program: Asia Urbs (Urban issues, e.g. planning, institutional development), Asia Invest (private investment opportunities), Asia-ITC, Asia Pro-Eco (support to ecology), EC-ASEAN Standards and Quality Program, EC-ASEAN IPR Program, EC-AUNP cooperate with ASEAN higher education institutions.</p> <p>Japan supports a forum for comprehensive development of the Indo-China region.</p> <p>UNESCAP supports a regional advisory program for WTO accession obligations.</p>

AFD = Agence Française de Développement; ASEAN = Association of Southeast Asian Nations; AUNP = ASEAN-EU University Network Program; AusAID = Australian Agency for International Development; CIDA = Canadian International Development Agency; Danida = Danish International Development Assistance; DFID = Department for International Development of the United Kingdom; EC = European Commission; EU = European Union; FAO = Food and Agriculture Organization of the United Nations; GEF = Global Environment Facility; GMS = Greater Mekong Subregion; GTZ = Deutsche Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation); HIV/AIDS = human immunodeficiency virus/ acquired immunodeficiency syndrome; ICT = International Center for Trade; IFAD = International Fund for Agriculture Development; IFC = International Finance Corporation; IMF = International Monetary Fund; ILO = International Labour Organization; IOM = International Organization for Migration; IPR = intellectual property rights; ITC = information technology and communications; KfW = Kreditanstalt für Wiederaufbau; MFI = microfinance institution; MoWA = Ministry of Women's Affairs; MPDF = Mekong Project Development Facility; NDF = Nordic Development Fund; OPEC = Organization of the Petroleum Exporting Countries; SIDA = Swedish International Development Cooperation Agency; SME = small and medium-sized enterprise; TA = technical assistance; UNAIDS = The Joint United Nations Programme on HIV/AIDS; UNCDF = United Nations Capital Development Fund; UNDP = United Nations Development Programme; UNESCAP = United Nations Economic and Social Commission for Asia and the Pacific; UNESCO = United Nations Educational, Scientific and Cultural Organization; UNIAP = United Nations Inter-Agency Project on Trafficking; UNICEF = United Nations Children's Fund; UNFPA = United Nations Population Fund; UNIDO = United Nations Industrial Development Organization; USAID = United States' Agency for International Development; WFP = World Food Program; WHO = World Health Organization; WTO = World Trade Organization.

Note: The matrix reflects the key areas of agency operations and may not necessarily portray a complete involvement of each one in the given sectors. Sectors are categorized according to ADB's sector classification system.

Table A1.6: Portfolio Indicators—Portfolio Amounts and Ratings
(Public sector loans, as of 31 December 2003)

Sector	Net Loan Amount		Total		Rating ^a								Potential Problem ^b		At Risk ^c	
					Highly Satisfactory		Satisfactory		Partly Satisfactory		Unsatisfactory					
	\$ million	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	(%)
Agriculture and Natural Resources	61.769	11.20	4	18.18	0	0.00	4	100.00	1	0.00	0	0.00	0	0.00	0	0.00
Education	41.846	7.59	2	9.09	0	0.00	2	100.00	0	0.00	0	0.00	0	0.00	0	0.00
Energy	67.235	12.19	2	9.09	0	0.00	2	100.00	0	0.00	0	0.00	0	0.00	0	0.00
Finance	16.559	3.00	2	9.09	0	0.00	2	100.00	0	0.00	0	0.00	0	0.00	0	0.00
Health, Nutrition, and Social Protection	22.456	4.07	1	4.55	0	0.00	1	100.00	0	0.00	0	0.00	0	0.00	0	0.00
Industry and Trade	17.522	3.18	1	4.55	0	0.00	1	100.00	0	0.00	0	0.00	0	0.00	0	0.00
Law and Public Sector Management	11.199	2.03	1	4.45	0	0.00	1	100.00	0	0.00	0	0.00	0	0.00	0	0.00
Transport and Communications	177.928	32.26	4	18.18	0	0.00	3	75.00	1	25.00	0	0.00	0	0.00	1	25.00
Water Supply, Sanitation, and Waste Management	27.758	5.03	2	9.09	0	0.00	2	100.00	0	0.00	0	0.00	0	0.00	0	0.00
Multisector	107.260	19.45	3	13.64	0	0.00	2	66.67	1	33.33	0	0.00	0	0.00	1	33.33
Total	551.532	100.00	22	100.00	0	0.00	20	90.91	2	9.09	0	0.00	0	0.00	2	9.09

No. = number.

^a One rating for implementation progress and development objectives, based on the lower rating of either.

^b Potential problem loans are satisfactory loans but have four or more risk factors associated with partly satisfactory or unsatisfactory performance.

^c A loan is "at risk" if it is rated as partly satisfactory, as unsatisfactory, or as a potential problem.

Source: Asian Development Bank estimates.

Table A1.7: Portfolio Indicators—Disbursements and Net Transfers of Resources
(public sector loans, as of 31 December 2003)

Disbursements and Transfers	OCR	ADF	Total
Disbursements^a			
Total Funds Available for Withdrawal (\$ million)	0.00	674.4	674.4
Disbursed Amount (\$ million, cumulative)	0.00	403.5	403.5
Percentage Disbursed (disbursed amount/total available)	0.00	59.8	59.8
Disbursements (\$ million, latest year)	0.00	73.3	73.3
Disbursement Ratio (%) ^b	0.00	23.1	23.1
Net Transfer of Resources (\$ million)			
1999	0.00	24.9	24.9
2000	0.00	49.3	49.3
2001	0.00	46.4	46.4
2002	0.00	76.4	76.4
2003	0.00	68.4	68.4

ADF = Asian Development Fund, OCR = ordinary capital resources.

^a Includes loans closed during the year with disbursements.

^b Ratio of disbursements during the year over the undisbursed net loan balance at the beginning of the year less cancellations during the year. Effective loans during the year have also been added to the beginning balance of undisbursed loans.

Source: Asian Development Bank estimates.

Table A1.8: Portfolio Indicators—Evaluation Rating by Sector
(1999–2003)

Sector	Highly Successful		Successful		Partly Successful		Unsuccessful		No Rating		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	0	0.00	1	0.33	0	0.00	0	0.00	0	0.00	1	0.33
Education	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Energy	0	0.00	1	0.33	0	0.00	0	0.00	0	0.00	1	0.33
Finance	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Health, Nutrition, and Social Protection	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Industry and Trade	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Law and Public Sector Management	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Multisector	0	0.00	1	0.33	0	0.00	0	0.00	0	0.00	1	0.33
Transport and Communications	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Water Supply, Sanitation, and Waste Management	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Total	0	0.00	3	100.00	0	0.00	0	0.00	0	0.00	3	100.00

Source: Asian Development Bank project (program) audit reports.

Table A1.9: Portfolio Implementation Status
(public sector loans, as of 31 December 2003)

Sector	Loan No.	Seg	Title	Net Loan Amount		Approval	Effective	Closing Date		Progress (% complete)
				OCR (\$ million)	ADF (\$ million)	Date (dd/mm/yy)	Date (dd/mm/yy)	Original (dd/mm/yy)	Revised (dd/mm/yy)	
AG	1939		Tonle Sap Environmental Management		12.221	21/11/02	27/03/03	30/06/08	30/06/08	5
AG	2022		Agriculture Sector Development Program		25.982	26/11/03	-	30/06/07	30/06/07	0
AG	2023		Agriculture Sector Development Project		4.884	26/11/03	-	30/06/09	30/06/09	0
AG	2035		Northwest Irrigation Sector		18.682	09/12/03	-	31/12/10	31/12/10	0
ED	1864		Education Sector Development		21.344	04/12/01	12/04/02	31/08/04	31/08/04	-
ED	1865		Education Sector Development Investment Loan		20.502	04/12/01	12/04/02	30/06/07	30/06/07	32
EN	1794		Provincial Power Supply		21.258	05/12/00	01/08/01	31/12/04	31/12/04	42
EN	2052		Greater Mekong Subregion Transmission		45.977	15/12/03	-	31/12/08	31/12/08	0
FI	1741		Rural Credit and Savings		5.300	27/04/00	29/03/01	29/03/06	29/03/06	25
FI	1951		Financial Sector Program (Subprogram II)		11.259	29/11/02	21/02/03	31/12/04	31/12/04	-
HL	1940		Health Sector Support		22.456	21/11/02	28/02/03	30/06/08	30/06/08	-
IN	1969		GMS-Mekong Tourism Development		17.522	12/12/02	06/08/03	30/06/08	30/06/08	4
LW	1953		Commune Council Development		11.199	03/12/02	13/03/03	31/08/06	31/08/06	0
TC	1503		Siem Reap Airport		13.889	12/12/96	13/06/97	30/06/00	31/03/04	100
TC	1659		GMS: Phnom Penh to Ho Chi Minh City Highway		39.579	15/12/98	09/11/99	30/06/03	30/06/04	87
TC	1697		Primary Roads Restoration		68.170	21/09/99	30/06/00	31/01/04	31/01/04	81
TC	1945		GMS: Cambodia Road Improvement		56.290	26/11/02	20/05/03	30/06/07	30/06/07	5
WS	1725		Provincial Towns Improvement		21.003	17/12/99	11/04/00	31/12/05	31/12/05	52
WS	2013		Provincial Towns Improvement (Supplement)		6.755	28/10/03	02/01/04	30/06/06	30/06/06	0
MS	1753		Stung Chinit Irrigation and Rural Infrastructure		17.559	05/09/00	28/02/01	30/06/07	30/06/07	20
MS	1862		Northwestern Rural Development		31.282	27/11/01	03/09/02	31/12/07	31/12/07	8
MS	1824		Emergency Flood Rehabilitation		58.419	21/12/00	22/12/00	30/06/04	30/06/04	-
MS	1824	1	Emergency Flood Rehabilitation			21/12/00	22/12/00	30/06/04	30/06/04	84
MS	1824	2	Emergency Flood Rehabilitation			21/12/00	22/12/00	30/06/04	30/06/04	90
MS	1824	3	Emergency Flood Rehabilitation			21/12/00	22/12/00	30/06/04	30/06/04	25
MS	1824	4	Emergency Flood Rehabilitation			21/12/00	22/12/00	30/06/04	30/06/04	85
MS	1824	5	Emergency Flood Rehabilitation			21/12/00	22/12/00	30/06/04	30/06/04	68
Total					551.532					

ADF = Asian Development Fund, AG = agriculture and natural resources, ED = education, EN = energy, FI = finance, GMS = Greater Mekong Subregion, HL = health, nutrition, and social protection, IN = industry and trade, LW = law and public sector management, MS = multisector, No. = number, OCR = ordinary capital resources, Seg = segment (pertaining to loans with more than one withdrawal authority), TC = transport and communications, WS = water supply, sanitation, and waste management.

Sector	Loan No.	Seg	Title	Cumulative	Cumulative	Rating		Potential Problem ^a	At Risk ^b
				Contracts/ Commitments (\$ million)	Disbursements (\$ million)	IP	DO		
AG	1939		Tonle Sap Environmental Management	0.57	1.10	S	S	No	No
AG	2022		Agriculture Sector Development Program	0.00	0.00	S	S	No	No
AG	2023		Agriculture Sector Development Project	0.00	0.00	S	S	No	No
AG	2035		Northwest Irrigation Sector	0.00	0.00	S	S	No	No
ED	1864		Education Sector Development	15.53	15.53	S	S	No	No
ED	1865		Education Sector Development Investment Loan	8.58	5.85	S	S	No	No
EN	1794		Provincial Power Supply	19.21	1.00	S	S	No	No
EN	2052		Greater Mekong Subregion Transmission	0.00	0.00	S	S	No	No
FI	1741		Rural Credit and Savings	1.24	1.89	S	S	No	No
FI	1951		Financial Sector Program (Subprogram II)	0.00	0.00	HS	S	No	No
HL	1940		Health Sector Support	2.60	1.46	S	S	No	No
IN	1969		GMS-Mekong Tourism Development	0.00	0.90	S	S	No	No
LW	1953		Commune Council Development	0.00	0.97	S	S	No	No
TC	1503		Siem Reap Airport	13.52	13.69	PS	S	No	Yes
TC	1659		GMS: Phnom Penh to Ho Chi Minh City Highway	31.30	26.65	S	S	No	No
TC	1697		Primary Roads Restoration	59.48	49.79	S	S	No	No
TC	1945		GMS: Cambodia Road Improvement	0.07	0.15	S	S	No	No
WS	1725		Provincial Towns Improvement	16.95	5.42	S	S	No	No
WS	2013		Provincial Towns Improvement (Supplement)	0.00	0.00	S	S	No	No
MS	1753		Stung Chinit Irrigation and Rural Infrastructure	5.18	4.50	PS	S	No	Yes
MS	1862		Northwestern Rural Development	4.55	3.97	S	S	No	No
MS	1824	1	Emergency Flood Rehabilitation	29.23	20.68	S	S	No	No
MS	1824	2	Emergency Flood Rehabilitation	7.22	7.23	HS	S	No	No
MS	1824	3	Emergency Flood Rehabilitation	4.60	6.05	S	S	No	No
MS	1824	4	Emergency Flood Rehabilitation	10.96	10.60	S	S	No	No
MS	1824	5	Emergency Flood Rehabilitation	0.92	0.87	S	S	No	No
Total				231.71	178.29				

AG = agriculture and natural resources, DO = development objective, ED = education, EN = energy, FI = finance, GMS = Greater Mekong Subregion, HL = health, nutrition, and social protection, HS = highly satisfactory, IP = implementation progress, IN = industry and trade, LW = law and public sector management, MS = multisector, No. = number, OCR = ordinary capital resources, PS = partly satisfactory, S = satisfactory, Seg = segment (pertaining to loans with more than one withdrawal authority), TC = transport and communications, U = unsatisfactory, WS = water supply, sanitation, and waste management.

^a "Yes" for loans with four or more risk factors associated with partly satisfactory or unsatisfactory performance.

^b A loan is considered "at risk" if it is rated as "PS" or "U" in either implementation progress or development objectives, or if it is a potential problem loan.

Source: Asian Development Bank.

Table A1.10: Assistance Pipeline for Lending Products, 2005–2007

Sector Project/Program Name	Targeting Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Total	Cost (\$ million)				
						ADB			Co- financing	
						OCR	ADF	Total		
2005 Firm Loans (by priority order)										
Water Supply, Sanitation, and Waste Management										
1. Rural Water Supply and Sanitation	GI	ISD/ENV	MKSS	2005	22.5	18.0	18.0	4.5		
Subtotal					22.5	18.0	18.0	4.5	TBD	
Finance										
1. Financial Sector Program 1 (Subprogram III)	GI	PSD	MKGF	2005	10.0	10.0	10.0	—		
Subtotal					10.0	10.0	10.0	—	0.0	
Agriculture and Natural Resources										
1. Tonle Sap Sustainable Livelihoods	TI	ECO/ISD/ ENV	MKAE	2004	15.0	15.0	15.0	—		
Subtotal					15.0	15.0	15.0	—	0.0	
Total (A)					47.5	43.0	43.0	4.5	—	
Regional										
Health, Nutrition, and Social Protection										
1. GMS Communicable Disease Control in Border Areas	TI	ISD/REG	MKSS	2004	9.0	9.0	9.0	—		
Subtotal					9.0	9.0	9.0	—	—	
Total (B)					9.0	9.0	9.0	—	—	
Total (A+B)					52.0	52.0	52.0	—	—	
2005 Standby Loans (by priority order)										
Agriculture and Natural Resources										
1. Chong Kneas Environmental Improvement	TI	ECO/ISD/ GOV/GAD/ ENV/PSD	MKAE	2005	26.0	15.0	15.0	5.0	6.0	
Subtotal					26.0	15.0	15.0	5.0	6.0	

ADB = Asian Development Bank; ADF = Asian Development Fund; ECO = sustainable economic growth; ENV = environmental sustainability; GAD = gender and development; GI = general intervention; GMS = Greater Mekong Subregion; GOV = governance; Gov't = government; ISD = inclusive social development; MKAE = Mekong Department Agriculture, Environment, and Natural Resources Division; MKGF = Mekong Department Governance, Finance, and Trade Division; MKSS = Mekong Department Social Sector Division; OCR = ordinary capital resources; PSD = private-sector development; REG = regional cooperation; TI = targeted intervention; TBD = to be determined.

Source: Asian Development Bank.

Table A1.10—Continued

Sector Project/Program Name	Targeting Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Total	Cost (\$ million)				
						ADB			Co- financing	
						OCR	ADF	Total		
2006 Firm Loans (by priority order)										
Law and Public Sector Management										
1. Facilities for Commune Councils (Phase II)	GI	GOV	MKGF	2005	6.0	6.0	6.0	—		
Subtotal					6.0	6.0	6.0	—		TBD ^a
Transportation and Communication										
1. Transportation Infrastructure Development and Maintenance	GI	ECO	MKID	2005	45.0	35.0	35.0	10.0		
Subtotal					45.0	35.0	35.0	10.0		TBD ^b
Energy										
1. Second Power Transmission and Distribution Project	GI	ECO/PSD	MKID	2005	20.0	20.0	20.0	—		
Subtotal					20.0	20.0	20.0	—		TBD ^c
Total (A)					71.0	61.0	61.0	10.0		—
Regional										
Transport and Communication										
1. GMS Rehabilitation of the Railways in Cambodia	GI	ECO/GOV/ REG	MKID	2005	40.0 ^d	TBD	TBD			
Subtotal					40.0	TBD	TBD			TBD ^e
Industry and Trade										
1. GMS Pro-poor Tourism Development	GI	ECO/REG	MKSS	2005	15.0	10.0	10.0	5.0		—
Subtotal					15.0	10.0	10.0	5.0		—
Total (B)					55.0	TBD	TBD	5.0		—
Total (A)+(B)					126.0	TBD	TBD	15.0		—

ADB = Asian Development Bank; ADF = Asian Development Fund; ECO = sustainable economic growth; GI = general intervention; GMS = Greater Mekong Subregion; GOV = governance; Gov't = government; MKGF = Mekong Department Governance, Finance, and Trade Division; MKID = Mekong Department Infrastructure Division; MKSS = Mekong Department Social Sector Division; OCR = ordinary capital resources; PSD = private-sector development; REG = regional cooperation; TBD = to be determined.

^a Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) has expressed interest in co-financing this project.

^b Organization of Petroleum Exporting Countries (OPEC) and the Government of Thailand have expressed interest in co-financing this project.

^c Nordic Development Fund (NDF) and Kreditanstalt für Wiederaufbau (KfW) have expressed interest in co-financing this project.

^d Distribution between ADB and co-financing has yet to be decided.

^e The Government of Thailand will reestablish its link to the Cambodia Border. The Government of Malaysia has offered reclaimed rails for reconstruction of the 48 kilometers from Sisophon to the border of Thailand and may consider cofinancing other sections of the project in Cambodia. Japan Bank for International Cooperation (JBIC) has expressed interest in cofinancing the project and the OPEC Fund may provide cofinancing in 2006. The amounts need to be determined.

Source: Asian Development Bank.

Table A1.10—Continued

Sector Project/Program Name	Targeting Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Total	Cost (\$ million)			
						ADB			Co- Gov't financing
						OCR	ADF	Total	
2007 Provisional Lending Programs (by priority order)									
Finance									
1. Financial Sector Program Loan II, (Sub-program 1)	GI	PSD	MKGF	2006	TBD		TBD	TBD	
Subtotal					TBD		TBD	TBD	
Agriculture and Natural Resources									
1. Irrigation and Water Resource Management Sector Development Project	GI	ECO/ENV	MKAE	2006	TBD		TBD	TBD	
2. Tonle Sap Lowland Stabilization		ECO/ENV	MKAE	2005	TBD		TBD	TBD	
Subtotal					TBD		TBD	TBD	
2007 Standby Loans (by priority order)									
Education									
1. Education Sector Development Program III	GI	ISD/GAD	MKSS	2006	TBD		TBD	TBD	
Subtotal					TBD		TBD	TBD	
Regional (by priority order)									
Agriculture and Natural Resources									
1. GMS Flood Management	GI	ECO/REG	MKAE	2006	TBD		TBD	TBD	
Subtotal					TBD		TBD	TBD	
TOTAL					TBD		TBD	TBD	

ADB = Asian Development Bank; ADF = Asian Development Fund; ECO = sustainable economic growth; ENV = environmental sustainability; GAD = gender and development; GI = general intervention; GMS = Greater Mekong Subregion; GOV = governance; Gov't = government; ISD = inclusive social development; MKAE = Mekong Department Agriculture, Environment, and Natural Resources Division; MKGF = Mekong Department Governance, Finance, and Trade Division; MKSS = Mekong Department Social Sector Division; OCR = ordinary capital resources; PSD = private-sector development; REG = regional cooperation; TBD = to be determined.

Source: Asian Development Bank.

Table A1.11: Assistance Pipeline for Nonlending Products and Services, 2005–2007

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding		Total (\$'000)
			ADB	Others	
			Amount Source (\$'000)	Amount Source (\$'000)	
2005 Firm					
Water Supply, Sanitation and Waste Management					
1. Sustainable Rural Water Supply and Sanitation	MKSS	PPTA	150	0	150
Subtotal			150	0	150
Agriculture and Natural Resources					
1. Tonle Sap Lowland Stabilization	MKAE	PPTA	800	300	1,100
2. Establishment of a Tonle Sap Basin Management Organization III	MKAE	ADTA	0	300	300
3. Study of the Influence of Built Structures on the Fisheries of the Tonle Sap	MKAE	ADTA	0	300	300
4. Capacity Building of the Inland Fisheries Research and Development Institute II	MKAE	ADTA	300	0	300
5. Business Initiatives in Rural Development	CARM/MKAE	ADTA	0	150	150
Subtotal			1,100	1,050	2,150
Education					
1. Dormitories for Secondary School Girls	MKSS	ADTA	0	800	800
Subtotal			0	800	800
Transportation and Communication					
1. Transport Infrastructure Development and Maintenance	MKID	PPTA	1,000	0	1,000
Subtotal			1,000	0	1,000
Finance					
1. Financial Sector Program I (subprogram III) Implementation	MKGF	ADTA	500	0	500
Subtotal			500	0	500
Law and Public Sector Management					
1. Facilities for Commune Councils Phase II	MKGF	PPTA	400	0	400
Subtotal			400	0	400
Multisector					
1. Women's Integrated Empowerment Centers	MKSS	ADTA	0	1,500	1,500
Subtotal			0	1,500	1,500
Total (A)			3,150	3,350	6,500
Regional					
Transportation and Communication					
1. GMS Rehabilitation of the Railways in Cambodia	MKID	PPTA	500	0	500
2. GMS Restructuring of the Railway in Cambodia	MKID	ADTA	0	1,500	1,500
3. GMS Telecom Sector Reform	MKID	ADTA	1,000	0	1,000
4. GMS Pro-poor Tourism Development	MKSS	PPTA	900	160	1,060
Total (B)			2,400	1,660	4,060
Total (A)+(B)			5,550	5,010	10,560

ADB = Asian Development Bank; ADTA = advisory technical assistance; CARM = Cambodia Resident Mission; GMS = Greater Mekong Subregion; MKAE = Mekong Department Agriculture, Environment, and Natural Resources Division; MKGF = Mekong Department Governance, Finance, and Trade Division; MKID = Mekong Department Infrastructure Division; MKSS = Mekong Department Social Sector Division; PPTA = project preparatory technical assistance.

Source: Asian Development Bank.

Table A1.11—Continued

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding		Total (\$'000)
			ADB	Others	
			Amount (\$'000)	Amount (\$'000)	
2006 Firm					
Law and Public Sector Management					
1. Support to Decentralization Program	MKGF	PPTA	400	0	400
Subtotal			400	0	400
Agriculture and Natural Resources					
1. Tonle Sap Watershed Management	MKAE	PPTA	500	300	800
2. Capacity Building for Tonle Sap Poverty Reduction Initiative II	MKAE	ADTA	0	500	500
3. Establishment of Tonle Sap Basin Management Organization IV	MKAE	ADTA	300	0	300
4. Irrigation and Water Resource Management Sector Development	MKAE	PPTA	600	200	800
Subtotal			1,400	1,000	2,400
Education					
1. Education Sector Development	MKSS	PPTA	500	0	500
Subtotal			500	0	500
Industry and Trade					
1. Enhancing Business Development Services	MKGF	ADTA	500	0	500
Subtotal			500	0	500
Finance					
1. Financial Sector Program II	MKGF	PPTA	500	0	500
Subtotal			500	0	500
Total (A)			3,300	1,000	4,300
Regional					
Agriculture and Natural Resources					
1. GMS: Flood Management	MKSS	PPTA	500	500	1,000
Subtotal			500	500	1,000
Total (B)			500	500	1,000
Total (A)+(B)			3,800	1,500	5,300

ADB = Asian Development Bank; ADTA = advisory technical assistance; GMS = Greater Mekong Subregion; MKAE = Mekong Department Agriculture, Environment, and Natural Resources Division; MKGF = Mekong Department Governance, Finance, and Trade Division; MKSS = Mekong Department Social Sector Division; PPTA = project preparatory technical assistance.

Source: Asian Development Bank.

Table A1.11—Continued

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding		Total (\$'000)
			ADB	Others	
			Amount Source (\$'000)	Amount Source (\$'000)	
2007 Provisional Non-lending Programs					
Law and Public Sector Management					
1. Support to Public Financial Management II	MKGF	ADTA			
Agriculture and Natural Resources					
1. Agriculture Sector Development Program II	MKAE	PPTA			
2. Enabling Activities to Implement the Stockholm Convention on Persistent Organic Pollutants (POP)	MKAE	ADTA			
3. Study of Inland Aquatic Resources Trade Patterns	MKAE	ADTA			
4. Establishment of the Tonle Sap Basin Management Organization V	MKAE	ADTA			
5. Enhancing the Role of Women in Inland Fisheries	MKAE	ADTA			
Water Supply, Sanitation and Waste Management					
1. Tonle Sap Water Supply and Sanitation Project	MKAE	PPTA			
Finance					
1. Financial Sector Program Implementation	MKGF	ADTA			
Industry and Trade					
1. SME II	MKGF	PPTA			

ADB = Asian Development Bank; ADTA = advisory technical assistance; MKAE = Mekong Department Agriculture, Environment, and Natural Resources Division; MKGF = Mekong Department Governance, Finance, and Trade Division; PPTA = project preparatory technical assistance; SME = small and medium enterprise. Source: Asian Development Bank.

Table A1.12: Cambodia CSP Results Framework (FY2005–FY2009)

Long-Term Development Goals/Cambodia MDGs ¹	Key Constraints to Achievement of Strategic Goals	ADB's Strategic Focus		ADB Interventions to Support the Government of Cambodia	Other Development Partners
		Outcomes that ADB expects to influence through its interventions ²	Intermediate Indicators to Assess CSP Implementation		
Broad-based Economic Growth					
<ul style="list-style-type: none"> • Halve the proportion of the population below the national poverty line (from 39% in 1993 to 19.5% in 2015) <p><u>Government medium-term development goals</u></p> <p><i>Increase GDP growth to 6–7% per year by 2009</i></p> <p><i>Increase average real growth rate in the agriculture sector to 3.5% per year during 2005–2009</i></p>	<ul style="list-style-type: none"> • Economic growth narrowly based, with limited impact on the poor • Low productivity and slow growth of output in the agriculture sector • Lack of commercialization in agriculture • Unequal and limited access to land • Only a small fraction of potentially irrigable land is actually irrigated, management of water resources is weak, and sustainability of irrigation infrastructure is unsecured 	<ul style="list-style-type: none"> • Policy and institutional reform measures firmly in place for market-based agriculture • By end 2008, 56,000 farmers in four target provinces to benefit from regular agriculture extension services • By end 2006, the national seed law will have been approved by the Government for submission to the National Assembly • By mid-2007, divestment of state-owned enterprises (rubber, agriculture inputs and fish trading) will have been completed according to agreed divestment plans • By mid-2007 the area of unused economic land concessions will have been reduced by about 100,000 ha (400,000 ha in 2002) • By 2009, irrigation development will be routinely integrated in a basin-oriented approach to water resource management • By 2009, irrigated agricultural land will have increased to 24%, from an estimated 16% in 2004 with an increasing portion under participatory management 	<ul style="list-style-type: none"> • Development of a medium-term strategy for agriculture, including irrigated agriculture, with an overall strategy and policy framework in place by end 2005³ • Between 2005 and mid-2007 around 2,000 farmer groups to be formed and provided with training, quality seeds and other inputs • Seed law drafted and seed management structure proposed by mid-2005 • Adoption of divestment plans by Government by mid-2005 • Approval of the subdecree on the reduction of unused or excessive economic land concessions by Government by end-2005 • By end 2007, a basin-oriented approach being implemented in at least four priority basins • Between 2005 and 2009, land under sustainable and participatory managed irrigation increased by an annual average of 7,500 ha 	<ul style="list-style-type: none"> • Agriculture Sector Development Program (ASDP), 2005 • Agriculture Sector Development Project, 2005 • Strengthening National Program Budgeting in the Agriculture Sector, 2005 • Action Plan for Gender Mainstreaming in the Agriculture Sector, 2005 • ASDP II, 2008 • Northwest Irrigation Sector Project, 2005 • Irrigation and Water Resource Management Sector Development, 2008 	<p>AFD AusAID CIDA EC FAO IFAD JICA</p>

Table A1.12—Continued

Long-Term Development Goals/Cambodia MDGs ¹	Key Constraints to Achievement of Strategic Goals	ADB's Strategic Focus		ADB Interventions to Support the Government of Cambodia	Other Development Partners
		Outcomes that ADB expects to influence through its interventions ²	Intermediate Indicators to Assess CSP Implementation		
	Small and medium enterprises (SMEs) are constrained by conflicting policy signals and lack of an enabling business environment, a lack of access to finance, weak entrepreneurial skills and limited access to market information and technology	<ul style="list-style-type: none"> • Establishment of market-friendly SME development framework and associated institutional structures to ensure policy coordination and implementation by end 2007 • Improved company registration process and development of a transparent business licensing system by end 2007 • Enhanced access to finance through a credit information system, assistance provided to SMEs in accounting and tax systems, and a legal framework for leasing developed by end 2007 	<ul style="list-style-type: none"> • Approval of an SME development framework by the Council of Ministers (COM), during 2005³ • Submission by MOC and approval by COM of a time-bound business registration reform plan by June 2006 • Approval by COM of a plan for licensing reform by June 2006 • Launch of a pilot credit information scheme by the National Bank of Cambodia (NBC) by June 2006 • Drafting of SME accounting guidelines by the SME Accounting Taskforce and submission of guidelines to Ministry of Economy and Finance (MEF), including plans for a training program by June 2006 • Drafting of law on leasing by NBC in consultation with other agencies and submission of law to COM by June 2006 	<ul style="list-style-type: none"> • Small and Medium-sized Enterprise (SME) Development Program, 2004 • Enhancing Business Development Services for SME, 2006 • SME II, 2008 	Asia Foundation AFD GTZ India IFC JICA MPDF

Table A1.12—Continued

Long-Term Development Goals/Cambodia MDGs ¹	Key Constraints to Achievement of Strategic Goals	ADB's Strategic Focus		ADB Interventions to Support the Government of Cambodia	Other Development Partners
		Outcomes that ADB expects to influence through its interventions ²	Intermediate Indicators to Assess CSP Implementation		
	<ul style="list-style-type: none"> • Inadequate access and high costs of financial services • A lack of long-term finance, a lack of development of nonbank financial institutions and a limited range of products and services 	<ul style="list-style-type: none"> • Reduction in transaction risks • Reduction in information costs • Reduction in operating costs • Improvement in human capacity within the financial sector 	<ul style="list-style-type: none"> • Adoption of the Chart of Accounts and the accounting disclosure requirements by all banks and specialized financial institutions by March 2005 • NBC to complete on-site supervision of at least two-thirds of all commercial banks by end 2005 • A revised regulatory framework for the insurance market adopted by June 2005 and new accounting and auditing disclosure requirements introduced by end 2005 • Specialized training modules for banking staff coordinated by the Bankers Association by June 2005 and a new code of ethics adopted by May 2005 	<ul style="list-style-type: none"> • Financial Sector Program Loan (ongoing) • Financial Sector Program Implementation, 2005 • Financial Sector Program Loan II, 2007 • Financial Sector Program Implementation, 2007 	IMF
	<ul style="list-style-type: none"> • Large groups are excluded from the economic mainstream because of an inefficient, poorly maintained and incomplete transport infrastructure 	<ul style="list-style-type: none"> • Improvement in connectivity of rural areas and provincial towns • Reduction in transport costs from 100 in 2005 to 90 in 2009 (road freight index) • Increased diversity of transport supply (increase in rail freight traffic from 0.6 million tons in 2005 to 1.0 million tons in 2009 and decrease in average annual growth rate of highway traffic from 9.4% in 2005 to 7.3% in 2009) 	<ul style="list-style-type: none"> • Secondary national roads and provincial roads rehabilitated to improve links between rural areas and the network of primary national highways • Increased share of road maintenance financed through subsector revenues (from 15% in 2005 to 75% in 2009) • Increased share of railway network in good condition • Improved legal and regulatory frameworks to 	<ul style="list-style-type: none"> • Greater Mekong Subregion (GMS) Southern Coastal Corridor, 2006 • Transport Infrastructure Development and Maintenance, 2006 • GMS: Restructuring of the Royal Railways of Cambodia and Rehabilitation of Track, 2006 • Establishment of a Transport Authority in Cambodia, 2006 	JICA World Bank Thailand PRC Republic of Korea Sida OPEC Fund AFD Malaysia USAID Viet Nam

Table A1.12—Continued

Long-Term Development Goals/Cambodia MDGs ¹	Key Constraints to Achievement of Strategic Goals	ADB's Strategic Focus		ADB Interventions to Support the Government of Cambodia	Other Development Partners
		Outcomes that ADB expects to influence through its interventions ²	Intermediate Indicators to Assess CSP Implementation		
		<ul style="list-style-type: none"> Strengthened capacity of public sector transport institutions 	<p>promote greater private sector participation in the management and operation of the road and rail sector</p>		
	<ul style="list-style-type: none"> The lack of electrification and high cost of electricity restrict economic opportunities, retard economic growth and social development 	<ul style="list-style-type: none"> Improved access to sustainable and affordable power supplies 	<ul style="list-style-type: none"> Power transmission lines from Viet Nam to Phnom Penh, and from Kampot to Sihanoukville established Distribution facilities improved Financial performance of Electricity du Cambodge improved Power regulatory framework strengthened 	<ul style="list-style-type: none"> GMS Power Transmission Project, 2005 Second Power Distribution Project, 2006 	<p>World Bank JICA France</p>
Inclusive Social Development					
<ul style="list-style-type: none"> Ensure all children complete primary schooling by 2010 and nine years of basic schooling by 2015 Eliminate gender disparity in nine-year basic education by 2010 Reduce significantly the gender disparities in upper secondary education and tertiary education 	<ul style="list-style-type: none"> Poorest families lack access to basic education because schools are not available and because of the cost of education (including requirements to make informal payments) Poor quality and low efficiency of education due to insufficient student learning hours, a lack of qualified teachers, and unavailability of textbooks Weak institutional capacity of the Ministry of Education for decentralizing 	<ul style="list-style-type: none"> Reduction in costs and improvement in access to, and quality of, basic and post-basic education (grades 1–9) Increased education sector allocation in the recurrent budget Improved financial governance, transparency and accountability at central, provincial, district, commune, and school level Increased access and relevance of vocational training 	<ul style="list-style-type: none"> Target share for education sector in the recurrent expenditure finalized by mid-2005 <i>Parkas</i> abolishing all informal payments in primary and lower secondary education issued by Ministry of Education, Youth and Sports (MOEYS) by mid-2005 Expansion of facilities of 400 lower secondary schools and provision of 24 model upper secondary, and 25 rural upper secondary schools by 2006 Facilities of 340 incomplete primary 	<ul style="list-style-type: none"> Education Sector Development Program II, 2004 Education Sector Management, 2004 Education Sector Development Program III, 2007 	<p>EC Sida UNICEF France JICA WFP USAID DFID GTZ World Bank AusAID Belgium UNESCO</p>

Table A1.12—Continued

Long-Term Development Goals/Cambodia MDGs ¹	Key Constraints to Achievement of Strategic Goals	ADB's Strategic Focus		ADB Interventions to Support the Government of Cambodia	Other Development Partners
		Outcomes that ADB expects to influence through its interventions ²	Intermediate Indicators to Assess CSP Implementation		
	<p>education service management, and for financial planning, accounting and audit management</p> <ul style="list-style-type: none"> • Inadequate financing, especially recurrent expenditures, including teacher salaries • Lack of resources for the training needs of 3.1 million out-of-school youth (12–21 years of age) to provide income generating skills 		<p>schools in remote and ethnic minority provinces expanded to enable delivery of 6 years of schooling by 2008</p> <ul style="list-style-type: none"> • Provision of scholarships for lower and upper secondary education for the poor increased, with an emphasis on girls and minorities • Primary dropout rates reduced from 10% in 2003 to 1% in 2008 • PTR for primary and secondary education increased from 45 and 30 respectively in 2004 to 45 and 40 respectively by 2008 • Decentralized planning and management capacity building programs including accounting, internal audits, staff development, remuneration and performance appraisal begun by mid-2005 • Circular for student testing and an action plan for remedial classes issued by MOEYS by mid-2005 		

Table A1.12—Continued

Long-Term Development Goals/Cambodia MDGs ¹	Key Constraints to Achievement of Strategic Goals	ADB's Strategic Focus		ADB Interventions to Support the Government of Cambodia	Other Development Partners
		Outcomes that ADB expects to influence through its interventions ²	Intermediate Indicators to Assess CSP Implementation		
<ul style="list-style-type: none"> • Increase the proportion of the rural population with access to safe water sources (from 24% in 1998 to 50% in 2015) • Increase the proportion of the rural population with access to improved sanitation (from 8.6% in 1996 to 30% in 2015) 	<ul style="list-style-type: none"> • Weak and unsustainable infrastructure for safe drinking water and sanitation facilities due to lack of investment • Insufficient community awareness of the links between safe water, sanitation and health 		<ul style="list-style-type: none"> • Community sanitation and health programs developed • Rural water supply and environmentally-friendly sanitation facilities increased in three provinces • Improved capacity of government agencies in planning, implementing and monitoring of rural water supply and sanitation programs at the provincial level 	<ul style="list-style-type: none"> • Rural Water Supply and Sanitation Project, 2005 • Tonle Sap Water Supply and Sanitation Project 	
<ul style="list-style-type: none"> • Improve rural livelihoods and reduce vulnerability 	<ul style="list-style-type: none"> • Livelihood assets of the poor are being adversely affected by unsustainable exploitation of natural resources and deteriorating rural infrastructure 	<ul style="list-style-type: none"> • Improved management and conservation of natural resources, and diversified sources of livelihoods in the Tonle Sap Basin (TSB) 	<ul style="list-style-type: none"> • Improved community-based natural resource management • Village development funds established • Post-school literacy programs and vocational education provided for alternative income generation activities • Value addition to fisheries products promoted • Small-scale community infrastructure, such as rural access roads, foot bridges, small irrigation pumps, and community wells and ponds for safe water supply, promoted 	<ul style="list-style-type: none"> • Tonle Sap Sustainable Livelihoods, 2005 • Tonle Sap Lowland Stabilization, 2007 • Establishment of the Tonle Sap Basin Management Organization III–V (2005–2007) • Study of the Influence of Build Structures on the Fisheries of Tonle Sap, 2005 • Tonle Sap Watershed Management, 2006 • Capacity Building for the Tonle Sap Poverty Reduction Initiative II, 2006 • Enhancing the Role of Women in Inland Fisheries, 2007 • Study of the Inland Aquatic Resources Trade Patterns, 2007 	<ul style="list-style-type: none"> DFID Danida GTZ CIDA FAO AusAID JICA USAID EC Finland World Bank UNESCO UNDP-GEF

Table A1.12—Continued

Long-Term Development Goals/Cambodia MDGs ¹	Key Constraints to Achievement of Strategic Goals	ADB's Strategic Focus		ADB Interventions to Support the Government of Cambodia	Other Development Partners
		Outcomes that ADB expects to influence through its interventions ²	Intermediate Indicators to Assess CSP Implementation		
Good Governance					
<ul style="list-style-type: none"> • Improve the responsiveness, cost-effectiveness, efficiency and quality of public service delivery, especially to the poor 	<ul style="list-style-type: none"> • Weak capacity for public financial management leading to a poor domestic resource mobilization effort, inefficient allocation of public expenditures to support development priorities, and weak linkages among policies, expenditures and outcomes in priority sectors 	<ul style="list-style-type: none"> • Improved credibility of the budget (by redesigning the budget cycle to provide the basis for policy-based budgeting) 	<ul style="list-style-type: none"> • Promulgation of legislation that unifies the budget system by end 2005 • Mainstreaming of the priority action programs (PAPs) within the budget cycle by June 2005 • Organizational restructuring (integration of functions) of the MEF completed by end 2005 • Improved capacity of Government staff to oversee budget formulation and execution • Improved sectoral expertise in MEF budget and policy departments 	<ul style="list-style-type: none"> • Support to Public Financial Management, 2005 	<ul style="list-style-type: none"> AusAID DFID EC France IMF JICA Sida World Bank
<ul style="list-style-type: none"> • Strengthen local governance through decentralization and deconcentration (D&D) to strengthen participatory democracy and improved service delivery 	<ul style="list-style-type: none"> • Framework for D&D remains fragmented • Commune councils lack authority, administrative capacity, and financial resources to promote development in their respective areas 	<ul style="list-style-type: none"> • Commune councils able to function effectively • An appropriate legal framework for decentralization in place • Councilors, clerks and district and provincial officers trained in their respective roles, functions and operating procedures 	<ul style="list-style-type: none"> • Government national policies, strategic framework, and action plan on D&D finalized and submitted to COM for approval in 2005 • 425 commune council premises completed by end 2005 • 11,200 commune-<i>sangkat</i> councilors and clerks to have received training in governance, local democracy, councilor roles and responsibilities by end 2005 	<ul style="list-style-type: none"> • Facilities for Commune Councils (Phase II), 2006 • Support for Decentralization Program, 2006 	<ul style="list-style-type: none"> AusAID Canada DFID EC France GTZ Sida UNDP World Bank

Table A1.12—Continued

Long-Term Development Goals/Cambodia MDGs ¹	Key Constraints to Achievement of Strategic Goals	ADB's Strategic Focus		ADB Interventions to Support the Government of Cambodia	Other Development Partners
		Outcomes that ADB expects to influence through its interventions ²	Intermediate Indicators to Assess CSP Implementation		
			<ul style="list-style-type: none"> • Provincial and district officials to have received training on support and supervision of commune-<i>sangkat</i> councils by end 2005 • 550 commune-<i>sangkats</i> to have photomaps to implement the Land Law by early 2006 		

ADB = Asian Development Bank; AFD = Agence Française de Développement; AusAID = Australian Agency for International Development; CIDA = Canadian International Development Agency; CSP = country strategy and program; Danida = Danish International Development Assistance; DFID = Department for International Development; EC = European Commission; FAO = Food and Agriculture Organization; GEF = Global Environment Facility; GMS = Greater Mekong Subregion; GTZ = Deutsche Gesellschaft für Technische Zusammenarbeit; IFAD = International Fund for Agriculture Development; IFC = International Finance Corporation; IMF = International Monetary Fund; JICA = Japan International Cooperation Agency; MDG = Millennium Development Goal; MPDF = Mekong Project Development Fund; OPEC = Organization of Petroleum Exporting Countries; PRC = People's Republic of China; Sida = Swedish International Development Cooperation Agency; UNDP = United Nations Development Programme; UNESCO = United Nations Education, Scientific, and Cultural Organization; USAID = United States Agency for International Development; WFP = World Food Programme.

¹ Where available, the Government's medium-term development goals are indicated in italics

² Achievement of these outcomes are the combined responsibility of the Government, development partners (including the ADB), private sector and civil society.

³ Indicators endorsed at the 2004 Cambodia consultative group meeting.

Source: Asian Development Bank.

COUNTRY STRATEGY AND PROGRAM FORMULATION

1. The Asian Development Bank (ADB) has been active in supporting the Government of Cambodia's planning process since it restarted operations in 1993. ADB provided technical assistance for the preparation of the Second Socio-Economic Development Plan (SEDP II), which formed the basis for the National Poverty Reduction Strategy (NPRS). ADB technical assistance for the Supreme National Economic Council, "the Prime Minister's think-tank", also facilitated the preparation of the Rectangular Strategy for Growth, Employment, Equity, and Efficiency.

2. The NPRS was developed through a participatory process that involved key stakeholders and was conducted in close cooperation with Cambodia's development partners, including ADB. The preparation of this country strategy and program (CSP) builds on the successful collaboration in developing the NPRS. Preparing the CSP took place over an extended period from the third quarter of 2002 into late 2004. The CSP process was one of the first attempts internationally to develop a strategy document jointly by several development partners, with ADB working closely with the Department for International Development (DFID) of the United Kingdom and the World Bank. All three organizations prepared their country strategies for Cambodia at the same time.

A. Unprecedented Donor Coordination

3. Starting in 2003, retreats and meetings among programming officers of the three agencies were organized in 2003 in Phnom Penh, Manila and Bangkok to share information and develop a consensus on vision and expectations, as well as options on respective roles and accountabilities for outputs and outcomes. The retreats were important steps toward a heightened level of shared understanding of the operating frameworks, as well as the realities of the partners, and led to a statement of partnership principles (Box A2).

4. In Cambodia, there is a general call for greater partner coordination to combat the impression that development partners often work at cross purposes and with little consultation among themselves or even with Government. The three partners agreed to build a strategy for coordinated assistance to Cambodia together. Their assistance to Cambodia over the period 2005–2009 aims to support the successful implementation of the Government's program of poverty reduction as expressed in the SEDP II, the NPRS, and the Rectangular Strategy. In formulating the strategy, the desired outcomes were worded to be suitable for monitoring. The organizations agreed to build in an element of joint accountability for results. The following broad outcomes, which are based on the NPRS, were agreed: (i) improved rural livelihoods, (ii) expanded job opportunities, (iii) improved capabilities, (iv) strengthened institutions and improved governance, (v) improved gender equity, and (vi) reduced vulnerability and strengthened social inclusion. The organizations also agreed on a framework of general agency responsibilities for focal areas and outcomes.

5. After a number of informal meetings and management meetings, two joint workshops were held for staff of the three institutions. The first was in Bangkok in September 2003 and discussed how the institutions would work together (including the development of partnership principles). The second, in Phnom Penh in October 2003, discussed the outcomes of the strategies and steps necessary to achieve these. The meetings highlighted the challenges in developing a joint work program and led to a division of labor and a schedule for stakeholder consultations.

Box A2: Guiding Principles on Partnership

A: Principles for How We Will Work With Government

- Build and maintain our understanding of Cambodia's development context and base our engagement on this knowledge.
- Develop deep understanding of the incentives and institutions in each sector we engage in, and to design our support based on this knowledge.
- Build capacity in Government to lead and implement its development agenda.
- Listen to Government's own development agenda and to base our dialogue on this.
- Work with Government to identify selective priorities and align our strategies around these.
- Ensure Government has commitment and ownership before providing support
- Be realistic in our expectation, exercise patience, and take a long-term perspective

B: Principles for How We Will Work Together

- Invest time and effort in understanding our different mandates.
- Recognize our relative institutional strengths and build on them.
- Work in partnership, resolving differences and sustaining trust.
- Build and sustain enough trust to represent each other's interests to other partners
- Share information in a spirit of openness
- Communicate and maintain common messages to Government.
- Ensure there is coherence between our field office and HQ-led in-country engagement.
- Coordinate and harmonize our activities in sectors we support.

6. Based on these discussions, core staff continued to meet to develop a joint approach to preparing the country strategy. This led to a common assessment of the current development trends and issues, the Government's development strategy, and risks to the implementation of that strategy (Chapters I–II and part of Chapter VI of the CSP). All three organizations shared their existing assessments, which reduced the duplication of work and allowed a common approach to be developed. It was agreed that the text of the strategy documents of the three institutions would be the same in these areas. Since ADB was more advanced in preparing its CSP, it took the lead in drafting these chapters. The common text was shared within the three institutions and comments were then incorporated. More recently, the United Nations (UN) system has also participated in the joint strategy process, and it will use the joint assessments for its United Nations Development Assistance Framework 2006–2010.

B. Consultations and Stakeholder Participation

7. Parallel to the internal process among the three partners, there were a number of consultations with stakeholders. In October 2003, there was a series of workshops with civil society and the private sector to discuss the key challenges the country faced. Consultations with civil society showed a strong need for greater interaction and collaboration between civil society and donors, a desire to encourage greater accountability on the part of the Government, and a need for better governance. The private sector consultation also emphasized the importance of improving governance and the need for the private sector and donors to work together and understand each other better.

8. On its own and with partners, ADB met with the Government at various levels to discuss progress on the CSP. These included a high-level meeting with the Supreme National Economic Council in February 2004 to discuss the overall strategy. A meeting was held with sector ministries in March 2004 to discuss the timing and composition of the program. Cross-cutting concerns were also discussed during this meeting. At these meetings, the Government confirmed ADB's general approach and emphasized the importance of agriculture and irrigation in promoting growth and reducing poverty. Government representatives agreed that strengthening institutions and governance was central to ensuring that Cambodia will be able to sustain development.

9. In addition to meeting with domestic stakeholders, ADB also had a series of discussions with development partners about the CSP. The aim of these meetings was to receive feedback and to improve donor coordination. A multi-donor workshop was held in Phnom Penh in October 2003 to discuss partnership principles and improving donor harmonization. ADB and World Bank also held a joint workshop in January 2004 in Tokyo to discuss the country strategy process with Japanese authorities. Participants at that meeting emphasized the importance of the donor community speaking with a single voice and with the National Poverty Reduction Strategy and the Rectangular Strategy guiding all development assistance. There was also great commitment to improving working relations among donors and coordination within each sector. Donors also emphasized the importance of focusing more support on rural areas and of strengthening decentralization.

10. The feedback and comments from these meetings were incorporated in the CSP and heavily influenced the design of the program. The program was shared with DFID and World Bank.

11. The joint strategy process culminated in a series of workshops sponsored by ADB, DFID the UN and the World Bank in October and November 2004 to provide feedback to Government, civil society, the private sector, and other donors on how their inputs were used, how the four institutions would support the Government's Rectangular Strategy, the lessons learned from this process, and how the institutions would implement and monitor their strategies.

COUNTRY SECTOR AND SUBSECTOR PLAN

A. Poverty Assessment¹

1. Introduction

1. Cambodia formulated its national poverty reduction strategy, 2003–2005 (NPRS) through an extended participatory process built on the socio-economic development plan, 2001–2005, (SEDP II) and provides a comprehensive set of monitoring indicators towards achieving Cambodia's Millennium Development Goals (MDGs).² The Government and its development partners have accepted Cambodia's MDGs as the basic framework for monitoring Cambodia's development and poverty reduction effort.

2. Poverty is serious in Cambodia, with the rural poverty incidence at 40–45%, reaching 70–80% in some areas around the Tonle Sap basin. The poor experience a high degree of food insecurity, increasing landlessness, conflicts related to their reduced access to land, forest, and fishery resources, increasing indebtedness, and an inability to afford basic health services. A significant number of people are chronically vulnerable, moving in and marginally out of poverty as external factors affect their lives. Causes of poverty include the high population growth: limited access to markets and employment opportunities; lack of human capital: lack of equitable access to land, forest, and fisheries resources; poor management of natural resources; insecurity and inadequate access to justice; social exclusion; and external shocks.

2. Location and Extent of Poverty

3. Numerous studies of poverty in Cambodia have been undertaken, including several prepared jointly by the Government and development partners. The most current multipartner poverty assessment is reported in the NPRS. The results of the assessment were broadly discussed prior to the approval of NPRS and subsequently widely disseminated.

4. Various technical problems with different household surveys have made it difficult to quantify poverty in Cambodia or to draw firm conclusions on poverty trends during the last decade. These include (i) varying sample coverage of the surveys, (ii) limited spatial price data, (iii) significant differences in survey design, and (iv) serious problems in survey implementation. The information presented here is based on the best consensus estimates. It is likely to change as new data become available.

5. The consensus assessments of poverty in Cambodia indicate that 35–40% of the population has expenditure levels below the poverty line, with 15–20% in extreme poverty. The percentage of the population below the poverty line is lowest in Phnom Penh (10–15%) and higher in rural areas (40–45%), with the highest levels seen in parts of some of the provinces around the Tonle Sap. The poverty profiles suggest that inequality increased between 1993 and 1997, especially in rural areas. Table A3.1 reports the distribution of poverty in 1997, the estimates for which are considered to be the best available.³ The headcount estimates report the incidence of poverty and food (i.e. extreme) poverty. The poverty gap measures the average

¹ This appendix is based on National Poverty Reduction Strategy and an ADB-supported review of the state of knowledge of poverty in Cambodia (Knowles, James. 2003. *Cambodia Poverty Review*. Manila: ADB).

² The CMDG is Cambodia's localized version of MDGs. See, Ministry of Planning. 2003. *Cambodia Millennium Development Goals Report 2003*. Phnom Penh: Royal Government of Cambodia.

³ 1997 data were used since the data gathered for the 2003/04 socioeconomic survey has yet to be analyzed.

amount of poverty (the average amount below the poverty line). The poverty severity index puts a special weight on the poorest of the poor.

Table A3.1: Revised Cambodia Poverty Estimates, 1997

Item	Population (%)	Headcount (%)	Poverty Gap (%)	Poverty Severity (%)
Food Poverty Line				
Phnom Penh	9.9	3.5	0.5	0.1
Other urban	10.7	15.3	3.2	1.0
Rural	79.4	23.1	4.6	1.4
Total	100.0	20.3	4.0	1.3
Poverty line				
Phnom Penh	9.9	11.2	2.2	0.6
Other urban	10.7	30.3	7.5	2.7
Rural	79.4	44.0	11.0	3.9
Total	100.0	39.3	9.8	3.5

Source: 1997 CSES data, Ministry of Planning (1998, 2001).

6. Because of the lack of longitudinal data, it is difficult to estimate the extent of chronic poverty or the percentage of the population in transition. However, qualitative evidence⁴ suggests that a significant percentage of the population is vulnerable to shocks, particularly those associated with health crises and natural disasters. One estimate suggests that 80% of the rural population is vulnerable to health shocks, and that a single health shock can drive the household into poverty (or significantly deeper into poverty). Poverty is also associated with reduced access to land⁵ and natural resources. According to preliminary findings emerging from ongoing research by CDRI, poverty in some areas around the Tonle Sap has been found to have increased between 1998 and 2004.⁶

7. Poverty increases with household size, number of children in the household, and is most severe in households headed by middle-aged persons deriving incomes primarily from agriculture. While households headed by women are not significantly poorer than those headed by men, they are often more vulnerable. They have less land and access to labor, and thus rely more on risky coping strategies, such as selling land and other assets, or pulling children out of school and sending them to work. Around the Tonle Sap, households headed by women constitute approximately 25% of the total population, and are more vulnerable to poverty because of their lack of male labor and consequent inability to participate fisheries, the main occupation of area. They are thus relegated to secondary occupations with much lower returns. Education plays an important role in poverty. Poverty rates are similar when the household head has no schooling or has only primary schooling, and are lower when the household head has secondary, technical, or higher education.

⁴ ADB. 2001. *Participatory Poverty Analysis*. Manila.

⁵ A World Bank survey in 2000 revealed that the richest 10% of Cambodian households owned 40% of the land, while the poorest 40% owned only 12%. About 14.4% of rural households are landless. Additionally, another 25 percent own land plots of sizes less than 0.5 hectare, which are insufficient to sustain livelihoods. Consequently, about 40 percent of rural households constitute the 'landless' and 'near-landless' categories.

⁶ CDRI. 2004. *Moving Out of Poverty Study: Understanding Growth and Freedom from the Bottom Up*. (Mimeo)

3. The Cambodia Millennium Development Goals

8. The Government is committed to achieving Cambodia's Millennium Development Goals (MDGs), which have been integrated into a number of national and sector strategies. This reflects the Government's appreciation that poverty is a multi-faceted phenomenon and that there are factors aside from incomes. Cambodia's human development indicators are among the lowest in Asia as its assets and institutions were virtually destroyed by war, isolation, and genocide. While Cambodia has made progress towards achieving the its MDGs, attaining many of the targets will be difficult.

9. There has been considerable success in reaching the universal primary education target. The net primary school enrollment rate increased from 76% in 1997 to 87% in 2001. Cambodia is quite likely to meet the MDG targets for universal primary education before 2010. However, progress in secondary school education has been slower and meeting the targets seems unlikely. The quality and affordability of education has improved but further progress is needed. Significant gender inequality in education remains. Currently, girls account for only 39% of lower secondary school enrollment and suffer higher dropout rates than boys. Gaps between male and female enrollments increase significantly at the secondary school level, especially in rural areas. Weakness in basic education and skills severely limits opportunities and is a serious constraint on economic growth.

10. The health status of the population is poor. There has been progress in some health-related goals, but at current rates the increases are probably not sufficient to meet Cambodia's MDGs. Although there are many problems with data and varying estimates, the child mortality rate is currently estimated to be 115 per 1,000 live births, one of the highest in Asia. Most of these deaths could be prevented with a few basic and cost-efficient treatments. Around 85% of deliveries take place at home and skilled personnel attend less than half of all deliveries. There is also a significant unmet demand for family planning services. This has led to a high population growth rate, aggravating poverty and increasing the pressure on natural resources.

11. While Cambodia has the highest HIV/AIDS infection rate in Asia, it has made substantial progress, with the adult prevalence rate declining from 3.7% to 2.7% from 1998 to 2001. HIV transmission patterns are shifting, with most new infections occurring among married women and their children, a difficult group to target. Continued focus is needed to ensure that the infection rate declines.

12. Subsistence farmers, landless or marginal landholders, the urban poor, and other vulnerable groups face chronic food insecurity. A recent World Food Programme study shows that there are food deficits in nearly half of the country's 24 provinces and even provinces with a rice surplus, 30% of communes face chronic food shortages, with about 20% of the rural population unable to secure enough food.

4. Vulnerable Groups

13. **Ethnic Minorities.** Approximately 10% of the population can be classified as ethnic minorities. The largest minority group is the Cham, a Khmer-speaking Muslim group that is generally well-integrated, while facing some cultural barriers in access to public services. There is a significant Vietnamese-speaking population, who often has problems establishing citizenship and accessing basic public services.

14. There are also a number of indigenous hill tribe groups, primarily located in Ratanakiri and Mondulakiri provinces in north-eastern Cambodia. These populations are among the poorest and most vulnerable segments of Cambodia's population because of their physical and cultural isolation.⁷ More than 30 years of conflict have left many groups vulnerable and excluded. In the early 1990s, nearly 300,000 refugees were repatriated and in 1997 further insecurity and fighting displaced 80,000 to 100,000 people. These displaced groups have less access to land and are often forced to adopt high-risk coping strategies. The conflict left a high level of disability, with 2% of the population disabled (20% of whom are children), and a distorted age structure, with over half of the population under 18 and a high dependency rate. Vulnerable groups are often poorly represented in policy discussions and program delivery.⁸ Table A3.2 provides estimates of the main hill tribe populations in Cambodia.

Table A3.2: Estimated Total Hill Tribe Population

Province	Total Population	Estimated Percentage of Population from Hill Tribes
Kratie	263,175	8
Mondulakiri	32,407	71
Ratanakiri	94,243	66
Stung Treng	81,074	7

Source: Asian Development Bank. 2000. *Addressing the Health and Education Needs of Ethnic Minorities in the Greater Mekong Subregion: Cambodia Country Report*. Manila.

5. Barriers to Poverty Reduction

15. The causes of poverty in Cambodia are complex and difficult to disentangle. Cambodia is a postconflict state and is in the process of rebuilding its physical and social infrastructure. This constrains investments, limits income-generating opportunities, and reduces the possibility of many households escaping from poverty. There is a great deal of uncertainty about access to health services, ownership of land and assets, and risks of natural disasters, compounded by the very limited provision of safety nets.

16. Cambodia's economy is relatively open and there are few formal restrictions on commerce and business. However, there are substantial structural and informal barriers that limit entrepreneurial entry and activity. Greater openness to private enterprise, combined with improved governance, is expected to generate significant benefits for the poor, especially by generating employment and reducing informal barriers to entry.

17. **Reducing poverty requires both macro and sector progress.** Without significant and sustained economic growth, it will be impossible to lift large numbers of Cambodia's population out of poverty. Although the country has experienced strong economic growth in the past decade, this has largely been confined to the urban areas, thus excluding the majority rural poor. An important exception is the garment industry, which has employed many young women and serves as a source of remittances for many rural households. However, the garment industry is at risk due to the changing trade regime in 2005. Cambodia needs to develop a more diversified economic base that is relatively labor-intensive. It also needs to develop more local value-added inputs.

⁷ See ADB. 2001. *The Health and Education Needs of Ethnic Minorities in the Greater Mekong Subregion*. Manila and ADB. 2002. *Capacity Building for Ethnic Minorities*. Manila.

⁸ See Social Protection Background Note, World Bank, September 2003.

18. **The low growth of agriculture limits opportunities for the rural population to escape poverty.** The agricultural sector is very important for generating economic growth and reducing poverty. Unless agriculture grows more quickly, it is unlikely that Cambodia will see a significant decrease in poverty, since the benefits from agriculture sector growth will be much more broadly distributed among the poor, who are predominately based in rural areas and dependent on agricultural livelihoods.

19. **Levels of human capital need to improve.** The poor face significant barriers to protecting and improving their human capital. Without adequate levels of health and education, the children of poor households are likely to be condemned to poverty. Recently there has been significant investment in education and coverage has expanded dramatically, particularly at the primary level. The quality of education has to improve and coverage at higher levels should expand, particularly in relation to girls and poor children. Among other measures, scholarships targeted at girls and children from ethnic minority groups are important mechanisms for improving equity in access to schooling.

20. Health is a major concern, since the poor are quite vulnerable to health shocks, which can lead to a major decline in income and can force the sale of productive assets, such as livestock or land. Although the country is largely covered by a public health network, the rural population often delays care or seeks poor-quality but expensive care from the private or informal health sector. High-cost but low quality health care has very serious consequences for the health and poverty status of the population.

6. Implications for ADB Strategy

21. To overcome barriers to poverty reduction in line with the SEDP II, the NPRS, and the rectangular strategy, ADB will focus on fostering broad-based economic growth, improving livelihoods and reducing vulnerability, and improving governance at all levels.

22. While high and sustained economic growth is necessary to lift large numbers of Cambodia's population out of poverty, recent experience suggest that this has not been a sufficient condition for poverty reduction. Despite the achievement of relatively robust growth in the past decade, poverty remains extensive, suggesting that a large number of people have not benefited from such growth. This points to the need to pursue a more broad-based and inclusive development process by improving the physical infrastructure (primarily transport and energy), increasing mobility and enhancing opportunities; increasing agriculture productivity and diversification; removing the legislative and regulatory barriers to private investment; improving the access and quality of education and health; and supporting regional integration. Cambodia's experience also suggests a need to improve governance at all levels so as to create an enabling environment for private sector development, improve the development effectiveness of public expenditures to improve public service delivery, and strengthen local voices in government.

23. Given the characteristics of poverty in Cambodia, there is also a need to target poverty interventions in a limited geographic area (e.g. the Tonle Sap basin) to maximize the number of beneficiaries and thereby improve the development impact of ADB's assistance, and to enable greater synergies among different interventions. Such interventions should focus on enhancing livelihoods and reducing vulnerability through increased access and management of assets (both physical and natural), strengthening human capital, and empowering vulnerable groups such as women and ethnic minorities.

B. Governance Assessment

24. The 1993 Constitution laid the groundwork for the development of Cambodia's governance systems. The Constitution provides for democracy and a multiparty system as the foundations for the political regime of the Kingdom of Cambodia. Cambodian citizens can exercise their powers through three separate branches: the legislature, the executive, and the judiciary.

25. The National Assembly holds primary legislative power. It has the right to approve laws, in particular with regard to the national budget, state planning, loans and lending, taxes, international agreements, and declarations of war.

26. The executive branch of the Government is responsible for executing national policies and programs, and is accountable to the National Assembly. The Council of Ministers is the Royal Government of Cambodia. The Government consists of both civil administration and the armed forces. The Office of the Council of Ministers is the highest administrative unit to guide and control the agenda of the Government for purposes of political coordination and administrative monitoring.

27. The judiciary is an independent branch of government. The King is the guarantor of the independence of the judiciary, with the assistance of the Supreme Council of Magistracy (SCM). Only the SCM is empowered to discipline judges and forward proposals to the King on appointment of all judges and prosecutors.

28. There is increasing participation of civil society in policy development and other areas of public concern. However, civil society remains weak, particularly at local levels.⁹ Although civil society networks now exist in Cambodia, they face significant challenges in coordinating dialogue and actions. While Government's capacity to engage in policy dialogue with civil society at local and national levels is growing, participatory mechanisms are generally not yet mainstreamed into planning or monitoring.

1. Issues

29. Strengthening public financial management is critical for improving service delivery. The budget structure is geared toward the financing of institutions rather than services. Increasingly, budget execution has suffered from delays and unpredictable release of funds, due to cash constraints, thus undermining operational planning. The system is plagued by deficient accounting and reporting systems that lead to a weak control environment and increasing opportunities for corruption. Cambodia's total revenue to GDP ratio is among the lowest in the world--increased revenues are needed to finance investments required to achieve NPRS outcomes.

30. Given the serious challenges afflicting the civil service—low pay, absence of clear hiring and promotion policies, low skills, leading to low capacity and high levels of corruption—comprehensive civil service reform is an important priority for improving service delivery. One of the most pressing issues is the low level of pay for most civil servants. There is also a need to improve the sectoral and geographic deployment of civil servants to priority areas.

⁹ *Margin to Mainstream*, An assessment of community based organizations in Cambodia, World Bank, draft October 2003.

31. Weak institutions and limited accountability mechanisms are legacies of Cambodia's recent emergence from conflict and result in high levels of corruption. Although it is difficult to quantify, the evidence suggests that corruption is a serious constraint on economic growth, private sector development, and poverty reduction. For example, a recent study of the country's competitiveness showed that about 60% of the cost of transport and import charges were due to unofficial charges, making Cambodia one of the most expensive countries in which to do business.¹⁰ Surveys conducted by the World Bank and the Asia Foundation identify corruption and related governance issues as the primary concerns of Cambodian households, firms, public officials, NGOs, and academics.¹¹

32. A well functioning and harmonized structure of decentralization and deconcentration¹² has the potential to strengthen the local voice in government and improve delivery of public services. However, the links between decentralization and poverty reduction are indirect and are contingent on factors such as sustained government commitment to poverty impact, the quality of legislation and administration, financing and supervision systems, and protection of commune councils from the local elite. The Government's recent commitment to address the need for a government-owned strategy for decentralization and deconcentration reforms is a welcome and significant development.

33. Much remains to be done to strengthen the justice system and to enhance the integrity of the courts. Additional effort is needed to offer effective guarantees to private investors and establish effective dispute resolution mechanisms. Legal reform issues include inconsistencies in legislation, limited dissemination of legislation, the lengthy law-making process, lack of capacity to draft laws, and the lack of participation of stakeholders. Judicial reform issues include weak governance and corruption in the judiciary, lack of laws to govern magistrates, the need for reform of the Supreme Council of Magistracy, limited number of judges and lawyers, and the low salaries of judges and prosecutors.

2. Government Strategy, ADB Experience, and Development Partner Activity

34. In 2000, ADB commissioned the Cambodia Development Resource Institute (CDRI) to undertake a country governance assessment (CGA) for Cambodia. The CGA identified three areas of governance where donor support may be appropriate: (i) strengthening accountability institutions in the public sector; (ii) building partnerships between government and non-government sectors; and (iii) building capacity for local governance. The Government requested ADB's support in areas of public audit, fiscal management, and decentralization.

35. The principal Government document on governance reforms is the Governance Action Plan (GAP) prepared in 2001, following the ADB CGA. GAP identifies five cross-cutting areas of concern: (i) legal and judicial reform; (ii) public finance; (iii) public administration; (iv) anti-corruption measures; and (v) gender equity. Demobilization of the armed forces and natural resource management were also identified as two specific policy issues that require governance reforms. The GAP was used in the formulation of the NPRS and specific benchmarks have been agreed by the Government and development partners at the consultative group meetings in the areas of anti-corruption activities, legal and judicial reform, public administration reform,

¹⁰ World Bank 2004 *"Cambodia: Seizing the Global Opportunity: Investment Climate Assessment and Reform Strategy"*.

¹¹ World Bank Client Survey June 2003; Asia Foundation Survey 2003.

¹² Decentralization refers to the transfer of governmental powers, mandates and resources from central government to sub-national authorities. Deconcentration refers to assignment of central administration to a lower level of administration.

fiscal reform, social development reform, and natural resource management. While substantial efforts have been devoted to policy formulation, the rate of overall progress in implementation of these reform efforts has been slow. In many areas, laws are satisfactory but implementation is weak.

36. ADB is supporting the National Audit Authority (NAA) through a TA aimed at (i) supporting institutional development and capacity building in the NAA; (ii) establishing an effective internal audit function at MEF, MOH and MOEYS; (iii) strengthening the capacity of the Finance and Banking Commission of the National Assembly; and (iv) strengthening the capacity in MEF to monitor and evaluate the implementation of the fiscal budget. GTZ is also providing in-service training support to NAA.

37. In public financial management, partner support to MEF and line ministries has been coordinated under the Technical Cooperation Assistance Program (TCAP). Major partners include the ADB, DFID, IMF, Government of Netherlands, and UNDP. ADB's contribution to the TCAP initiative is targeted at fiscal management generally, and development of medium-term expenditure frameworks specifically. TA support has focused on: (i) strengthening the technical capacity of MEF and other priority ministries (MOH, MOEYS, MAFF, and MRD) in budget formulation and strategic expenditure analysis; (ii) assisting MEF in formulating the design of a medium-term expenditure framework (MTEF); and (iii) assisting the Government in fiscal devolution initiatives. Extensive training and capacity building for staff of central and key line ministries has been an important element of current TA support.

38. The commune and *sangkat* elections were held in February 2002. In view of the proven Government commitment to the creation of elected local government, a project preparatory TA began shortly after the commune elections with the aim of designing a program of substantive support to decentralization.¹³ The TA resulted in an ADB loan for support to decentralization and capacity building of commune councils, with complementary TA grant funds from SIDA and the Government of the Netherlands. The commune council development project (CCDP), which began in April 2003, is aimed at assisting the commune councils to manage the democratic development of their communes effectively. The project has four main components: (i) commune and provincial facilities, (ii) capacity building, (iii) commune-*sangkat* photomapping, and (iv) civil registration. Other partners assisting the Government's decentralization reform efforts include Seila-PLG (supported by DFID, Sida, and UNDP), IFAD, DANIDA, World Bank, GTZ, UNDP, UNICEF, WFP, and AusAID.

39. Partners supporting the rule of law through legal and judicial reform include the Government of France (Criminal Code, Statute of Magistrates), JICA (Civil Code, capacity building to Parliament); AusAid (election processes, strengthening the justice system), UNDP (organic law on provinces, municipalities, districts and communes, capacity development in Parliament); World Bank (training lawyers, judges, prosecutors and other court officials, legal aid, law-making process, legislative drafting); GTZ (training of law students, women's rights through legislative reform), Konrad Adenauer Foundation (drafting and legislation for Parliament and Council of Ministers); and the Government of Canada (law making and representational activities in the National Assembly and the Senate). Partner support to public administration reform includes UNDP (Priority Mission Group program, capacity building of CAR), and the World Bank (capacity building of CAR, human resource MIS).

¹³ ADB 2002. *Technical Assistance to the Kingdom of Cambodia for the Decentralization Support Program*. Manila.

3. ADB Strategy

40. In formulating an approach to assisting Cambodia with its governance reform agenda, it is important to bear in mind that the country has re-engaged with the international community for only about a decade. Cambodia's political, economic, and social systems have been through a dramatic transition since the Paris Peace Accord was signed in 1991. Cambodia's postconflict reconciliation among divided Cambodian citizens has increased the complexity of the transitional problems. Governance reform must be viewed as a long-term process that requires the setting of achievable goals and consistent support. Effective partner support requires continuing commitment and financing spread out over multiple programming periods. Moreover, the development partners, including the Government, need to adopt a realistic and pragmatic set of expectations, along with a clear understanding of the social and political dynamics of governance and reform.

41. Governance-related issues impact on all activities in Cambodia. One key inadequacy found in the ADB's program of the 1990s was that governance issues were not explicitly and directly addressed in the early stages.¹⁴ This lessened the positive institutional impacts of many TA projects. Often training interventions were stand-alone initiatives and knowledge and skills learned by individuals did not lead to broad-based capacity building within organizations and institutions. ADB is working to improve governance in health and education, with visible positive results. However, more systematic approaches to addressing governance issues during the design and appraisal of all ADB activities in Cambodia are needed.

42. Cambodia's governance needs are substantial and require prioritization to move forward. The World Bank, DFID, and ADB, after careful analysis, have identified three key areas that require immediate actions: public financial management, public administration reform, and decentralization¹⁵ These were identified as the building blocks of future governance reforms, including efforts to reduce corruption. Within this context, ADB will focus on public financial management as a primary area of concentration. ADB will also support decentralization as a means of supporting government's efforts to improve service delivery and increase accountability of the government to the people. Both of these areas are built upon ongoing ADB activities.

43. Working with other development partners, ADB will also provide significant capacity building support aimed at improving the quality of governance, including (i) strengthening local governance in support of effective natural resource management and access to assets by the poor in the Tonle Sap basin; (ii) improving the legal and regulatory framework in support of private sector development, especially small and medium-sized enterprises; and (iii) improving design and implementation of ADB projects so that governance issues about the management and utilization of resources are more effectively dealt with. These program-wide efforts will ensure that strengthening governance is at the forefront of all ADB investments in Cambodia.

44. **Strengthened Public Financial Management.** To strengthen public financial management, ADB will build on the results of the TCAP program, and the IFAPER that was jointly prepared by the Government, ADB, and the World Bank with support from other development partners. ADB will work in close collaboration with partners¹⁶ to help the

¹⁴ Country Assistance Program Evaluation (CAPE) for Cambodia, December 2003.

¹⁵ Joint analysis of governance priorities was undertaken by World Bank, DFID and ADB as part of unprecedented close collaboration between the three organizations in preparing their respective Cambodia country strategies.

¹⁶ Partners include World Bank, Department for International Development of the United Kingdom, International Monetary Fund, United Nations Development Program, Australian Agency for International Development, Japan

Government to develop and own public financial management (PFM) reform program. ADB's support for the PFM program will build on results achieved through previous ADB support in the area of budget process, medium-term expenditure frameworks, and public audit.

45. **Support to Decentralization.** ADB will continue to work with development partners towards a unified system of local governance, with harmonized decentralized and deconcentrated government structures for administrative and fiscal decentralization. The Government will need to further develop the legal and institutional structure for administrative and fiscal decentralization. Fiscal decentralization policies, including assigning revenue raising authority and assigning expenditure responsibilities across levels of government (national, provincial, district and commune), and intergovernmental transfer policies, will need to be further reviewed by Government. Other ADB investments (for example in rural livelihoods) will provide direct support to the Government's effort to enhance the role and authority of local government.

C. Strategy for Gender and Development¹⁷

1. Introduction

46. Women in Cambodia have reached 55% of the level of human development achieved by men, as measured by the gender-related development index (GDI). Cambodia's GDI of 0.557 is close to the country's human development index of 0.568, reflecting the gender disparity that often accompanies low levels of human development. The gender empowerment measure, which measures the extent of women's achievements in economic and political decision-making power relative to men, is low at 0.364, ranking Cambodia at 69th out of 78 countries.¹⁸

47. The first National Policy for Women was produced in 1996, with the support of an ADB TA.¹⁹ In 1999, a five-year plan *Neary Rattanak* was launched as a nationwide effort to examine the status and rights of women and devise the means to bring them into decision-making at all levels. The importance of addressing gender issues in poverty reduction and development strategies has increasingly been recognized by the Government. Gender disparities in access to and control of human, economic and social resources, and opportunities must be eliminated if Cambodia is to reduce poverty.

2. Economic and Social Status of Women

48. Women comprise 52% of the economically active population. Cambodia has the highest female labor force participation rate in the region at 82%. More women are now entering the paid labor market and the female share of wage employment has increased considerably, which is mostly accounted for by the garment industry. Wage employment in the agriculture sector has increased for both women and men. This may be linked to a shift to larger-scale, market-oriented agricultural production and/or increasing landlessness.

International Cooperation Agency, France, Swedish International Development Agency and European Commission.

¹⁷ This section heavily relies on UNIFEM, World Bank, Asian Development Bank, UNDP and DFID in cooperation with the Ministry of Women's and Veterans' Affairs. *Cambodia Gender Assessment (CGA): A Fair Share for Women*. April 2004.

¹⁸ UNDP. 2004. *Human Development Report 2004*. New York.

¹⁹ TA No. 2157 CAM: Women in Development, approved on 22 September 1994.

a. Agriculture

49. Women comprise 56% of subsistence farmers and 54% of workers in commercial farms. Agricultural productivity is extremely low, both in terms of labor and land. Access to extension services is very limited for both female and male farmers, with women representing only 10% of extension beneficiaries. Agricultural research and extension do not focus on women farmers, which is a serious problem, as women and men tend to specialize in different tasks. About 45% of rural households are landless and landlessness is increasing by 2% annually. While the Land Law of 2001 ensures joint ownership of land by couples of land, customary practices and enforcement regimes do not fully recognize these rights and women's land rights may in practice be denied.

50. Gender inequality, food security and poverty are closely linked. A gender analysis of food security shows that women consume less food staple (rice) and discretionary food items (meat and eggs) than men. As Cambodia has produced rice surpluses annually since 1995, availability is not the issue but rather household access and purchasing power. As women's incomes meet over half of household expenditures, food security measures must address women's economic empowerment, as well as their health and nutrition awareness.

b. Finance, Trade and Industry

51. Some 70–85% of members of credit programs are women, and because women are thought to be responsible for household finances and more credit-worthy, they tend to be the major borrowers. Yet women are unlikely to be involved in credit decision-making. Equally important to poor women are savings schemes that would enable women to improve management of their incomes and which would serve as a safety net. Services such as micro-enterprise skills training are also essential. Outside the agriculture sector, there is a pronounced gender segregation of occupations, with women found in traditional “female” occupations rather than in “white-collar” occupations. Women are more likely to be engaged in self-employment, often as unpaid family workers. These features imply that micro-enterprise development is an important gender concern.

52. The rapid growth of the garments industry over recent years has caused a shift in women's participation in formal labor. Of the estimated 200,000 employees in the industry, some 180,000 are young women, for whom the expansion of the industry has created new and significant economic opportunities. Garments workers are relatively well-educated and highly paid compared with most other workers, including those in the civil service. Cambodia's garments sector minimum wage of \$45 per month (for a 48-hour work week), is higher than garments sector wages in Bangladesh, India, and Indonesia. The phasing out of the Multi-Fiber Agreement at the end of 2004 will, however, make employment in the sector employment uncertain.²⁰

c. Education

53. The gender gap in literacy rates among 15–24 year olds has been narrowing quickly, with most recent data showing 87% literacy for boys and 77% for girls. Among adults, women who are illiterate still heavily outnumber men, especially among older women. UNDP and UNESCO estimate that 71% of women and 50% of men in Cambodia are functionally illiterate.

²⁰ The issues are being studied under the Preventing Poverty and Empowering Female Garment Workers Affected by the Changing International Trade Environment (TA No. 4131 CAM).

54. The gender gap in schooling widens remarkably as children grow older. At the primary level, net enrollment of boys (90%) and girls (84%) is quite close (2002/2003). There was no difference in net enrollment rates between urban and rural areas at this level. Recent figures from the Ministry of Education, Youth and Sports indicate that over the past five years there has been a 3% increase in girls attending primary school. However, at the lower secondary level there are only 63 girls for every 100 boys and at upper, secondary, and tertiary levels there are fewer than 50 girls for every 100 boys.

55. Poverty and distance to schools are the major barriers to girls' access to education, in addition to the opportunity costs of education. The absence of female teachers and female role models, especially in rural areas, further discourages schooling for girls. Traditional views of gender roles persist not only among parents but also among teachers, and thus the school environment itself is likely to reinforce and reproduce gender norms. The role of the curriculum and textbooks and related factors in gender attitudes requires further attention.

d. Health and Nutrition

56. The provision of high-quality health services is a fundamental challenge for Cambodia. Men and women have relatively short life expectancies (54.5 years for men and 58.3 years for women). The supply of health services does not meet the population's needs. Women face significant reproductive health problems and are more vulnerable to HIV/AIDS and other communicable diseases.

57. Maternal mortality in Cambodia is higher than in neighboring countries at 437 per 100,000 live births. Direct causes for the high maternal mortality are: (i) poor nutritional status for women in general, and especially during pregnancy and lactation; (ii) inadequate use of family planning and birth spacing methods to prevent unwanted pregnancies; and (iii) poor antenatal, labor, delivery, and postpartum care. Total fertility in Cambodia remains high at the national average of 4.0, even though it has declined over the past decade. Access to family planning services is still limited. Only 24% of women currently use any contraceptive methods, and only 19% use modern methods. Although unmet need for family planning is high, there is very little discussion of contraceptives between spouses.

e. Governance and Decision-Making

58. Women are underrepresented at all levels in both elected and appointed positions as well as in mid to high levels of the civil service. Only 8.5% of commune councilors are women. Many but not all villages have village development committees, which are designed to include three men and two women. Anecdotal evidence suggests that over the first stage of the decentralization process, women's active participation in decision making increased and the choice and design of projects became increasingly responsive to the needs of female constituents. Women account for about 32% of civil service employees, but they are concentrated in lower level positions. A key constraint to women's entry into the civil service is low levels of schooling. Efforts are being made at the Royal School of Administration to close the gender gap.

3. Gender Issues Relevant to ADB Operations

59. ADB recognizes that Cambodia's development challenges have a significant gender dimension. Despite their vital contributions, women do not enjoy the benefits of growth and development on an equal footing. High illiteracy and low educational attainment limits women's economic opportunities and depresses their well-being. Women and girls do not enjoy full legal protection and are often unaware of their rights under law. Very few women occupy decision-making positions.

60. Gender bears directly on ADB's strategic development thrusts in Cambodia, which are: (i) strengthening governance, (ii) broad-based economic growth, and (iii) inclusive social development. The Government is committed to promoting women into decision-making positions, as stated in its Governance Action Plan (GAP) of 2001. ADB will support the participation of women in policy and decision-making positions in accordance with the GAP and the Ministry of Women's Affairs' (MoWA's) gender mainstreaming action plan. Gender issues will be integrated in all institutional and capacity building support activities. Emphasis will be placed on increasing understanding of gender disparities and formulating measures to address them at all levels of government and civil society.

61. In promoting broad-based growth and poverty reduction, ADB will support the enhancement of women's productivity and income-earning capacity through investment in agriculture and natural resources, rural livelihoods, and SMEs. Special attention will be paid to ensure that women have access to and control over strategic resources and services such as land, water, extension and financial services. Women must have land titles in their own names and awareness about women's land rights needs to be raised. Landless women should be specifically targeted for the distribution of social concessions.

62. It is clear that women's education and empowerment are positively correlated with better nutrition, practice of birth spacing, and better education and health of children. ADB will support efforts to promote changes in views and attitudes (e.g., gender awareness training) and provide practical measures toward gender equity (e.g., scholarships, life skills training). Interventions will be comprehensive in approach, incorporating a broad range of complementary measures, facilitating sustainable impact and coordinated follow-up.

63. Poor women often do not have access to public health services and seek care from unregulated private providers. Their vulnerability can push them deeper into poverty. Unequal access to health care is strongly associated with variations in health outcomes across population groups. Women are more vulnerable to risks of HIV/AIDS and other communicable diseases, especially given continued trafficking of women. Gender-based violence is also a crucial public health and development issue. ADB will address these risks in close coordination with other partners in the health and related sectors.

4. ADB's Gender Strategy

64. ADB's gender strategy builds on three of the four key elements of the ADB's policy on gender and development: (i) mainstreaming, (ii) gender planning, and (iii) agenda setting. These elements have been adapted to the circumstances in Cambodia and are consistent with the NPRS. The thrust of ADB's gender strategy will be three-fold: first, build upon the achievements of and lessons learned from ADB's decade-long capacity-building support to the country's national machinery; second, be consistent with MoWA's strategy for national gender mainstreaming; third, incorporate the findings and recommendations of the Cambodia gender

assessment, in close coordination with major donors such as UN agencies, the World Bank, and major bilateral agencies, to ensure multiplier impact.

65. More specifically, ADB will (i) support the gender mainstreaming endeavors of key line ministries and relevant ADB projects by strengthening operational relationships between the line ministries and MoWA; (ii) address the importance of gender in macro and cross-cutting issues such as governance, public finance, law and justice, and statistics; (iii) continue to strengthen MoWA's capacity, in particular in policy analysis and advocacy; and (iv) promote regional linkages and collaboration with other GMS countries, especially on issues such as human trafficking, migration, and cross-border communicable disease management.

66. ADB will support projects in critical sectors with adequate mechanisms and budgetary provisions to address gender concerns and build sector capacity for gender mainstreaming. ADB will continue to provide technical assistance for gender mainstreaming at line ministries with direct relevance to the three key strategic thrusts of the CSP. To facilitate mainstreaming and a more strategic focus, gender-training measures will emphasize practical sector-oriented gender planning. This will require a better understanding of the gender issues in the sector, including paying more attention to agriculture, rural development, health, and education agencies.

67. ADB will continue to support MoWA and strengthen its capacity by focusing on policy analysis and advocacy in order to mainstream gender issues in policy processes in a sustainable manner. MoWA has taken part in developing the NPRS as a working group member, and is a priority ministry for the implementation of the medium term expenditure framework. Further work on the NPRS review and prioritization, and sector programs will provide further opportunity to develop such capacity. In order to facilitate this, line ministries should systematically include the MoWA in their policy formulation and monitoring efforts. ADB will support such mechanisms, as exemplified in the Agriculture Sector Development Program and Second Education Sector Development Program.

68. ADB will explore the potential for support for gender-responsive costing and budget allocation mechanisms to ensure that key reforms and policy measures in public financial management address gender issues. ADB will collaborate with UNDP, the World Bank, and the Government of Japan, which plan to support public financial management projects.

69. Cambodia's deepening engagement in the GMS, in keeping with ADB's Regional Cooperation Strategy and Program theme of "connectivity, competitiveness and community", will facilitate regional attention on gender issues. Regional actions have become increasingly important in tackling such issues as human trafficking and exploitation of migrant workers. Likewise, HIV/AIDS and other communicable diseases pose serious health risks with important social and economic consequences across the GMS. ADB will mainstream gender concerns in regional cooperation to curb the spread of diseases across the GMS. ADB will also promote opportunities for women under ADB-supported GMS human resource development programs.

D. Private Sector Assessment

1. Sector Profile

70. Agriculture remains the dominant sector in Cambodia, accounting for 77% of employment and 34.0% of GDP in 2003. While the percentage of people employed in agriculture has remained relatively stable, agriculture has declined significantly as a percentage

of GDP (from 46% in 1997). The reason for this decline is the rise of the industrial sector, which accounted for 26.2% of GDP in 2003 (up from 15.2% in 1997). Most of this growth can be attributed to the garments sector, which accounts for almost half of all industrial employment. The service sector accounts for 34.2% of GDP and 15% of employment.

71. The informal sector dominates the Cambodian economy and accounts for over 80% of GDP and 95% of nongovernment employment. The sector is made up mainly of unregistered farmers and agricultural enterprises. It is composed of over 27,000 small enterprises, which are not registered with the Ministry of Commerce (MOC). Only half of these enterprises have operating licenses from the Ministry of Industry, Mines and Energy (MIME). The informal industrial sector accounts for almost half of total industrial output and supplies mainly the domestic market. Because of the high cost of registering a business, enterprises have an incentive to remain informal. An enterprise may delay registration until it needs a business license to borrow money from a bank, to import or export, apply for Government procurement projects, or to enter into contracts with large enterprises.

72. The foreign-owned sector, especially the garments industry, plays an important role in the Cambodian economy and is the main source of exports. Foreign investment has declined significantly since the late 1990s. Not only have the effects of the Asian financial crisis affected foreign investment, but the fact that, from the end of 2004, Cambodia will have to compete in US and EU garments markets without the benefit of export quotas means that investment in the garments sector has slowed significantly. While the industry currently accounts for approximately three-fourths of all exports, its future is uncertain once garments exporters have to compete on price, quality and delivery following the expiration of the Multi-Fiber Agreement.

73. Overall, the private sector in Cambodia is the primary employer in the country, accounting for approximately 92% of total employment. Since the agriculture sector employs the largest number of people, it will continue to be an important source of jobs for new entrants. However, agriculture's low productivity and the reduced amount of land available to workers mean the importance of the industrial and service sectors as sources of new employment will continue to grow. High-growth sectors such as manufacturing and construction will contribute to job growth and productivity improvements. Continued growth in manufacturing will depend on the ability of the private sector to diversify into new areas to reduce the sector's dependence on the garments sector. In particular agri-processing has the potential to contribute to the growth of the economy. In the service sector, tourism and trade have great potential to generate economic growth and employment.

2. Government Policy

74. The Government has issued several strategy papers in recent years in support of the private sector. The Second Socio-Economic Development Plan, 2001-2005, the National Poverty Reduction Strategy, and the Rectangular Strategy for Growth, Employment, Equity and Efficiency recognize the private sector as the engine of economic growth and poverty alleviation. At the core of the Rectangular Strategy is good governance. One of the four "growth rectangles" is private sector development and employment generation. This is in turn broken down into four components: (i) strengthening the private sector and attracting investment; (ii) creating jobs and improving working conditions; (iii) promoting small and medium-sized enterprises (SMEs); and (iv) ensuring social safety nets. To facilitate private sector development, three national subcommittees—SME development, private participation in infrastructure, and trade facilitation—comprising Government agencies and representatives

from the private sector have been created to oversee policy formulation and implementation in the private sector.

75. These plans emphasize that private sector growth requires improved infrastructure and legal and regulatory reform to encourage investment. The Government has taken measures to strengthen the financial sector by adopting the ADB-supported Financial Sector Blueprint, 2001–2010, to support the development of the banking sector as well as for nonbank financial services such as insurance and leasing. With its accession to the World Trade Organization, the Government recognizes the need to develop trade policy to reduce tariff and nontariff barriers and improve export facilitation through the integrated framework process. Through its support of the private sector forum the Government aims to improve the understanding between the Government and the private sector. The Government's Governance Action Plan focuses on the need to carry out judicial and legal reforms, improve public administration and finance, combat corruption, and improve gender equity.

3. Issues and Challenges

76. One of the most significant challenges facing private sector development, in addition to the underdeveloped economic and social infrastructure, is poor governance. Entrepreneurs spend much time and money dealing with administrative red tape. Good governance is needed to reduce the cost of operations and the uncertainty of investment. For larger companies accounting standards are needed to make the system more transparent and predictable. In addition, the limited tax base means that formal enterprises carry a larger relative tax burden and are scrutinized more closely by tax officials. For exporters, particularly in the garments sector, export processing is a major concern because of the high level of government intervention. Not only are there many formal and informal costs, but administrative burdens cause significant delays that increase the lead time of production and the risk that shipments will be delayed. The high incidence of smuggling from neighboring countries creates unfair competition for domestic manufacturers from goods entering the country free of tariffs and value-added tax (VAT).

77. While there is an abundance of nonskilled labor in Cambodia, there are limited human resources with technical and managerial skills. The level of education is low with only 1.9% of the labor force having completed secondary education and less than 1% having attended university or vocational school. Enterprises find it difficult to find skilled labor and need to do much on-the-job training. Much capacity building is needed to develop vocational and entrepreneurship skills. High operating costs because of the poor transportation infrastructure and relatively expensive electricity and fuel costs make it difficult for local producers to compete with imported products. Other, more specific challenges facing the sector are outlined below.

a. Lack of Good Governance in Business Regulations

78. The private sector faces many legal and regulatory constraints related to business operations. One hurdle to starting or entering a new business is commercial registration and licensing. Completing commercial registration and obtaining the necessary operating licenses is complicated for start-up enterprises and involves high official and unofficial fees. Because of the high cost, enterprises have an incentive to remain informal. Enterprises often require many licenses to operate from many different ministries. It can be a lengthy process to obtain all the necessary licenses, some of which duplicate each other. There are many inspections from the authorities, which require additional unofficial fees and interfere with operations. Clear criteria for inspections are often lacking and the rights of the enterprise operator are not guaranteed.

b. Limited Access to Financial Capital

79. Access to financing remains an important obstacle to the development of the private sector. While the banking sector has been strengthened by the bank relicensing program, which raised the minimum capital requirements for banks, high liquidity requirements, combined with the risky lending environment, result in high interest spreads and a prevalence of short-term maturities. The legal framework for secured transactions and insolvency are currently being prepared, which will make it possible to improve cash-flow-based lending. Efforts are still needed to improve implementation of accounting standards and credit information sharing among banks. Continued training to strengthen the skills of bankers in loan appraisal is also necessary. Micro-finance institutions need to expand their reach in rural areas and to improve their ability to mobilize savings.

c. Limited Access to Social Infrastructure

80. Cambodia's human resources base was devastated by decades of war and isolation and is affected by the low level of public expenditure on education (less than 2% of GDP). Although primary and secondary schooling is officially free of charge, the education system is heavily reliant on households' private contributions for unofficial school fees and other expenses such as books and uniforms. Financial constraints are a major cause for the low completion rate for primary and secondary education. The quality of education is also a major problem and is affected by a shortage of qualified teachers, inadequate education materials, and irrelevant curricula.

d. Limited Access to Physical Capital

81. Access to physical capital, including land, roads and transportation, and electricity is often a major constraint to private sector development. Land tenure continues to be a problem for the private sector because of the low level of land titling. While the Land Law provides the legal framework for land tenure, land titling and mechanisms for enforcing the law, reducing land conflicts, and facilitating land management all need to be implemented more thoroughly. The shortage of physical infrastructure increases the cost of doing business in Cambodia. The high cost of electricity affects production costs, while expensive fuel and inadequate road infrastructure increase transportation costs. Because of the high cost of diesel oil, which is the main fuel for power generation, and the limited generating capacity, electricity prices are significantly higher than in neighboring countries. The Government has adopted a Power Sector Strategy to reduce the cost of electricity, which involves constructing a high-voltage grid to allow power to be imported from Thailand and Viet Nam at much reduced prices. The strategy also includes the construction of new power plants using hydropower and other renewable energy sources. A major constraint to the development of Cambodia's energy infrastructure is the high cost of the power programs and the need for greater private sector participation in energy distribution, particularly in rural areas.

e. Limited Access to Competitive Markets

82. Local manufacturers face much competition in domestic markets from imported products and particularly from smuggled goods, which enter without payment of import duties, excise taxes, or VAT. Smuggling has been identified by local manufacturers as one of the major problems in accessing local markets. Poor road and communication infrastructure and the lack of business associations result in limited market information about quality and design

requirements. For exporters, accessing foreign markets is complicated by the burden of export processing, which adds significantly to administrative costs.

4. Assistance by Other Donor Agencies

83. The World Bank is providing assistance through an investment climate survey focusing on rural businesses, logistics, and governance to help improve the business environment. The World Bank is also supporting export diversification through a study of enterprise supply chains. The International Finance Corporation (IFC) is addressing governance issues through its support for the private sector forum and through limited private sector investments. The Mekong project development facility (MPDF) is providing policy advice to the Government along with technical assistance to SMEs in areas such as market access, finance, and product quality. The United Nations Development Programme (UNDP) is assisting in the development of handicrafts, basic manufacturing, and agriculture through its integrated framework activities. The Japan International Cooperation Agency (JICA) is conducting a feasibility study on the potential of creating a special economic zone in Sihanoukville to facilitate export development. Finally, the European Union (EU) is providing capacity building support in areas such as trade and agriculture.

5. Goals for Private Sector Development and ADB's Strategy

84. The private sector in Cambodia has great potential for development over the next 10 years. Continued macroeconomic stability combined with government reforms and capacity building will have a positive impact on private sector growth. However, the Government needs to make a concerted effort to encourage private sector participants to increase investment to expand operations and introduce new products. The Government can help to reduce the risks of investment by creating a more predictable business environment through improved governance and by providing support for market development and capacity building. To accomplish this task the Government needs to establish a long-term vision for private sector development. This vision should encompass several aspects identified here and should also emphasize creating an enabling environment for business by improving governance standards and strengthening the judiciary to ensure that laws are impartially and accurately enforced.

85. One of the most important areas for private sector development is access to financing, in particular the provision of long-term investment financing. To expand the reach of the commercial banking sector, the Government needs to fully implement legal reforms in the areas of secured transactions and bankruptcy in order to provide banks and borrowers with the necessary legal protections to enter into loan agreements with confidence. Improving bank access to borrower information should be strengthened through the establishment of a credit bureau and improvements to enterprise accounting standards.

86. Finally, strengthening the enabling environment for business will help make Cambodia a more desirable destination for foreign direct investment by creating a low-cost base for production combined with a base of supporting industries to act as subcontractors for larger manufacturers. Increasing the base of production will also enlarge the domestic market by generating jobs and providing income for consumption. Developing local industries, particularly in agro-industry and food processing, will help to reduce the country's dependence on imported consumer products. To achieve greater domestic production, a significant reduction in smuggled products would improve the competitiveness of local manufacturers.

87. ADB will help the Government improve the climate for PSD through a combination of catalytic investments and thorough policy, institutional, and regulatory reforms. Towards this end, ADB's ongoing and programmed interventions will further address key infrastructural bottlenecks to growth (especially road and rail transport, energy, human resources and financial sector development). In future, there will be a sharper focus on private sector initiatives with a high poverty reduction impact. Specifically, ADB will provide support to developing a policy and legal framework for sustainable SME development.

E. Environment Assessment

1. Overview

88. Cambodia's economy depends heavily on agriculture, fisheries, and natural resources and its unique ecosystem, centered on the Tonle Sap basin. Environmental management is weak and the legal framework does not meet the country's needs. Information and guidelines are lacking on crucial aspects such as allowable forestry cuts, fish yields, and groundwater resources, which constrains informed management. Poor stakeholder awareness and participation also weakens community-based management. Sector guidelines still need to be promulgated, and the roles and responsibilities of the environmental agencies at various levels clarified. Management capacities at the provincial level are particularly weak, forcing crucial environmental management to be concentrated at the national level.

2. Key Environmental Issues

89. The key environmental issues affecting Cambodia are (i) an inadequate legislative framework, (ii) uncoordinated institutions, (iii) unsustainable extraction of fishery and forestry resources, (iv) weak land and water resource management, (v) severe pressure on the Tonle Sap ecosystem, and (vi) unplanned urban and industrial development.

90. **Inadequate Legislative Framework.** There is only one environmental protection law in Cambodia, which does not provide a sufficient legal framework for environmental protection and natural resources management. The most pressing need is for a law on natural resources conservation. A subdecree on environmental impact assessment (EIA) has been issued, but it lacks detail for appropriate implementation, including lack of sector guidelines, lack of clarity in the roles of environmental agencies, including defined jurisdictions for national and provincial agencies, and unregulated environmental impact assessment (EIA) practitioners. There is also no certification of compliance with environmental mitigation measures. Economic incentives are currently not used—possibly also because of the absence of the legal framework for such incentives.

91. **Uncoordinated Institutions.** Environmental institutions are largely uncoordinated, with overlapping responsibilities, arising from unclear mandates, resulting in large inefficiencies. For example, 14 agencies are involved in the management of the Tonle Sap biosphere reserve (TSBR).²¹ Capacity is weak, particularly at the provincial level. This results in most crucial

²¹ This includes: (i) Ministry of Agriculture, Forestry and Fisheries; (ii) Ministry of the Environment; (iii) Ministry of Water Resources and Meteorology; (iv) Ministry of Rural Development; (v) Ministry of Public Works and Transport; (vi) Ministry of Land Management and Urbanization; (vii) Ministry of Interior; (viii) Ministry of Justice; (ix), Ministry of Tourism; (x) Ministry of Planning; (xi) Ministry of Defense, due to the extent of land use and fishing practices influenced or conducted by the military; (xii) Cambodia National Mekong Committee; (xiii) Council of Ministers; (xiv) National Assembly and the Prime Minister (each Ministry has its provincial department established in all the provinces); and (xv) Tonle Sap Biosphere Reserve Secretariat.

environmental management activities being undertaken at the national level. While decentralization is necessary, it is not feasible because of weak capacity. More and better-trained environmental management staff are needed. There are increasing pressures on water resources for expanded irrigation, increasing water supply requirements for domestic and industrial uses, and hydropower. There is no plan to conserve and manage groundwater. Such weaknesses in management result in irrational water resource use which further depletes water resources for maintaining ecological systems.

92. **Unsustainable Extraction of Fishery and Forest Resources.** There is overfishing in both freshwater and marine systems. This is primarily due to lack of controls over fishing lots, inappropriate allocation of lots, and open access fisheries. The resulting increase in fishing effort has constrained regeneration of stocks, endangering important fish species. This is more apparent in freshwater fisheries but that may only be because of the unavailability of data on marine systems. Because of the lack of information on fish stocks, management based on sustainable yields is not possible.

93. There is unsustainable harvesting of forest resources, primarily from illegal logging, large-scale concessions, and fuelwood extraction. Because of the lack of an accurate forest inventory, forestry management practices do not allocate an annual allowable cut based on forest science and sound methods. This has impacts on habitats, biodiversity, soil erosion, siltation, and flooding.

94. **Weak Land and Water Resource Management.** The current patterns of allocating land, particularly the allocation of property and use rights for forestry, agro-forestry, and agriculture, do not account for environmental impacts and do not ensure that Cambodia receives appropriate natural resource rents. The environmental implications of ongoing large-scale and community-based approaches have not been assessed, although they both have advantages and disadvantages. Environmental and social assessments have only recently been used in the granting of concessions.

95. Water resources management is not undertaken in an integrated manner. Water for agriculture, water supply, and energy is used without much consideration of its impacts on the water required to maintain ecological systems. Aquatic ecosystems, particularly fisheries, are not adequately considered in the planning and development of water resources. Integrated approaches are necessary, not only at the sub-basin level, but for the whole basin as well as at the regional level, since Cambodia, as a downstream riparian country, is vulnerable to upstream developments.

96. **Severe Pressure on the Tonle Sap Ecosystem.** Agricultural activities have important impacts on the Tonle Sap environment, the most crucial of which is the impact of increased irrigation leading to reduced water quantity and quality. There are also negative impacts on habitat and biodiversity from increasing conversion of forests and wetlands into agricultural areas. Fish stocks in the Tonle Sap are threatened by overexploitation, a reduction in the spawning areas, and the impact of organic pollutants and agro-chemical toxics. The proliferation of built structures in the basin also affects water flows and fish migration. The pressure on natural resources in the basin area is worsened by the lack of alternative livelihoods, and further exacerbated by inequitable access.

97. **Unplanned Urban and Industrial Development.** While ongoing urban and industrial development have yet to cause significant negative environmental impacts, they may do in future if left unchecked. Industrial pollution and vehicular emissions are increasing. Urban and

industrial development planning is negligible. There is weak or nonexistent waste management infrastructure and management. As transport systems grow in capacity and outreach, there will be greater access to natural resources, facilitating exploitation. Finally, the adverse environmental impacts of increased energy generation using fossil fuels have potentially large-scale impacts in Cambodia, as the main energy source in rural areas is biomass.

3. Government Policy

98. While Cambodia has a long history of taking positive action on environmental issues, environmental management was disrupted by years of conflict. It has been less than a decade since Cambodia's environmental management framework was re-organized. Currently, the Law on Environmental Protection and Natural Resource Management of 1996, along with its subdecrees and action plans, serves as the legal framework for environmental issues. The law is complemented by Cambodia's accession to international conventions and agreements on environmental issues.

99. In addition to the requirement for an EIA, there have been a number of other initiatives to safeguard the environment. A broad-based approach to biodiversity conservation is reflected in the National Biodiversity Strategy and Action Plan, which is multisectoral and takes into account the interests of many stakeholders. The strategy and action plan involves communities in forest protection. Deforestation is being addressed through the cancellation of concessions, curbing of illegal logging, seizing of equipment and illegally harvested logs, and closing of illegal sawmills. Progress in forest conservation has been achieved, particularly in forest management. The importance of the Tonle Sap floodplain and freshwater resources has been recognized by a Royal Decree on the Protection of the TSBR in March 2001. The reform of the traditional fishing lot system has improved access to fisheries resources by poor farmers and fisherman—but contributes to uncontrolled open-access fisheries. Weak land management continues to be a problem, worsening poverty and sustainability. The Land Law of 1992 has resulted in 4.4 million applications for titles and the number continues to increase. Moreover, the responsibility for land titling has three times been passed to different ministries.

4. ADB Experience and Strategy

100. ADB's strategy and interventions in Cambodia have generally helped the government in the sustainable use of natural resources for poverty reduction. ADB projects have supported environmental sustainability through effective use of the environmental assessment process to design necessary mitigation measures and environmental management plans. While this is standard practice in ADB activities, individual projects must further be considered in their larger contexts. Future work will examine cumulative impacts of interventions in view of overall resource management. As an example, individual and cumulative impacts of projects involving irrigation, water resource use, and rural development can be accounted for through integrated basin planning.²²

101. As well as improving environmental management, the capacity of agencies responsible for environment and natural resources has to be built. In the past, most capacity-building efforts had been for specific agencies, usually at the national level. However, capacity also needs to be

²² Cumulative impact assessment of individual projects is a new approach in ADB. Such an assessment is currently being conducted part of the project preparatory TA for the Lao People's Democratic Republic: Nam Theun II. Integrated basin planning approaches endorsed by the National Environmental Action Plan (see para 27) and the GMS Working Group on the Environment will be useful in undertaking such assessments.

built for local agencies involved in environmental management, inter-agency links need to be built, managing environmental issues coordinated. Larger-scale institutional strengthening may be implemented through strategic program loans.

102. Although Cambodia is party to many international environmental agreements, action and implementation is limited by the lack of capacity. Thus specific capacity building must be undertaken to assist the government in fulfilling its international environmental commitments.

103. While there is much legislative, policy and institutional activity currently underway, stakeholder participation needs to increase. Public consultations on the design and implementation of ADB-assisted activities, need to be expanded to cover environmental concerns.

104. **Agriculture and Rural Development.** Individual activities within agriculture programs will ensure strict compliance with ADB's environmental assessment process. Attention will be directed at assessing cumulative impacts on environmentally sensitive and protected areas, in particular in the Tonle Sap basin. Increased productivity through sustainable means, such as integrated pest and nutrient management practices, will be promoted in the context of a diversified and market-oriented agricultural development approach. Enforcement and monitoring will be strengthened through capacity building of relevant agencies, raising public awareness of environmental issues, and involving stakeholders.

105. **Water and Fisheries.** Water sector activities will be carefully planned. In addition to the implications of individual projects, cumulative and downstream impacts at the subbasin, watershed, or river system levels will be considered, in the context of an overall integrated water resource management system. This will require coordination across agencies as well as partners, guided by a comprehensive water resources management plan. Currently, legally undefined water users' rights continue to constrain environmental management and therefore poverty reduction and economic growth. ADB will continue its dialogue with Government on a water law and integrated development planning at the subbasin level. Ongoing assistance on land policies and laws²³ will complement this effort.

106. **The Tonle Sap.** The Tonle Sap merits special focus in ADB's strategy because of its unique natural wealth and its importance in sustaining the country's population. Fish from the Tonle Sap provide the population with 40–70% of its protein intake. The Tonle Sap is uniquely diverse and plays an important role in the economic and natural health of Cambodia and the Greater Mekong Subregion (GMS). An iterative planning process, with regular opportunities for adjustments, underlies ADB's strategy in the Tonle Sap basin. Five major loans accompanied by a number of technical assistance projects have focused on the basin. The development objectives are to foster, promote, and facilitate (i) pro-poor, sustainable economic growth with social justice, (ii) access to assets, ensuring sustainable livelihoods, and (iii) management of natural resources and the environment under a basin-wide approach. Phased implementation of ADB's Tonle Sap strategy, which started with a focus on environmental protection, will help integrate the growing understanding of the complexity of the Tonle Sap ecosystem in the design of projects.

107. **Energy and Transport.** Strict adherence to ADB's environmental assessment process is more crucial in energy and transport projects than in other sectors, because the potential

²³ ADB. 2000. *Technical Assistance to the Kingdom of Cambodia for the Implementation of Land Legislation*. Manila (TA 3577).

negative environmental impacts of such projects are relatively large. The energy strategy focuses on rehabilitation of transmission lines, and other activities consistent with the overall GMS strategy. While generation is not part of the strategy, there is a hydropower development project in the pipeline.

108. While the transport strategy focuses on road rehabilitation consistent with the overall GMS strategy, the environmental assessment requirements and process must be strictly followed for all projects.

109. **Other Issues.** Other issues include improved information systems, increased attention to urban development issues, and expanded attention to regional and transboundary issues. ADB may provide technical assistance toward improved information systems crucial to environmental management, and thereby also improve the monitoring of loan projects. Crucial information requirements include: (i) actual area and quality of standing forests to underlie estimates of allowable cut, (ii) mines and unexploded ordnance, (iii) surface and ground water quality, (iv) fish stock and ecosystems, and (v) fertilizers and pesticide use.

110. The urban environment continues to deteriorate, and urban and industrial development planning that considers environmental impacts must be undertaken. The emerging problems included weak waste management, leading to deteriorating water quality with potential serious public health impacts. There are also anticipated issues regarding vehicular emissions and road congestion, as well as industrial pollution. Interventions in urban environmental management should be considered.

111. In the context of ADB's GMS programs, attention to transboundary environmental governance must be strengthened, particularly with regard to upstream–downstream Mekong River and Tonle Sap basin issues, legal and illegal trade in forest and aquatic resources, and regional infrastructure expansion (transportation and navigation, hydropower and irrigation). The GMS program working group on the environment can be an effective mechanism for such attention and cooperation.

F. The Tonle Sap Basin Strategy²⁴

1. Introduction

112. The Tonle Sap forms a natural floodplain reservoir in the depression of the Cambodian plain. It is drained by the Tonle Sap River which flows into the Mekong River near Phnom Penh. When the level of the Mekong River is high, the flow of the Tonle Sap River reverses. Water is forced into the lake, raising its level by up to 10 meters and increasing its area from 2,500–3,000 square kilometers in the dry season to 10,000–16,000 square kilometers in the rainy season. This unique hydrological cycle and the vast areas of seasonally flooded low forest and shrubs that it creates, in a tropical climate, result in a very high biodiversity of fish, reptiles, birds, and mammals. The lake's fisheries directly support more than 1 million people and provide the single largest source of protein for Cambodia's young and increasing population. The flooded areas offer seasonal breeding and nursery grounds and forage areas for fish that migrate to the Mekong River, providing a vital resource. The lake became a biosphere reserve in October 1997 under the Man and the Biosphere Program of the United Nations Educational, Scientific, and Cultural Organization. Its catchments also include areas that have been designated as being of globally importance.

²⁴ Excerpted from ADB. 2004. *Fighting Poverty in Cambodia: The Tonle Sap Basin Strategy*. Manila.

113. The Tonle Sap basin is under severe pressure and use of its resources is intense. Threats to the lake's ecosystem include overexploitation of fisheries and wildlife resources and dry season encroachment and land clearance of the flooded forest. Degradation of the natural vegetation of the watersheds is destroying natural habitats and causing deterioration of water and soil quality and increased siltation rates. Despite the inherent richness of the lake, most indicators of poverty in the basin are even more negative than those that characterize the national population as a whole, or indeed other rural areas of Cambodia. The destruction of the natural resources of the basin is an issue not only of national importance: it has serious transboundary environmental implications.

2. The Tonle Sap Basin Strategy

114. The Tonle Sap basin strategy forms the basis for setting priorities and planning assistance over the next 5–10 years. It meets the key elements of ADB's poverty reduction strategy within the unique context of the Tonle Sap basin. It marks the introduction of basin-level strategic planning. It favors projects that promise the biggest return in terms of poverty reduction. The strategic planning process is iterative and provides regular opportunities for inputs in support of the country strategy and program, 2005–2009, and its annual updates.

a. Goal and Development Objectives

115. The strategy aims to reduce poverty by fostering, promoting, and facilitating (i) pro-poor, sustainable economic growth, (ii) access to assets, and (iii) management of natural resources and the environment.

b. Strategic Principles

116. **Sustainable Livelihoods.** Understanding of what can be done to help the rural poor is still low. The challenge is to focus on the many aspects of their livelihood assets. Livelihoods draw on the resources accessed and the activities undertaken in order to live. However, in Cambodia, human capital was seriously affected by the extermination of a generation of leaders, levels of health and education are low, and women shoulder heavy responsibilities as a consequence of male deaths during the protracted civil war and genocide. Social capital has been severely diminished by the war and democratic processes have only recently been introduced. Natural capital, especially forests and fish, is being increasingly exploited. Physical capital, particularly roads and water supply, is inadequate and there is poor coverage by schools and health posts. Access to financial capital is restricted.

117. Tackling poverty in Cambodia means working with the rural poor, initially where livelihood assets are being affected by unfavorable trends, e.g., overfishing, drought, pest outbreaks, or deterioration of infrastructure. Such trends are obvious in the Tonle Sap basin. The livelihoods approach is a way of thinking about the objectives, scope, and priorities for development. It seeks to develop an understanding of the factors that lie behind peoples' choice of livelihood strategy and then to reinforce the positive aspects and mitigate against the constraints or negative influences. Its core principles are that poverty-focused development activity should be people-centered, responsive and participatory, multi-level, conducted in partnership, sustainable, and dynamic. The livelihoods approach puts people at the center of development, thereby increasing the effectiveness of development assistance.

118. **Social Justice.** Social justice is the pursuit of a society that offers equal opportunity to access freedoms and choices and encourages the development of all the capacities of all members. It is a precondition for poverty reduction. For that reason, Cambodia's Second Socioeconomic Development Plan, 2001–2005, highlights social justice and identifies the need for (i) economic growth to include sectors in which the poor derive livelihoods, (ii) social and cultural development, and (iii) sustainable use of natural resources and sound environmental management. However, extreme inequality of access to assets, a highly skewed distribution of wealth with the lowest 10% of households receiving just 3% of estimated total household income while the highest 10% receive nearly 35%, insufficient or nonexistent rights of tenure, and cultural and ethnic divisions strain intragenerational responsibility and equity and threaten the environment. Women, for instance, make up a disproportionate share of the poor and have poor access to social services and high levels of illiteracy. The importance of meeting the needs of the present without compromising the ability of future generations to meet their needs strengthens the case for intergenerational equity.

119. Inclusion of the full spectrum of stakeholders is crucial to achieving social justice. Social development must put people first and empower the weaker groups in society to gain access to assets. Social support programs must respond to the needs of the poor, women, the aged, and the otherwise disadvantaged; ensure equity in development; and maintain the social cohesion necessary for continued growth.

120. **Basin-Wide Approach.** There is a worldwide trend towards planning and managing water resources on the basis of basin or catchment units. Over the coming years, the Tonle Sap's natural resources will be best managed through long-term natural resource management plans developed collaboratively by local, provincial, and national stakeholders. A basin-wide approach will allow stakeholders to focus on issues that transcend boundaries and greatly increase their understanding of poverty and environment challenges. A basin-wide approach is needed because planning and management decisions in one part of a basin can have significant impacts on natural resources elsewhere. An early imperative is the development of better institutional arrangements for basin management.

121. Natural resources management plans developed in partnership by communities and the Government would outline a transparent and equitable process of resource management over 10 years. They would incorporate community aspirations regarding natural resources and contain rules relating to their management. They would provide a period of resource security to natural resource users, such as fishers, and sufficient flexibility so that plans can be changed as new information becomes available. Individual plans might include water management plans, regional vegetation management plans, and fisheries management plans. There would be regular reporting between the Government and communities on the extent to which the plans are being effective in achieving their objectives.

122. A Tonle Sap basin blueprint would incorporate and integrate individual natural resource management plans. It would set priorities for the basin as a whole, consistent with national and provincial policies, and in line with the specific areas for action promoted by ADB's water policy. It would enable communities and the Government to reconcile competing demands for natural resources and balance long-term environmental outcomes and social and economic aspirations. Ideally, responsibility for preparation of a basin blueprint will be given to a basin management organization that transcends administrative boundaries and understands the implications of competing or conflicting use of the basin's total resources.

3. Operational Program

a. Core Areas of Intervention

123. **Rural Development and the Environment.** While much has been done in recent years to improve understanding of the dimensions of poverty in rural areas of Cambodia, the livelihoods of the communities in the Tonle Sap basin, and particularly those most directly dependent on the lake and its immediate surroundings, present an exceptional level of complexity. The relationships between rice production and fishing, the massive seasonal movement of people between the lake and its lower catchment areas, access to common property resources, and the patterns of trade in aquatic resources must be much better understood for interventions to be appropriate. Much also needs to be learned about the breeding, sustainable extraction rates, and migratory patterns of the fish taken from the lake. Livelihoods of the Tonle Sap basin communities are entirely dependent on a unique hydrological regime that is under threat from a wide range of structures already built or planned both within and outside Cambodia. If livelihoods are to be preserved, much more needs to be known about the influence of such structures. ADB is therefore committed to expanding knowledge base on which the overall development of the basin must be founded.

124. The majority of the population of the Tonle Sap basin lives on the lake and in the seasonally flooded areas and lower lying catchments. Much needs to be done to improve and ensure the sustainability of the livelihoods of the communities there if they are to be lifted from poverty. Their current assets need to be assessed and a positive approach to building on them taken. Under the strategy, specific interventions may include (i) public investment in irrigation and research and extension; (ii) enhancement of fish stocks in the lake and rice fields; (iii) improvements to the rural and primary road network to connect villages with markets; (iv) provision of affordable rural electric supplies; (v) development of alternative livelihoods; (vi) promotion of small and medium-sized enterprises; (vii) strengthening of the legal environment, including titles for land and equitable access to common property resources; (viii) promotion of the status of women in the agricultural sector; (ix) increasing the efficiency of both the input and output markets for farmers and provision of credit facilities; and (x) reducing the vulnerability of rural communities to natural disasters.

125. None of the measures that might be introduced to improve the livelihoods of the communities living in the Tonle Sap basin can be effective or sustainable without addressing its overall environmental management. Protection of the watershed and its forested upper catchment areas is essential to livelihood sustainability. Under the strategy, specific interventions will be attributed to measures to improve catchment management. These may include (i) application of the Forestry Law to provide a permanent framework for sustainable forestry management; (ii) rationalization of the forest concession system and delineation of permanent forest estates; (iii) enhancement of forest productivity; (iv) development of community forestry and land use planning, with long-term tenure rights to local communities and indigenous peoples; (v) development of alternative livelihood systems for communities whose current activities are incompatible with the preservation of the environment; and (vi) provision of alternative energy sources and more efficient use of existing sources. Support will also be given to the amelioration of threats to the environment arising from increased use of persistent organic pollutants and from human habitations that contribute to the pollution of the lake.

126. The strategy recognizes that interventions in rural development and the environment require an appropriate legal and institutional framework. In particular it has been proposed that the Tonle Sap basin must be managed as an entity but that management must be genuinely

representative of all stakeholder interests and include effective mechanisms for the exchange of information and views. It is acknowledged that resource management is multi-layered and must embrace the lowest strata of governance such as village development committees, village administrative groups, and demand-based organizations, as well as providing for an integrated basin planning approach. ADB will support the Government's efforts to decentralize, with particular emphasis on building community-based natural resource management systems. It will help to examine appropriate organizational structures for integrated basin management. Support will continue to be given for improvements to the regulatory and management framework for inland fisheries, with particular attention to community fisheries.

127. **Human Development.** The strategy's interventions in the core area of rural development and the environment, which are based on enhancing the natural and physical assets of the people living in the Tonle Sap basin, can only be effective if they are underpinned by the development of their human assets.

128. Poor education and high rates of adult illiteracy in rural areas constrain human development. This has been shown to be particularly severe in the Tonle Sap basin, where investment in education remains low. Education is fundamental to poverty reduction. People without literacy or numeracy skills have little opportunity to improve their economic status or even to participate fully in society. In the Tonle Sap basin, emphasis is being given to community-based natural resource management with all members of society on an equal footing. This applies in particular to women, who, despite heading a high proportion of households, have levels of literacy that are significantly below those of men. The Government aims to improve the quality of education. The ADB-assisted education sector development program approved in 2001 committed to (i) increase access to educational services of improved quality and internal efficiency, particularly for the poor and vulnerable; (ii) expand enrollment in basic education to all children through the provision of additional classrooms, teaching materials, and teachers; (iii) reduce inequality in education through the provision of targeted scholarships for vulnerable groups, including indigenous groups and girls in primary school; and (iv) promote nonformal education and technical vocational education and training. ADB will address these broad objectives in the Tonle Sap basin. In addition to tackling gender-based inequality in education, it will also take into account the Tonle Sap basin's cultural and geographical diversity and the problems associated with large seasonal movements of people. Given the history of successful cooperation with nongovernment organizations (NGOs), they shall be considered as partners.

129. Ill health keeps the poor in poverty, reduces their ability to produce food or earn money, and leads them into indebtedness. Major health shocks often result in the sale of land and other assets, and reduce the ability to cope still further. Women are generally most prone to ill health, in part because of the stress of childbirth and raising children. In the Tonle Sap basin, water-borne and water-related diseases associated with lack of sanitation and safe drinking water, e.g., cholera, diarrhea, and malaria, are endemic and cause morbidity, particularly among children. Interventions to improve health in the Tonle Sap basin will support the objectives of Cambodia's Health Sector Strategic Plan, 2003–2007, which aims to (i) increase health financing, (ii) widen coverage through improvements to the public health system and public-private partnerships, (iii) develop the institutional framework, (iv) improve the quality of health sector services, (v) expand activities to prevent HIV/AIDS, and (vi) build health care skills. If these objectives are achieved, progress towards Cambodia's Millennium Development Goals will be accelerated. In the Tonle Sap basin, particular attention will be given to ensuring access to clean water and sanitation for the floating and mobile communities on and around the lake, as well as to meeting their special needs for health services. Throughout, ADB will again build on

past successes in cooperation with NGOs: history shows that the quality and coverage of health services is better, by almost any measure, when NGOs are contracted to deliver them.

b. Crosscutting Themes

130. **Vulnerable Groups.** Vulnerable groups include widows and female heads of households, the physically and mentally handicapped, the orphaned, landless, the aged with no young to support them, and demobilized soldiers seeking reintegration into their communities. The burden of poverty has fallen disproportionately on women, particularly when they head households or are not supported by male labor. Since women play a vital role in agriculture and an even greater role in fisheries, poverty cannot be reduced unless policies and programs address their needs. Therefore, the strategy intends in particular to reduce gender-based disparities and improve gender equity in credit, health, education, access to natural resources, socioeconomic and political empowerment, and legal protection. The Tonle Sap is home to a number of ethnic groups and interventions will also seek to ensure that the rights of the Vietnamese and Cham minorities are considered.

131. **Governance.** Poor governance constrains, retards, and distorts development and has a disproportionate impact on the weaker sections of society, especially the poor. Inefficient and inadequate social spending and poorly-designed social programs, coupled with inaccessible, unpredictable, and inefficient legal systems, discriminate against them. Similarly, corruption often affects the weakest groups in society the most. To improve governance, communities, individuals, and groups need to be empowered so they can participate in decisions that affect their lives and interests. In Cambodia, the trend toward greater devolution of government services and participation by stakeholders offers the promise of more inclusive development. Therefore, the strategy will support Cambodia's Governance Action Plan, 2001, through deconcentration and decentralization initiatives and incorporation of key legislation governing security of public access to natural resources.

132. **Resource Cooperation.** Regional cooperation concerning natural resources in the Mekong River basin has been hindered by the different interests of individual countries. Ultimately, however, it is knowledge and appreciation of the Mekong River basin's natural wealth that will drive regional efforts to sustain its health for the good of everyone in the basin. Progress in sharing water resources may prove to be a vehicle for cooperation that can be extended into other areas. The strategy takes a basin-wide approach and will encourage emergence of a Mekong basin vision. It will disseminate knowledge as widely as possible so as to contribute to greater recognition of the importance of water and related natural resources and the need to develop them sustainably. Whenever possible, interventions will build on the Mekong River Commission's efforts to ensure harmonious cooperation among its four signatory countries.

133. **The Private Sector in Development.** The private sector can play a key role in reducing poverty by providing growth opportunities and creating employment. In the Tonle Sap basin significant private sector growth has taken place in tourism over the past few years and this trend is expected to continue. Additional opportunities may exist in private sector development of natural resources that is pro-poor and adds value. The strategy supports the creation of small and medium-sized enterprises (including micro-enterprises) and the legal environment, market information systems, and financial services required to support them.

G. Agriculture and Natural Resources

1. Introduction

134. Agriculture is the most important economic sector in Cambodia in terms of its contribution to both income and employment. In 2002, agriculture accounted for 33% of GDP and represented the primary form of employment for at least 70% of the population. This sector also has significant potential for contributing to poverty reduction in the rural area where about 90% of the country's poor people live. Most farmers in Cambodia are smallholders, with less than 2 hectares (ha) per household. The growth rate of the agricultural sector was sluggish at around 2.3% per year from 1997 to 2002. Crops and fisheries are the two most important subsectors with 45% and 33% of the agricultural GDP (2002), respectively, followed by livestock, 16%, and forestry, at 7%.

135. Rice cultivation dominates the crops subsector, with about 2.1 million ha or around 95% of the total cultivated area. Most rice production depends on natural rainfall. Irrigation, mainly used in single-cropping systems to bridge periods of drought (supplementary irrigation), covers an estimated 16% of the total cropped area. Floods and droughts frequently cause significant damage, contributing to fluctuating yields and a generally low output average of 2.1 ton/ha (2003/04), well below levels achieved in neighboring countries.

136. About 9% of the population depends on fisheries for primary employment (another 27% for secondary employment). Besides being a primary source of protein in domestic consumption, fish is also exported in significant volumes. Livestock are used by smallholders as a source of food, income, and draft power and as a form of insurance for when the family faces sickness or other catastrophes. The importance of forestry in agricultural GDP has declined in recent years because of the depletion of resources, the ban on log exports and the revocation of concessions. Nevertheless, forestry is still a major source of livelihood for the poor (which, in combination with illegal commercial logging and the absence of proper land use management, contributes to the further depletion of Cambodia's forest resources).

2. Issues and Development Challenges

137. Economically, Cambodia is at a crossroads and a major effort is needed to focus on agriculture as the main driver of broad-based and pro-poor growth. While food security and better nutrition continue to be core sector development goals, a decisive move towards commercialization is required to create economic opportunities and enable the sector, and especially the small farmer, to achieve them. Rural off-farm activities and thus the integration of agriculture in a rural, private-sector-led development framework are needed. However, numerous obstacles will make this transition away from low-level subsistence agriculture difficult.

138. Because of several decades of war and the government's lack of resources, the infrastructure in Cambodia is still far from adequate. Despite having received substantial external assistance, the rural road network is still poor, resulting in high transport costs and restricted access to markets. The core problem is long-term maintenance. Inadequate transport infrastructure and the corresponding lack of market access is made worse by corruption, especially unofficial fees at checkpoints and in ports, which makes it costly to move goods around in Cambodia.

139. Access to, and management of, natural resources such as land and water is inadequate. Land is the most important asset of farmers and clear land ownership is key to improving agricultural productivity. The Land Law of 2001 provides the legal basis for land titling, but major issues related to the process of land registration remain (e.g. embodying land registration in the Civil Code, coverage and speed of land titling, conflict resolution). Historically, the Government issued large concessions to private companies for arable land, and for fisheries and forestry. In effect, the concessions did not result in resources being used efficiently, and many concessions have subsequently been withdrawn. However, effective ways of turning over access and management of those resources to communities still need to be developed and implemented.

140. Access to water for irrigation purposes is limited. A Mekong River Commission survey in 1994 identified about 950 irrigation schemes with a potential command area of 473,000 ha of which, at that time, only around 60% was actually irrigated, often with low levels of efficiency. Prudent and sustainable water management, including irrigation and drainage, is critical for stabilizing and increasing total rice production. It will reduce farmers' exposure to droughts and floods and encourage agricultural diversification and the move into higher value added products. An integrated water resources management (IWRM) approach in a river basin context is best suited to this purpose and will ensure the greatest net social benefit. It should take into account water availability and the growing competition among water users—urban areas, hydropower (though this is still limited in Cambodia), and irrigation—and the residual stream flow required to maintain ecosystems and fisheries in the Tonle Sap and Mekong River systems. Cambodia's water sector's legal and policy framework supports such an approach. The challenge lies in its implementation.

141. Improving access to production factors and inputs, as well as to markets and market information, especially for smallholders, is the key factor to turning agriculture into the driving force of pro-poor growth. Value chain analyses indicate that the biggest losses to agricultural producers occur in post-harvest processing and marketing. Extensive administrative red tape (e.g. regarding business registration), combined with unofficial costs, impedes investments in modern processing technology and stifles private initiative and the expansion of entrepreneurship in rural areas. Promotion of agro-industries is a practical way of realizing the value-added potential of agriculture and its multiplier effect through industry and services. In an open, market-oriented business environment, it is also an effective way to promote rural financial services, such as micro-credit and insurance schemes which are adapted to the needs of small and medium agricultural producers and enterprises.

142. Institutional change is needed. The Ministry of Agriculture, Forestry and Fisheries (MAFF) has started adapting to the new challenges, for example, by setting up the Department of Agro-Industries (DAI), but more is required. The serious underfinancing of public institutions related to agriculture needs to be overcome, and improved planning and budgeting procedures implemented. The public sector needs to adopt a stronger facilitation and framework-setting role conducive to market-oriented and private-sector-based agricultural development. Much of the actual delivery of agricultural services can then be left to the private sector (e.g., through agro-industry links) and/or communities (e.g., through participatory arrangements). At the same time, better cooperation among public institutions is required to address complex rural development issues (e.g., to strengthen connections among irrigation, agricultural technology and transport). Finally, divestment efforts need to be continued and completed. State-owned enterprises (SOEs), including rubber estates, the Agricultural Input Company, and the Kampuchea Fish Import and Export Company are significant impediments to growth. The financial performance of SOEs is poor, which suggests an inefficient use of the country's resources. Liberalization and privatization in markets for agricultural and agro-based products remains a priority.

3. The Government's Development Strategy

143. "Enhancement of the Agricultural Sector" is one of the four strategic growth rectangles of the Government's Rectangular Strategy announced in July 2004. It is the only rectangle that aims at an entire economic sector and demonstrates the importance of agriculture in the economic growth strategy. As well as land, fisheries, and forestry reforms, it emphasizes the need to improve agricultural productivity and diversification in a market environment conducive to private sector participation. The Rectangular Strategy focuses on "key elements" contained in previous planning documents. As far as agriculture is concerned, the Second Socioeconomic Development Plan, 2001–2005 (SEDP II), presents the most comprehensive sector analysis and development program. It is geared towards transforming agriculture into a driving force to achieve higher economic growth and poverty reduction while at the same time ensuring food security and the sustainable use of natural resources. A set of strategies, now taken up and elaborated in the Rectangular Strategy, are designed to foster commercialization and diversification. These strategies include: (i) promotion of a consistent macroeconomic and agricultural policy framework for a liberalized and market-oriented environment by deregulating agricultural input and output markets, (ii) establishing policy and legal frameworks for effective land management and administration, (iii) accelerating sustainable irrigation development; (iv) strengthening essential agricultural support services, and (v) developing quality standards for agricultural inputs. The National Poverty Reduction Strategy (NPRS), 2002, also covers agriculture, and highlights the lack of rural infrastructure as an impediment to market orientation. The medium-term expenditure framework, an instrument currently being introduced with support from ADB, will help the Government to link planning, budgeting and expenditure to its policy priorities. It will lead to improved sector investment strategies and realistic annual planning and thus to more efficient allocation of resources in the agriculture sector.

144. The Rectangular Strategy, SEDP II, and NPRS identify the water sector as a key contributor to poverty reduction in Cambodia, primarily through its contribution to (i) improved rural livelihoods, food security, and nutrition through better water management in agriculture and fisheries, (ii) improved access to safe drinking water and sanitation, (iii) improved disaster prevention measures (e.g. against floods and droughts), and (iv) sustained conservation of aquatic ecosystems and biodiversity to provide a common property resource for the benefit of future generations. Regarding irrigation, the Government's target is to expand irrigated areas from around 16% to 24% of the total cropped area by the year 2007. In the short and medium terms, this will involve rehabilitating existing irrigation schemes (focusing on small- to medium-scale schemes of less than 5,000 hectares) and supporting cost-effective private irrigation technologies (e.g., smallholder gravity and small low-lift pump systems). Later, as the institutional capacity for sustainable management and operation is developed, expansion into areas covered by large-scale irrigation schemes (i.e., greater than 5000 hectares) in lowland areas will be considered. To ensure the financial sustainability of irrigation infrastructure, the Government's policy will be to increase the participation of water users in managing rehabilitated and newly constructed irrigation schemes.

4. Activities of Other Development Partners

145. There are several development agencies providing external assistance to the agriculture sector in Cambodia. The World Bank's involvement in agriculture and rural development has been closely linked to building the national level capacity of MAFF through its agricultural productivity improvement project (in cooperation with the International Fund for Agricultural Development, IFAD). The World Bank, jointly with Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), is also helping Cambodia to improve land management and land

tenure security through land titling. The European Union (EU) has facilitated rural development in six provinces around Phnom Penh, through rice seed improvement, irrigation development, microfinance and rural infrastructure development. It is, in cooperation with local NGOs, currently engaged in various small-scale food security projects. In 2005 it will start a multi-component program in the north-western region of Cambodia and will provide a grant to the livestock subsector. The Australia Agency for International Development (AusAID) focuses on building capacity at the MAFF Department of Agricultural Extension and the Cambodia Agricultural Research and Development Institute and is also engaged in improving rice seed quality and post-harvest handling of rice through its agricultural quality improvement project. The International Fund for Agricultural Development (IFAD) provides support for improving agricultural productivity through microfinance and extension services in the north-western region and, together with GTZ, it focuses on community-based rural development through improving agricultural extension services and developing rural infrastructure in Kampong Thom and Kampot provinces. The IFAD rural poverty reduction project in Prey Veng and Svay Rieng was approved in 2003 and follows a multi-component and integrated approach, with a focus on poor households' capacity to improve their livelihoods through intensified and diversified production. Food security, commercialization, and participatory agricultural extension are areas also supported by other providers of external assistance including the Food and Agricultural Organization (FAO), the Danish International Development Agency (DANIDA), and—planned for 2005—the Canadian International Development Agency (CIDA). The Agence Française de Développement (AFD) promotes commercial agriculture development (e.g., peri-urban fruit and vegetable production, smallholder rubber, silk) and provides substantial support for the rehabilitation and expansion of irrigation schemes (partly in cooperation with ADB). This includes, in line with Cambodian water sector policies, community development and agricultural extension activities, in common with most irrigation rehabilitation projects funded by the EU, the World Bank, the World Food Program (WFP), Japan and Italy as well as several NGOs.

5. ADB's Sector Strategy

146. ADB's approach is to help the Government achieve its development objectives, as stated in the Rectangular Strategy. Implementation of ADB's sector strategy for agriculture builds on, and contributes to, an environment that, because of reform measures supported by ADB and others (e.g. land law, the medium-term expenditure framework, audit law, etc.), is now potentially more conducive to a market-based sector program than a few years ago. The overall scope and complementarity with other development partners' activities is outlined in the agriculture sector development program (ASDP), which will dominate ADB's sector interventions for the next 3 to 5 years. It includes support for (i) improving farmers' ability to raise productivity, diversify towards higher-value products and connect to markets; (ii) improving the market environment for private agro-based enterprise growth; and (iii) strengthening institutional capacity for competitive agricultural commercialization. A number of TA activities will flank and consolidate the core intervention program, including TAs on reaching out to the poor and vulnerable, improving the agricultural research and technology framework, and addressing product quality and safety as well as post-harvest and information issues. These measures will strengthen the quality and delivery of support services typically provided by Government in a market economic environment. Based on lessons learned from ASDP and progress made towards improving market orientation and private sector promotion, a project preparatory TA is planned for 2007 to prepare a follow-up agriculture sector loan to improve agricultural services (e.g. inputs, technology). There will be a greater focus on provincial and district levels, and on increasing the competitiveness of agricultural and agro-based products in domestic and international markets.

147. The Tonle Sap basin strategy was formulated in 2003 and forms the basis priorities and planning assistance in the Tonle Sap basin over the next 5 years. Agriculture-related interventions are, through the strategy's regional focus, integrated into a general rural development perspective that aims to promote and facilitate (i) pro-poor, sustainable economic growth; (ii) access to assets; and (iii) management of natural resources and the environment. The strategy will expand the knowledge base on which sustainable utilization and preservation of the basin depends, address ways in which the livelihoods of the communities can be enhanced, improve catchment management, and strengthen the regulatory framework and institutional structures at local and national levels. The strategy is implemented through a series of interlinked technical assistance and loan interventions.

148. Key lessons learned in the water sector from ADB's experience in Cambodia include: (i) the decisive role of improved water resource management as a prerequisite to stabilizing and increasing agricultural production; (ii) the advantage, in the medium term, of a focus on small and medium-sized irrigation schemes, within an integrated, river-basin-related water management framework, where design and management is based on community participation; (iii) the utmost importance of a sustainable maintenance financing mechanism linked to increased farm incomes; and (iv) the need for institutional reforms addressed in a comprehensive but gradual way to produce lasting effects.

149. Based on this experience and on previous institutional reform support—e.g. the establishment and strengthening of the Ministry of Water Resources and Meteorology, (MOWRAM) assistance preparing the national water sector profile, the National Water Policy, and a draft strategic framework for water resources management in Cambodia—ADB will continue to support the development of the irrigation subsector. Under the recently approved northwest irrigation sector project (NISP), rehabilitation of irrigation systems will be accompanied by institutional strengthening measures related to water policies and strategies, the IWRM approach in river basins, and the regulatory framework for irrigation management transfer. Drawing on the experience of the NISP, a study is planned for late 2006 on irrigation and water resource management sector development, evaluating the NISP approach and investigating the extent to which it can be replicated in new schemes and areas. This study will prepare for an irrigation sector development project (ISDP) in early 2008, underlining ADB's firm and sustained commitment to meeting its role in the development of the Cambodian water sector.

6. Implementation Issues and Monitoring

150. ADB takes an active part in donor harmonization efforts and cooperates actively with other development partners. ADB is a member of the Government-donor technical working group on agriculture and water, formally constituted in November 2004. The working group will provide a forum for information exchange for a wide range of stakeholders, including Government institutions, donors, NGOs, the private sector, and civil society.

151. Benchmarks that will be used to monitor performances include poverty indicators, average real growth of the agriculture sector, productivity of major agricultural crops, and livestock, fishery and forestry production, number and area of social land concessions granted, and number and area of unused economic concessions reduced.

Cambodia: Agriculture and Natural Resources Sector Roadmap

Item	Indicators		
	5 years ago (1999–2003)	Current (2004)	Next 5 years ^a (2005–2009)
A. Sector Outcomes			
Agricultural GDP growth (% per annum)	2.8% ^b	-2.7% ^c	3.5% (SEDP II target)
Agricultural productivity growth	Stagnant	Slow	Improved
Rice yield (paddy ton/hectare; wet and dry season)	1.7 ^d	2.1 ^c	2.5
Farmers' income growth	Stagnant	Slow	Improved
Incidence of rural poverty	40%	40%	32%
Natural resources/environment	Under severe stress	Under severe stress	Regionally stabilized
Economic losses from floods and droughts	\$160 million (\$36 million) in 2000 (2001) with >3.5 million (>2 million) people affected in 2000 (2001)	[No major flood or droughts]	Significantly below 2001/ 2002 level for events of similar magnitude
Sector policy and institutional framework	Inadequate	Little progress towards market-oriented institutional environment	Significant progress towards market-oriented enabling environment
B. Sector Outputs			
Access to productive resources			
Land (land titling under new Land Law)	Disputed land rights	50,000 titles (as pilot)	1 million titles
Agricultural land under irrigation	<16%	16% (estimate)	24%
Sustainability of irrigation schemes	Focus on "hardware" (e.g. dams, canals etc.)	Decentralized manage- ment and cost recovery models under development	At least 50% of irrigation area under sustainable participatory management
Rural finance	Inadequate institutional framework, limited spatial coverage	Framework in place, spatial outreach improved	Financial institutions ensure adequate spatial coverage
Agricultural inputs (e.g., seeds, fertilizer)	Inadequate	Improved but quality problems persist	Input markets and quality management improved
Access to improved technology	Inadequate	At project level only	Broad-based
Access to domestic and export markets	Limited due to physical and institutional barriers	Limited due to physical and institutional barriers	Institutional and physical barriers reduced
Agricultural diversification	Inadequate	Limited (pilot project- based)	Improved through better access to markets and emerging agro-industries
Management of natural resources	Unsustainable	Unsustainable	Improved (in particular in Tonle Sap Basin; IWRM and river basin approach)

^a Preliminary figures for discussion with the Government.

^b Reference years: 1997–2001.

^c Reference years: 2003/04.

^d Midpoint between 1993 and 2001.

Item	Indicators		
	5 years ago (1999–2003)	Current (2004)	Next 5 years ^a (2005–2009)
Sector policies and institutions			
Policy and institutional framework	Policy framework outdated; institutions lack capacity to steer development; weak links between sector policies, strategies and investment plans	Reforms initiated (e.g. Land Law, Water Law and Policy, General Fisheries Plan, etc.) but regulatory framework and implementation weak	Policy reforms achieved, institutional efficiency improved and links between sector policies, strategies and investment plans strengthened
Information management	Collection, analysis and sharing of data is weak	Institutional capacity improved but quality of data still poor and weak linkage with planning	Data collection, analysis and sharing substantially improved and effectively supports sector planning
C. Sector Issues and Constraints	<p>(i) Need for effective policy and institutional environment for market-based agricultural growth and sustainable management of natural resources; and need for institutional capacity to implement reforms</p> <p>(ii) Prevalence of low-value added, subsistence-oriented, mono-cropping rice farming systems (weak back- and forward linkages)</p> <p>(iii) Inadequate access to and harmonized/integrated sustainable management of natural resources (e.g., land, water, fishing grounds, forests, aquatic ecosystems)</p> <p>(iv) Inadequate access to effective rural financial services</p> <p>(v) Weak farmer and community organizations unable to raise marketable surpluses or manage natural resources in a sustainable manner</p> <p>(vi) Weak capacity and inadequate decentralization of agricultural institutions (e.g. research-extension linkage) and natural resources management institutions (e.g. management of water-related infrastructure)</p>		
D. Actions, Milestones, and Investments	By Issue	Schedule	By Agency (\$ million)
			ADB Others/ External Gov't
Agricultural Policy and Institutions			
Agriculture Sector Development Program (Loan 2022)	Develop an institutional framework that promotes a private sector-based, market-oriented agriculture sector	2004–2006	25.0
Supporting Policy and Institutional Reforms in the Agriculture Sector (ADTA 4228)	Strengthen MAFF and national research capacity, support to divestment of state-owned enterprises	2004–2007	1.0 0.18
Strengthening National Program Budgeting for the Agriculture Sector (ADTA)	Strengthen institutional capacity at MAFF in program budgeting at national and provincial levels	2005–2006	0.25 0.05
Formulating a Master Plan for National Agricultural Research (ADTA)	Provide strategic direction and identify priority research objectives	2004–2005	0.3 0.06
Capacity Strengthening in Advanced Agricultural Science and Technology in the GMS (GMS, RETA)	Create awareness and carry out training in biotechnology and food safety issues	2005–2007	1.0 GMS: 0.2

D. Actions, Milestones, and Investments	By Issue	Schedule	By Agency (\$ million)		
			ADB	Others/ External	Gov't
Action Plan for Gender Mainstreaming in the Agriculture Sector (ADTA)	Promote women's participation in market-based agricultural production through gender-responsive institutions and gender-equal access to agricultural support services	2005–2006	0.3		0.98
Capacity Building for the Inland Fisheries Research and Development Institute II (ADTA)	Build capacity for effective and relevant applied research	2005	0.3		
Enabling Activities to Implement the Stockholm Convention on Persistent Organic Pollutants (ADTA)	Develop a national implementation plan and build capacity for protection from organic pollutants, with special attention to a pesticides regulatory framework	2007	0.3		
Production and Marketing					
Agriculture Sector Development Project (Loan 2023)	Improve agricultural services for farmers and agro-industries in 4 provinces	2004–2008	4.7		1.18
Improving the Livelihood of Poor Farmers in Southern Cambodia (Grant JFPR; TA 9027)	Enable poor and vulnerable groups of farmers to benefit from improved agricultural services	2004–2008	1.8		
Agriculture Sector Development Support (PPTA)	Improve agricultural services (e.g., inputs, technology) at the local level and increase competitiveness of agricultural and agro-based products in domestic and international markets	2007	0.8		
Capacity Building for Promoting Sustainable Agricultural Development in the GMS (GMS; RETA)	Improve capacity of agricultural practitioners and farmers in production and marketing of non-rice food products	2004–2006	0.8		
Improving Poor Farmers' Livelihoods through Post-Harvest technology (GMS; Grant JFPR)	Reducing post-harvest losses through capacity building of intermediaries; targeting poor farmers	2005	0.75		
Improving Poor Farmers' Livelihoods through Rice Information Technology (GMS; Grant JFICT)	Reducing post-harvest losses through capacity building of intermediaries; targeting poor farmers	2005	1.0	IRRI: 0.15	GMS: 0.1
Transboundary Animal Disease (TAD) Control in the GMS (GMS, RETA)	Increase incomes of poor livestock farmers by developing a regional cooperation framework and implementing TAD control measures	2005–2009	2.0	FAO: 1.21	GMS: 0.19
Inland Fisheries Fish Processing Enterprise Development (PPTA)	Explore the untapped economic and employment generation potential of small-scale fish processing industries	2007	0.8		
Study of Inland Aquatic Resources Trade Patterns (TA)	Improve trade policies for poverty alleviation	2007	0.15		

D. Actions, Milestones, and Investments	By Issue	Schedule	By Agency (\$ million)		
			ADB	Others/ External	Gov't
Enhancing the Role of Women in Inland Fisheries (TA)	Identify ways to increase contribution of women to inland fisheries through improved access to human, social, and financial capital	2007	0.15		
Access to Land					
Implementation of Land Legislation – Phase II (TA 4181)	Drafting priority laws and implementing regulations; capacity building on legal and land matters and increase people's access to mechanisms to realize their rights under the law	2003–2005	0.6		0.11
Access to Water/Irrigation					
Stung Chinit Irrigation and Rural Infrastructure (Loan 1753)	Improve quality of life through provision of sustainable irrigation, agricultural extension, and rural infrastructure	2001–2006	16.0	AFD: 2.6	4.8
Northwest Irrigation Sector Project (Loan 2035)	Upgrade small- and medium-scale irrigation schemes applying an IWRM approach in a river basin context incl. empowerment of water user communities and agricultural extension measures; institutional capacity building	2004–2010	18.0	AFD: 3.7	6.9 Beneficiaries: 2.3
Community Self-reliance and Flood Risk Reduction in the Tonle Sap Basin (ADTA)	To make disaster preparedness efforts more effective, paying special attention to the impact of flooding on women and girls	2004	0.3		
Flood Management (GMS: CAM/LAO/VIE, PPTA)	Prepare flood management loan by integrating country-specific flood management measures	2005	1.0	2.70	
Flood Management (GMS: CAM/LAO/VIE, Loan)	Reduce negative impacts of floods through investment projects in CAM, LAO and VIE	2006 ^e	85.0		GMS: 26.8
Tonle Sap Watershed Management (PPTA)	Conservation and sustainable management of native vegetation in the watershed of the Tonle Sap to reduce land degradation, increase income and well-being, and reduce vulnerability	2006	0.8		
Irrigation and Water Resource Management Sector Development (PPTA)	Evaluate ADB irrigation sector interventions and prepare for a new sector project	2006	0.5		
Irrigation Sector Development Project (Loan)	Upgrade irrigation schemes based on ADB irrigation sector interventions' experience and continue institutional support	2008	25.0	TBD	TBD
Rural Finance					
Rural Credit and Savings Support (Loan 1741)	Develop effective financial services in the rural areas which will provide poor households with better access to rural finance	2000–2005	20.0		RDB 2.72 LFI: 3.84

^e Standby.

D. Actions, Milestones, and Investments	By Issue	Schedule	By Agency (\$ million)		
			ADB	Others/ External	Gov't
Area Development					
Northwest Rural Development Project (Loan 1862)	Reduce rural poverty through rehabilitation of physical infrastructure (including roads) and support to community development	2003–2007	27.2		7.4 Beneficiaries: 0.13
Tonle Sap Environmental Management Project (Loan 1939)	To enhance systems and develop the capacity for natural resource management coordination and planning, community-based natural resource management, and biodiversity conservation in the TSBR	2002–2007	10.9	GEF: 3.2 UNDP: 0.63	3.9
Establishment of the Tonle Sap Basin Management Organization II, III, IV (TA)	Improve institutional and organizational arrangements for natural resource management	2004–2006	0.9		
Influence of Built Structures on the Fisheries of the Tonle Sap (TA)	Influence of built structures on the lake's hydrological regime and people's livelihoods	2005	0.3		
Tonle Sap Sustainable Livelihoods Project (Loan)	Sustain and improve livelihoods in the flooded area of the Tonle Sap	2006–2010	15.0		
Tonle Sap Lowland Stabilization Project (Loan)	Manage natural resources in and around the transition area of the TSBR, with special attention to agriculture, forestry, and irrigation in support of sustainable livelihoods	2007/8	20.0		

ADB = Asian Development Bank; AFTA = advisory technical assistance; AFD = Agence Française de Développement; CAM = Cambodia; FAO = Food and Agriculture Organization; GDP = gross domestic product; GEF = Global Environment Facility; GMS = Greater Mekong Subregion; Gov't = government; IRRI = International Rice Research Institute; IWRM = Integrated Water Resources Management; JFICT = Japan Fund for Information and Communication Technology; JFPR = Japan Fund for Poverty Reduction; LAO = Lao People's Democratic Republic; LFI = Licensed Finance Institution; MAFF = Ministry of Agriculture, Forestry and Fisheries; PPTA = project preparatory technical assistance; RDB = Rural Development Bank; RETA = regional technical assistance; SEDP II = second socio-economic development plan; TA = technical assistance; TAD = transboundary animal disease; TBD = to be determined; TSBR = Tonle Sap Biosphere Reserve; UNDP = United Nations Development Program; VIE = Viet Nam.

H. Cambodia Education Sector Assessment

1. Education Sector Development Challenges

152. Cambodia's National Poverty Reduction Strategy (NPRS) and Socio-Economic Development Plan (SEDP II) highlight the central importance of education to poverty reduction and socioeconomic development. The Education Strategic Plan (ESP), 2004–08, takes steps to establish the human resources and infrastructure needed for the education sector. However, these initiatives take place against a background of significant constraints, such as the shallow human resource base from which to draw people to take on education sector tasks and the very limited resources to provide training for the large number of out-of-school, unemployed and undereducated youth. These constraints have to be addressed, taking into account uncertainties in labor demand caused adjustments to global economic trends, including those arising from Cambodia's recent entry into the World Trade Organization (WTO).

153. The Government recognizes the urgency of the need to expand education and training opportunities for the estimated 3.1 million out-of-school youth aged 12–21 years. The current situation is a consequence of: (i) high dropout rates; (ii) limited availability of post-primary education and training opportunities; and (iii) a lack of life skills orientation in many current programs. Cambodia's Millennium Development Goals are targeted for achievement by 2015 and include (i) reducing the number of the poor by 50%; (ii) achieving universal access to nine years of high-quality basic education; and (iii) gender equity. The related development challenges include (i) increased participation of the poorest families in both primary and secondary education; (ii) equity in access to quality primary and secondary education; (iii) reduced cost burden on the poor for education, through a combination of new poverty-focused strategies and a strengthened education financing policy; and (iv) public/private partnership in governance, management and financing of education, especially beyond the first nine years of basic education.

2. Government's Development Strategies and Policies

154. Since 2001, equity of access to basic education has improved. Primary and secondary school enrolment has increased by 30%, and there is greater participation by children from the poorest families and ethnic minorities and by girls. Repetition rates have also fallen in the lower primary grades and many more primary and lower secondary classrooms have been built. Yet important challenges remain, notably: (i) to reduce cost barriers to basic education, and to target cost-sharing for postbasic education services; (ii) to reduce repetition and dropout rates at all levels, especially in grades 1–6; (iii) to increase private/community participation in grades 10–12, higher education, and technical and vocational education and training (TVET), through targeted and demand-led recurrent and capital development financing; and (iv) to target development of education facilities, focusing on eliminating incomplete primary schools and expanding provision for grades 7–12 in underserved areas. The Government is also exploring ways to respond to the training needs of the large and growing number of unemployed and underemployed youth.

155. In the recently approved ESP, 2004–08, the Government will continue the strategies begun during ESP, 2001–05, to improve the quality and efficiency of education services. There will be a greater focus on improving staffing efficiency, performance and accountability through performance monitoring of schools, staff and students. The main strategies are: (i) education service efficiency and performance, (ii) decentralized school/institution management, (iii) sustainable curriculum reform and instructional materials provision, (iv) decentralized teacher development planning and management, and (v) improved performance monitoring.

156. The key constraints to achieving these strategies have been identified as (i) the continuation of informal contributions by parents; (ii) the prevalence of incomplete primary schools; (iii) limited capacity to expand early childhood education, secondary education and education/training opportunities for unemployed youth; and (iv) the need for further strengthening of public sector management. The abolition of the "start of the year" parental contribution in 2001 had the immediate impact of increasing the enrollment of less well-off students. Specific incentives for children from poor families and ethnic minorities and for girls at primary and lower secondary levels are being piloted. High priority will be given to providing a complete primary education close to home, through additional facilities and deployment of more and better-qualified teachers, including the expansion of multi-grade teaching. Efforts will be made to improve access by the poor by reducing costs of transport and meals.

157. Over the last 4 years, there has been substantial growth in spending by the Government, development partners and NGOs on quality improvements, particularly on basic education supplies, recurrent spending on instructional materials, operational budgets in post-secondary institutions, including teacher training; school management training; reform of grade 9 and grade 12 examination processes; and pilot testing of primary school standards. Education governance reforms focusing on sector performance monitoring and oversight of school performance by parents and the community have also been introduced. The education sector support program (ESSP) review in 2003 highlighted the need to translate increased spending into improved education standards at all levels. Key challenges include (i) measures to improve program relevance; (ii) strengthening of national standard-setting and monitoring procedures; (iii) improved dissemination of information on standards to stakeholders as part of improved decision-making and accountability; and (iv) measures to strengthen stakeholder participation in program planning and monitoring. The priority will be to strengthen these systems at upper secondary, TVET and skills training, and higher education levels where parents need assurance that they are receiving value for money is critical.

3. ADB and Other Donor Sector Experience

158. The Basic Skills Project (L1368-CAM) was completed in May 2002 and the Basic Education Textbook Project (L1446-CAM) was completed in April 2002. Continuing support to basic education, and technical and vocational education and training, is being provided under the Education Sector Development Program (ESDP) - L1864/1865-CAM, approved in 2001. The ESDP uses a sectorwide approach and has successfully introduced sector reforms. It is a good model for sector assistance.

159. The ESDP has contributed significantly to establishing a pro-poor education policy, marked by a 40% increase in primary school enrollment for the poorest 300 communes in Cambodia. Enrollment has increased with the abolition of the start-of-year fees, resulting in an extra 0.5 million students in primary schools from the poorest families. ADB has contributed to service decentralization in over 6,000 schools and 183 district offices, thereby increasing grassroots powers and responsibilities for education. A nationwide textbook program covering over 6,000 schools has resulted in better opportunities for teaching and learning for over 3 million students and 70,000 teachers. ADB will continue to spearhead sectorwide reforms in the education sector and the Second Education Sector Development Program was approved in 2004.

160. In support of the ESDP, the advisory TA Performance Management in the Education Sector (TA 3858-CAM) was provided. Scholarships for poor girls and children from ethnic minorities are being provided under the Targeted Assistance for Education of Poor Girls and Poor Children in Ethnic Minority Areas (JFPR 9028). In cooperation with the Ministry of Women's Affairs, Sustainable Employment Promotion for Poor Women (TA 3947-CAM) was approved in December 2002 to promote income-generating activities for rural women. Another Japan Fund for Poverty Reduction project, Improving Primary School Access in Disadvantaged Communes, was approved in October 2004. ADB is also considering supporting building dormitories for secondary school girls and is assessing the scope for complementary support through subregional Greater Mekong Subregion programs for education development in border areas, especially support related to child trafficking and HIV/AIDS.

161. ADB's responsiveness and the significant size and balance of its portfolio is much appreciated. Its pioneering sectorwide approach in, and long-term commitment to, education is acknowledged by both the Government and other donors. The relatively large size of ADB's

education program and its strong combination of lending and technical assistance have fostered effective policy dialogue with the Government, other donors, and stakeholders. Moreover, ADB technical assistance for the planning and management of the annual joint MOEYS, donors and NGOs education sector performance review since 2001 has had a positive impact on establishing partnerships through the education sector working group (ESWG) of donors, and the NGO education partnership (NEP).

162. External assistance is increasingly well coordinated through the joint annual ESSP review process. The ESP and ESSP frameworks are used by all partners as a basis for screening and selection of external assistance, ensuring assistance is complementary. External assistance for education has grown significantly in the past 5 years as mutual confidence among Government and donors in the direction and impact of reform has improved. Total external funding to the sector for the period 2002–2007 is estimated at \$282.5 million, with \$44.5 million actually spent in 2002, \$44.7 million estimated to have been spent in 2003, and \$193.3 million projected for 2004–07.

163. The European Commission is providing more targeted sector budget support and institutional development technical assistance. The World Bank is preparing the Basic Education Support Program. Complementary support from other donors such as the Swedish international Development Agency (Sida), United Nations Children’s Fund (UNICEF), Japan International Cooperation Agency (JICA), US Agency for International Development (USAID), the UN World Food Program, and the Government of France and Belgium, provides mainly investment projects for facilities development, quality improvement and sectorwide and program management capacity building.

4. ADB’s Education Sector Strategy

164. ADB will continue to build upon the Education Sector Development Program, which has played a major role in mobilizing international support for education in Cambodia. It will continue its support for the Government’s Education Strategic Plan and Education Sector Support Program, 2004–2008, by (i) supporting implementation of policy reforms which provide expanded opportunities for the poor at primary, secondary, and postsecondary levels; (ii) facilitating enhanced access to secondary education by means of a targeted investment program for facilities development; (iii) consolidating decentralized vocational training efforts through the life-long community learning centers concept and encouraging public/private sector partnerships; (iv) providing a targeted and expanded program of education incentives for the poor with an emphasis on girls and children from ethnic minorities; and (v) providing capacity building support for decentralized education, especially at the postbasic level and in non-formal education.

5. Performance Monitoring

165. To improve education sector performance monitoring in Cambodia, ADB’s main strategies are to: (i) define minimum standards of student achievement for each grade from 1–12 and assure shared understanding of these standards by teachers, parents, and other stakeholders; (ii) introduce nationwide minimum standards testing and revised examinations for grades 3, 6, 9, and 12; (iii) consolidate higher education, TVET and teacher training admissions policy through increased and selective use of Grade 12 examination results for initial screening of potential entrants; (iv) increase efficiency in planning and management of school performance monitoring, through clear definitions of the roles of central, provincial, and district inspectors; (v) increase the accountability and responsibilities of school directors and deputy

directors in improving school and staff performance, alongside an increased role in providing in-school teacher development and teacher performance appraisal (used as a basis for retention of director performance allocations); (vi) increased transparency and accountability for national, provincial and school and student performance through annual public dissemination of results of standards tests and examinations, including an annual report to the National Assembly; (vii) extension of the national standards and upgraded assessment and accreditation mechanisms using competence-based training (CBT) approaches for TVET programs; and (viii) consolidation and extension of higher education quality assurance and regulatory mechanisms, based on the Royal KRET and expanded role of the Accreditation Council of Cambodia and Association of Higher Education.

Cambodia: Education Sector Roadmap

Item	Indicators	
	Target, 2004–2005 (%)	Target, 2008–2009 (%)
A. Sector Outcomes (National)		
Primary Net Enrollment Rate (NER)	92	96
Primary NER (% female)	91	96
Lower Secondary NER	40	50
LSS NER (% female)	39	50
Upper Secondary NER	15	28
USS NER (% female)	14	25
Grade 6–7 Transition	87	97
Grade 9–10 Transition	64	78
Primary PTR	51	50
Lower Secondary PTR	26	45
Upper Secondary PTR	28	40
Education Expenditure as % of GDP	2.1	3.1
% Share of Education Expenditure In Total Budget	19	23.2
B. Sector Outputs (National)		
Primary Enrollment	2.67 million	2.44 million
LSS Enrollment	567,800	1.0 million
USS Enrollment	183,000	300,000
TVET Enrollment (Public Institution)	9,800	19,000
Higher Education Enrollment (Public)	20,000	36,000
Higher Education Enrollment (Private)	48,700	54,000
Accredited Higher Education Institutions (public and private)	15%	80%
Grade 12 graduates	25,000	70,000
No. of Primary School Teachers Required	49,400	48,800
No. of Lower Secondary Teachers Required	19,800	22,200
No. of Upper Secondary Teachers Required	6,000	7,500

C. Sector Issues and Constraints				
<ul style="list-style-type: none"> • Lack of access by the poorest families to basic education due to non-availability of schools, requirements of informal payments, and proliferation of incomplete schools. • Poor quality and low efficiency of education due to insufficient student learning hours, lack of qualified teachers, and unavailability of textbooks. • Weak institutional capacity of the Ministry of Education, Youth and Sport in the decentralization of education service management, financial planning, accounting and audit management, and delivery of high-quality education services. • Inadequate financing, especially recurrent expenditures, including teacher salaries. • Lack of appreciation and resources for the training needs of 3.1 million out-of-school youth (12–21 years of age) to provide income-generating skills. 				
D. Actions, Milestones, and Investments	Schedule	By Agency		
		ADB	Others/ External	Gov't
1. Policies				
• Increased equitable access to education services	2005–2007	X	EC, Sida, UNICEF,	X
• Improved quality and internal efficiency of education	2005–2007	X	France, JICA, WFP	X
• Capacity building for decentralization	2005–2007	X	USAID, DFID, GTZ	X
• Increased resource mobilization	2005–2007	X	WB, AusAid, NGOs, Belgium, UNESCO	X
2. Institutional Capacity				
• Government and MOEYS	2005–2007	X	WB, AusAid, NGOs, Belgium, UNESCO	X
• Directorate of General Education	2005–2007	X		X
• Directorate of Higher Education and TVET	2005–2007	X		X
• Provincial Education Departments	2005–2007	X		X
• District Education Offices	2005–2007	X		X
• Teacher Training Colleges	2005–2007	X		X
• School/Community Committees	2005–2007	X		X
• Commune Councils	2005–2007	X		
3. Investments				
• Primary education	2005–2009	X	X	X
• Lower secondary education	2005–2009	X	X	X
• Upper secondary education	2005–2009	X	X	X
• TVET and skills training	2005–2009	X	X	X
• Teacher development	2005–2009		X	X
• Community social and human resource development	2005–2009	X	X	X
• Sector budget support	2005–2007	X	X	X

ADB = Asian Development Bank; AusAID = Australian Agency for International Development; DFID = Department for International Development; EC = European Commission; GDP = gross domestic product; Gov't = government; GTZ = Deutsche Gesellschaft für Technische Zusammenarbeit; JICA = Japan International Cooperation Agency; LSS = lower secondary school; MOEYS = Ministry of Education, Youth, and Sports; NER = net enrollment rate; NGOs = nongovernment organizations; PTR = pupil-teacher ratio; SIDA = Swedish International Development Cooperation Agency; TVET = technical and vocational education and training; UNESCO = United Nations Educational, Scientific and Cultural Organization; UNICEF = United Nations Children's Fund; USAID = United States Agency for International Development; USS = upper secondary school; WB = World Bank; WFP = World Food Programme.

I. Transport Sector Assessment

1. Background and Issues

166. In the last 10 years, the emphasis has been on rehabilitating Cambodia's core transport infrastructure to restore national cohesion and create the foundations for economic growth. The two international airports (Phnom Penh and Siem Reap), the two main ports (Phnom Penh and Sihanoukville) and the primary highway network have been—or will soon be—fully rehabilitated.²⁵

167. However, much remains to be done. Most provincial and rural roads are seasonally impassable to motorized traffic and await rehabilitation. The railway is rundown and needs rehabilitation and restructuring to become an efficient alternative. Inland water transport and river ports need upgrading and modernization to support multimodal transport. Domestic airports require repair and an assured financial basis to provide safe operations. Traffic regulation and enforcement is weak or non-existent and lacks a sound legal basis. Infrastructure development is mostly donor financed and its subsequent operation and maintenance is hindered by shortages of funds and lack of efficient and transparent mechanisms for maintenance planning, disbursement and execution. Transport services are expensive, partly because of poor infrastructure and partly because of market failure and rent seeking. Solving these problems will be a prerequisite for Cambodia's continued economic and social development.

2. Government's Strategy

168. The primary tools of the Government's strategy since 1994 have been (i) focusing road investments on rehabilitating existing national highways and selected provincial, rural and urban roads; (ii) comprehensive privatization of transport provision; (iii) selective relaxation of restrictive regulations, including most restrictions on importation of motor vehicles and on access for foreign airlines to operate in Cambodia (the open skies policy); and (iv) franchising of the operation, maintenance and development of National Highway 4 and the two international airports in Phnom Penh and Siem Reap to the private sector. The Government's strategy has proven successful in restoring a core transport system that connects the main centers of the country and has significantly contributed to integrating the national economy to the regional and global economies.

a. Decentralization and Reform

169. The Government has initiated a process of decentralization and reform. The delivery of transport infrastructure services, which previously was centrally managed by the Ministry of Public Works and Transport (MPWT),²⁶ has been delegated to the provincial level. The MPWT

²⁵ This Assessment is a synthesis of recent analysis and policy recommendations presented in: ADB. 2003. TA 3651_CAM: *Cambodia Transport Sector Strategy Study*. Manila. Royal Government of Cambodia. 2002. *National Poverty Reduction Strategy*. Phnom Penh; and World Bank and ADB. 2003. *Integrated Fiduciary Assessment and Public Expenditure Review*. Phnom Penh.

²⁶ MPWT is responsible for all surface transport modes (roads, rail, inland waterways, ports and shipping). Air transport is the responsibility of the State Secretariat of Civil Aviation. MPWT develops and manages the primary and secondary roads but has promulgated the development and management of tertiary rural roads (defined as roads used by less than 50 vehicles per day and considered rural infrastructure) to the Ministry of Rural Development (MRD), and of urban roads (which are roads within a declared urban area) to the concerned City Council in the larger cities, and the concerned Provincial Governor in smaller towns. Maintenance of the primary and secondary roads is executed through the provinces.

itself is in the process of shifting its focus away from direct management of transport infrastructure towards planning and oversight of the sector. The process is moving forward with significant support from ADB, the World Bank and the Japan International Cooperation Agency (JICA) but is encumbered by shortages skills and resources at national and provincial levels.

170. The reform process is necessary but given the lack of capacity it is fraught with difficulty in the short term. An example is road maintenance where disbursement has been devolved to the provinces, which lack the capacity to produce credible road maintenance plans or adequately justified budgets. As a result, there is little road maintenance although uncommitted funds are available in the road maintenance fund.

b. Future Government Strategy

171. A revised strategy for the future development of the transport sector is presently being prepared at MPWT, based on the Cambodia transport sector strategy study, financed by ADB and completed in December 2002. However, the process has been affected by the delay in forming a new Government after the elections in 2003. Some reforms have, however, been implemented within MPWT, aimed especially at improving road maintenance planning and execution. Broader reform of the sector and formulation of a revised strategy for the transport sector is now likely to proceed, with the recent formation of a new Government.

172. **Support sustained economic growth and promote external trade and foreign direct investments.** Transport is an integral part of the production of nearly all goods and services. A good transport infrastructure and cost-effective transport system is a precondition for Cambodia's export drive and for successful development of its tourism potential. It is also a major factor in containing the cost of living and improving rural livelihoods. Increased diversity in transport supply and improved transport logistics using multi-modal transport chains are needed to improve Cambodia's international competitiveness and its attractiveness to direct foreign investors.

173. **Support poverty reduction and integration of the country.** By enabling new productive activities in areas not previously open to economic exchange, transport creates the foundations for more inclusive and pro-poor economic growth. Transport achieves this by providing cost-effective and reliable access to economic opportunities and social services, thus enabling the poor to participate more fully in society. Accessible and dependable transport networks, especially provincial roads, are needed to link the provinces together and integrate rural areas into the mainstream economy.

174. **Streamline and focus sector institutions and expand private sector involvement in infrastructure provision.** The Government emphasizes strengthening of institutions, especially the creation of a clear mandate for their activities,²⁷ as the basis for institutional reform and strengthening. The Government recognizes that, given the human resources constraints, flexibility is required in implementation. The focus needs to be on efficiency, transparency and—whenever efficient—reliance on the private sector. In the past, the Government has shown great readiness to involve foreign and domestic investors in financing, development and management of transport infrastructure. The Government intends to pursue this avenue further and also strongly supports the development of domestic contractors to undertake infrastructure construction and maintenance services.

²⁷ The World Bank is currently providing a TA to draft a Road Law that will form the basis for road administration and the regulation of road traffic.

175. **Secure the sustainability of transport.** A road fund has been in existence since 2000 and now receives revenue from a dedicated surcharge on fuel. Charging for infrastructure usage have been introduced in other subsectors but, with a few exceptions, the scope for full cost user charging is limited by low traffic loads. Since the scope for direct government funding is equally limited, meeting funding requirements for infrastructure development and maintenance in the short- to medium term will require supplementary funding from the private sector and development partners.

176. **Improve safety and enforcement.** The Government is keenly aware of the rapidly growing social and economic cost of poor traffic safety. It recognizes that inefficient enforcement because of a weak legal foundation, inadequate resources, and corrupt practices is a root cause of the problem.

3. ADB's and Development Partners' Activities and Experiences

a. Activities of ADB and Development Partners

177. The Government recognizes ADB (which supports highways, provincial roads, and airports and has provided technical assistance to MPWTC) as the lead development partner in the transport sector. Other large partners include JICA (ports, highways, bridges and technical assistance to MPWT) and the World Bank (highways, provincial roads and technical assistance to MPWT). Japan Bank for International Cooperation has recently started operations in Cambodia and is preparing its first lending pipeline to the country. Bilateral donors of the Governments of the Republic of Korea, the People's republic of China, Thailand, and Viet Nam and USAID (all involved in roads), AusAid (highways and bridges), DANIDA (highway and ferries), Sida (sector planning), and the Government of Malaysia (railway tracks) have at various points in time made contributions. In accordance with the Government's strategy for the transport sector, the main trust of the development assistance has been on rehabilitating core infrastructure: the highways and the large ports.

b. Experiences

178. A major constraint to redeveloping Cambodia's economy and infrastructure after nearly 30 years of war is the shortage of qualified professional staff to manage and take leadership of projects, programs, and strategy development. ADB and its development partners have expended much effort on strengthening institutions through human resources development. These have produced some progress but if increased efficiency is to be achieved, there needs to be a shift from emphasizing staff training to a two-pronged strategy combining human resources development with reform and restructuring of the concerned institutions.

179. Another prime constraint is the shortage of government funding for operations and maintenance of infrastructure. There is some scope for involving the private sector further as a source of financing and managing infrastructure, notably in the railway, international ports, terminal facilities, and, perhaps, air traffic control. However, most transport infrastructure is only lightly used and cannot generate enough revenue to enable private companies to fully cover their costs from user fees, let alone make a profit. To overcome this, bridge financing of, for example, road maintenance, and operation and maintenance of provincial airports and other

traffic infrastructure is required, until traffic has grown to the point where user financing can fully cover costs.²⁸

180. People affected by transport projects need to be resettled and compensated. More work to establish a firm legal basis for compensation and a framework for regulation and execution of compensation is urgently needed.

181. Infrastructure projects have had very little development impact in terms of facilitating the emergence of domestic contractors, consulting engineers, or other service providers. Future projects should explore the scope for increased local input in project execution as a means of increasing the country's human resources capacity.

4. ADB's Strategy

182. The main objectives of ADB intervention are:

- (i) **Reduce poverty.** The secondary (provincial) road network remains largely unrehabilitated. Most rural areas and many provincial towns are still without dependable access to the mainstream economy and populations remain trapped in poverty because they have few economic opportunities and low economic growth prospects. The priority issues are (i) to improve access by focusing on rehabilitation of the provincial road network which, in combination with rural infrastructure development, will enable cash crop production in hitherto isolated rural areas and include their populations in the mainstream economy; (ii) improve road maintenance and its funding mechanisms, to prevent loss of road assets and ensure sustained economic impact; and (iii) increase the scope for private small-scale contractors, preferably using labor-intensive methods, to create income opportunities in the rural areas and form the basis for development of a domestic construction and maintenance sector.
- (ii) **Increase competitiveness.** Market failure and rent seeking characterize the domestic transport system. As a result, the international competitiveness of Cambodia's nascent export industries—garments and tourism—are being undermined by growing formal and informal transaction costs, including overpriced domestic transport services. The potential for diversifying the economy into other sectors—such as agro-industry and assembly—is correspondingly limited. The priority issues that need to be addressed to overcome this are: (i) establishing proper regulation of transport; (ii) creating a clear legal basis for the transport sector and reforming traffic enforcement; and (iii) removing barriers and developing more diversity in transport provision by enabling other modes of traffic such as rail²⁹ to allow transport users to exercise choice.

²⁸ The complex and interlinked issues of road maintenance funding, planning, disbursement and execution, and the present and future role of the Fund for Repair and Maintenance of Roads are discussed extensively in *ADB: Cambodia: Strengthening the Maintenance Capacity Planning and Maintenance Management Capabilities at the Ministry of Public Works and Transport (TA 3257-CAM), Phnom Penh, July 2002*; IFAPER, and TSS.

²⁹ Following one of the key recommendations in the TSS, ADB has included for Restructuring of Royal Railway of Cambodia and Rehabilitation of Track, encompassing TA support for restructuring of the railway sector and a loan for rehabilitation of the railway. The restructuring TA is scheduled to start in 2005 and the loan is scheduled for approval in 2006.

- (iii) **Improve sustainability.** Much of the newly rehabilitated transport infrastructure is unsustainable because (i) rehabilitation has been undertaken on an emergency basis, emphasizing volume rather than durability; (ii) the necessary mechanisms for disbursement and execution of road maintenance at the provincial level are not in place; (iii) much of the infrastructure is still only lightly used, which hinders achievement of economies of scale in infrastructure provision and limits the scope for user financing; and (iv) most of Cambodia's transport infrastructure is still in poor condition, which substantially increases the need for maintenance funds because of the need for expensive emergency repairs. The financing problem is compounded by corrupt practices and high domestic taxes on fuel (leading to about 30% higher retail prices than in Thailand and Viet Nam), which has led to more smuggling, limiting the scope for revenue generation. The priority issues are: (i) to enable road maintenance funding by strengthening the planning and executive capacity at provincial level; (ii) to develop alternative sources of revenue generation such as license, registration, and transit fees; (iii) bridge the medium-term gap in road maintenance funding until traffic has grown, the need for emergency maintenance has decreased, and full road user financing becomes achievable (expected to be 2010–2015); (iv) reform financing and maintenance of the provincial airports; and (v) restructure the railway.
- (iv) **Improve safety.** Traffic management and enforcement is severely lacking, with the result that the efficiency and safety of transport is in jeopardy. Already, Cambodia's experience has been that the number of road fatalities has grown much more quickly than traffic itself. In Phnom Penh, congestion is emerging. The priority issues are: (i) establishment of a clear legal basis for traffic management; (ii) reform of traffic enforcement; and (iii) establishment of efficient regulation of traffic safety, financed from surcharges on, for example, compulsory driver testing and vehicle inspection. Comparable measures are needed in the other transport subsectors. JICA has announced a road safety initiative for urban traffic.
- (v) **Develop and implement adequate safeguard policies.** Although they benefit the general public significantly, infrastructure projects can result in significant adverse social and environmental impacts in the project area. The priority is to develop adequate safeguard policies and ensure they are adhered to.
- (vi) **Promote socially inclusive projects.** Transport infrastructure projects should address emerging social issues related to the execution of the project, such as HIV/AIDS spread by migrant construction workers and by truck drivers when the road is completed; trafficking of women and children; and road safety. The number of accidents associated with higher traffic loads and vehicle speeds after road improvement may be reduced by programs to educate people living near the roads.

5. Implementation and Monitoring

183. To secure smooth implementation of projects, ADB, the World Bank and JICA are working together to (i) strengthen project implementation capacity at MPWT and in the provinces, (ii) secure observance and strengthen implementation of safeguard policies, (iii) develop the capacity to plan and execute infrastructure maintenance, and (iv) develop a

legal and regulatory basis for the transport sector. Continued technical assistance in these areas will be required in the medium term, as will additional support to address other emerging issues such as road safety, strengthening of enforcement, and the removal of barriers to competition. ADB will continue to encourage the Government to implement institutional and policy reforms as a matter of urgency.

184. ADB, the World Bank and JICA have expended substantial effort to support the development of consistent and measurable performance monitoring indicators for all aspects of the transport sector. Some successes have been achieved but major aspects of the transport sector remain unmonitored or, at best, monitored only on ad hoc basis, in connection with project preparation. The development of suitable monitoring indicators and institutionalization of collection and dissemination systems is a key objective of the ongoing process of reforming MPWT.

Cambodia: Transport Sector Roadmap

Item	Indicators				
	5 years ago	Current	In 5 years	In 10 years	In 15 years
A. Sector Outcomes					
Highway traffic (average annual growth rate) (%)	Not applicable	9.4	7.3	6.0	5.0
Reduction in transport cost (index road freight, current=100)	Not applicable	100	90	70	65
Reduction in traffic fatalities (fatalities per 10,000 vehicles)	6	12	7	5	2
Rail traffic (million tons)	0.3	0.6	1.0	2.4	3.6
B. Sector Outputs					
Share of MPWT road network in fair or good condition (%)	<20	28	41	96	96
Road maintenance financed from subsector revenue (%)	<10	15	75	100	>100
Share of railway network in good condition (%)	0	0	100	100	100
C. Sector Issues and Constraints					
<ul style="list-style-type: none"> • Transport provision is inefficient due to a lack of diversity and competition • Large groups are excluded from the mainstream economy because of incomplete transport infrastructure • Much infrastructure is unsustainable due to lack of funding and other domestic resources for maintenance. • Traffic safety is deteriorating quickly causing significant and increasing economic losses and social deprivation. • Sector institutions need reform to provide a legal and regulatory framework conducive to competition and private sector investment • Safeguard policies are lacking and need to be formulated and entrenched • Domestic private sector contractor capacity need to be developed 					

D. Actions, Milestones, and Investments	By Issue	Schedule	By Agency		
			ADB	Others/ External	Gov't
1. Reform Program					
Capacity building in MPWT		2000–2006		JICA	X
Road maintenance pilot project		2002–2004		JICA	X
Provincial road administration capacity building (under PRIP)		2004–2006		WB	X
Restructuring MPWT (under GMS: CRIP)	New planning structure in place	2004–2006	X		X
Restructuring RRC (under Restructuring of RRC & rehabilitation of track)	Railway operated by public private partnership and railway authority in place	2004–2006	X	TBD	X
Labor intensive road maintenance (Mainstreaming project)	600 km financed and maintained	2004–2008	X	JFPR	X
Urban road Safety program		2005–2007		JICA	X
2. Investment Program					
Upgrading of NR 48		2002–2004		Thailand	X
Rehabilitation of parts of NR 3 and NR 6		2002–2004		WB	X
Rehabilitation of NR 51		2002–2004		WB	X
Upgrading of parts of NR 1		2002–2005		JICA	X
Rehabilitation of part of NR 7				PRC	X
Rehabilitation of NR 3 and NR 33		2003–2005		Korea	X
Extension of Sihanoukville Port		2003–2005		JICA	X
Rehabilitation and maintenance of provincial roads (under PRIP)		2004–2006		WB	X
Rehabilitation of parts of NR 5, NR 6 and replacement of bridges on NR 56 and NR 68 (GMS: CRIP)	150 km rehabilitated 45 bridges replaced	2004–2007	X	OPEC	X
Navigation improvement on the Mekong River (MRC Navigation Programme)		2005–2010		TBD	X
Construction of bridge on NR 1 at Neak Leung		2006–2008		JBIC	X
Rehabilitation of provincial roads	150 km	2006–2009	X		X
Rehabilitation of the railway and reconstruction of link to Thailand (Restructuring of RRC and rehabilitation of track)	650 km	2006–2009	X	JBIC	X

ADB = Asian Development Bank; CRIP = Cambodia Road Improvement Project; GMS = Greater Mekong Subregion; Gov't = government; JBIC = Japan Bank for International Cooperation; JFPR = Japan Fund for Poverty Reduction; JICA = Japan International Cooperation Agency; km = kilometer; MPWT = Ministry of Public Works and Transport; MRC = Mekong River Commission; NR = national road; OPEC = Organization of Petroleum Exporting Countries; PRC = People's Republic of China; PRIP = Primary Road Improvement Project; RRC = Royal Railways of Cambodia; TBD = to be decided; WB = World Bank.

J. Financial Sector Assessment

1. Sector Profile

185. Following the reintroduction of a monobank financial system in Cambodia during the 1980s and the introduction of a two-tier system during the 1990s, the financial system remains at an early stage of commercial development. The first private bank was established only in 1991 and the enabling legislation—the Central Bank Law and the Financial Institutions Law—was promulgated in 1996 and 1999 respectively. The inclusion of microfinance institutions (MFIs) within the Financial Institutions Law and the introduction of a new Insurance Law in 2000 have given rise to the development of a nonbank financial sector.

186. The current financial system consists of the National Bank of Cambodia (NBC), responsible for monetary policy and prudential oversight of the banking system, and the Ministry of Economy and Finance, responsible for fiscal policy, and prudential oversight of the insurance system. Out of the 17 commercial banks that now dominate the financial sector, the top five—including the state-owned Foreign Trade Bank—account for 70% of total banking assets. The remainder of the financial sector consists of five insurance companies, including a state-owned company and a state-private joint venture re-insurance company, currency exchange bureaus, five licensed MFIs, 36 registered MFIs, and around 70 informal rural credit institutions.

187. Although the deposit base grew from 4% of GDP in the early 1990s to 12% by the end of the decade, banks have yet to play a significant role in facilitating economic development. As of mid-2002, bank loans and deposits accounted for only 7% and 15% of GDP respectively, revealing one of the shallowest levels of financial depth in the world. The financial system currently embodies high costs and financial uncertainties, a low level of intermediation, constrained outreach, and a limited range of products and services.

188. As a result of the prevailing low level of confidence in the system, the high level of inefficiency throughout banking institutions, and the predominantly rural nature of the economy, the bulk of private savings is held outside the banking system. For the financial sector to play its prescribed role in private-sector-led growth, considerable financial deepening will need to accompany the increasing breadth of banking and nonbanking activity. At the same time, a sustained program of financial sector reforms will contribute to and benefit from activities involving strengthening public and corporate sector governance, as well as rural development.

2. Sector Development Program

189. The financial sector vision of the Government consists of a sound, market-based system by the next decade that exhibits significantly increased levels of competition, integration, and efficiency. The vision incorporates a range of bank and nonbank markets and includes the fundamental building blocks that will enable capital market development. To realize this vision, the Government's medium-term objectives are to restore confidence to the financial sector and to attract a broader base of high-quality financial operators and bank clients. ADB and the IMF have played a leading role in the financial sector development of Cambodia since 1999, formulating and supporting financial sector programs which aim to enhance public confidence in the short term.

190. Cambodia's financial sector has so far developed along two principal routes. First, in the mid-1990s, a period characterized by the entry of banking institutions at a time when regulation and supervisory capacity were weak, there was a rapid rise in the number of joint ventures,

locally incorporated banks and branches of foreign banks. Supported by a recently completed three-year IMF Poverty Reduction Growth Facility, a program to strengthen the soundness of the banking system has been successfully implemented since 2000. The sector restructuring program (i) introduced a legal framework for commercial banks and MFIs, (ii) caused the weaker banks to exit and other banks to strengthen capital and other prudential requirements, (iii) re-licensed the remaining banks under strengthened National Bank of Cambodia (NBC) supervision requirements and capacity,³⁰ and (iv) initiated restructuring and privatization of the major state-owned Foreign Trade Bank. Second, supported by a multi-instrument ADB program of comprehensive reforms,³¹ a series of fundamental structures to support a private-sector-oriented financial system was put in place. The reform program was based on a Government-owned and ADB-supported sector development plan: the Financial Sector Blueprint for 2001–2010. Adopted in August 2001, the blueprint took a “big picture” approach to sector development, integrating intersectoral links across seven subsectors with considerations of inter-temporal sequencing.

191. Based on this approach, the first Financial Sector Program Loan (FSPL) was launched in 2001. The FSPL, a cluster program with three back-to-back subprograms, supported the establishment of the fundamental structures underlying a financial sector framework, including: (i) strengthened banking supervision; (ii) support for money and interbank market development; (iii) a legal framework in support of corporate borrowing, including a body of civil and commercial law and a system for secured transactions and accounting standards; (iv) support for insurance sector reforms; and (v) investment in long-term development of human capacity through training institutes and professional associations. Although subprogram 1 was completed on time in 2002, subprogram 2 has been held up by the delay in Government formation and the consequent inability to pass the Law on Commercial Enterprises that was required to meet loan tranche conditionality. Subprogram 3 is scheduled to begin in mid-2005.

3. Issues and Constraints

192. The implementation of the two-track approach to financial sector development has already had positive outcomes. The banking system is currently well-capitalized and highly liquid. Financial sector deepening has intensified as deposits rose by more than 20% per year in 2002 and credit to the private sector rose from 12% to 20% between 1993 and 2002. The NBC is actively pursuing a program of on-site examinations and off-site reporting according to a strengthened, internationally consistent, set of prudential regulations. The environment for better corporate borrowers is improving and there have been fundamental improvements in a range of areas covering accounting, corporate law, and insurance.

193. The weaknesses of Cambodia’s financial system stem mainly from its early stage of commercial development. In addition, the reorientation of the role of the state away from being an operator towards being a regulator and supervisor needs to be completed. The following six issues comprise the major challenges facing financial sector development in Cambodia.

³⁰ Following the completion of the re-licensing program and the revocation of licenses for 15 non-viable institutions, Cambodia was left with 13 fully licensed banks (1 state-owned bank, 9 locally incorporated banks and 3 branches of foreign banks) and 4 specialized banks with limited banking operations.

³¹ Operations in the financial sector have covered a broad spectrum of development activities that include a program loan, and a package of technical assistance. Before the launching of its first financial sector program, ADB provided advisory TAs (ADTAs) and a TA (PPTA) to prepare the FSPL. During program implementation, ADB provided an ADTA for the legal infrastructure and was able to mobilize funding from the Government of France for Capacity building in Banking and Financial Management.

194. Although currently limited and manageable, systemic risk is a concern. Systemic risk is caused by (i) the extent of dollarization, (ii) the early stages of bank transparency and prudential supervision, (iii) the fact that there is no “lender of last resort” function available to the NBC, and (iv) the lack of interbank and money markets. The NBC faces numerous challenges in its role as protector of the soundness of the banking system, including implementation of current and emerging regulations such as the new chart of accounts, disclosure rules, and the formulation and implementation of legislation to combat money laundering and counterterrorist financing. The NBC must continue to facilitate bank transparency and reporting while building capacity to conduct on-site examinations, resolve issues related to problematic banks, and oversee MFIs. Together with the MEF and the Bankers’ Association, the NBC must also manage the process of developing the money and government securities markets.

195. There are considerable transactions risks related to (i) uncertainties in contract enforcement, creditors’ rights, and collateral valuation; (ii) a nascent insurance market, (iii) early phases of borrower transparency, and (iv) the costs of small-scale rural lending. Uncertainties about enforceability of contracts and asset valuation impede bank lending, contribute to poor asset quality and stifle the development of nonbanks and capital markets. Cambodia’s accession to the World Trade Organization stimulated a program to introduce a comprehensive body of commercial and civil laws, including an insolvency law and a secured transactions system. This emerging legal and regulatory framework will need to be complemented by judicial reform and strengthening.

196. There are high information costs because of the lack of common accounting and auditing standards for banks, insurance companies, and companies, and the limited infrastructure for information exchange such as credit bureaus. Although standards have been introduced, few firms have begun producing financial statements. The absence of a reliable and accessible borrower information system impedes bank lending by raising transactions costs and credit risk.

197. High operating costs can be attributed to (i) the rural nature of the economy, (ii) the absence of market infrastructure for an efficient payments and settlements system, (iii) a lack of earning opportunities for idle funds, (iv) highly conservative prudential regulations, and (v) rudimentary liquidity management mechanisms. Banks, MFIs and insurance companies still have excessively high margins, while firms, particularly small and medium-sized firms, face some of the highest costs of doing business in the world, in terms of both direct costs and indirect costs stemming from entry and licensing.

198. State-owned financial institutions still command significant shares of the banking and insurance markets, which could hinder sound growth of private finance and enterprise. Following ongoing restructuring efforts, the privatization of state banking and insurance institutions, coupled with reform of the Rural Development Bank (RDB), is needed to complete the transition away from a state-dominated financial system.

199. There is weak human and technical capacity throughout commercial enterprises, banks, and government. The open policy toward foreign banks brought professional bankers into senior positions, but qualified staff at functional levels in banks, regulatory agencies and commercial enterprises are scarce. Information systems to support supervisory and payments mechanisms are inadequate for a modern robust financial market. Although banking institutions and professional associations are beginning to be formed with the assistance of partners, there is a need to rationalize these efforts. A long-term commitment to improve capacity in human resources and information technology is needed.

200. Addressing these fundamental challenges requires adherence to two basic principles. First, the local financial sector needs to be reformed from the bottom up in incremental steps, rather than by wholesale transplantation of highly developed systems. A process-driven approach is needed so that interventions are based on meaningful intermediate steps toward international best practices, carefully coordinated with improvements in the capacity to implement and sustain reforms. Second, interventions should be implemented systematically to ensure that (i) market development parallels institutional development, (ii) links across subsectors are exploited, and (iii) more sophisticated requirements are supported with core infrastructure.

4. Priority Areas

201. Considerable progress has been made in implementing the Financial Sector Blueprint, particularly the banking and insurance sector restructuring programs. Key steps have also been taken in drafting a legal and accounting framework to help private sector enterprises access formal financing. Confidence in the financial sector is growing, the number of financial sector transactions is increasing, and the financial sector is deepening.

202. Because the commercial framework is new and the economy largely informal, future support will focus on implementation of the new commercial framework. Greater demand for higher-quality financial services and lower-risk borrowers will enable interbank money and government securities markets to grow.

203. Growth in private activity, with a greater geographic spread, will increase demands for modern payment mechanisms. Each innovation will intensify demands on the NBC, so great care must be taken in sequencing reforms and in complementing them with technical assistance. High-quality rural finance services should be encouraged to meet the high unmet demand for financial services in the countryside.

204. Building on progress in implementing the FSPL, and based on a proposed revision of the Financial Sector Blueprint (see below), a second phase of assistance may include the following components:

- (i) strengthening and expanding the NBC's operations and its capacity to conduct prudential supervision, liquidity management, payments systems, and to implement an anti-money-laundering regime;
- (ii) continuing efforts to build an open, predictable, reliable, and transparent commercial framework, including a comprehensive set of interrelated laws and regulations coupled with the judicial capacity to adjudicate the new commercial framework;
- (iii) encouraging the Government's efforts to restructure the Rural Development Bank and privatize the state-owned bank and insurance firm while strengthening the regulatory framework and supervisory systems;
- (iv) establishing the foundations for financial markets by supporting further developments to the payment system and interbank market, implementing appropriate accounting policies and disclosure standards, and facilitating public information sharing; and

- (v) making additional investments in human resource capacity building, including support for training institutes, professional associations, and accreditation programs.

5. Sector Interventions

205. The financial sector is being supported by ADB and the IMF. ADB, the World Bank group, and bilateral partners also support private sector development operations. The microfinance sector involves many participants at the operations level, but ADB and the IMF include the regulatory and systematic areas in their dialogue on financial sector development.

206. Support for the Government's process-driven, systematic approach to financial sector development should involve the following combination of interventions: (i) strategy development, (ii) program loans to detail the policy framework and finance adjustment costs, (iii) technical assistance deployed in conjunction with program loans to anchor the assistance within a reform framework; and (iv) public and private investments in the medium term for sector infrastructure and nonbank institutions.

207. **Strategy Development.** Preparing the Financial Sector Blueprint proved to be an effective, process-driven and system-wide approach to strategy development. Early efforts at implementation have been successful but continuous review, reassessment, and revision of the strategy will always be needed, particularly for the financial sector, which is affected by a wide range of external factors. The Government plans to undertake such a review and to update the blueprint by mid-2005. With regard to enterprise development, recent work by ADB (private sector assessment) and the World Bank (investment climate assessment) has provided an analytical underpinning for forthcoming interventions by ADB and other donors.

208. **Technical Assistance.** Strategic deployment of technical assistance (TA) has been crucial to the successful implementation of financial sector reform. The process approach to financial sector development, coupled with appropriate sequencing of market development, requires that the capacity to implement reforms needs to be strengthened on the way toward international best practice. The systems approach also requires that technical assistance be leveraged and coordinated to maximize synergies and links across subsectors and activities.

209. Continuous efforts to secure sufficient resources for TA need to be coupled with investment in donor coordination and program design. New modes of technical assistance must also be explored, such as the partnerships successfully developed between the NBC and the Monetary Authority of Singapore and the Bank of Korea. ADB technical assistance will be deployed to implement further reforms supported by FSPL and FSPL II, and to prepare FSPL II. IMF will also continue technical assistance for the NBC under the Technical Cooperation and Assistance Program (TCAP). The blueprint update for 2004/2005 is expected to incorporate a well-defined TA program to enable accurate costing and active donor coordination.

210. **Program Loan.** The anchor for interventions in the financial sector is the ADB cluster program loan, supported by an IMF adjustment operation. These two instruments embody the robustness, flexibility, and impact needed to support a difficult but necessary policy reform program, while allowing for evolving circumstances and priorities. The first FSPL, which was prepared in coordination with a recently completed IMF PRGF, will complete subprogram 1 in mid-2005. ADB will be formulating subprogram 3 for 2005. In 2006 the second FSPL cluster loan will be prepared. The IMF will likely begin discussions on a new PRGF program in 2005.

211. **Public Investment.** In later phases of the program, following an acceleration in private sector activity and implementation of reforms, a number of investment components can be formulated, including those associated with NBC functions, such as payment systems, money and government securities market infrastructure and internal operational improvements in support of monetary and supervisory functions. MFI infrastructure and clearing houses would also be candidates for public investments. To reduce the cost of doing business, and to lower transition risks, investments in various registries (land, security, enterprise, judicial, and credit information) as well as support for a planned commercial court could be envisioned. Finally, since human capacity is the highest long-term priority, continued efforts to mobilize financial support for various institutes, associations, and training centers associated with formal commercial activity (including commercial and central banking, accounting and auditing, legal, and judicial) as well as for emerging sectors such as microfinance and insurance will be intensified. In later stages of the program, conditional on the establishment and effective implementation of the body of commercial legislation being prepared, public interventions to establish the legal and regulatory framework to support expanded private operations in financial and ancillary activities could also be considered. Areas envisioned include leasing, housing, microfinance, and professional functions such as accounting, legal and management consulting.

Cambodia: Financial Sector Road Map

Item	Indicators	1997	2003	2007	2010
A. Sector Outcomes					
Financial intermediation	– M2/GDP	11	20	26	31
	– Assets of Deposit Money Banks (DMB)/GDP	17	23		
	– NBFIs assets/ total assets				
	– MFI and rural bank assets /total				
	– Insurance premiums/GDP				
B. Sector Outputs					
Soundness/Stability	– Banking sector Capital Adequacy Ratio (CAR)	5	20	20	20
	– NPLs/Total lending	7	14	14	10
	– ROA for banks	0.8	1.0	1.2	1.5
Efficiency/Constraints	– Assets of foreign owned FIs / total		52		
	– Net Assets of private DMB/Total DMB assets		83	75	100
	– Interest rate spread	10.4	16.5	15.0	10.0
	– No. of banks (Commercial and Specialized)	31	17	16	15
	– No. of licensed MFI's		6	15	18
Depth/Access	– Longest available loan maturity			2 yr	3 yr
	– Credit to the Private Sector/GDP	4.5	8.0	12.0	18.0
	– % of population with accounts		10	15	20
	– Bank Deposits/GDP	7.1	14.4	23.0	35.0
C. Issues / Milestones					
<ul style="list-style-type: none"> • Though currently limited systemic risk could rise • Considerable transaction risks impeding lending and non-bank services • High information costs adding to the perceived transaction risk • High operating costs in banks and private sector enterprises • State-owned financial institutions still impact banking, insurance and MFI • Weak human and technical capacity 					

D. Actions, Milestones, and Investment	By Issue	Schedule	By Agency		
			ADB	Others/ External	Gov't
	1. Mitigate systemic risk throughout the financial sector				
	Policy:				
	Monetary policy - Streamlining reserve requirements	2005–2006		IMF	
	Banking - Restructure banking system	2000–2002		IMF	
	Banking - Strengthen and implement prudential supervision system	2001–2006 2007	FSPL FSPL II	IMF	
	Banking - Improve entry, merger and exit framework	2005–2006	FSPL		
	Insurance - Strengthen regulatory framework and disclosure standards	2004–2006 2007	FSPL FSPL II		
	Insurance - Improve entry and exit framework	2007	FSPL II		
	General - Regulatory framework for money and government securities market	2004–2006 2007	FSPL FSPL II	IMF	
	General - Anti-money laundering legislation and associated systems	2002–2006 2007	FSPL FSPL II	IMF	
	Institutional:				
	Banking - Capacity building for bank supervisors	2005–2006 2007	FSPL TA FSPL II	IMF	
	Insurance - Capacity building for insurance supervisors	2005–2006 2007	FSPL TA FSPL II		
	General - Strengthen risk management systems of NBC	2006–2007		IMF	
	General - Training on anti-money laundering	2006–2007		IMF	
	Investments:				
	General - Operational strengthening for NBC	2006–2007	JFICT		Budget
	2. Lower transaction risk for commercial and financial activities				
	Policy:				
	Infrastructure - Body of commercial laws	2004–2005 2007	FSPL FSPL II		
	Infrastructure - Commercial court with streamlined procedures	2007–2008	FSPL II	IMF	
	Infrastructure - Implementation of accounting and auditing standards	2006 2007	FSPL, SME Program FSPL II		
	NBFI - Develop legal and regulatory framework for leasing	2005–2006	SME Program		
	NBFI - Enable banks to participate in NBFI activities	2007	FSPL II		

D. Actions, Milestones, and Investment	By Issue	Schedule	By Agency		
			ADB	Others/ External	Gov't
	Institutional:				
	Infrastructure - Training and capacity building for new body of commercial laws	2005–2008		Bilateral	
	Infrastructure - Capacity building for the commercial court	2007–2008		Bilateral	
	Infrastructure - Electronic registry for secured transactions	2005–2006		Budget	
	Investments:				
	Infrastructure - Public land registry	2005–2006		Budget	
	Infrastructure - Enterprise registry	2005–2006		Budget	
	NBFI - Private investment in leasing business	2007–2008			Equity
	3. Lower information costs about financial institutions and enterprises				
	Policy:				
	Infrastructure - Strengthen accounting and auditing standards	2002–2003	FSPL		
	Infrastructure - Build accounting and auditing standards for SMEs	2005–2006	SME Program		
	Infrastructure - Introduction of credit information bureau	2005–2006	SME Program		
	Institutional:				
	Infrastructure - Building of professional accreditations body for accountants	2005–2006	SME TA		
	Infrastructure - Improving capacity of accounting and auditing profession	2005–2006		Bilateral	
	Investments:				
	Infrastructure - Establishment of credit information bureau	2006–2007		Budget	
	Infrastructure - Private investment in accounting	2007–2008			Equity
	4. Lower operating costs in financial institutions and enterprises				
	Policy:				
	Infrastructure - Assessment of investment climate	2003–2004		World Bank	
	Infrastructure - Strengthen public - private partnerships	2004–2005		World Bank	
	Infrastructure - Trade and FDI facilitation	2004–2005		World Bank	

D. Actions, Milestones, and Investment	By Issue	Schedule	By Agency		
			ADB	Others/ External	Gov't
	Infrastructure - Streamline enterprise licensing requirements	2005–2007	SME Program		
	Banking - Strengthened regulations governing payment system	2005–2006		IMF	
	Banking - Rationalize entry requirements for banking and related businesses	2007–2008	FSPL II		
	Institutional:				
	Infrastructure - Assistance in drafting of new regulations for licensing	2006–2007	SME Program		
	Banking - Capacity building to payment system clearing house	2005–2006		IMF	
	Investments:				
	Banking - Automation investment in payment systems	2006–2007			Budget
	5. State-Owned Financial Instructions				
	Policy:				
	Banking - Privatize foreign trade bank	2005–2007		IMF	
	Banking - Strengthening of wholesale function of RDB	2007–2008	FSPL II		
	Insurance - Joint venture for Caminco	2004–2006	FSPL		
	Insurance - Divestment of state from insurance industry	2007	FSPL II		
	Institutional:				
	Banking - Operational and institutional strengthening of FTB	2003–2005		AusAid	Budget
	Banking - Operational and technical support to RDB	2006–2007		Bilateral	
	Insurance - Restructuring of Caminco	2004–2006	FSPL TA		
	Insurance - Privatization support for Caminco	2007–2008	FSPL II TA		
	Investments:				
	General - Insurance, leasing and bank privatization	2007–2008			Equity
	6. Human and Technical Capacity Building				
	Policy:				
	Rationalize various professional training initiatives.	2005–2006 2007	FSPL FSPL II		
	Institutional:				
	Support to training institutes and professional associations.	2007–2008	FSPL II TA	Bilateral	

D. Actions, Milestones, and Investment	By Issue	Schedule	By Agency		
			ADB	Others/ External	Gov't
	Investments:				
	Establishment of MFI training center	2007–2008		Bilateral	
	Establishment of insurance sector training curriculum	2007–2008		Bilateral	

ADB = Asian Development Bank; AusAID = Australian Agency for International Development; DMB = deposit money banks; FDI = foreign direct investment; FI = financial institution; FSPL = Financial Sector Program Loan; FTB = Foreign Trade Bank of Cambodia; GDP = gross domestic product; Gov't = government; IMF = International Monetary Fund; JFICT = Japan Fund for Information and Communications Technology; M2 = broad money; MFI = multilateral financial institution; NBC = National Bank of Cambodia; NBFi = nonbank financial institution; NPL = nonperforming loan; RDB = regional development bank; ROA = return on assets; SME = small and medium enterprise; TA = technical assistance.

CONCEPT PAPERS FOR LENDING PRODUCTS

This appendix contains the concept papers for projected lending products:

- (i) Table A4.1: Rural Water Supply and Sanitation Project
- (ii) Table A4.2: Financial Sector Program (Subprogram III)
- (iii) Table A4.3: Tonle Sap Sustainable Livelihoods
- (iv) Table A4.4: GMS Communicable Diseases Control Project
- (v) Table A4.5: Chong Kneas Environmental Improvement Project

**Table A4.1: Rural Water Supply and Sanitation Project
Concept Paper**

Date: 14 December 2004

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input checked="" type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>								
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sectors: Water supply, sanitation, and waste management Subsector(s):</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Targeted Intervention</p> <p><input checked="" type="checkbox"/> General Intervention</p> <p>c. Key thematic areas Themes:</p> <table border="0"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input checked="" type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input checked="" type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability	<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Gender and development	
<input type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability							
<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input checked="" type="checkbox"/> Gender and development								
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: Social Sectors Division/Mekong Department</p>								
<p>5. Responsible ADB officer: X. Ye, principal project specialist</p>								
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: Rural development and water supply and sanitation are both included in ADB's CSP for Cambodia. There is a relatively high concentration of poverty in rural areas and lack of access to safe water and sanitation facilities has an adverse impact on the health and living conditions of the rural population. In 2001, ADB provided TA 3688-CAM: Rural Water Supply and Sanitation Project to help the Government prepare an investment project suitable for ADB financing. To help the Government set up a proper legal and policy environment, the TA has been assisting the Government to prepare a rural water supply and sanitation policy and a rural water supply and sanitation sector investment plan.</p>								

- b. Goal and purpose:** The Project aims to contribute to the Government's poverty reduction objective by providing investment funding for the development of rural water supply and sanitation facilities in the three provinces of Pursat, Kampong Thom, and Kampot. The Project will contribute to gender equality and empowerment, as the time spent for collecting water will be reduced and women will therefore have time for other income-generating activities, where they exist. It will also strengthen the institutional capacity of the key provincial institutions to ensure they respond to demands and are sustainable.
- c. Components and outputs:** The envisaged key components will include: (i) a community sanitation and health program; (ii) water supply systems and facilities; (iii) sanitation facilities; (iv) training; and (v) design and capacity building.
- d. Expected results and deliverables:** (i) Enhanced community awareness of the links between safe water, sanitation, and health, and greater willingness by communities to contribute to capital investment and to pay for operation and maintenance (O&M); (ii) well designed, functioning, operated and maintained water supply systems, and environmentally-friendly sanitation facilities; (iii) improved health of the people in the Project areas; (iv) empowerment of women by ensuring their interests are protected and that they participate in the Project; and (v) improved capacity of the Government agencies in planning, implementing, and monitoring rural water supply and sanitation programs at the provincial level.
- e. Social or environmental issues or concerns:** Social and environmental concerns involved in the rural water supply and sanitation development and O&M were discussed with stakeholders during the TA study period, and will continue during Project implementation. The understandings and agreements reached will be incorporated in the Project design and implementation arrangements.
- f. Plans for disseminating results/deliverables:** Key lessons learned and successful practices will be disseminated through workshops and seminars, the findings of which will be circulated to stakeholders.

7. Proposed executing/implementing agency or agencies: Ministry of Rural Development/provincial departments of rural development.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: During preparation of the Rural Water Supply and Sanitation Project there were extensive stakeholder consultations, with central and provincial governments, NGOs, and communities, among others. The process will continue over the subproject selection and evaluation process.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2002–2004
- b. Expected date of submission for approval
Lending: 2005
Nonlending (project preparatory): 2005
- c. Period and duration of assistance
Lending: 2005–2011
Nonlending: 2005

10. Financing Plan

- a. For lending
 Ordinary capital resources:
 Asian Development Fund: \$18 million.
 Other:

Source	Amount (\$ million)
ADB Financing	18.0
Government Financing	4.5
Other Financing	
Total Cost	22.5

Source: ADB estimates.

- b. For nonlending
- No resources required, other than ADB staff
 - ADB's administrative budget:
 - Grant TA funds
 - Other:

Source	Amount (\$)
ADB Financing	150,000
Government Financing	
Other Financing	
Total Cost	150,000

Source: ADB estimates.

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A4.2: Financial Sector Program I (Subprogram III)
Concept Paper**

Date: 16 November 2004

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input checked="" type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>								
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Financial sector Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Targeted intervention</p> <p><input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic areas Themes:</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: Governance, Finance, and Trade Division/Mekong Department</p>								
<p>5. Responsible ADB officer: S. Tukuafu, financial specialist</p>								
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: Cambodia's economy exhibits limited financial intermediation, low public confidence in banks, and a nascent set of nonbank financial institutions. The underdeveloped financial system represents a key constraint on broad-based sustainable economic growth and thus hinders the Government's central socioeconomic development objective of poverty reduction. Like other young, developing commercial systems, the financial sector has been hampered by (i) high risk related to weak banks and uncertainties regarding contract and security enforcement; (ii) high information costs stemming from lack of accounting systems, appropriate accounting and auditing standards, and other information infrastructure; (iii) high operating costs due to weaknesses in payment systems, liquidity management and other parts of the market infrastructure; (iv) inefficient state-owned financial institutions; and (v) weak supervisory system and capacity.</p>								

The Government developed its sector strategy by preparing the Financial Sector Blueprint for 2001–2010, with support from ADB. The IMF Poverty Reduction and Growth Facility (PRGF), begun in 1999, strengthened bank supervision and restructured the banking industry. The Financial Sector Program Loan (FSPL I) complemented the IMF's program on bank supervision and also extended assistance to insurance, money markets, and financial infrastructure. FSPL I, which is based on the concept of a three-subprogram loan cluster, was approved in November 2001, together with subprogram I of \$10 million. Following successful completion of subprogram I, ADB approved subprogram II in November 2002. Implementation of the activities under subprogram II is at an advanced stage.

Linkage to Country Strategy: Private sector development is one of the pillars of ADB's operations in Cambodia. Financial sector development is a priority goal, and this sector is one in which ADB has played a leading role to date.

- b. Goal and purpose:** Building on achievements under the FSPL I subprograms I and II, subprogram III will strengthen implementation of the approved updated blueprint and initiate implementation of specific areas of the next stage of financial sector reform in Cambodia. The goal will be to support the development of a sound and efficient financial system, which will enhance efficiency in resource mobilization and contribute to sustainable economic growth.
- c. Components and outputs:** Building on accomplishments under subprograms I and II and based on the approved and updated blueprint, the major components of subprogram III include (i) strengthening the prudential supervision role of the National Bank of Cambodia (NBC) and extending supervisory capacity building into new areas (including (a) further support for implementation of the chart of accounts and disclosure standards, (b) guiding NBC staff in conducting full on-site inspection, (c) extending supervision capacity to include microfinance, leasing and other financial institutions); (ii) strengthening implementation of the legal and regulatory framework in place and supporting the Government's development of laws and regulations and a judicial system appropriate for the sector; (iii) support divestment of government ownership from the insurance business and strengthen the regulatory framework for sound insurance operations; (iv) strengthening interbank and money markets; and (v) developing financial market infrastructure, including further development in the Accounting and Auditing profession, commercial chamber in the court system, credit information sharing, etc.
- d. Expected results and deliverables:** Upon completion of subprogram III, it is expected that (i) Development of the banking sector: prudential supervision of the NBC will have been strengthened, skills of bank staff will have been enhanced through training provided by the private banking institute, and confidence in the banking sector will have been greatly improved; (ii) Development of the insurance sector: regulations will have been strengthened, the capacity of the insurance regulator enhanced, and the state insurance company restructured and/divested; (iii) Development of financial markets: a law on negotiable instruments and payment transactions will have been adopted and implemented, a law on commercial enterprises adopted and implemented, and a draft securities and exchange law submitted to the National Assembly; and (iv) Development of infrastructure: a secured transactions law will have been adopted and an associated electronic public registry for secured transactions will have been established; the Accounting and Auditing Institute will have been strengthened; the approved standards will be widely adopted; there will have been further improvements to the judicial system to help enforcement of contracts.
- e. Social or environmental issues or concerns:** Social impact is positive, and environmental issues are minimum.
- f. Plans for disseminating results/deliverables:** ADB will maintain an active policy dialogue with all public and private sector stakeholders in designing the program, and disseminating results of the program.

7. Proposed executing/implementing agencies: NBC as the executing agency, Ministry of Economy and Finance and Ministry of Commerce as implementing agencies.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: The design of the loan is based on the Financial Sector Blueprint for 2001–2010, formulated with the active participation of all government and private sector stakeholders. The Government adopted the blueprint in August 2001 and plans to update it commencing in the fourth quarter of 2004. The details of subprogram III will be further refined after an assessment of progress to date and discussions with government agencies and private sector stakeholders. As a result, the final design of the subprogram will reflect changes in the social, political and economic environment, and will build on the progress made under the first two subprograms by the government agencies and private sector stakeholders.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2004
- b. Expected date of submission for approval
 - Lending: 2005
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory):
- c. Period and duration of assistance
 - Lending: 2005–2006
 - Nonlending:

10. Financing Plan

- a. For lending
 - Ordinary capital resources:
 - Asian Development Fund: \$10 million
 - Other:

ADB = Asian Development Bank, CSP = country strategy and program, IMF = International Monetary Fund, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A4.3: Tonle Sap Sustainable Livelihoods
Concept Paper**

Date: 2 December 2004

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p> <input checked="" type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p>								
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Agriculture and Natural Resources Subsector: Fishery</p> <p>b. For project preparatory and lending, classification</p> <p> <input checked="" type="checkbox"/> Targeted intervention</p> <p> <input type="checkbox"/> General intervention</p> <p>c. Key thematic areas</p> <p>Themes:</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input checked="" type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Gender and development</td> <td></td> </tr> </table> <p>Subthemes: Developing rural areas, human development, natural resources conservation</p>	<input checked="" type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input checked="" type="checkbox"/> Gender and development								
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: Agriculture, Environment, and Natural Resources Division/Mekong Department</p>								
<p>5. Responsible ADB officer: O. Serrat, senior project economist (natural resources)</p>								
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: Tackling poverty in Cambodia means working with the rural poor, initially where livelihood assets are being fundamentally affected by unfavorable trends, e.g., overfishing, drought, pest outbreaks, floods, or deterioration of infrastructure. Such trends are obvious in the Tonle Sap region of Cambodia. Despite the vast natural wealth of the Tonle Sap, poverty is widespread. The proportion of the population living below the official poverty line in the five provinces surrounding it is the highest in the country. About 50% of villages have 40–60% of households living below the poverty line, with a peak of 80% in some rural areas of Siem Reap and Kompong Chhnang provinces. Women are particularly vulnerable. They have even more limited access than men to land ownership and other property rights, credit, paid employment, education, and health services. They also have few opportunities for self-development or participation in community decision-making since Khmer tradition ascribes a passive role to</p>								

women. There is increasing concern about the unsustainable exploitation of the Tonle Sap's natural richness: Cambodia faces an environmental disaster if the lake's fragile ecosystem is further degraded. In particular, its fisheries are characterized by inequity of distribution, fraudulent transactions, widespread corruption, environmental degradation from unsustainable patterns of exploitation, and escalating conflict. In parallel, the flooded forest is being cleared for cash cropping. The ability to tackle all these problems has been diminished at all levels of Cambodian society by years of strife. Moreover, many internally displaced persons, repatriated refugees, internal migrants, and demobilized soldiers are reestablishing their livelihoods in what remains a fractured society (areas north-west of the Tonle Sap, such as Siem Reap, have enjoyed peace only since 1998.)

- b. Goal and purpose:** The goal of the Project is sustainable management and conservation of natural resources and biodiversity in the Tonle Sap basin. Its purpose is to sustain and improve livelihoods in the flooded area of the Tonle Sap.
- c. Components and outputs:** The components and outputs of the Project are being developed under TA 4197–CAM: Tonle Sap Sustainable Livelihoods. They will relate to direct and indirect support to asset accumulation. Entry points are expected to include community-based natural resource management, village development funds, livelihood diversification, post-school literacy programs and vocational education, adding value to fishery products, and continued support for the new Fisheries law and the General Fisheries Plan for Management and Development of the Tonle Sap.
- d. Expected results and deliverables:** The expected results and deliverables of the Project are being developed under TA 4197–CAM: Tonle Sap Sustainable Livelihoods.
- e. Social or environmental issues or concerns:** The Tonle Sap is probably the most important inland wetland in South-east Asia. Its lake supports a huge population through its enormous fisheries productivity and water supply and provides the last refuge for some of Asia's most globally significant biodiversity. The lake's fisheries provide 40–70% of the protein intake of Cambodia's population, nearly 50% of whom depend on the lake's resources directly or indirectly, while about 1 million people live in fish-dependent communities. However, human population and development pressures are increasing and, despite the inherent richness of the lake, most indicators of poverty in the Tonle Sap region are even more negative than those that concern the national population as a whole, or indeed other rural areas of Cambodia. Half of the villages in the Tonle Sap region have 40–60% of households below the official poverty line, with a peak of 80% in some areas. Women shoulder heavy responsibilities as a consequence of male deaths during the protracted civil war and genocide. There are also sensitive ethnic dimensions as ethnic Vietnamese and Khmer Cham minorities live in the Tonle Sap region. These pressures are activating an ever-tighter environment–poverty nexus.
- f. Plans for disseminating results/deliverables:** The Project's deliverables will be disseminated through the information networks of the Ministry of Agriculture, Forestry, and Fisheries and the Ministry of Rural Development. Within ADB, they will be distributed in the six-monthly Tonle Sap Initiative Brochure and the Tonle Sap Environmental Management Project website.

7. Proposed executing/implementing agency or agencies: Ministry of Agriculture, Forestry, and Fisheries; Ministry of Rural Development

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: The Project is being developed under TA 4197–CAM: Tonle Sap Sustainable Livelihoods. The TA is being implemented in two phases. Using the livelihoods approach, it has acquired a wider and better informed view of the opportunities, constraints, objectives, and interactions that characterize peoples' lives in the flooded area of the five provinces that adjoin the Tonle Sap. Phase I entailed extensive rural appraisals.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2002
- b. Expected date of submission for approval
 - Lending: 2005
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory):

c. Period and duration of assistance

Lending: 2005–2009

Nonlending:

10. Financing Plan

a. For lending

Ordinary capital resources:

Asian Development Fund: \$15 million

Other:

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A4.4: GMS Communicable Diseases Control in Border Areas
Concept Paper**

Date: 14 December 2004

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input checked="" type="checkbox"/> Other: Project grant</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>								
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Health Subsector: System</p> <p>b. For project preparatory and lending, classification</p> <p><input checked="" type="checkbox"/> Targeted intervention</p> <p><input type="checkbox"/> General intervention</p> <p>c. Key thematic area(s) Themes:</p> <table border="0"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input checked="" type="checkbox"/> Inclusive social development</td> <td><input checked="" type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input checked="" type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Gender and development	
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input checked="" type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input checked="" type="checkbox"/> Gender and development								
<p>3. Coverage</p> <p><input type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: Social Sectors Division/Mekong Department</p>								
<p>5. Responsible ADB officer: V. de Wit, senior health specialist</p>								
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: Cambodia, the Lao People's Democratic Republic and Viet Nam are committed to achieving the Millennium Development Goals (MDGs) by 2015. One of the MDGs requires reversing the trend of communicable diseases, including HIV/AIDS. Controlling high levels of communicable diseases is essential to achieve the MDGs for reducing child and maternal mortality, malnutrition, and poverty. The poor suffer most from communicable diseases, in particular ethnic minorities living in border areas.</p> <p>In recent years, the three countries have witnessed increasing HIV/AIDS and hepatitis C trends (although HIV transmission in Cambodia is decreasing) and outbreaks of severe acute respiratory syndrome (SARS), avian influenza, and dengue. The nature of their transmission requires a coordinated regional response to these diseases. Disease surveillance and response capacity needs strengthening based on the revised WHO International Health Regulations, which are intended to be implemented globally in 2006.</p>								

There is considerable HIV/AIDS prevalence in high-risk populations and HIV/AIDS is spreading among people in institutions, migrant workers (and people exposed to migrant workers), and people living near new roads and markets. With increased communications and welfare, the behavior of adolescents is changing rapidly. Blood safety is a major problem in the region. While there is considerable funding for HIV/AIDS in the three countries, there are major funding gaps for preventive actions.

Populations with high level of communicable diseases often live in inaccessible places and share language, customs, and practices that warrant special, more integrated, strategies. Such strategies would also provide a basis for addressing other common health problems, micronutrient deficiencies, and high fertility that would also have major impact on health status. Helping these communities will be essential to achieving MDGs.

Controlling communicable diseases will require stronger policy dialogue. Lessons learned need to be shared among the Greater Mekong Subregion (GMS) countries in order to improve the design of health systems, harmonize services and programs, and set standards for products and services. For example, ineffective drugs for malaria and tuberculosis are commonly used across borders, and uncontrolled use of drugs is causing major drug resistance problems for tuberculosis and malaria treatment.

Accordingly, there is a strong rationale for a regional approach, including (i) learning what works in health systems development, in particular how to assist hard-to-reach populations, including ethnic minorities; (ii) strengthening surveillance systems across borders to address the health risks of new epidemics; (iii) coordinating communicable disease control programs; and (iv) standardizing health products and services across borders. Developing these areas requires institutional strengthening and technology development that would also benefit from regional cooperation. The Project would focus on the poorest of the poor: unless the health status of these very poor communities is improved, many of the MDGs in the GMS will not be attainable. The Project is in line with the priorities identified by the GMS Working Group on Human Resources Development and the GMS cooperation strategy and program.

- b. Goal and purpose:** The Project's goal is to help the three countries achieve their MDGs, in particular for communicable disease control and maternal and child mortality. The objectives are to (i) ensure timely and appropriate control of epidemics likely to have major impact on the region's public health and economy; (ii) contain the spread of HIV/AIDS among new at-risk populations and improve blood safety; (iii) reduce the burden of endemic infectious diseases among the poor and women living in isolated communities; (iv) harmonize standards for health staff and services, and the quality and use of medicines; and (v) strengthen the design of national health systems.
- c. Components and outputs:** The exact scope of the Project will be determined through a project preparatory TA. It is likely to have the following components: (i) strengthening of regional and national surveillance and response systems, preparedness for epidemics, and implementation of the revised WHO International Health Regulations; (ii) HIV/AIDS and sexually transmitted infections (STI) education among youth, women, migrant workers, people living near new roads and markets, and people in institutions; (iii) extension of services and programs to reach isolated poor communities with a basic package of health services, including ethnic minorities and women living in border areas; (iv) regional support for improving standards and quality control of staff, services, and medicines; and (v) regional collaboration for health systems analysis, comparison, policy development, and project implementation.
- d. Expected results and deliverables:** Early containment of epidemics, strengthened communicable disease control programs, reduced prevalence of common communicable diseases and reduced child mortality among the very poor, hard-to-reach communities, empowerment of women, and improved health status nationwide.
- e. Social or environmental issues or concerns:** Only positive social impact expected
- f. Plans for disseminating results/deliverables:** GMS and international, as appropriate

- 7. Proposed executing/implementing agency or agencies:** Ministries of Health of Cambodia, the Lao People's Democratic Republic and Viet Nam.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

A wide range of stakeholders will be consulted during the project preparation, including concerned government agencies, NGOs, international agencies, mass movement organizations, provincial authorities and beneficiaries.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2004
- b. Expected date of submission for approval
 Lending: 2005
 Nonlending (project preparatory): 2004
 Nonlending (other than project preparatory):
- c. Period and duration of assistance
 Lending: 2005–2010
 Nonlending:

10. Financing Plan

- a. For lending
 Ordinary capital resources:
 Asian Development Fund: \$30 million (Viet Nam \$15 million; Cambodia \$9 million; Lao PDR \$6 million)
 Other:
- b. For nonlending
 No resources required, other than ADB staff
 ADB's administrative budget:
 Grant TA funds
 Other

Source	Amount (\$)
ADB Financing	
Government Financing	
WHO	
Total Cost	
Source: ADB estimates.	

ADB = Asian Development Bank, CSP = country strategy and program, GMS = Greater Mekong Subregion, HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome, MDG = millennium development goals, RCSP = regional cooperation strategy and program, SARS = severe acute respiratory syndrome, STD = sexually transmitted disease, TA = technical assistance, WHO = World Health Organization.

**Table A4.5: Chong Kneas Environmental Improvement Project
Concept Paper**

Date: 19 October 2004

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input checked="" type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development:</p> <p><input type="checkbox"/> Other:</p>								
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the</p> <p>Sectors: Agriculture and natural resources; transportation and communication; water supply, sanitation, and waste management</p> <p>Subsectors: Environment and biodiversity; ports, waterways, and shipping; water supply, sanitation, and waste management (integrated)</p> <p>b. For project preparatory and lending, classification</p> <p><input checked="" type="checkbox"/> Targeted intervention</p> <p><input type="checkbox"/> General intervention</p> <p>c. Key thematic areas</p> <p>Themes:</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input checked="" type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input checked="" type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Gender and development</td> <td></td> </tr> </table> <p>Subthemes: Fostering physical infrastructure development; other vulnerable groups; civil society participation; gender equity in empowerment and rights; public-private partnerships</p>	<input checked="" type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability	<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability							
<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development							
<input checked="" type="checkbox"/> Gender and development								
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: Agriculture, Environment, and Natural Resources Division/Mekong Department</p>								
<p>5. Responsible ADB officer: I. Fox, principal project specialist (natural resources)</p>								
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: The Tonle Sap Environmental Management Project (2002) aims to set in place sustainable management and conservation of natural resources and biodiversity in the Tonle Sap basin. The project also initiates a framework within which subsequent projects will address generic management and conservation concerns and improve social and environmental conditions. Infrastructure for waste management, water supply and sanitation, multipurpose boat landing sites, ecotourism, and improved living areas for poor communities will be developed in a phased manner as part of the Government's strategy for the Tonle Sap basin. ADB's country strategy and program (CSP) and CSP updates reflect ADB's sectorwide approach to the Tonle Sap, which ADB expects to pursue over 10 years.</p>								

The Chong Kneas Environmental Improvement Project is an initiative designed to improve social and environmental conditions as part of the overall strategy for environmental management of the Tonle Sap basin. It will build on the enhanced systems for natural resource management coordination and planning which are being developed as part of the Tonle Sap Environmental Management Project. Improving environmental conditions and reducing poverty at Chong Kneas are interrelated and strongly linked to improving living conditions for the community.

The Government's National Poverty Reduction Strategy (NPRS), 2003–2005, and Second Five Year Socioeconomic Development Plan (SEDP II), 2001–2005, define development strategies and set targets for rural poverty alleviation and improved natural resources conservation and management. ADB's overall strategic objective in Cambodia is poverty reduction, in line with the poverty reduction partnership agreement between the Government and ADB.

- b. Goal and purpose:** The goal of the project is sustainable management and conservation of natural resources and biodiversity in the Tonle Sap basin. Its purpose is to improve the social and natural environment of Chong Kneas and the surrounding area.
- c. Components and outputs:** The project comprises three components: (i) infrastructure development, (ii) resettlement and livelihood assistance for the Chong Kneas community, and (iii) creation of the Chong Kneas Harbor Authority (CKHA). To help the CKHA manage the port and township facilities provided under the project, an advisory TA will accompany the project.
- d. Expected results and deliverables:** Under component 1, works will be implemented to create a navigation channel and a new harbor with year-round access for boats. The harbor will incorporate separate berthing and unloading facilities for fish, cargo, fuel, and passengers, together with mooring for passenger, cargo, and fishing boats belonging to Chong Kneas. Concurrently, a new township on a flood-free platform (built from excavated earthfill) will be created and equipped with housing, drinking water supply, sanitation, roads, and adequate land for schools, clinics, and other social infrastructure. Component 2 will assist the Chong Kneas community to make the transition from water-based to land-based housing. It will ensure adequate compensation and living assistance during the resettlement process, and will develop (in close consultation with the affected community) enhanced livelihood opportunities. Specific means of ensuring their access to project facilities and benefits will be incorporated. The advisory TA will formulate a framework for regulatory and institutional reform to enable the create CKHA, develop an appropriate institutional structure for it and formulate recommendations aimed at ensuring its financial viability. A capacity building action plan will be prepared, including interim measures to enable effective operation during project implementation.
- e. Social or environmental issues or concerns:** Chong Kneas and its surrounding area are used by poor floating and land-based communities that suffer from high levels of poverty: approximately 60% of the population survives on incomes of less than \$0.50 per capita per day. The community suffers from deprivation from access to basic social infrastructure and services. Its poverty is strongly associated with poor environmental conditions, low incomes, poor housing, lack of adequate social services, a diminishing resource base, and inadequate markets. In moving from their floating villages to housing on flood-free land, they anticipate that the proposed improvements at Chong Kneas will bring better income opportunities, accompanied by improved access to basic amenities, education, and health facilities. Ethnic minorities, particularly of Vietnamese origin, are vulnerable to social exclusion and denial of access to amenities. The project will ensure that equitable treatment is provided to the Vietnamese community born in Cambodia and living and working in Chong Kneas, in terms of their full participation and access to project benefits. Alternative livelihoods will be identified and assistance will be provided for income diversification. Established power structures will be carefully assessed and new institutional arrangements will be formulated in close consultation with the community and its representatives.
- f. Plans for disseminating results/deliverables:** Workshops will be held at key decision points during the project. NGOs will be contracted to mobilize communities and to assist in poverty reduction initiatives and provision of assistance for alternative livelihood development.

- 7. Proposed executing/implementing agency or agencies:** Ministry of Public Works and Transport (MPWT) will be the executing agency. The Cambodia National Mekong Committee (CNMC) will head a steering committee to oversee project implementation and deal with Cambodia's responsibilities under the Mekong Agreement. The Ministries of Interior; Women's Affairs; Environment; Agriculture, Forestry, and Fisheries; and Land Management, Urban Planning, and Construction will be represented in the steering committee.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: A natural-resources-based development strategy for the Tonle Sap area was prepared in 1998 by the Mekong River Commission Secretariat in cooperation with United Nations Development Programme. Under REG-5822 (Protection and Management of Critical Wetlands in the Lower Mekong Basin), approved on 22 December 1998, ADB supported socioeconomic surveys and extensive consultations with local communities and government representatives in relation to port development and environmental improvement. Under TA 3997-CAM (Chong Kneas Environmental Improvement Project) further social surveys and consultations were carried out. Many NGOs are actively involved in improving social services in the project area. Under the Project, provision will be made for the full participation of vulnerable sections of the affected communities, such as households headed by women.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2003
- b. Expected date of submission for approval
 - Lending: 2005
 - Nonlending (project preparatory): 2004
 - Nonlending (other than project preparatory): 2005 (accompanying ADTA for CKHA)
- c. Period and duration of assistance
 - Lending: 2006–2012
 - Nonlending: 2006–2008 (24 months)

10. Financing Plan

- a. For lending
 - Ordinary capital resources:
 - Asian Development Fund: \$15 million
 - Other: \$6 million for housing and services (source to be determined)

If cofinancing is required, indicate amount and sources sought: \$6 million, from (source to be determined).
If known, provide cost estimates and financing arrangements.

Source	Amount (\$ million)
ADB Financing	15.0
Government Financing	5.0
Other Financing	6.0
Total Cost	26.0

Source: ADB estimates.

- b. For nonlending
 - No resources required, other than ADB staff
 - ADB's administrative budget:
 - Grant TA funds:
 - Other: \$600,000

If cofinancing is required, indicate amount and sources sought: \$600,000 (Government of Finland).
If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	

Source: ADB estimates.

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

CONCEPT PAPERS FOR NONLENDING PRODUCTS

This appendix contains the concept papers for nonlending products:

- (i) Table A5.1: Tonle Sap Lowland Stabilization Project
- (ii) Table A5.2: Transport Infrastructure Development and Maintenance Project
- (iii) Table A5.3: Establishment of the Tonle Sap Basin Management Organization III
- (iv) Table A5.4: Study of the Influence of Built Structures on the Fisheries of the Tonle Sap
- (v) Table A5.5: Capacity Building of the Inland Fisheries Research and Development Institute II
- (vi) Table 5.6: Financial Sector Program I (Subprogram III) Implementation
- (vii) Table A5.7: Facilities for Commune Councils – Phase II
- (viii) Table A5.8: Women’s Integrated Empowerment Centers
- (ix) Table A5.9: Dormitories for Secondary School Girls
- (x) Title A5.10: Rehabilitation of the Railways in Cambodia
- (xi) Table A5.11: GMS Pro-Poor Tourism Development
- (xii) Table A5.12: Cambodia-Business Initiatives in Rural Development

**Table A5.1: Tonle Sap Lowland Stabilization Project
Concept Paper**

Date: 12 May 2004

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input checked="" type="checkbox"/> Project preparatory</p> <p> <input type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p>								
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Agriculture and natural resources Subsector: Rural Development</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Targeted intervention</p> <p> <input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic areas</p> <p>Themes:</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input checked="" type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table> <p>Subthemes: Fostering physical infrastructure development; developing rural areas; natural resources conservation</p>	<input checked="" type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: Agriculture, Environment, and Natural Resources Division/Mekong Department</p>								
<p>5. Responsible ADB officer: I. Fox, principal project specialist (natural resources)</p>								
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: The thrusts of ADB's Tonle Sap initiative are natural resources management, institutional development and capacity building, and poverty reduction and promotion of sustainable livelihoods. ADB's country strategy and program update, 2004–2006, for Cambodia reflects ADB's sectorwide approach to the Tonle Sap Basin, which is expected to be pursued for the next 10 years. This project preparatory technical assistance (TA) would complement efforts being made to organize communities for natural resource management under the Tonle Sap Environmental Management Project (2002). It would assist communities living within the seasonally inundated area but not directly targeted under the proposed Tonle Sap Sustainable Livelihoods Project (2005). These are poor communities that subsist on fishing, low-yield rainfed agriculture, and extraction of fuelwood and other minor forestry products from within the transition area of the Tonle Sap Biosphere Reserve.</p>								

- b. Goal and purpose:** The goal of the technical assistance is sustainable management and conservation of natural resources and biodiversity in the Tonle Sap Basin. Its purpose is to prepare a project to manage and conserve natural resources in and around the Tonle Sap Biosphere Reserve, in keeping with biosphere reserve principles, through decentralized and participatory rural development activities. The ensuing project would support community mobilization for the formulation of development plans and implementation of small-scale infrastructure to enhance rural incomes and thereby relieve pressures on the natural resource base of the Tonle Sap basin. The ensuing project would also research alternative livelihood activities and develop capacity for community-based natural resource management. It would adopt a process approach that would strengthen community ownership and capacity through participatory planning, implementation, and monitoring and evaluation.
- c. Components and outputs:** The ensuing project would comprise three components: (i) community mobilization and strategic planning; (ii) design and implementation of small-scale infrastructure, with special attention to promoting forestry and small-scale irrigation; and (iii) support for alternative livelihood initiatives.
- d. Expected results and deliverables:** The expected results and deliverables of the ensuing project would include (i) community-based reforestation in degraded forests in and above the flooded area; (ii) provision of small-scale community infrastructure, such as rural access roads, foot bridges, small irrigation pumps, and community wells and ponds for safe water supply; (iii) improvements to local extension services for water distribution, participatory irrigation management, agriculture, livestock, forestry, and tree crops; (iv) support services for credit utilization (e.g., information dissemination on available credit, training on how to utilize credit services); (v) skills development training for alternative income generation; and (vi) research on market availability and price information.

The executing agency will complete a TA completion questionnaire to evaluate the TA's inputs and outputs, identify lessons learned, and suggest follow-up actions.

- e. Social or environmental issues or concerns:** The release in 2000 of about 500,000 hectares of fishing lots in the Tonle Sap to communities for self-management resulted in unprecedented, uncontrolled exploitation. In the immediate aftermath, additional pressure was also brought to bear on fish stocks by nearby communities that had not traditionally been involved in fishing. Order is being brought to the management of fishing lots and other natural resources in the flooded areas (with assistance under the Tonle Sap Environmental Management Project and the proposed Tonle Sap Sustainable Livelihoods Project). However, there are concerns that improvement of access roads and other infrastructure could facilitate ever-greater exploitation of natural resources and impact negatively on efforts to manage sustainably and conserve natural resources and biodiversity, particularly in light of growing populations and development pressures. Any increase in agricultural activity, especially irrigated agriculture, in the transition area of the Tonle Sap Biosphere Reserve could engender excessive use of persistent organic pollutants (POPs) such as pesticides and agro-chemicals. There is also a risk that improved agricultural productivity in the transition area would encourage further cutting of forest for conversion to agriculture. Poverty in the Project area is acute, with about 38% of the population living below the official poverty line. Women constitute about 51% of the population and head 15–30% of households. Households headed by women are among the poorest and most disenfranchised. In addition, there are many displaced persons, repatriated refugees, internal migrants, and demobilized soldiers in the project area.
- f. Plans for disseminating results/deliverables:** NGOs would be engaged to mobilize communities during the project preparatory TA, as well as during implementation of the ensuing project, and their networks would ensure wide distribution of results. National workshops would be held to mark milestone events and decision points. ADB also publishes a 6-monthly Tonle Sap Initiative Brochure, which is widely circulated, and maintains a website for the Tonle Sap Environmental Management Project, giving links to related sites.

7. Proposed executing/implementing agencies: Ministry of Rural Development (MRD) would be the executing agency, in close collaboration with the Ministry of Agriculture, Forestry, and Fisheries and the Ministry of Water Resources and Meteorology. Provincial rural development committees would be the implementing agencies.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: Since 1995, the Food and Agriculture organization of the United Nations has pioneered participatory natural resource management in the Tonle Sap basin, including socio-economic studies of fishing and border zone communities, development and implementation of forest resources management by local communities, and community-based natural resource management of fisheries. A natural-resources-based development strategy

for the Tonle Sap area was prepared in 1998 by the Mekong River Commission Secretariat in cooperation with United Nations Development Programme. Under regional technical assistance for Protection and Management of Critical Wetlands in the Lower Mekong Basin (1998), ADB supported socio-economic surveys and extensive consultations with local communities and government representatives in relation to rural development needs for poverty alleviation. Since 2002, the strategic perspective facilitated by ADB's Tonle Sap Initiative, which recognizes that sustainable management and conservation of natural resources and biodiversity should be considered from the perspective of the watershed feeding the Tonle Sap, has enabled continuous analysis of the basin. Emphasis has been placed on pro-poor interventions through improved access to sustainable livelihoods, paying particular attention to women and members of ethnic minorities. This involves close donor coordination and the forging of effective partnerships at macro, meso, and micro levels, maximizing social participation. Many NGOs are also actively involved in improvement of social services in the project area, and would be regularly consulted during project design. They would also, in all likelihood, be relied upon to deliver specific services during project implementation.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2004
- b. Expected date of submission for approval
 - Lending: 2007
 - Nonlending (project preparatory): 2005
 - Nonlending (other than project preparatory): N/A
- c. Period and duration of assistance
 - Lending: 2007–2011
 - Nonlending: 8 months

10. Financing Plan

- a. For lending
 - Ordinary capital resources: \$
 - Asian Development Fund: \$20 million
 - Other: \$

If cofinancing is required, indicate amount and sources sought: \$3 million, from AFD.

- b. For nonlending
 - No resources required, other than ADB staff
 - ADB's administrative budget: \$
 - Grant TA funds: \$800,000
 - Other: \$300,000

If cofinancing is required, indicate amount and sources sought: TBD.

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A5.2: Transport Infrastructure Development and Maintenance Project
Concept Paper**

Date: 5 November 2004

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p> <input checked="" type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input checked="" type="checkbox"/> Project preparatory</p> <p> <input type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Transport Subsector: Roads</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Targeted intervention</p> <p> <input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic areas</p> <p>Themes:</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table> <p>Subtheme(s):</p>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development									
<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Infrastructure Division/Mekong Department</p>										
<p>5. Responsible ADB officer: Y. Tanaka, transport specialist</p>										
<p>6. Description of assistances</p> <p>a. Background/linkage to country/regional strategy: The roads sector suffered severe damage during the years of civil strife in Cambodia and most of the road network was rendered impassable. Since the Paris Peace Accord in 1991, ADB, the World Bank, and other development agencies have invested substantial resources in rehabilitating the primary national roads network. As a result, much of the country's core access network is, by now, reestablished or in the process of being reestablished through committed projects. Similarly, development agencies and the Government have expended substantial resources on rehabilitating the rural infrastructure, including rural roads, to enable resettlement of the many displaced people and the resurrection of agriculture. The intermediate networks of about 8,000 kilometers (km), consisting of secondary national roads and provincial roads, now need attention.</p>										

Road maintenance has not caught up with road network rehabilitation. Although a first step has been made by establishing the Fund for Repair and Maintenance of Roads, the fund is not a sufficient condition for guaranteeing a sustainable maintenance program. Clear institutional processes are required to plan and prioritize maintenance works effectively, as well as effective procedures for managing and disbursing funds. The strategy for developing a more effective road maintenance fund will require (i) broadening and deepening the revenue base for the fund, (ii) ensuring accessibility to fund resources, and (iii) building and strengthening the institutional structure for planning and delivery of road maintenance services. Further, governmental officials and local contractors should be encouraged to undertake contract-based road maintenance works.

- b. Goal and purpose:** The goal of the proposed Transport Infrastructure Development and Maintenance Project is to rehabilitate a geographically confined network of secondary national roads with the objective of reestablishing economically efficient intermediary links among the rural roads network and the core network of primary national highways. The Project will promote economic development in rural areas by providing cost-effective, all-weather, all-year road access to markets and employment, and will promote social development by reducing remoteness and providing access to social services. The geographical scope of the Project will help ensure that benefits reach the intended target groups: rural households in general and displaced peoples in particular.

The Project aims to ensure the sustainable roads maintenance by utilizing the Fund for Repair and Maintenance of Roads. It is expected that the institutional structure of the Government for planning and delivery of road maintenance services will be built and strengthened and that road maintenance skills of local contractors and the cost-efficiency of the road maintenance works will be improved, through contracts between the local governments and local contractors under the Project.

- c. Components, outputs, specific deliverables:** The main component of the Project is: (i) rehabilitation of the 17 km section of National Road (NR) 33 from Kampong Trach to the Cambodia–Viet Nam border, which is an integral part of the GMS Southern Coastal Corridor, and an upgrading of cross-border facilities, (ii) rehabilitation of 14 km of NR 72 from NR7 junction to the Cambodia–Viet Nam border, and upgrading of the cross-border facilities, (iii) pavement of 114 km of NR 56 from Sisophon to Samraong, and (iv) demining and clearance of unexploded ordnance in some areas around the roads to allow resettlement.

The secondary component of the Project is road maintenance. Annual road maintenance plans will be prepared by the executing agency for the Project, and the annual routine maintenance works will be executed using the loan fund and the Fund for Repair and Maintenance of Roads under contract between the local government and a local contractor.

The Project will also include a social development component to support the efficient use of the rehabilitated road networks and reduce possible negative social impacts; and an institutional component addressing road maintenance and road safety.

- d. Expected results and deliverables:** An investment project with associated components that improve sector efficiencies and institutional capabilities; remove transportation constraints to, from, and within selected rural regions; and generate direct benefits to poor and disadvantaged groups. Further, road maintenance planning and delivery by local governments will be strengthened through execution of the maintenance works contracts with local contractors. The road maintenance skill of local contractors will be improved.
- e. Social or environmental issues or concerns:** The project preparation TA for the Transport Infrastructure Development and Maintenance Project will examine social and environmental issues related to the project.
- f. Plans for disseminating results/deliverables:** The Project will produce reports covering engineering, social, environmental, and economic analyses that will be publicly available. The Project will include direct information for local stakeholders on issues pertaining to implementation of the road rehabilitation project and associated components of social development. Finally, the Project will provide institutional development and training for local contractors and government staff at the provincial level, to enable future road maintenance.

7. Proposed executing/implementing agencies: Ministry of Public Works and Transport

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:
Not applicable.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2002
- b. Expected date of submission for approval
 Lending: 2006
 Nonlending (project preparatory): 2005
 Nonlending (other than project preparatory):
- c. Period and duration of assistance
 Lending: 2007–2009
 Nonlending: 2006

10. Financing Plan

- a. For lending
- Ordinary capital resources:
 - Asian Development Fund: \$35 million
 - Other: Government \$10 million, Cofinancer TBD

Source	Amount (\$ million)
ADB Financing	35.0
Government Financing	10.0
Other Financing	TBD
Total Cost	TBD

Source: ADB estimates.

- b. For nonlending
- No resources required, other than ADB staff
 - ADB's administrative budget:
 - Grant TA funds: \$1,000,000
 - Other:

ADB = Asian Development Bank, CSP = country strategy and program, GMS = Greater Mekong Subregion, NR = National Road, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A5.3: Establishment of the Tonle Sap Basin Management Organization III
Concept Paper**

Date: 2 December 2004

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input checked="" type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input checked="" type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p>								
<p>2. Assistance focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Agriculture and Natural Resources Subsector: Environment</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Targeted intervention</p> <p> <input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic areas</p> <p>Themes:</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input checked="" type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table> <p>Subthemes: Developing rural areas; Civil society participation; Natural resources conservation</p>	<input checked="" type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: Agriculture, Environment, and Natural Resources Division/Mekong Department</p>								
<p>5. Responsible ADB officer: O. Serrat, senior project economist (natural resources)</p>								
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: In line with the program formalized in the poverty reduction partnership agreement between the Government of Cambodia and ADB,¹ the country strategy and program, 2005–2007, for Cambodia will highlight the Tonle Sap basin. In July 2003, in support of the country strategy and program, 2005–2007, the Tonle Sap Basin Strategy was formulated.² Each threat to</p>								

¹ The agreement requires that the partners develop a strategy for the Tonle Sap region, concentrating on improving the sustainability of its ecosystems.

² ADB. 2003. *Fighting Poverty in Cambodia: The Tonle Sap Basin Strategy*. Manila. The developments objectives of the Tonle Sap Basin Strategy are to foster, promote, and facilitate (i) pro-poor, sustainable economic growth, (ii) access to assets, and (iii) management of natural resources and the environment.

the environment and biodiversity of the Tonle Sap basin has multiple causes, the severity of which conditions the speed and manner in which they can be addressed. Immediate threats include overexploitation of forest resources, dry season encroachment and land clearance of the flooded forest, the increasing resource needs of an expanding population, overexploitation of the fish and wildlife resources of the Tonle Sap lake, and changes in water quality and siltation rates. In recognition of the complexity of the agents of change, ADB has also concluded that infrastructure development and natural resource management should be considered from the perspective of the basin as a whole, which includes all or part of 9 of the 20 provinces and 4 municipalities of Cambodia. ADB's initiative is consistent with its water policy and a worldwide trends towards managing land, water, and biotic resources within a framework of basin units, as demonstrated by the establishment of the International Network of Basin Organizations, which has more than 150 members, mainly in Europe, Latin America and Africa. The Network of Asian River Basin Organizations has also been established through an ADB initiative to improve the effectiveness of the region's basin management organizations through increased information exchange, cooperation and collaborative activities. Addressing threats to the Tonle Sap lake requires an integrated, cross-sectoral, cross-boundary, and multi-disciplinary institutional framework that operates at the basin level. Currently, the Cambodia National Mekong Committee (CNMC), with a membership of 10 ministries and links with the Mekong River Commission (MRC), is responsible for promoting basin planning that recognizes the interconnectedness of social, economic, and environmental factors. In particular, and in response to the growing need for better coordination of line agencies, a Tonle Sap Biosphere Reserve Secretariat was established in the CNMC in September 2001. Nevertheless, CNMC has experienced difficulty with its institutional arrangements.

In 2003, the Government of Cambodia requested ADB to provide technical assistance (TA) to investigate how infrastructure development and natural resource management in the Tonle Sap Basin could be better driven, coordinated, and streamlined. In response, ADB approved T4212-CAM: Establishment of the Tonle Sap Basin Management Organization³ to elucidate required institutional arrangements for basin management. The outputs of the TA were (i) a design for improved institutional arrangements for management of the water and related natural resources of the Tonle Sap Basin, including a basin management organization; (ii) a 10-year roadmap for the Government and ADB to work together to implement the proposals and develop an integrated approach to water resource management in the Tonle Sap Basin; and (iii) a proposal for a new TA to commence that process.

- b. Goal and purpose:** The goal of the TA is sound management of natural resources and the environment in the Tonle Sap Basin. Its purpose is to advance the establishment of improved institutional and organizational arrangement for basin management in the Tonle Sap Basin.
- c. Components and outputs:** The components and outputs of the TA will be defined based on achievements under of the TA Establishment of the Tonle Sap Basin Management Organization II.
- d. Expected results and deliverables:** The primary result and deliverable of the TA will be enhanced to institutional arrangements for basin management.
- e. Social or environmental issues or concerns:** Not applicable.
- f. Plans for disseminating results/deliverables:** The TA will be allied to ongoing programs of CNMC's constituent members, particularly those of the Ministry of Water Resources and Meteorology, and MRC. Its deliverables will be disseminated through their information networks. ADB also publishes a 6-monthly Tonle Sap Initiative brochure and maintains a website for the Tonle Sap Environmental Management Project giving links to related sites.⁴

7. Proposed executing/implementing agencies: Cambodia National Mekong Committee

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: In 2003, CNMC began to canvass local governments and communities to move toward some form of basin management organization congruent with MRC's Basin Development Plan.⁵ Thereafter, CNMC acted as

³ T4212-CAM (ADB. 2003. *Technical Assistance to the Kingdom of Cambodia for the: Establishment of the Tonle Sap Basin Management Organization*. Manila), for \$135,000, approved on 7 November 2003.

⁴ The web site is at http://www.adb.org/Projects/tonle_sap/default.asp.

⁵ MRC. 2002. *Inception Report of the Basin Development Plan*. Together with the Water Utilization Program and the Environment Program, the Basin Development Plan is one of MRC's core programs. It aims to establish a planning framework of rules, policies, and processes to balance efficient use of resources with protection of the environment and promotion of social justice and equity.

executing agency for the TA Establishment of the Tonle Sap Basin Management Organization. Accordingly, the 10-year road map was outlined in close consultation with it.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2004
- b. Expected date of submission for approval
 - Lending: Not applicable
 - Nonlending (project preparatory): Not applicable
 - Nonlending (other than project preparatory): 2005
- c. Period and duration of assistance
 - Lending: Not applicable
 - Nonlending: 6 months

10. Financing Plan

- a. For nonlending
 - No resources required, other than ADB staff
 - ADB's administrative budget: \$
 - Other: \$300,000

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

Table A5.4: Study of the Influence of Built Structures on the Fisheries of the Tonle Sap Concept Paper

Date: 2 December 2004

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input checked="" type="checkbox"/> Other than project preparatory</p> <p><input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>								
<p>2. Assistance focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Agriculture and Natural Resources Subsector: Environment</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Targeted intervention</p> <p><input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic areas</p> <p>Themes:</p> <table> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input checked="" type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input checked="" type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table> <p>Subthemes: Developing rural areas; other vulnerable groups; natural resources conservation</p>	<input checked="" type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability	<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability							
<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: Agriculture, Environment, and Natural Resources Division/Mekong Department</p>								
<p>5. Responsible ADB officer: O. Serrat, senior project economist (natural resources)</p>								
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: Built structures such as dams, roads, weirs, and flood control and works bring social and economic benefits. However, they can also significantly affect fisheries by blocking fish migration and access to spawning areas, altering water quality and quantity, changing the temporal and spatial relationship and nature of the flood cycle, and degrading or fragmenting aquatic habitats. Loss of habitat could have dramatic impacts on fisheries' productivity. Other built structures, such as sewerage systems, industrial and manufacturing plants with aqueous effluents, and mining and mineral processing facilities, can significantly worsen water quality and, in turn, harm fisheries. Built structures can also have secondary impacts: for example, irrigated agriculture development can lead to more intensive use of agrochemicals, including persistent organic pollutants that are hazardous to aquatic ecosystems and can affect the quality of exportable aquaculture products. Regrettably, the major problem is that the contributions</p>								

made by fisheries to the economic and social welfare and health of millions of people who depend upon them is not well understood and, as a result, fisheries are grossly undervalued. The TA would complement the suite of loan and TA projects (as well as projects to be submitted to the Government of Japan for financing under the Japan Fund for Poverty Reduction) that ADB proposes in the context of the Tonle Sap Initiative,¹ in line with the Tonle Sap Basin Strategy.² It will facilitate the protection of investments being made to preserve the Tonle Sap Biosphere Reserve (TSBR) and to enhance the livelihoods of the communities living within it.

- b. Goal and purpose:** The goal of the TA is sustainable management and conservation of natural resources and biodiversity in the Tonle Sap basin. Its purpose is to improve the awareness and understanding of Government agencies, stakeholders, and the general public regarding the influence of built structures on the lake's hydrological regime, in terms of the livelihoods of the population that depends on its fisheries and biodiversity, and to suggest actions that need to be taken to that end. To this end, the TA will (i) prepare a database of existing structural works and their influences, and (ii) develop a strategy and guidelines for planning structural interventions with potentially negative impacts on the ecosystem of, or the livelihoods in, the flooded area of the Tonle Sap. The study will address the TSBR and all river systems within Cambodia that affect its hydrology. Its deliverables are a database; analytical review; recommended strategy and guidelines for development of built structures that are more locally acceptable, enhance livelihoods options, and bring more sustainable long-term benefits; and a program of corrective actions as necessary.
- c. Components and outputs:** The TA will be executed in two phases. In the first a comprehensive compilation and review will be made of all available data and information on existing or proposed built structures that may influence the temporal, spatial, and qualitative characteristics of water entering the TSBR. Specifically, an in-depth analysis will be undertaken of the environmental impact assessments that have been made in conjunction with the planning and design of existing or proposed built structures. These will include roads, drainage and flood control works, irrigation systems, wharves, diversion structures, and dams. The study will be informed by the ongoing MRCS/WUP-FIN Tonle Sap Modeling Project and will feed into the Mekong River Commission (MRC) Sub-Area Analysis of the Tonle Sap under its Basin Development Program.³ Other key activities will include a detailed interpretation of the available information, in respect of the likely influence of existing or proposed built structures on the TSBR. Gaps in the available information which hinder this analysis will be identified. In the second phase, a program will be formulated and designed for data collection and information needed to be able to make accurate predictions of the influence of built structures. The program will include a comprehensive specification of the additional studies needed to elaborate existing environmental impact assessments where they fail to address the impacts on the TSBR, and the design of any long-term monitoring systems that need to be established. Note will be made of influences external to Cambodia which may need to be taken into account for the long-term protection of the TSBR.
- d. Expected results and deliverables:** The consultants will include (i) a socio-economist (5 person-months) with experience in community liaison and rapid rural appraisal, (ii) a hydraulics engineer or hydrologist with experience in modeling river systems (5 person-months), (iii) an environmental impact specialist (4 person-months), with experience in environmental impact assessment processes and procedures and quantitative assessment of impacts on aquatic ecosystems, (iv) a fishery ecologist (5 person-months), (v) an economist (2 person-month), and (vi) a database programmer (1 person-month). The consultants will produce (i) an inception report within 3 weeks of the commencement of the TA, (ii) a phase one report within 12 weeks, (iii) a draft final report within 20 weeks, and (iv) a final report. The executing agency will, on its part, complete a TA completion questionnaire to evaluate the TA's inputs and outputs, identify lessons learned, and suggest follow-up actions.
- e. Social or environmental issues or concerns:** The Tonle Sap is one of the most productive freshwater ecosystems in the world, accounting for 40–70% of the protein intake of Cambodia's population. Therefore, it is essential to gain a better understanding of the influence of built structures on its hydrological regime, in terms of the livelihoods of the population that depends on its fisheries and biodiversity. The TA itself will not have any negative social or environmental effects. On the contrary, it will help Government agencies and

¹ The Tonle Sap Initiative is a partnership of organizations and people aiming to meet the poverty-environment challenge of the Tonle Sap based on the Tonle Sap Basin Strategy.

² ADB. 2003. *Fighting Poverty in Cambodia: The Tonle Sap Basin Strategy*. Manila. The development objectives of the Tonle Sap Basin Strategy are to foster, promote, and facilitate (i) pro-poor, sustainable economic growth; (ii) access to assets; and (iii) management of natural resources and the environment.

³ The study would build on the achievements of MRCS/WUP-FIN Tonle Sap Modeling Project, to which the Government of Finland continues to extend support, and show practical ways to maximize the outputs of that project.

<p>other stakeholders to identify adverse impacts from development in other sectors on the fisheries of the Tonle Sap by highlighting their dependence on its natural hydrological regime, and consequently on the people who depend upon them. Included among the potential effects on people of a decline in fisheries resources are (i) increasing seasonal food shortages, (ii) dietary deficiencies (protein, calcium, vitamins), (iii) the loss of traditional employment opportunities, and (iv) increased urban migration and social disruptions.</p> <p>f. Plans for disseminating results/deliverables: The study will be closely allied to ongoing programs of MRC, the Ministry of Environment, and the Cambodia National Mekong Committee (CNMC) and will be widely disseminated through their information networks. A major national workshop will be held at the conclusion of the study. Selected outputs from the study may be published in international scientific journals. TA reports documenting the heavy dependence of people on the fisheries of the Tonle Sap for subsistence and supplementary income, explaining the potential adverse impacts on the fisheries from developments in other sectors, and presenting alternatives to preserve the productivity of the fisheries, will be disseminated widely to government agencies and stakeholders. Small illustrated technical booklets will be prepared for each economic sector. ADB also publishes a 6-monthly Tonle Sap Initiative Brochure,⁴ which is widely circulated, and maintains a website for the Tonle Sap Environmental Management Project.⁵</p>
<p>7. Proposed executing/implementing agencies: The executing agency for the TA would in all likelihood be CNMC, in close collaboration with the Ministry of Industry, Mines, and Energy, the Ministry of the Environment, the Ministry of Rural Development, the Ministry of Agriculture, Forestry, and Fisheries, the Ministry of Water Resources and Meteorology, and the Ministry of Public Works and Transport.</p>
<p>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: In early 2003, a TA fact-finding mission for the Tonle Sap Sustainable Livelihoods Project held discussions with MRC, the Ministry of Rural Development, and the Ministry of the Environment. The mission concluded that the proposed Study of the Influence of Built Structures on the Fisheries of the Tonle Sap would help to build a sound knowledge base and identify possible mitigating strategies and actions to counter negative impacts.</p>
<p>9. Timetable for assistance design, processing, and implementation</p> <p>a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2004</p> <p>b. Expected date of submission for approval Lending: N/A Nonlending (project preparatory): N/A Nonlending (other than project preparatory): May 2005</p> <p>c. Period and duration of assistance Lending: N/A Nonlending: 6 months</p>
<p>10. Financing Plan</p> <p>a. For nonlending</p> <p><input type="checkbox"/> No resources required, other than ADB staff</p> <p><input type="checkbox"/> ADB's administrative budget: \$</p> <p><input type="checkbox"/> Grant TA funds:</p> <p><input checked="" type="checkbox"/> Other: Financing amounting to \$300,000 by bilateral agency will be sought during preparation of the TA.</p> <p>If cofinancing is required, indicate amount and sources sought: \$300,000 from the Government of Finland.</p>

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

⁴ ADB. Various years. *Future Solutions Now: The Tonle Sap Initiative*. Manila.

⁵ Available: http://www.adb.org/Projects/tonle_sap/default.asp

**Table A5.5: Capacity Building of the Inland Fisheries Research and Development Institute II
Concept Paper**

Date: 12 January 2005

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input checked="" type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p>								
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Agriculture and natural resources Subsector: Fisheries</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Targeted intervention</p> <p> <input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input checked="" type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table> <p>Subthemes: Promoting economic efficiency and enabling markets, Natural resources conservation, Environmental policy and legislation</p>	<input checked="" type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: Agriculture, Environment, and Natural Resources Division/Mekong Department</p>								
<p>5. Responsible ADB officer: O. Serrat, senior project economist (natural resources)</p>								
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: Without a doubt, inland fisheries are indispensable to the food security, income, and employment of the Cambodian population.¹ Yet, attention is increasingly being drawn to the impacts of overfishing and destructive practices. King Norodom Sihanouk has warned that Cambodia faces environmental disaster if the ecosystem of the Tonle Sap is further degraded.</p>								

¹ Fish provide 40–70% of the protein intake of Cambodia's population, and the annual catch from the Tonle Sap represents about 75% of the national inland fish catch. Fishing and agriculture are the two main sources of livelihood for the 3 million people (25% of Cambodia's population) who live around the lake.

Fisheries research can work to (i) make fish more affordable; (ii) add to the diversification of fisheries; (iii) generate employment and income for fishers; (iv) create alternative livelihoods; (v) conserve and rebuild fish stocks; (vi) provide policy advice on management arrangements for common aquatic resources, from insights into the external factors that impinge on their use; and (vii) buttress community efforts to manage aquatic resources and protect biodiversity. Research to these ends can reduce poverty and is supported by ADB's policy on fisheries,² which is guided in turn by ADB's policy on agriculture and natural resources research.³

The Inland Fisheries Research and Development Institute (IFREDI) was constituted in late 2002 as a physical, legal, and organizational entity reporting to the Department of Fisheries (DOF) in the Ministry of Agriculture, Forestry, and Fisheries. Its mission is to promote sustainable development and use of living aquatic resources based on environmentally sound management.⁴ It is comprised of a section for biological research and resource assessment, and one for socioeconomic research, and oversees two field stations for lake and bagnet fisheries. Its research program, to be delivered by about 30 research staff now assigned to the Project for Management of the Freshwater Capture Fisheries, has been outlined. At this early stage, the opportunity exists to establish a well functioning research system with high standards for analytic rigor and effective scientific reporting and communication. From a small base, it is important that capacity to plan and undertake research, and to extend and disseminate findings, be built.

In November 2002, ADB approved TA 4025–CAM: Capacity Building of the Inland Fisheries Research and Development Institute. The goal of the TA was sustainable management and conservation of natural resources and biodiversity in the Tonle Sap basin. Its purpose was to kick-start IFREDI as an efficient, effective, and relevant research and development institute. Its outputs lay in the realms of (i) institute management; (ii) research and development; (iii) technology transfer; and (iv) policy development and dialogue. The TA is nearing completion and has, by all accounts, been highly successful. It has resulted in much-enhanced, if not newly created capacity. All stakeholders have expressed deep satisfaction at the quality and extent of its deliverables. The Mekong River Commission, in particular, has remarked that the TA's accomplishments validated in full its decision to fund construction of IFREDI in its endeavors to build capacity for inland fisheries management in the Mekong basin. Yet there remains work to be done.

- b. Goal and purpose:** The goal of the TA is sustainable management and conservation of natural resources and biodiversity in the Tonle Sap basin. Its purpose is to put the last touches to IFREDI's establishment as an efficient, effective, and relevant research and development institute.
- c. Components and outputs:** The outputs of the TA will lie in the realms of (i) technology transfer; and (ii) policy development and dialogue.
- d. Expected results and deliverables:** The primary result and deliverable is enhanced capacity to disseminates the fruits of fisheries research and development in Cambodia.
- e. Social or environmental issues or concerns:** None
- f. Plans for disseminating results/deliverables:** The TA will be allied to ongoing programs of the Ministry of Agriculture, Forestry, and Fisheries. Its deliverables will be disseminated through their information networks, particularly through IFREDI's new website. ADB also publishes a 6-monthly Tonle Sap Initiative brochure and maintains a website for the Tonle Sap Environmental Management Project giving links to related sites.⁵

7. Proposed executing/implementing agencies: The executing agency for the TA will be DOF.

² ADB. 1997. *The Bank's Policy on Fisheries*. Manila.

³ ADB. 1995. *The Bank's Policy on Agriculture and Natural Resources Research*. Manila.

⁴ IFREDI's terms of reference are to (i) identify and monitor the development of freshwater fish and other living aquatic resources that are importance to the economy, food security, and the maintenance of biodiversity; (ii) establish an inland fisheries research program and carry out research in subjects related to the ecological, biological, technical, and socioeconomic aspects of fisheries; (iii) research the impacts on living aquatic resources of dam construction, irrigation schemes, and other development activities; (iv) establish information storage systems; (v) disseminate scientific and technological information to raise awareness of conservation needs and management options; (vi) research the relationship between freshwater fisheries and aquaculture; (vii) provide training in freshwater fisheries and their management; (viii) cooperate with local, nongovernment, and international organizations; and (ix) engage in income-generating activities related to the research agenda.

⁵ The website is at http://www.adb.org/Projects/tonle_sap/default.asp.

<p>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</p>
<p>9. Timetable for assistance design, processing, and implementation</p> <p>a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2005</p> <p>b. Expected date of submission for approval</p> <p style="padding-left: 20px;">Lending:</p> <p style="padding-left: 20px;">Nonlending (project preparatory):</p> <p style="padding-left: 20px;">Nonlending (other than project preparatory):</p> <p>c. Period and duration of assistance</p> <p style="padding-left: 20px;">Lending:</p> <p style="padding-left: 20px;">Nonlending: 6 months</p>
<p>10. Financing Plan</p> <p>a. For nonlending</p> <p style="padding-left: 20px;"><input type="checkbox"/> No resources required, other than ADB staff</p> <p style="padding-left: 20px;"><input type="checkbox"/> ADB's administrative budget:</p> <p style="padding-left: 20px;"><input checked="" type="checkbox"/> Grant TA funds: \$300,000</p> <p style="padding-left: 20px;"><input type="checkbox"/> Other:</p>

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table 5.6: Financial Sector Program I (Subprogram III) Implementation
Concept Paper**

Date: 7 October 2004

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input checked="" type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input checked="" type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p>								
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Financial sector Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Targeted intervention</p> <p> <input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: Governance, Finance, and Trade Division/Mekong Department</p>								
<p>5. Responsible ADB officer: S. Tukuafu, financial specialist</p>								
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: Cambodia's economy exhibits limited financial intermediation, low public confidence in banks and a nascent set of nonbank financial institutions. The underdeveloped financial system represents a key constraint to broad-based sustainable economic growth and thus hinders the Government's central socioeconomic development objective of poverty reduction. Like other young, developing commercial systems, the financial sector has been hampered by (i) high risk related to weak banks and uncertainties regarding contract and security enforcement; (ii) high information costs stemming from lack of accounting systems, appropriate accounting and auditing standards, and other information infrastructure; (iii) high operating costs due to weaknesses in payment systems, liquidity management and other market infrastructure; (iv) inefficient state-owned financial institutions; and (v) weak supervisory system and capacity.</p>								

The Government developed its sector strategy through the preparation of the Financial Sector Blueprint for 2001–2010 with support from ADB. Financial sector reform was supported by the IMF Poverty Reduction and Growth Facility (PRGF), initiated in 1999, which strengthened bank supervision and restructured the banking industry and by the ADB Financial Sector Program Loan (FSPL I). The FSPL I complemented the IMF's program on banking supervision and also extended assistance to the development of insurance, money markets, and financial infrastructure. FSPL I, which is based on the concept of the three-subprogram loan cluster, was approved in November 2001, along with subprogram I of \$10 million. Following successful completion of subprogram I, ADB approved subprogram II in November 2002. Implementation of the activities under subprogram II is at an advanced stage. The insurance sector and legal infrastructure for financial and private sector development are two key areas of the FSPL I (subprogram III) which require technical assistance to build the capacity for the reforms to be implemented.

Linkage to Country Strategy: Private sector development is one of the pillars for ADB's operations in Cambodia. Financial sector development is a priority goal, and this sector is one in which ADB has played a leading role to date.

- b. **Goal and purpose:** The primary goal of the FSPL is establishing the foundation for banking, insurance sectors and financial markets in support of a sound, diverse financial system that contributes to resource mobilization and sustainable economic growth.
- c. **Components and outputs:** Building on accomplishments under subprograms I and II, the major components of subprogram III include (i) enhancing banking intermediation and public confidence by strengthening banking supervision, and building human capacity in the regulators and the banks; (ii) fostering private sector development of the insurance business while strengthening the regulatory framework and supervisory system; (iii) establishing the foundation for financial markets, starting with the interbank money markets; and (iv) developing further the financial market infrastructure to underpin commercial activities.

Two of these areas require considerable technical assistance in order to enable implementation and achieve the outcomes envisioned under FSPL (Subprogram III): insurance sector development and legal infrastructure for commercial activities

- d. **Expected results and deliverables:** Upon completion of technical assistance to support the implementation of Subprogram III, it is expected that (i) insurance sector regulations will be strengthened, the state insurance company will begin restructuring and Ministry of Economy and Finance will adopt and begin implementing a plan to divest from insurance business; (ii) a secured transactions law will be adopted and the associated electronic public registry for secured transactions, using an electronic based system will be operational; (iii) a program for capacity building to use the new secured transactions system and insolvency for banks, judges and other legal professionals will be designed and implementation will have been initiated, supported by the introduction of the new commercial court; and (iv) an action plan for judicial strengthening and dissemination for the new set of commercial laws being prepared for adoption under FSPL I, Subprogram III.
- e. **Social or environmental issues or concerns:** Social impact is positive, and environmental issues are minimum.
- f. **Plans for disseminating results/deliverables:** ADB will keep active policy dialogue with all public and private sector stakeholders in designing the program, and disseminating results of the program.

7. Proposed executing/implementing agencies: National Bank of Cambodia, Ministry of Economy and Finance and Ministry of Commerce

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: The design of the loan is based on the Financial Sector Blueprint for 2001–2010, formulated with the active participation of all government and private sector stakeholders. The Government adopted the Blueprint in August 2001 and plans to update it in the first quarter of 2005. The details of subprogram III will be further refined after assessment of progress to date and discussion with the government agencies and private sector stakeholders. As a result, the final design of the remaining program will reflect changes in the social, political and economic environment, and will build on the progress made under the first two subprograms by the government agencies and private sector stakeholders.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2004
- b. Expected date of submission for approval
 - Lending:
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory): 2005
- c. Period and duration of assistance
 - Lending:
 - Nonlending: 2005–2006

10. Financing Plan

- a. For nonlending
 - No resources required, other than ADB staff
 - ADB's administrative budget:
 - Grant TA funds \$500,000
 - Other:

ADB = Asian Development Bank, CSP = country strategy and program, IMF = International Monetary Fund, RCSP = Regional cooperation strategy and program, TA = technical assistance.

**Table A5.7: Facilities for Commune Councils – Phase II
Concept Paper**

Date: 1 October 2004

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p> <input checked="" type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input checked="" type="checkbox"/> Project preparatory</p> <p> <input type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p>								
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Law and public sector management Subsectors:</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Targeted intervention</p> <p> <input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic area(s)</p> <p>Theme:</p> <table border="0"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table> <p>Subtheme: Public governance.</p>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: Governance, Finance and Trade Division/Mekong Department</p>								
<p>5. Responsible ADB officer: S. Nicoll, senior NGO specialist</p>								
<p>6. Description of assistances</p> <p>a. Background/linkage to country/regional strategy: Public administration reform and local governance are key areas of ADB support under the current country program and strategy (CSP) and the 2005–2009 draft CSP. ADB has supported the development of local governance through the Commune Council Development Project (CCDP). The goal of CCDP is enhanced poverty reduction through more participatory, transparent and accountable governance at commune-<i>sangkat</i> level throughout Cambodia. Component 1 of CCDP aims to establish 420 commune facilities in 20 rural provinces across the country.</p> <p>Commune councils, elected for the first time in February 2002, will play an active role in the promotion of democracy and are the local authority for planning and implementing commune socioeconomic development. In addition, communes and administration are responsible for providing social services,</p>								

including civil registration. Currently many communes do not have offices or are accommodated in temporary and dilapidated structures. The medium- term objective is to ensure that all commune councils have facilities and basic equipment required to function effectively.

The structures, processes, and procedures for identifying communes eligible for facilities, securing necessary government approvals, tendering civil works contracts, and monitoring and supervision of contractors have been well established under CCDP. Key processes and procedures include (i) agreement on a project implementation methodology that follows established guidelines and regulations of the government for procurement by commune councils; (ii) surveying of commune facility needs assessment, a formalized scoring method for commune selection, and establishment of a priority list of communes; (iii) standard designs concepts and full architectural and structural detailed design drawings for three standard models, based on Khmer traditional designs which should reflect local pride; (iv) detailed cost estimates for three standard designs; and (v) established standard procurement methods and related documents for civil works by commune councils.

At present, ADB is the only donor providing significant assistance to the Government in establishing basic, functioning commune facilities and offices. These small civil works projects have provided an excellent opportunity for commune councils to apply their developing leadership, supervision, and monitoring skills in managing the contractors responsible for construction. The learning has been enhanced by a supportive environment provided by the Department of Local Administration and the national consultants under CCDP. Commune council members and staff have performed well in carrying out these functions.

Once basic commune facilities are established, commune councils can then focus on key administrative functions to enable the smooth functioning of council operations. Skills in office management will be important to protect commune assets such as equipment and furniture, monitoring inventories of supplies, and safeguarding official records such as civil registration documents. Effective record keeping and filing will be important to enable communes to provide services effectively to members of the community. Commune councils will have a responsibility to promote the commune council facility not only as a place of work for councilors, but also a meeting place for members of the community for public activities.

In order to ensure that all commune councils have the basic facilities required to carry out their functions, it is proposed to undertake a second phase of commune council facilities to complete the process of establishing basic facilities in communes across the country. It is also proposed that support be provided to build capacity of commune councils to safeguard and manage commune assets, inventories, and records effectively.

- b. Goal and purpose:** The goal of the project is to support commune councils to manage the democratic development of their communes effectively. The purpose of the project is to provide commune councils with working facilities to function effectively.
- c. Components and outputs:** The project outputs include (i) establishment of up to 1,140 commune council facilities; (ii) strengthened capacity of commune councils to plan, manage and supervise civil works projects; and (iii) strengthened capacity of commune councils and clerks in office management, asset management, record keeping and filing.
- d. Expected results and deliverables:** The results of the project will be (i) all commune councils have functioning, well equipped facilities; (ii) commune councilors have the capacity to manage small civil works projects; and (iii) commune councils effectively manage commune facilities assets for the community.
- e. Social or environmental issues or concerns:** All commune councils will need to register the land on which the commune facilities are built with the land registration office.
- f. Plans for disseminating results/deliverables:** The results from CCDP will inform the design of CCDP – Facilities Phase II and will be disseminated throughout the country. Lessons learned from the capacity building component under CCDP will contribute to the effective design of capacity building activities under Commune Council Facilities Phase II.

- 7. Proposed executing/implementing agency or agencies:** The Ministry of Interior is the proposed executing agency. Implementing agencies will be commune councils throughout the country.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

During the ADB review mission of CCDP in May 2004, the Ministry of Interior, Department of Local Administration asked ADB to consider support for a second phase of commune council facilities.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2004
- b. Expected date of submission for approval
 - Lending: 2006
 - Nonlending (project preparatory): 2005
 - Nonlending (other than project preparatory):
- c. Period and duration of assistance:
 - Lending: 2006–2008: 30 months
 - Nonlending: 2005–2006: 9 months

10. Financing Plan

- a. For nonlending
 - No resources required, other than ADB staff
 - ADB's administrative budget:
 - Grant TA funds \$400,000.
 - Other:

If cofinancing is required, indicate amount and sources sought: TBD.

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance, TBD = to be decided

**Table A5.8: Women's Integrated Empowerment Centers
Concept Paper**

Date: 24 November 2004

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input checked="" type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input checked="" type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p>								
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Multisector (Education, health, and industry and trade) Subsector: Multisector (Technical education, vocational training, and skills development, other health and social services, and small and medium-sized enterprises)</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Targeted Intervention</p> <p> <input checked="" type="checkbox"/> General Intervention</p> <p>c. Key thematic areas</p> <p>Themes:</p> <table border="0"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input checked="" type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Gender and development</td> <td></td> </tr> </table> <p>Subthemes: Gender equity in capabilities and gender equity in empowerment and rights</p>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Gender and development	
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input checked="" type="checkbox"/> Gender and development								
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: Social Sectors Division/Mekong Department</p>								
<p>5. Responsible ADB officer(s): To be determined.</p>								
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: ADB recognizes that Cambodia's development challenges have a significant gender dimension. Despite their vital contributions, women do not enjoy the benefits of growth and development on an equal footing with men. High illiteracy and low educational attainment limit women's economic opportunities and depress their well-being. In promoting broad-based growth and poverty reduction, ADB will support the enhancement of women's productivity and income-earning capacity through investments in agriculture and natural resources, rural livelihoods, and small and medium-sized enterprises (SMEs). It is clear that women's education and empowerment are positively correlated with better nutrition, birth spacing, and better education and health of children. ADB will support efforts to provide practical measures toward gender equity.</p> <p>b. Goal and purpose: The Integrated Women's Empowerment Center Program will establish a mechanism for expanding access to services to support the socioeconomic empowerment of women. The project will</p>								

<p>contribute to the achievement of Cambodia's Millennium Development Goal gender equity targets, including targets for literacy and gender equity in employment, as well as targets for reducing poverty.</p> <p>c. Components and outputs: (i) Upgrade the physical facilities of two existing Women in Development (WID) centers in two locations to accommodate the additional services to be offered through the centers; (ii) undertake surveys and establish local advisory committees to help identify priorities for services to be offered by the centers; (iii) develop a management and staffing plan for the converted centers; (iv) identify and contract with project partners to provide services through the centers; (v) strengthen the capacity of women's empowerment center (WEC) staff to facilitate organization and delivery of services; (vi) strengthen the capacity of the Ministry of Women's Affairs (MoWA) staff in providing guidance and support to WECs; (vii) develop a strategy for ensuring long-term sustainability of the centers; and (viii) develop a strategy for systematically transforming additional WID centers and establishing new WECs in other provinces.</p> <p>d. Expected results and deliverables: Two existing WID centers will be converted into integrated Women's Empowerment Centers. These centers will provide an integrated package of services to advance the socioeconomic empowerment of women, including (i) training and support for sociocultural empowerment (e.g., functional literacy, life skills, reproductive health education, legal literacy, formation of mutual support groups); (ii) human resource development (e.g., market-oriented skills training, pilot mobile training unit); (iii) micro-enterprise development training and support services (management skills training; facilitating access to business counseling, capital, markets, technology, raw material, etc.; and formation of associations), and (iv) common facility and/or business incubator units will provide access to equipment (particularly for agro-processing), office facilities and common licensing to facilitate business start-ups, and also serve as a source of information and support on product development, design, procurement, marketing, etc.</p> <p>e. Social or environmental issues or concerns: None.</p> <p>f. Plans for disseminating results/deliverables: Through stakeholder workshops and seminars.</p>
<p>7. Proposed executing/implementing agency or agencies: Ministry of Women's Affairs</p>
<p>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: The Government is requesting assistance for this pilot project to fill a critical gap in the services and support available to promote the socioeconomic empowerment of women in Cambodia. This program would consolidate and build on lessons learned from activities undertaken by MoWA over the past 10 years. Synergy with other government projects and programs, external funding agencies, nongovernmental organizations and the private sector were fully taken into account when the project concept was developed.</p>
<p>9. Timetable for assistance design, processing, and implementation</p> <p>a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2005</p> <p>b. Expected date of submission for approval Lending: Nonlending (project preparatory): Nonlending (other than project preparatory): Fourth quarter, 2005</p> <p>c. Period and duration of assistance Lending: Nonlending: 2006–2008</p>
<p>10. Financing Plan</p> <p>a. For nonlending</p> <p><input type="checkbox"/> No resources required, other than ADB staff</p> <p><input type="checkbox"/> ADB's administrative budget: \$</p> <p><input type="checkbox"/> Grant TA funds</p> <p><input checked="" type="checkbox"/> Other: Cofinancing from trust fund resources</p> <p>If cofinancing is required, indicate amount and sources sought: \$1.5 million, source to be determined.</p>

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance, TBD = to be decided.

**Table A5.9: Dormitories for Secondary School Girls
Concept Paper**

Date: 24 November 2004

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input checked="" type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input checked="" type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p>								
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Education Subsector: Basic education</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Targeted Intervention</p> <p> <input checked="" type="checkbox"/> General Intervention</p> <p>c. Key thematic area(s)</p> <p>Themes:</p> <table border="0"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input checked="" type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Gender and development</td> <td></td> </tr> </table> <p>Subthemes: Gender equity in opportunities, human development</p>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Gender and development	
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input checked="" type="checkbox"/> Gender and development								
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: Social Sectors Division/Mekong Department</p>								
<p>5. Responsible ADB officer(s): To be determined</p>								
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: ADB recognizes that Cambodia's development challenges have a significant gender dimension. Despite their vital contributions, women do not enjoy the benefits of growth and development on an equal footing with men. High illiteracy and low educational attainment limit women's economic opportunities and depress their well-being. It is clear that women's education and empowerment are positively correlated with better nutrition, birth spacing, and better education and health of children. There are about 63 girls for every 100 boys in lower secondary school and fewer than 50 girls for every 100 boys at the upper secondary and tertiary levels. Dropout rates among girls are higher at all levels, especially in rural areas. ADB will support efforts to provide concrete measures toward gender equity.</p>								

<p>b. Goal and purpose: The project will establish a model for community-based management of dormitories for girls attending secondary school. This project will contribute to the achievement of Cambodia's Millennium Development Goal targets for increasing secondary school enrollment and reducing the gender gap in secondary education.</p> <p>c. Components and outputs: (i) Construct dormitories for girls in three selected locations as a pilot program; (ii) develop a community-based management system working in partnership with local partners (e.g., NGOs, Buddhist nuns, community organizations); (iii) train managers and resident female teachers who will receive a salary supplement to compensate them for their increased responsibilities; and (iv) develop a strategy for ensuring long-term sustainability of dormitories. Activities will be carried out over a three-year period.</p> <p>d. Expected results and deliverables: Reduction of gender gap in secondary education. Cambodia Millennium Development Goal targets of 100% retention rate (grades 1–9) by 2015.</p> <p>e. Social or environmental issues or concerns: None.</p> <p>f. Plans for disseminating results/deliverables: A series of consultations and workshops will be organized in selected provinces to promote active participation of stakeholders, including beneficiary communities, and civil society organizations in project planning and subsequent implementation.</p>
<p>7. Proposed executing/implementing agency or agencies: Ministry of Women's Affairs</p>
<p>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: There has been consultation with the government agencies concerned. Complementarity with other projects and programs and other external funding agencies has been fully considered.</p>
<p>9. Timetable for assistance design, processing, and implementation</p> <p>a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2005</p> <p>b. Expected date of submission for approval Lending: Nonlending (project preparatory): Nonlending (other than project preparatory): Fourth quarter, 2005</p> <p>c. Period and duration of assistance Lending: Nonlending: 2006–2008</p>
<p>10. Financing Plan</p> <p>a. For nonlending</p> <p><input type="checkbox"/> No resources required, other than ADB staff</p> <p><input type="checkbox"/> ADB's administrative budget: \$</p> <p><input type="checkbox"/> Grant TA funds</p> <p><input checked="" type="checkbox"/> Other: Cofinancing/trust fund resources</p> <p>If cofinancing is required, indicate amount and sources sought: \$800,000, source to be determined.</p>

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A5.10: Rehabilitation of the Railways in Cambodia
Concept Paper**

Date: 15 December 2004

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p> <input checked="" type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input checked="" type="checkbox"/> Project preparatory</p> <p> <input type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p>								
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Transport Subsector: Railways</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Targeted Intervention</p> <p> <input checked="" type="checkbox"/> General Intervention</p> <p>c. Key thematic areas</p> <p>Themes:</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input checked="" type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table> <p>Subtheme(s):</p>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p>3. Coverage</p> <p><input type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: Infrastructure Division/Mekong Department</p>								
<p>5. Responsible ADB officer: P. Broch, transport/project economist</p>								
<p>6. Description of assistances</p> <p>a. Background/linkage to country/regional strategy: The association of South-East Asian Nations (ASEAN) has asked for ADB's support in establishing a rail link between Singapore and Kunming, which is an ASEAN flagship project. The strategy for the project is gradual rehabilitation and upgrading of the constituent national railway lines to the extent implied by national development priorities, and construction of missing rail links. A central part of the flagship project is the railway through Cambodia and Viet Nam, which provides the strategic link between the existing railway networks in Singapore, Malaysia, Thailand and Myanmar in the west, and the railway networks in Viet Nam and Yunnan province in the east. The railway link through Cambodia is also an integral part of the Greater Mekong Subregion (GMS) southern economic corridor, which is one of 11 flagship programs under the GMS subregional economic cooperation.</p> <p>The Cambodia Transport Sector Strategy Study (TA-3651, 2002) concluded that, as a result of many years of war, the railway was in poor condition and would need to be rehabilitated before the full benefits from rail traffic could be realized. Access to safe and regular regional railway traffic would benefit Cambodia in several ways: (i) by reducing heavy truck traffic on the road network, thus reducing future maintenance and</p>								

expansion costs; (ii) by reducing the transport of fuel and other dangerous cargoes by road, thus reducing road traffic risks; (iii) by providing cheap transport for bulk cargoes such as cement and fuel, thus reducing the cost of importing and distributing such basic products; and (iv) by increasing the competitive pressure on existing transport systems, primarily road transport and the port in Sihanoukville through the establishment of alternative routes and means of transport, which would help to reduce the scope for monopoly pricing. The study suggested that railway operations in Cambodia could become financially viable if the railway were rehabilitated and restructured with decisive private sector involvement. Finally, the strategy study noted that railway operations were not financially viable under current circumstances and could not generate the funds required for rehabilitation. The previous decade of intensive investment in the road sector in Cambodia was aimed at reestablishing the country's core road network, which will be completed by about 2006. A reorientation of transport sector investments is already taking place, focusing on (i) deepening of the road network by rehabilitating the secondary road network, which until now has been largely neglected, and (ii) increasing the competitiveness and efficiency of the transport sector through a more diversified transport market, offering a wider range of transport routes and modes. Increased diversity would improve the efficiency of the transport sector in two ways: it would reduce the scope for monopoly pricing by offering realistic alternatives, and it would enable a broader range of transport services that better match demand for various types of transport.

- b. Goal and purpose:** The objectives of the project are: (i) to support integration of Cambodia into the regional the subregional railway network in the western parts of the subregion by providing railway access to Thailand; (ii) to increase the efficiency of transport services within Cambodia and to its neighbors by providing efficient alternative routes and modes of transport for Cambodia's import and export trade; (iii) to reduce the cost of road maintenance and traffic risks by transferring heavy and dangerous cargoes to a safe and reliable railway system; (iv) to pave the way for further subregional integration in future by facilitating achievement of the Singapore–Kunming railway link; and (v) to increase the transparency and eliminate the current financial losses from the railway by restructuring the railway into a public private partnership (PPP), and by establishing a transparent regulatory framework for the railway.
- c. Components, outputs, specific deliverables:** Processing of the loan during 2005 for approval in early 2006, and completion of civil works by 2010, leading to complete rehabilitation of the railway, including bridges and other structures and reconstruction of about 50 kilometers (km) of railway to the border with Thailand, which was destroyed during the war. This will reestablish railway connections between Cambodia and the railway network in western GMS. A parallel advisory TA will be executed in 2005–2006 for restructuring of the railway sector.
- d. Expected results and deliverables:** The expected result of the advisory TA would be a restructured railway operator with joint public and private ownership, which could further develop the railway in commercial, technical and financial terms, to become a fully modernized and efficient transport provider. The process would also provide an example of transparent execution of restructuring through the establishment of PPPs, which could be emulated in other sectors in Cambodia and throughout the subregion. The expected result of the loan project would be about 600 km of rail rehabilitated to a safe standard with a travel speed of about 50 km per hour, and about 48 km of lost railway reestablished to a similar standard. This would provide the foundation for future development of the railway on commercial terms. The expected result of the restructuring TA would be the establishment of a functioning railway regulator that could efficiently oversee and promote the subsector's future development.
- e. Social or environmental issues or concerns:** There are instances of encroachment on the existing railway right of way, which will require resettlement. The extent and severity of the issue will be reviewed as part of project preparation and a resettlement plan will be developed and implemented accordingly under the resettlement framework agreed by the Government of Cambodia and ADB. Issues related to minorities, gender and poverty will be reviewed as part of project processing and mitigating measures will be implemented if necessary. A concern would be retrenchment in Royal Railways of Cambodia (RRC) as part of the PPP process, where adequate compensation schemes may need to be developed and funded. The project is for rehabilitation and re-establishment of track in the existing alignment and, thus major environmental concerns are not foreseen. Possibilities for improving drainage arrangements where the railway passes the flood plains of Tonle Sap will be assessed as part of project preparation.
- f. Plans for disseminating results/deliverables:** The recommendations and the process of the PPP process will be exhaustively documented as required by PPIAF, to allow for monitoring and emulation of the process elsewhere. The PPP process and the environmental and social assessments will require extensive consultation with a wide range of stake holders, inclusive of the concerned government institutions in Cambodia and Thailand, current and potential railway users and potential private investors, the staff and management of RRC, the general population living in the vicinity of the railway, and local authorities affected by the project, notably in Poipet.

<p>7. Proposed executing/implementing agencies: Ministry of Public Works and Transport</p>										
<p>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: During a reconnaissance mission in May 2003, the proposal was discussed with representatives from the concerned Ministries in Cambodia and Thailand as well as concerned officials of ASEAN, concerning the interest in and likely degree of support for the proposal. RRC and the State Railways of Thailand were consulted about the mode of implementation, and current and potential private sector users of the railway in Cambodia and Thailand about their demand for improved railway services and their willingness to participate and invest in a PPP. An MOU outlining the project has been signed with the Ministry of Public Works and Transport in Cambodia. In September 2004, the Government formally requested ADB to provide support to restructuring and rehabilitation of the railway.</p>										
<p>9. Timetable for assistance design, processing, and implementation</p> <p>a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: CSP Update (2002–2004) and CSP Update (2004–2006).</p> <p>b. Expected date of submission for approval Lending: January 2006 Nonlending (project preparatory): January 2005 Nonlending (other than project preparatory):</p> <p>c. Period and duration of assistances Lending: 2006–2010 (5 years) Nonlending: 2005</p>										
<p>10. Financing Plan</p> <p>a. For lending</p> <p><input type="checkbox"/> Ordinary capital resources: <input checked="" type="checkbox"/> Asian Development Fund: TBD <input checked="" type="checkbox"/> Other: Cofinancing and material support from ASEAN countries.</p> <p>The Government of Thailand will establish the required infrastructure in Thailand and will consider wider support if broader ASEAN support is forthcoming. The Government of Malaysia has offered reclaimed rail for reconstruction of the 48 km to the border of Thailand and may provide additional track and other inputs for rehabilitation of other parts of the railway. Japan Bank for International Cooperation has expressed interest in financing part of the rehabilitation project. Amounts to be determined.</p> <p>If known, provide cost estimates and financing arrangements:</p> <table border="1"> <thead> <tr> <th>Source</th> <th>Amount (\$ million)</th> </tr> </thead> <tbody> <tr> <td>ADB Financing</td> <td></td> </tr> <tr> <td>Government Financing</td> <td></td> </tr> <tr> <td>Other Financing</td> <td></td> </tr> <tr> <td>Total Cost</td> <td>40.0</td> </tr> </tbody> </table> <p>Source: ADB estimates.</p> <p>b. For nonlending</p> <p><input type="checkbox"/> No resources required, other than ADB staff <input type="checkbox"/> ADB's administrative budget: <input checked="" type="checkbox"/> Grant TA funds: \$500,000 <input checked="" type="checkbox"/> Other:</p>	Source	Amount (\$ million)	ADB Financing		Government Financing		Other Financing		Total Cost	40.0
Source	Amount (\$ million)									
ADB Financing										
Government Financing										
Other Financing										
Total Cost	40.0									

CSP = country strategy and program, RCSP = Regional cooperation strategy and program.

**Table A5.11: GMS Pro-Poor Tourism Development
Concept Paper**

Date: 14 December 2004

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p> <input checked="" type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input checked="" type="checkbox"/> Project preparatory</p> <p> <input type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p>								
<p>2. Assistance focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Industry and Trade Subsector: Tourism</p> <p>b. For project preparatory and lending, classification.</p> <p> <input type="checkbox"/> Targeted intervention</p> <p> <input checked="" type="checkbox"/> general intervention</p> <p>c. Key thematic areas</p> <p>Themes</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input checked="" type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Gender and development</td> <td></td> </tr> </table> <p>Subtheme(s):</p>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input checked="" type="checkbox"/> Gender and development								
<p>3. Coverage</p> <p><input type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: Social Sectors Division/ Mekong Department</p>								
<p>5. Responsible ADB officer: A. Perdiguero, project economist</p>								
<p>6. Description of assistance</p> <p>a. Background/linkage to regional strategy: Tourism has been included as the 11th flagship program under the 10-year GMS Program Strategic Framework approved by the GMS leaders in 2002. GMS leaders have recognized that a subregional approach to tourism development is necessary to promote the subregion as a single destination. This will expand the sector, increase its attractiveness, and contribute to poverty reduction.</p> <p>b. Goal and purpose: The purpose of the Project is to increase tourism cooperation in the GMS in order to improve the development and sustainability of tourism and the amount and distribution of its economic benefits in order to reduce poverty.</p> <p>c. Components and outputs: The Project will include the following components: (i) a GMS marketing and promotion plan to promote the subregion as a single destination; (ii) tourism-related infrastructure; (iii) human resources development in the GMS tourism sector with specific attention to gender needs; (iv) sustainable management of cultural and natural heritage sites for tourism development; (v) gender-integrated pro-poor community-based tourism; (vi) facilitation of the movement of tourists to and within the</p>								

GMS; and (vii) support for AMTA and the GMS Tourism Working Group.

d. Expected results and deliverables: (i) GMS tourism marketing activities delivered, (ii) tourism-related infrastructure projects developed; (iii) human resources for the GMS tourism sector developed, (iv) private–public partnerships and cooperation in place in the GMS, (v) sustainable management of the cultural and natural heritage in particular tourist sites improved, (vi) movement of tourists within and to the GMS facilitated.

e. Social or environmental issues or concerns: Increased mobility of tourists within GMS, if uncontrolled, could have negative impacts on HIV/AIDS and trafficking of women and children. Infrastructure improvements could also displace people and create environmental hazards if not properly managed

f. Plans for disseminating results/deliverables: Dissemination of results deliverables by reports and abridged documentation, workshops and press conferences.

7. Proposed executing/implementing agencies: The executing agencies will be the national tourism organizations in each country.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: GMS governments, the private sector in the different GMS countries, NGOs and local communities will be involved in the identification and implementation of subprojects, which will guide the concrete components and geographical focus of the TA.

9. Timetable for assistance design, processing, and implementation

a. Included in the GMS Regional Country Strategy and Program for 2006 (stand-by in CSPU)

b. Period and duration of assistance
Nonlending: January 2005 to December 2009.

10. Financing Plan

a. For lending

Ordinary capital resources:

Asian Development Fund: \$40 million in total of which \$10 million for Cambodia

Other:

If cofinancing is required, indicate amount and sources sought: \$160,000 from (tbd).
If known, provide cost estimates and financing arrangements.

Source	Amount (\$ million)
ADB Financing	10.0
Government Financing	5.0
Other Financing	0.0
Total Cost	15.0

Source: Asian Development Bank estimates.

b. For nonlending

No resources required, other than ADB staff

ADB's administrative budget:

Grant TA funds: \$900,000

Others: cofinancing \$160,000

If cofinancing is required, indicate amount and sources sought: \$160,000, source to be determined.

Source	Amount (\$ thousands)
ADB Financing	900
Government Financing	0
Other Financing	160
Total Cost	1,060

Source: Asian Development Bank estimates.

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A5.12: Cambodia – Business Initiative in Rural Development (C-BIRD)
Concept Paper**

Date: 5 November 2004

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input checked="" type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input type="checkbox"/> Institutional development</p> <p> <input checked="" type="checkbox"/> Other: Situation analysis, strategy development, and capacity building</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the</p> <p> Sector: Rural</p> <p> Subsector: Off-farm agriculture and small business</p> <p>b. For project preparatory and lending, classification</p> <p> <input checked="" type="checkbox"/> Targeted Intervention</p> <p> <input type="checkbox"/> General intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Sustainable Economic Growth</td> <td><input type="checkbox"/> Governance</td> </tr> <tr> <td><input checked="" type="checkbox"/> Inclusive Social Development</td> <td><input type="checkbox"/> Regional Cooperation</td> </tr> <tr> <td><input type="checkbox"/> Gender and Development</td> <td><input type="checkbox"/> Private Sector Development</td> </tr> <tr> <td><input type="checkbox"/> Environmental Sustainability</td> <td><input checked="" type="checkbox"/> Capacity Development</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable Economic Growth	<input type="checkbox"/> Governance	<input checked="" type="checkbox"/> Inclusive Social Development	<input type="checkbox"/> Regional Cooperation	<input type="checkbox"/> Gender and Development	<input type="checkbox"/> Private Sector Development	<input type="checkbox"/> Environmental Sustainability	<input checked="" type="checkbox"/> Capacity Development	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Sustainable Economic Growth	<input type="checkbox"/> Governance									
<input checked="" type="checkbox"/> Inclusive Social Development	<input type="checkbox"/> Regional Cooperation									
<input type="checkbox"/> Gender and Development	<input type="checkbox"/> Private Sector Development									
<input type="checkbox"/> Environmental Sustainability	<input checked="" type="checkbox"/> Capacity Development									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Cambodia Resident Mission; Agriculture, Environment, and Natural Resources Division/ Mekong Department</p>										
<p>5. Responsible ADB officer(s): S. Mar, social sector/ poverty officer; M. de Alwis, senior financial specialist</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: Promoting private sector development and employment in rural areas is one of the pillars of the Rectangular Strategy of the Government of Cambodia. The Government has acknowledged its role in fostering the involvement of business organizations in poverty reduction programs, and by creating a conducive environment for rural based economy that will support the private sector growth, which will create more employment opportunities for the rural poor.</p> <p>The Asian Development Bank's (ADB) Country Strategy and Program (CSP) is fully aligned to the Government's National Poverty Reduction Strategy (NPRS) and the Rectangular Strategy. Rural economic shocks are one of the leading causes of great rural-urban disparity in Cambodia, and create a vicious cycle among rural populations, and thus put at risk the country's commitment to the poverty reduction.</p>										

It is proposed to replicate in Cambodia, salient features of a successful project in Thailand, called the T-BIRD or Thailand Business Initiative for Rural Development. The business sector (small and large companies) can transfer business skills to poor households (production, marketing, financial management), help solve problems confronting poor villages, and assist their development to self-reliance. Under T-BIRD, participating business organizations provide training and guide villagers in undertaking sustainable businesses. They act as mentors until the villagers are capable of running their businesses. In so doing, the business sector displays their social responsibility, which raises their esteem in the public eye. They also profit financially from outsourcing some of their operations.

The concept of C-BIRD originated from a visit of ADB President to Thailand in early 2004. In one of his visits to observe the activities of the Population and Community Development Association of Thailand (PDA), the President was shown the T-BIRD project. Impressed with the achievements of T-BIRD and the successful partnership forged between Government and private sector, the President suggested that the MKRD should examine the feasibility of implementing a similar project in Cambodia. Accordingly, MKRD arranged contact between PDA and Cambodian officials, which resulted in CARM staff attending NGOs and Private Sector Workshop organized by PDA and visiting T-BIRD activities. In September 2004, a workshop was organized by CARM, financed from funds under TA 6110 (Promoting Partnerships and to Accelerate Agricultural Development and Poverty Reduction in the GMS).

Conditional upon the successful implementation of this project, it is intended to follow-up with additional assistance if required, for which neither the private sector or Government are in a position to provide. The purpose is to put on a sound footing the C-BIRD concept to ensure its success.

- b. Goal and purpose:** To assess the possibility of replicating the T-BIRD's approach in Cambodia, and develop to develop alternative mechanisms, if necessary, which will promote a participatory and sustainable approach to poverty reduction and socio-economic development involving business organizations, government institutions, NGOs and poor villagers.

c. Components and outputs:

- (i) **Situational Analysis:** This component will (a) assess the current involvement of business organizations in socio-economic development activities in rural areas; (b) assess the current and potential modalities of private, public and participating villages partnerships in socio-economic development activities in rural areas; (c) develop sustainable options in facilitating business organizations to contribute to rural and social development activities; and (d) identify and assess potential villages. The study will include extensive review of existing literature, sample survey and focus group discussions with potential stakeholders.
- (ii) **Catalyzing partnership:** This component will (a) initiate a C-BIRD Task Force (through consultation with interested parties in Cambodia, and technical inputs from staff of Population and Community Development Association (PDA) in Thailand, which will coordinate the implementation of this project; (b) provide support in organizing the first meeting of C-BIRD Task Force and sustaining its operations until institutionalization of C-BIRD; and (c) provide technical support to assist the Task Force to form sustainable partnership with private and NGO sectors. The C-BIRD Task Force will comprise of interested business organizations, key NGOs, and line government institutions. This Task Force will serve as alternative mechanism to kick-start this initiative, with support from the Ministry of Rural Development (MRD) and ADB. Trips to PDA in Thailand are also envisaged to learn about successful initiatives there involving NGOs, government institutions, and private sector, including village entrepreneurs.
- (iii) **Comprehensive Strategy:** This component seeks to institutionalize C-BIRD and to develop a comprehensive strategy to replicate the T-BIRD approach on the basis of inputs obtained from component 1 & 2.

d. Expected results and deliverables:

- (i) A comprehensive situational analysis of the current involvement of business organizations in socio-economic development activities in rural areas of Cambodia, identifying potential types and modality of collaboration between donors, Government institutions, NGOs and communities and their capacities;

<p>(ii) Establishment and strengthening of a C-BIRD Task Force which will take responsibility for identifying and facilitating private-public partnership for the purpose of improving the lives of the poor and working towards institutionalizing an approach to leverage the assistance from private sector corporations with donor assisted funds to effect social progress; and</p> <p>(iii) A comprehensive strategy to replicate the T-BIRD strategy, which can be adopted by interested parties, will contribute to poverty reduction and socio-economic development in rural area.</p> <p>e. Social or environmental issues or concerns: Government cannot tackle the growing poverty and unemployment in the country, alone. Getting the business community involved in development will ease the burden on Government and offer a sustainable strategy to alleviate poverty by linking businesses with communities in meeting their respective needs (for labor and employment), helping the poor help themselves by creating opportunities for growth and outsourcing possibilities, and making life good for all by ensuring social harmony</p> <p>f. Plans for disseminating results/deliverables: The draft analytical report will be circulated widely with interested parties. A series of consultations will be held through out the course of the project implementation to discuss specific issues and to gather feedback, especially from business organizations, NGOs, village entrepreneurs, and other development partners</p>										
<p>7. Proposed executing/implementing agencies: Ministry of Rural Development (MRD). The PDA will be recruited (as consultants) to assist MRD implement the project.</p>										
<p>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: A workshop on business initiative for family and rural development was held on 8 September 2004 attended by more than 40 participants from NGOs, business organizations, and Government institutions.</p>										
<p>9. Timetable for assistance design, processing, and implementation</p> <p>a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2005</p> <p>b. Expected date of submission for approval Lending: Nonlending (project preparatory): Nonlending (other than project preparatory): July 2005</p>										
<p>10. Financing Plan</p> <p>a. For nonlending</p> <p><input type="checkbox"/> No resources required, other than ADB staff</p> <p><input type="checkbox"/> ADB's administrative budget:</p> <p><input type="checkbox"/> Grant TA funds</p> <p><input checked="" type="checkbox"/> Other: PRF</p> <table border="1" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th style="text-align: left;">Source</th> <th style="text-align: right;">Amount (\$)</th> </tr> </thead> <tbody> <tr> <td>ADB Financing</td> <td></td> </tr> <tr> <td>Government Financing</td> <td style="text-align: right;">15,000 (In kind)</td> </tr> <tr> <td>Other Financing</td> <td style="text-align: right;">150,000</td> </tr> <tr> <td>Total Cost</td> <td style="text-align: right;">165,000</td> </tr> </tbody> </table> <p style="margin-top: 10px;">Source: ADB estimates.</p>	Source	Amount (\$)	ADB Financing		Government Financing	15,000 (In kind)	Other Financing	150,000	Total Cost	165,000
Source	Amount (\$)									
ADB Financing										
Government Financing	15,000 (In kind)									
Other Financing	150,000									
Total Cost	165,000									

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.