



European Development Cooperation Strategy for Cambodia 2014-2019

Second monitoring report

for the period 2016-2018

May 2019

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LIST OF ABBREVIATIONS

AFD	Agence française de Développement
ASDP	Agricultural Strategic Development Plan
ASEAN	The Association of South-East Asian Nations
BE	Belgium
CARD	Council for Agriculture and Rural Development
CCCA	Cambodia Climate Change Alliance
CCCSP	Cambodia Climate Change Strategic Plan
CF	Community Forestry
CFi	Community Fishery
CFMP	Community Forestry Management Plan
CH	Switzerland
CPA	Community Protected Areas
CSDG	Cambodian Sustainable Development Goal
CSO	Civil Society Organisation
CZ	Czech Republic
D/M	District/Municipality
DCPR	Development Cooperation and Partnerships Report
DCPS	Development Cooperation and Partnerships Strategy
DE	Germany
DP	Development Partner
DRM	Domestic Revenue Mobilisation Strategy
EBA	Everything But Arms
ECCC	Extraordinary Chambers in the Courts of Cambodia
ESP	Education Strategic Plan
EU	European Union
EUD	EU Delegation
FI	Finland
FR	France
GAP	Gender Action Plan
GER	Gross Enrolment Rate
GSP	Generalised Scheme of Preferences
HEF	Health Equity Fund
HU	Hungary
IDP	Industrial Development Policy
IE	Ireland
IT	Italy
JAAP	Joint Accountability Action Plan

JMI	Joint Monitoring Indicator
JP	Joint Programme
LDC	Least Developed Country
LDPF	Lead Development Partner Facilitator
LS	Lower Secondary
MAFF	Ministry of Agriculture, Forestry and Fisheries
MDG	Millennium Development Goal
MEF	Ministry of Economy and Finance
MIC	Middle Income Country
MoC	Ministry of Commerce
MoE	Ministry of Environment
MoEYS	Ministry of Education, Youth and Sport
MoH	Ministry of Health
MoLVT	Ministry of Labour and Vocational Training
MoWA	Ministry of Women's Affairs
MoWRAM	Ministry of Water Resources and Meteorology
MPWT	Ministry of Public Works and Transport
MRD	Ministry of Rural Development
NCDD	National Committee For Sub-National Democratic Development
NCSD	National Council for Sustainable Development
NR-IV	Neary Rattanak IV - The Ministry of Women's Affairs Five Year Strategic Plan
NSDP	National Strategic Development Plan
NSFSN	National Strategy for Food Security and Nutrition
OBI	Open Budget Index
PAR	Public Administrative Reform
PFM	Public Financial Management
PPWSA	Phnom Penh Water Supply Authority
RGC	Royal Government of Cambodia
RMCH	Reproductive, Maternal and Child Health
RS-III	Rectangular Strategy – Phase III
SDG	Sustainable Development Goal
SE	Sweden
SNDD	Sub-National Democratic Development
SME	Small and Medium Enterprises
TVET	Technical and Vocational Education and Training
TWG	Technical Working Group
UK	United Kingdom
USD	United States Dollar
UXO	Unexploded Ordinance

PREAMBLE

Cambodia embarked on joint programming with its European partners in 2013. The resulting joint European Development Cooperation Strategy for Cambodia was launched in 2014. An initial progress report was produced in 2016, with extensive Royal Government of Cambodia (RGC), National Assembly, civil society and private sector, dialogue. Following consultations, the European Joint Strategy was consolidated and the results framework was revised to be more responsive to Cambodian development challenges, as identified in the first joint monitoring report.

The joint strategy was also extended until the end of 2019 to allow time for Cambodia's next NSDP to be developed after the national elections in 2018. Meanwhile, Belgium has joined the group as an active European partner in joint programming, in mid-2017; therefore the European Joint Programming in Cambodia now brings together 11 partners.

This is the second Monitoring Report of the European Development Cooperation Strategy 2014-2019. In this report, European partners evaluate progress made over 2016-2018 in the areas where European partners provide support to Cambodia's development agenda. This document aims to provide a basis for an informed dialogue RGC and other stakeholders. It is to be used as a tool for joint analysis of progress or lack thereof in key development areas, in a constructive and solution-oriented manner, and in line with the spirit of partnership and principle of mutual accountability. This Report shall also provide a basis for the elaboration of the next Joint Cooperation Strategy, starting in 2020.

Under the framework of the joint strategy European partners agreed on two complementary action plans: (i) a joint [Roadmap for Engagement with Civil Society 2014-2019](#), which sets out commitments to structure dialogue with civil society, support civil society efforts to enhance accountability and transparency and further strengthen an enabling environment for civil society; (ii) a joint [Gender Action Plan 2016-2020](#), which increases coherence in European action and puts the focus on preventing violence against women, supporting nutrition for girls and women, providing equal access to education, TVET, decent work and productive resources; and ensuring equal participation in policy and governance processes.

The common values and principles which guide all European partners' actions in Cambodia set out a vision of country-led development, with the overarching aim of poverty reduction. Democratic values and the principles of partnership, transparency and mutual accountability are understood to underpin development effectiveness. European partners commit to implementing sustainable development principles, investing in people, promoting gender equality and considering conflict sensitivity, in recognition of the national context.

1. INTRODUCTION

The structure of the joint strategy results framework is fully aligned with the Rectangular Strategy Phase III (RS-III) of the Royal Government of Cambodia. The outputs of the joint European Strategy results framework and the related output indicators are based on the existing government and development partners' Joint Monitoring Indicators (JMIs) and government plans. Where needed, they are complemented by output indicators drawn from the existing European joint initiatives, such as the European Gender Action Plan or the European CSO Roadmap.

The monitoring of results is informed by government and development partners' joint monitoring processes (including the aforementioned JMIs) which are jointly agreed and monitored through the relevant Technical Working Group (TWG) mechanism. The assessment of results is also informed by the European partners' individual monitoring and evaluation arrangements, related to their respective project and programme portfolios. The broader picture of the overall direction of change within the core reforms and across sectors is also considered when assessing overall progress for this report.

2. OVERVIEW OF EUROPEAN DEVELOPMENT COOPERATION IN CAMBODIA

In 2016-2018, European partners continued to prioritise support to [governance](#), with a focus on effective and accountable institutions, and increased transparency in the use of public resources. European governance support focused on achieving an accountable and transparent public sector which values participatory decision-making processes and public access to information. Commitments in this area have been made to support inclusive societies and democratic institutions recognising them as preconditions for sustainable development.

European support for governance in 2016-2018 focused on six action points. The first is a PFM reform aiming to increase budget credibility and transparency, enhance linkages between budget allocations and policy priorities supporting accountability and investment planning. It also intends to increase domestic resource mobilisation. The second point is a Decentralisation reform focusing on enhanced dialogue and increased development funds to build national and sub-national capacity, implement local development plans, improved quality of public service delivery (including health and education) and an increasing use of social accountability mechanisms to engage meaningfully with citizens. The final aim is to improve local-level governance, support the participation of all citizens in local development actions and specifically promote women in local-level decision-making. The third point is an election reform to create a new electoral list in the aftermath of the 2014 political settlement and to provide voter education and domestic observation. The fourth point is to help the ECCC provide operational funds to both sides of the Court (reflecting a commitment to put international standards of justice into practice) and to support non-repetition actions targeting better understanding by young Cambodians of the Khmer Rouge period. In a post-conflict context this support helps build lasting peace in a society torn by its horrific past. The fifth point emphasises the promotion of gender equality, in relation to commitments under the European Gender Action Plan for Cambodia: it focuses particularly on equal rights and ability for women to participate in policy and governance processes. The final point is increased participation through multi-stakeholder dialogue, engagement with civil society, promoting civil and political rights, freedom of association and expression, ensuring access to information as well as social, economic and cultural rights, and supporting the land rights of minorities.

In the [agriculture and rural development area](#) – Rectangle 1 – European partners have promoted green and inclusive growth, and equitable rural growth. In doing so, they have addressed challenges linked to nutrition and food security. European efforts have also focused on providing rural infrastructure and improving the livelihoods of the poor and vulnerable in rural areas. The European partners' joint strategy prioritised community management of natural resources through community fisheries and forests, sustainable energy investments (water and solar) and climate change

measures. This allows European partners to be fully and jointly responsive to the priorities of protecting the environment. The specific focus is on sustainable management of water (freshwater and marine) and forest resources, greater investment in household solar energy and tackling climate change through support to the integration of climate change into national policies and through impact reduction measures at the local level. Plans for water management include mitigating or adapting to the effects of climate change through water treatment plants, sewage, flood control and irrigation.

In the area of [physical infrastructure](#) – Rectangle 2 – European support in 2016-2018 has been provided to both rural and urban settings, covering areas such as electricity, water supply, waste management, public transportation and sustainable energy use. Support for urban public services included sustainable urban development, energy, waste management and market rehabilitation.

In the area of [private sector development and employment](#) – Rectangle 3 – support in 2016-2018 has been provided to improve the business, trade and investment environment, and it has been complemented with investments in TVET. The European joint strategy prioritised improved policies to stimulate transparency in trade and private sector investment, aiming to create a wider array of jobs. European support focused on ASEAN integration, while at the same time promoting increased investment in skills for the labour market, agricultural diversification and value chain development, and infrastructure for rural economic growth. Social and environmental standards of Small and Medium Enterprises (SMEs) are also promoted through support for social protection, gender equality, social and environmental responsibility, and access to microfinance. European partners have been fully responsive to the emerging priorities by providing a combination of policy support, technical knowledge and support for economic investments in the most disadvantaged provinces using a range of funding modalities.

In the area of [capacity building and human resources development](#) – Rectangle 4 - European support in 2016-2018 continued to prioritise lifelong learning, through investments in primary education and higher education as well as support for health care and social protection. In the education sector, the European partners' supported early-childhood, primary, secondary and higher education. This allowed European partners to be fully responsive to the priorities of quality education for all with a specific focus on improving teacher qualifications and geographical equity, and strengthening inclusion (girls, disabled children and ethnic minorities). European partners have also contributed to the strengthening of the health system, by supporting improvements to the quality of health care services and the expansion of social health protection to the poor and vulnerable, to ease the burden of impoverishment for many disadvantaged Cambodians. Tackling malnutrition through health sector interventions has been gaining particular importance in the framework of the European support. European partners complement their bilateral cooperation with provision of scholarships for higher education.

European partners have channelled their support through cooperation with the Royal Government of Cambodia, civil society organisations, the private sector, and with different [modalities](#) and development actors, including European Development Agencies and Finance Institutions, UN Agencies and the Extraordinary Chambers in the Courts of Cambodia (ECCC).

European partners are ensuring [policy coherence for development](#) by taking into consideration the impact and complementarity of non-bilateral programmes and non-aid policies, such as the EU's Generalised Scheme of Preferences (GSP). The scheme provides developing countries with preferential access to the EU market through reduced tariffs. As an LDC, Cambodia has been one of the largest beneficiaries of the Everything but Arms (EBA) scheme. However, a procedure by the European Commission was initiated in October 2018 to possibly suspend such trade preferences for both Cambodia and Myanmar. Discussions are taking place between the Royal Government and the European Commission and possible social and economic impacts of any decision will need to be analysed.

3. OVERALL ASSESSMENT OF CAMBODIAN DEVELOPMENT STRATEGIES

The *Rectangular Strategy – Phase III* stated the Royal Government’s vision of a prosperous society with a strong economy that is diversified, dynamic, and resilient, and wherein lies an equitable distribution of opportunities. The Government’s overarching development goal is for the country to reach upper-middle income country (MIC) status by 2030 and high-income status by 2050. Cambodia has achieved lower MIC status in 2016¹. The RS-III central points are Growth, Employment, Equity and Efficiency. Four priority action areas guide national policy: agriculture development, development of physical infrastructure, private sector development and employment, and capacity-building and human resources development. At the core of the RS-III is Good Governance, with measures such as anti-corruption policies, legal and judicial reforms, public administration reform, public financial management reform, and reform of the armed forces.

Cambodia’s *National Strategic Development Plan 2014-2018* (NSDP) provides the roadmap for implementing the Rectangular Strategy III and details national priorities in all sectors, as well as the monitoring framework (84 indicators). The NSDP mid-term review (MTR) was completed at the end of 2016, following a series of consultations. The MTR recognised that Cambodia’s economy is undergoing significant re-structuring (while maintaining high levels of growth), as agriculture ceases to be the main sector in terms of GDP percentage. The NSDP MTR also affirmed the focus on good governance as the core factor enabling developmental sustainability, while recognising that the picture of policy implementation across sectors is mixed.

The *NSDP Mid-term Review* provided an opportunity for policy dialogue on Cambodia’s priorities for 2016-2018 and beyond. For the period 2016-2018, the review identified the need for increased attention on: mobilising resources and allocating them efficiently in line with national development objectives to sectors and actors at the appropriate administrative levels, promoting meaningful inter-ministerial planning and implementation, expanding the fiscal space, integrating Cambodia’s Sustainable Development Goals (CSDGs) and indicators into sector planning and strengthening monitoring and evaluation systems. Beyond 2018 and as key directions for the next NSDP 2019-2023 where the government intends to localise the SDGs, the MTR identifies 7 focal areas: (1) poverty and inclusive growth, (2) revitalising agriculture, (3) increasing competitiveness, (4) migration and urbanisation, (5) climate change and deforestation, (6) governance, and (7) human resource development (specifically skills and social protection) rooted in a participatory and transparent results and performance framework.

In terms of *resilience*, the RS-III set the target of a 1% reduction in poverty annually. Cambodia has made exceptional progress in poverty reduction: investments in rural infrastructure have allowed land to be used productively and the absence of controls on trading/prices has been supportive to increase prosperity. Cambodia is among the top 10 countries in the world in reducing income inequality². Consumption per capita for the poorest 40% of the population grew by 7.9% on average per annum, during the period 2007-2015. The NSDP MTR recognises that reaching the poorest will be increasingly challenging and a range of strategies to reduce poverty and vulnerability will be needed.

The Industrial Development Policy 2015 – 2025 (IDP) is the “New Economic Growth Strategy”, focusing on transforming and modernising Cambodian industrial structure from a labour-intensive industry to a skill-driven industry by 2025. In order to realize the said vision and the targets set above, the RGC has embraced four strategies. First, mobilizing and attracting foreign investments as well as private domestic investments by focusing on large industries, expanding markets and enhancing technology transfers. Second, developing and modernizing small and medium enterprises (SMEs) (expanding and strengthening the manufacturing base, modernising the registration of enterprises, ensuring technology transfer and industrial linkages). Third, revisiting the regulatory environment to strengthen the country’s

¹ World Bank classification: Cambodia remains a Least Developed Country (LDC) which is a classification managed by the United Nations based on income, human assets and economic vulnerability.

² Analysis in World Bank systematic country diagnostic, 2017

competitiveness (investment climate and trade facilitation, market information dissemination and informal fees reduction). Fourth, coordinating supporting policies (development of human resources, technical training, improvement of industrial relations, development of support infrastructure such as transportation/logistics and information and communication systems (ICT), supply of electricity and clean water, and public, social and financial services).

The *Cambodia Development Finance Assessment 2017* (DFA) provides a strong analysis of efforts needed to realise Cambodia's aspirations of reaching upper middle-income status by 2030 and implementing the 2030 sustainable development agenda at country level. With the successful implementation of the *Cambodian Domestic Revenue Mobilization Strategy 2014-2018* (DRM), the total recurrent revenue outturn almost doubled, increasing from USD 2,293 million (15.1% of GDP) in 2013 to USD 4,451 million (20.1% of GDP) in 2017³. However, by reviewing all sources of development financing⁴ from 2001 and making projections, the DFA concludes that in 2025 the potential total financing available for supporting national development objectives more than doubles (approx. USD 18 billion). This however is judged by the assessment as insufficient to meet Cambodia's financing needs over the period, especially when ODA currently finances 75% of the capital budget and would therefore need to be replaced by domestic resources.

Cambodia has firmly endorsed the *2030 Agenda*, noting that all goals are relevant for the country and has added an additional goal on mine action. Based on the review of Cambodia's progress in implementing the Millennium Development goals (MDGs)⁵, the full integration of environmental aspects into sustainable development and inclusive growth have been the most challenging for the country: growth to date has occurred at the same time as significant natural capital degradation. The SDGs and their interlinkages are complex and will require meaningful inter-ministerial planning and implementation of public policy in Cambodia, efforts that necessitate strong and reliable political leadership.

In addition, the Royal Government of Cambodia has laid out a *Development Cooperation and Partnerships Strategy 2014-2018* (DCPS). This strategy outlines how aid coordination structures support multi-stakeholder policy dialogue (including the agreement on having joint monitoring indicators in the 19 sectors covered by the coordination structure) and how well they articulate the government's intent to build inclusive partnerships. The strategy also reinforces results-based approaches and provides opportunities for strengthened inter-sectoral coordination.

The *Development Cooperation and Partnerships Report 2016* (DCPR) monitored the alignment between the NSDP priorities and ODA disbursement in 2015. The result was a mixed picture, with some sectors (transportation, crop agriculture, water and sanitation) being well funded. Others however - notably education, rural development, community and social welfare – remained under-funded. The *DCPR 2017* noted a decline in external development assistance in 2016 which was balanced in 2017 with rising loan disbursements. The analysis revealed that the cumulative ODA disbursements have overall been reasonably well-aligned with NSDP's resource needs. The report also noted that changing roles in development cooperation provisions – for instance, the stability in ODA grants along with the increase in concessional loans in recent years – are consistent with funding patterns during the middle-income country transition. DCPR 2017 reviewed Cambodia's progress towards *Least Developed Country (LDC) graduation*, noting that the country could graduate from the LDC group in the next 10 years depending on its ability to expand manufacturing and services sectors (including industrialisation), diversify exports, modernise its agriculture, and manage disaster-related risks.

³ Source: Cambodia Budget Settlement laws 2013 and 2017.

⁴ Domestic revenue, domestic private investment, foreign direct investment, remittances, official development assistance, South-South cooperation, climate financing and NGO contributions: in 2005 total development funding was almost equal to domestic revenue demonstrating efforts to mobilise domestic resources and diversify development financing

⁵ Cambodia's MDG performance has been among the best in the world

4. RESULTS OF THE EUROPEAN DEVELOPMENT COOPERATION

The progress made under the Outcome areas of the European Strategy during 2016-2018 is discussed below. Progress is rated in two complementary ways:

- 1) Numerical scoring - from 0 to 5 - which refers to progress on the specific indicator for each output where 0 means “no progress” and 5 means “excellent progress” towards achieving the output.
- 2) Colour coding - red, yellow and green - which refers to progress in the relevant sector and denotes an overall direction of change where green means that the progress overall is “on track”, yellow means “partly on track/some concerns” and red means “not on track/concerns”.

The chosen indicators are only proxy indicators and the dual scoring therefore enables a fuller assessment of progress that takes into account not only the implementation of European projects and programmes directly supporting the given indicators, but also the assessment of overall progress in the respective sector from the European partners’ perspectives, using international indices and qualitative measures.

Rectangular Strategy Goal 1 (Governance – Core): *Strengthened capacity, efficiency and quality of public services that raised public confidence in government and responds to the needs and aspirations of the Cambodian people and business community.*

European Strategy Outcome 1: Improved efficiency and effectiveness of Cambodia’s public institutions, systems and services according to international standards, making public service delivery more effective (‘supply side of governance’)



European partners have been active since 2013 in advocating for a **greater cross-reform coordination** to enable synergies between the PFM, PAR and SNDD reforms (where European partners were present in leadership roles in the respective TWGs). Repeated policy dialogue on cross-reform has led to the creation of a cross-reform mechanism in government (the secretariats of each reform meeting). A draft joint action plan has been elaborated to support the implementation of these key governance reforms with a particular focus on capacity-building for better public service delivery. The cross-reform coordination mechanism - established in 2015 to better integrate SNDD, PAR, and PFM - is operationalised through regular coordination meetings of the three reform secretariats, often held at a technical level.

The NSDP Mid-term review gauged the success of the governance reforms through proxy indicators such as willingness to invest/trust in the public sector. The conclusion was that the quality of governance continued to improve but further efforts were needed to manage the complexity of the 2030 agenda. The DFA also highlighted the ‘governance trap’ within the middle income trap⁶, and concluded that greater efforts were needed to implement cross-sector policies and to effectively manage and regulate economic activity. Cross-reform coordination should be enhanced, including through more strategic engagement of the three secretariats in relevant TWG mechanisms.

The **Public Administration Reform (PAR)** has shown a number of achievements; especially the implementation of Pay and Remuneration Reform by providing monthly salaries to civil servants on time via banking system, and increasing civil servants’ basic salaries and functional allowances with the aim to strengthen the performance in developing the legal framework and respective policies for improved human resource management processes at national and sub-national

⁶ Three sub-traps are identified in the middle income trap: structural change of the economy; governance; financial

levels. These processes constitute the basis for better public service delivery. Current training sessions to mainstream legal guidelines and instruments have strengthened human resources and management.

In addition to human resource management and development, other efforts aim to improve service delivery to citizens. Those include the development of legal frameworks, policies and instruments to guide service delivery institutions and increase the motivation of civil servants, through the so-called “remuneration reform”.

It is observed that PAR implementation is progressing slowly, and MCS tends to focus more on policy development than on piloting and implementing those guidelines and measures at the sub-national level which contribute to better service delivery. However, the pilot initiative of MCS’ Performance Management System (PMS) in selected One Window Service Offices (OWSO) – at the district/municipality level in Battambang - is a big step forward in making public service delivery more efficient and effective. It is expected that lessons from the initiative will help guide further policy development at the national level and scale up the implementation of PMS to other districts throughout the country.

The **Sub National Democratic Development (SNDD)** reform has continued to progress in terms of the development of the legal and regulatory framework for the strengthening of communes, district and municipalities. In addition to the instruments developed in the framework of PAR reforms, other regulations have been approved, for instance the one establishing the Ombudspersons positions, at provincial and district levels, to address citizen complaints and resolve administrative blockages.

A One-Window Service (Office- OWSO) has been created and put into operation in all 25 provincial municipalities. A decision on identification of target districts for the establishment of 31 new OWSOs in 24 provinces was made in April 2018, and as a result, 7 of them are already set up and the remaining 24 are being constructed. OWSO will establish a One-Window Service Mechanism (OWSM) to provide administrative services within their jurisdiction in a more flexible way. In the event that the guideline for the establishment of OWSM is finalised and approved by MoI, OWSM will be operated countrywide. Citizen offices have also recently been created in all 25 provincial municipalities.

In May 2017 the RGC issued a Decision on the Transfer of Specific Functions to SNAs. A list of 28 functions concerning 8 line ministries was approved for their decentralisation to SNAs.

In terms of human resource management and development, a sub-decree on delegation of power to C/P and D/M governors to manage their staff was approved in December 2017; final draft of guidelines and manuals for decentralised SNA personnel management were developed.

Regarding financial decentralisation, a Prakas on transfer of the tax revenue collection function of the provincial municipalities to city/district/khan and commune/sangkat administrations was adopted in late 2017 and has since been implemented. A sub-decree on transfer of state budget resources to the city/district/khan and commune/sangkat funds for a period of five years from 2019-2023 was adopted in April 2018. The technical working group of the Ministry of Economy and Finance has been reviewing and adjusting the formula for allocating funds to the city/district/khan and commune/sangkat administrations in accordance with the provisions of this sub-decree.

At the same time, the report on the findings of a joint study between the Ministry of Interior, the Ministry of Economy and Finance, and the NCDD secretariat on resource uses for local development of the city/district/khan funds has been reviewed and finalised as a baseline for reviewing and adjusting legal instruments and guidelines on the resource use for local development component of the city/district funds.

Regulations and guidelines for the Sub-National Investment Facility (SNIF) are completed with 19 districts in 9 provinces evaluated as eligible for SNIF funding. Noteworthy is the progress in the Implementation of the Social Accountability Framework (ISAF). During Phase I of ISAF implementation, about 270,000 citizens participated in community scorecard

assessments of communes, primary schools and health centres and Joint Accountability Action Plans (JAAP) were produced in over 700 target communes. By end 2018, ISAF will have reached just over half of the communes of the country (827 out of 1410). All preparations for the NCDD-S to become a budget entity under MOI have been completed. The RGC has also agreed to allocate a budget to ensure the continuation of D&D reform activities from 2018 onwards.

The recent political developments have created concern among European partners (in particular, the replacement of the 5,007 elected CNRP Commune Councillors) and affected parts of their financial support to the decentralisation reform. However, globally, the European partners remain interested in supporting the reform. In particular, they intend to assist the RGC in implementing ISAF and strengthening accountability mechanisms at the district/municipality and commune/sangkat levels.

Despite the progress, there are in particular three elements which could hamper the achievement of the SNDD objectives and merit to be highlighted: firstly, the slow progress of functional transfer to SNAs; secondly, the difficulties in achieving synchronisation in the implementation of the three reforms (D&D, PAR and PFM), in spite of their interconnectedness and interdependence; thirdly, inconsistency between the SNDD objectives of strengthening sub national democratic development and accountability, notably the dissolution of the main opposition party and the dismissal of 5,007 directly elected councillors after the 2017 commune elections..

Output 1.1:	[PFM] Further improvement in budget comprehensiveness and transparency 4/5
Output indicator:	Budget Document (pre-budget statement, budget law, citizen budget, monthly, mid-year and end year) and Annual Audit Reports are timely – according to OBI standard – and publicly available in machine readable format. (Source: JMI, OBI)
Baseline:	In 2016, six of eight key budget documents were publicly available online in a time-frame consistent with international standards.
<u>Lead and Active partners</u>	<u>EU Delegation</u> , Sweden

Assessment of Output 1.1: In terms of the output indicator, it has been achieved. Currently there are 7 out of the 8 key documents that are timely available: the pre-budget statement, the enacted budget, the citizens’ budget, in-year reports, the mid-year review, the end-year report and the auditing report. The results of the OBI 2018 are not yet available. However, the end-year report for 2016 was timely published in December 2017.

The PFM reform itself has been highly successful. There are robust achievements in budget credibility, budget transparency and financial management leading to increasing resources to social sectors and the strengthening of monitoring and accountability systems. However, issues relating to external oversight, anti-corruption, transparency and public accountability remain insufficiently included or addressed in the PFM reform. The deepened cooperation among European partners in the PFM reform provides a strategic and concrete opportunity for the RGC and DPs to take further steps in this regard.

Measures complementary to budget support address the following areas: support to the Tax Department; support to the National Institute of Statistics; support to the National Audit Authority; support to Transparency International and support to the Parliament through the Parliamentary Institute of Cambodia. There is also a component to provide TA support directly to the MEF. Progress achieved in connection with tax collection has enabled a substantial increase in the national budget, without increasing the budgetary deficit. Apart from expanding the tax revenue base, the need for better equity and fairness should be addressed in the ongoing reform of the national taxation system.

Output 1.2:	[PAR] Human Resources Management processes for national and sub- 3/5 national administrations are developed and implemented.
Output indicator:	Human Resources Management processes for national and sub-national administrations are developed and implemented. (Source: JMI)
Baseline:	None
<u>Lead and Active partners</u>	<u>Germany</u> , Czech Republic, EU Delegation

Assessment of Output 1.2: This indicator has been partly achieved. The Ministry of Civil Services has been committed to implement the National Programme for Public Administrative Reform (NPAR). However, the PAR is the most complex governance reform. Therefore, the Cambodian government is struggling to implement it, despite the enormous fiscal space and salary increases given to all public servants in the last years.

MCS has developed the legal and regulatory framework for public service delivery and human resources management and development. The Ministry has committed great efforts to increase annual salaries and harmonise the national allowance system. However, the need remains for a sequenced and rationalised approach to salary increases and a more performance-based payment system.

Nonetheless, the MCS endorsed a number of legal instruments for human resources management and development at the sub-national level as a key requirement for achieving further progress in decentralisation reform. Those instruments are especially the Particular Statute for SNA Personnel and the Sub-Decree (SD) 240 on the delegation of power to the Board of Governors at capital, provincial, municipal and district level in managing SNA personnel (issued in December 2017). The SD is accompanied by the guideline 788 on principles and procedures of appointment and termination of positions in line departments/offices at sub-national level, and it has been issued in February 2018. Besides that, guideline 789 on Human Resource Management for SNA personnel was developed and it has been sent out. This guideline supports the implementation of the Royal Decree (NS/RKT/0416/373) on the Particular Statute for Sub-National Personnel which was issued in April 2016.

In addition to those legal instruments, compulsory training for selected senior managers, officials and newly-recruited civil servants have been and are currently conducted by the Royal School of Administration, which is under the MCS.

Further regulations and guidelines are being drafted, which ensure that Sub-National Administrations (SNAs) have the autonomy to manage and administer their personnel, that staff members are accountable to SNAs, and that personnel can be easily transferred from the line offices to SNAs. At the same time, SNAs need to be actively supported in implementing and applying existing human resources instruments with a focus on improving management and staff performance. Not only One Window Service Offices at district level, but also Districts and municipality administrations are keen to learn and apply the Performance Management System (PMS) approved by the Committee of Public Administration Reform. Those however, need support and facilitation in understanding and utilising it. Even though, capacity development measures such as dissemination workshops have been taking place, interactions between MCS and sub-national administrations need to be intensified. This should not merely take place in One Window Service Offices, but also in all sub-national administrations. In parallel, remaining guidelines and regulations should be finalised, including the PMS Sub-Decree and the Sub-Decree on Position Descriptions, with their respective guidelines currently being drafted by the Ministry of Civil Service. Moreover, an implementation manual describing the technical application of tools relevant for the performance measurement of civil servants needs to be developed.

In addition to strengthening Human Resource Management processes, MCS committed itself to focus on service delivery standards, instruments and mechanisms contributing to better service delivery. Besides preparatory activities to design those mechanisms, a sub-decree (54 ANKr.BK) - dated 30th April 2018 on the evaluation and recognition of model public service delivery organisations in the education and health sectors - has already been developed and sent out.

In addition the mobile phone application for public services, the public service gateway and a call centre have been established. The law on public service, however, is still in discussion and has not yet been finalised and implemented. The dissemination and discussion at the sub-national level needs to be taken up to ensure that those standards are understood and mainstreamed.

The support of European partners through the European Union Decentralisation and Administration Reform Programme (EU DAR) is designed to assist with the coherent implementation of SNDD and PAR reforms – with a focus on administrative and social service delivery at the sub-national level. Close and active cooperation and coordination between the MCS and the Secretariat of the National Committee for Sub-national Democratic Development (NCDD-S) is instrumental to achieve the two reforms. The strengthening of the Decentralisation Working Group within the MCS is also necessary. In light of the intended functional assignment process, the coherence between the three governance reforms and coordination between its main actors and the involved line ministries is especially critical.

Output 1.3:	[SNDD] DMs are provided sufficient discretionary resources to implement 4/5 the general mandate ⁷
Output indicator:	By 2018 DM discretionary resources to implement the general mandate are financed through the DM Development Component, reaching 0.37% of the domestic revenues. (Source: JMI, NCDD Annual Report)
Baseline:	0.23% in 2016.
Lead and Active partners	EU Delegation, Switzerland, Germany, Sweden

Assessment of Output 1.3: This indicator has been partly achieved. The second IP3 aimed to increase allocations to the District and Municipality (DM) Fund (from 0.8% to 1% of the previous year recurrent revenues) and to ring-fence DM development finances equivalent to 0.5% of the previous year's recurrent revenues.

The goal was to ensure DMs could function as viable service delivery providers to implement poverty reduction mandates using unconditional grants. DM Fund projected that, by 2018, DM discretionary resources to implement the general mandate would be financed through the DM Development Component, reaching 0.37% of domestic revenues. The main reason development funding did not reach its target was in the increase in salaries and allowance and the unmet USD 4 million top-up (the delayed EU budget support was expected to broaden the fiscal space and enable the RGC to top up the development component of D/M funds). There are no official figures published as yet on the actual D/M development component allocations for 2018 (as NCDD-S report will only be available early 2019). MEF and the NCDD-S continue to work together to increase funding for development.

➔ The following areas are assessed to require **special attention and further actions** to achieve the goal of the Rectangular Strategy with respect to the three governance reforms:

- *Public Financial Management:* Closely monitor the roll-out of FMIS to line ministries and the implementation of the Budget System Reform Strategy, to further strengthen links between policy and budgeting. Continue with the

⁷ To be noted that when a District is located in an urban area, the text refers to cities rather than municipalities.

support to domestic revenue mobilisation and policy dialogue to improve budget transparency. The implementation of the Domestic Revenue Mobilization Strategy 2013-2018 has been highly successful. The European Partners will continue to support the implementation of the new Domestic Revenue Mobilisation Strategy 2019-2023, which will focus on fiscal policy changes, equity and transparency in tax administration and improvement of taxpayers' services.

- *Public Administration Reform:* It is important to focus on legal and policy development at the national level, while at the same time encouraging MCS to better assess and understand realities at the sub-national level to successfully implement and mainstream the PAR. Realities from provinces and districts need to be understood to strengthen human resource management processes effectively and efficiently. Moreover, existing service delivery mechanisms should be evaluated. Positive lessons learned from policy pilots should be taken up and replicated. The examples drawn from the PMS implementation at selected One Window Service Offices at district level should be mainstreamed to other entities. Building up on existing practices will allow SNA to better delivery public services and hence better serve citizen's needs.
- *Sub-National Democratic Development:* The legal and normative framework for the implementation of the SNDD is in place, but the implementation of reforms requires further dialogue and cooperation among ministries and sub-national authorities. While discussions on the implementation of functional transfers continue, it remains essential to reinforce the capacity of SNA to deliver social services. The European partners agree with NCDDs on the need to further strengthen the right of initiative of sub-national councils through an increase of the social development component of the D/M funds. For this purpose, it might be necessary to ring-fence the development component of the DM fund to pre-empt the risk of it being used to cover administration costs at the sub-national level (for which an allocation is already set aside). Accountability of decision-makers to the citizens is an equally important objective to pursue, by strengthening institutions like the OWSO and social accountability policies like the ISAF.
- *Cross-cutting reform coordination:* Cross-reform coordination remains critical to advance the three reforms. Further effort should be focused on building on the results achieved so far and monitoring the implementation of the cross-reform Joint Action Plan. As part of the new PFM MDTF with the World Bank, the European partners will support the completion and dissemination of an analytical report on Cambodia's Cross-Cutting Public Financial Management, Decentralisation, and Public Administration Reforms. It is also important for the three secretariats to adopt a more strategic, long-term plan to improve synchronisation and coordination of the three reforms. The European partners stand ready to assist through policy dialogue, peer-to-peer exchanges, technical assistance and the TWG mechanism.
- *Joint actions* between European partners to support the governance reforms, notably PFM and Decentralisation –and to a lesser extend PAR - should be maintained, to consolidate state-building in Cambodia with a focus on local level service delivery, social accountability processes and gender issues

European Strategy Outcome 2: Cambodian citizens, in particular women and vulnerable groups, voice their needs, exercise their rights, and participate in national and local decision-making ('demand side of governance')



Shrinking democratic spaces for civil society are a concern. Improvements in gender gaps both in political decision making, formal economy and education are still necessary for the development of the country, although the slow increase in the share of women leaders in the civil service is positive. The government's Implementation Plan for Social Accountability ISAF with the aim of improving the quality of services at local level covers more than half of the rural districts and provides citizens with a possibility to influence decisions at local level. The updated facts and figures on men and women in Cambodia are an important achievement

Output 2.1:	[Gender] Women's participation in decision-making in the public sector 3/5 increased to meet the Cambodia's MDGs and SDGs.
Output indicator:	Increase in percentage of women candidates in national and local level elections to 25% (national by 2018) and to 30% (sub-national by 2017). (Source: JMI)
Baseline:	19% at national level and 25% at sub-national level.
<u>Lead and Active partners</u>	<u>Sweden</u> , Czech Republic, EU Delegation

Assessment of Output 2.1: It is not clear whether this indicator was achieved. Data is available on how many women are represented at decision-making levels at national and sub-national level. However, there is no data on how many women candidates stood in elections in 2017 and 2018. In 2018, there were 19 women elected as parliamentarians (15%), whilst in 2017 there were 11 women senators (18%). In 2017, there were 20% of women elected as council members and 20% of women elected as commune chiefs. 41% of civil servants in Cambodia are women.

The public sector has a model role to play to advance the equal representation of women and men. In this regard, the Prime Minister emphasised increasing the ratio of female civil servants in decision-making positions at the national and the sub-national level, through affirmative action in recruitment and promotion procedures during the 2017 annual meeting of the Cambodian National Council for Women. A Strategy to Promote Women in SNA Management Positions was signed and put in place in April 2017.

Despite some progress, gender inequalities and gaps are still high in Cambodian politics and decision-making circles, the formal economy, and in upper secondary and tertiary education. Access to justice and services for female victims of gender-based violence is sporadic, and perpetrators are often not held accountable for their crimes. There is a necessity for commitment by all stakeholders to implement national policies for gender equality. Gender needs to be mainstreamed in sector policies more consistently. The national budget for gender equality should be increased to the maximum extent possible, particularly in response to gender-based violence.

European partners support to women and gender equality is also provided through the Extraordinary Chambers in the Courts of Cambodia (Khmer Rouge Tribunal), including to the Victims' Support Section, which addresses inter alia gender-based violence perpetrated during the Khmer Rouge period, and promotes reconciliation.

Output 2.2:	[CSO Roadmap] Promote a human rights and gender equality based 3/5 approach in European development cooperation and strengthen the enabling environment for civil society in Cambodia.
Output indicator:	Number of policies/laws/sub-decrees that are consulted with public per year (preferably through formal mechanisms, such as opening a space for public comments). (Source: European CSO Roadmap reporting)
Baseline:	At least four in 2016.
<u>Lead and Active partners</u>	<u>EU Delegation</u> , Czech Republic, Germany, Sweden, Switzerland

Assessment of Output 2.2: While this indicator has been achieved and CSOs consulted, the working environment for CSO activities has been tightened during the reporting period. At the national level there are no formal requirements or spaces for the involvement of the public sector in policy and law-making processes. Most of the consultations take place through the sector working groups or similar mechanisms, and they usually involve relevant CSOs/INGOs.

CSOs and International NGOs actively engage with the RGC in discussions over policies and laws relevant to civil society. To cite a few cases, the final SNDD IP3-III document released by the government is reported to include significant comments from CSOs, especially on the establishment of an inclusive partnership between CSOs, the government and the private sector for sub-national development. CSOs have also been involved in the implementation of the ISAF and in the formulation of the ISAF Phase II strategy.

Advocacy has been carried out with regards to the draft Access to Information Law, the implementation of the Taxation Law, the LANGO, the Labour Law and the amendments to the three environmental laws. CSOs have also been reaching out to the government on the formulation of the Cambodian Sustainable Development Goals (CSDGs). The government organised a formal consultation with CSOs in June 2018 to discuss a wide range of issues regarding their work in Cambodia. However, some aspects of the law and its implementation remain a concern. Later in the same year, the Government created an institutional mechanism led by the Ministry of Interior and the Ministry of Foreign Affairs and International Cooperation respectively to work on addressing NGOs' concerns and to hold more regular consultations with CSOs. The European partners stand ready to assist with this process, working closely with the government and civil society.

European partners continued to promote CSO participation in joint government-DP technical working groups. In 2016 PFM and PAR opened up to CSO membership. CSOs were also involved in the Education Sector Programme Mid-term Review. CSOs participated in a number of consultations within TWGs/Sub-groups such as on the drafting of the Code on the Environment and Natural Resources, Prakas on Snakehead Aquaculture and the Revised Sub—Decree on Community Fisheries Management. In 2017, CSOs were invited to participate in the consultation Workshop on the Proposed Amendment to the Domestic Violence Law and in the MAFF-organised Agriculture Forum in Cambodia. CSOs have also been regularly involved in the TWG of the SNDD and in the implementation of the SNDD 3 years implementation plans (IP3s).

Output 2.3:	[Anti-corruption] Increased public accountability through enhanced public 3/5 finance/budget literacy and strengthened parliamentary oversight of the budget.
Output indicator:	Budget analysis made by civil Society Budget Working Group based on available information, and recommendations communicated. (Source: Partnership for Accountability and Transparency project)
Baseline:	In 2016 Civil Society Budget Working Group, issued budget analysis and recommendation on the 2017 budget law and submitted to the National Assembly.
<u>Lead and Active partners</u>	<u>Sweden</u> , Germany, EU Delegation, Switzerland

Assessment of Output 2.3: The output indicator has been partially achieved. The civil society working group has conducted a budget analysis, both on the general state budget and the education budget more specifically. However, as the state budget was not shared prior to being approved in Parliament, the possibility to influence the budget is very low.

Budget literacy amongst Cambodian citizens is still weak. Despite the fact that the Ministry of Economy and Finance publishes 7 out of 8 key budget documents online, many people have difficulties finding and understanding them considering their continued limited knowledge of the budget process. A recent survey (by Transparency International) showed that citizen's knowledge of the budget process is greater at the sub-national level compared to the national and also that it is greater in rural areas compared to urban ones.

Cambodian citizens' awareness of public policies has improved but this is limited to public information on local governance, education and health care made available through the social accountability framework in 98 of 197 districts (786 communes, 3,551 primary schools and 536 health centres). Citizens participating in commune/sangkat (CS) planning increased from 16% (2013) to 20% (2016). As a result, the local development priorities better reflected the needs of the citizens, in particular women.

The European support for the elections enabled the establishment of the new biometric voter register in 2016. This complex exercise greatly improved the quality of the voter list and was the basis for the 2017 commune elections.

The draft law on the Protection of Reporting Person and the draft law on the Protection of Witness, Expert and Victim have nearly been completed by a drafting committee led by the Anti-Corruption Unit. The draft law is finalised at the committee level but it needs to be referred to the Ministry of Justice (MoJ) for further consultation on punishment and other measures aimed at protecting witnesses and whistle-blowers. After the MoJ has provided their inputs on the draft law, it will then be submitted to the Council of Ministers for review. The drafting committee consists of key ministries and representatives from CSOs, within which Transparency International Cambodia is a key member. Two public consultative workshops were also organised by ACU to gather comments and inputs from relevant stakeholders, including key government institutions, CSOs, the media and the private sector.

The following areas are assessed to require **special attention and further actions** to achieve the goal of the Rectangular Strategy:

- *Gender*: The launching of the Neary Rattanak V will continue the government's efforts to promote gender equality and women's empowerment in Cambodia, building on lessons learnt and the results from previous five-year plans.
- *Civil Society*: Within the framework of the Joint Programming and the CSO Roadmap in Cambodia, strengthen European partners' support to the civil society fostering its more strategic engagement in decision making at all levels; support initiatives aimed to strengthen citizens engagement in governance, transparency and social accountability (e.g. ISAF); facilitate constructive engagement between civil society and the government where relevant, at the central and sub-national level; continue to engage with the government on the revision of LANGO and its implementation.
- *Anti-corruption*: Closely monitor the final versions of the Law on the Protection of Reporting Person and the Law on the Protection of Witness, Expert and Victim and monitor the implementation of the Law on Access to Information. Continue to encourage governmental actors to publish important and relevant information and to do so in a manner (language and format) so that ordinary citizens understand what is communicated with them.

Rectangular Strategy Goal 2 (Agriculture sector & rural development – Rectangle 1): Agriculture production is increased, diversified and commercialised to benefit all Cambodians

European Strategy Outcome 3: Equitable and sustainable economic growth and production capacities with livelihood resilience and market access as well as improved food security and nutrition



Cambodia's agriculture sector has strengthened its position during the last two years, in particular through increased rice production (the country also became one of the first suppliers of the EU for rice), as well as through rubber and cassava production. Some value-chains are becoming promising (including geographical indications). However, the country still suffers from lack of competitiveness compared to neighbouring countries (vegetable imports into Cambodia are still very high). Family farmers – despite the support provided in the form of irrigation infrastructure, targeted extension services and support to cooperative development - are still often marginalised and struggle to move beyond subsistence farming. Migration from rural areas to cities and abroad is massive, the level of household debt is very high and land grabbing or land tenure insecurity is the reality in many regions, especially where Economic Land Concessions (ELCs) have been created, as exemplified by land related conflicts between communities and large private and corporate stakeholders. Overall, there has been progress in empowering communities to manage their natural resources (fisheries and forest communities) but these resources are still put under enormous pressure from illegal activities and insufficient law enforcement. This is the case even for protected areas, which suffer illegal logging and biodiversity destruction, due to unclear allocation of competencies among line ministries and local authorities and missing law enforcement. Laws, including on fisheries, forestry and protected areas, are therefore currently being reinforced and a dialogue between stakeholders is taking place. However, it is urgent to act effectively to protect the remaining wilderness areas of the country, thus encouraging DPs to further fund the sector. Furthermore, the Mekong River Commission study raises concerns about the sustainability of freshwater fisheries and its effect on food security.

European partners have provided meaningful support to Cambodian agriculture (irrigation, rice, horticulture, GI), livestock, fisheries, aquaculture and forestry; but major reforms and programmes still need to be implemented to support their modernisation in a sustainable and inclusive manner.

Output 3.1:	[Agriculture] Production of non-rice crops increased 3/5
Output indicator:	The Crop Diversification Index reached 35% of total sown area. (Source: JMI)
Baseline:	32% in 2014.
Lead and Active partners	France, Belgium, Czech Republic, EU Delegation, Germany, Switzerland

Assessment of Output 3.1: Data is unavailable on the current state of crop diversification in Cambodia. The production of maize, potatoes, vegetables, beans and industry crops (rubber and cassava) increased by 4.5% to 16.9 million tons in 2016. However, stepping up diversification and productivity of the agriculture sector remains a challenge.

Agriculture remains an important economic sector in Cambodia, providing 26.3% of GDP and employment for 53% of the rural workforce. Around 90% of the poor (2.5 million people) live in rural areas and many of them are smallholder farmers owning less than two hectares per household. 19% of smallholders are vulnerable to falling back into poverty due to external social and economic shocks, including natural disasters and scarcity of water resources as a consequence of climate change, especially in the north-eastern highlands. With more than 65% of Cambodian women engaged in farming, fisheries and forestry, female-headed households and children (30% malnutrition rate) are the most vulnerable to such negative events.

Rural areas have achieved remarkable progress in development through the construction of road infrastructure, irrigation systems, connectivity to the electrical power grid, and access to clean water and sanitation. In benefitting from a stable macro-economic environment, the positive dynamics of the rural economy has been largely based on the growth in arable land, intensification of production (e.g. mechanisation) and the promotion of new products, such as cassava crops. To safeguard current achievements, growth in the rural economy should rely on further product diversification, greater linkages in value chains, and more climate-resilient crops.

Nevertheless, the agriculture sector continues to face several challenges including low productivity and low quality of agricultural inputs. Moreover, technical services are not yet responsive to demands, the development of a product supply chain is connected to market demands, livestock farming and aquaculture are still limited, and mechanisms facilitating exports are not comprehensive and complementary. Also, products that can be supplied domestically are still being imported, sanitary and phytosanitary systems need to be strengthened. There is a lack of a mechanism providing agricultural market information linked to growing and cultivation plans. Research and development (R&D) is still limited, and agricultural land use is not efficient. Other challenges include the continuing need for improved quality and maintenance of rural infrastructure, for increased access to clean water and rural sanitation.

Migration from rural areas has increased in the last few years and the share of the population living in rural areas continues to decrease putting a constraint on available agricultural labour. Moreover, many smallholder families have not yet benefited from increased commercialisation of products or they still produce at a very low (subsistence) level, thus remaining vulnerable to droughts or floods.

The local potential remains underdeveloped, in particular with respect to aquaculture and agro-processing capacities. Agricultural input markets are weakly regulated. Cheap low-quality products, often imported illegally, hinder the introduction of high-quality and innovative agricultural inputs. Trade and supply chains for agricultural products are poorly developed, leading to cost inefficiencies and loss of quality during transport. Nonetheless, interesting and promising experiences have been registered with Cambodian agricultural products accessing niche markets through an international quality branding mechanism like Geographic Indications for Kampot Pepper and Kampong Speu Palm

Sugar. Relying on assessed natural comparative advantages and secular local knowledge, such products can access regional and international markets.

At the same time, growing commercialisation and regional market integration of agriculture entail new risks for poorer households, in particular increased pressure on land, and on natural and water resources. Women who exercise multiple roles in rural families are particularly affected. The RGC has started to formulate policies to offset these risks, such as those laid out in the IDP. Everything but Arms and Generalised Scheme of Preferences agreements with the EU present exceptional opportunities for value chains development with agricultural products of high quality rather than volumes. Recent developments could jeopardise these opportunities.

Overfishing in both inland and marine areas is also a serious concern for the sustainability of Cambodian fisheries, which represent the population's main source of animal proteins. This results from the open access policy adopted since the lot system was abolished, weak enforcement of fishing law and regulations and insufficient capacities from the communities to engage in the co-management of the resources.

The effects of climate change have a significant impact. Mitigation and adaptation measures are to be intensified for successful sustainable rural development. The limited resilience of natural and socio-economic systems aggravates the situation and may lead to food security risks. Extended drought periods and intense flood episodes mean that an adequate approach for water basin management, ground water management and surface drainage is needed, to prevent uncontrolled and excessive extraction of ground water. The lack of quality control for aquifers destined for home consumption has been shown to cause severe health problems.

Supporting access to financial products meeting both business characteristics and borrowers' capacities should remain a priority. A strong network of microfinancing institutions can accompany producers and processors. Levels of collateral required on land titles have to be closely overviewed for clients without access to insurance schemes or risk-sharing mechanisms. Under a different coordination mechanism and within the national framework set by the RGC, European partners have engaged to support rural stakeholders in overcoming these main challenges inherent to sustainable economic development.

In terms of links with decentralisation reforms, in the context of rural development, European partners are particularly interested in supporting the uptake and implementation of permissive functions in local economic development. These may include the upgrading of value chains, the networking of small producers and the creation of employment opportunities for the rural poor.

Sustainability of long-term extension services at the sub-national level requires more technical staff and an increased budget for the agricultural departments at the sub-national level. A clear, long-term plan is needed to ensure a regular extension service covering all areas. A contact point available through various communication channels should be established, to ensure the timely provision of information.

European grant support to agriculture has historically followed a project-based approach. In cases where development partner projects have taken precedence over normal business and provided salary top-ups, such projects created perverse incentives for staff at the central level to undertake missions to the provinces instead of building provincial capacity.

Output 3.2:	[Aquaculture] The annual aquaculture production increases and a growing 2/5 number of aquaculture farms adopt good aquaculture practices.
Output indicator:	Volume of Cambodian fingerling produced in private hatcheries increases to 250 million in 2019 and 1,000 million by 2022 and percentage of overall supply increases (Source: JMI)
Baseline:	180 million fingerlings produced in 2015: 47 million from private hatcheries (26.2%)
Lead and Active partners	EU Delegation , France

Assessment of Output 3.2: The achievement of the indicator cannot yet be determined as it relates to 2019 and 2022. Due to some delays in the launch of new important support expected in the sector (in particular CAPFISH-Aquaculture co-financed by EU and France), progress has been slower than expected. The production of fingerlings increased from 180 to 205 million fish heads in 2017, slightly less than the interim target. Nevertheless the share of the private sector kept increasing, from 26 to 30% of the total, confirming the strong interest of the sector for rural entrepreneurs

Overall, good progress was still made in aquaculture production thanks to assistance by the on-going European programmes. Support was renewed to further improve the technical capacity of national research institutions (NARDI and FWARDEC), and young students. In addition, 50 provincial officers of the Fisheries Cantonment have been trained to provide extension training. Subsequently, more than 1,200 farmers were trained on fish-raising techniques, including fish ponds, rice-cum-fish aquaculture and frog farming. For the first time, the Fisheries administration implemented in 2017 a control plan on residues of drugs in pangas and tilapia farms, to ensure that Cambodian aquaculture develops in harmony with consumers' health. With this concern in mind, the Fisheries Administration put in place a mechanism to monitor the occurrence of diseases in a sample of fish farms and to provide timely recommendations to fish farmers, in line with good aquaculture practices.

As fish is critical to the diet of Cambodians (76% of the populations' total animal protein intake), the sustainable management of capture fisheries (both freshwater and marine) and the increase in well-managed small holder aquaculture production will become increasingly important. This will, nevertheless, require sufficient public investments - in particular in research capacity - to narrow the gap with regional competitors. It also requires extending services to ensure that the development of the sector remains inclusive and provides self-employment opportunities for rural households.

Output 3.3:	[Food Security & Nutrition] national food security and nutrition goals, 2/5 strategies and plans are implemented in a multi-sectoral, coordinated and collaborative manner in accordance with current and emerging priorities.
Output indicator:	Activate multi-sectoral coordination mechanisms at sub-national level in at least 9 provinces to improve the implementation of the national strategy for food security and nutrition. (Source: JMI)
Baseline:	None.
<u>Lead and Active partners</u>	<u>Germany</u> , Czech Republic, France, Ireland, Switzerland

Assessment of Output 3.3: This indicator was not fully achieved. Until the end of 2019, in at least 4 provinces, European partners activated multi-sectoral coordination mechanisms at sub-national level to support the implementation of the new NSFSN 2019-2023.

The RGC established the National Strategy for Food Security and Nutrition-NSFSN (2014-2018) through the Council for Agriculture and Rural Development (CARD). The first result of the strategy was the preparation of the Fast Track Road Map for Nutrition 2014-2020 and investment plans which were prepared in consultation with the MoH, MRD and the MAFF.

While improvements have been achieved regarding the nutrition status (stunting, wasting and underweight) of children under 5 and of women of reproductive age (underweight), more progress is needed. European partners support affordable, safe, sufficient and nutritious food to improve the nutritional status of women of reproductive age and their children under 2 within the 1000-day window. Within the nutrition transition process in Cambodia, efforts should be made to fight malnutrition by decreasing the stunting rate of children under 5, and by decreasing overweight and obesity rates among women of reproductive age and their small children.

From 2016 until 2018, a multi-sectoral coordination mechanism, led by a board of governors, has been established in the two provinces of Kampot and Kampong Thom, to implement the NSFSN through multi-sectoral planning, sectoral implementation and multi-sectoral monitoring.

European partners also focus on fisheries and support for increased rural incomes for some of the most marginalised groups.

Addressing food security and nutrition effectively is a complex undertaking as it requires a multi-sector approach to combine efforts in different sectors and enable collaboration of a number of government stakeholders at the national and sub-national level. The Council for Agriculture and Rural Development (CARD) has been working with a number of implementing partners at the national and sub-national levels, namely the Ministry of Health and its National Nutrition Programme, as well as the sub-national departments of agriculture, health and women's affairs. CARD's more active coordination role at the sub-national level is encouraged to fulfil the JMI of activating existing multi-sectoral coordination mechanisms at the sub-national level and calling for regular meetings.

Output 3.4:	[Land] Equitable access to land and land tenure security	2/5
Output indicator:	492 community forests established and strengthened. 100 Community Forestry Management Plans and 2 million ha by 2019. (Source: ASDP 2014-2018)	
Baseline:	364 CF established and strengthened 2 CFMP. 329, 587ha of CF area	
<u>Lead and Active partners</u>	<u>Switzerland</u> , Belgium, Ireland, UK, Germany, EU Delegation	

Assessment of Output 3.4: This indicator was not fully achieved. By April 2018, 610 Community Forestries were established nationwide (506,600 ha, 151,622 households), 464 CF registered, 414 CF got agreement, 81 CF had their management plan approved (statistics from Forestry administration).

Land recipients via Social Land Concessions (SLC) face obstacles in accessing markets and microfinance services. Urgent infrastructural improvements are needed in terms of roads, electricity, mobile network etc. Also, the empowerment of Agricultural Cooperatives (AC) is an essential step to improve access to markets and microfinance services. Strengthening ACs in management, book-keeping and business operation needs to be improved through the AC Development Fund which was established for this purpose.

European partners have engaged with partners to support various multi-stakeholder policy dialogue processes in land governance, which resulted in improvements being made to the legal and regulatory frameworks (e.g. the Environmental Code and draft revisions of the Land Law and Forestry Law). The Royal Government of Cambodia has allocated agricultural and residential land to the poor and the landless through Social Land Concession for social and economic purpose. By December 2018, Social Land Concession Program has provided more than 140 thousand hectares to 78 thousand households. In addition, the directive 01 also cut off land from ELCs, forest land concessions and so on to donate land to people whose land was de facto occupied and cultivated. As a result, around 0.64 million land titles have been delivered.

European partners' mine action support contributed to clearing mine- and UXO-affected fields. European partners contributed to the development and launch of the new National Mine Action Strategy (NMAS 2018-2025) in May 2018. Support to Cambodia's mine action aligns with the Maputo Declaration 15+ commitment to declare Cambodia mine-free by 2025.

Output 3.5:	[Climate change] Number of ministries planning and budgeting documents explicitly integrating CC. 4/5
Output indicator:	Five ministries have planning and budgeting documents explicitly integrating climate change. (Source: CCCA)
Baseline:	Partially in four ministries. (MPWT, MAFF, MoE, MoWRAM)
<u>Lead and Active partners</u>	<u>Sweden</u> , EU delegation, Germany

Assessment of Output 3.5: The indicator is considered achieved as eight ministries (the MPWT, MRD, MOWRAM, MEF, MOP, MAFF, MOWA and MOE) have included the mention of ‘climate change’ in their planning and budgeting documents – thus achieving numerical success for the indicator. However, significant work remains to be done. The country continues to face several environmental concerns, rendering it necessary for climate change adaptation and mitigation measures to be included in national policy.

Cambodia is highly vulnerable to climate change due to its exposure to frequent flooding, drought and other extreme weather events as well as the rise in sea levels. The country was ranked as the 8th most disaster-prone country in the 2015 UN World Risk Index. A global study of the vulnerability of 132 national economies to the impact of climate change on fisheries ranks Cambodia as the 30th most vulnerable country in the world.

Climate change resilience as a cross-cutting priority has not yet been systematically integrated into Cambodia’s strategic development objectives. Therefore, the NSDP MTR’s conclusion on the importance of this priority going forward has been welcomed. In terms of policy work, the Cambodia Climate Change Strategic Plan 2014-2023 (CCSP) has been finalised under the National Council for Sustainable Development. The CCSP has 8 strategic objectives covering climate resilience, reducing vulnerability, low-carbon planning, social protection, strengthening institutions, coordination frameworks and knowledge. The CCSP is currently rolled out through Climate Change Action Plans in 15 Ministries. Cambodia’s climate public expenditure review 2013 concluded that overall, climate change expenditure has risen from 0.9% of GDP in 2009 to 1.3% in 2014: a result of increased external financing but also a higher allocation of national resources: government currently funds 25% of climate change related expenditures.

European partners have been supporting the work of the Cambodian Climate Change Alliance (CCCA) which has enabled significant strengthening of the national institutional, policy and planning framework including the preparation of the Cambodia Climate Change Strategic Plan (CCCSP) 2014-2023, endorsement of the Climate Change Financing Framework, and establishing the National Council for Sustainable Development (NCSd) in May 2015. The CCCA has supported a government initiative to produce Climate Change plans which can be used in each of the focal areas, to ensure better mainstreaming of climate change efforts into programming.

Cambodia’s achievements in protecting natural capital have shown the least progress. In the face of Cambodia’s high vulnerability to climate change, the slow progress made over the last 5 years in reversing deforestation trends and the unknown impact of substantial hydro power investments on the Mekong River, there is a strong incentive for European partners to engage in the issue. Cambodia’s water ecosystems (30% of total land area) and forests contribute significantly to the GDP and the livelihoods and food security of the poor. Degradation from economic activities has significantly reduced soil fertility, fisheries productivity and protection against flooding.

Other environmental concerns include: surface water management - increasingly critical because of planned and on-going dam construction on the Mekong in combination with the implications of climate change - land allocation and use, soil degradation, (driven by unsuitable agricultural practices and deforestation) and overall climate change effects.

Output 3.6:	[Fisheries] Fisheries production stably maintained by 2018.	3/5
Output indicator:	100 community fisheries are effectively operational by the end of 2018. (Source: JMI, SPF)	
Baseline:	In 2014, 50 CFi were effectively operational.	
Lead and Active partners	EU Delegation , Germany, Switzerland	

Assessment of Output 3.6: The indicator has been achieved. In 2018, an assessment of the 420 registered community fisheries (out of more than 500 established) showed that 33 Community Fisheries (CFi) (8%) can be considered as strong, 214 (51%) active and 173 (41%) weak or inactive (the baseline value set in the sector policy, the SPF, did not have factual base and was merely indicative).

European partners support affordable, safe, sufficient and nutritious food, by focusing on inter-alia fisheries. Fish and aquatic animals provide 76 % of the population's total animal protein consumption, 28 % of fat intake and 37 % of iron. The support is therefore particularly important for the poorest and those without access to land (floating villages). European cooperation also supports increased rural income for some of the most marginalised groups: 3 million people are estimated to depend on fisheries - either throughout the year or seasonally - for their livelihoods. The impact on eco-systems of human activities due to mining, land concessions, large-scale exploitation of water resources (irrigation, hydropower dams), coupled with the effects of climate change, threaten these communities' sources of subsistence.

European support to fisheries has a multi-dimensional impact, such as: contributing to food security and nutrition (providing main animal protein), providing livelihoods options for many poor Cambodians and for the unique conditions of floating villages, supporting an important need to protect wetlands and mangroves as spawning grounds for fish, supporting climate change potential, facilitating discussions on illegal, unreported and unregulated fishing (IUU) with the RGC, building on previous European investment, and providing potential for the formalisation of the value chain, etc.

The RGC has initiated reforms to further improve the legal, regulatory and management frameworks of fisheries. Nevertheless, the open-access approach that still prevails in the sector remains an issue, as it does not encourage local communities to invest in improving their fishing grounds. It also increases the competition for resources. This frequently leads to the generalisation of illegal activities, as law enforcement remains weak.

The perspective of additional large-scale hydropower developments, in particular dams on the mainstream section on the lower Mekong, which is the most important route of fish migration in the whole Mekong river basin, is a serious concern, as it will significantly impact the regime and productivity of the Tonle Sap and its surroundings.

European partners would welcome the opening up of dialogue platforms with the Ministry of Water Resources and Meteorology and Energy on the Water - Energy – Food security nexus, as well as a dialogue with the Ministry of Environment related to the protection of flooded forests and coastal mangroves.

➔ The following areas are assessed to require **special attention and further actions** to achieve the goal of the Rectangular Strategy:

- **Agriculture:** Sustainable agricultural and rural development will require boosting economic opportunities, continuously improving food security, but also promoting environmental sustainability. All levels of the agricultural value chain will have to be encompassed to respond to market demands – including the urban market's rising demand for quality products - and address the main identified challenges. Such challenges include a numerically-

diminishing labour force due to aging farmers, the growing impact of climate change and natural resource scarcity. The adoption and enforcement of more ambitious sectoral policies with a specific focus on vocational training are required, also by supporting strengthened value chains, equitable access to farmland, and a contract-farming approach along with agricultural services development (research, extension, financial, training and lobbying).

- *Aquaculture:* Sector coordination (including with non-EU partners) is necessary to ensure demand-driven aquaculture development. Maintaining a good mix between large scale investments, semi-intensive family-based operations and pro-poor systems (e.g. frog farming) will enable sustainable and inclusive development. Substantial investments are required to improve research capacities. Particular attention should be brought also to defining the proper articulation between private and public sector, in particular in regard to input production and supply and delivery of extension services, in order to foster private investment in the sector.
- *Food security and nutrition:* The new period 2019-2023 of the NSFSN, led by CARD, is a key opportunity to build on the existing policy framework to ensure the alignment of strategic documents across the concerned sectors, with clear plans for implementation and enforcement, including the resourcing, (nutrition) governance, monitoring and data collection capacities. Without this consolidation of effort and renewed commitment, the national goals and aspirations and the CSDG targets are at risk. This is a key period for substantial progress towards national targets and the commitment to leave no-one behind. There is a compelling case to prioritise nutrition as an accelerator for the CSDGs and other development goals for Cambodia.

The opportunities for the new period lie in building on the strong foundation of cooperation, using existing mechanisms, while simultaneously expanding partnerships to garner additional resources and expertise. The Government's proposed programme is built on a strong foundation of sectoral activities and results, overlain by a subset of joint actions, with overall coordination and reporting on results by CARD. For this purpose, and to avoid the duplication of planning effort, the National Plan of Action for the Zero Hunger Challenge 2016-2025 will be rolled into the NSFSN 2019-2023 and subsequent strategies.

The overall programme target is to achieve 75% of the progress required to reach the CSDG targets for FSN. In the light of significant data gaps, this achievement might be attained in terms of a halving of the gaps existing between 2015 and 2020 and a further 25% reduction in the period to 2023.

- *Natural resource management:* Complicated and time-consuming processes to legally establish community areas (CF, CFi, and CPA) are requiring considerable institutional capacity and financial resources. Allocation of degraded forests to community forestry or community protected areas is resulting in low productivity and the requirement of high inputs before local people can see significant benefits. Restrictive and contradictory regulations that limit local people from collecting and selling valuable natural resources products are reducing the benefits they could receive from sustainable natural resource management. Such regulations are dis-incentivising long-term sustainable investments. The illegal use of natural resources and weak law enforcement persists. Sector coordination is necessary to advocate for beneficiary- and environmentally-friendly NRM policies that provide incentives for sustainable development and conservation.
- *Given the importance of land tenure security, it is necessary to actively support the re-establishment of the related TWG*
- *Unexploded ordinance (UXO) and mines:* The RGC has launched the new National Mine Action Strategy 2018-2025 with the aim to declare Cambodia free of mines by 2025. Sector coordination is required to identify the most effective and efficient approach to support Cambodia's mine action sector in the implementation of the NMAS 2018-2025.

- *Climate change*: The continued support of European partners to phase III of CCCA enables the strengthening of the national institutional, policy and planning framework. It also mainstreams climate change into the planning processes, with a focus on coordinating institutions (the National Council for Sustainable Development, the Ministry of Economy and Finance) and five sectoral ministries (environment; public works and transport; rural development; mines and energy; education, youth and sports).
- *Fisheries*: Following the recent transfer of functions to the provincial level, close articulation between central and sub-national levels is necessary in this transition to ensure effective and coordinated implementation of the sector policy. Substantial investment in capacity and transfer of financial resources is required at community level to ensure that local communities play fully their role in the conservation, protection and sustainable management of the resources, in particular in the inland / freshwater domain. This should be supported by the upcoming revision of the current legal framework, which should reflect on the desirability of changing the present open-access regime.

The development of evidence-based management plans also represents a top priority for both marine and Tonle Sap fisheries. The latter, in particular, should be supported by a stronger inter-sectoral coordination, to ensure that external threats are duly taken into consideration and comprehensive approaches are adopted to ensure the good health of the highly productive Tonle Sap ecosystems. This could take the form of a mechanism modelled according to the Angkor International Coordination Committee (ICC Angkor). In the marine domain, the challenge for the Fisheries Administration will be to ensure that, following the recent recording and marking exercise of all fishing vessels, it maintains an effective recording system to keep an up-to-date picture of the capacity of the fishing fleet. Then, it should progressively improve its control over the fleet and its composition, through the issuance of licenses, the use of tracking systems and adaptation of gears and fishing practices.

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

European Strategy Outcome 4: Infrastructure for social and economic sectors is developed and contributes to Cambodian people's welfare.



Larger public investments supported by substantial fiscal expansion and capital inflows, particularly comprising foreign direct investment, have generated remarkable progress in ensuring access to basic services at the national level, and reflected in decrease of poverty rate. Nonetheless, significant inequalities remain between cities or between urban and rural areas, which need to be addressed to ensure a coherent development of the country. In compliance with national policies and regulation, public investments supplemented by private ones are expected in cities and interlinking rural territories, to even out the development field. Continuous efforts are requested to address challenges of water for agriculture (irrigation and drainage) and connectivity.

Output 4.1:	[Infrastructure] Improved access to efficient and safe transport system, 3/5 improved access to direct piped water, and finished construction of the national electricity grid network, in order to enhance the people's welfare and national competitiveness.
Output indicator:	Number of kilometres of climate-resilient rural roads built. (Source: European DPs)
Baseline:	2,500km of rural roads
<u>Lead and Active partners</u>	France , Czech Republic, Germany, EU Delegation

Assessment of Output 4.1: This indicator was partially achieved, in the sense that climate-resilient roads were financially supported by the European partners during the time period: both in terms of building new roads as well as the rehabilitation of rural roads. A total of 161 km of climate-resilient rural roads were rehabilitated with the support of European partners, during the 2016-2017 period.

Deficient rural infrastructure (e.g. transport, power grid, irrigation) and high costs for electricity are among the main constraints for the development of the rural economy and its inter-linkages with urban centres. The long-standing and fruitful collaboration with the Ministry of Rural Development (MRD) is a prime example of effective partnership and programme implementation. So far, each evaluation has confirmed that the measures contribute to improve the living conditions of the poor rural population. Many of the rural laterite roads renewed with European partners' funds are still in good condition, even if the civil works were completed years ago. The rural roads are also designed in such a way that they can also be used occasionally by heavier lorries – specifically in the dry season – e.g. when rice merchants visit the farmers during harvest to buy the crops. However, efforts are required to maintain what has been achieved so far. Similar lessons can be learnt concerning the partnership with Ministry of Water Resources and Meteorology (MoWRAM), as 13 000 hectares of irrigated plots have been developed over the reporting period with the support of France (figures by end of November 2018).

In terms of energy development, major progress has been achieved by the RGC with the support of European partners. Electricité du Cambodge has been dramatically expanding its transmission and distribution network for improved service and extended coverage in order to achieve electrification target by 2020 and 2030. In addition, the reduction of tariff policy from 2015-2020 has been being implemented successfully which benefited many households especially in the rural area. With the support from France, about 170 km of transmission lines, 5 grid substations, and about 190 km of distribution lines are under construction and scheduled to be operational by 2020. Technical discussion and feasibility studies have been undertaken over the reporting period to provide EDC with tools for grid modernisation. The 500 KV transmission line is also under process of feasibility study preparation. Moreover, increased access to affordable and reliable energy has been secured by French partners through private-sector financial (Foreign Trade Bank) and technical (Rural Electrification Enterprises) stakeholders, and by Germany through the REF (Rural Electrification Fund). Over the reporting period, 19,465 additional household connections have been ensured, corresponding to 150 km of medium-voltage line, 280 km of low-voltage line and 78 new transformers, ranging from 30 to 400 KVA with financial support from France. German partners granted over USD 10 million to the REF to implement its three main programs which delivered benefits as follows: about 3,700 households connections have been applied under the P2P program (Power to the Poor); about 21,000 Solar panels have been provided under the SHS Program (Solar Home System); and the grid extension program is about 1,300 km of medium-voltage line and 47 km of low-voltage line. As a result of important institutional, legal and regulatory framework improvements over the last five years, access to affordable, clean and

quality water has been secured. AFD has been involved with the Phnom Penh Water Supply Authority to support production capacity. The rehabilitation of the Chamcar Mon Water Treatment Plant was launched in mid-2017, and it should be commissioned during the second semester of 2019 ((increasing the production capacity to 52 000m3 per day, allowing service to additional 300 000 people)). The European Investment Bank (EIB) succeeded in December 2018 in signing its first loan to Cambodia, through a co-financing with AFD, aiming to finance the initial construction phase of a new water treatment plant in Bakheng (195,000 m3-per-day). Similar efforts have been committed in Siem Reap by AFD to double the production capacity of the Siem Reap Water Supply Authority, (with additional 15 000 m3 of water per day from the treatment plant supplying 36,000 people). This investment contributes to sustainable resource management in the area. Also, a project is conducted by AFD in co-financing with the Asian Development Bank to increase the production capacity of two provincial water works, in Battambang (50,000 m3 per day) and in Kampong Cham (11,600 m3 per day). Such projects will respectively extend the distribution network by 109 km and 80 km, granting 275,000 people with access to potable water. Finally, AFD is working with private sector schemes (Foreign Trade Bank and Small Water Operators) enabled to establish 29,883 additional household connections (amounting to 526 km of pipes and 63 water treatment plants, with 30 to 150 m3 per-hour individual capacity).

Output 4.2:	[Green energy] Grid-connected renewable energy generation 3/5 (solar energy, hydro-power, biomass and biogas) and connecting decentralised renewable generation to the grid.
Output indicator:	Number of households accessing solar units. (Source: Green solar project)
Baseline:	1,420 households connected by October 2016
<u>Lead and Active partners</u>	<u>France</u> , Czech Republic, Germany, EU Delegation

Assessment of Output 4.2: There were 3,097 households connected by September 2018, which remain low.

The Rio+20 Outcome, strongly supported by the European partners, identified the transition to a green economy as a key goal of sustainable development. Green economy is addressed by the European partners in two areas. The first is the adoption of sustainable consumption and production techniques by manufacturers and service providers, to decouple economic growth from environmental degradation and natural resource depletion, two frequent by-products of growth. The second area is the leveraging of investment funding in green infrastructure that will limit the emission of CO2 and equivalents and increase resilience to climate change in vulnerable countries, in consistency with Cambodia's ratification of the 2015 Paris Agreement. In that context, European partners have been supporting access to solar energy in remote areas in Cambodia since late 2014. Some difficulties have been faced in implementation but at the same time the RGC has explored solar power as a generation option, with a first 10 MW plant in Bavet which began commercial operation in October 2017. EDC is now conducting the national solar PV grid integration study, to connect it to the system and to ensure the grid's reliability and stability. As indicated by the preliminary results, some projects have been taken into account, such as a new 60 MW solar farm in Kampong Speu (under construction) and another 60 MW Solar Park in Kampong Chhnang (ongoing bidding process).

→ The following areas are assessed to require **special attention and further actions** to achieve the goal of the Rectangular Strategy:

- Infrastructure: Efforts have to be continued in infrastructure to ensure equity at national level and support economic growth, while cautiously managing natural resources, building national resilience capacity in front of climate change and preventing negative social impacts. Especially, sanitation should be mainstreamed, as the current lack of strategy leads to very low coverage (except for some recent developments in Sihanoukville, Siem Reap and Pursat), comprising mainly urban drainage with low or non-existing waste-water treatment provision. Addressing the collection and treatment of waste water is crucial, and a clearer institutional set-up is highly required. While the Ministry of Public Works and Transport (MPWT) is the main ministerial interlocutor in this sector, other ministries (Environment and Tourism) are engaging without always properly consulting each other. A better level of coordination is desirable.
- Energy including Green Energy: Developing the energy sector in a sustainable and affordable manner, while also taking into consideration the need to minimise adverse environmental and social impacts, has to remain a priority. Efforts deployed have to be continued but emphasis could be given to specific aspects. Especially, EDC technical and financial capacities to scale up clean energy could be strengthened through better grid management tools but also by mobilising direct financing and/or public-private partnerships. Also, increased connectivity and cooperation across the Greater Mekong Region could be an asset for Cambodia's development, considering the challenging heavy reliance on hydropower and coal in a context of growing climate change impacts and fluctuating prices. Last but not least, a greater emphasis should be put on energy conservation. In terms of renewable energy, the important achievements observed in the solar energy sub-sector could be consolidated through improved institutional, legal and regulatory frameworks. Such frameworks could support increased levels of private investment, paving the way for other sources of renewable energy (more efficient biomass including biofuels, wind...).
- European partners - including financial institutions - will increase their investments in sustainable energy, water supply and road infrastructure in Cambodia in the near future

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

European Strategy Outcome 5: Cambodia is better equipped to compete in the regional and global marketplace through its people being endowed with opportunities, capacities and required skills.



Cambodia maintains its consistent 7% annual GDP growth path, narrowly based and focused on low-skilled labour-intensive production in the garment industry, agriculture, tourism and construction. However, further integration into the ASEAN Economic Community (AEC) and the exposure to more competitive markets ask for a quick adaptation of the current economy and its structural conditions. Regulatory reforms and their implementation have to occur at a quicker pace, and skills development needs to meet a demand for higher productivity and a fundamentally changing pattern of industrial production. At the same time, the Cambodian economy has to ensure it is not dragged down into a race to the bottom, but it should protect its current production standards, which abide by international regulations.

Output 5.1:	[Trade and Private Sector Development] Business Enabling Environment 3/5 improved as a result of regulatory reforms.
Output indicator:	Doing Business ranking improves by 10 positions or 2 percentage point improvement in “distance to frontier” score. (Source: JMI)
Baseline:	Doing Business rank 131 and overall distance to frontier (DTF) score 59.79% (Doing Business, 2017)
<u>Lead and Active partners</u>	<u>EU Delegation</u> , Czech Republic, Germany, Switzerland

Assessment of Output 5.1: This indicator was partially achieved. Cambodia’s ranking in the World Bank’s Doing Business report 2018 has worsened to the 138 th place out of 190 countries. However, its score for distance to frontier has improved by 5 percentage points (to 54.47%). The ease of starting a business and accessing electricity have improved slightly, but remain major issues for Cambodia’s competitiveness. Cambodia has performed well in attracting foreign direct investment, due to the relocation of low-cost manufacturing and a low tax regime with additional tax incentives. However, labour costs have increased considerably in the past three years.

Further trade integration and improvements in trade competitiveness will be necessary in order for Cambodia to continue addressing poverty reduction and inclusiveness. In spite of the significant progress in reforms over the past decade, trade facilitation and logistics standards need to improve further, and legal and regulatory reforms related to WTO compliance, and ASEAN Economic Community (AEC) commitments have to further progressed towards completion . As a result, Cambodia’s private sector, in particular Small and Medium Enterprises (SMEs), faces significant challenges to be competitive and become integrated into regional and global value chains.

Greater connectivity and economic integration between Cambodia and the rest of ASEAN is needed. This should be facilitated through supporting development of private sector and export value chains combined with national quality infrastructure.

The national component of the ARISE Plus Regional Programme, ARISE Plus Cambodia, will be inaugurated in 2019, to support the implementation of the AEC Blueprint 2025. It will contribute to improve customs, trade facilitation and standards; strengthen institutional and regulatory capacities and enhance Cambodia’s private sector engagement in the region.

EuroCham, supported by the EU since 2014, has consolidated the voice of European business in the country and it has contributed to improvements in the business environment through its advocacy.

Output 5.2:	[TVET/ skills development] Increased access to TVET programs, the improvement 3/5 of the quality and the relevance of the TVET system and the strengthening of governance and management in TVET delivery.
Output indicator:	Number of women that access Vocational Education and Training/Skills development and other active labour market programmes. (Source: European Gender Action Plan)
Baseline:	1,095 (MoWA, 2014, NR-IV)
<u>Lead and Active partners</u>	<u>Switzerland</u> , EU Delegation, Germany, Sweden

Assessment of Output 5.2: This indicator was partially achieved. Progress has been made in developing policies, with the challenges now being to implement them. In the European supported TVET programmes, 42% of trainees were women. MoWA report⁸ noted that female students represent 15.5 percent of level 3 TVET graduates, 35 percent of students specialised in electricity, 82.6 percent of those in agronomy, and 81.5 percent of those in veterinary. Female students represented 49 percent of national outstanding students, and yet mostly male students were selected to compete in international competitions. Women are also under-represented in teacher training programs, particularly for ICT, Bachelors and Masters Degrees as well as in training for school administrators (principles, vice-principles), ranging from 10 to 20 percent.

At the policy level, there has been significant progress made. The national TVET policy 2017-2025 was approved and launched by the Prime Minister, in response to the needs of the workforce for decent jobs and to support industrial development leading to economic growth and higher productivity. The Strategic Plan for Tourism HR Development 2017 – 2025 and the Gender Policy and Action Plan 2017 – 2026 were also produced. The National Training Board has reformed its structure and is now under the management of MoLVT, with hope of being more proactive with this new structure. MoLVT has set up a 3-year action plan with improving activities, indicators and outline schedules. The internship policy was approved in October 2017 by the NTB. A Skills Development Fund has been initiated by the MEF, expecting to mobilise resources from the private sector, government and DPs for the delivery of training. MoLVT has established the TWG-TVET with the aim of improving coordination between government and DPs.

The government further aims to diversify its industrial sector - currently dominated by low skill production of garments, textiles and footwear, food processing, and construction - by diversifying the industrial base towards higher value-added products, thus increasing competitiveness and exports. This structural change from an agricultural-based economy toward more industrial production and from labour-intensive industry to skill-based industry will raise the demands for skilled workers and quality human capital. This applies not only for new entrants into the labour market, but also for current workers, as education levels among the workforce are limited: 12.5% of the group hold no education, 44.9% of the group finished primary school, 35.5% has completed secondary school, and 3.3% have done TVET.

At the delivery level, NTB approved 56 qualifications, 36 of which were approved at sub-committee level; and other 13 qualifications are being prepared for the sectors of business and ICT, construction, mechanics, manufacturing. A quality assurance system was approved. The Gender Policy and Action Plan 2017-2026 was approved in 2017.

⁸ Final Report: Gender Analysis of the Education & Public Behavioral Change sector and Governance & Public Administration sectors, Prepared for the MoWA Partnership for Gender Equity (PGE) – Phase IV Project by Mia Hyun

Cambodia still faces many challenges in the TVET sector. First, the quality of TVET is still low, as it lacks quality assurance system, skilled teachers, and infrastructure. Teaching methodologies have moved from supply to demand-based learning systems but still need considerable improvements. Secondly, most Cambodian citizens do not value TVET as a viable career option, resulting in low enrolment rates. Thirdly, the financial resource allocation for TVET is insufficient. Skills gaps identified by the industry remain high, but the MoLVT has made considerable efforts to reduce them by signing a memorandum of understanding (MoU) with Cambodian Federation of Employers and Business Associations (CAMFEBA), and by establishing four priority Sectoral Skill Councils (construction, electricity, manufacturing, and mechanics); TVET still has very limited inclusion of practical training and soft skills components. In view of industrial development plans, there is an urgent need to adapt TVET provision and TVET orientation to respond to the challenges of the changing economy. A proactive involvement of all related stakeholders, especially the private sector in training design, delivery and legislative framework would contribute to an increasing relevance and credibility of the TVET system. Coordination and governance in the TVET system remain challenging.

Output 5.3:	[Sustainable production] State organisations apply mechanisms and 2/5 processes to increase compliance with sustainability standards in the textile and garment industry on a pilot basis.
Output indicator:	MLVT had implemented 3 measures to promote sustainability standards e.g. improving the labour inspection system. (Source: ILO Better Factories)
Baseline:	None
Lead and Active partners	<u>Germany</u> , Belgium, France, Sweden

Assessment of Output 5.3: This indicator has not been achieved. MoLVT developed and approved a new checklist for labour inspectors. Inspections stopped for a while during the election campaign, but have been resumed since June 2018.

The continued commitment of the MoLVT is an important condition to successfully support and improve labour standards. In this context, a transparent and ethically-sound inspection system is of crucial importance for the successful development of the garment sector. The work on a Code of Conduct and information material conducted in 2017 represented an important milestone for a well-functioning labour inspection system in Cambodia. A new standard curriculum for labour inspectors and new guidelines on the process of labour inspections are being elaborated. There are, however, concerns that the national labour inspection would not be able to carry out its mandate in a neutral manner.

The Cambodian National Assembly adopted the National minimum wage law in June 2018. This law has drawn attention from international trade union movements and human rights organisations. Their concerns were, amongst others, related to restrictions with respect to fundamental freedoms, including freedom of association, academic freedom, and transparency of the process and equal participation of unions.

The Law on Trade Unions was promulgated on 17 May 2016. The law was an attempt to handle the fragmented trade union situation within the garment sector. While partly achieving this, the Trade Union Law has also caused problems for politically independent and oppositional unions to register with the MoLVT and represent their members. The number of open labour market disputes has been reduced drastically, but there are concerns that this has been achieved by suppressing such disputes rather than addressing them. The reduction of the number of cases reaching the independent Arbitration Council represents more of an indication that the MoLVT is now in control of the dispute resolution process, than of the fact that the number of disputes has been reduced.

The daily commute remains a substantial risk faced by many workers. The government-run insurance scheme National Social Security Fund (NSSF) - covering workers' injuries, work-related illnesses and commute-related accidents - has been in place since mid-2008. It has now broadened its coverage to include healthcare services. The healthcare service scheme has begun to be implemented in May 2016 in Phnom Penh, Kandal and Kampong Speu provinces, and it is expected to be rolled out across other provinces in the future.

The Better Factories Cambodia (BFC) ILO project, initiated in 2001, has been a contributing factor in increasing textile, garment, footwear exports, by improving working conditions and the competitiveness of this sector. Western buyers pay higher attention to the working conditions in countries they source from. In this sense, different initiatives - such as the Ethical Trading Initiative (ETI) and the Action Collaboration, Transformation (ACT) - manifest joint efforts to improve conditions for workers by policy dialogue with the Cambodian government, employer association and trade union.

With the support of EU partners, the Cambodian Garment Training Institute (CGTI) under the Garment Manufacturers Association of Cambodia began commercial activities in July 2017. During the 2017 second semester 375 students were trained, 360 on short courses and 15 on diploma courses. In 2018, a total of 1,514 students have been trained out of whom 1,448 on short courses and 66 on diploma courses (figures as of November 2018).

The openness of the MoLVT for regional and international cooperation is highly appreciated and European partners encourage the continued exchange with government representatives and other relevant actors in the region, to achieve higher social standards in the garment sector in Asia.

➔ The following areas are assessed to require **special attention and further actions** to achieve the goal of the Rectangular Strategy:

- *Trade & Private Sector:*

- i. Implement the WTO Trade Facilitation Agreement
- ii. Improve logistics and increase labour productivity
- iii. Continue diversifying exports

- *TVET:* TVET by nature is a sector with a wide number of stakeholders. Therefore coordination and leadership in the development of TVET is crucial in order to have an effective and relevant TVET system, responding both to the needs of the students and the industry. The leadership of the NTB and the MoLVT are therefore essential for the success

The private sector is the driving force for economic growth and employment of the growing workforce. The inclusion of the private sector in training design, delivery and the development of the legislative framework is therefore crucial for increasing the relevance and the credibility of the TVET system.

- *Sustainable production:* Visible progress is being made in compliance with social and labour standards in the textile industry in Cambodia, but the industry still faces some major challenges. Competition with other countries' textile sectors pushes down prices, which in turn increases the risk of poor working conditions for workers. The fact that many investors do not pay sufficient attention to social and labour standards in factories outside their own country also has negative consequences.. Collaboration with business associations and factory managers is crucial. The aim is to develop solutions for improving standards in line with national legislation.

The sustainability of the garment sector needs to be strengthened in order to make sure that the sector continues to contribute to the economic development of the country. This refers mainly to improving the working conditions of the workers and compliance to national and international labour standards. In order to monitor compliance with local labour laws and international standards, the national capacities for inspections and enforcement need to be strengthened. This in turn requires the government to be committed.

As 80 percent of garment workers are women, a strong focus on women's empowerment is advisable. To improve working conditions in the factories, communication between management and staff representatives has to be strengthened. This interaction enables workers to devise ways of improving working conditions that are jointly implemented and accepted by all. Outside the factories, safe transport conditions for workers have to be guaranteed urgently. This problem can only be solved by sharing responsibilities between international brands, government institutions, factory management, worker representatives and the many - often informal - enterprises in the transport sector. One issue that remains unaddressed in Cambodia is the environmental damage caused by the garment industry. Cambodia's people and the environment could be better protected by introducing measures and tools for energy efficiency and chemical management.

Rectangular Strategy Goal 5 (Capacity building and human resource development – Rectangle 4): *Developed human resources and competitiveness in an increasingly open regional labour market, with healthy, skilled and productive labour, developed regulatory frameworks, standards and training institutions that allow for improved quality in education and health services.*

European Strategy Outcome 6: Strengthened human capital that contributes to economic growth, poverty alleviation and inclusive and sustainable socioeconomic development



The steady implementation of the relevant sector strategic plans led to important achievements made by the RGC in a number of areas.

The education sector, despite several challenges in terms of access to services and the subsequently low number of children transitioning to lower secondary and further, has nevertheless achieved substantial progress. Positive trends concern all the key sector indicators, such as enrolment and completion, drop-out and repetition rates at almost all levels.

Quality remains an issue and learning outcomes are reported as fairly low across the board. At the same time, the renewed and comprehensive focus on reforms targeting teachers and schools as key drivers for learning proposed in the new Education Sector Strategic Plan 2019-23 currently under development is a positive signal for the development of the sector. The outstanding work conducted by the MoEYS in terms of regular assessment of learning and the attempt to use learning information to inform sector policies is also a clear indication of a genuine commitment in the direction of improved quality.

Output 6.1:	[Education] Student enrolment in Lower Secondary increased and drop-out 4/5 at Lower Secondary reduced.
Output indicator:	Lower secondary Gross Enrolment Rate (GER) increased to 54.6% in School Year 2017/18. Dropout rate at lower secondary education decreased to SY 17.5% in 2016/17. (Source: JMI)
Baseline:	Lower secondary GER 53.8% in SY 2015/16. Lower secondary dropout rate 19.2% in SY 2014/15.
<u>Lead and Active partners</u>	<u>EU Delegation</u> , Belgium, Czech Republic, France, Sweden

Assessment Output 6.1: In terms of indicators, the enrolment and completion rates in secondary school (from grade 7 to 12) are low. Enrolment stood at 56.8% for the school year 2017-2018 - which means that the related indicator, albeit very low, was met and the trend is now positive. Drop-out rates are still high, mainly in secondary school and in the last grade of primary. However, it has decreased to 15.4% and the trend is positive.

Recent studies show however that despite the great progress in reducing the number of out-of-school children⁹, at primary level rural girls are still more likely to be out of school than boys. At secondary levels, meanwhile, boys are more likely to be out of school due to economic opportunities (notably to replace the agricultural labour input of a migrating household member). At the same time girls perform better than boys in almost all the indicators, at all levels, and in each context (urban and rural). There are thus significant differences in performance between rural and urban locations, provinces and gender: the urban-rural gap remained stable over the period while the gender gap widened steadily in favour of girls. By the school year 2017/2018, girls performed consistently better on most indicators than boys, and urban pupils performed better than rural ones (with some relevant exceptions: e.g. primary school completion rates).

A recent assessment on education policies and migration concluded that youth, particularly in rural areas with high emigration rates, need to have the means and incentive (such as scholarships) to complete the full mandatory cycle of national education, to improve their life-long learning abilities¹⁰.

Education-sector Joint Monitoring Indicators set for 2017-2018 are progressing in line with the targets set in the Education Strategic Plan (ESP) Mid-term Review. Targets have been revised in 2016 and have been made more realistic. The M&E framework was also improved (a dedicated department was created and several monitoring activities were implemented) aiming to further improve under the new ESP, which is currently under development. These results are attributed to: 1) quantitative and qualitative increases in education facilities, 2) Strengthened early-grade reading and math activities in primary education, 3) the provision of scholarships to poor students in primary and secondary education, 4) the implementation of dropout prevention programmes, 5) strengthened inspections, 6) the implementation of the Teacher Policy Action Plan.

⁹ UNICEF regional study 2016

¹⁰ EU funded OECD study on Interrelations between public policies, migration and development in Cambodia: 2017

ASEAN integration in 2015 and Cambodia's objectives to reach upper middle-income status by 2030 have given renewed impetus to critical investment needed in education. The DFA, which analyses Cambodia's competitiveness index for 2015, highlighted that higher education and training critically lags behind neighbouring countries, and that lack of skills for the labour market is continually raised by the private sector as a factor constraining further job creation. The NSDP MTR identified quality of education (specifically teacher quality) and skills development as critical areas for further investment to achieve SDG 4 and increase the country's competitiveness.

The MoEYS has also been leading the implementation of the RGC's performance and accountability strategies, including being a pilot ministry for PFM reform (programme budgeting) and piloting activities with respect to transfer of functions to the sub-national level (SNDD).

Output 6.2:	[Higher education] Capacity building in higher education and research to 4/5 enhance the quality of teaching and research and meet the labour market needs.
Output indicator:	Number of scholarships provided by European partners in Higher Education and Research. (Source: European statistics)
Baseline:	118 scholarships in 2016/17.
<u>Lead and Active partners</u>	France , Belgium, Czech Republic, EU Delegation, France, Germany, Ireland, Sweden, Switzerland, United Kingdom

Assessment Output 6.2: In the period 2016-2018, this indicator was achieved in so far as European partners provided over 200 scholarships to Cambodian students to study for bachelors, master and doctoral degrees in European countries.

Capacity in higher education and research has increased through encouraging student and teacher exchanges between European and Cambodian universities, and by supporting cooperation between the academic and private sector, leading to enhanced employability of university alumni.

Specific support was provided to improve the curricula of study programmes at Cambodian universities, in terms of multi-disciplinary educational approaches promoting soft skills and internships. This will lead to more practical knowledge and better skills of alumni. International University cooperation in academic research was strengthened between European and Cambodian Universities. Moreover, the skills of Cambodian researchers were improved in terms of methodology of scientific research and publication of scientific work.

More than 70 partnerships exist today between European and Cambodian universities. There are existing double-degrees between European and Cambodian universities, including 300 students in Cambodia at RULE, 10 at ITC and 15 at RUFA in 2018, mainly in Economics/finance, Law and French language.

Apart from double-degrees, the European partners also fund missions from European professors invited to visit and teach at Cambodian universities such as at ITC's new Doctoral Programme.

Output 6.3:	[Health] Improved Reproductive, Maternal and Child Health (RMCH) 3/5 through enhancing quality and effectiveness of health care services through expanded coverage of deliveries by skilled birth attendants to all level of health facilities.
Output indicator:	Proportion of deliveries at health facilities managed by skilled birth attendants increases to 87% in 2017 and 88% in 2018. (Source: JMI)
Baseline:	80.35% in 2015-16
<u>Lead and Active partners</u>	<u>Germany</u> , Belgium, Czech Republic, France, Ireland, Switzerland

Assessment Output 6.3: While national figures for delivery by trained health staff have been reported at the 2018 National Health Congress to have reached 88.99% in 2017 (meaning the indicator would have been met) the provinces where European partners supported this area showed lower figures (e.g. Kampot 74.42%; Kep 53.91%; Kampong Thom 62.07%).

The Royal Government achieved improved health outcomes, which are well documented in the health-related results of the Millennium Development Goals. In particular, the progress in reducing maternal and child mortality, and the spread of communicable diseases is visible. Likewise, there is demonstrated progress in key health sector reforms, namely social protection, quality of health care and decentralisation of services, country-wide expansion of Health Equity Funds (HEF) for the poor. This is encouraging and reflects Cambodia's status as an LMIC and its aspiration to reach upper middle income status by 2030.

Following the achievements in the MDG health indicators, Cambodia's health sector is undergoing major structural and institutional reforms to face the challenges of the SDGs. A highly centralised system of governance for public health providers, poor quality of public services coupled with public mistrust and weak regulation of the increasing number of private health care providers paves the ground for malpractice and widespread corruption. Major structural reforms are necessary to prepare the entire Cambodian health sector to achieve good results with regard to the SDGs by 2030. This will necessitate several fundamental changes at all levels of the Cambodian health system: at the facility level, sub-national administration (SNA) and the central government. This needs to include the private sector providers at all levels. European partners have been encouraging the Ministry of Health (MoH) to actively guide and lead this process, and to reflect on its current and future role and functions. While managing public health service providers remains the main focus of the Ministry's mandate to date, it is now increasingly important that it also regulates and manages the quality of care for private providers, as laid out in the implementation of the third Health Strategic Plan. Private health care providers, meanwhile, provide nearly 2/3 of all health care services in the country and contribute substantially to health outcomes at the individual level. This happened to a lesser degree at the population level, as the bulk of primary preventive services are delivered through government structures with substantial support from Development Partners.

The MoH demonstrated a renewed attention to improve the quality of health care, including patients' and health care workers' safety. The adoption of the Licensing Law for health professionals in late 2016 is a fundamental step to regulate the quality of health care providers. A system of appropriately-licensed and registered health care practitioners is a precondition for any public or private health facility requesting licensing, registration or accreditation as part of a comprehensive quality management process. Reviewing the National Policy for Quality in Health and the Quality Improvement Masterplan are further essential steps to address the quality and safety of health care. The staffing situation in the Quality Assurance Office of the Hospital Service Department has improved. Further efforts are needed to ensure that staffs are skilled and motivated for their important tasks. Early adoption of the new Policy for Quality and Safety in Health will provide an opportunity for institutional changes in the MoH to emerge from the present focus on internal quality management processes of public facilities to a more holistic approach to licensing and accreditation of all (public and private) health care providers along the same minimum or excellence standards.

The Kantha Bopha Hospitals (KBH) Foundation has continued to provide quality health service to about 85% of severely sick children, and treatments to about 40% of pregnant women in Cambodia in 2016.. The services are provided to poor children and women, free of charge. The Prime Minister reaffirmed to keep KBH as an 'untouchable' model and it is recommended to look into management practices allowing the KBHs to achieve such a high level of care. The government has increased cash and in-kind support to KBH. Along with government contributions to HEF funding, this is an encouraging example of increasing financial budget allocations to the health sector, which needs to be repeated in the other priority areas defined in the Health Strategic Plan 2016 – 2020.

The RGC's plans to reassign health functions to sub-national administrations have been stalled. The key issues to be addressed in the further reform process to ensure that decentralisation reform can unfold its potential for 'bringing better public services closer to the Cambodian citizens' include: (i) the lack of congruence between operational districts and administrative districts, (ii) the need for more capacity within the MoH to manage the functional reassignment process at the sub-national level, (iii) the need to intensify dialogue between the MoH and the National Committee For Sub-National Democratic Development (NCDD-S) as well as Public Administration Reform (PAR) and Public Financial Management Reform (PFM) in the functional reassignment process.

While the MOH has successfully focused on increasing the number of health care workers substantially over the past years (see latest figures in the annual health report of 2018) the deficits in pre-service training of nearly all cadres are becoming more apparent. There is a substantial gap between the technical requirements at the health facility level and the actual skills of graduates. Nurses, midwives and doctors exiting their respective training institutions are not fully ready to provide high quality services in public and private health facilities. Also, they do not meet regional or international professional standards. This includes e.g. skilled staff for new-born care. While curricula for paediatricians/neonatologists or nurses specialised in new-born care are available and currently being rolled out, theoretical and practical training is not appropriately linked or provided. The MoH and its training institutions, with support from DPs, are addressing this gap with in-service training courses but this can only be a temporary measure, and needs to be tackled with a long-term solution. If the country intends to reach its respective SDGs in neonatal and maternal care and all other health-related SDGs, substantial technical and financial investments in the capacity of vocational training institutions for health care workers of all types need to be ensured.

Output 6.4:	[Social protection] Proportion of the population protected against 4/5 catastrophic/ impoverishing out-of-pocket health expenditure is increased.
Output indicator:	Incidence of impoverishment due to out-of-pocket spending decreases to 65% in 2017 and 63% in 2018. HSP3 Framework target for 2020 is 59%. (Source: HSP3)
Baseline:	67% in 2015
<u>Lead and Active partners</u>	<u>Germany</u> , Czech Republic, EU Delegation, France, Switzerland

Assessment Output 6.4: This indicator has been achieved, as out-of-pocket health expenditure as percentage of the total health expenditure (%) has fallen to 60.4% in 2016 (HSP3). Nevertheless the out-of-pocket spending remains the largest source of health spending and has increased in absolute terms by USD 200 million over the last 7 years from USD 534 million in 2009 to USD 729 million in 2016, while this figure does not take into account medical treatment outside of Cambodia.

In the area of social health protection, important steps have been initiated by the RGC to establish a coherent and financially sustainable social protection system for all Cambodians, including people working in the informal, the private and the public sector. Particularly notable is the RGC's adoption of the National Social Protection Policy Framework (2016-2025) which encompasses an institutional framework to achieve Universal Health Coverage (UHC) by 2030 with a purchaser provider split and a single payer system. The strategy established in 2017 is steered by the newly established National Social Protection Council which is presided over by the Prime Minister, and chaired by the Minister of Economy and Finance. . The secretariat is tasked with the coordination and operationalisation of a road map. The current social health protection coverage rate can roughly be estimated to be around 33%, by taking into account the 2.75 million IDPoor card holders, 1.6 million formal employees, 207,526 civil servants, 56,220 retired civil servants, 55,907 veterans registered with NSSF and approximately 0.2 million (out of 2 million) blue collar workers registered with NSSF.

The MoH has made significant progress in setting up an autonomous national payment certification agency to approve payments from the Health Equity Fund for health benefits provided to the poor, informal workers, both formal and informal pregnant women workers for child delivery and quality scores achieved by health facilities under the Service Delivery Grant system. The agency took over this role by mid-2018 from a donor supported international agency. It will be necessary to monitor the functionality of this institution and to ensure non-interference from political stakeholders and health service providers. At the same time it is necessary for the MOH to engage with MoLVT's National Social Insurance Fund providing social health insurance for the formal sector, civil servants and specified target groups. It has to underpin design elements (e.g. comparable benefit package and payment mechanisms) supporting the emerging purchaser provider split in such a way that a single payer system emerges.

In the short term the HEF scheme needs to be further expanded to cover additional vulnerable population groups such as children below 5, people living with disability and elderly persons. In the long run, however, the HEF scheme and the NSSF schemes should merge to form a single payer system and establish a firm purchaser provider split. The driving force behind this is unlikely to be either the MOH or the MoLVT, the present line ministries behind the PAE (Public Administered Enterprises) PCA and NSSF.

Despite the positive effects of Cambodia's economic development, low-skilled workers in informal employment and urban poor are currently not covered by the emerging Cambodian social health protection system. Also family members and dependents of those formally employed and insured under the NSSF are not covered. Presently, roughly only a third of Cambodian citizens enjoy a social health protection coverage allowing for the utilisation of public health services without paying user fees at the point of consumption. Together with the frivolous use of private health care, this contributes to increasing out-of-pocket expenditures that are among the root causes for falling back into poverty.

The Ministry of Health decided to exempt persons with disabilities and elderly persons from paying user fees at health facilities. However, exempting groups from paying without reimbursing the facilities through the HEF or another financing scheme undermines the motivation of the health staff to provide treatment for such a person. The HEF standard benefits package should therefore be further expanded to allow for targeting services of particular public health priorities. Village Health Support Groups and dedicated HEF promoters at local level have the important role of increasing HEF user rates and boosting demand for particular public health priorities. Evidence and lessons learnt for the issues mentioned are available from the joint Voucher Programme for Reproductive Health and Vulnerable Groups.

The European support for the Health Equity and Quality Improvement Project (H-EQIP) will be also used to strengthen HEF Promotion. NCD (Non-Communicable Disease) Services - hitherto covered by the voucher scheme - have meanwhile been integrated into the HEF benefit package, and they now form the corner-stone of the emerging NCD service package of the MOH. This is necessary as the country undergoes a complex epidemiological transition.

It is noteworthy that the RGC agreed to provide matching funds from the national budget to retain the same co-funding proportion for H-EQIP, particularly for SDG and HEF, as under the original H-EQIP arrangement. In general terms it can also be observed that government health expenditure as % of current health expenditure has increased from 19.9% in 2014 to 22.3% in 2016 (HSP3), covering the gap due to a decline in donor funding.

“Identification of Poor Households” was reconfirmed as the key targeting mechanism for poor families in urban and rural areas along with the Social Protection Policy Framework of the RGC. ID Poor will be handed over to the government by the end of the current project phase. In this regard, the Cambodian government confirmed that the costs for ID Poor will be fully covered by the national budget from 2019.

The capacity of health personnel with clinical skills practices and life-saving topics (e.g. treatment of post-partum haemorrhage) has been strengthened through European development cooperation.

➔ The following areas are assessed to require [special attention and further actions](#) to achieve the goal of the Rectangular Strategy:

- *Education:* A consensus has been reached on the need for the MoEYS to gradually shift the focus of its action from access to equity and quality.

Considering the many nuances that quality oriented reforms imply and the impossibility to adopt a “one size fits all” approach, a more coordinated and harmonised approach in the implementation of reforms, should be seen as a joint MoEYS-DPs objective to maximise the impact of the various efforts ongoing in parallel.

The increased interest expressed by the MoEYS in strengthening the support to early grades of primary school to allow the setting of a strong foundation for learning should be supported. The decision of the MoEYS to prioritise support to teachers and school directors, identified as drivers of change, is shared by all the DPs involved in the sector.

At the same time it would be equally important to constantly acknowledge the potential impact that early childhood education (ECE) can have on learning at all levels. Finally, the rectangular strategy IV clearly indicates the intention of the RGC to strengthen the link between education, skills training and competitiveness of the private sector. On-going efforts to increase the relevance of secondary and technical education leading to job opportunities for young Cambodians should be sustained and further supported.

Continued strong policy dialogue with the authorities/MoEYS to achieve the expected results.

- *Higher education:* It is recommended to further enhance the quality of the higher education system in general to meet the national and regional accreditation standards. Harmonising the credit system to comply with the ASEAN system and facilitating partnerships with foreign universities and students' mobility. Supporting the implementation of the consistent Internal and External Quality Assurance, and complementing it with an evaluation of academic and research programs.

Moreover, it is necessary to ensure that more talented students from disadvantaged backgrounds can access higher education through scholarship programs

Job market needs should be assessed and the higher education offer developed accordingly. Private sector involvement in curriculum development and teaching, under the supervision of university teachers and/or researchers, could enhance students' employability and consistency between the higher education and research offer and employers' expectations.

Developing human resources requires improving the quality of learning, teaching and research systems. Enhancing human resources quality (through, for instance, continuous education, conferences, participation in joint universities programs, co-supervised thesis, etc.) will overall improve the higher education and research system.

- *Health:* Implementation strategies by the RGC for the following issues are recommended:
 - i. The decentralisation of the health sector
 - ii. The regulation of the private sector
 - iii. The complementation of the internal quality enhancement tool promoted by H-EQIP for public providers, with an efficient external licensing and accreditation system applicable for all - public and private - health care providers
 - iv. To address the challenges in human resources in health, the strategy includes: i) an effective licensing system for health care practitioners, based on a structured Continuous Medical Education programme; ii) investments in a well-designed undergraduate training programme, covering all health professions and considering public and private training institutions alike, to reduce the current high demand for donor dependency and ad hoc in-service training.

MOH should determine regular costs of public health services at all levels to determine appropriate user and reimbursement rates and regulate - or at least assess - prices in the private sector. Furthermore, it should allow all public health facilities to improve their management capacities, to allow for local facility management to use information on costs, quality, and quantity and client satisfaction for local decision-making processes in collaboration or consultation with the local administration or civil participation.

- *Social protection:*
 - i. The National Social Protection Council needs to take the lead in designing future social protection systems offering social insurance schemes for health, accidents and pension as well as social assistance for the needy. In this context it is important to choose an efficient implementation structure for the various programs and to lay the foundation for the envisaged single-payer system for the social insurance schemes.
 - ii. The efficiency of a programme-based budget process vs. a historic budgetary process in conjunction with a performance-based budget process should be considered, to strike the right balance between supply-side and demand-side financing for social services across the board.

5. CSO ENABLING ENVIRONMENT

CSOs in Cambodia have benefitted from substantial EU support over the years, to promote human rights, civil and political liberties, contribute to better service delivery and ultimately contribute to democratic consolidation. The Roadmap for European engagement with CSOs builds on this past track record, taking it a step forward in an effort to lay out a shared vision and a plan for a more ambitious and coherent support of CSOs, in order to more effectively address the development challenges in Cambodia.

From its early stages, the CSO Roadmap process has been closely coordinated with the joint programming process of the European Development Cooperation Strategy for Cambodia 2014-2019, allowing CSOs' voices to be heard throughout the process. European development partners consider improvements in governance to be the most important factor for inclusive and sustainable growth in Cambodia and fully recognise that the nature of relations between civil society and government is an essential aspect of governance.

With political and policy dialogue at the heart of the engagement strategy, and a very strong focus on monitoring the environment in which CSOs operate, the CSO Roadmap has so far resulted in a number of key achievements:

- The establishment of a more permanent space for policy dialogue between European partners and CSOs, with the first consultation session being organised in May 2016 around the first monitoring report of the Joint EU Strategy. Since then, a number of annual national-level and provincial-level consultations have been held.
- Enhanced joint European political dialogue with the Cambodian government around the implementation of the Law on Associations and NGOs (LANGO) focusing on monitoring the impact of the new legislation at national and local levels and agreeing on priorities and common approaches.
- Support to Cambodian CSO efforts to monitor the environment, promote a rights-based approach to development and promote internal governance standards.
- Facilitating CSO engagement in policy dialogue and implementation, notably through TWGs (e.g. Education, PFM and PAR) and in programming, such as in SNDD with a focus on establishing an inclusive partnership between CSOs, the government and the private sector for national and sub-national development.

6. GENDER ACTION PLAN

The European partners are strongly committed to promote gender equality, human rights, the empowerment of women and girls and the eradication of gender based violence. European commitments are translated through the implementation of the joint European Action Plan on Gender Equality and Women's Empowerment in Development (GAP) 2016-2020. The priorities are : (i) promoting the institutional culture shift, (ii) supporting physical and psychological integrity, (iii) promoting economic, social and cultural rights, (iv) supporting political and civil rights – voice and participation.

Systematic joint reporting on the implementation of GAP by the European partners is intended to improve the effectiveness, transparency and coherence of European investments and their impact on gender equality, as well as to improve accountability of European investments. Importantly, GAP implementation so far has led to a better understanding of the underpinnings of gender equality and it has shifted the institutional culture and promoted systemic change in the European partners' agencies on gender equality issues. In addition, a significant effort has been made to reach out to civil society organisations.

European partners apply a system of division of labour when promoting gender equality. The system is as follows:

- The Swedish Ambassador is the agreed European Head of Mission lead for high-level policy dialogue on gender equality and women's empowerment at the country level on behalf of all European HoMs. As the gender champion, the Swedish Ambassador makes statements regularly and coherently to draw attention to joint European commitments to women's human rights and to the global obligations made by the partner country and European partners on gender equality (SDG 5), and to take a progressive stance on any current issues impacting on gender equality and women's empowerment in line with the Gender Action Plan. This has contributed to promoting a common position among European partners on the promotion of gender equality and women's empowerment.
- The Swedish Development Counsellor is the Lead European Partner for Gender equality in development cooperation. The Swedish Development Counsellor: (i) represents the European partners in formal dialogues between the government and said partners, (ii) acts as the focal point for coordinating European positions on gender, if there is a strategic need to do so, for convening the European group and getting agreement on a joint strategy, and (iii) leads policy dialogue in the sector on behalf of European partners (on the basis of positions agreed in the informal European coordination mechanism).

All European partners' have also appointed a Gender Focal Person (GFP) within their agency responsible for facilitating the promotion of women's empowerment and gender equality issues in the programme activities. This individual also jointly contributes to monitoring and reporting on the GAP implementation.

Engagement with Cambodian counterparts - such as line ministries, the national gender equality mechanism and local authorities, CSOs and women's rights organisations - is a central component of the European joint effort to mainstream gender and deepen and broaden the promotion of gender equality and women's and girls' empowerment and rights. By consistently promoting gender equality and mainstreaming in policy dialogue, European partners contributed to putting gender issues on the agenda, in advocating for policy shifts and legislation, and in pressing for priority to be given to gender equality and women's empowerment in national development planning and resource allocation. Moreover, sector level discussions (education, health, infrastructure, energy, agriculture, etc.) and use of complementary modalities (budget support with technical assistance) have helped to mainstream gender, and enhance the quality, effectiveness and sustainability of the European partners' support.

Gender equality is raised, emphasised and promoted regularly in political and policy dialogue at Ambassadors, Heads of Missions, Head of Cooperation and Political Counsellors level:

- i. by raising gender equality in bilateral meetings with the Cambodian Government or other stakeholders - gender equality underlies all of the EU support and therefore features as a part of dialogue in all the programmes, for example dialogue on Decentralisation basket fund focus on gender (providing TA funds, always brought up in the basket fund meetings, etc.); dialogue on the budget support indicators, one of which is on gender equality, and dialogue with civil society at national and sub-national levels
- ii. as co-chairs and/or members of the Technical Working Groups - throughout policy dialogue discussions in the Joint Technical Working Groups the European partners emphasised gender aspects notably related to nutrition, education (GAP focus on education scholarships as part of social protection), vocational training and labour standards. Although not a focus area of the GAP, policy dialogue by European partners in decentralisation focused on recruitment of women into management positions at subnational government level and this led to the proposal of a specific indicator in the EU budget support to the decentralisation reform.
- iii. as part of the joint European dialogue with the government (high level, sector level or consultation on Laws) or other development partners (CSO structured dialogue).

7. FINANCIAL OUTCOME OF THE STRATEGY IMPLEMENTATION

European partners' disbursements in support of the Rectangular Strategy outcomes in 2014-2015 are set forth below, together with the terms of assistance applied (grant/loan).

Table 1: European partners' disbursements in 2016-2018 (USD million)

European partner	Estimated disbursements 2016-2018 (in USD million)	Grants (in USD million)	Loans (in USD million)
Belgium	7.63	7.63	-
Czech Republic	2.82	2.82	-
EU Delegation	178.72	178.72	-
Finland	2.61	2.61	-
France	294.42	53.83	240.59
Germany	124.38	124.38	-
Ireland	2.08	2.08	-
Italy	1.37	1.37	-
Sweden	92.98	92.98	-
Switzerland	49.87	49.87	-
United Kingdom	8.99	8.99	-
Estimated disbursements	765.87	525.28	240.59

Table 2: European partners' disbursements 2016-2018 per Rectangular Strategy outcome (USD million)

RS-III Outcome	Disbursements 2016-2018 (in USD million)	Grants (in USD million)	Loans (in USD million)
Good Governance – The Core of the Rectangular Strategy	142.23	142.23	
Rectangle I: Promotion of the Agriculture Sector	209.71	143.62	66.09
Rectangle II: Development of Physical Infrastructure	149.09	17.74	131.35
Rectangle III: Private Sector Development and Employment Generation	23.64	13.19	10.45
Rectangle IV: Capacity Building and Human Resource Development	226.48	193.77	32.71
Other	14.71	14.71	
Total disbursements	765.87	525.27	240.59

Table 3: European partners' cumulative disbursements for the duration of the strategy 2014-2019¹¹ (USD million)

European partner	Disbursements (in USD million)	Grants (in USD million)	Loans (in USD million)	Common Equity (USD million)
Belgium	15.98	15.98		
Czech Republic	5.72	5.72		
EU Delegation	301.25	301.25		
Finland	7.34	7.34		
France	651.54	101.50	550.05	
Germany	235.70	217.48		18.22
Ireland	4.03	4.03		
Italy	2.09	2.09		
Sweden	172.95	172.95		
Switzerland	89.38	89.38		
United Kingdom	15.45	15.45		
Estimated disbursements	1,501.43	933.16	550.05	18.22

Table 4: European partners' disbursements 2014-2019¹² per Rectangular Strategy outcome (USD million)

RS-III Outcome	Disbursements (in USD million)	Grants (in USD million)	Loans (in USD million)	Common Equity (USD million)
Good Governance – The Core of the Rectangular Strategy	275.86	275.86		
Rectangle I: Promotion of the Agriculture Sector	440.99	250.94	190.05	
Rectangle II: Development of Physical Infrastructure	356.04	46.98	309.06	
Rectangle III: Private Sector Development and Employment Generation	63.77	27.32	18.23	18.22
Rectangle IV: Capacity Building and Human Resource Development	346.60	313.89	32.71	
Other	18.16	18.16		
Estimated disbursements	1,501.43	933.16	550.05	18.22

¹¹ Data on grants and loans for 2019 is based on projections.

¹² Data on grants and loans for 2019 is based on projections.

8. DEVELOPMENT EFFECTIVENESS AND COORDINATION

European partners in Cambodia enjoy a strong conducive environment to further progress on joint programming and development effectiveness, particularly due to Cambodia's comparatively strong national aid architecture which provides the framework for European cooperation.

The joint strategy allows for the range of European financing instruments (technical assistance, budget support, loans and blending, twinning, civil society support etc.) to be mobilised in support of European partners' policy dialogue with the Government of Cambodia and other development actors and stakeholders. Through the implementation of the Joint Strategy, European partners have been able to strengthen their alignment with government priorities, the use of national systems, to foster inclusion and leave no-one behind, to promote sustainable development through a full integration of environmental concerns, and to increase development effectiveness through increased joint action.

Partnership principles

The common values and principles which guide all European partners' actions in Cambodia set out a vision of country-led development with the overarching aim of poverty reduction. Democratic values and the principles of partnership, transparency and mutual accountability are understood to underpin development effectiveness. European partners commit to implement sustainable development principles, invest in people, promote gender equality and acknowledge conflict sensitivity in the aftermath of Cambodia's civil conflict.

European dialogue with the Royal Government

A high-level dialogue between the RGC and European partners was conducted as part of the consultations around the First Monitoring report in April 2016. In addition, a TWG Network retreat was organised in February 2017 to discuss the Global Partnership, the NSDP mid-term review, the localisation of the Sustainable Development Goals, the Development Finance Assessment and to endorse the 2017-2018 Joint Monitoring Indicator outcomes and outputs. Sector policy dialogues have had mixed results, as is noted in the TWG performance review conducted in late 2018.

European partners aim to have a common European position on all the key issues in discussions with the government, in terms of both policy-related and technical issues. To this end, work has been conducted to formulate joint positions and common messages in a number of areas. These include: public administration and compensation reform, anti-corruption, sub-national democratic development, budget transparency, skills development and TVET, higher education. The formulation of common positions, in turn, has led to an improved coordination and increased coherence in different areas of European development cooperation, such as support for the SNDD and the green economy, etc. It has further resulted in an increasing move towards joint implementation, such as in the support to PFM. There is an ongoing discussion relating to modalities that can facilitate coordinated European support to civil society.

Table 5: List of TWGs and coordination groups where European DPs are actively involved

TWG/coordination group	Government Chair	European DPs as Facilitator(s)	Active European Partners
TWG Decentralisation and Deconcentration	Ministry of Interior	Switzerland (from August 2015) EU Delegation (from 2017)	CH, DE, EU, SE
TWG Public Administrative Reform (inactive)	Ministry of Civil Service	Germany	CZ, DE, EU
TWG Public Financial Management	Ministry of Economy and Finance	EU Delegation	EU, SE
TWG Education	Ministry of Education, Youth and Sports		BE, CH, CZ, EU, DE, FR, SE, UK
TWG Health	Ministry of Health		BE, CH, CZ, DE, FR
<i>Global Fund : Country Coordinating Committee</i>		<i>Germany</i>	<i>DE, FR</i>
TWG Gender	Ministry of Women's Affairs		CH, EU, DE, SE
TWG Agriculture and Water	Ministry of Agriculture, Forestry and Fisheries and Ministry of Water Resources		BE, CH, CZ, EU, DE, IE
TWG Fisheries	Fisheries Authority	EU Delegation	EU, CH, DE
TWG Forestry (inactive)	Forestry Authority		EU, CH, FR
TWG Social Protection, Food Security, & Nutrition ¹³	CARD	Germany (since December 2018)	BE, CH, CZ, DE, FR, IE, EU
TWG Infrastructure	Ministry of Public Works and Transport		CZ, DE, FR
TWG Land (inactive)	Ministry of Land Management, Urban Planning and Construction	Germany (until 2017)	CH, DE, EU
TWG Mine Action	Cambodian Mine Action and Victim Assistance Authority (CMAA)		CH, DE, UK, IE
TWG Partnership & Harmonisation	Council for the Development of Cambodia	Sweden	All
TWG Private Sector Development	Council for the Development of Cambodia		CH, EU, DE
Sub-steering Committee on Trade Development and Trade-related Investment	Ministry of Commerce	EU Delegation (Enhanced Integrated Framework DP Facilitator)	DE, EU, FR

¹³ This TWG is likely to be split in two in 2019.

Friends of the ECCC		France	DE, EU, FR, SE, UK
International Coordinating Committee for the Safeguarding and Development of the Historic Site of Angkor (ICC)	Deputy Prime Minister, Chairman of the APSARA National Authority	France	DE, FR, HU
Development partner TVET coordination group		Switzerland	BE, CH, CZ, DE, FR, SE
Development partner anti-corruption coordination group		Sweden	CH, DE, EU, FR, SE
Development partner climate change coordination group			EU, DE, SE

European dialogue with DPs

Development partners in Cambodia meet monthly, at the Informal DP Lunch, chaired by the Lead Development Partner Facilitator (LDPF). The EU Delegation has been acting as the LDPF since January 2018, with the UN Resident Coordinator acting as the Alternate DPF. The EU Delegation, as LDPF, has been facilitating a strategic focus to drive progress on key issues identified by DPs under the current aid management structure.

European partners facilitated a formulation of a common DP position on harmonising daily subsistence allowances (DSA) for government counterparts' travels funded under development partners' programmes. European partners have led the harmonisation process and preparation for the joint DP statement/agreement which was signed by all DPs in Cambodia in November 2014. They have subsequently facilitated the adoption of joint DP positions on additional principles agreed upon in December 2016.

European partners have also taken the lead in coordinating DPs in the areas of anti-corruption and TVET. These processes have enabled a more coherent communication and better engagement with the government. Similarly, European partners have initiated a sector-wide dialogue involving all stakeholders in the garment sector (Line ministries, unions, Garment Manufacturers Association in Cambodia (GMAC), buyers, Arbitration council, National Social Security Fund, NGOs, development partners and private sector) which provided an impetus for identifying synergies between partners and enabling an integrated approach to maximise sustainable economic development and direct improvement in people's well-being.

Based on their co-chairing roles on behalf of all DPs involved in the Democratisation and decentralisation reform (SNDD) and the Public Administration Reform (PAR), respectively, European partners have also taken the lead in coordinating the DPs along the three governance reforms.

Joint implementation

During the reporting period, several jointly implemented actions co-funded between European partners started to materialise. For instance delegated cooperation was initiated in PFM reform, Decentralisation, Education, Aquaculture; Trade-related assistance programme, Energy, Water.

There are however continued challenges to progressing on the development effectiveness agenda such as in the use of programme-based approaches, government systems and participation of civil society in policy dialogue in the spirit of the Busan principles.

9. CONCLUSIONS

This second monitoring report has used data and inputs from individual monitoring and evaluation reports of European partners, while closely consulting the relevant sectorial ministries in, inter alia, the TWGs. Therefore, the data used has been thoroughly validated. Internal consultations and discussions among European partners took place during late 2018 and early 2019. The results were compiled and presented to the RGC - through the Council for the Development of Cambodia (CDC) - for consultation and validation. Consultations with the private sector, civil society organisations (CSOs) took place in early 2019. The report will also be shared and discussed with Cambodia's National Assembly.

Overall, the report emphasises that progress has been made across most indicators defined in the European Development Cooperation Strategy for Cambodia. Drawing from the experience of implementing the Joint Programming strategy, political commitment of the RGC and strong coordination activities among the relevant ministries are crucial to achieve sustainable results. For the future, even stronger commitment is needed to attain even more impressive results for Cambodia's development trajectory. There is, however, a challenge. The contribution of CSOs to Cambodian development remains challenging and uneven across sectors, albeit very positive overall. In some sectors, the government has consulted and cooperated well with CSOs to achieve development results. In others, there is substantial room to ensure a more open and enabling environment for CSOs to operate with the RGC and other stakeholders to ensure a brighter future for all Cambodians.

European partners can also extrapolate lessons from their mutual collaboration in Cambodia under the Joint Programming mechanism. The joint development of the strategy has resulted in greater alignment between European development initiatives and the achievement of Cambodia's national development plans, in alignment with the spirit of the European Consensus for Development and aid effectiveness principles. It has also ensured better mutual understanding, coordination, and coherence between partners, and it has enhanced the visibility of the EU/Europe as a unified voice, committed to help bring change to Cambodia. Project tools such as joint monitoring and analysis among European partners and, even more, joint implementation mechanisms (delegated cooperation arrangements or other forms of joint funding arrangements) have reduced transaction costs. Finally, the development experience of European partners has helped to reinforce the notion of shared European values regarding the advancement of human rights, democracy, rule of law and gender equality.

10. RECOMMENDATIONS FOR THE NEXT PHASE OF JOINT PROGRAMMING

To consolidate and sustain Cambodia's socio-economic transformation, the next joint European programme needs to be grounded in relevant contextual factors that inform the direction of development in Cambodia. Some of the notable factors include:

- Alignment with *emerging RGC priorities* as stated in the RS-IV: (i) governance reform, (ii) human resource development, (iii) economic diversification, (iv) private sector development and employment, and (v) inclusive sustainable development.
- Addressing *middle-income country challenges and prospective LDC graduation* – partnerships must be mobilised and managed to ensure that actions to address development challenges and opportunities related to socio-economic transformation are effectively coordinated. In the next phase of joint programming, particular emphasis should be placed on public and private partnering in areas such as investments, industrialisation and trade, supporting SMEs and National Quality Infrastructure, human development and social protection, environmental sustainability, and stronger institutions.
- In 2016, the UN's assessment positively concluded that most of the targets of the *Cambodian Sustainable Development* Goals have been aligned with the UN's SDGs. However, the emphasis of future efforts should concentrate on these areas – sustainable production and consumption, gender and youth, migration, and leaving no one behind to reduce inequalities and target vulnerable groups – that are not explicit in the CSDGs.
- *Emerging European priorities*, such as those stated in the European Consensus for Development, the Global EU Strategy related to the security/development nexus, the Paris Agreement on Climate Change, promoting transitional justice that consolidates peaceful and accountable societies, economic and cultural diplomacy, connectivity, etc. The European partners' commitment to the *2030 Agenda* attaches greater importance to the social dimension of global supply chains than in the past. Particularly, it considers aspects such as decent working conditions and fair wages, compliance with social and labour standards with a strong focus on supporting women and girls.
- Enhanced *regional integration within the ASEAN context* could boost the country's economic and social development, accelerating its path towards meeting the SDGs. National and regional activities should be complementary and mutually reinforcing, wherever possible.
- *Changing development finance flows* – the Cambodia Development Finance Assessment provides projections of development finance flows up to 2025. This analysis underlines the increased importance of the government's own revenues, which are approaching 20% of GDP, and the declining relative share – but continued importance - of ODA, NGO support and South-South Cooperation funds. Increased use of innovative financing mechanisms, such as blending grants with loans, will also be key to meet the significant levels of investment needed in the country, in a sustainable way. Jointly-funded infrastructure projects would allow for greater impact on the visibility of European cooperation. Moreover, the growing importance of the private sector and emerging development partners - both for investments and job creation – should be better taken into account.

- Integrated national development planning and budgeting – The alignment of the Rectangular Strategy IV and NSDP with the SDGs will allow all development actors to mobilise, plan, implement and monitor the CSDGs in a coordinated manner under the RGC’s leadership. More efforts are required to enhance coordination, planning, and management to ensure that resources are aligned with NSDP and CSDG objectives.
- Increased *commitment to service delivery and public sector reform* – commitments to improved public services, with a focus on exclusion and social protection, underline the importance of continued engagement from external partners in the government reform agenda, support to the social sectors and broader livelihood strategies. Effective partnerships are therefore needed to address challenges related to social, economic and sustainable development. Governance reform is a key prerequisite to ensure better public service delivery to Cambodian citizens, some aspects of which are already included in the RGC’s Rectangular Strategy. The overall aims are to: make Cambodian institutions and society more transparent and more accountable, encourage bottom-up civil participation, continue to improve democratic processes, fight corruption and guarantee the fair representation of vulnerable population groups throughout land titling issues.
- To maintain steady growth, Cambodia’s economy needs to continue reforming. Particularly, it is necessary to guarantee a *sound environment for businesses and investment* to flourish. The EU has been making a notable contribution, in this regard, by placing the country under the Everything But Arms scheme. This has allowed Cambodian-based businesses and new jobs to grow significantly. However, it is possible that recent political events have put the future of the scheme at risk. Possible socio-economic impact of trade preference withdrawal will need to be assessed.
- To ensure the long-term wellbeing of Cambodia, national economic growth requires decoupling from negative externalities to the environment. Currently, it is essential to put *sustainable management of the environment* at the forefront of Cambodian development strategies, through measures that address regional risks such as the state of the Mekong River and marine fisheries, as well as deforestation, habitat loss, the status of protected areas, the sustainability of timber production, waste management/circular economy, and rapid urbanisation.