



European Development Cooperation Strategy for Cambodia 2014-2018

*Annual monitoring report
for the period 2014-2015*

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LIST OF ABBREVIATIONS

ASEAN	The Association of South-East Asian Nations
BE	Belgium
BOT	Build-Operate-Transfer
CARD	Council for Agriculture and Rural Development
CCCA	Cambodia Climate Change Alliance
CCCSP	Cambodia Climate Change Strategic Plan
CDCF	Cambodia Development Cooperation Forum
CF	Community Forestry
CFMP	Community Forestry Management Plan
CH	Switzerland
CMDG	Cambodian Millennium Development Goal
CPA	Community Protected Areas
CSES	Cambodia Socio-Economic Survey
CSO	Civil Society Organisation
CZ	Czech Republic
CQF	Cambodian Qualification Framework
D/M	District/Municipality
DE	Germany
DP	Development Partner
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
GDCC	Government-Development Partner Coordinating Committee
GIS	Geographic Information System
HEF	Health Equity Fund
HU	Hungary
IE	Ireland
IPC	Indigenous Peoples Community

IT	Italy
JMI	Joint Monitoring Indicator
LDPF	Lead Development Partner Facilitator
LJR	Legal and Judicial Reform
LMIS	Labour Market Information System
MAFF	Ministry of Agriculture, Forestry and Fisheries
MDG	Millennium Development Goal
MEF	Ministry of Economy and Finance
MIS	Management Information System
MLMUPC	Ministry of Land Management, Urban Planning and Construction
MoC	Ministry of Commerce
MoEYS	Ministry of Education, Youth and Sport
MoH	Ministry of Health
MoLVT	Ministry of Labour and Vocational Training
MoWA	Ministry of Women's Affairs
MRD	Ministry of Rural Development
NCSD	National Council for Sustainable Development
NSFSN	National Strategy for Food Security and Nutrition
PAR	Public Administrative Reform
PFM	Public Financial Management
PPWSA	Phnom Penh Water Supply Authority
RGC	Royal Government of Cambodia
SDG	Sustainable Development Goal
SE	Sweden
SNDD	Sub-national Democratic Development
STEM	Science, technology, engineering and mathematics
TVET	Technical and Vocational Education and Training
TWG	Technical Working Group
UK	United Kingdom
USD	United States Dollar
UXO	Unexploded Ordinance

PREAMBLE

In this first Annual Monitoring Report of the European Development Cooperation Strategy 2014-2018, European partners take stock of progress made in 2014-2015 in the areas where European partners provide support to Cambodia's development agenda. The ambition is that this Report, together with its conclusions and recommendations, will provide a basis for an informed dialogue with the Royal Government of Cambodia and other stakeholders and that it can be used as a tool for joint analysis of progress or lack of progress in key development areas in a constructive and solution-oriented manner, in line with the spirit of partnership and the principle of mutual accountability.

European development cooperation in Cambodia responds to trends and dynamics in international politics and commitments at global level by translating them into practical programmes and projects, the extent of which cannot be fully reflected in this monitoring report. In the interest of keeping this report focused, it does not therefore reflect the full extent of the European partners support in Cambodia which spans from archaeology and cultural heritage to support to ECCC, elections, migration and other areas. European partners' programmes are guided by common values and principles, and overall human rights-based approach that underlie all European cooperation in Cambodia.

1. INTRODUCTION

This is the first Annual Monitoring Report of the European Development Cooperation Strategy for Cambodia 2014-2018. The Strategy was launched in November 2014 and, where appropriate, it replaces individual European partners' country strategies.

The strategic goals of the Strategy are to work in partnership with the Royal Government of Cambodia, civil society, parliamentarians and the private sector to reduce poverty; enable equitable and sustainable growth and development; foster respect for human rights, democratic participation and principles, and an active civil society in Cambodia; and to improve the effectiveness and impact of development cooperation.

The priority areas of European support and partnership activities include social development, sustainable and equitable economic growth, infrastructure, governance and cross-cutting issues such as promotion of human rights, gender equality, support for people with disability and ensuring climate change resilience. These priority areas are closely aligned with the priority areas as expressed in the Royal Government's Rectangular Strategy III and the National Strategic Development Plan (NSDP) for the period 2014-2018. A number of them also directly and indirectly support the objectives of the Industrial Development Policy 2015-2025.

The Results Framework of the European strategy is structured in accordance with the Rectangular Strategy and the results reporting is informed by sector level results frameworks, including Government and development partners' Joint Monitoring Indicators (JMIs) which are jointly agreed and monitored through the relevant Technical Working Group (TWG) mechanism. Monitoring of results is thus taking place through the established processes for Government and development partners' joint monitoring processes at national and sector level. Monitoring of progress has also been informed by the European partners' individual monitoring and evaluation arrangements, related to their respective project and programme portfolios. Finally, the broader picture of the overall progress in the sectors is considered when monitoring progress for this report.

In 2014 and 2015 European partners have continued their support to good governance, which forms the core of the Rectangular Strategy. This includes support to key governance reforms – decentralisation and democratisation, public financial management and civil service reform - and contributions to fight corruption. The support to core governance

reforms goes hand in hand with support to strengthen civil and political rights, with a strong focus on promoting the freedom of association and expression, access to information as well as on social, economic and cultural rights, and support minorities land rights. The promotion of Gender Equality as well as the promotion and protection of women's rights and the fight against gender based violence, continues to be a priority.

In the agriculture and rural development area – Rectangle 1 – European partners have continued to promote in 2014-2015 a human-rights based and holistic approach to land distribution and equitable rural growth. This includes support to the ongoing land reform and support to addressing the challenges linked to nutrition and food security. Provision of rural infrastructure and a focus on improving livelihoods for poor and vulnerable people in rural areas has also been a key European focus. Ensuring transparent and sustainable management of land and natural resources and protection of the environment, including biodiversity conservation, constitutes an important part of European support. Support to climate change adaptation remains a priority as a means to increase resilience and reduce vulnerabilities in society and to comply with international commitments.

In the area of physical infrastructure – Rectangle 2 – European support in 2015-2015 has been provided to both rural and urban areas and has covered areas such as electricity, water supply, waste management, public transportation and sustainable energy use.

In the area of private sector development and employment – Rectangle 3 – support in 2014-2015 has been provided to improve the business, trade and investment environment. This has included the financing of trade-related infrastructure, the development of small and medium-sized enterprises, including access to finance, as well support to skills development in the garment sector. Strengthening national Technical Vocational Education and Training (TVET) systems, including the regulatory framework and delivery systems oriented towards ASEAN integration has also been one of the priority areas. European partners have also supported actions to protect labour rights and improve labour conditions in Cambodia.

In the area of capacity building and human resources development – Rectangle 4 - European support in 2014-2015 has been provided to the education sector to support the development of knowledge and skills through the formal school system, including both basic and higher education, and through on-the-job training. The quality of education provided as well as the promotion of vocational training has received increased attention. European partners have also contributed to the strengthening of the health system through support to improve the quality of health care services and an expansion of social health protection for the poor and vulnerable to ease the burden of impoverishment for poor and near-poor Cambodians. Tackling malnutrition in health sector interventions has been gaining particular importance among European support.

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

2. RESULTS OF THE EUROPEAN DEVELOPMENT COOPERATION

The progress made under the European Strategy Outcome areas during 2014-2015 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 the full assessment of progress that takes into account not only the implementation of the European projects and programmes that directly support 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): <i>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.</i>		
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’)	
JMI-based Output 1.1:	[PFM] Further improvement in budget comprehensiveness and transparency	3/5
JMI-based Output indicator:	Citizen friendly budget is published every year	
Lead and Active partners	<u>EU Delegation</u> , Sweden	
JMI-based Output 1.2	[PAR] Action Plan for Administrative Reform is approved by the RGC. Areas of focus include compensation reform, public service standards and HR management and development.	3/5
JMI-based Output indicator:	The action plan for Administrative Reform is approved by the RGC in 2014	
Lead and Active partners	<u>Germany</u> , EU Delegation	
JMI-based Output 1.3	[SNDD] Functional reassignment process implemented, resulting in the transfer of functions, staff, and resources from Central Government to SNAs.	3/5
JMI-based Output indicator:	By 2015 (2016 budget), 0.5% of the national budget has been transferred to SNAs as the result of functional reassignment	
Lead and Active partners	<u>Switzerland</u> , Germany, EU Delegation, Sweden	

Progress has been made in all three areas of governance reform, although the pace and depth varies. As these reforms are 'all of Government' reforms, leadership and commitment from line Ministries is critical to their implementation.

Assessment of Output 1.1: Examples of progress/results in output 1.1 include a more solid budget preparation process, improved in-year predictability of funding of the budget, the establishment and gradual expansion of the Single Treasury Account, the publication of the 2015 budget in brief, the Public Forum on the Macroeconomic Framework and the 2016 Budget Strategic Plan (PFM). However, issues relating to external oversight, anti-corruption, transparency and public accountability have not been sufficiently included or addressed in the previous stages of the PFM reform.

Assessment of Output 1.2: Examples of progress/results in output 1.2 include the approval of the Action Plan for Administrative Reform in January 2015, implementation of salary reform for priority sectors and the endorsement of key policies and decrees regarding human resource management & development at sub-national level as well as regarding the organisation of the civil service in Cambodia as a whole (PAR).

Assessment of Output 1.3: Examples of progress/results in output 1.1 include the establishment of district/municipality funds, the initiation of the Sub-National Investment Facilities (SNIF). The Social Accountability Framework (ISAF) was established, strengthening the engagement between citizens and local governments. A separate statute for the management of Sub-National Administration (SNA) Personal was drafted, together with a number of other regulatory instruments and guidelines to support the reform process. The Secretariat of the National Committee for Sub-National Democratic Development (NCDD-S), accelerated efforts to transfer service delivery functions to sub-national administration: The Ministry of Education, Youth and Sport transferred the management of early childhood education, primary education and non-formal education in a pilot in Battambang. The Ministry of Environment will transfer urban solid waste management to capital, municipalities and district administrations nationwide; the Ministry of Rural Development piloted the delegation of rural water supply system maintenance, rural sanitation and the and the Ministry of Health started a pilot to transfer the health centre management to several districts. Newly established Provincial Resource Facility Centres support capacity building efforts. Steps to strengthen the communication and transparency were taken, however the overall management of the reform remains challenging. Overall, significant progress was made, still several priority activities remain behind schedule.

The **cross-reform coordination mechanism** established in 2015 constitutes a positive step forward and may assist in creating a holistic and whole-of-government approach to the reform agenda. As a result of continued cross-reform coordination, European partners expect that synergies are used and over lap is reduced, resulting in harmonized action plans. The efficiency of capacity building initiatives remains a concern and will need increased attention in the coming years. The deepened cooperation between two European partners (EU Delegation and Sweden) in the PFM reform provides a strategic and concrete opportunity for the RGC and DPs to take further steps in this regard.

➔ 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:* Efforts need to be accelerated to further enhance budget transparency, for providing citizens with the information they need to hold government accountable, but also to inform economic decisions of the public and private sectors, procurement procedures and auditing. The Publication of the National Audit reports would improve the Government's accountability and budget transparency through effective oversight.
- *Public Administration Reform:* Human resources management; merit-based recruitment. In its aspiration to achieve lower middle income status in the near future, the Government should increasingly consider taking on responsibilities for performance-based payments and covering allowances/expenses paid to civil servants;
- *Sub-National Democratic Development:* The further implementation of the functional re-assignment combined with the fiscal decentralisation needs continued commitment of all involved line ministries. Increased quality public service delivery for citizens will need an increase of district and municipal funds, own resource revenue collection and the delegation of the tax authority. The functional transfer should not be realized at the expense of the overall general mandate of the districts and municipalities, and the strengthening of permissive functions. Key services, such as birth registration and civil registry, need to be assured to all citizens.

Decentralization provides an opportunity for the Government to support citizen engagement and constructive resolution of local issues. Overall decentralization and democratization needs to have a strengthened bottom-up approach, with strong citizen engagement and space for civil society.

- *Cross cutting reform coordination:* Continued and accelerated efforts for coordination will allow for streamlining planning, identifying synergies and strengthening momentum, while saving human and financial resources. Harmonized and intensified capacity development at national and sub-national level need to be strengthened.

Streamlined coordination will also allow for more coordinated efforts in strengthening gender equality. The Neary Rattanak 4 provides a strong strategic framework.

European partners will continue and further reinforce the focus on transparency, integrity and accountability within the public sector, to strengthen the links between the demand and supply side of governance.

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')	
JMI-based Output 2.1:	[LJR & Gender] Increasing availability of free, unconditional and quality legal services for female victims of gender-based violence.	3/5
JMI-based Output indicator:	A system for the registration of relevant data on cases of violence against women (including court data) is established at MoWA	
Lead and Active partners	<u>Germany</u> (Gender)	
JMI-based Output 2.2	[Anti-corruption] Individual citizens are actively engaged in the fight against corruption	3/5
JMI-based Output indicator:	Participation by young people, private sector and civil society in anti-corruption activities (will be monitored e.g. through reporting from Transparency International)	
Lead and Active partners	<u>Sweden</u>	

The judiciary and law enforcement agencies continue to be perceived as weak pillars of Cambodia's governance system. Studies and indexes suggest limited capacity and weak integrity systems, which negatively affect access to justice, effective protection of human rights and the fight against impunity. This, in turn, points to the need for further efforts and deeper reform within the justice sector. However, some progress is also being made, as evidenced in the rating of the progress towards this outcome.

Assessment of Output 2.1: Citizens' voices have been strengthened over the years, partly as a result of the decentralisation reform (SNDD) and partly as a result of targeted capacity building and awareness-raising by civil society organisations. However, the increase in citizens' engagement started from a relatively low level and participation varies between groups and geographical location.

Progress is also being made in increasing access to justice. For example, in Siam Reap and Kampong Thom provinces with European support, more women who have experienced gender-based violence now receive legal advice and press charges against the perpetrators. The collection of data on cases of domestic violence and rape, as well as the quality of available support services, are improving in cooperation with Ministry of Women's Affairs (MoWA). Still, too many cases of gender-based violence go unprosecuted in Cambodia due to a lack of the respective free services and support to women and children who have experienced gender-based violence heavily relies on external funding; national funding for gender-based violence and support measures remains very limited.

European partners support to justice and the rule of law 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 during the Khmer Rouge period and promotes reconciliation. In addition, European Partners also focus on strengthening the capacities of the Parliament, as the backbone of any democratic system and the rule of law.

Assessment of Output 2.2: Awareness of anti-corruption is increasing, as evidenced by the active engagement of more than 5 000 young people involved in youth networks that are promoting integrity amongst their peers, families and communities. Curricula on anti-corruption for lower secondary schools for 2014-15 have been designed and 140 000 copies of student textbooks and 5000 copies of teacher textbooks have been distributed to schools across the country by Ministry of Education, Youth and Sports (MoEYS) in cooperation with the Anti-corruption Unit (ACU). The curriculum for

higher secondary school was published in 2013-14. Awareness relating to corporate integrity systems is on the increase and reforms are being implemented with respect to business licensing and certificates of origins. Corruption however remains widespread and further actions to strengthen anti-corruption efforts are required. The results of recently published reports also highlight the need to address challenges in legal and judicial reform to strengthen the rule of law and reduce impunity.

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

- Safeguard the rights of citizens to free speech, assembly and access to public information in accordance with the laws of the Kingdom of Cambodia, including in the formulation of laws as well as in the implementation of laws (e.g. the NGO Law);
- Implement the recommendations from the National Integrity System Assessment, notably a) reform of the judiciary, b) passing of the law on access to information, c) strengthening the anti-corruption law (including whistle-blower protection, as recommended in the UNCAC Peer Review);
- Intensify implementation of the Neary Rattanak IV 2014-2018 and the National Action Plan on Violence Against Women 2014-2018 through increasing national budget allocations.

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	
JMI-based Output 3.1:	[Agriculture] Improved productivity, diversification, commercialisation of agriculture, improved rural infrastructure as well as quality of public and private service provision	3/5
JMI-based Output indicator:	Irrigated area for rice crop reached 1.545 million ha	
Lead and Active partners	France , EU Delegation, Germany, Ireland, Switzerland	
JMI-based Output 3.2	[Land] Equitable access to land and land tenure security	2/5
JMI-based Output indicator:	At least 10 indigenous peoples communities (IPCs) are communally titled per year	
Lead and Active partners	Germany	
JMI-based Output 3.3	[Natural resources] Sustainable management of natural resources through strengthened and increased Community Forestry, and maintained availability of fresh water and marine fisheries production.	3/5
JMI-based Output indicator:	300 new Community Forestry, Community Protected Areas and Community Fisheries Management Plans formally approved	
Lead and Active partners	EU Delegation (Forestry), EU Delegation (Fisheries), Germany, Sweden, Switzerland	

Assessment of Output 3.1: The irrigated area for rice crop reached 1.546 million hectare (exceeding the output indicator target of 1.545 million hectare). There has been an increased diversification, and improvement in quality of agricultural production. Improvements in processing capacities (value chains) are reflected in the rising share of agricultural products in exports. However 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 still produce at a very low (subsistence) level, thus remaining vulnerable to droughts or floods.

Assessment of Output 3.2: A range of policy documents and legal texts have been prepared by Ministry of Land Management and Urban Planning and Construction (MLMUPC) including public consultation processes, notably the Land Policy White Paper, Land Management and Urban Planning Law and Construction Law. Cambodia now has the fastest systematic land registration system per capita in South-East Asia with 400.000 to 500.000 titles issued per year across all provinces. Approximately 59 % of all privately owned real estate has now been registered with their owners. However, the communal titling process for indigenous people needs to speed up to meet the JMI indicator. The social land concessions programme for landless and land poor people has reached more than 14000 land recipients. With respect to economic land concessions (ELC), the recent review process has yielded some results with the reduction in size and lease for a number of concessions. However the future use and allocation of the cancelled ELCs has not yet been fully clarified. Several challenges remain, including inadequate compensation given to communities and limited consultation when land is 'taken' for ELCs. The general environment continues to be challenging and there remain a significant number of unsolved – nearly 800 - longstanding land conflicts. For the reasons spelled out in the exchange of letters between the Federal Government of Germany and the Royal Government of Cambodia in the Summary Record of the negotiations held in Berlin on 1-2 December 2015 Annex 10, the German government decided to phase out when the ongoing phase of the Land Rights Program comes to its agreed end by mid of 2016 The Cambodia Millennium Development Goal (CMDG) 9 target to release land from landmines and UXO for productive use by intended beneficiaries has been almost met.

Assessment of Output 3.3: The natural resources sector is complex and the full progress is difficult to assess, however good progress has been made in establishing Community Forestries (CF) and Community Forestry Management Plans (CFMP), with 50 of 150 approved plans in 2014-2015 and 229 CFMPs approved to date. There have been 13 Community Protected Area (CPA) Management Plans approved in 2014-2015 and an additional 20 CPAs management plans are in the process of approval. Good progress has also been made with establishing Community Fisheries (CFi) and there are now 516 CFis established of which 391 are officially registered with the Ministry of Agriculture, Forestry and Fisheries (MAFF). The capacity of community level management committees to implement community natural resource management plans without external support remains limited and technical support from relevant line ministries also needs to improve.

Good progress has also been made in aquaculture production (exceeding the targets set), wild-harvested fish production, effective deep pools protection and rice-field fisheries production, thanks mainly to improved management and establishment of commune fish refuges. As fish is so critical to the diet of all Cambodians (76% of the 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. Due mainly to widespread deforestation and associated biodiversity loss, Cambodia did not achieve the MDG 7 on environmental sustainability and continues to be challenged by a fast rate of deforestation.

Illegal fishing and illegal logging remain one of the greatest threats to the sustainable management of natural resources and require strengthening of law enforcement. Other environmental concerns include: surface water management, increasingly critical because of planned and actual dam building on the Mekong in combination with the implications of climate change, land allocation and use, degradation of soil, (driven by unsuitable agricultural practices in addition to deforestation) and overall climate change impacts. In the area of climate change the Cambodia Climate Change Alliance (CCCCA) 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 following areas are assessed to require **special attention and further actions** to achieve the goal of the Rectangular Strategy:

- Prevention of forced evictions and upgrading of resettlement policies and procedures to international standards and good practices, using eviction as a last resort;
- Sustainable forestry requires addressing law enforcement to prevent illegal logging, reviewing and addressing the time-consuming and complex procedures in the implementation of REDD+ at both national and sub-national levels;
- Sustainable fisheries requires addressing law enforcement to prevent illegal fishing and increased quality in Environmental Impact Assessments (EIA) to correctly assess the impact of development in the Tonle Sap floodplain and on the mainstream river (dams);
- Mainstreaming climate change at sub-national level into the commune investment plans will be critical in the coming years to ensure sustainable economic growth.

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.



JMI-based Output 4.1: National electricity grid network improvement: n/a

- (a) Construction of 115 KV transmission line such as Phnom Penh (SPP) – Svay Rieng, Kirirom III – Sre Ambel, and Stung Hav – Sihanoukville
- (b) Construction of 230 KV transmission line such as Phnom Penh loop line (WPP-SPP), Phnom Penh (NPP) – Kampong Cham, Osom – Lower Upper Reussey Chrum Hydro power – Tatay Hydro, and Kratie – Kampong Cham

JMI-based Output indicator: To complete the construction of the transmission lines stated in the Output

Lead and Active partners France, Germany

Assessment of Output 4.1: Whilst the construction of the transmission lines in the JMI output has been progressing well, the construction of those transmission lines has not been directly supported by the European partners. The indicator for this outcome will therefore be revised, during the mid-term review of the joint strategy implementation (in late 2016 - early 2017), to correctly capture the progress made with support from European partners.

There has been a remarkable progress made in access to clean water in rural and urban areas. With the support from the European partners, the capacity of the Niroth water production facility has been strengthened to enable the Phnom Penh Water Supply Authority (PPWSA) to cope with the dramatic increase of demand for drinking water, especially in Phnom Penh peri-urban areas. The facility will eventually provide half of Phnom Penh's water and will be the largest water treatment facility in Cambodia. Similarly, cooperation with the Siem Reap Water Supply Authority is resulting in construction of a 15,000 cubic meters per day water facility (and transmission pipes).

European partners have been financing private water providers operating their own water treatment facilities and small electricity companies capable of providing energy off the grid to Cambodia's rural areas to enable 50,000 rural households to receive better access to water and 35,000 to benefit from electricity. Similarly, loan agreements have been signed with three microfinance institutions to help rural households to purchase solar panels and electricity.

Good progress can be seen in the improvements to rural infrastructure especially rural roads, telecommunication and markets. The Ministry of Rural development (MRD) has been working to strengthen the data collection to prepare the countrywide Rural Road Database and Rural Road Inventory. Electricité du Cambodge (EdC) has made significant progress in rural electrification and extending the grid. However the need for rural infrastructure remains significant (incomplete rural road network), the lack of systematic maintenance of rural roads remains a challenge and electricity supply in rural areas still needs greater grid coverage. There is also a growing need for management of newly built infrastructure such as roads which are being excessively used by heavily loaded transport vehicles. Progress has also been made in the provision of rural road maintenance funding for the provinces, with the Ministry of Rural Development (MRD) able to determine investment needs based on the registration of the rural road network with a Geographical Information System (GIS). Promoting connectivity for rural and isolated areas, particularly through improved rural roads, can dramatically expand livelihood opportunities for communities.

Despite the good progress to date, there is a significant need for further coverage of the electrical grid and to reduce the price of energy for manufacturing businesses. Cambodia has plans to develop its hydropower potential, including two dams on the Mekong mainstream and some large dams on tributaries, such as the Lower Sesan 2 Dam. It is therefore vital that Cambodian decision-makers are familiarised with approaches and instruments for sustainable hydropower

development. The potential of solar energy for remote and rural areas that may not get grid connections in the medium-term needs also greater consideration.

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

- Strengthening rural infrastructure, particularly maintenance of newly rehabilitated roads, to improve small holder access to markets, schools, health centres;
- Climate-resilient improvements to rural infrastructure and maintenance to enable better access to social services, employment opportunities and markets;
- Adoption of approaches and instruments for sustainable hydropower development and greater use of EIA to assess the impact of infrastructure development;
- Formulation of policy frameworks linked to renewable energies and review of the potential for solar energy.

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

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



JMI-based Output 5.1:	[Trade and Private Sector Development] Improved policies and regulations which stimulate transparency in trade, innovation, private sector investment and the creation of more and better jobs.	3/5
JMI-based Output indicator:	Procedures of border agencies and for doing business are automated and more transparent by the end of 2014 (and will be monitored through doing business ranking and accessibility of the National Trade Repository).	
Lead and Active partners	France (financial services), EU Delegation (trade)	

JMI-based Output 5.2	[TVET] Increased access to TVET programs, the improvement of the quality and the relevance of the TVET system and the strengthening of the governance and management in TVET delivery	3/5
JMI-based Output indicator:	Increased number of TVET trainees, and in particular of female trainees and involvement of the private sector in TVET curricula development	
Lead and Active partners	Switzerland (employment & skills), EU Delegation, Germany, Sweden	

Assessment of Output 5.1: Cambodia has made good progress in increasing its ranking in the area of 'Doing Business' (from 133rd place out of 189 economies in 2014 to 127th in 2015), showing an improvement in ranking over the past year. The ease of starting a business and access to electricity issues are showing significant improvement. However the score for registering property, accessing credit, protecting minority investors and paying taxes has not improved. The Ministry of Commerce (MoC) has improved trade policy and has automated and streamlined many import/export customs procedures to comply with international standards. The National Trade repository on non-tariff measures was launched in November 2015 and has become fully operational in 2015. Today border checkpoints in Cambodia are automated and red tape has been cut; requiring less time and money to move goods to markets.

Financial sector assets have increased with financial sector growing much faster than GDP, creating a risk of over indebtedness in country. The influx of investment from abroad is also a potential problem with the construction sector being most at risk. More households than ever before are now reached with microfinance services with approximately 50% of the population using the services. Issuance of loans has increased almost 300%, whilst non-performing loans are estimated at below 2%.

Assessment of Output 5.2: Cambodia's economic growth is narrowly based and focused on low-skilled labour-intensive production in the garment industry, agriculture, tourism and construction. Moreover, there is a significant mismatch between what students specialise in and the skills the labour market of an industrialising Cambodia needs. Too many students are graduating in liberal arts and too few in science, technology, engineering and mathematics (STEM) subjects.

In 2015, the Government took major steps to formulate key policy documents in the sector, namely the Technical Vocational Education and Training (TVET) Strategic Plan 2014-2018 which was adopted in January 2015, and the National Employment Policy 2015-2025 adopted in September 2015. The national inter-ministerial committee, chaired by the Minister of Labour and Vocational Training (MoLVT), for the National Employment Policy was approved by the Prime Minister.

There has been much progress within the Cambodian TVET system including: the approval of a Cambodian Qualification Framework (CQF); the completion of skill standards for 3 priority sectors across 7 occupations in each sector, the development of a TVET social marketing strategy 2014 – 2018, the introduction of a Quality Management System for training centres, the restructuring within the MoLVT of the Directorate General of TVET (DGTNET) that aims to improve the delivery of TVET services; as well as a labour market information system (LMIS) and a TVET management information system (TVETMIS) that are now available to the public. A study tour for Cambodian government officials and private sector representatives provided insights into the Swiss dual track system which serves as an inspiration in developing the TVET system in Cambodia.

Although progress has been achieved in developing policies, the challenge now is to move to practice and implementation.

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

- Strengthen the competitiveness of existing sectors and promoting new ones, including opening new markets, moving up the value chain;
- Need to continue strengthening regulatory and business environment as well as investment climate by adopting more transparent procedures, improving property rights;
- The immediate and long-term steps to improve TVET should include improved access, outreach, quality and relevance of TVET in Cambodia; and creation of the regulatory framework for TVET;
- Close coordination mechanisms among different ministries and agencies as well as with other stakeholders, notably those from private sector and NGOs need to be strengthened.

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



JMI-based Output 6.1:	[Education] Student learning performance in Khmer and Mathematics at Grade 3 and Grade 6 improved	4/5
JMI-based Output indicator:	Results of the national assessment of student learning in Khmer and Mathematics at Grade 3 and Grade 6 available for policy considerations.	
Lead and Active partners	EU Delegation , Sweden, France	
JMI-based Output 6.2	[Health] A functional and sustainable health system, producing improved results in health and providing access to an essential package of quality health services for all Cambodian people, particularly the poor and vulnerable, including women and children.	3/5
JMI-based Output indicator:	Proportion of deliveries at health facilities increased to 83% in 2014 and to 85% in 2015 (result 2013: 80%; baseline 2012: 76.06%) The incidence of catastrophic health expenditure for the poor and vulnerable has decreased in Cambodia	
Lead and Active partners	Germany , Switzerland, France	

Assessment Output 6.1: At the national level, the Ministry of Education, Youth and Sports (MoEYS) has formulated the Education Strategic Plan (ESP) 2014-2018 and the Capacity Development Master Plan 2014-2018 has been updated to better align to the ESP. The Ministry has also been active in reforming national examination to eliminate any forms of misconduct within the processes and ensuring that the “not for sale” textbooks will not be available in the market. School bank accounts have been opened and are increasingly being used for transferring of funds to schools. Increased education budget allocations, by the Ministry of Economy and Finance (MEF), over the past two years is evidence of a renewed commitment to education sector strengthening and reform.

In terms of education sector performance, the 2015 education congress report shows a positive trend for 6 out of 9 core breakthrough indicators since 2013/14. However, several key indicators fell short of the established targets, notably primary completion rates and lower secondary dropout rates. The examination reform was launched in 2014 and provided renewed impetus for conducting national assessment of student learning in Khmer and Mathematics at Grade 3, 6 and 8. The Grade 3 assessment was conducted in 2015 and analysis of the outcome is currently in progress. Analysis of the 2014 Grade 8 exam is also under way. The draft report on the 2013 Grade 6 assessment is finalised and a dissemination workshop was organised in late 2015.

The MoEYS has 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).

Assessment Output 6.2: There have been impressive achievements made in the health sector - most health-related CMDGs were reached. In particular, the progress in reducing maternal and child mortality, reducing the spread of communicable diseases and the country-wide expansion of Health Equity Funds (HEF) for the poor is excellent. Improvements have also been achieved regarding the nutrition status (stunting, wasting and underweight) of children under 5 and of women of reproductive age (underweight), still more progress is needed here.

Health coverage has improved significantly, but utilisation of public facilities is still low - around 70% of health services are provided by private facilities. The low quality of health services remains a challenge in both the public and private sector, requiring leadership from the central level as well as increased financial and human resources. The MEF and Ministry of Health (MoH) have taken measures to improve the efficiency of the budget allocation for health, which will need further attention and progress in the years to come, in particular in the area of financing and procurement of drugs and consumables. The MEF has also demonstrated an increased interest in the field of social security which is appreciated by European partners.

There are encouraging examples of increasing financial budget allocations in the health sector such as the government contributions to the HEF funding and to Kantha Bopha, which need to be repeated in other priority areas as defined in the upcoming third Health Strategic Plan 2016 – 2020. Programme implementation in the area of non-communicable diseases has been delayed, which has led to negative results on the outcome level recently (e.g. increasing Malaria cases).

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 Road Map for Nutrition 2014-2020 and investment plans which were prepared in consultation with the MoH, MRD and the MAFF.

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

- Improving access to education; enrolment, completion at basic education level, reduction of drop-outs;
- Improving quality of education; decreased primary repetition rates and implementation of national assessments, teacher training;
- Increased transparency and efficiency in budget allocation and execution for health and education;
- Acceleration of and national leadership for core health sector reforms, including health care financing, quality improvement, human resources and good governance initiatives;
- Improving quality of health care by focusing on pre-/in-service training as well as management skills of health staff;
- Establishing a robust social health protection system for the informal sector poor and the vulnerable population;
- Strengthen licensing, regulation and accreditation of public and private health providers and reinforce accountability of health care providers.

3. 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 2014-2015 (USD million)

European partner	Estimated disbursements 2014-2015 (in USD million)	Grants (in USD million)	Loans (in USD million)
Czech Republic	2.33	2.33	-
EU Delegation	127.57	127.57	-
Finland	4.40	4.40	-
France	108.74	28.14	80.60
Germany	54.70	54.70	-
Ireland	1.29	1.29	-
Italy	0.34	0.34	-
Spain	1.57	1.57	-
Sweden	66.44	66.44	-
Switzerland	24.89	24.89	-
United Kingdom	2.91	2.91	-
Estimated disbursements	395.18	314.58	80.60

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

RSIII Outcome	Estimated disbursements 2014-2015 (in USD million)	Grants (in USD million)	Loans (in USD million)
Good Governance – The Core of the Rectangular Strategy	102.96	102.96	
Rectangle I: Promotion of the Agriculture Sector	89.55	62.88	26.67
Rectangle II: Development of Physical Infrastructure	58.66	21.64	37.02
Rectangle III: Private Sector Development and Employment Generation	22.15	8.15	14.00
Rectangle IV: Capacity Building and Human Resource Development	112.56	109.65	2.91
Other	9.30	9.3	
Estimated disbursements	395.18	314.58	80.60

4. DEVELOPMENT EFFECTIVENESS AND COORDINATION

Partnership principles

All European development cooperation partnerships in Cambodia are guided by common values and principles, notably the respect for human rights, democracy, fundamental freedoms and the rule of law, good governance as well as conflict-sensitive program management, 'do no harm' approach, transparency and accountability.

European dialogue with the Royal Government

In the reporting period no high-level dialogue (CDCF or GDCC) involving all Development Partners (DPs) took place. However, a high-level dialogue between the RGC and European partners was conducted as part of the consultations around the Joint European Strategy (March 2014). In addition, two TWG Network retreats were organised, one in June 2014 and one in October 2015. These Network retreats discussed and shared information on the NSDP monitoring and evaluation framework, the Development Cooperation and Partnership Strategy, the Industrial Development Policy and Cambodia's position and planned work with respect to the localisation of the Sustainable Development Goals. Sector policy dialogue showed mixed performance, as was reflected in the TWG performance review conducted in late 2014.

European partners are active participants in several TWGs, and act as Development Partner Facilitators in eight of them. This is illustrated in the table 3 below.

European partners aim to have a common European position on all the key issues in discussions with the Government, both in terms of 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; Land; Budget Transparency; Skills development and TVET. 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 Parliament (National Assembly and Senate). It has further resulted in an increasing move towards joint implementation, such as in support to PFM. There is an ongoing discussion relating to modalities that can facilitate coordinated European support to civil society.

Table 3: 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	Sweden (until July 2015) Switzerland (from August 2015)	CH, DE, EU, SE
TWG Public Administrative Reform	Ministry of Civil Service	Germany	DE
TWG Public Financial Management	Ministry of Economy and Finance	EU Delegation	EU, SE
TWG Education	Ministry of Education, Youth and Sports		EU, FR, SE
TWG Health	Ministry of Health		DE, CH
Global Fund : Country Coordinating Committee			DE, FR
TWG Gender	Ministry of Women's Affairs		DE, SE
TWG Agriculture and Water	Ministry of Agriculture, Forestry and Fisheries and Ministry of		EU, FR, CH

	Water Resources		
TWG Fisheries	Fisheries Authority	EU Delegation	EU, CH
TWG Forestry	Forestry Authority	EU Delegation	EU, CH, FR
TWG Land	Ministry of Land Management, Urban Planning and Construction	Germany	DE, EU, CH
TWG Partnership & Harmonisation	Council for the Development of Cambodia	Sweden	All
TWG Private Sector Development	Council for the Development of Cambodia		EU, FR
Sub-steering Committee on Trade Development and Trade-related Investment	Ministry of Commerce	EU Delegation (Enhanced Integrated Framework DP Facilitator)	DE, EU, FR
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	CH, DE, EU
Development partner anti-corruption coordination group		Sweden	SE, DE, EU, FR, CH
Development partner climate change coordination group			EU, FR, DE

European dialogue with DPs

Development partners in Cambodia meet monthly, at the Informal DP Lunch, chaired by the Lead Development Partner Facilitator (LDPF). In January 2015, DPs elected the EU Delegation as the new LDPF for an initial period of two years, 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.

In addition, European partners facilitated a formulation of a common DP position on harmonisation of daily subsistence allowances (DSA) for Government counterparts' travel funded under development partners' programmes. European partners led the harmonisation process and the preparation of the joint DP statement/agreement which was signed by all DPs in Cambodia in November 2014. DSA harmonisation efforts continue linked to non-overnight missions and sub national authority counterparts.

European partners have also taken the lead in coordination of DPs in the area of anti-corruption and TVET in 2015. These processes have enabled a more coherent communication and better engagement with Government. Similarly, European partners have initiated a sector-wide dialogue involving all stakeholders in the garment sector (Line ministries, unions, 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 peoples' 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.

European dialogue with civil society

In 2015, European partners agreed on the European Roadmap for Engagement with Civil Society in Cambodia 2014-2018 which is intended to activate and ensure structured dialogue and strategic cooperation with civil society organisations (CSOs), with a view to increase the consistency and impact of European actions in support of civil society.

The Roadmap has been developed with aim of translating the priorities of the September 2012 EU Communication on civil society into concrete actions on the ground. These priorities are:

- 1) To enhance efforts to promote an enabling environment for CSOs in partner countries;
- 2) To promote a meaningful and structured participation of CSOs in domestic policies of partner countries, in the European programming cycle and in international processes; and
- 3) To increase local CSOs' capacity to perform their roles as independent development actors more effectively.

In the context of the roadmap preparation European partners organised a consultation workshop with representatives of CSOs active in Cambodia - including CSO umbrella organisations, associations, networks, media and trade union representatives – as well as several international NGOs. This consultation was intended to provide an opportunity for European partners to hear Cambodian CSOs' views on the draft roadmap, to seek CSO suggestions for the actions to be included in the roadmap and indicators by which European partners can monitor their performance in implementing the road map. The roadmap is a result of extensive consultation with CSOs and represents a shared vision of a more ambitious and coherent European engagement with CSOs.

Coordinated capacity development

European partners have been working to ensure coordination of capacity development initiatives in all key programmes through, for example, joint diagnosis of the sector, in which government and all DPs participate, as opposed to bilateral appraisal missions. The deepened cooperation between two European partners (EU Delegation and Sweden) in the PFM reform provides one such example. Similar efforts exist in health and fisheries sectors and SNDD. A further shift however needs to be made towards more structured management of capacity development support within the civil service structure, which government could manage through its own systems for public planning, procurement, implementation and reporting. The implementation of a civil service-wide human resource development strategy would be encouraged.

Gender equality and women's empowerment

The European partners are strongly committed to promoting gender equality, human rights, the empowerment of women and girls and the eradication of gender based violence. Bearing in mind that gender equality is not only a goal in itself but also central to achieving all development goals, European commitments have been operationalised through the implementation of the joint European Action Plan on Gender Equality and Women's Empowerment in Development 2010-2015 (GAP) and are reflected in its recently agreed successor GAP 2016-2020 with the following main objectives:

- 1) Promoting the Institutional Culture Shift: The European partners will continue to ensure that their commitments on gender equality are translated into clear and tangible outcomes and are accompanied by improved coordination, coherence, leadership, gender evidence and analysis, and adequate financial and human resources
- 2) Supporting Physical and Psychological Integrity: The European partners will continue to contribute in a measurable manner to preventing, and responding to, all forms of violence against girls and women

- 3) Promoting Economic, Social and Cultural Rights: Economic and Social Empowerment - The European partners will continue to contribute in a measurable manner to girls' and women's economic and social empowerment, to their active participation in the economy and to the prevention of economic exploitation
- 4) Supporting Political and Civil Rights - Voice and Participation: The European partners will continue to contribute in a measurable manner to an increase in girls' and women's agency, voice and participation in social, economic, political and civil life.

5. CONCLUSIONS

Overall, there has been *positive progress in key reforms* supported by the European partners through the programmes contained in the joint European Strategy, and challenges lying ahead were presented in the consultations. Achievements in the governance reforms need to go hand in hand with the promotion of citizens' rights and participation. Strengthening the judiciary, land rights and sustainable management of natural resources will need to be further discussed in an open dialogue and through multi-actor processes in order to find constructive ways forward.

European partners and the Royal Government of Cambodia's *resources for development* need to be efficiently deployed to maximise their effectiveness. Each line ministry has the primary responsibility for the implementation of sector plans and reforms, for the mobilisation and utilisation of financial resources, and for inter-sectoral coordination. The assessment of progress across sectors suggests that there is some lack of political willingness to commit the capacity and financial resources necessary for completion of key reforms and to ensure sustainability of development investments.

European partners are concerned with demands for *incentives* to enable the implementation of cooperation programmes. In the interest of sustainability of development efforts, incentive payments should be financed by Government, particularly in view of Cambodia's aspiration to become an Upper Middle-Income Country by 2030.

Based on the review and assessment of progress indicators in the European Results Framework, it is concluded that some *output indicators* have already been achieved (e.g. output 1.2 on PAR) and will need to be updated accordingly during the mid-term review of the strategy which is due at the end of 2016. In addition, it is concluded that some output indicators have either been insufficient (e.g. output 2.1 on legal and judicial reform and gender is too narrow to be fully representative of the outcome) or not directly relevant for European development cooperation (e.g. output 4.1 on infrastructure). Moreover, there is a need to consider separating more complex indicators, such as the one for the natural resources management which incorporates two distinct areas of fisheries and forestry, important in their own right. Finally, accurate capture of the full extent of the European development cooperation requires adding new indicators such as that for climate change. These outputs will need to be revised and made more relevant taking into consideration the key challenges identified.

Together with the Government, European development cooperation in Cambodia will respond to trends and dynamics in *international politics and commitments* at global level by translating them into practical programmes and projects. The UN Summit on the Agenda 2030, the Financing for Development Conference, the G7 Summit and the Climate Conference will particularly influence European partners work at country level. European partners are keen to work in partnership with the Government on the localisation of Sustainable Development Goals (SDGs) in Cambodia thereby addressing the unfinished business of the MDGs in order to leave no one behind.

Food security and nutrition, Corporate Social Responsibility with respect to working conditions and environmental standards as well as the global need for more protection of the climate system will gain greater importance and new facilities/ modes of *delivering development cooperation* are evolving with this shift. European partners will closely work with Government to respond to these changes for the benefit of the Cambodian people.

The consultations on the draft of this report with civil society, the Royal Government of Cambodia and the private sector, held in April 2016, generated useful inputs. Some of the inputs that were relevant to the assessment of progress in 2014-2015 were incorporated in this document. Further recommendations, such as those related to adjusting the indicators and alignment with the next JMI results framework, will be addressed during the mid-term review of the joint strategy implementation.