



# Country Strategy and Program Midterm Review

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August 2007

Cambodia  
2005–2009

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 12 July 2007)

Currency Unit – riel (KR)  
\$1.00 = KR4,010

## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
ADTA	–	advisory technical assistance
AFD	–	Agence Française de Développement
ASDP	–	Agriculture Sector Development Program
AusAID	–	Australian Agency for International Development
CAER	–	Cambodia Aid Effectiveness Report
CARM	–	Cambodia Resident Mission
CBDMS	–	computer-based debt management system
CCDP	–	Commune Council Development Project
CDC	–	Council for the Development of Cambodia
CDCF	–	Cambodia Development Cooperation Forum
CDRI	–	Cambodian Development Research Institute
CEDAW	–	Convention on the Elimination of All Forms of Discrimination Against Women
CMDGs	–	Cambodia Millennium Development Goals
CPA	–	country performance assessment
CPP	–	Cambodian People's Party
CPPR	–	country portfolio performance review
CSP	–	country strategy and program
CSP MTR	–	CSP midterm review
DEMD	–	Department of Ethnic Minority Development
DFID	–	Department for International Development of the United Kingdom
DSA	–	debt sustainability analysis
EDC	–	Electricité du Cambodge
ESDP	–	Education Sector Development Project
EU	–	European Union
FDIs	–	foreign direct investments
FUNCINPEC	–	The French acronym for the National United Front for an Independent, Neutral, Peaceful and Cooperative Cambodia.
GDCC	–	Government Development Coordination Committee
GDI	–	gender development index
GDP	–	gross domestic product
GMS	–	Greater Mekong Subregion
HDI	–	human development index
IDA	–	International Development Association (World Bank)
IMF	–	International Monetary Fund
IRC	–	Inter-ministerial Resettlement Committee
IRI	–	International Republican Institute
JCPPR	–	Joint World Bank/ADB Country Portfolio Performance Review
LMAP	–	Land Management and Administration Project

MAFF	–	Ministry of Agriculture, Forestry and Fisheries
MEF	–	Ministry of Economy and Finance
MFI	–	microfinance institution
MLMUPC	–	Ministry of Land Management, Urban Planning and Construction
MOC	–	Ministry of Commerce
MOEYS	–	Ministry of Education, Youth and Sports
MOLVT	–	Ministry of Labor and Vocational Training
MOU	–	memorandum of understanding
MOWRAM	–	Ministry of Water Resources and Meteorology
MPWT	–	Ministry of Public Works and Transport
MRD	–	Ministry of Rural Development
NAA	–	National Audit Authority
NBC	–	National Bank of Cambodia
NSDP	–	National Strategic Development Plan
OAG	–	Office of Auditor General
OCR	–	ordinary capital resources
ODA	–	official development assistance
PFM	–	public financial management
PPTA	–	project preparatory technical assistance
PRC	–	People's Republic of China
RWSS	–	rural water supply and sanitation
SMART	–	specific, measurable, achievable, realistic and timely
SME	–	small and medium-sized enterprise
SMEDF	–	SME development framework
TSI	–	Tonle Sap Initiative
TWG	–	thematic working group
UNDP	–	United Nations Development Programme
US	–	United States
USAID	–	US Agency for International Development
WTO	–	World Trade Organization

#### NOTE

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

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## I. CURRENT DEVELOPMENT TRENDS AND ISSUES

### A. Recent Political and Social Developments

1. **Political Developments.** At the time the Cambodia country strategy and program (CSP)<sup>1</sup> 2005–2009 was being formulated, the political scene was characterized by uncertainty reflected in the protracted negotiations between the Cambodian People's Party (CPP) and the royalist FUNCINPEC<sup>2</sup> over the forming of a national coalition government in 2004. Since then there has been increasing political consolidation and stability, with the CPP emerging as the dominant senior coalition partner and receiving an overwhelming mandate at the 2007 commune council elections. Following an amendment to the Constitution to allow a simple majority of members of the Assembly to form a government, a delay in the formation of the government following the 2008 national elections is much less likely.

2. **Social Developments.** As political parties gear up for the elections in July 2008 (the fourth national election since the Paris Peace Accord of 1991), they will be faced with new realities. About one fourth of voters will have been born after the Khmer Rouge period of the 1970s. Notwithstanding increased migration from rural to urban areas, rural unemployment may be an emerging issue since the 300,000 young Cambodians who join the rural labor force every year face industrial and rural economies that are not growing quickly enough to create jobs for them. Survey results<sup>3</sup> suggest that, for the remainder of the CSP period, voters will judge political parties on their ability to deliver concrete results, such as improvements to infrastructure and improved living conditions in villages.

### B. Economic Assessment and Outlook

3. **Economic Assessment.** During 2005-2006, the performance of the economy has been impressive. In 2005 and 2006, GDP growth surpassed the Government's own forecasts. In 2005, the economy grew by 13.5% (against the Government's forecast of 7.0%) and in 2006 by 10.8% (against the forecast of 6%). Growth during 2005-2006 was much faster and more broadly-based than during the 1996–2004 period, when it averaged 7.8% annually. Economic growth in 2006 was buttressed by a strong expansion in agriculture, robust growth in services based on a solid increase in tourist arrivals, and sustained growth in industrial output driven by continued strong growth in clothing exports.

4. On the demand side, economic growth has become less dependent on consumption, a sign of a higher and more sustainable growth path. Private investment has risen in response to a better investment climate and fully recovered in 2006 after a dip in 2004. Confidence in Cambodia's nascent financial system has grown: broad money (M2) expanded by 38% in 2006, largely because of a 54% surge in credit to the private sector and a 32% jump in net foreign assets of the central bank and deposit taking banks.

5. Inflation averaged 4.7% in 2006, down by about 1% from 2005, in part because of moderate growth in food and oil prices. Given the year-end inflation rate of 2.8%, inflation should continue its downward trend.

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<sup>1</sup> ADB. 2005. *Country Strategy and Program (2005-2009): Cambodia*. Manila.

<sup>2</sup> FUNCINPEC is the French acronym for the National United Front for an Independent, Neutral, Peaceful and Cooperative Cambodia.

<sup>3</sup> International Republican Institute. 2007. *Survey of Cambodian Public Opinion*. Cambodia. Available: <http://www.iri.org/asia/cambodia/pdfs/2007-06-12-Cambodia.pdf>

6. External debt management has been sound. External public debt was estimated at the end of 2006 to be about 45.4% of GDP.<sup>4</sup> For the first time, ADB has participated with the International Monetary Fund (IMF) and the World Bank in the debt sustainability analysis (DSA) for Cambodia.<sup>5</sup> Preliminary results suggest that Cambodia's debt is now on a sustainable path and it faces only moderate risk of debt distress. Cambodia recently received a sovereign credit rating of B+ from Standard and Poor's and a rating of B2 from Moody's, which may pave the way for commercial borrowing and government bond issuance over the medium to long term. Country economic indicators are attached as Table A1.1.

7. **Economic Outlook.** GDP growth is expected to average about 9.3% in 2007 and 2008, propelled by a continued expansion of agricultural output and sustained activity in garment exports, tourism, construction, transport and communications, and real estate. The projected strong growth in the near term is based on some key assumptions: maintenance of macroeconomic management and fiscal discipline; close and effective supervision of banks by the monetary authorities to ensure sound banking practices as domestic credit rises rapidly; implementation of structural reforms designed to increase business confidence and raise investment; and continued inflows of concessional loans and grants reinforced by foreign direct investment (FDI). Risks include competition in the garment sector from the People's Republic of China (PRC), following the lifting of safeguard measures by the European Union (EU) and the United States (US) against PRC garment exports, and from Viet Nam, following its accession to the World Trade Organization; possible adverse weather conditions that could affect agriculture; and potential disasters such as avian influenza that could affect poultry production and tourism.

8. Recent oil and gas discoveries could change the course of Cambodia's growth trajectory and its people's welfare. However, given the uncertainty surrounding the timing and size of usable oil and gas deposits, it would be prudent to assume that oil and gas production would only have an impact from 2011 at the earliest. Implementation of the Government's plan of diversifying the economy, without relying on oil and gas, is key for the country's economic outlook.

### C. Progress in Poverty Reduction

9. In June 2006, the Government adopted the National Strategic Development Plan (NSDP) 2006–2010 which contains the Government's strategies to reduce poverty rapidly and to achieve other Cambodia Millennium Development Goals (CMDGs). Survey results show that poverty has declined steadily since the end of the civil war: the percentage of Cambodians below the poverty line fell from an estimated 47% in 1994 to about 35% in 2004. However, while poverty incidence has improved, the gap between the rich and the poor has increased.<sup>6</sup> This was particularly the case from 1993 to 1997, after which the inequality gap stabilized. The same survey results show that poverty incidence has been more severe in rural areas: the national poverty incidence of 35% ranged from 4.6% in Phnom Penh to 39% in rural areas (Table A1.2). A survey in 2007 shows that poverty has been reduced in some communities in the Tonle Sap Basin since 1997, but that sustaining such progress will be a challenge in an area with one of the highest incidences of poverty in the country. One reason for the stubbornly high incidence of

<sup>4</sup> After taking into account IMF debt relief of \$82 million in 2006 and a 70% upfront discount for debt rescheduling with the United States and the Russian Federation included in the ongoing debt sustainability analysis, this figure may be reduced to 31% of GDP.

<sup>5</sup> The exercise began in May and June 2007 and the final report should be finished by end July 2007.

<sup>6</sup> A comparison of the average per capita consumption in 2004 against that in 1994 shows that consumption among the poorest fifth of the population has increased by 8% while that of the richest fifth has risen by 45%.

poverty in rural areas is that economic growth has been based on garment exports, tourism, and construction (which are primarily urban sectors, with limited links to the rural economy).

10. The extent of the Government's task in responding to poverty and related social challenges is shown by its mixed performance in achieving its CMDG goals (Tables A1.3 and A1.4). Child mortality has been reduced and the Government has made large strides in promoting gender equality and empowering women. However, it has underperformed in its goals of eradicating extreme poverty and hunger, achieving universal primary education, improving maternal health, and ensuring environmental sustainability. There are many areas of concern. First, while spending on education increased five-fold from 1994 to 2007, the Government has failed to achieve its target under the goal of achieving universal primary education. Second, the maternal mortality ratio has worsened, despite a more than seven-fold increase in health spending. Third, there has been deterioration in forest conservation and reforestation<sup>7</sup>. Fourth, while the Government is on track in its goal to provide access to safe drinking water, the problem remains serious for the rural population.<sup>8</sup>

#### D. Risk Assessment

11. **Overview.** Notwithstanding some improvements to governance,<sup>9</sup> there is still widespread corruption. Implementation of existing laws is uneven and there has been little progress on an anticorruption law. As a result, Cambodia's performance in ADB's 2005 and 2006 country performance assessments (CPAs) was below the average for Group A<sup>10</sup> countries. Consequently, this midterm review focuses on the effectiveness of a risk management plan, particularly in terms of public financial management (PFM), procurement, and other efforts to reduce corruption risks, given their impact on ADB operations in Cambodia.

12. **Public Financial Management.** At a PFM Retreat in April 2007, donors concluded that significant progress had been made in making budgeting credible and confirmed the commitment of the Government to roll out PFM reform to line ministries. However, donors also agreed that there was a need for line ministries to ensure (i) comprehensive inclusion of public resource usage for budget formulation and planning purposes; (ii) compliance with budget policies and procedures; and (iii) establishment of internal audit units with appropriately trained staff to ensure financial accountability.

13. **Procurement.** The ADB and World Bank joint country portfolio performance review (JCPPR) in 2006 led to a signed memorandum of understanding (MOU) in January 2007 with the Government. In this MOU, the Government committed to implementing an action plan

<sup>7</sup> The proportion of land covered by forest has shrunk from 60% in 2002 to 58% in 2005, but there are also concerns about the quality of the forest cover.

<sup>8</sup> Only 42 out of every 100 people living in rural areas have access to safe drinking water compared with about 76 out of 100 people living in urban areas.

<sup>9</sup> There has been progress in 2007 in (i) implementation of the decentralization and deconcentration policy designed to strengthen citizen participation for accountable local governance, (ii) establishment of a modern legal framework (e.g., a penal procedure code, economic laws), and key natural resource laws, and (iii) resolution of procedural issues in operationalizing the United Nations sponsored Extraordinary Chambers in the Court of Cambodia (ECCC).

<sup>10</sup> Cambodia, the Kyrgyz Republic, Lao PDR, Mongolia, Nepal, and Tajikistan of ADB's DMCs. The CPA ratings for 2006 are attached in Appendix 2. The exercise for the 2007 CPA for Cambodia will be undertaken in the third quarter of 2007.

incorporating recommendations culled from ADB and World Bank fiduciary review and audit reports,<sup>11</sup> which highlighted fiduciary risks.

14. **Other Corruption Risk Mitigation.** In order to provide inputs to this midterm review, governance risk assessments were conducted for two ministries whose performance is pivotal to reducing poverty, the Ministry of Rural Development (MRD) and the Ministry of Water Resources and Meteorology (MOWRAM). The assessments were designed to identify institutional weaknesses and potential hot spots for corruption. While strongly supportive of PFM reform, they recommended immediate project corruption mitigation measures, recognizing that reforming the financial and administrative systems of line ministries is a medium- to long-term task. The reports are in Supplementary Appendixes A and B.

## E. Implications for the Country Strategy

15. **Continued Relevance of the Poverty Reduction Strategy.** The Cambodia CSP 2005–2009 strategy of poverty reduction through broad-based private-sector-led growth, inclusive social development, and stronger governance for sustainable development remains relevant. However, persistent high levels of rural poverty have implications for the CSP's strategic thrust.

16. **Agriculture and Rural Development Emphasis.** The first implication is that there needs to be a sharper focus on agriculture and rural development to respond to Government priorities.<sup>12</sup> ADB's assistance for the remainder of the CSP period should increasingly have an agricultural and rural focus, including rural development projects, fostering rural finance, enhancing access to credit and decentralized registration of businesses in rural areas, increasing knowledge inputs (e.g. vocational and technical training) for farmers and rural industries, and the Tonle Sap Initiative (TSI) to improve the living standards of the people living in the Tonle Sap area.

17. **Accentuate Private-Sector-Led Growth.** The second implication is the need for the ADB strategy to accentuate private-sector-led growth. Building on the dynamic development context in Cambodia since 2004, ADB's participation in the private sector will be intensified in order to translate public policy advances into sustainable investment in the economy. Development of the business community will also help to sustain domestic support for reforms.

18. **Intensify Risk Management.** The third implication is the need to intensify risk management. There are three main categories of risk in Cambodia. First, there is a risk that public funds will not be used optimally. While public institutions remain weak, the higher revenues that will arise from stronger economic growth could end up being misallocated and spent ineffectively. Second, weak institutions could lead to a failure to achieve economic diversification. Third, governance risk assessment results for MRD and MOWRAM show that institutional weaknesses lead to high risks of corruption in sectors that are critical to broad-based economic growth. Assistance is needed to develop and strengthen the internal audit capacity for rural development line ministries. This will help enable effective financial controls and responsiveness in oversight institutions such as the National Audit Authority, which needs

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<sup>11</sup> These are: the fiduciary review of three suspended World Bank projects and the ADB Office of Auditor General (OAG) and National Audit Authority (NAA) procurement related audit for the Northwest Rural Development Project.

<sup>12</sup> As stated by the Prime Minister at the Second Cambodia Economic Forum on 9 May 2007, an acceleration of agricultural and rural development in Cambodia requires multisectoral and cross-cutting assistance. He identified six priority areas: rural infrastructure, rural finance, agricultural input and practices, land management, private sector involvement, and the role of the state to facilitate a sustainable and dynamic rural economy.

to be able to undertake all types of audits on line ministries and to trigger administrative sanctions where needed.

## II. IMPLEMENTATION OF THE COUNTRY STRATEGY

### A. Progress in the Country Strategy Focus Areas<sup>13</sup>

19. **Tourism.** During the period under review, tourism has emerged as a major driver of economic growth, with tourist arrivals estimated at 1.7 million in 2006 and expected to exceed 2 million in 2007. Indirect support will be provided to ecotourism so the benefits of tourism are extended to the rural poor. However, no new tourism projects will be supported.

20. **Transport, Energy, and Health.** In these sectors, ADB has decided to phase out national assistance and move toward supporting new analytical work and subregional initiatives. In transport, there has been progress on key legislative and institutional milestones, initiation of critical steps for multimodal transport competitiveness, and emerging donor interest in national transport. However, given continuing challenges in terms of rural access and sector wide best practice standards, ADB will shift from large-scale public sector lending for national roads and railway operations to (i) fostering technical cooperation, standard setting and private investment in national transport, and (ii) supporting subregional projects that promote access to remote rural areas, operationalize cross-border transport agreements, and establish a basis for second generation GMS trade and logistics support in the next country partnership strategy period. In energy, there have been expansions of transmission networks and per capita use of electricity; gradual improvements in the financial health of Electricité du Cambodge (EDC), resulting in an expectation that it will break even by 2008; and rising private sector interest in the sector. However, making energy affordable, improving rural access to electricity, and meeting the rising demand for power for a growing economy pose considerable challenges. Consequently, ADB will shift from traditional public sector lending operations for electricity to (i) effective implementation of ongoing public sector projects, (ii) support for private sector operations, and (iii) support for analytical, policy and technical work on oil and gas and on renewable energy on a subregional basis. In health, given progress on health sector indicators, strong engagement by other donors, and the highly fragmented nature of donor assistance reflected in the Aid Effectiveness Report 2007<sup>14</sup>, ADB will phase out direct health sector interventions and redirect efforts toward indirect health support through water supply and sanitation and subregional initiatives on communicable disease control, taking account of the fact that these challenges are particularly acute in remote rural areas and that they have a subregional nature. These operational shifts are consistent with the midterm review of the GMS strategic framework<sup>15</sup> in June 2007, which concluded that, while good progress had been made in the physical aspects of cooperation, less progress had been made in capacity building aspects, which are essential not only to the GMS program but also to implementing the country development strategy and to achieving the CMDGs.

21. **Financial Sector, Small and Medium-Sized Enterprises, and Education.** In these sectors, there is a need for a second generation of ADB assistance to respond to the growing economy. Confidence in Cambodia's nascent financial sector has increased, but it remains vulnerable to risks and costs which may be accentuated as economic growth accelerates.

<sup>13</sup> Updated priority sectors and themes are attached in Appendix 3. Detailed sector road maps are in Supplementary Appendix C. Cross-sectoral assessments on gender and social safeguards are in Supplementary Appendixes D and E.

<sup>14</sup> Royal Government of Cambodia. 2007. *The Aid Effectiveness Report*. Phnom Penh.

<sup>15</sup> Mid-term Review of the 10 years GMS Strategic Framework (2002–2012): GMS Unit SERD, ADB.

Consequently, ADB's financial sector operations will focus on managing such risks and costs through a series of sector development plans under a financial sector development strategy and adoption of WTO-related economic legislation. This approach will encourage further capital market reform and prospects for future trade opportunities. On SMEs, the adoption of a national SME development framework (SMEDF) in late 2005 needs to be followed by support for better SME corporate governance. Access to finance needs to be improved and registration decentralized. Entrepreneurial skills, technology, human resources and value chain linkages need to be strengthened. With regard to education, despite the establishment of a clear sector-wide plan, progress in establishing a legal framework and rising budgetary allocations, meeting the CMDG target under universal education will be difficult. Dropout rates need to decrease, the stagnating primary net enrollment ratio has to be addressed, and children without access to formal education have to be reached. There needs to be (i) a focus on quality in order to improve standards and delivery; (ii) more donor support for institutional reforms in the Ministry of Education, Youth and Sport, particularly in public financial management and merit-based education administration; and (iii) stronger links between education and rural development to strengthen the skills of the growing rural labor force, including through intensified technical and vocational training.

**22. Agriculture and Natural Resources, Rural Infrastructure.** ADB recognizes that the rural economy needs to diversify. Stubbornly high levels of rural poverty have to be reduced, and the relatively slow progress in agriculture and natural resources needs to accelerate, despite the robust growth in 2005 and 2006. The Government has asked ADB to take the lead role in agricultural and rural development. ADB will therefore focus on (i) intensifying agricultural productivity and diversifying livelihoods; (ii) supporting a multisectoral rural development policy and institutional arrangements to coordinate sector interventions, including medium-term commitments to rural water supply and sanitation; (iii) promoting multisectoral rural development through the Tonle Sap Initiative; (iv) strengthening water resources and integrated river basin management for sustainable natural resource management, (v) supporting PFM for rural development ministries,<sup>16</sup> and (vi) sustaining rural livelihoods through subregional "new agriculture" solutions that respond to environmental challenges as a result of climate change and rising impacts on land, water and biodiversity, as well as disaster management to mitigate the risk of floods and droughts. This approach will be guided by a study on land, water, technology, finance and marketing issues in agriculture and rural development and investment options.

## **B. Highlights in Coordination of External Funding and Partnership Arrangements**

**23.** The Government continues to rely on external financing for all major public sector development projects in Cambodia.<sup>17</sup> Donors pledged \$601 million of official development assistance (ODA) in 2006.<sup>18</sup> ADB's indicative 3-year ADF lending and nonlending pipeline of \$204.3 million is programmed for the remaining period of the CSP 2007-2009.<sup>19</sup>

<sup>16</sup> MAFF, MOWRAM, MRD and NAA, have committed to the concept of PFM reform for rural development.

<sup>17</sup> A development coordination matrix is attached in Appendix 4. From 1992 to 2006, ODA disbursements to Cambodia reached \$6.9 billion. In 2006, about \$601 million in ODA was disbursed, equivalent to approximately 8% of GDP.

<sup>18</sup> Based on a revised definition of ODA, donors including the People's Republic of China, pledged \$698 million in 2007.

<sup>19</sup> A copy of the ADB's indicative pipeline of assistance for 2007–2009 is attached in the tables in Appendix 5. Given the uncertainties regarding OCR-funded private sector projects (which are outside this assistance pipeline) these have not been listed. Any that are processed will be consistent with the 2007 DSA for Cambodia. A revised country operation business plan 2007–2009 is attached in Appendix 6.

24. Cambodia's tentative performance-based allocation (PBA) is \$99.6 million for 2007–2008.<sup>20</sup> Strong growth and better debt management, as well as the ongoing debt sustainability analysis (DSA), imply that Cambodia should be considered to be under moderate debt stress. Consequently, a continued mix of Asian Development Fund (ADF) loans and grants (with a moderate debt-stress-related discount) is likely to be subject to the conclusion of the ongoing DSA and the ADF and International Development Association framework alignment exercise in 2007.

25. Since 2005, the Government, together with its development partners, has been working on strengthening its capacity and effectiveness in managing aid. In October 2006, a declaration of enhancing aid effectiveness<sup>21</sup> was signed. It established an action plan on harmonization and alignment and results for 2006–2010. Implementation of the action plan has strengthened coordination and partnerships between donors and the Government,<sup>22</sup> as detailed in the Cambodia Aid Effectiveness Report 2007<sup>23</sup> (AER) and discussed at the meeting of the Cambodia development cooperation forum (CDCF) in June 2007.

26. ADB has made particular efforts to put in place partnership agreements during the period under review. First, the CSP 2005-2009 was prepared in close coordination with the World Bank, Department for International Development of the United Kingdom (DFID) and United Nations Development Programme (UNDP). Thereafter, there have been regular meetings between the four partners and annual retreats aimed at matching execution of respective country strategies. This has been further supported by Cambodia-related bilateral meetings and reviews<sup>24</sup> between ADB and these development partners. Second, ADB and the other partners are preparing to sign a “statement of principles to guide the cooperation of the government and external development partners on working together in the agriculture and water sector.” Third, ADB has taken initiatives to expand the original group of four donors for the next annual retreat in September 2007, taking into account the work of other donors (such as the governments of France, Germany and Australia). Finally, recognizing that there are emerging donors (such as the PRC) outside the CDCF process, ADB began technical cooperation discussions with the PRC under the GMS in 2007.

27. The cofinancing plan reflects the increasing success of ADB at mobilizing additional resources for its programs in Cambodia. Particular mention should be made of (i) AusAID cofinancing of the GMS Southern Coastal Corridor Project; (ii) World Bank and AusAID cofinancing in 2007 for a Road Asset Management Project; and (iii) Agence Française de Développement (AFD) cofinancing for a water resources program in 2008. Other potential cofinancing partnerships are actively under consideration.

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<sup>20</sup> A discount, based on grant alignment between ADF and IDA could reduce the total biennial allocation to \$89.7 million.

<sup>21</sup> The declaration is officially called the Declaration by the Royal Government of Cambodia (the Government) and Development Partners on Enhancing Aid Effectiveness. It is based on the principles of the Paris Declaration

<sup>22</sup> These include the Government Development Coordination Committee (GDCC) meetings in 2007, and close collaboration through the sector technical working groups. In 2006–2007 the Government examined aid effectiveness linked to the NSDP.

<sup>23</sup> Government of Cambodia-CDC. 2007. *The Cambodia Aid Effectiveness Report*. Phnom Penh (May). This report highlights that the aid fragmentation across sectors and development partners affects the likelihood that the MDGs will be achieved, exacerbates the high transaction costs of aid management, creates superfluous donor competition, and diverts focus from the country's development priorities.

<sup>24</sup> These have included (i) an ADB, World Bank, DFID and Japan retreat in Manila in October 2006, (ii) an ADB and World Bank management meeting in March 2007, (iii) an ADB and DFID MOU review in June 2007, and (iv) development of a ADB and UNDP framework agreement in 2007

### III. PORTFOLIO MANAGEMENT AND PERFORMANCE MONITORING ISSUES

#### A. Portfolio Performance

28. Five indicators show that the overall ADB portfolio performance in Cambodia has been below expectation during 2005–2007. First, the number of projects at risk has increased.<sup>25</sup> Second, although the annual disbursement ratio (without program loans) has consistently remained above the ADB-wide ratio, the gap has narrowed considerably in recent years.<sup>26</sup> Third, both contract award and disbursement achievements have remained below projections since 2003 despite efforts to set realistic targets.<sup>27</sup> Fourth, the average time from approval to signing of the current portfolio has increased, although the average time from signing to effectivity has improved. Fifth, in terms of sector performance, statistics on financial and operational portfolio performance monitoring indicators since 2002 indicate that almost all sectors have recorded significant disbursement delays during implementation. A summary of portfolio implementation status and performance tables is in Appendix 7. In order to address the overall decline in portfolio performance, intensive project administration follow up will be undertaken through (i) a joint country portfolio performance review (CPPR), (ii) sector policy reforms, and (iii) recommendations on cost sharing and eligibility of expenditures.

29. Coordination of portfolio management is done mainly through the CPPR. In 2005 and 2006, CPPR missions were conducted jointly with the World Bank. These concluded that overall performance of both portfolios was unsatisfactory. During the joint CPPR, attention was drawn to the lack of commitment to or adoption of sustainable long-term maintenance plans for public infrastructure projects (especially roads) and follow-on staffing for projects.

30. In order to address the fact that the lack of recurrent funds for maintenance was a major factor behind the slow pace of implementation in ADB projects, new financing parameters have been agreed with the Government and are being proposed to the President for his approval.<sup>28</sup> Proposed financing parameters are attached in Supplementary Appendix F.

#### B. Results-Based Performance Monitoring and Evaluation

31. Progress on sector outcomes under sector road maps has been monitored against the indicators in a revised results framework (Appendix 8). Adjustments have been made to reflect

<sup>25</sup> As of 31 March 2007, the overall rating of ongoing loans in the Cambodia portfolio was found to be generally satisfactory, with 92% of the active loan/grant portfolio (23 out of a total of 25 active loans and grants) classified as satisfactory and 8% (two out of a total of 25 active loans and grants) classified as partly satisfactory in terms of achieving development objectives and implementation progress. By comparison, at the end of 2005 and 2006, the first 2 years of the current CSP, 100% (2005) and 95.2% (2006) of the loan portfolio was classified as satisfactory. As of 31 March 2007, the two partly satisfactory loans also meant that 8% of the portfolio was considered at risk, which was below the ADB-wide average of 10%. The portfolio had remained risk free throughout 2005, while up to three different loans had been considered at risk during the course of 2006.

<sup>26</sup> The disbursement ratio for Cambodia without program loans (with program loans) has gradually slipped from 22.8% (23.1%) in 2003 to 21.3% (25.1%) in 2004, 20.0% (22.7%) in 2005 and 17.6% (20.3%) in 2006. The ADB-wide ADF-only disbursement ratio without program loans (with program loans) was 14.8% (17.3%) in 2003, 12.9% (15%) in 2004, 13.7% (16.6%) in 2005 and 16.3% (19.0%) in 2006.

<sup>27</sup> Thus in 2005 actual contract awards amounted to \$96.4 million (97.4% of the annual projection) and in 2006 \$39.1 million (60.4% of the annual projection). Actual disbursements amounted to \$84.5 million (88.2% of the annual projection) in 2005 and \$54.5 million (82.9% of the annual projection) in 2006.

<sup>28</sup> The increase in the ADB ceiling will enable greater harmonization with the World Bank, which does not place an overall portfolio limit, and authorizes up to 100% financing for individual projects. The higher ceiling will allow the country's taxes and duties to be eligible for ADB financing since they are considered reasonable, and no limit will be placed on recurrent expenditure, albeit subject to ensuring that that such recurrent financing is sustainable beyond ADB projects.

the future emphasis for implementation of the CSP from 2007 to 2009. Measures needed to address governance and corruption risks have been highlighted.

#### **IV. COUNTRY STRATEGY AND PROGRAM RESULTS FRAMEWORK**

32. While preparing the Cambodia CSP 2005–2009, ADB was pilot testing result-based CSPs in a small number of countries. Although the Cambodia CSP was not one of these pilots, it incorporated many features of a result-based CSP. However, the results framework included in the CSP did not turn out to be an adequate management tool for CSP implementation. Consequently, a revised results framework was prepared during the preparation of the indicative rolling country operations business plan 2007-2009 that was approved in December 2006.<sup>29</sup> The results framework 2006-2010, which revised the CSP results framework, provided a more selective and specific, measurable, achievable, realistic and timely (SMART) list of outcome indicators. An updated version is provided in Appendix 8.

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<sup>29</sup> ADB. 2006. *Country Operations Business Plan (2007–2009): Cambodia*. Manila.

**COUNTRY ANALYSIS**  
**Table A1.1: Country Economic Indicators**

Item	Fiscal Year				
	2002	2003	2004	2005	2006p
<b>A. Income and Growth</b>					
1. GDP per capita (\$, current)	326	349	392	454	513
2. GDP growth (% , in 2000 constant prices)	6.5	8.5	10.0	13.5	10.8
a. Agriculture	-2.5	10.5	-0.9	15.7	5.5
b. Industry	17.1	12.0	16.6	12.7	18.3
c. Services	7.6	5.9	13.3	12.7	10.3
<b>B. Saving and Investment (current and market prices, %of GDP)</b>					
1. Gross Domestic Investment	19.7	21.5	17.4	20.2	21.6
2. Gross National Saving	10.6	10.8	11.1	10.9	14.4
<b>C. Money and Inflation (annual % change)</b>					
1. Consumer price index	3.3	1.2	3.9	5.8	4.7
2. Total liquidity (M2)	31.1	15.2	30	16.1	38.2
<b>D. Government Finance (% of GDP)</b>					
1. Revenue excluding grants	10.5	9.6	10.3	10.3	11.5
2. Expenditure and Onlending	16.8	15.5	15.0	13.7	13.0
3. Overall Fiscal Surplus (Deficit)	-6.3	-5.9	-4.7	-3.4	-1.5
<b>E. Balance of Payments</b>					
1. Merchandise trade balance (% of GDP)	-13.8	-12.5	-12.8	-16.2	-14.2
2. Current account balance (% of GDP)	-9.5	-10.6	-8.2	-9.4	-7.2
3. Merchandise export (\$) Growth (annual % change)	12.7	17.9	24.1	12.4	26.9
4. Merchandise import (\$) Growth (annual % change)	12.8	13.0	22.5	20.2	20.3
<b>F. External Payments Indicators</b>					
1. GIR (including gold), \$ million	663	737	806	915	1,097
In weeks of year's imports of goods	14.6	14.4	12.8	12.1	12.1
2. External Debt Service (% of exports of of goods and services)	0.9	1.0	0.8	0.7	0.6
3. Total External Debt (% of GDP)	62.7	62.6	56.0	50.6	45.4
<b>G. Memorandum Items</b>					
1. GDP (current prices, in billions riels) <sup>a</sup>	16,756	18,508	21,343	25,693	29,809
2. Exchange rate (riels/\$, average) <sup>a</sup>	3,921	3,975	4,016	4,092	4,103
3. Population (million) <sup>a</sup>	13.104	13.326	13.550	13.828	14.163

GDP = gross domestic product.

p/ preliminary estimates

<sup>a</sup> National Institute of Statistics, July 2007 estimates

Sources: Government authorities and staff estimates.

**Table A1.2: Country Poverty and Social Indicators**

Item	Period		
	1990	2000	Latest Year
<b>A. Population Indicators</b>			
1. Total Population (million) <sup>a</sup>	8.6	12.7	14.2
2. Annual Population Growth Rate (% change)	3.6	1.62	2.42
<b>B. Social Indicators</b>			
1. Total Fertility Rate (births/woman) <sup>b</sup>	5.6	4(1998)	3.4(2005)
2. Maternal Mortality Ratio (per 100,000 live births) <sup>b</sup>	900	437	472
3. Infant mortality rate (below 1 year/1,000 live birth) <sup>b</sup>	80	96(2002)	66 (2005)
4. Life Expectancy at Birth (years) <sup>c</sup>	50.3	54(2002)	-
a. Female	52	62(2002)	65 (2004)
b. Male	48.9	55.8(2002)	60 (2004)
5. Adult Literacy (%)	62		73.6 (2004)
a. Female	48.8		64.1 (2004)
b. Male	77.7		84.7 (2004)
6. Primary School Gross Enrollment <sup>d</sup> (%)	121	123	124(2005)
7. Secondary School Gross Enrollment <sup>d</sup> (%)	32	21(2001)	37.3(2005)
8. Child Malnutrition (% below age 5)	52	45	37
9. Population Below Poverty Line (%)	39(1994)	35.9(1999)	34.7 (2004)
10. Population with Access to Safe Water (%)	13.2(1994)	30	
a. Rural population		24(1998)	41.6
b. Urban population		60(1998)	75.8
11. Population with Access to Sanitation (%)	20(1994)	21	
a. Rural population		8.6	16.4
b. Urban population		49	55
12. Public Education Expenditure <sup>e</sup> (% of GDP)		1.68(2005)	1.54(2006)
13. Human Development Index Rank <sup>f</sup>		130(2001)	129(2004)
14. Gender Related Development Index Rank <sup>f</sup>		105(2001)	97(2004)
<b>C. Poverty Indicators<sup>g</sup></b>			
1. Poverty Incidence	39(1994)	35.9(1999)	34.7 (2004)
2. Percent of Poor to Total Population			
a. Phnom Penh	11.4(1994)	9.7(1999)	4.6 (2004)
b. Other Urban	36.6(1994)	25.2(1999)	24.7 (2004)
c. Rural	43.1(1994)	40.1(1999)	39.2 (2004)
3. Poverty Gap	9.2(1994)	6.5(1999)	9.2 (2004)
4. Poverty Severity Index	3.1(1994)	2.0(1999)	3.4 (2004)
5. Gini Index <sup>f</sup>	0.37(1994)	0.45(1999)	0.42 (2004)
6. Human Poverty Index <sup>f</sup>		42.8(2001)	29.3
Human Poverty Index Rank <sup>f</sup>		73	73

(-) indicates not available

<sup>a</sup> National Institute of Statistics; population count and population projection based on July 2006 estimate

<sup>b</sup> Cambodia Demographic and Health Survey, 2005

<sup>c</sup> Cambodia Socio-Economic Survey 2004, Ministry of Planning, September 2005

<sup>d</sup> Education Statistics and Indicators 2005/06, Ministry of Education, Youth and Sports

<sup>e</sup> National Budget Law for FY 2005, Ministry of Education and Finance

<sup>f</sup> UNDP, 2006 Human Development Report, New York 2006

<sup>g</sup> A Poverty Profile of Cambodia, Ministry of Planning, February 2006

**Table A1.3: Progress Toward the Millennium Development Goals and Targets**  
(Values of indicators of component targets as of benchmark or earliest year)

Goals and Targets	Base	Year	2005		2010	2015	Status
			Target	Estimate			
<b>Goal 1: Eradicate extreme poverty and hunger</b>							
<b>Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 per day</b>							
People with consumption less than poverty line, %	(39) <sup>a</sup>	1993	31	34.7 <sup>1</sup> (28.0) <sup>a</sup>	25	19.5	<b>c</b>
Share of poorest quintile in national consumption, % (comparable to 2004 estimates)	7.4 (8.5) <sup>a</sup>	1993	9	(7) <sup>a</sup>	10	11	<b>e</b>
<b>Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger</b>							
Prevalence of underweight children under 5 years, %	45.2	2000	36	36 <sup>3</sup>	29	22	<b>b</b>
Proportion of population below the food poverty line, %	(20)	1993	16	19.7 (14.2) <sup>2</sup>	13	10	<b>c</b>
<b>Goal 2: Achieve universal primary education</b>							
<b>Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to compete a full course of primary schooling</b>							
Net enrollment ratio in primary education	87	2001	95	91.3 <sup>4</sup>	100	100	<b>c</b>
Proportion of pupils reaching grade 5, %	58	2001	77	59.2	100	100	<b>d</b>
Literacy rate among 15-24 years old, %	82	1999	90	83.4	95	100	<b>d</b>
<b>Goal 3: Promote gender equality and empower women</b>							
<b>Target 4: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015</b>							
Ratio of girls to boys, %							
a. In primary education	87	2001	98	89.5	100	100	<b>c</b>
b. In lower secondary education	63	2001	96	77.0	100	100	<b>c</b>
c. In tertiary education	38	2001	50	45.6	70	85	<b>c</b>
Ratio of literate females to males, aged 15-24, %	87	1998	95	90.0	100	100	<b>c</b>
Share of women in wage employment in industry	43.7	1998	50	53.5	50	50	<b>a</b>
Seats held by women in National Assembly, %	12	2003	17	17.1	24	20	<b>b</b>
<b>Goal 4: Reduce child mortality</b>							
<b>Target 5: Reduce by two thirds, between 1990 and 2015, the under-five mortality rate</b>							
Under-5 mortality rate, per 1,000 live births	124	1998	105	82	85	65	<b>a</b>
Infant mortality rate, per 1,000 live births	95	1998	75	66	60	50	<b>a</b>
Children under 1 year immunized against measles, %	41.4	2000	80	80	85	90	<b>b</b>
<b>Goal 5: Improve maternal health</b>							
<b>Target 6: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio</b>							
Maternal mortality ratio, per 100,000 live births	437	1997	343	473 <sup>3</sup>	243	140	<b>e</b>
<b>Goal 6: Combat HIV/AIDS, malaria and other diseases</b>							
<b>Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS</b>							
HIV prevalence among pregnant women aged 15-24 attending antenatal care, %	2.5	1998	2.4	2.1	2.0	1.5	<b>a</b>
Condom use rate among commercial sex workers during last commercial sexual intercourse, %	91	2002	98	96.7	98	98	<b>c</b>
<b>Target 8: have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases</b>							
Prevalence and deaths associated with malaria							
a. Malaria death rate (per 100,000 people)	0.4	2000	0.3	0.36	0.25	0.1	<b>c</b>
b. Population at high risk who slept under insecticide-bed nets during previous night, %	24	2000	80	49	95	98	<b>c</b>
Prevalence and deaths associated with tuberculosis							
a. Tuberculosis prevalence rate per 100,000 people	428	1997	321	-	214	135	
b. Tuberculosis death rate per 100,000 people	90	1997	68	-	45	32	
Proportion of tuberculosis cases detected and cured under directly observed treatment, short-course							
a. Detection rate, %	57.0	2002	70	61	>70	>70	<b>c</b>
b. Treatment success rate, %	89.0	2002	>85	-	85	85	

Goals and Targets	Base	Year	2005		2010	2015	Status
			Target	Estimate			
<b>Goal 7: Ensure environmental sustainability</b>							
<b>Target 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources</b>							
Proportion of land area covered by forest, %	60.0	2002 <sup>5</sup>	60	58	60	60	<b>e</b>
Proportion of population using solid fuels, %	92	1993	70	83.9	61	52	<b>c</b>
<b>Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water</b>							
Percent of population with sustainable access to safe drinking water							
a. Urban	60.0	1998	68	75.8	74	80	<b>a</b>
b. Rural	24.0	1998	30	41.6	40	50	<b>a</b>
Percent of population with access to improved sanitation							
a. Urban	49.0	1998	59	55	67	74	<b>c</b>
b. Rural	8.6	1998	12	16.4	20	30	<b>a</b>
<b>Target 11: By 2020, achieve a significant improvement in the lives of at least 100 million slum dwellers</b>							
Land parcels having titles in both urban and rural areas, %	15.0	2000	16	16	32	65	<b>d</b>

Status (from CMDG Update, October 2005):

a: Current performance on track and 2015 target is likely to be more than achieved.

b: Current performance on track and 2015 target is likely to be achieved.

c: Current performance not on track but situation improved compared to base year; 2015 target unlikely to be achieved.

d: Current performance not on track and situation has generally not improved compared to base year; 2015 target highly unlikely to be achieved.

e: Current performance not on track and situation has generally worsened compared to base year; 2015 target highly unlikely to be achieved.

<sup>1</sup> Figures in brackets show the situation in the areas covered (56% of geographical area and 65% households covered in the 1993 survey); the other areas were then inaccessible due to security situation.

<sup>3</sup> Cambodia Demographic and Health Survey, 2005

<sup>4</sup> Education Statistics and Indicators 2005/2006

<sup>5</sup> The forest cover is taken as an average for the period 1992–2002.

Source: National Institute of Statistics. *The National Strategic Development Plan 2006–2010, Annex 1:1, pages 99–101.* Cambodia.

Table A1.4: Country Environment Indicators

Indicator	Reference Year <sup>a</sup>	Latest Year
<b>A. Energy Efficiency of Emissions</b>		
1. GDP/Unit of Energy Use (PPP\$)kgoe)	-----	-----
2. Traditional Fuel Use (%) of total energy use)	89.3 (1997)	89.3 (1997)
3. Carbon Dioxide Emissions		
a. Tons	0.7 (1999)	485.3 (2003) <sup>b</sup>
b. Tons per Capita	0.05 (1999)	0.03 (2003) <sup>c</sup>
<b>B. Water Pollution: Water and Sanitation</b>		
1. % Urban Population with Access to Safe Water	54 (2000)	64 (2007) <sup>d</sup>
2. % Rural Population with Access to Safe Water	26 (2000)	35 (2007) <sup>d</sup>
3. % Urban Population with Access to Sanitation	55 (2000)	53 (2007) <sup>d</sup>
<b>C. Land Use and Deforestation</b>		
1. Forest Area (million hectares)	9.3 (2000)	10.4 (2005) <sup>e</sup>
2. Average Annual Deforestation		
a. Km <sup>2</sup>	561 (1990–2000)	561 (2000)
b. % Changes	0.6 (1990–2000)	2 (2002–2005) <sup>f</sup>
3. Rural Population Density (people/km <sup>2</sup> of arable land)	268 (1999)	305 (2007) <sup>g</sup>
4. Arable Land (% of total land)	11.3 (1980)	21.0 (1999)
5. Permanent Cropland (% of total land)	0.4 (1980)	0.6 (1999)
<b>D. Biodiversity and Protected Areas</b>		
1. Higher Plants (number of threatened species)	31 (2004)	32 (2006) <sup>g</sup>
2. Reptiles (number of threatened species)	10 (2002)	15 (2006) <sup>g</sup>
3. Amphibians (number of threatened species)	0 (2002)	6 (2006) <sup>g</sup>
4. Nationally Protected Area		
a. Million Hectares	4.3 (2002)	4.2 (2002) <sup>h</sup>
b. % of Total Land	23.7 (2002)	23.5 (2007) <sup>d</sup>
5. Mammals (number of threatened species)	29 (2002)	23 (2007) <sup>d</sup>
6. Birds (number of threatened species)	19 (2002)	24 (2007) <sup>d</sup>
<b>E. Urban Areas</b>		
1. Urban Population		
a. Million	<u>2.3 (2002)</u>	2.7 (2007) <sup>d</sup>
b. % of Total Population	<u>18 (2002)</u>	19.7 (2007) <sup>d</sup>
2. Per Capita Water Use (liters/day)		
Phnom Penh		250 (2007)
Provincial towns		150 (2007)
Other towns	-----	60 (2007)
3. Wastewater Treated (%) <sup>i</sup>	-----	
4. Solid Waste Generated per Capita (kg/day)	-----	0.46 (2002) <sup>h</sup>

GDP = gross domestic product; kg = kilogram; kgoe = kilograms of oil equivalent; km<sup>2</sup> = square kilometer; PPP = purchasing power parity.

<sup>a</sup> ADB. 2005. *Country Strategy and Program (2005-2009) Table A1.4, p. 35: Cambodia*. Manila.

<sup>b</sup> Carbon dioxide emission (CO<sub>2</sub>), United Nations Statistics Division, 2003, [http://unstats.un.org/unsd/cdb/cdb\\_years\\_on\\_top.asp?srlD=30249&Ct1ID=&crID=116&yrID=2003](http://unstats.un.org/unsd/cdb/cdb_years_on_top.asp?srlD=30249&Ct1ID=&crID=116&yrID=2003)

<sup>c</sup> The Little Green Data Book, p. 59, <http://siteresources.worldbank.org/INTEEI/93621411462515-11077/21329572/LGB2007.pdf>

<sup>d</sup> Cambodian Inter-Censal Population Survey. 2004. *The Atlas of Cambodia, National Poverty and Environment Maps, Phnom Penh, 2006, p. 122.*

<sup>e</sup> FAO. *Forest Resource Assessment 1990, 2000 and 2005.*

<sup>f</sup> Cambodia Development Resource Institute. *The Atlas of Cambodia, p. 42.*

<sup>g</sup> The IUCN Red List of Threatened Species: Summary Statistics, 2006: Summary Statistics, <http://www.iucnredlist.org/info/tables/table5>.

<sup>h</sup> Forestry Administration, Ministry of Agriculture, Forestry and Fisheries. 2004. *Forest Cover Resources. Cambodia.*

<sup>i</sup> Only Sihanoukville has wastewater treatment plant. Other urban areas, including Phnom Penh, only treated wastewater through wastewater stabilization pond (natural treatment process).

### COUNTRY PERFORMANCE ASSESSMENT RATINGS

Ratings <sup>a</sup>	Criteria/Key Indicator
<b>3.8</b> 4.5 3.5 3.5	<b>A. Economic Management</b> 1. Macroeconomic management 2. Fiscal policy 3. Debt policy
<b>3.3</b> 4.0 3.0 3.0	<b>B. Structural Policies</b> 1. Trade 2. Financial sector 3. Business regulatory environment
<b>3.3</b> 4.0 3.5 4.0 2.5 2.5	<b>C. Social Inclusion/Equity</b> 1. Gender Equity 2. Equity of public resource use 3. Building human resources 4. Social protection and labor 5. Policies and institutions for environmental sustainability
<b>2.8</b> 2.5 3.0 3.5 2.5 2.5	<b>D. Governance and Public Sector Management</b> 1. Property rights and rule-based governance 2. Quality of budgetary and financial management 3. Efficiency of revenue mobilization 4. Quality of public administration 5. Transparency, accountability and corruption in the public sector
<b>5.5</b> 5.5	<b>E. Portfolio</b> 1. Portfolio

<sup>a</sup> Cambodia Resident Mission. *Country Performance Assessment. 2006*. Cambodia. The 2007 CPA exercise is scheduled to take place in July 2007.

### UPDATED PRIORITY SECTORS AND THEMES

Priority Sector	Developments since the adoption of the country strategy and program
<b>Agriculture and Natural Resources Sector</b>	<p>Progress was assessed on four key sector outcomes designed to reduce poverty (especially rural poverty) as well as maintaining GDP growth at 6% annually from 2006 to 2010. The sector outcomes are: (i) increased agricultural production; (ii) improved policy environment for private agro-based enterprise growth; (iii) sustained management and conservation of natural resources; and (iv) reduced economic losses from floods and droughts. After a slight contraction (-0.9%) in 2004, agriculture grew robustly by 15.7% in 2005, followed by a 5.5% expansion in 2006. Nevertheless, great challenges remain for this sector.</p> <p><b>In response to the Government's request to ADB to focus its operations more sharply on agricultural and rural development, for the balance of the country strategy and program (CSP) period, the direction of ADB's operations will be on: (i) careful implementation of existing programs and projects in the sector; (ii) development of a multisectoral rural policy reform platform and related institutional arrangements for coordinated oversight of its implementation; (iii) deepening of the Tonle Sap Initiatives; (iv) expansion of the public financial management (PFM) reform program for rural development ministries, and (v) subregional initiatives on new agricultural solutions.</b></p>
<b>Transport Sector</b>	<p>Progress was assessed on five key outcomes: (i) increased transport efficiency, (ii) improved sustainability of transport infrastructure, (iii) improved rural access, (iv) implementation of safeguard policies, and (v) improved road safety. Progress has been made but key challenges to improve rural access remain. Much more needs to be done to ensure that the provincial and rural road network is rehabilitated and maintained for effective rural access. The cost of rural transportation remains high and can still be crippling for subregional exports of Cambodian agricultural products. The Cambodian Development Research Institute (CDRI) 2007 report estimated that the cost of transporting 1 ton of crops over 100 kilometers was about \$12 in Cambodia, compared with \$5 in Viet Nam and \$2.50 in Thailand.</p> <p><b>For the balance of the CSP period, ADB's operations will shift from large-scale public sector road and railway operations to fostering technical cooperation, standard setting, private investment and software aspects and rural development impacts of subregional transport connectivity. This will mean ADB will focus on (i) national road safety, social safeguards and technical standards and promoting of such standards sectorwide through technical cooperation discussions with the Government and bilateral donors, (ii) putting in place quality standards on maintenance and related issues on a sustainable institutional basis through a multi-donor financed Road Asset Management Project, (iii) catalyzing engagement of other donors into subregional connectivity through co-financed operations, (iv) catalyzing private sector investment in the railway system through the effective implementation of the GMS rehabilitation of the railways in Cambodia project, and (v) supporting enhanced rural access by means of subregional transport projects in remote provinces.</b></p>
<b>Energy Sector</b>	<p>Progress was assessed in terms of: reliable and affordable power supply and the operational efficiency of Electricité du Cambodge (EDC). On improving access to a reliable and affordable power supply, Cambodia is on track to achieve its targets of increasing the length of the transmission network by 100 km from 2005 to 2010, and increasing per capita use of electricity from 54 KWh in 2005 to 89 KWh in 2010. Challenges remain in meeting the rising demand from a growing economy and improving access to electricity and reducing its costs in rural areas. On the operational efficiency of EDC, progress has been made in terms of increases in tariffs, rationalization of tariff categories by the</p>

Priority Sector	Developments since the adoption of the country strategy and program
	<p>regulator, and increases in the Government's budget allocation for electricity costs and settlement of arrears. As a result, EDC's financial health is improving and it is expected to break even in 2008.</p> <p><b>Given the growing private sector interest in the energy sector, ADB will shift from traditional public sector lending operations in electricity. For the balance of the CSP period, the focus will be on: (i) effective implementation of ongoing public sector projects with EDC, (ii) support for private sector operations, (iii) analytical, policy and technical work in the emerging oil and gas area, and (iv) analytical work on the viability and public policy framework for renewable energy in Cambodia.</b></p>
<b>Water Supply and Sanitation Sector</b>	<p>Progress was assessed on two sector outcomes--adequate and sustainable infrastructure and community awareness--designed to improve health and quality of life for the rural population. The goal of adequate and sustainable infrastructure for safe drinking water and sanitation facilities is supported by projects such as ADB's Tonle Sap Rural Water Supply and Sanitation Project. In order to ensure community awareness of the links between gender, safe water, sanitation and health, the community mobilization efforts under ADB's Tonle Sap project, as well as efforts by other donors such as the United Nations Development Programme (UNDP), have been helpful. However, the Government has to support these efforts by committing to monitor community awareness as part of a coordinated sector wide strategy.</p> <p><b>For the balance of the CSP period, ADB will focus on: (i) closely monitoring implementation of the Tonle Sap Rural Water Supply and Sanitation Project, (ii) making medium-term commitments to further sector investments and mobilizing additional donor funding for rural water supply and sanitation sector infrastructure, (iii) developing a rural water supply and sanitation strategy building on the analytical and sectoral commitment of other donors and on the commitment of the Government on a future joint monitoring indicator (JMI) on water supply and sanitation.</b></p>
<b>Small and medium-sized enterprises (SME) Sector</b>	<p>Small and medium-sized enterprises (SMEs) are seen as a dynamic source of diversified and equitable economic growth. There has been some progress in terms of: (i) the adoption by the Government of a national SME Development Framework (SMEDF) in late 2005, (ii) adoption of key legal and regulatory reforms, (iii) increased confidence of businesses as reflected in investment climate surveys, (iv) private sector dialogue, and (v) the increase in the number of registered businesses. However, challenges to the effective implementation of the SMEDF remain: (i) capacity building constraints to effective decentralized implementation and dissemination of business registration, (ii) the need for a larger amount of the private credit to reach SMEs for affordable financing, and (iii) the need to further address governance and corruption risks.</p> <p><b>For the balance of the CSP period, ADB will: (i) support the implementation of the ongoing policy reform program and adopt new projects that further enhance the enabling environment for SMEs consistent with the long-term vision of the national SMEDF; (ii) support key corporate governance reforms for SMEs; and (iii) coordinate any SME sector investments with other donor-supported, results-oriented SME projects for tangible development of business services needed to strengthen the entrepreneurial skills, technology, human resources of SMEs.</b></p>
<b>Financial Sector</b>	<p>The sector seeks to develop a sound market-based financial system that supports resource mobilization and financial intermediation. Progress is assessed on the basis of specific outcome indicators: increased credit to the private sector; a decreased interest rate spread; an increase in the microfinance institution (MFI) assets/GDP ratio; and an increase in insurance premiums/GDP ratio. Overall, confidence in Cambodia's nascent financial sector has increased.</p>

Priority Sector	Developments since the adoption of the country strategy and program
	<p>Credit to the private sector rose significantly, from 9.4% of GDP in 2005 to 12.3% in 2006. There were improvements in the microfinance and insurance subsectors; in 2005, assets of MFIs represented 1% of GDP while insurance premiums represented 0.2% of GDP. Notwithstanding this growing confidence, the financial sector remains vulnerable to risks and costs which may be accentuated as economic growth accelerates.</p> <p><b>For the balance of the CSP period, ADB's financial sector operations will be focused on a series of sector development plans under the direction of the Government's Financial Sector Development Strategy (FSDS) 2006–2015 to enable enhanced management of financial sector risks, costs, institutional and systems constraints in a growing economy.</b></p>
<b>Education Sector</b>	<p>Progress was assessed on four sector outcomes: equitable access to primary and secondary education, including in remote provinces; internal effectiveness and institutional capacity for quality of education; gender equality; and resource allocation to support recurrent expenditures. Material progress has been attained in terms of increased resource allocation to 18.5% of the recurrent budget, strong donor commitment which has fueled extensive school building, and the start of capacity building for demand-driven vocational training. This includes ADB's second education sector development project supporting MOVLT in initiating phase 1 of a community-based skills training program through commune training vouchers in 210 of the poorest communes in seven provinces and institutional development and capacity building. However, much more needs to be done in order to meet the Cambodia Millennium Development Goal (CMDG) target for universal education, to reduce the dropout rates, address the stagnating primary net enrolment ratio, and reach the uneducated who do not have access to formal education.</p> <p><b>ADB will (i) push further reforms by supporting the implementation of the sector-wide policy action matrix of the Education Strategic Plan, 2006-2010 and the Education Law; (ii) drive donor support for institutional reform of MOEYS in the direction of public financial management and merit-based education administration reforms; (iii) put in place education quality improvement standards and delivery, and (iv) reinforce the link between education and rural development for the growing rural labor force through an intensified focus on technical and vocational training.</b></p>
<b>Tourism</b>	<p>Progress was assessed in terms of the growth of the tourism sector and the speed of implementation of projects. Tourism has emerged as a major driver of economic growth, with tourist arrivals estimated at 1.7 million in 2006 and expected to exceed 2 million in 2007. Project implementation has been slow, however. The ADB-funded Mekong Tourism Development Project is delayed because of unresolved issues related to the costs of the Siem Reap wastewater plant and airports in the north east. The Ministry of Tourism has, however, committed to address these issues in 2007.</p> <p><b>For the remainder of the CSP period, ADB will focus on: (i) carefully monitoring the implementation of the Mekong tourism development project, and (ii) promoting community-based rights to land and improved production of agricultural products to support community-based ecotourism over the medium term so as to extend the benefits of tourism to the rural poor. No other direct tourism project will be supported during the balance of the CSP period.</b></p>
<b>Health Sector</b>	<p>Recent developments support ADB's decision at the start of the CSP 2005-2009 process to phase out direct national health sector interventions in Cambodia. There has been significant progress in a number of direct health service indicators. While health sector challenges remain (such as improving maternal</p>

Priority Sector	Developments since the adoption of the country strategy and program
	<p>mortality) there is significant, but fragmented, funding from several donors for direct health sector interventions, as shown in the Government's Aid Effectiveness Report 2007.</p> <p><b>No change in the present phasing out of direct health sector interventions nationally is recommended; however, given the interregional nature of communicable diseases, a GMS project on communicable disease control based on ongoing national project implementation will be pursued.</b></p>
Priority Theme	
<p><b>Sustainable Poverty Reduction</b></p>	<p>There have been significant developments since the CSP was adopted. The political situation has been stable and is expected to remain so even after the 2008 national elections. The economy has grown much more quickly than expected and the medium-term prospects for strong growth are positive. External debt management has been sound, as the risk of debt distress is falling. However, some dark clouds remain: poverty and poor governance. The social indicators suggest mixed performance in the attainment of the CMDGs. While poverty incidence has declined, income inequality has widened and rural poverty has persisted. Perceptions of poor governance linger.</p> <p><b>Against such a background, the midterm review confirms the continuing relevance of the CSP 2005-2009 strategic thrust in terms of sustainable poverty reduction and the identification of binding constraints to poverty reduction. The need to broaden the sources of growth and to address rural poverty emphasizes the importance of a greater focus on agriculture and rural development. In response to these needs and at the request of the Government for the rest of the CSP period ADB will pursue an integrated program that mutually reinforces agricultural and rural development. This means focusing on rural capital projects; enhancing access to rural financing; improving access to credit and decentralizing registration of businesses in rural areas; improving education for farmers and strengthening rural industries; and continuing the Tonle Sap Initiatives on improving the living condition of the poor in the affected areas. To ensure that resources from the Government and donors are used efficiently and effectively, and in order to catalyze additional donor support, ADB will support the proposed expansion of the public financial management (PFM) reform program to rural development ministries, MRD, MOWRAM and MAFF.</b></p>

## DEVELOPMENT COORDINATION MATRIX

Sector/Thematic Focus	ADB Strategy/Activities	Risks
<b>Governance</b>	<p><b>Governance and anti-corruption activities.</b> ADB has adopted an increasingly proactive role in governance initiatives through its lending and nonlending modes. It focuses on governance directly by (i) supporting the improvements in public financial management (PFM); (ii) supporting the implementation of the Government's decentralization and deconcentration policy and strategy to strengthen public service delivery and accountability (Commune Council Development Project (CCDP) and CCDP 2); (iii) coordinating and driving sector level public administrative reform (in education); and (iv) supporting the economic legal reform related to natural resource and WTO accession and promoting community based property rights.</p> <p>Based on comparative advantage and involvement of other donors, ADB has been addressing corruption by focusing on some of its more institutional aspects through PFM and decentralization and deconcentration. Moreover, all ADB interventions in governance (including those aimed at improving corporate governance and sector efficiency in the sectors in which ADB operates, and project design and implementation) are aimed at improving transparency and accountability, which directly and indirectly address all forms of corruption.</p> <p>At present at project level, ADB's Office of Auditor General (OAG) and National Audit Authority (NAA) jointly conduct procurement related audit for an ADB financed project (Northwest Rural Development Project).</p>	<p><b>Public administration reform.</b> AusAID, CIDA, the EC, and UNDP support capacity building for the Council for Administrative Reform to implement the Public Administration Reform (PAR) Program, and support institutional development for public service delivery. Japan and the Republic of Korea, and UNDP support ICT development for PAR.</p> <p><b>Public financial management.</b> AusAID, DFID, the EC, France, IMF, Japan, SIDA, UNDP and the World Bank provide joint support to the Government to implement the PFM reform program.</p> <p><b>Democratic governance and human rights.</b> AusAID, CIDA, SIDA, UNDP, and USAID support protection for human rights and democratic development through civil society organizations.</p> <p><b>Legal and judicial reforms.</b> AFD, CIDA, the EC, Japan, GTZ, and the World Bank support legal and judicial reforms. AusAID provides criminal justice assistance for greater adherence to international human rights standards for the criminal justice system. Japan supports the drafting of a civil code and a civil procedure code. AFD and Japan support the Royal School of Administration for training of judges. The Netherlands provides assistance in strengthening law enforcement.</p> <p><b>Decentralization and deconcentration.</b> DFID, DANIDA, the EC, Japan, GTZ, the Netherlands, SIDA, UNDP, and the World Bank help implement decentralization and deconcentration. The EC and GTZ also support the deconcentration process. UNCDF supports development of a policy framework for fiscal decentralization.</p>
<b>Sustainable Economic Growth</b>	<p><b>Transport and Telecommunications.</b> ADB has been improving access through further restoration of Cambodia's secondary national and provincial roads and by rebuilding the institutional and physical infrastructure of the Royal Railways of Cambodia. ADB also supports development of the policy-making and regulatory oversight capacities of the road transport agencies. ADB's GMS program continues to support the harmonization of cross-border trade and transport regulations. There will be increased emphasis on sustainable maintenance through a sector wide program and related standard setting. The country program also provides TA</p>	<p><b>Transport, telecommunication and energy.</b> AFD, AusAID, the People's Republic of China (PRC), Japan, OPEC Fund, the Republic of Korea, Thailand, USAID, Viet Nam, and the World Bank support road and bridge construction and rehabilitation. Japan also provides an overall transport study. SIDA also supports a road rehabilitation study. The EC, KfW, WFP, and the World Bank support rural road rehabilitation works. Supply of railway locomotive and wagons (AFD and PRC), supply of railway tracks (Malaysia), a railway study (MRC, PRC and Japan), an inland waterways study (Belgium), and port rehabilitation and development (Japan). AFD and Japan support power supply. PRC, India and Japan support hydropower development. Power transmission lines is supported by KfW, JBIC and</p>

Sector/Thematic Focus	ADB Strategy/Activities	Risks
	<p>support for policy reform of the telecom sector as a follow up to GMS support in this area.</p> <p><b>Energy.</b> ADB has been focused on expanding the country's power generation, transmission and distribution system, including to rural and poor areas. This has been done in close coordination with ongoing and future GMS power sector projects to ensure lower costs and economies of scale. Future work is planned on renewable energy.</p> <p><b>Oil and Gas.</b> ADB is involved in the implementation of the technical assistance for Institutional Strengthening of the Cambodia National Petroleum Authority (CNPA). ADB is chairing informal donor coordination meetings on oil and gas.</p> <p><b>Tourism.</b> ADB has been focused on improving transport (roads) and urban development in key tourism areas are being supported by ADB to underpin the promotion of regional tourism within the GMS. Indirect support for ecotourism is being proposed through agriculture and rural development support.</p> <p><b>Agriculture.</b> ADB has focused on (i) improving farmers' ability to raise productivity, diversify towards higher-value products, and connect to markets; (ii) improving the market environment for private agriculture-based enterprise growth; and (iii) strengthen institutional capacity for competitive agriculture commercialization. This includes strengthening extension support to farmer groups, advisory support and export promotion for agriculture-based enterprises, quality and safety standards for agriculture produce, price information, and implementation of land concessions. On-going support to irrigation development emphasizes improved water management for stable crop yields and incomes and address food security issues. ADB's Tonle Sap Initiative (TSI) is a multisector rural development initiative starting with the especially poor Tonle Sap Basin and will be moving toward the lowland, watershed and ultimately, biodiversity corridors. Going forward based on a systematic study of land, water, technology, finance, and marketing issues, ADB will look at further investment opportunity for rural development.</p>	<p>NDF. The World Bank supports rural electrification and transmission. The development of telecommunications is supported by Japan.</p> <p><b>Oil and Gas.</b> Other donors include AusAID, UNDP, World Bank, IMF, Norway, and Japan.</p> <p><b>Agriculture.</b> Development of agriculture sector policy (AFD, AusAID), agriculture sector analysis (AusAid), agriculture productivity and quality improvement (AFD, AusAid, Japan, the World Bank), irrigation (AFD, EC, FAO, IFAD, India, Pakistan, Korea, Japan, and the World Bank), agriculture extension and research (AusAID), the agriculture access market (AusAID, CIDA, GTZ, UNIDO), agriculture development in mine-affected area (AusAID, CIDA, Japan), smallholder rubber plantation development, and production of silk and related industry (AFD).</p> <p>Rural livelihoods and natural resource management (DANIDA, Finland, and DFID), natural resources management in agriculture and food security and policy and strategy for agri-industrial development (FAO), and integrated rural and agriculture development (EC, IFAD, Japan). Land use management and administration is supported by AFD, DFID, the EC, Finland, GTZ, and the World Bank.</p>
<b>Private Sector</b>	ADB continues to improve the climate for private sector	Support for private sector development through support for fiscal reform and

Sector/Thematic Focus	ADB Strategy/Activities	Risks
<b>Development</b>	<p>development through a combination of catalytic investments, and through policy, institutional and regulatory reforms. ADB will address key infrastructure bottlenecks (especially transport and power) that increase the cost of doing business, human resources development for a more productive workforce, and financial sector development to reduce the cost and increase access to finance, and create an enabling environment for SME development.</p> <p>ADB attempts to create a conducive environment for an efficient, market- oriented SME sector by establishing an SME development framework, improving governance and regulatory reform related to SMEs, increasing SMEs' access to finance, and supporting capacity building for business development services and access to markets.</p> <p>In the financial sector, ADB has been promoting the development of a sound, market-based financial system by establishing a foundation for banking and insurance industries and financial markets.</p> <p>On the basis of these types of public policy reform platform, ADB is increasingly promoting private sector transactions such as the Cambodia Power Transmission Lines Project approved in June 2007.</p>	<p>development of the banking system (IMF), assistance to micro-finance institutions (AFD), credit line to SMEs through commercial banks (GTZ, USAID), developing business associations (Asia Foundation), developing provincial SMEs (Asia Foundation), rehabilitation and introduction of public-private management of city markets (AFD), study on regional development of Phnom Penh-Sihanoukville growth corridor, economic policy studies and Sihanoukville port development (Japan), private sector forum coordination, and support to small enterprises (GTZ, IFC, Japan, MPDF, USAID, UNIDO), garment sector project and labor dispute resolution (ILO, USAID). WTO accession (AusAID, the EC, GTZ, UNESCAP, USAID), trade promotion and export development (ICT, the World Bank), trade facilitation (Japan, the World Bank), and vocational training and enterprise development (India and Japan).</p>
<b>Inclusive Social Development</b>	<p>Enhancing livelihoods and reducing vulnerability through increasing access of the poor to assets (both physical and natural) and human capital. Specific support has been on education, empowering vulnerable groups such as women and ethnic minorities, control of communicable diseases, the provision of rural water supply and sanitation facilities.</p> <p><b>Education.</b> ADB has focused on (i) supporting implementation of policy reforms which provide expanded opportunities for the poor at primary, secondary, and postsecondary levels; (ii) facilitating enhanced access to secondary education by means of a targeted investment program for facilities development; (iii) consolidating decentralized vocational training efforts through life-long community learning centers and encouraging public-private sector partnerships; (iv) providing a targeted and expanded program of education incentives for the poor, with an</p>	<p><b>Education.</b> Regulatory framework/policy reform (UNICEF/Sida). Facilities development (Belgium, JICA, World Bank). Teacher trainings and development (JICA, UNICEF/Sida, USAID, World Bank). Curriculum and textbooks development (JICA, USAID). Textbooks provision (JICA). Institutional and capacity development (EC, UNICEF/Sida, UNESCO, World Bank). Non-formal education and life-skills (DFID, EC, UNESCO, UNFPA, UNICEF/Sida). Scholarship/School feeding program (Belgium, WFP). ICT and Education Information Management (Belgium, UNICEF/Sida, UNESCO). Budget support (EC). Higher Education (AUF, EC, JICA, World Bank)</p>

Sector/Thematic Focus	ADB Strategy/Activities	Risks
	<p>emphasis on girls and minorities; and (v) providing capacity building support for decentralized education, especially at the post basic level and in nonformal education under the ongoing Second Education Sector Development Program. ADB also continues to support the Phnom Penh Plan, which provides training for senior GMS officials. ADB will increasingly focus on quality enhancement in education and technical vocational training projects.</p> <p><b>Water Supply and Sanitation.</b> ADB has focused on ensuring adequate infrastructure for rural water supply and sanitation, development of operational guidelines on water supply and sanitation, and community mobilization and awareness of water and sanitation impact on public health. The Tonle Sap Rural Water Supply and Sanitation Sector Project will be followed by further investment.</p> <p><b>Health.</b> ADB focus has shifted to indirect health sector support and GMS communicable disease control initiatives.</p>	<p>Water supply and sanitation is supported by UNICEF, the World Bank, JICA. Analytical review (DFID).</p> <p>Donors also support health and nutrition (CIDA, UNICEF, WFP), safe drinking water and sanitation (the EC), and urban water supply (Japan, the World Bank). Japan, UNICEF and WHO support the immunization program. Donors further support the fight against tuberculosis (Japan and WHO), Drug control (CIDA, UNCDP), health insurance (GTZ), and population policy (UNFPA).</p>
<b>Environmental Sustainability</b>	<p>Support for environment and natural resource management aims at promoting rural livelihoods and enhancing rural incomes, with an emphasis on sustainable development of natural resources. Community-based management systems and capacity building of local institutions will be promoted. Although the focus will be on the Tonle Sap basin, environmental sustainability will be increasingly emphasized through the Tonle Sap Environmental Management Project, Tonle Sap Sustainable Livelihood Project, and future watershed and biodiversity corridor related projects.</p>	<p>CIDA supports capacity building for mine action management. Japan, SIDA and UNDP support mine clearance. DANIDA supports natural resource management and protection of the environment in the coastal zone. Rural livelihoods (DFID), forest concession management and environment protection (the World Bank). Other donors are involved in: integrated biodiversity conservation, forestry management and conservation (the EC). Natural resource management (FAO), Tonle Sap sustainable livelihoods (Finland), forestry management and monitoring, Tonle Sap environment management (UNDP-GEF), and Tonle Sap biosphere reserve (UNESCO), forestry and environmental resources management (Japan, GTZ), and irrigation, flood protection and drainage, capacity building for forestry sector (Japan).</p>
<b>Gender and Development</b>	<p>ADB gender strategy will continue to focus on empowering women and narrowing gender gaps through policy dialogue and activities to increase women's participation in its projects and programs at the planning, implementation and monitoring stages. More specifically, ADB will (i) contribute to gender equality and empowerment by implementing gender action plans/gender provisions in education, agriculture, rural development, water resources management, water and sanitation, decentralization, provincial roads and SMEs projects; (ii) build capacity of project staff and other partners</p>	<p>Donors are supporting the preparation and/or implementation of gender strategies and action plans in key ministries (UNDP, UNFPA, World Bank, UNIFEM), supporting the formulation of gender responsive budgeting program (UNDP), monitoring and supporting the implementation of NSDP, including development of gender responsive sector-wide plans (UNFPA, UNIFEM), supporting gender mainstreaming in decentralization and deconcentration (UNDP, UNFPA, PSDD, JICA), promoting and supporting the political participation of women (UNDP, UNFPA, UNIFEM), promote and support the establishment of women's micro, small and medium enterprises (MSME) and income-generating activities (UNDP, GTZ, FAO, USAID, ILO,</p>

Sector/Thematic Focus	ADB Strategy/Activities	Risks
	<p>in gender sensitive policy and program planning; (iii) develop detailed monitoring mechanisms to track and report on gender related achievements; (iv) document best practices related to mainstreaming gender; (v) strengthen the Ministry of Women's Affairs' capacity in policy analysis and advocacy in implementing and monitoring gender provisions in the National Strategic Development Plan (NSDP) 2006-2010; (vi) promote regional links and collaboration with other GMS countries, especially in the areas of human trafficking, migration, and cross-border communicable disease management; and (vii) cooperate with other donors to update the country gender assessment.</p>	<p>Japan Embassy), support and monitor the implementation of domestic violence prevention plan (UNIFEM, UNFPA, GTZ), supporting the proper adjustment, adoption and implementation of the law on the suppression of Human Trafficking and Sexual Exploitation (GTZ/CIM, UNICEF, USAID, IOM).</p>
<p><b>Regional Cooperation</b></p>	<p>ADB has invested in regional transport links, power transmission, tourism, and telecommunications, with its GMS focus increasingly shifting to communicable disease control, biofuel, biodiversity, flood management and mitigation, and trade and logistics. Institutional capacity weakness has also been addressed to ensure sustainability of project benefits.</p>	<p>Donors have been promoting and supporting the adoption and the implementation of the gender responsive migration policy and related preparation of legal recommendations (IOM, GTZ/CIM, UNIFEM), promoting and supporting the development of legal understanding and legal knowledge with regard to women's rights (UNIFEM, GTZ/CIM), support, coordinate and monitor Healthy Family Living through Prevention Plans (women's reproductive health, nutrition, HIV-AIDS) (UNFPA, UNICEF, UNIFEM, USAID, World Bank), strengthening the women's participation in decision making and management in education (UNICEF, World Bank, USAID/KAPE, BETT), gender development mainstreaming framework (UNDP, JICA), audit of gender training program (UNDP, UNFPA), updating Cambodia Gender Assessment (UNDP, UNFPA, UNIFEM, DFID, World Bank), maintaining and updating gender resource mobilization matrix and Promote /support naming of gender focal points in all technical working groups (joint missions) (UNDP, UNFPA, JICA).</p> <p>AusAID supports a program that pays particular attention to the needs of the new ASEAN countries (Cambodia, the Lao People's Democratic Republic and Myanmar), as the poorest and least 'integrated' countries in the region. Priorities include governance (economic management, trade-related capacity building and social protection programs, including social safety net strengthening and people trafficking) and health (HIV/AIDS and communicable disease control). CIDA provides capacity building for regional economic integration and UNDP provides institutional support to the MRC. The World Bank is providing regional assistance to regional power trading.</p> <p>Japan and GTZ support flood mitigation at the MRC. The EC's Asia-wide program: Asia Urbs (Urban issues, e.g. planning, institutional development), Asia Invest (private investment opportunities), Asia-ITC, Asia Pro-Eco</p>

Sector/Thematic Focus	ADB Strategy/Activities	Risks
		(support to ecology), EC-ASEAN Standards and Quality Program, EC-ASEAN IPR Program, EC-AUNP cooperates with ASEAN higher education institutions. Japan supports a forum for comprehensive development of the Indo-China region. UNESCAP supports a regional advisory program for WTO accession obligations.

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

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

## INDICATIVE PIPELINE

Table A5.1: Indicative Assistance Pipeline for Lending Products, 2007–2009

Sector Project/Program/Name	Targeting Classification	Thematic Priority	Division	Year of PPTA	Total	Cost (\$ million)						
						OCR	ADB ADF			Gov't	Co-financing	
							Loans	Grants	Total		Amount	Source Of Funds
<b>2007 Loans</b>												
<b>Agriculture and Natural Resources</b>												
1. Tonle Sap Lowland Stabilization	GI	EVN	SEAE	2005	0.0	10.9	9.1	20.0	TBD			
<b>Education</b>												
2. Education Quality Improvement	GI	ISD	SESS	2006	0.0	0.0	27.0	27.0 <sup>b</sup>	TBD			
<b>Finance</b>												
3. Financial Sector Development Program (Cluster 1)	GI	PSD	SEGF	2006	0.0	13.0	0.0	13.0	TBD			
<b>Transport and Communications</b>												
4. Road Asset Management Project	GI	ECO	SEID	2007	0.0	6.0	0.0	6.0 <sup>c</sup>	TBD	34.0	WB & Gov't of Australia <sup>d</sup>	
<b>Subtotal National Program</b>					<b>0.0</b>	<b>29.9</b>	<b>36.1</b>	<b>66.0</b>				
<b>Regional Program<sup>a</sup></b>												
<b>Transport and Communications</b>												
5. GMS: Southern Coastal Corridor (CAM)	GI	ECO	SEID	2005	0.0	7.0	0.0	7.0 <sup>c</sup>	3.7	7.8	Gov't of Australia	
<b>Subtotal Regional Program</b>					<b>0.0</b>	<b>7.0</b>	<b>0.0</b>	<b>7.0</b>				
<b>Subtotal National &amp; Regional Program 2007</b>					<b>0.0</b>	<b>36.9</b>	<b>36.1</b>	<b>73.0</b>		<b>41.8</b>		
<b>2008 Loans</b>												
<b>Agriculture and Natural Resources</b>												
1. Water Resource Management (Sector)	GI	ECO	SEAE	2006	0.0	15.0	0.0	15.0	TBD	20.4	AFD & OFID <sup>e</sup>	
2. Siem Reap Livelihood	GI	ECO	SEAE	2007	0.0	0.0	5.0	5.0	TBD	5.0	Govt. of Finland	
<b>Industry and Trade</b>												
3. SME II	GI	PSD	SEGF	2007	0.0	17.0	0.0	17.0	TBD			
<b>Law, Economic Management and Public Policy</b>												
4. Public Financial Management for Rural Development	GI	GOV	SEGF	2007	0.0	0.0	11.8	11.8 <sup>f</sup>	TBD			
<b>Subtotal National Program</b>					<b>0.0</b>	<b>32.0</b>	<b>16.8</b>	<b>48.8</b>				
<b>Subtotal National Program 2008</b>					<b>0.0</b>	<b>32.0</b>	<b>16.8</b>	<b>48.8</b>		<b>25.4</b>		

Sector Project/Program/Name	Targeting Classification	Thematic Priority	Division	Year of PPTA	Total	Cost (\$ million)						
						OCR	ADB ADF			Gov't	Co-financing	
							Loans	Grants	Total		Amount	Source Of Funds
<b>2009 Loans</b>												
<b>Education</b>												
1. Enhancing Secondary Education	GI	ISD	SESS	2008		0.0	0.0	17.5	17.5	TBD		
<b>Finance</b>												
2. Financial Sector Development Program (Cluster 2)	GI	PSD	SEGF	2008		0.0	10.0	0.0	10.0	TBD		
<b>Water Supply, Sanitation &amp; Waste Management</b>												
3. Rural Water Supply and Sanitation II	GI	ISD/GAD	SESS	2008		0.0	0.0	15.0	15.0	TBD		
<b>Subtotal National Program</b>						<b>0.0</b>	<b>10.0</b>	<b>32.5</b>	<b>42.5</b>			
<b>Regional Program<sup>a</sup></b>												
<b>Agriculture and Natural Resources</b>												
4. GMS: Flood and Drought Risk Management & Mitigation (CAM)	GI	RC/ECO	SEAE	2007		0.0	20.0	0.0	20.0	TBD		
<b>Transport and Communication</b>												
5. GMS: Cambodia Northwest Provincial Road Improvement (CAM) <sup>g</sup>	GI	ECO	SEID	2008		0.0	20.0	0.0	20.0	TBD		
<b>Subtotal Regional Program</b>						<b>0.0</b>	<b>40.0</b>	<b>0.0</b>	<b>40.0</b>			
<b>Subtotal National &amp; Regional Program</b>						<b>0.0</b>	<b>50.0</b>	<b>32.5</b>	<b>82.5</b>			
<b>2009</b>												
<b>Overall Total 2007-2009</b>						<b>0.0</b>	<b>118.9</b>	<b>85.4</b>	<b>204.3</b>			
										<b>67.2</b>		

ADB = Asian Development Bank; ADF = Asian Development Fund; AFD = French Agency for Development; AusAID = Australian Agency for International Development; ECO = sustainable economic growth; EVN = environmental sustainability; GAD = gender and development; GI = general intervention; GMS = Greater Mekong Subregion; GOV = Governance; Gov't = government; ISD = inclusive social development; OCR = ordinary capital resources; OFID = OPEC Fund for International Development; PPTA = project preparatory technical assistance; PSD = private sector development; RC = regional cooperation; SEAE = Southeast Asia Development, Social Sectors Division; SME = small and medium-sized enterprises; TBD = to be determined; TI = targeted intervention; WB = World Bank.

<sup>a</sup> Greater Mekong Subregion – Regional Cooperation Strategy and Program Update (2007-2009) and more recent updates resulting from the Cambodia CSP

<sup>b</sup> \$12.1 million in grant have been reallocated from the 2006 country-specific program

<sup>c</sup> \$0.9 million and \$12.1 million in loan funds have been reallocated from the 2006 country-specific program, and from the ADF loan savings respectively

<sup>d</sup> \$30 million for World Bank and \$4 million for AusAID

<sup>e</sup> \$10.4 million (equivalent Euro 8 million) for AFD and \$10 million for OPID

<sup>f</sup> Final amount will depend on outcomes of ADF/IDA grant alignment and PBA 2007 exercise

<sup>g</sup> Subject to funds availability

Source: Asian Development Bank estimates.

Table A5.2: Indicative Assistance Pipeline for Nonlending Products, 2007–2009

Sector/Assistance Name	Responsible Division	Assistance Type	Source of Funding		Total Amount (\$ million)	
			ADB			
			Source	Amount (\$ million)		Others
<b>2007</b>						
<b>Agriculture and Natural Resources</b>						
1.	Capacity Building for Tonle Sap Poverty Reduction Initiative II	SEAE	ADTA	0.00	0.50	0.50
<b>Finance</b>						
2.	Financial Sector Development Program Implementation (Cluster 1)	SEGF	ADTA	0.75	0.50	1.25
<b>Industry and Trade</b>						
3.	SME Development II	SEGF	PPTA	0.55	0.00	0.55
<b>Law, Economic Management and Public Policy</b>						
4.	Public Financial Management for Rural Development	SEGF	PPTA	0.48	0.00	0.48
<b>Subtotal National Program</b>				<b>1.78</b>	<b>1.00</b>	<b>2.78</b>
<b>Regional Program<sup>a</sup></b>						
<b>Agriculture and Natural Resources</b>						
5.	GMS: Flood Management and Mitigation (CAM/LAO/VIE)	SEAE	PPTA	2.00 <sup>b</sup>	0.00	2.00
<b>Transport and Communications</b>						
6.	Restructuring of the Railways of Cambodia (Supplementary to TA4645)	SEID	ADTA	0.25	0.00	0.25
<b>Subtotal Regional Program</b>				<b>2.25</b>	<b>0.00</b>	<b>2.25</b>
<b>Subtotal National &amp; Regional Program 2007</b>				<b>4.03</b>	<b>1.00</b>	<b>5.03</b>
<b>2008</b>						
<b>Agriculture and Natural Resources</b>						
1.	Tonle Sap Watershed Management Project	SEAE	PPTA	0.80	0.00	0.80
2.	Establishment of the Tonle Sap Basin Management IV	SEAE	ADTA	0.30	0.00	0.30
3.	Study on Participatory Watershed Management	SEAE	SSTA	0.15	0.00	0.15
<b>Education</b>						
4.	Enhancing Secondary Education	SESS	PPTA	0.80	0.00	0.80
<b>Industry and Trade</b>						
5.	Support for SME II Implementation	SEGF	ADTA	0.80	0.00	0.80
<b>Law, Economic Management, and Public Policy</b>						
6.	Support to Public Financial Management	SEGF	ADTA	0.65	0.00	0.65
<b>Finance</b>						
7.	Financial Sector Development Program (Cluster 2)	SEGF	PPTA	0.30	0.00	0.30

Sector/Assistance Name	Responsible Division	Assistance Type	Source of Funding		Total Amount (\$ million)	
			ADB			
			Source	Amount (\$ million)		Others Amount (\$ million)
<b>Water Supply, Sanitation and Waste Management</b>						
8.	Rural Water Supply and Sanitation II	SESS	PPTA	0.50	0.00	0.50
<b>Subtotal National Program</b>				<b>4.30</b>	<b>0.00</b>	<b>4.30</b>
<b>Regional Program</b>						
<b>Agriculture and Natural Resources</b>						
9.	GMS: Biofuel Development (CAM)	SEAE	PPTA	1.00	0.00	1.00
<b>Transport and Communications</b>						
10.	GMS: Northwest Provincial Road Improvement (CAM) <sup>c</sup>	SEID	PPTA	0.60	0.00	0.60
<b>Subtotal Regional Program</b>				<b>1.60</b>	<b>0.00</b>	<b>1.60</b>
<b>Subtotal National &amp; Regional Program 2008</b>				<b>5.90</b>	<b>0.00</b>	<b>5.90</b>
<b>2009</b>						
<b>Agriculture and Natural Resources</b>						
1.	Study of Inland Aquatic Resources Trade Patterns	SEAE	ADTA	0.15	0.00	0.15
<b>Finance</b>						
2.	Financial Sector Development Program Implementation (Cluster 2)	SEGF	ADTA	0.75	0.00	0.75
<b>Law, Economic Management and Public Policy</b>						
3.	Support to Decentralization Program	SEGF	PPTA	0.80	0.00	0.80
<b>Subtotal National Program</b>				<b>1.70</b>	<b>0.00</b>	<b>1.70</b>
<b>Regional Program</b>						
<b>Agriculture and Natural Resources</b>						
4.	GMS: Biodiversity Corridor Conservation Program (CAM/LAO/VIE) <sup>c</sup>	SEAE	PPTA	1.00 <sup>b</sup>	0.00	1.00
<b>Industry and Trade</b>						
5.	GMS: Trade Facilitation and Logistics (CAM/LAO/VIE) <sup>c</sup>	SEGF	PPTA	0.80 <sup>b</sup>	0.80	0.80
<b>Health, Nutrition and Social Protection</b>						
6.	GMS: Communicable Disease Control Project II (CAM/LAO/VIE) <sup>c</sup>	SESS	PPTA	0.50 <sup>b</sup>	0.00	0.50
<b>Subtotal Regional Program</b>				<b>2.30</b>	<b>0.00</b>	<b>2.30</b>
<b>Subtotal Suggested 2009</b>				<b>4.00</b>	<b>0.00</b>	<b>4.00</b>
<b>Overall Total 2007-2009</b>				<b>13.93</b>	<b>1.00</b>	<b>14.93</b>

ADB = Asian Development Bank; ADF = Asian Development Fund; ADTA = advisory technical assistance; CAM = Cambodia; ECO = sustainable economic growth; EVN = environmental sustainability; GAD = gender and development ; GI = general intervention; GMS = Greater Mekong Subregion; Gov't = government; ISD = inclusive social development; JFPR = Japan Fund for Poverty Reduction; LAO = Lao People's Democratic Republic; OCR = ordinary capital resources; PPTA = project preparatory technical assistance; PSD =

private sector development; RC = regional cooperation; SEAE = Southeast Asia Development , Agriculture and Natural Recourse Division; SEGF = Southeast Asia Development, Governance, Finance and Trade Division; SEID = Southeast Asia Development, Infrastructure Division; SESS = Southeast Asia Development, Social Sectors Division; SME = small and medium-sized enterprises; SSTA = small scale technical assistance; TBD = to be determined; TI = targeted intervention; VIE = Viet Name.

<sup>a</sup> Greater Mekong Subregion-Regional Cooperation Strategy and Program Update (2007-2009) and more recent updates resulting from the Cambodia CSP (2005–2009) Midterm Review

<sup>b</sup> Total for all three GMS country, including Cambodia

<sup>c</sup> Subject to fund availability

Source: Asian Development Bank estimates.

**Table A5.3: Summary Information on Proposed Indicative Lending Products and Services for 2007 and 2008**

Project Name	Description
<b>2007</b>	
1. Tonle Sap Lowland Stabilization	<p><b>Goal:</b> to improve the livelihoods of households in the transition zone area around the Tonle Sap Lake. The project will improve access to important assets in the target communes in six provinces surrounding the lake.</p> <p><b>Major components:</b> developing and improving rural infrastructure such as rural roads, small scale irrigation, village markets, as determined and prioritized by local communities. Increasing livelihood options for rural communities through a range of training and development activities designed to enable local communities to access available financial services to develop new or improved on-farm and off-farm enterprises. Supporting results-oriented project management through strengthening the capacity of government agencies and other stakeholders for effective project implementation.</p> <p><b>Expected outputs and outcomes:</b> rural populations in the target communes in six provinces surrounding the Tonle Sap Lake will benefit from rural road improvements, irrigation canals, and better access to rural markets and to financial and technical services. Project management capacity will be strengthened.</p>
2. Education Quality Improvement	<p><b>Goal:</b> to expand access to and strengthen the quality of education to ensure a larger, better educated and more skilled workforce.</p> <p><b>Major components:</b> interventions designed to (i) strengthen institutional and management capacity; (ii) strengthen teachers' professional development and management; and (iii) strengthen the quality and management of secondary education.</p> <p><b>Expected Outcomes:</b> strengthened institutional capacity for management and delivery of better education; better qualified teachers; improved quality of secondary education; greater access to education for girls and children from disadvantaged and remote areas to teacher training and secondary education.</p>
3. Financial Sector Development Program (Cluster 1)	<p><b>Goal:</b> to help develop a market-based financial system that enhances resource mobilization and supports sustainable economic growth.</p> <p><b>Major components:</b> a set of financial sector reforms aimed at achieving the following broad objectives: (i) enhancing the reach, efficiency and soundness of banks; (ii) promoting outreach, good corporate governance and soundness of microfinance; (iii) enhance good governance and transparency in the insurance companies; (iv) enhance the legal and regulatory foundation to support financial and commercial transactions; and (v) support the development of financial and commercial infrastructure, including capacity development.</p> <p><b>Expected outputs and outcomes:</b> a growing, resilient and efficient financial system.</p>
4. Road Asset Management Project	<p><b>Goal:</b> to strengthen the Government's capacity for road maintenance planning, management and monitoring and funding for periodic maintenance of the paved national road network.</p> <p><b>Major components:</b> (i) provide long-term technical assistance to establish a road asset maintenance office within the MPWT; (ii) start the process of spinning off the force account units to the private sector; and (iii) provide additional funding for periodic maintenance of the national roads network.</p> <p><b>Expected outputs and outcomes:</b> a sustainable road sector based on a sound core network and sustained road maintenance and contributing to higher economic growth by (i) reducing transport costs and inducing a more efficient movement of people and goods; (ii) providing improved road connectivity; and (iii) hastening economic development in all parts of Cambodia.</p>
5. GMS: Southern Coastal Corridor (CAM)	<p><b>Goal:</b> to strengthen regional integration and trade and to support economic and social development in southern Cambodia by improving transport accessibility.</p> <p><b>Major components:</b> infrastructure improvements to NR33 from the bridge in the border neutral zone to the intersection with NR31 in Kampong Trach; to NR33 bridges between Kampong Trach and Kampot; to cross-border facilities at Preak Chak and Koh Kong; and road maintenance.</p> <p><b>Expected output and outcomes:</b> increased trade activity and higher economic growth, and improved subregional connectivity.</p>

Project Name 2008	Description
1. Water Resource Management Sector	<p><b>Goal:</b> to contribute to increased agricultural production through the expansion of irrigable land.</p> <p><b>Major components:</b> investment of small- and medium-scale irrigation systems covering a total target area of about 20,000 ha; and strengthening capacity and mobilizing beneficiaries and stakeholders for sustainable management and maintenance of irrigation systems.</p> <p><b>Expected output and outcomes:</b> higher and increasing incomes in rural areas, an effective water user community among farmers, and collaboration between relevant government agencies for sustainable management and maintenance of irrigation systems.</p>
2. Siem Reap Livelihoods	<p><b>Goal:</b> to provide an integrated approach for livelihood and environment management for poverty reduction and sustainable rural development in the Northwest provinces of Tonle Sap Basin.</p> <p><b>Major Components:</b> (i) high-value food and fruit production and marketing in the form of organic farming with a focus on creating a local supply chain of food and fruit for tourism markets; (ii) training and skills development through demonstration and extension services on integrated pest management (IPM) and organic farming technologies, promotion of traditional arts and crafts to supply to the growing tourism market, and provision of job skills for occupations in tourism and ecotourism; (iii) conservation and protection of flooded forests through an examination of existing environmental laws and regulations to implement community management, and propose ways to link them with the ecotourism.</p> <p><b>Expected Outputs and Outcomes:</b> (i) integration of tourism and ecotourism development with livelihood enhancement and rural development; (ii) improved socioeconomic conditions and reduced poverty in the target communities; and (iii) improved environmental management in utilization of agricultural, flooded-forest and fishery resources in the Tonle Sap basin.</p>
3. Second SME Development Program (SMEDP 2)	<p><b>Goal:</b> to support the Government's efforts to create an environment conducive to business development.</p> <p><b>Major components:</b> (i) improving the institutional framework for small and medium-sized enterprise (SME) sector development, through support and capacity building for the SME sub-committee and its secretariat; (ii) carrying out legal and governance reforms for market entry, including better company registration processes and establishment of licensing review and recourse mechanisms that can reduce the current regulatory burden on the economy; (iii) enhancing SMEs' access to finance through the strengthening of SME financial reporting, development of a credit information sharing system among banks and the establishment of a legal framework for leasing; and (iv) supporting an enabling regulatory framework for private provision of infrastructure-related public goods. The design and implementation of the project will address two cross-cutting concerns: stark deficiencies in current institutional capacity to undertake and coordinate reforms, and the need to support rural development by maximizing the benefits of reforms beyond urban centers.</p> <p><b>Expected outputs and outcomes:</b> (i) capacity building for the SME sub-committee and its secretariat; (ii) legal and governance reforms for market entry; (iii) enhanced SMEs' access to finance; and (iv) enabling regulatory framework for private provision of infrastructure-related public goods.</p>
4. Public Financial Management for Rural Development	<p><b>Goal:</b> to contribute to the improvement of public financial management and internal audit functions in rural development ministries for improved public services delivery.</p> <p><b>Major components:</b> (i) the budget formulation and execution component aims to make budgeting credible, including linking budgeting to the National Strategic Development Plan 2006-2010 priorities and strategies; (ii) the organization component aims to develop internal audit capacity in rural development ministries and to strengthen the capacity of the National Audit Authority (NAA) to conduct performance audits; and (iii) the coordination component aims to establish a network of heads of internal audit units of government agencies for the exchange of ideas and best practices.</p> <p><b>Expected outputs and outcomes:</b> improved credibility of the budget process for rural development ministries; internal audits in rural development ministries fully established; NAA's capacity to conduct performance audit strengthened; higher value for money for funds provided by the Government and donors for rural development.</p>

**Table A5.4: Summary Information on Proposed Indicative Nonlending Products and Services for 2007 and 2008**

Project Name	Description
<b>2007</b>	
1. Capacity Building for Tonle Sap Poverty Reduction Initiative II	<p><b>Goal:</b> sustainable management and conservation of natural resources and biodiversity in the Tonle Sap Basin (TSB), through the building of capacity of governments at the national, provincial and local levels to manage, engage in, and support the Tonle Sap Initiative (TSI).</p> <p><b>Major components:</b> building skills and awareness; knowledge management to upgrade the Tonle Sap Learning Resource Center (TSLRC); and strengthening partnerships aimed at enhancing coordination, communication, civil society participation, and partnership development in the TSB by expanding the role of the TSI coordination unit developed under previous technical assistance.</p> <p><b>Expected outputs and outcomes:</b> enhanced capacity to identify, design, and deliver effective development interventions, create cadres of experienced and skilled facilitators and trainers, and raise the managerial and leadership capacity of core groups of change agents associated with TSI; an upgraded TSLRC; and enhanced coordination, communication, civil society participation, and partnership development in the TSB.</p>
2. Financial Sector Development Program Implementation (Cluster 1)	<p><b>Goal:</b> to support NBC, MEF and MOC to develop a sound market-based financial system to support resource mobilization and financial intermediation.</p> <p><b>Major component:</b> The main activities of the TA will include: modernization of the payments, clearance and settlement system; computerization of the core functions of the NBC; bank supervision and surveillance; supporting the unit for anti-money-laundering surveillance; regulations and supervision of MFIs; supporting the establishment of the National Arbitration Center; training under the Center for Bank Studies (CBS); and legal and regulatory development.</p> <p><b>Expected outputs and outcomes:</b> enhanced reach and efficiency of financial services and payments and of the settlement system; updated and improved legal and regulatory framework; enhanced consumer access to credit and market confidence; computerization of key operating functions of the NBC and enhancement of internal management systems; capacity building of NBC; enhanced corporate governance and transparency in the insurance sector; strengthened prudential supervision and regulations of MFIs; stronger commercial legal framework; enhanced commercial dispute resolution mechanism; accounting capacity development.</p>
3. Second SME Development (MEDP 2)	<p><b>Goal:</b> to explore several areas of future reform in the SME development framework in order to prepare the Second SME Development Program (SMEDP 2).</p> <p><b>Major components:</b> (i) institutional framework for SME sector development, through support and capacity building for the SME sub-committee and its secretariat; (ii) legal and governance reforms for market entry, including the company registration process and effective establishment of a licensing review and recourse mechanisms that can reduce the current regulatory burden on the economy; (iii) enhancing SMEs' access to finance by strengthening SME financial reporting, developing a credit information sharing system among banks and establishing a legal framework for leasing; and (iv) supporting an enabling regulatory framework for private provision of infrastructure-related public goods.</p> <p><b>Expected outputs and outcomes:</b> (i) policy matrix and action plan for further development of the SME sector with estimated adjustment costs and a financing plan; (ii) a design and monitoring framework that identifies inputs, activities, outputs, outcomes, and impact of the proposed SMEDP 2, including risks and measures to mitigate those risks, base line data and mechanism for regular monitoring and reporting; (iii) awareness and consensus building workshops and seminars with key stakeholders in the Government, the private sector and the donor community with a final report reflecting the structure of the program as discussed and agreed to with all stakeholders; (iv) a program administration manual to guide the Government in implementing the policy conditions, and the design of implementation arrangements and capacity building to ensure that policy conditions are implemented in an appropriate, consistent, and coordinated manner.</p>

Project Name	Description
4. Public Financial Management for Rural Development	<p><b>Goal:</b> to contribute toward improving financial management and internal audit functions in rural development ministries (MRD, MOWRAM, MAFF) and strengthening the National Audit Authority's capacity to carry out performance audits.</p> <p><b>Major components:</b> (i) budget formulation and execution, including a diagnostic analysis of budget policies and procedures of the rural development ministries vis-à-vis the Organic Budget Law and its implementing regulations, and the extent to which budget formulation and execution are linked to sector policies and strategies of the NSDP 2006-2010; (ii) organizational development, including the internal audit; (iii) technical capacity development, including training in public accounting, internal and external auditing, and performance audit; and (iv) coordination development, including formulation of a road map for internal audit development of participating ministries.</p> <p><b>Expected outputs and outcomes:</b> Approval of a project on "Public Financial Management for Rural Development" in 2007.</p>
5. GMS Flood Management and Mitigation (CAM/LAO/VIE)	<p><b>Goal:</b> to reduce the vulnerability of flood-affected communities in Cambodia, Lao PDR and Viet Nam by preparing investment projects aimed at preventing major floods from becoming disasters.</p> <p><b>Major components:</b> (i) prepare investment projects comprising balanced structural and non-structural measures; (ii) assist in formulating land use and planning controls to enhance flood preparedness; and (iii) assist in strengthening measures for mediation and mitigation of transboundary flood issues.</p> <p><b>Major outputs and outcomes:</b> a feasibility study of flood management options, including prioritization of sub-basins, definition of appropriate packages of flood structural and non-structural management options and cost estimates; and a project design that would help reduce the social and economic costs associated with floods.</p>
6. Restructuring of the Railways of Cambodia (Supplementary to TA 4645)	<p><b>Goal:</b> to support economic growth by improving Cambodia's international competitiveness and to support poverty reduction by reducing the cost of living.</p> <p><b>Major components:</b> (i) plan and prepare a restructuring of the railway sector; (ii) execute the formation of a railway operator based on international competitive bidding between interested private sector consortia; (iii) advise the Government on handling staff retrenchment; and (iv) document the process in sufficient detail to allow for future repetition elsewhere.</p> <p><b>Expected outputs and outcomes:</b> a restructured railway operator in private ownership, which could further develop the railway in commercial, technical and financial terms, to become a fully modernized and efficient transport provider.</p>
<b>2008</b>	
1. Tonle Sap Watershed Management Project.	<p><b>Goal:</b> natural resources in the Tonle Sap watersheds are used sustainably and livelihoods of watershed communities are improved.</p> <p><b>Major components:</b> resources and livelihoods surveys; assessment of capacity building needs for participatory watershed management; identification of priority sub-watersheds for participatory management; feasibility studies for potential interventions; and participatory project design.</p> <p><b>Expected outputs and outcomes:</b> an investment project to manage, preserve, and protect targeted native vegetation and wildlife resources. Outputs will include: (i) a prioritized list of Tonle Sap sub-catchments where participatory management would bring livelihood benefits to communities and enhance the sustainable use of natural resources; (ii) design of an investment project for participatory management of resources to support improved watershed management and enhancing livelihoods; and (iii) participatory management capacity building and awareness raising for agency, NGO and community members.</p>
2. Establishment of the Tonle Sap Basin Management IV	<p><b>Goal:</b> to provide follow-up assistance to the Government in implementing institutional arrangements for the coordination of development and conservation initiatives in the Tonle Sap Basin.</p> <p><b>Major Components:</b> (i) capacity building and leadership development across sectoral and subnational agencies for management of sub-basins of the Tonle Sap basin; and (ii) development of a long-term strategy for basin management and coordination, specifically for water utilization.</p> <p><b>Expected Outputs and Outcomes:</b> cost-effectiveness and improved efficiency in the institutional coordination of development and natural resources management activities in the Tonle Sap Basin.</p>

Project Name	Description
3. Study on Participatory Watershed Management	<p><b>Goal:</b> to ensure the natural resources and environment in the Tonle Sap watersheds are used sustainably.</p> <p><b>Major components:</b> analysing participatory natural resource management experiences in the Tonle Sap watershed; enhancing the natural resources knowledge base in the Tonle Sap watershed; and carrying out communications, including knowledge dissemination through the internet, reports, media, and workshops.</p> <p><b>Expected outputs and outcomes:</b> a knowledge base on participatory watershed management that will guide subsequent interventions within the Tonle Sap Initiative aimed at managing, preserving, and protecting targeted native vegetation and wildlife resources in the watersheds of the Tonle Sap basin. Outputs will include: (i) provision, in the public domain, of improved spatially disaggregated natural resources information; (ii) critical analysis of practical approaches to participatory watershed and natural resources management; and (iii) recommendations for strengthening participatory approaches to improving productivity and sustainable use of forest and agricultural land through decentralized and community-based development approaches.</p>
4. Enhancing Secondary Education	<p><b>Goal:</b> to continue support for education reforms by strengthening capacity for planning, management and delivery of education.</p> <p><b>Major components:</b> prepare education sector development intervention through (i) increased access and improved quality and internal efficiency of education; (ii) institutional reform and development; and (iii) capacity building for education administration and management.</p> <p><b>Expected Outcomes:</b> further strengthening of the education reform process, stronger capacity to manage the demands of an expanded education system, and further improvements in quality and efficiency of secondary education.</p>
5. Support for SME II Implementation	<p><b>Goal:</b> to support implementation of the Second SME Development Program (SMEDP).</p> <p><b>Major components:</b> (i) technical inputs to support the Government's policy reform efforts; (ii) capacity development to Government officials through round table discussions, and formal and informal discussions; and (iii) consensus building and information dissemination activities including workshops and related events.</p> <p><b>Expected outputs and outcomes:</b> (i) capacity building for the SME sub-committee and its secretariat; (ii) legal and governance reforms for market entry, including the company registration process and effective establishment of a licensing review and recourse mechanisms that can unwind and reduce the current regulatory burden on the economy; (iii) enhanced SME access to finance through the strengthening of SME financial reporting, development of a credit information sharing system among banks and the establishment of a legal framework for leasing; and (iv) supporting an enabling regulatory framework for private provision of infrastructure-related public goods.</p>
6. Support to Public Financial Management	<p><b>Goal:</b> to provide intellectual and capacity development support to the Government for the implementation of the four-stage Public Financial Management (PFM) Reform Program, adopted by MEF in December 2004.</p> <p><b>Major components:</b> institutional and capacity development for public debt management.</p> <p><b>Expected outputs and outcomes:</b> lower net present value of debt/GDP ratio; strengthened public debt management; and improved public debt data flows.</p>
7. Financial Sector Development Program (Cluster 2)	<p><b>Goal:</b> to prepare the proposed subprogram II that will support the on-going reform efforts of the Government set out in the Financial Sector Development Program 2006-2015.</p> <p><b>Major components:</b> enhancing the reach, efficiency and soundness of banks; promoting outreach, good corporate governance and soundness of microfinance; enhancing good governance and transparency in the insurance subsector; enhancing the legal and regulatory foundation supporting financial and commercial transactions; and supporting the development of financial and commercial infrastructure, including capacity development.</p> <p><b>Expected outputs and outcomes:</b> a policy matrix and action plan for the further development of the financial sector with estimated adjustment costs and a financing plan; a design and monitoring framework that identifies inputs, activities, outputs, outcomes, and the impact of the proposed subprogram II, including risks and</p>

Project Name	Description
	measures to mitigate those risks, baseline data and mechanisms for regular monitoring and reporting; awareness and consensus-building workshops and seminars with key stakeholders in the Government, the private sector and the donor community with a final report reflecting the structure of the program as agreed with all stakeholders; a program administration manual to guide the Government in implementing the policy conditions; and the design of implementation arrangements and capacity building to ensure that policy conditions are implemented in an appropriate, consistent and coordinated manner.
8. Rural Water Supply and Sanitation II	<p><b>Goal:</b> to support the Government through MRD in developing a project to enhance the health of low-income communities in rural areas by improving their hygiene and providing sustained access to safe drinking water and effective sanitation.</p> <p><b>Major component:</b> an assessment of the need for sanitation and safe water supply coverage and the capacity needs of rural water supply and sanitation facilities, especially in remote areas.</p> <p><b>Expected outputs and outcomes:</b> increased access to improved sanitation, hygiene and water supply in rural areas.</p>
9. GMS: Biofuel Development (CAM)	<p><b>Goal:</b> provide appropriate policy options and investment support to the Government to participate in crop production, feedstock processing and cross-border trade in biofuels and rural renewable energy.</p> <p><b>Major Components:</b> (i) policy support for cross-border investment, contract framing and trade; (ii) infrastructure and training support for enhanced community participation in feedstock supply, and small and medium-sized enterprise (SME) development; (iii) support for research and development on crop selection, technology choices, farming systems, and feedstock processing and marketing by facilitating partnerships among international, regional, and national centers of excellence; and (iv) capacity building of national institutions on the technical, economic and social dimensions of planning and implementation aimed at catalyzing development on biofuels in farms.</p> <p><b>Expected Outputs and Outcomes:</b> (i) enhanced public-private partnership on policy and investment cooperation on biofuels and rural renewable energy development; and (ii) national strategies and agricultural options for the participation of smallholders in the shifts away from conventional fuels to biofuel development in an environmentally and financially sustainable manner.</p>
10. GMS: Northwest Provincial Road Improvement	<p><b>Goal:</b> to support the Government through MPWT in preparing a project aiming to promote economic development in the northwestern rural areas and facilitate social development by reducing remoteness.</p> <p><b>Major components:</b> preparation of a project for rehabilitation of national road NR56 from Sisophon to Samrong (114 km).</p> <p><b>Expected outputs and outcomes:</b> a feasibility study and preliminary designs for rehabilitating the road.</p>

## INDICATIVE ROLLING COUNTRY OPERATIONS BUSINESS PLAN, 2007–2009

### A. Consistency of the Business Plan with the Current Country Strategy and Program

1. The indicative rolling country operations business plan (COBP) was approved by the ADB Board in December 2006<sup>1</sup>. This update of the COBP is consistent with the priorities of the Government's National Strategic Development Plan (NSDP) 2006–2010.<sup>2</sup> It is also consistent with the recent policy pronouncement of the Prime Minister that an acceleration of agricultural and rural development in Cambodia requires multisectoral and crosscutting assistance<sup>3</sup> and the Government's view that such support is critical for economic diversification and rural poverty reduction.

### B. Indicative Lending and Nonlending Program

2. An indicative 3-year pipeline of \$204.3 million is programmed for 2007–2009. Of this total, \$60 million is programmed for the agriculture and natural resources sector (29.4%), including the Greater Mekong Subregion (GMS) program for Cambodia; \$44.5 million (21.8%) for education; \$33 million (16.2%) for transport and communications; \$23 million for finance (11.3%); \$17 million (8.3%) for industry and trade; \$11.8 million (5.8%) for law, economic management and public policy; and \$15 million (7.3%) for water supply, sanitation and waste management.

3. Of the indicative TA budget of \$13.9 million for 2007–2009, \$10.13 million (73%) is programmed for project preparatory technical assistance (PPTA) and the remaining \$3.8 million (27%) for advisory (ADTA) and small-scale (SSTA) technical assistance.

4. Under the ADF IX grant allocation framework, as a poor moderately debt-stressed country, Cambodia can receive up to 50% of its total ADF allocation in grants. This is appropriate given the high incidence of poverty in Cambodia. The Government's priority, as stated in NSDP 2006–2010, is to reduce poverty rapidly and to achieve the Cambodia Millennium Development Goals (CMDGs). Grant financing will be primarily focused on social and other sectors directly related to the achievement of the CMDGs.

5. Given the growing interest in the private sector in Cambodia, ADB will seek opportunities in infrastructure and financial sector lending through ordinary capital resources (OCR) for specific public–private partnerships (PPPs) and private sector operations.<sup>4</sup> This approach has been discussed with the Government and the International Monetary Fund (IMF) in the context of the 2007 debt sustainability analysis.

### C. Summary of Changes to Lending and Nonlending Programs

6. The total lending and grant portfolio has increased by \$21.8 million (10.7%) compared with the level identified at the time of the December 2006 approval of this COBP, but this

<sup>1</sup> ADB. 2006. *Country Operations Business Plan (2007–2009): Cambodia*. Manila.

<sup>2</sup> The NSDP, which was approved in May 2006 makes improving the lives and livelihood of the rural poor its top priority.

<sup>3</sup> The Prime Minister at the Second Cambodia Economic Forum (CEF) on 9 May 2007 identified six priority areas: rural infrastructure, rural finance, agricultural inputs and practices, land management, private sector investment, and the role of the state to facilitate a sustainable and dynamic rural economy.

<sup>4</sup> The Cambodia Power Transmission Lines Project processed by the Private Sector Operations Department (PSOD) as ADB's first private sector transaction in Cambodia, was approved in June 2007 on a non recourse basis.

increase is primarily because of an additional standby GMS amount of \$20 million in 2009.<sup>5</sup> There have been four significant changes to the pipeline since the COBP was approved in December 2006. First, three new projects are to be funded: the Road Asset Management Project (ADB has allocated \$6 million, with co-financing of \$34 million from the World Bank and the Government of Australia), the Siem Reap Livelihood Project (\$5 million), and the Public Financial Management for Rural Development Project (\$11.8 million). Second, a GMS project, Cambodia Northwest Provincial Road Improvement Project (\$20million), is being proposed, subject to availability of funds. Third, the proposed \$20 million allocation for the Water Resource Management (Sector) Project has been reduced to \$15 million as other development partners, the Agence Française de Developpement (AFD) and the OPEC Fund for International Development (OFID), have agreed to co-finance the project. Fourth, the GMS Southern Coastal Corridor Project has been reduced from \$13 million to \$7 million in order to provide funding for the Road Asset Management Project. The total indicative TA budget of \$13.9 million for 2007–2009 is higher by \$2.3 million (19.8%) than that agreed in December 2006, reflecting the increase in the number of proposed nonlending programs during the remainder of the CSP 2007–2009. There are six new nonlending TA projects, of which three would fall under the redirected GMS program.

#### **D. Indicative Internal Resource Requirements**

7. It is estimated that the internal professional staff resources utilized for the 2006 Cambodia program totaled 14.15 person-years. In addition to a focus on enhancing skills sets to meet the increased focus on private sector development, in order to ensure the timely delivery of the operations program under the proposed business plan, five new positions are required: (i) a project implementation officer (agriculture and natural resources), (ii) a rural development specialist from ADB Headquarters professional staff, (iii) an external relations officer, (iv) an information technology (IT) assistant, and (v) an administrative assistant. The first two positions reflect the heightened focus of the program on agriculture and rural development and intensified risk management. The Resident Mission intends to develop an integrated program on agriculture and rural development and anticipates that more project administration will be delegated from the Agriculture, Environment and Natural Resources Division of ADB's Southeast Asia Department at Headquarters to the Resident Mission. The external relations officer position is needed to support the Resident Mission in raising public awareness and understanding of its operations in Cambodia. He or she will focus on the media and on external strategy and public policy communications activities. The need for this was supported both by the first resident mission retreat in 2007 and by a 2007 mission to Cambodia to review the external relations needs of the resident mission. The IT assistant will act as IT coordinator and provide logistical support for missions to Cambodia. He or she will also be responsible for telephone and video conferencing, system administration and maintenance, hardware maintenance, and IT training for staff. This dedicated IT support will support the establishment and maintenance of a new document archiving system which is being rolled out progressively across the Southeast Asia Regional Department and its resident missions in 2007 and 2008. The additional administrative assistant is needed to support the increasing number of professional staff and national officers.

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<sup>5</sup> \$1.8 million represented an adjustment to the biannual allocation for 2007/2008 subject to the ADF/IDA grant alignment.

## **E. Results-Based Monitoring**

8. Progress on sector outcomes was monitored in this midterm review against the indicators in the results framework.<sup>6</sup> On the basis of this review, adjustments have been made for 2007–2009 and in future requirements to address governance and corruption risks. These adjustments to the results framework are highlighted in bold in the results framework.

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<sup>6</sup> Based on the Results Framework 2006–2010 embedded in the Country Operations Business Plan 2007–2009 which was prepared for Cambodia in December 2006.

**PORTFOLIO IMPLEMENTATION STATUS AND PERFORMANCE**  
**Table A7.1: Portfolio Indicators - Portfolio Amounts and Ratings**  
(public sector loans, as of 31 March 2007)

Sector	Net Loan Amount		Total		Rating <sup>a</sup>								Potential Problem <sup>b</sup>		At Risk <sup>c</sup>	
					Highly Satisfactory		Satisfactory		Partly Satisfactory		Unsatisfactory		No.	%	No.	(%)
	\$ million	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	(%)		
Agriculture and Natural Resources	62.82	13.24	4	19.05	0	0.00	4	100.00	0	0.00	0	0.00	0	0.00	0	0.00
Education	65.43	13.79	3	14.29	0	0.00	3	100.00	0	0.00	0	0.00	0	0.00	0	0.00
Energy	88.44	18.64	3	14.29	0	0.00	3	100.00	0	0.00	0	0.00	0	0.00	0	0.00
Finance	10.21	2.15	1	4.76	0	0.00	1	100.00	0	0.00	0	0.00	0	0.00	0	0.00
Health, Nutrition, and Social Protection	22.64	4.77	1	4.76	0	0.00	1	100.00	0	0.00	0	0.00	0	0.00	0	0.00
Industry and Trade	37.68	7.94	2	9.52	0	0.00	1	50.00	1	50.00	0	0.00	0	0.00	1	50.00
Law, Economic Management and Public Policy	11.18	2.36	1	4.76	0	0.00	1	100.00	0	0.00	0	0.00	0	0.00	0	0.00
Transport and Communications	99.53	20.97	2	9.52	0	0.00	1	50.00	1	50.00	0	0.00	0	0.00	1	50.00
Water Supply, Sanitation & Waste Management	27.67	5.83	2	9.52	0	0.00	2	100.00	0	0.00	0	0.00	0	0.00	0	0.00
Multisector	48.94	10.31	2	9.52	0	0.00	2	100.00	0	0.00	0	0.00	0	0.00	0	0.00
<b>Total</b>	<b>474.54</b>	<b>100.00</b>	<b>21</b>	<b>100.00</b>	<b>0</b>	<b>0.00</b>	<b>19</b>	<b>90.48</b>	<b>2</b>	<b>9.52</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>	<b>2</b>	<b>9.52</b>

No. = number.

<sup>a</sup> One rating for implementation progress and development objectives, based on the lower rating of either.

<sup>b</sup> Potential problem loans are satisfactory loans but have four or more risk factors associated with partly satisfactory or unsatisfactory performance.

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

Source: Asian Development Bank, Project Coordination and Procurement Division.

**Table A7.2: Portfolio Indicators - Disbursements and Net Transfers of Resources**  
(public sector loans, as of 31 March 2007)

<b>Disbursement and Transfer</b>	<b>OCR</b>	<b>ADF</b>	<b>Total</b>
<b>Disbursements<sup>a</sup></b>			
Total Funds Available for Withdrawal (\$ million)	0.00	848.1	848.1
Disbursed Amount (\$ million, cumulative)	0.00	628.9	628.9
Percentage Disbursed (disbursed amt/total available)	0.00	74.2	74.2
Disbursements (\$ million, 2006 as latest year)	0.00	54.6	54.6
Disbursement Ratio (% , <sup>b</sup> 2006 as latest year)	0.00	20.3	20.3
<b>Net Transfer of Resources (\$ million)</b>			
1999	0.00	24.9	24.9
2000	0.00	49.3	49.3
2001	0.00	46.4	46.4
2002	0.00	76.4	76.4
2003	0.00	68.4	68.4
2004	0.00	70.9	70.9
2005	0.00	76.7	76.7
2006	0.00	45.1	45.1
31 March 2007	0.00	7.4	7.4

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

<sup>a</sup> Includes ongoing loans and loans with disbursements in 2007.

<sup>b</sup> Ratio of disbursements during the year over the undisbursed net loan balance at the beginning of the year less cancellations during the year have also been added to the beginning balance of undisbursed

Source: Asian Development Bank, Project Coordination and Procurement Division.

**Table A7.3: Active Portfolio Implementation Status**  
(public sector loans and grants, as of 31 March 2007)

Sector	Loan or Grant No.	Title	Net Loan or Grant (\$ million)	Cumulative Disbursements (\$million)	Approval Date (dd/mm/yy)	Effectivity Date (dd/mm/yy)	Closing Date Original (dd/mm/yy)	Closing Date Revised (dd/mm/yy)	Disbursement Progress (% complete)
AG	L1939	Tonle Sap Environmental Management Project	12.284	7.281	21/Nov/02	27/Mar/03	30/Jun/08	-	59
AG	L2022	Agriculture Sector Development Program (ASDP)	26.641	15.000	26/Nov/03	2/Dec/04	30/Jun/07	31/Dec/07	56
AG	L2023	Agriculture Sector Development Project	4.937	0.814	26/Nov/03	2/Dec/04	30/Jun/09	-	16
AG	L2035	Northwest Irrigation Sector Project	18.955	1.899	9/Dec/03	2/Feb/05	31/Dec/10	-	10
AG	G0034/0035	Tonle Sap Sustainable Livelihoods Project	15.000	0.241	21/Dec/05	19/Jun/06	30/Jun/10	-	2
		<b>Subtotal Agriculture and Natural Resources</b>	<b>77.817</b>	<b>25.235</b>					
ED	L1865	Education Sector Development Project	20.356	18.987	4/Dec/01	12/Apr/02	30/Jun/07	31/Dec/07	93
ED	L2121	Second Education Sector Development Program	19.998	12.441	9/Dec/04	31/Aug/05	30/Jun/08	-	62
ED	L2122	Second Education Sector Development Project	25.078	4.697	9/Dec/04	31/Aug/05	30/Jun/10	-	19
		<b>Subtotal Education</b>	<b>65.432</b>	<b>36.125</b>					
EN	L1794	Provincial Power Supply Project	21.332	19.354	5/Dec/00	1/Aug/01	31/Dec/04	31/Dec/06	91
EN	L2052	GMS: Power Transmission Project	46.694	2.634	15/Dec/03	25/Mar/05	31/Dec/08	-	6
EN	L2261	Second Power Transmission and Distribution Project	20.416	0.000	4/Oct/06	-	31/Dec/10	-	0
		<b>Subtotal Energy</b>	<b>88.442</b>	<b>21.988</b>					
FI	L2185	Financial Sector Program (Subprogram III)	10.213	0.000	29/Sep/05	11/Jan/06	30/Jun/07	30/Sep/07	0
		<b>Subtotal Agriculture and Natural Resources</b>	<b>10.213</b>	<b>0.000</b>					
HL	L1940	Health Sector Support Project	22.641	9.808	21/Nov/02	28/Feb/03	30/Jun/08	-	43
HL	G0025	GMS: Regional Communicable Diseases Control Project	9.000	0.319	21/Dec/05	7/Mar/06	30/Jun/10	-	4
		<b>Subtotal Health, Nutrition and Social Protection</b>	<b>31.641</b>	<b>10.127</b>					
IN	L1969	GMS: Mekong Tourism Development Project	17.737	3.321	12/Dec/02	6/Aug/03	30/Jun/08	-	19
IN	L2129	Small and Medium Enterprise Development Program	19.938	14.900	14/Dec/04	6/Apr/05	31/Dec/07	-	75
		<b>Subtotal Industry and Trade</b>	<b>37.675</b>	<b>18.221</b>					
LW	L1953	Commune Council Development Project	11.179	10.332	3/Dec/02	13/Mar/03	31/Aug/06	31/Dec/06	100
LW	G0066	Commune Council Development Project II	7.800	0.000	12/Dec/06	-	31/Dec/09	-	-
		<b>Subtotal Law, Economic Management and Public Policy</b>	<b>18.979</b>	<b>10.332</b>					
MS	L1753~	Stung Chinit Irrigation and Rural Infrastructure Project	17.607	12.107	5/Sep/00	28/Feb/01	30/Jun/07	30/Jun/08	69
MS	L1862~	Northwestern Rural Development Project	31.332	21.212	27/Nov/01	3/Sep/02	31/Dec/07	-	68
		<b>Subtotal Multisector</b>	<b>48.939</b>	<b>33.319</b>					
TC	L1945	GMS: Cambodia Road Improvement Project	56.829	11.508	26/Nov/02	20/May/03	30/Jun/07	30/Jun/09	20
TC	L2288	GMS: Rehabilitation of the Railway in Cambodia Project	42.704	0.000	13/Dec/06	-	30/Jun/10	-	0
		<b>Subtotal Transport and Communication</b>	<b>99.533</b>	<b>11.508</b>					
WS	L1725	Provincial Towns Improvement Project	20.970	19.440	17/Dec/99	11/Apr/00	31/Dec/05	31/Mar/07	93
WS	L2013	Provincial Towns Improvement Project	6.698	6.512	28/Oct/03	2/Jan/04	30/Jun/06	31/Mar/07	97
WS	G0018	Tonle Sap Rural Water Supply and Sanitation Project	18.000	1.267	20/Oct/05	2/Feb/06	30/Jun/12	-	7
		<b>Subtotal Water Supply, Sanitation and Waste Management</b>	<b>45.668</b>	<b>27.219</b>					
		<b>Total</b>	<b>524.339</b>	<b>360.929</b>					

AG = agriculture and natural resources; ED = education; EN = energy; FI = finance; HL = health, nutrition and social protection; IN = industry and trade; LW = law and public sector management; MS = multisector; TC = transport and communications; and WC = water supply, sanitation, and waste management.

**Table A7.4: Evaluation Rating by Sector, Public Sector Loans**  
(1996–2006)

Sector	Highly Successful		Successful		Partly Successful		Unsuccessful		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	0	0.00	1	25	0	0.00	0	0.00	1	25
Education	0	0.00	1	25	0	0.00	0	0.00	1	25
Energy	0	0.00	1	25	0	0.00	0	0.00	1	25
Finance	0	0.00	0	0	0	0.00	0	0.00	0	0
Health, Nutrition, and Social Protection	0	0.00	0	0	0	0.00	0	0.00	0	0
Industry and Trade	0	0.00	0	0	0	0.00	0	0.00	0	0
Law, Economic Management and Public Policy	0	0.00	0	0	0	0.00	0	0.00	0	0
Transport and Communications	0	0.00	0	0	0	0.00	0	0.00	0	0
Water Supply, Sanitation and Waste Management	0	0.00	0	0	0	0.00	0	0.00	0	0
Multisector	0	0.00	1	25	0	0.00	0	0.00	1	25
<b>Total</b>	<b>0</b>	<b>0.00</b>	<b>4</b>	<b>100</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>	<b>4</b>	<b>100</b>

Source: Asian Development Bank. Operations Evaluation Department/Postevaluation Information System reports.

**COUNTRY STRATEGY AND PROGRAM RESULTS FRAMEWORK (2006–2010)<sup>a</sup>**

Government's Medium-Term Development Agenda <sup>b</sup>		Asian Development Bank Strategic Focus		ADB Interventions to Support Outcome(s)	Risks
Strategic Goals <sup>c</sup>	Key Constraints <sup>d</sup>	Outcomes/Outcome Indicators <sup>e</sup>	Tracking Indicators/Milestones <sup>f</sup>		
<b>Pillar I: Sustainable Pro-Poor Economic Growth</b>					
<p>Reduce the proportion of the population below the national poverty line to 25% in 2010, from 34.7% in 1994</p> <p>Reduce the incidence of rural poverty from 39.2% in 2004</p> <p>Maintain GDP growth at 6% per annum during 2006–2010.</p>	<p>Economic growth narrowly based and focused on urban areas</p> <p>Lack of commercialization of agriculture, low productivity and slow growth of output in the agriculture sector</p> <p><b>Comprehensive river basin management lacking</b></p> <p><b>Natural resources in the Tonle Sap Basin are under pressure due to lack of livelihood options</b></p> <p><b>Integration of multisector rural development under a comprehensive policy and institutional arrangement is lacking.</b></p> <p><b>Weak governance of rural development line ministries and weak capacity of local institutions and community-based organizations, limiting their ability to manage natural resources in a sustainable manner</b></p>	<p>Increase in agriculture production</p> <ul style="list-style-type: none"> <li>Rice yields increased from 2.0 t/ha in 2005 to 2.4 t/ha by 2010.</li> <li>Agriculture land under irrigation (including supplemental irrigation) increased from 20% in 2005 to 25% by 2010</li> </ul> <p>Improve market environment for private agro-based enterprise growth</p> <p>Sustainable management and conservation of natural resources</p> <ul style="list-style-type: none"> <li>Forest cover maintained at 60% of total area between 2005 and 2010</li> <li>Number of community-based fisheries increased from 375 in 2005 to 464 in 2010</li> <li><b>Management of natural resources under a river basin planning and development approach adopted within the Tonle Sap Basin</b></li> <li><b>Improved rural livelihoods to reduce pressure on Tonle Sap Basin resources</b></li> <li><b>Fish sanctuary in the Tonle Sap Biosphere Reserve core area managed under the biosphere reserve</b></li> </ul>	<p>By 2008, around 70,000 farmers in 10 provinces benefiting from agriculture extension and other support services</p> <p>The extent of agricultural lands covered by rehabilitated irrigation schemes under ADB projects increased from 3,000 ha in 2005 to 35,000 ha by 2010, with participatory management of such schemes also increasing from 15,000 ha in 2005 to 35,000 ha by 2010.</p> <p><b>By 2010, at least 15 irrigation schemes will be practicing sustainable participatory management</b></p> <p>By 2007 the divestment of state-owned rubber plantations, agriculture inputs and fish trading companies will have been completed according to agreed divestment plans</p> <p>By 2008 implementation regulations for Water Resources law adopted in 2007</p> <p>By 2010 adoption and application of integrated water resources management in a river basin context adopted in at least 8 river sub-basins of the Tonle Sap Basin</p> <p>By 2010 a new management system for the Tonle Sap Biosphere Reserve core areas established</p> <p>By 2008 establishment of an institutional arrangement for multi sector rural development policy</p>	<p><b>Ongoing</b></p> <p>Agriculture Sector Development Program/Project</p> <p>TA: Supporting Policy and Institutional Reforms in the Agriculture Sector</p> <p>Stung Chinit Irrigation and Rural Infrastructure</p> <p>Northwestern Irrigation Sector/Northwest Rural Development Project</p> <p>Tonle Sap Environmental Management/Tonle Sap Sustainable Livelihoods</p> <p><b>Proposed</b></p> <p>Water Resource Management Sector Project.</p> <p>Tonle Sap Lowland Stabilization Project.</p> <p>TA: Establishment of the Tonle Sap Basin Management Organization III-IV</p> <p><b>TA: GMS Biodiversity Corridor Conservation</b></p>	<p>Lack of political commitment to private agro-based enterprise growth</p> <p>Increased agriculture production targets not supported by sufficient budgetary allocations.</p> <p>Community-based organizations not sufficiently empowered for community-driven development.</p> <p>Access to community funds dominated by better-off groups</p> <p>Powerful interests continue to grab land or monopolize natural resources</p>

Government's Medium-Term Development Agenda <sup>b</sup>		Asian Development Bank Strategic Focus		ADB Interventions to Support Outcome(s)	Risks
Strategic Goals <sup>c</sup>	Key Constraints <sup>d</sup>	Outcomes/Outcome Indicators <sup>e</sup>	Tracking Indicators/Milestones <sup>f</sup>		
	<b>Floods and droughts cause economic losses and loss of life</b>	<b>Reduction in economic losses and loss of life from flood and droughts</b>	<p>formulation and monitoring</p> <p>By 2008 adoption of commitments to application of public financial management accountabilities by MAFF, MOWRAM, and MRD</p> <p>By 2008, 50 communities in five provinces around the Tonle Sap lake will have prepared community-based natural resource management plans</p> <p>By 2007, 40 communities will have access to community development funds to implement sustainable livelihood activities. This will increase to at least 70 communities by 2009</p> <p><b>By 2009, a comprehensive flood mitigation and management assistance plan will have been prepared</b></p>	<b>Siem Reap Livelihood GMS Flood and Drought Risk- Management/Mitigation</b>	
	SMEs are constrained by a lack of consistent implementation of policies, a lack of an enabling business environment, limited access to finance, weak entrepreneurial skills and limited access to market information and technology	<p>Improve the legal and regulatory environment for SME development</p> <ul style="list-style-type: none"> <li>Increase number of registered enterprises annually in both urban and rural areas (baseline value: of 129/month in 2005).</li> </ul> <p>Improved access to finance for SMEs</p> <ul style="list-style-type: none"> <li>Increase MFI loans to SME's (baseline value: \$51 million in 2005)</li> </ul>	<p>By 2007, a national SME Development Framework adopted, first phase policy actions implemented, and the Framework updated to take account of progress of reforms</p> <p>By 2007 decentralized registration commenced</p> <p>To facilitate access to finance, by 2007, SME accounting guidelines, simplified tax filing guidelines, and standard forms developed and adopted. 1000 enterprises trained in accounting by 2007</p> <p>Legal framework for financial and operational leasing developed and approved, and implementing</p>	<p><b>Ongoing</b></p> <p>SME Development Program</p> <p>TA: Capacity Building for SME Development</p> <p>TA: Capacity Building for SME Development II</p> <p><b>Proposed:</b></p> <p>SME Development Program II</p>	<p>Lack of specific mechanisms for monitoring policy effectiveness</p> <p>Failure to achieve wide outreach in disseminating the outcomes of reforms</p>

Government's Medium-Term Development Agenda <sup>b</sup>		Asian Development Bank Strategic Focus		ADB Interventions to Support Outcome(s)	Risks
Strategic Goals <sup>c</sup>	Key Constraints <sup>d</sup>	Outcomes/Outcome Indicators <sup>e</sup>	Tracking Indicators/Milestones <sup>f</sup>		
			regulations issued by 2007		
	<p>Limited access and high costs of financial services</p> <p>Limited availability of long-term finance, underdeveloped non-bank financial institutions, and a limited range of products and services</p>	<p>Develop a sound market-based financial system to support resource mobilization and financial intermediation</p> <ul style="list-style-type: none"> <li>• Credit to private sector increased from 12.5% of GDP in 2005 to 17% in 2010.</li> <li>• Interest rate spread decreased from 11.7% in 2005 to 9% in 2010.</li> <li>• Insurance premiums/GDP ratio increased from 0.2% in 2005 to 1.0% in 2010</li> </ul>	<p>By 2008, prudential regulations upgraded to Basel I core principals, and onsite bank supervision will have been further strengthened</p> <p>By 2008, the secured transaction law adopted and fully implemented and an online secured transaction registry developed</p> <p>By 2008, a comprehensive review of regulatory system for insurance carried out in line with international best practice and aligned with the new Financial Sector Blueprint (2006-2015)</p> <p>A national electronic payments system developed, initially with banks (by 2008), and extended to MFIs (by 2010)</p>	<p><b>Ongoing</b></p> <p>Financial Sector Program Loan</p> <p>TA: Improving legal Infrastructure in the Financial Sector</p> <p>TA: Financial Sector Program Implementation</p> <p>TA: Financial Sector Blueprint Update</p> <p><b>Proposed:</b></p> <p>Financial Sector Development Program (Cluster 1)</p> <p><b>Financial Sector Development Program (Cluster 2)</b></p>	<p>Without significant technical assistance, the will to carry out reforms weaken.</p> <p>The Government may not allow private sector institutions and associations to take charge of the regulatory and reform process</p>

Government's Medium-Term Development Agenda <sup>b</sup>		Asian Development Bank Strategic Focus		ADB Interventions to Support Outcome(s)	Risks
Strategic Goals <sup>c</sup>	Key Constraints <sup>d</sup>	Outcomes/Outcome Indicators <sup>e</sup>	Tracking Indicators/Milestones <sup>f</sup>		
	<p>Large groups unable to benefit from economic growth due to high costs, poorly maintained and incomplete infrastructure.</p> <p><b>High transport costs and lack of competitiveness between transport modes.</b></p> <p><b>Unsustainable transport infrastructure because of a lack of effective mechanisms and funds for maintenance</b></p> <p><b>Weak traffic management and enforcement of traffic regulations</b></p> <p><b>Lack of a legal basis for addressing social safeguards issues.</b></p>	<p><b>Improved rural access, increased reliability of the road and rail transport networks and improved subregional connectivity</b></p> <p><b>Increased transport efficiency through reform and strengthening of road and rail sub-sector institutions with wider private sector participation</b></p> <p><b>Improved sustainability of transport sector: improved mechanisms for maintenance of transport infrastructure</b></p> <p><b>Improved road safety</b></p> <p><b>Welfare of people affected by transport infrastructure projects safeguarded</b></p>	<p><b>There will have been an increase in the percentage of rural roads in good condition from 16% in 2005 to 25% in 2010</b></p> <p><b>By 2010, there will have reduction in transport fares by 10% from 2005</b></p> <p><b>By 2008, establishment of national social and technical guidelines irrespective of financing source</b></p> <p><b>There will have been a percentage increase in well maintained roads from 30% in 2005 to 40% in 2010</b></p> <p><b>Reduction in road fatalities from 12 fatalities per 10,000 vehicles in 2005 to 7 fatalities per 10,000 in 2010</b></p> <p><b>By 2008 a sub-decree, regulations and guidelines related to resettlement will have been adopted</b></p>	<p><b>Ongoing</b></p> <p>Cambodia Road Improvement Project</p> <p>GMS Rehabilitation of the Railway in Cambodia Project</p> <p>TA: Mainstreaming of Labor-Based Road Maintenance to the National Road Network</p> <p>TA: Restructuring of the Railway in Cambodia</p> <p>Enhancing the Resettlement Legal Framework and Institutional Capacity</p> <p><b>Proposed:</b></p> <p><b>Road Asset Management Project</b></p> <p>GMS: Southern Coastal Corridor Project</p> <p><b>TA: GMS Northwestern Provincial Road Improvement</b></p> <p><b>GMS Cambodia Northwestern Provincial Road Improvement Project</b></p> <p><b>Supplementary TA for Restructuring the Railway in Cambodia</b></p>	<p><b>Delay in the release of Government counterpart funds.</b></p> <p><b>Delays in private railway operator concession</b></p> <p>A lack of commitment to implementing a sustained road maintenance management system</p> <p><b>Insufficient funds for implementing traffic education campaign</b></p> <p><b>Insufficient capacity for effective monitoring and implementation of laws and regulations</b></p>
	<p>Lack of electrification and high costs stifle economic opportunities and social development</p>	<p>Improved access to reliable and affordable power supplies</p> <ul style="list-style-type: none"> <li>Length of transmission</li> </ul>	<p>The construction and commissioning of transmission lines from the Viet Nam border to Phnom Penh (by 2008), and bulk supply connections to</p>	<p><b>Ongoing</b></p> <p>GMS: Transmission Project</p> <p>Second Power Transmission</p>	<p>Available supply of electricity from Viet Nam below projected levels</p>

Government's Medium-Term Development Agenda <sup>b</sup>		Asian Development Bank Strategic Focus		ADB Interventions to Support Outcome(s)	Risks
Strategic Goals <sup>c</sup>	Key Constraints <sup>d</sup>	Outcomes/Outcome Indicators <sup>e</sup>	Tracking Indicators/Milestones <sup>f</sup>		
	Severe shortage of Government staff with expertise in the oil and gas sector	<p>network increased from 128.7 km in 2005 to 228.0 km by 2010</p> <ul style="list-style-type: none"> <li>Per capita use of electricity increased from 54 Kwh in 2005 to 89 Kwh in 2010</li> </ul> <p>Electricite du Cambodge (EDC) is financially sustainable and its operational efficiency and performance improved.</p> <p><b>Cash breakeven of EDC is achieved in 2008 and maintained thereafter.</b></p> <p><b>Optimum exploitation of oil and gas resources and improved capacity of the CNPA to manage the petroleum sector operations.</b></p>	<p>20 villages along transmission corridor completed by 2008</p> <p>By 2010, construction of a power transmission line from Kampot to Sihanoukville and associated substations and bulk supply distribution works completed</p> <p>Electricity losses maintained below 16% on an annual basis from 2005 onwards, implementation of the agreed financial and technical action plans by EdC completed by 2010</p> <p><b>Appropriate policies, laws and actions stimulating investment in the sector will have been adopted by 2009.</b></p>	<p>and Distribution Project</p> <p><b>TA for Institutional Strengthening of the Cambodian National Petroleum Authority</b></p> <p><b>Cambodia Power Transmission Lines Project (private sector operation)</b></p> <p>Proposed: <b>TA: GMS Biofuel Development</b></p>	<p>Consumers unwilling to pay for grid connection charges</p> <p>Low commitment to implementing EdC's financial action plans and to the payment of cumulative arrears of government agencies</p> <p><b>Inadequate analysis of balance between renewable energy and agricultural production and ineffective public policy standards</b></p> <p><b>Delays in the approval of legislation</b></p> <p><b>Insufficient coordinated action of government and donors in the sector</b></p> <p><b>Insufficient counterpart staff</b></p>
<b>II. Inclusive Social Development</b>					
All children to complete primary schooling by	Inequitable access to primary and secondary education	Net enrollment ratio in primary education increased from 91.9% in 2005 to 100% in 2010.	340 incomplete primary schools in 6 remote and ethnic minority provinces completed by 2009	<b>Ongoing</b> Education Sector Investment	Commitment to maintaining adequate recurrent

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<p>2010 and 9 years of basic schooling by 2015</p> <p>Eliminate gender disparities in 9 years basic education and to reduce gender disparities in upper secondary education significantly by 2010</p>	<p>Weak internal efficiency and quality</p> <p>Weak institutional and management capacity</p> <p>Lack of adequate resources to support recurrent expenditure</p>	<p>Net enrollment ratio in lower secondary education increased from 26.1% in 2005 to 75% in 2010</p> <p>By 2010 10,000 new teachers to be trained at all levels per annum from current level of 5,000 per annum</p> <p>Ratio of girls to boys in lower secondary education to increase from 77% in 2005 to 100% in 2010.</p>	<p>400 lower secondary schools completed by 2009</p> <p>Decentralized planning and management systems for education delivery (including school management, teacher performance, and monitoring) strengthened between 2006 and 2010</p> <p>Between 2006 and 2010 annual recurrent expenditure on education maintained or increased as a proportion of total government recurrent expenditure relative to the preceding year</p> <p>By 2010 institutional capacity for teacher training, curriculum development and text book preparation strengthened, and examination system reformed.</p>	<p>TA: Improving Primary Schools Access in Disadvantaged Communes</p> <p>Second Education Sector Development Program/Project</p> <p>TA: Regulatory Reform and Governance for Decentralization</p> <p>TA: Target Assistance for Education of Poor Girls and Children in Ethnic Minority Areas</p> <p><b>Proposed:</b></p> <p><b>Enhancing Education Quality Project</b></p>	<p>budget for education weakens.</p> <p>Faltering commitment and lack of agreement among government departments for institutional reform</p>
<p><b>Improve quality and internal efficiency of education in Cambodia with more effective secondary education, and education management system</b></p>	<p><b>Weak public-private partnership in education</b></p> <p><b>Absence of policy framework for teacher education and teacher management</b></p> <p><b>Unreformed functions and organizations of MOEYS</b></p>	<p><b>Strengthened legislative and regulatory framework for quality assurance of education services</b></p> <p><b>Decentralized and de-concentrated education planning, management and administration</b></p>	<p><b>Draft education law adopted by the National Assembly by late 2007</b></p> <p><b>Education law disseminated within 6 months of its adoption</b></p> <p><b>Action plan on pay reform strategies developed by late 2007</b></p> <p><b>Decentralized planning and management capacity building strengthened by 2010</b></p> <p><b>Policy framework for teacher education and teacher management completed by late 2008</b></p> <p><b>Functions and organizations of MOEYS updated by end 2008</b></p>	<p><b>Ongoing</b></p> <p><b>Education Sector Development Program</b></p> <p><b>Proposed:</b></p> <p><b>Enhancing Education Quality Project</b></p>	<p><b>Delays in adoption of education law by the National Assembly</b></p> <p><b>Resource allocation and availability is inadequate to support sector reforms</b></p> <p><b>Lack of specific mechanisms for monitoring policy effectiveness</b></p>

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Improved health and quality of life for rural people in line with the CMDG targets for safe water supply and sanitation	<p><b>Translating policy (the National RWSS Policy) into action</b></p> <p><b>Lack of clear and transparent rules on investment, financing and cost recovery mechanisms in the sector</b></p> <p><b>Weak institutions within the RWSS Sector</b></p> <p><b>Weak capacity of relevant implementing agencies at central and local levels</b></p> <p><b>Passive community participation in RWSS Sector Sustainable Management</b></p>	<p><b>Sustained access for all rural communities to improved and safe water supply and sanitation facilities, and better hygiene</b></p> <p><b>Improved rural water supply and sanitation facilities in five provinces of Tonle Sap Basin</b></p> <p><b>Improved RWSS sector institutions at various levels</b></p> <p><b>Communities empowered through village-based Water and Sanitation User Groups</b></p> <p><b>National strategy development and guidelines for RWSS Sector Program implemented</b></p>	<p><b>By 2010, rural water supply service coverage will be in place for 40% of the rural population</b></p> <p><b>By 2010, rural sanitation service coverage will be in place for for 20% of the rural population</b></p> <p><b>For five provinces of Tonle Sap Basin, safe water supply service for will cover 50% of the rural population and sanitation improvements will have been carried out for 30% of the rural population by 2011.</b></p>	<p><b>Ongoing</b></p> <p>Tonle Sap Rural Water Supply and Sanitation Sector Project</p> <p><b>Proposed:</b></p> <p><b>Rural Water Supply and Sanitation Project II</b></p>	
Reduce HIV/AIDS prevalence rate to meet or exceed CMDG targets	Increased risk of HIV/AIDS due to improved connectivity and cross-border movement of people	HIV prevalence rate among adults aged 15-49 to be maintained or reduced (baseline value: 1.9% in 2005)	<p>Scaled-up broadcasts of radio dramas on HIV/AIDS prevention education to include new ethnic groups by 2007</p> <p>GIS vulnerability mapping for HIV/AIDS operational by 2007</p>	<p><b>Ongoing</b></p> <p>GMS: HIV/AIDS Vulnerability and Risk Reduction among Ethnic Minority Groups through Communications Strategies</p> <p><b>Proposed:</b></p> <p><b>TA: GMS Communicable Disease Control</b></p>	<b>Failure to reach isolated populations in rural areas</b>
<b>III. Good Governance and Improved Public Service Delivery</b>					
Enhance poverty reduction through more	Commune councils lack basic infrastructure, administrative capacity, and	Improved capacity of local public administration to (i) manage the democratic development of	519 commune council facilities constructed by 2006 and an additional 235 commune facilities	<p><b>Ongoing</b></p> <p>Commune Council Development Project</p>	Adequate resources not provided to local

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participatory, transparent and accountable local governance	<p>financial resources (from the central government as well as a lack of authority to collect taxes) to promote development in their respective areas</p> <p>Most councilors and concerned staff are not familiar with local government systems, their roles and responsibilities.</p> <p>Most citizens do not understand the essentials of democratic local government and are unaware of the role and functions of elected councils</p>	<p>communities, (ii) be more effective as grass-root mechanisms to strengthen accountability, responsiveness, and transparency of public sector administration, and (iii) improve the effectiveness and reach of public service delivery (through public opinion assessments, sample surveys and impact studies)</p>	<p>constructed by 2009</p> <p>85% of the population registered by the end of 2006 and a sustainable computer-based civil registration system operational by 2009</p> <p>Between 2006 and 2009 training on commune and sangkat operational procedures and management provided to local councilors, clerks, and government officials, and public awareness campaigns on the roles of commune councils and local development, and on social issues also provided (e.g., prevention of domestic violence, child rights, and education and health issues affecting women and children)</p>	<p><b>Proposed</b></p> <p>Commune Council Development Project II</p> <p><b>TA: Support to Decentralization Program</b></p>	<p>government</p> <p>Capacity of local administration remains weak</p>
Improve public financial management (PFM)	<p>Lack of timely and accurate information and deficient reporting systems lead to a poor control environment.</p> <p><b>Weak financial management and internal audit capacity in Government institutions</b></p>	<p>Reduce NPV of debt/revenue ratio from 182.2% in 2005 to 170.4% by 2010</p> <ul style="list-style-type: none"> <li>Strengthen public debt management function (forecasting, financial analysis, and payment management) by 2007</li> <li>Improved public debt data flows 2007</li> </ul> <p><b>Improved credible budget in rural development ministries (MRD, MOWRAM and MAFF)</b></p> <p><b>Internal audits in the rural development ministries in</b></p>	<p>Preparation of a public debt management strategy (including guiding principles, legal instruments, clarification of roles and responsibilities, integration of debt related data flows and institutional and capacity development) by 2007</p> <p>A computer-based debt management system (CBDMS) and capacity development in debt sustainability analysis, risk management and data processing for the CBDMS established by 2007</p> <p><b>Devolution of budget preparation and execution from MEF to the rural development ministries Will have increased</b></p> <p><b>Pilot production of internal audit report(s) by the internal audit</b></p>	<p><b>Ongoing</b></p> <p>TA: Support to Public Financial Management Reform program</p> <p><b>Proposed:</b></p> <p><b>TA: Support to Public Financial Management Reform Program</b></p> <p><b>Proposed:</b></p> <p><b>Strengthening Public</b></p>	<p>Commitment to PFM reform program by Government at a political level weakens over time</p>

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	Insufficient capacity of NAA to conduct all types of audit including performance audit and trigger administrative sanctions.	<p>place with adequate staffing and capacity.</p> <p>Improved capacity of NAA to conduct external audits and publicize findings</p> <p>Financial management and control systems developed and working.</p>	<p>departments of the rural development ministries will have begun in 2009.</p> <p>Pilot specialized technical work (e.g., performance auditing and expenditure tracking) by the NAA will have begun in 2009.</p>	Financial Management for Rural Development	

CBDMS = computer-based debt management system; CMDGs = Cambodia millennium development goals; CNPA = Cambodia National Petroleum Authority; CSP = country strategy ad program; EDC = electricite du Cambodge; GDP = gross domestic product; GIS = geographic information system; GMS = greater mekong subregion; HIV/AIDS = human immunodeficiency virus/acquired immune deficiency syndrome; Kwh = kilowatt hour; MFI = microfinance institute; MoEYS= Ministry of Education, Youth and Sport; MRD = Ministry of Rural Development; MOWRAM = Ministry of Water Resources and Meteorology; MAFF = Ministry of Agriculture, Forestry and Fisheries; MEF = Ministry of Economy and Finance; NPV = net present value; NAA = national Audit Authority; NR= National Road; O&M = operations and maintenance; PFM = public financial management; SME = small and medium-sized enterprise; t/ha = tons per hectare; TA = technical assistance.

<sup>a</sup> Although the CSP period was from 2005–2009, the time frame of the results framework has been revised to align with the Government's National Strategic Development Plan (NSDP) 2006–2010. This is subject to further revision.

<sup>b</sup> Selected components of the medium term national develop agenda that overlap with ADB's strategic priorities in Cambodia.

<sup>c</sup> Strategic goals of the NSDP, and the CMDGs.

<sup>d</sup> As identified in the NSDP, the Rectangular Strategy, and sector and thematic assessments undertaken by ADB and the development partners.

<sup>e</sup> Achievement of these outcomes is the combined responsibility of the Government and its development partners, including ADB, private sector, civil society, and other development aid agencies.

<sup>f</sup> Indicators to track success of implementation toward expected outcomes. Baselines, indicative targets, and indicators for monitoring progress have been identified and will be updated regularly.