

ADB'S COUNTRY STRATEGIES AND PRIORITIES: CAMBODIA, 1998–2008

A. Overall Country Strategy and Key Priority Areas

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
<p>Strategic focus: Steady reduction in poverty through enhancing GDP growth and programs/ projects that target to benefit the poor and disadvantaged groups, particularly those in rural areas</p> <p>Medium-term priorities:</p> <ul style="list-style-type: none"> • capacity building in policy formulation, economic planning, and investment programming • supporting sustainable economic growth through fostering the transition to a market economy, output expansion in the real sectors, mobilizing domestic savings, and reforming the banking/financial sector • improving physical infrastructure • improving access of the poor to employment opportunities • improving and protecting the environment <p>Given the nature of the country's absorptive capacity and security situation, ADB's</p>	<p>Strategic thrust - Poverty reduction through interventions in three priority areas: (i) pro-poor sustainable economic growth; (ii) basic human or social development; and (iii) promote private sector participation in development.</p> <p>Priority Areas:</p> <ul style="list-style-type: none"> • <i>Development of the rural economy</i> involving <ul style="list-style-type: none"> ○ improving water resource management ○ agriculture sector development, rural development, and improved management of critical wetlands. • <i>Human resource development</i> <ul style="list-style-type: none"> ○ development in education and investments in basic health, water supply, and sanitation ○ capacity building assistance to government agencies ensuring that the needs of women and vulnerable groups are addressed ○ <i>Development of enabling environment for the private sector</i> 	<p>Three priority areas remain:</p> <ul style="list-style-type: none"> (i) rural economic development (ii) human resources development (iii) private sector development <p><i>10 sectors/subsectors through which to implement the strategy</i> also remain as follows: agriculture, rural development, water resources, environmental management, education, health, water supply, roads, power, and the financial sector</p> <p>CSP implementation progress:</p> <ul style="list-style-type: none"> (i) First phase: 2001-2003 operational programs (ii) Second phase: 2004–2006 lending and nonlending assistance, substantially completing work in the 10 sectors <p>During 2003, ADB and the Government will formulate a new strategy that is expected to better focus on poverty reduction. An important aspect of the new strategy should be focused on the Tonle Sap</p>	<p><i>ADB's overarching goal for Cambodia:</i> sustainable poverty reduction</p> <p>The three strategic pillars of the CSP:</p> <ul style="list-style-type: none"> (i) broad-based economic growth, through: <ul style="list-style-type: none"> • investments in physical infrastructure • development of the financial sector • support for greater regional integration • sustainable development of SMEs, and • investments in agriculture and irrigation (ii) inclusive social development, through: <ul style="list-style-type: none"> • basic education • empowering vulnerable groups • control of communicable diseases • provision of rural water supply and sanitation facilities, and • community-based sustainable management of natural resources in the Tonle Sap basin (iii) good governance through: 	<p>Focus on priority areas of –</p> <ul style="list-style-type: none"> ▪ agricultural and rural development ▪ private sector development ▪ governance and capacity development, and ▪ the GMS <p>The COBP programming targets the key objective of enhancing rural development to foster more pro-poor growth and accelerate poverty reduction, especially around the Tonle Sap basin where most of Cambodia's poorest live.</p> <p>In the near term (2008 and 2009), interventions would mostly center around the Tonle Sap basin area and be geared to:</p> <ul style="list-style-type: none"> ▪ expand the connectivity internally between rural roads and the provincial and national network, and externally with emerging subregional transport corridors; ▪ fostering the development of smallholder agricultural producers; and ▪ widening access for the

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
<p>interventions should center on what is feasible and practical in the medium term.</p>	<p><i>Key elements of the strategy:</i> (i) policy dialogue to achieve efficiency and cost recovery, (ii) sustainable capacity building, and (iii) investments that contribute to equitable long-term economic growth.</p> <p><i>Governance</i> is the primary crosscutting theme of the strategy which will receive assistance involving two modalities:</p> <ul style="list-style-type: none"> ○ promoting transparency through frequent and thorough project and program reviews, training workshops in ADB procedures and capacity building TA, and ○ support for Government's efforts to improve governance through a broad package of TA in the areas of macroeconomic management and law and development 	<p>area. This will include a series of interventions to improve management of natural resources, protect the environment, and address the pressing and severe issues of poverty.</p> <p><i>Progress under the Poverty Reduction Partnership Agreement (PRPA):</i> Signed in July 2002. The PRPA was written based on the Second Socioeconomic Development Plan (SEDP II) approved in June 2002. ADB will revisit the PRPA when the MDGs have been localized taking into account the National Poverty Reduction Strategy (NPRS)..</p> <p><i>Progress in the Country Strategy:</i></p> <ul style="list-style-type: none"> • Poverty Reduction - Together with other development partners, ADB has helped formulate SEDP II, and supported formulation of the NPRS, the key document for reducing Cambodian poverty. <p><i>Changes/Improvements in the CSP -</i> The new CSP is expected to focus more sharply on poverty reduction, and to help the Government implement the NPRS.</p>	<ul style="list-style-type: none"> • improvements in public financial management • decentralization and deconcentration initiatives to strengthen local participation in government, and • improve public service delivery <p><i>Four crosscutting themes:</i></p> <ul style="list-style-type: none"> • governance • private sector development • gender • environment <p><i>Geographic focus:</i> Tonle Sap basin</p> <p><i>Subregional focus:</i> Greater Mekong Subregion (GMS)</p> <p><i>Selective sector intervention</i> based on the following criteria: the binding constraints to poverty reduction; the identification of priorities from consultations with stakeholders; ADB's comparative advantage; past performance in sectors; a realistic assessment of Government's commitment to reform; and the likely extent of interventions by other development partners.</p> <p><i>Harmonized donor strategy:</i> ADB, DFID, and the World Bank have also harmonized their strategies, coordinated</p>	<p>poorest to rural water supply and sanitation while strengthening local community management capacity.</p> <p>These "hardware" interventions would be accompanied by a long-term programmatic approach to improving governance.</p>

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
			<p>their programs, and agreed on areas where one partner has a comparative advantage and will take the lead and others support.</p> <p><i>ADB will take the lead role in four priority sectors: (i) agriculture and water resources; (ii) education; (iii) finance; and (iv) transport.</i></p>	

B. Agriculture and Natural Resources

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
<p>Agriculture and rural development</p> <p><i>Sector Focus:</i></p> <ul style="list-style-type: none"> • Policy reform • Rural infrastructure • Rural credit • Water resource management • Forest protection <p><i>Objective/Means:</i></p> <ul style="list-style-type: none"> • Capacity building • Sustainable economic growth • Access of the poor to growth benefits • Environmental protection <p>Environment. ADB's medium-term strategy for the environment include:</p> <ul style="list-style-type: none"> • developing the institutional 	<p>Objective of Agriculture sector development</p> <ul style="list-style-type: none"> • Support passage of the land law and assist in land use classification and soil analysis • Formulation of Agriculture sector strategy for 2000 <p>Rural development</p> <ul style="list-style-type: none"> • Support small-scale investments in market centers, drainage structures, wells, irrigation canals, social service facilities, and rural roads • Strengthen the national institutional mechanisms to support rural financial services • Support for participatory rural development 	<p>Progress in Rural Economic Development</p> <ul style="list-style-type: none"> • Support the Commune Councils by providing facilities, communication and so on. • Agriculture Sector Development Program to deepen the reform program, support privatization of state-owned enterprises, improve public expenditures at the local level, and facilitate commercialization and diversification. • Through the Northwest Rural Development Project, more than 600 km of rural roads were rehabilitated. • Build schools, health 	<p>Agriculture. ADB's strategy focused on:</p> <ul style="list-style-type: none"> • improving farmers' ability to raise productivity, diversify towards higher-value products, and connect to markets; • enhancing the market environment for private agriculture-based enterprise growth; and • strengthening institutional capacity for competitive agriculture commercialization. <p>Water Resources Management. ADB's support for irrigation development was integral to its support for agriculture and will emphasize improved water management for high and stable crop yields</p>	<p>Priority areas::</p> <ul style="list-style-type: none"> • increased agricultural production and diversification; • water resources management; • rural service delivery; • development of renewal energy; • flood management; and • public financial management. <p>Sector outcomes:</p> <ul style="list-style-type: none"> • higher agricultural production, • improved market environment for private agro-based enterprises, • effective decentralized rural service delivery, • sustainable management of natural resources, and

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
<p>capacity;</p> <ul style="list-style-type: none"> emphasizing environmental safeguards; improving the human environment, particularly on improving water supply and sanitation; and efficient pooling of environmental development resources nationally and regionally. 	<p>Water Resources, Irrigation, and Drainage</p> <ul style="list-style-type: none"> TA in drafting a national water sector profile and operational capacity building Water resources projects scheduled for 2000 and 2003 <p>Environmental Management</p> <ul style="list-style-type: none"> Improvement of resource management in Tonle Sap area Strengthening institutional capacity for environmental management 	<p>clinics, and markets were also built.</p> <ul style="list-style-type: none"> Northwest Irrigation Sector Project in 2003, to enhance agricultural production and increase farm income. As an important first step of the Tonle Sap Initiative, ADB approved a loan in 2002 to promote sustainable management and conservation of natural resources and biodiversity in the Tonle Sap Basin, with a special focus on fisheries. 	<p>and incomes.</p> <p>Tonle Sap basin strategy. Under ADB's SWAp to the Tonle Sap basin, the focus will continue to be on promoting management and conservation of natural resources.</p> <p>Environmental sustainability. Tonle Sap will remain an area of special focus, and interventions will emphasize community-based natural resource management, within an integrated basin-wide approach.</p>	<ul style="list-style-type: none"> reduced economic losses from floods and droughts. <p>Key outputs:</p> <ul style="list-style-type: none"> agriculture sector reform and extension services; irrigation development; supporting livelihood and rural infrastructure investments; community mobilization; managing natural resources; and decentralized rural service delivery and public financial management.

C. Education

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
<p>Objective/Means:</p> <ul style="list-style-type: none"> Institutional capacity building Sustainable economic growth Access of the poor to growth benefits through <ul style="list-style-type: none"> Widening access to basic education facilities Vocational training and skills development Environmental protection <ul style="list-style-type: none"> Upgrading water supply and sanitation Improving urban infrastructure 	<p>ADB's strategy for the education sector in Cambodia was to promote and facilitate a comprehensive approach to educational development, led and owned by the Government.</p> <ul style="list-style-type: none"> Continue to focus on improving efficiency, quality and equitable access to basic education, especially for the rural poor and girls. Consolidate and extend policy and strategy development, in 	<p>Progress in Human Resources Development</p> <ul style="list-style-type: none"> Considerable progress has been made with the implementation of the Government's Education Sector Support Program, and ADB's support for this through the Education Sector Development Program, approved in late 2001. The second phase of ADB support is programmed for 2004 or 2005, depending on progress under the first loan. ADB's support has contributed to a pro-poor 	<p>Education sector assistance focused on:</p> <ul style="list-style-type: none"> supporting implementation of policy reforms which provide expanded opportunities for the poor at primary, secondary, and postsecondary levels facilitating enhanced access to secondary education by means of a targeted investment program for facilities development consolidating decentralized vocational training efforts through life-long 	<p>The broad goals of ADB's support to the education sector have been policy reform following the Sector Wide Policy Action Matrix (2004–2008 and 2006–2010), and overall institutional capacity development for more efficient delivery of education in order to promote equitable access to school education and support demand-driven community-based skills development.</p> <p>ADB's assistance for the balance of the CSP period will continue to advance sector-</p>

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
<p>The focus of ADB's assistance to the education sector should be on the provision of basic services. Emphasis was placed on the general training and capacity-building of the Government departments concerned. In particular, the most urgent priorities were: (i) the training requirements of skilled and semiskilled workers in the industrial and commercial fields; (ii) the ministry's capacity to manage training programs with participation by industry and the private sector; and (iii) upgrading the capacity of the ministry to promote increased access to schooling and improved quality of primary and lower secondary schooling.</p>	<p>coordination with other aid agencies, to address policy needs in decentralization, quality improvement and financial management and efficiency as well as legislative and regulatory reforms.</p> <p>(Strategic and program framework including prioritized support requirements to be completed in early 2001 to form basis for an ADB-supported education development program in 2001)</p>	<p>education policy that has led to a 40% increase in primary school enrolment for the poorest 300 communes in Cambodia.</p> <ul style="list-style-type: none"> • ADB has also contributed to service decentralization in more than 6,000 schools and 183 district offices, thereby increasing grassroots power and responsibility for education. • Preparations for the second phase of ADB support are programmed to begin in 2003. • ADB will continue to support the Government in spearheading reforms in the education sector. 	<p>community learning centers and encouraging public-private sector partnerships</p> <ul style="list-style-type: none"> • providing a targeted and expanded program of education incentives for the poor, with an emphasis on girls and minorities; and • providing capacity building support for decentralized education, especially at the post basic level and in nonformal education. • ADB will also continue to support the Phnom Penh Plan, which provides training for senior GMS officials. 	<p>wide policy reforms by supporting implementation of the sector-wide policy action matrix of ESP 2006–2010 and supporting an Education Law;</p> <ul style="list-style-type: none"> • support institutional reform toward public financial management and merit-based education administration for maximizing the resource envelope commitments on education; • operationalize education quality improvement standards and delivery; and • reinforce the linkage between education and rural development in terms of knowledge inputs for the growing rural labor force through an intensified focus on technical and vocational training.

D. Energy

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
<p><i>Objective/Means:</i></p> <ul style="list-style-type: none"> • Capacity building <ul style="list-style-type: none"> ◦ Improving policies and strengthening institutions • Sustainable economic growth <ul style="list-style-type: none"> ◦ Investigating hydropower for future 	<p><i>Under priority area 3: Development of enabling environment for the private sector</i></p> <p>ADB's assistance to the energy sector has thus far included rehabilitation of power transmission. The</p>	<p><i>Progress in Private Sector Development</i></p> <p>The Electricity Law, promulgated in early 2001, encourages private participation in the sector and has established the Electricity</p>	<p>ADB will:</p> <ul style="list-style-type: none"> • continue its important supporting role (with the World Bank playing the lead role) in restoring power supplies to Phnom Penh and principal provincial towns, helping provide competitive and 	<p><i>Power subsector main development outcome</i> included (i) optimum use of regional power resources focused on improving reliability and (ii) access of supply in an environmentally acceptable manner</p> <p>Together with other development partners, ADB is assisting in:</p>

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
<p>regional interconnection</p> <ul style="list-style-type: none"> ○ providing TA for policy formulation and institutional upgrading for hydrocarbon subsector ● Access of the poor to growth benefits <ul style="list-style-type: none"> ○ generation of economic activity ● Environmental protection <ul style="list-style-type: none"> ○ ensuring environmental compatibility of projects ○ replacing individual generator sets <p>ADB should continue its initiatives in the electric power subsector in Phnom Penh and major provincial cities but begin to consider provincial towns, to prepare the basis for developing the country's hydropower potential, and to exploit the possibilities for connection with neighboring countries.</p>	<p>Power Rehabilitation II Project, scheduled for 2000 will upgrade power supply in key provincial towns in support of ADB's efforts to promote geographically balanced development. ADB assistance in this area includes important policy reform dialogue and efforts to strengthen the management capacity and financial autonomy of EdC.</p> <p>A power sector strategy study will be initiated in 2000 to investigate ADB's future role and involvement in the sector. Emphasis will be on upgrading transmission and distribution networks in provincial towns and rural areas.</p>	<p>Authority of Cambodia to license and regulate participants. ADB has begun a project to rehabilitate the most run-down electricity supply systems in eight provincial towns to stimulate the local economies and enhance the markets for adjacent rural produce. The upgraded systems will result in lower costs to consumers, and form a sound distribution network to which local entrepreneurs can connect new generating facilities.</p>	<p>reliable power for private rural distributors</p> <ul style="list-style-type: none"> ● focus on expanding the country's power generation, transmission, and distribution systems, including to rural and poor areas to be done in close coordination with ongoing and future GMS power sector projects to ensure lower costs and economies of scale 	<ul style="list-style-type: none"> ● importing reliable and lower-cost power from Lao PDR, Thailand, and Viet Nam through the construction of high-voltage bulk transmission lines. ● adding interconnections with the neighboring countries to tap into cheaper energy sources ● developing effective rural electrification schemes promoting power distribution investment and effective economic development plans <p>Further ADB involvement:</p> <ul style="list-style-type: none"> ● proceed with a rural electrification program along the transmission backbone from the Viet Nam border to Phnom Penh (the ADB-funded "GMS: Transmission Project") and along the Banteay Meanchey to Siam Reap transmission line coming from Thailand ● through its regional strategy, promote additional regional power connections from Lao PDR and Viet Nam ● development of off-grid, decentralized and/or distributed energy systems for isolated areas, particularly using renewable energy sources ● assist the Government with analytical work on the viability of, and public policy framework for, renewable energy with an emphasis on biofuels.

E. Financial Sector, Industry and Trade

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
<p><i>Provision of credit</i> is a major means by which to achieve the COS objective of sustainable economic growth and poverty reduction.</p> <p><i>Rural credit</i>, is a key focus area under agriculture and rural development. Over the medium-term, ADB's agriculture and rural development strategy includes focus on the availability of rural credit through the establishment of rural financial institutions.</p>	<p><i>Under priority area 3: Development of enabling environment for the private sector</i></p> <p>A PPTA scheduled in 2000 for a financial sector intervention in 2001 will complete the in-depth analysis of constraints to the efficient mobilization and allocation of funds by the financial sector.</p> <p>Interventions in this area will complement the rural credit and savings intervention, focus on the provision of basic financial services and include a strong package of policy reform, institutional development and capacity building.</p>	<p>Operations continue to support the development of infrastructure and the promotion of an enabling environment, notably through supporting reforms in the financial sector.</p> <ul style="list-style-type: none"> In August 2001, the government adopted the Financial Sector Blueprint for 2001–2010, with ADB assistance. The second subloan of the cluster program loan, supporting implementation of the blueprint, was approved in 2002, signaling that the Government is on track with the reforms. ADB approved a TA project to support a private sector assessment, which is proposed to be followed by a project preparatory TA to formulate a small- and medium-enterprise loan. ADB is working closely with the World Bank to identify and address priority issues in the private sector. To further support the development of tourism, and the private sector in general, ADB approved a loan to rehabilitate the road from the Thai border to Siem Reap, the country's main tourism center. ADB also approved a loan to support the development of 	<p>SME Development. ADB will help create an enabling environment for SMEs by:</p> <ul style="list-style-type: none"> establishing a development framework and appropriate institutional structures; enhancing governance and business regulations by improving company registration processes and business licensing system; improving SMEs' access to finance by developing a credit information system, assisting enterprises in accounting and taxation systems and developing a legal framework for leasing; and assisting in the development of business services and public-private partnerships. <p>Financial Sector. ADB will continue its leading role in supporting financial sector development and helped Government to update its financial sector blueprint. ADB involvement focuses on:</p> <ul style="list-style-type: none"> strengthening bank and nonbank supervision, further developing the payments system and the interbank market, implementing new accounting 	<p><i>Financial development focus</i> (FSDS 2006–2015):</p> <ul style="list-style-type: none"> managing prudential risks, transparency, and uniform application of rules and regulations. <p>The ongoing ADB-funded FSP II is expected to improve confidence and financial intermediation, maintain stability in the financial sector, promote good governance, and enhance sector efficiency.</p> <p>Building on progress in FSP I, the recently approved FSP II will continue to:</p> <ul style="list-style-type: none"> improve financial intermediation by (i) upgrading the payments, clearance, and settlement system; (ii) enhancing market confidence through improved public financial disclosure and (iii) establishing a credit information bureau; (iv) supporting market development through establishing an interbank market and tradable government securities; and (v) improving the outreach of MFIs in a sustainable manner; enhance the financial sector's resilience by (i) revising and updating the law on banking and financial institutions, (ii) introducing supportive regulations to strengthen financial activities, (iii) tightening

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
		<p>infrastructure that supports the tourism industry in Siem Reap and in the northeast, to help diversify tourist destinations, and develop ecotourism.</p>	<p>regulations to improve transparency and facilitate information sharing,</p> <ul style="list-style-type: none"> • building the legal infrastructure to support financial intermediation and commercial activity, • fostering private sector development of the insurance business while strengthening the regulatory framework and supervisory system, and • additional investments in human resource capacity building. <p>Tourism has the potential to support further economic growth and job creation, and is a key area for private sector participation. ADB has supported the development of tourism in Cambodia through improved transport (roads and airports) and urban development in key tourism areas. Future support in this area will focus on the promotion of regional tourism within the GMS.</p>	<p>prudential supervision and regulations of banks and microfinance institutions, and (iv) building on the legal and regulatory foundation through drafting a new law on commercial contracts that includes specific sections on agencies and franchising;</p> <ul style="list-style-type: none"> • promote good governance by (i) implementing international initiatives on anti-money laundering and combating the financing of terrorism, (ii) enhancing corporate governance and transparency in the insurance industry, (iii) establishing commercial dispute resolution mechanisms, and (iv) improving the capability and increasing the number of qualified national accountants and auditors; and • enhance efficiency by computerizing the management information system of the NBC and upgrading the skills and capacity of microfinance agencies' staffs. <p>ADB will also build on a policy platform of sequenced private sector operations that will help operationalize more competitive and expanded financial services, thereby helping to address the cost of credit. It will play a catalytic role to enhance better intermediation among financial institutions and to channel excess liquidity in the banking system to the most efficient and productive use by MFIs in a commercially competitive manner.</p>

F. Health, Nutrition and Social Protection

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
<p>Social Infrastructure - Health</p> <p><i>Objective/Means:</i></p> <ul style="list-style-type: none"> • Capacity building <ul style="list-style-type: none"> ○ Improving policies and strengthening institutions • Sustainable economic growth <ul style="list-style-type: none"> ○ Improving the quality of human resources, particularly vulnerable groups and women • Access of the poor to growth benefits <ul style="list-style-type: none"> ○ Widening access to basic health facilities ○ Focus on women and the poor through basic health, birth spacing and nutrition ○ Support for NGO activity <p>The focus of assistance should be on the provision of basic health services. The most urgent priorities to be addressed are (i) the training requirements of primary health workers; (ii) strengthening the capacity of the Ministry of Health to manage training programs, and to help the country move towards a demand-driven training system with participation by industry and the private sector; and (iii) enhancing the capacity of the Ministry of Health to provide a</p>	<p>Health Sector</p> <p><i>Strategy:</i> Extend coverage of basic health services in rural areas</p> <p><i>Focus:</i></p> <ul style="list-style-type: none"> • Safe motherhood and child nutrition • Reproductive health • Preventive and curative care of major causes of mortality, particularly HIV/AIDS • Increasing use of private providers 	<p>Progress in Human Resources Development : Health</p> <ul style="list-style-type: none"> • The Health Sector Support Project (HSSP), a sector-wide intervention supported by ADB, DFID and the World Bank, has a component to support the Government's efforts to prevent and control communicable diseases, including HIV/AIDS. HSSP also contains specific provisions to increase access to quality health services for the poor. These include contracting of health services to NGOs in Rattanakiri and Mondulkiri provinces, policy covenants to increase budgets for services largely used by ethnic minorities and the rural poor, and institutionalizing a monitoring and evaluation system disaggregated by gender, poverty levels, and ethnicity. • ADB is supporting Cambodia's ability to respond to a potential SARS outbreak through reallocation of loan proceeds under HSSP and a regional technical assistance (RETA). 	<p>As agreed with the World Bank, given the acute resource constraints, ADB will gradually move out of the health sector, while the World Bank allocates more resources to health. ADB will instead include rural water supply and sanitation as a new area of focus, given the lack of any appreciable donor support in the sector and its importance in achieving health-related MDGs. ADB will, however, continue to be involved in health through efforts to control communicable diseases that could be more effectively addressed through a regional (GMS) perspective.</p> <p>ADB will continue to focus its operations on creating economic opportunities for women and enhancing their livelihoods, and endeavor to:</p> <ul style="list-style-type: none"> • intensify mainstreaming of gender concerns in ADB projects by strengthening operational relationships between line ministries and the Ministry of Women's Affairs (MoWA); • contribute to gender equality and empowerment through targeted interventions in education, agriculture, natural resource management, rural development, and SME development; • continue to strengthen MoWA's policy analysis and advocacy capacity; and • promote regional links and collaboration with other GMS 	

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
minimum package of preventive and curative health services to the rural population, especially to the poorest residents.			countries to address the vulnerability of women to human trafficking, migration, and cross-border communicable disease.	

G. Transport and Communications

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
<p>Transport</p> <p><i>Sector Focus:</i></p> <ul style="list-style-type: none"> • Roads • Airports <p><i>Objective/Means:</i></p> <ul style="list-style-type: none"> • Capacity building <ul style="list-style-type: none"> ○ Improving policies and strengthening institutions • Sustainable economic growth <ul style="list-style-type: none"> ○ Generating economic activity ○ Fostering market integration ○ Supporting growth poles/corridor ○ Support for tourism/regional integration • Access of the poor to growth benefits <ul style="list-style-type: none"> ○ generation of economic activity ○ Providing market access and reducing market fragmentation • Environmental protection <ul style="list-style-type: none"> ○ ensuring environmental 	<p>Transportation</p> <p><i>(Under priority area 3: Development of enabling environment for the private sector)</i></p> <p><i>ADB assistance:</i></p> <ul style="list-style-type: none"> • continue road rehabilitation/ restoration under the Primary Roads Restoration Project approved in 1999 • facilitate government leadership of the development of road network • assist government efforts to update its investment plan through a transportation sector study • TA to strengthen the Government's capabilities in multimodal transportation planning and public-private partnerships to achieve 	<p>Progress in Subregional Cooperation : Road Transport</p> <ul style="list-style-type: none"> • The first regional project under the GMS Program was the 1998 Phnom Penh–Ho Chi Minh City Highway Project, currently being implemented. For 2002, the Road Network Improvement Project is being prepared. The Primary Road Restoration Project indirectly supports the GMS regional transportation program. <p>Cambodia will continue to benefit from GMS regional TAs designed to enhance regional development opportunities, encourage trade and investment among GMS countries, resolve or mitigate cross-border issues, and meet common resource and policy needs.</p> <p>Investments in the pipeline</p>	<p>ADB will –</p> <ul style="list-style-type: none"> • continue to assist the Government to improve access by further restoring Cambodia's secondary national and provincial roads and by rebuilding the institutional and physical infrastructure of Royal Railways of Cambodia, to be done with greater private sector participation in both road and rail sectors. • support strengthening the Fund for the Repair and Maintenance of Roads by helping to establish appropriate institutionalized funding mechanisms. • help develop policy-making and regulatory oversight capacities of the road transport agencies. <p>Through the GMS program, ADB will—</p> <ul style="list-style-type: none"> • continue to support the harmonization of cross- 	<p>Transport Sector Outcomes Supported by ADB:</p> <ul style="list-style-type: none"> • Increased transport efficiency • Improved sustainability of transport infrastructure • Improved rural access • Improved safety • Implementation of adequate safeguard policies <p><i>Areas for intervention:</i></p> <ul style="list-style-type: none"> • ADB finances a Road Asset Management Project that will resurface the paved national roads and improve the Government's road asset management capacity. ADB intends to prepare a similar project to preserve the assets of provincial and rural roads. • ADB will strengthen the project implementation capacity at the central

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
<p>compatibility of projects</p> <ul style="list-style-type: none"> o improving safety <p>Priority should be accorded to the primary road network, supported by interventions in secondary and tertiary roads. In addition, there is a need to provide safe, economic travel to the main city centers of the country which are important international business and tourist destinations.</p>	<p>maximum efficiency in the transportation system</p>	<p>include GMS projects in telecommunications and road transport.</p>	<p>border trade and transport regulations, ensuring that Cambodia derives more value-added from its role as a "land bridge" between Thailand and Viet Nam.</p> <ul style="list-style-type: none"> • provide TA support for policy reform of the telecommunications sector as a follow-up to ongoing GMS support in this area 	<p>and provincial levels; safeguard policies; and capacity for infrastructure maintenance and development.</p> <p>ADB operations during 2009–2010 will shift from large-scale rehabilitation works to fostering (i) subregional transport connectivity, (ii) rural development impacts by enhancing rural access, and (iii) cooperation in setting social safeguards and technical standards.</p>

H. Water Supply, Sanitation and Management

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
<p>Social Infrastructure – Water supply, sanitation and urban development</p> <p><i>Objective/Means:</i></p> <ul style="list-style-type: none"> • Capacity building <ul style="list-style-type: none"> o Improving policies and strengthening institutions • Sustainable economic growth <ul style="list-style-type: none"> o Improving the quality of human resources, particularly vulnerable groups and women • Environmental protection <ul style="list-style-type: none"> o Upgrading water supply 	<p>Water supply and sanitation</p> <p>Ongoing assistance includes the 1996 Phnom Penh Water Supply and Drainage Project and the 1999 Provincial Towns Improvement Project.</p> <p>Further support will be for policy dialogue in conjunction with efforts to facilitate improvement in water resource management.</p>	<p>The Rural Water Supply and Sanitation Project is proposed for 2003 or 2004 following the approval of an urban water supply and sanitation policy in 2001 which is currently undergoing revision to include policy elements specific to rural water supply and sanitation.</p>	<p>Interventions to improve rural water supply and sanitation are meant to be catalytic, and ADB's future involvement in this area will be centered on the Tonle Sap basin.</p>	<p><i>Focus for CSP period (up to 2010):</i></p> <ul style="list-style-type: none"> • closely monitored implementation of the ongoing Tonle Sap Rural Water Supply and Sanitation Project, which has been delegated to Cambodia Resident Mission for project administration, and initiation of effective risk management through a proposed public financial management program involving MRD to catalyze donor confidence; • making medium-term

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
<p>and sanitation</p> <ul style="list-style-type: none"> o Improving urban infrastructure <p>Priority for water supply, sanitation, and urban renewal should be accorded to Phnom Penh and provincial cities, followed by the secondary towns and then the rural areas (since UN agencies and various NGOs are involved in the rural areas, and possibly as components of rural development projects). Also an important part of ADB assistance should be devoted to institutional strengthening, policy reform, and the financial management of the agencies concerned.</p>				<p>operational commitments to further sector investments and mobilizing additional donor funding in rural water supply and sanitation sector infrastructure¹¹ based on a sector-wide strategy;</p> <ul style="list-style-type: none"> • developing a rural water supply and sanitation strategy; and • buttressing community mobilization efforts on the linkage between safe water and sanitation and health by means of rural water supply and sanitation monitoring

I. Private Sector Development

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
<p><i>Sector Focus:</i></p> <ul style="list-style-type: none"> • Policy Support Program • Institutional Strengthening <p><i>Objective/Means:</i></p> <ul style="list-style-type: none"> • Capacity building <ul style="list-style-type: none"> o Improving policies and strengthening institutions • Sustainable economic 	<p><i>Development of enabling environment for the private sector</i> through support for improved governance, and interventions in transportation, finance and energy:</p> <ul style="list-style-type: none"> • Assist in the development of institutional capacity for public-private partnerships in the 	<p>Operations continue to support the development of infrastructure and the promotion of an enabling environment, notably through supporting reforms in the financial sector.</p> <ul style="list-style-type: none"> • In August 2001, the government adopted the Financial Sector Blueprint for 2001–2010, with ADB assistance. The second 	<p><i>ADB will help Government:</i></p> <ul style="list-style-type: none"> • improve the climate for private sector development through a combination of investments, and policy and institutional and regulatory reforms; • relieve key infrastructure bottlenecks (especially in transport and power) that 	<p>The COBP programming on private sector development would support improvements in competitiveness by helping reduce border-related costs and distortions; enhancing domestic and external trade facilitation, including through promoting compliance with sanitary and phytosanitary standards; and fostering</p>

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
<p>growth</p> <ul style="list-style-type: none"> ○ Supporting the creation of proper legislative and banking framework ○ Provision of physical infrastructure ○ Establishing trade and commerce organizations <ul style="list-style-type: none"> • Access of the poor to growth benefits <ul style="list-style-type: none"> ○ Vocational training ○ Employment generation • Environmental protection <ul style="list-style-type: none"> ○ Support for environmental impact assessment and environmental awareness 	<p>provision of public infrastructure and services</p> <ul style="list-style-type: none"> • Support domestic small and medium-size enterprises in the rural areas, especially farming and other agricultural activities • Provide selected investments to address the constraints to larger scale direct foreign investment 	<p>subloan of the cluster program loan, supporting implementation of the blueprint, was approved in 2002, signaling that the Government is on track with the reforms.</p> <ul style="list-style-type: none"> • ADB TA supported a private sector assessment, which was followed up by a SME loan. • ADB worked closely with the World Bank to identify and address priority issues in the private sector. • To further support the development of tourism, and the private sector in general, ADB approved a loan to rehabilitate the road from the Thai border to Siem Reap, the country's main tourism center. • ADB approved a loan to support the development of infrastructure that supports the tourism industry in Siem Reap and in the northeast. 	<p>increase the cost of doing business;</p> <ul style="list-style-type: none"> • promote human resources development (education and vocational and/or skills training) for a more productive labor force; • promote financial sector reforms to reduce the cost of and increase access to finance; • support SMEs to increase their productivity, competitiveness, and employment generation potential; and • explore prospects for developing private sector operations in trade facilitation, and in the rail, road and financial sectors. 	<p>improved and cheaper access to information and communication technology.</p> <p>Later interventions would be more focused on improving the trade facilitation and logistics links to the subregion as systems and procedures become more developed and integrated.</p> <p>For the first time, the COBP incorporates a planned gradual increase in private sector operations, beginning with interventions to expand trade and access to rural finance, including proposed nonrecourse interventions by ADB's private sector department to guarantee trade financing and extended MFI reach in rural areas.</p>

J. Governance

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
	<p><i>Governance</i> was the primary crosscutting theme of the COS and the determining factor in</p>	<p>The Government and ADB continued to focus on the three ways to strengthen linkages among state reforms, the ADB country</p>	<p>Strengthening Governance for Development. ADB supported government initiatives to:</p> <ul style="list-style-type: none"> • improve accountability and 	<p>With respect to governance and capacity building, the COBP proposes:</p> <ul style="list-style-type: none"> • a long-term programmatic

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
	<p>whether Cambodia can achieve sustainable development or will remain dependent on aid.</p> <p>ADB's program of assistance in governance involved two modalities:</p> <ul style="list-style-type: none"> • promoting transparency through frequent and thorough project and program reviews, training workshops in ADB procedures and capacity building TA; and • support for Government's efforts to improve governance through a broad package of TA in the areas of macroeconomic management and law and development <p>In addition, ADB played a relatively smaller role in supporting public administration reform (local governance, decentralization, civil service reform).</p>	<p>program, and projects.</p> <ul style="list-style-type: none"> • ADB supported activities that are part of the “core” governance reform commitment which include: (i) support for the drafting of key legislation governing security of public access to natural resources; and (ii) support for public finance reform and audit. • ADB remained committed to supporting implementation of the Government's decentralization policies. • ADB remained committed to ensuring that all projects within the lending and TA program are consistent with, and reinforce, the Government's commitments for reform in public administration, financial management and accountability, environmental governance, and gender equity. <p>The Government endorsed the Organisation for Economic Cooperation and Development (OECD)-ADB Action Plan against Corruption in Asia and the Pacific, and is now working on an implementation plan. The Anti-corruption Law was in final stages of preparation.</p>	<p>service delivery to its people through public financial management (PFM), decentralization, and increased participation in local resource management;</p> <ul style="list-style-type: none"> • increase efforts to secure legal, regulatory and policy reforms in areas critical for growth, such as the financial sector, SMEs, agriculture, education, telecom and railways; • continue to support institutional capacity building to improve corporate governance and efficiency in sectors; and • improve the design and implementation of projects. <p>Corruption. ADB worked jointly with other development partners and the Government to increase accountability and fight corruption by:</p> <ul style="list-style-type: none"> • reducing opportunities for corruption by promoting simplified laws and processes; • increasing the “voice” against corruption by encouraging participation in development; • increasing transparency and efficiency in public management; and • undertaking strict oversight of ADB-assisted projects. 	<p>approach to PFM reform with interventions in 2008 and 2010 to underpin rolling out of PFM to rural development line ministries. (At the decentralized level, it will be backed by a credible independent enforcement of accountability oversight in the form of the National Audit Authority.)</p> <ul style="list-style-type: none"> • a sequence of interventions to support local accountability through particular projects and capacity building ahead of support for fiscal decentralization. (Through such decentralization support and private sector development, the COBP emphasizes support for demand-side governance as the appropriate means of progressing anticorruption reform.) • selective follow-up program support to results-oriented capacity building for key public institutions, including the Supreme National Economic Council and, possibly, the Cambodia National Petroleum Authority.

K. GMS/Subregional Cooperation

1995 COS	2000 COS	2002, 2003 CSPUs	2005 CSP	2008 COBP
<p>Cambodia's developmental aspirations in part depended on reintegrating its own economy into the global economy, and on exploiting the opportunities offered by closer cooperation among the Mekong countries - opportunities borne out of the complementarity that derives from regional differences in resource base, market size, and stage of economic development.</p> <p>Initiatives already taken by ADB must continue, especially in the energy, environment, tourism, and transport sectors.</p>	<p>ADB intended to support continued efforts to broaden Cambodia's reintegration into the global economy by assisting its participation in the GMS program through TAs and selected ADF investments compatible with ADB's overall program in Cambodia.</p> <p>Aside from ADF-financed projects (on roads/transportation, natural resource management), Cambodia continued to benefit from GMS regional TAs designed to enhance regional development opportunities, encourage trade and investment among GMS countries, resolve or mitigate cross-border problems and meet common resource and policy needs.</p> <p>There was also potential for private sector-funded GMS projects in telecommunications, tourism, and energy.</p>	<p>Cambodia continued to benefit from GMS regional TAs designed to enhance regional development opportunities, encourage trade and investment among GMS countries, resolve or mitigate cross-border issues, and meet common resource and policy needs. Investments in the pipeline include GMS projects in telecommunications and road transport.</p> <p>The first regional project under the GMS Program was the 1998 Phnom Penh–Ho Chi Minh City Highway Project, currently being implemented. For 2002, the Road Network Improvement Project is being prepared. The Primary Road Restoration Project indirectly supports the GMS regional transportation program.</p>	<p>Investment in regional transport links, power transmission, tourism, telecommunications (GMS), and community-based HIV/AIDS prevention (Cambodia, the Lao People's Democratic Republic, and Viet Nam), and flood management and mitigation.</p> <p>Institutional capacity weakness will also be addressed to ensure sustainability of project benefits.</p>	<p>Planned GMS programming.</p> <ul style="list-style-type: none"> • Proposed national and subregional programs are designed to facilitate gradual transformation of existing domestic and subregional cross-border transport corridors into fully-fledged national and subregional economic corridors. Upfront interventions are focused on fostering private sector-led backward linkages to the agricultural sector and upgrading the rural hard infrastructure, while later interventions are aimed at promoting urban infrastructure and supporting quarantine requirements leading to GMS trade facilitation and logistics. • Continue to look at a balance between hard infrastructure investments (like the GMS subregional transmission line support being planned for 2011) and environmental considerations. • In relation to climate change includes a proposed project for GMS flood and drought management and risk mitigation.