

## Introduction

1. The Royal Government of Cambodia (RGC) has successfully implemented **Rectangular Strategy-Phases I and II**. Cambodia's development achievements over the last decade are a testimony of attaining long-lasting peace and sustainable development, reflected noticeably in strong economic growth and strengthened democratic institutions, secured national sovereignty and territorial integrity, and improved livelihoods of people. The development record confirms progress toward the realization of RGC's early aspiration: **"By the end of the first decade of the 21<sup>st</sup> Century, Cambodia is to reclaim a full ownership of its own destiny, while becoming a real partner in regional and global affairs and a nation of genuine freedom and being free from poverty"**.

2. Cambodia has gone through an important period in its history and has witnessed a profound transformation in all aspects of the society. Twenty years ago, Cambodia was a war-torn and conflict stricken poor country which accepted the deployment of the UN Blue Berets for peacekeeping operations. It is now a country dispatching forces to join the UN's peacekeeping missions in some hot spot countries of the world. Cambodia, previously well known as a killing field, an insecure region and dangerous mine fields, is now transformed into an **"island of peace"** and a popular tourist destination in Southeast Asia that welcomes more than 3 million tourists annually. Cambodia, previously well known for using armed forces in power struggle and changing of government, is now a country that firmly respects the principles of multiparty democracy by regularly holding free and fair elections to allow people to choose the country's leadership; a state governed by rule-of-law that firmly adheres to legal principles; and a sovereign state with full territorial integrity and deep respect for human rights and dignity. Cambodia, not long ago politically isolated and placed under economic embargos, is now actively integrating itself into the regional and global architecture, and playing a dynamic role in all regional and global affairs on equal footing and with equal rights as other nations. Cambodia, previously perceived as economically-underdeveloped and mired in high rate of poverty and food insecurity, is now a food-exporting country, ranked as the eleventh fastest growing economy in the world<sup>1</sup> during the last decade, ranked fifth among developing countries of the world<sup>2</sup> in achieving the MDGs, and ranked first in the Asia Pacific region<sup>3</sup> in making good progress to improve social indicators. Cambodia is firmly moving forward in the transition from low-income to achieving a lower-middle income status in the near future.

3. These outstanding achievements have been made possible by implementing the **"Win-Win"** Policy, which was based on the grand spirit of national solidarity and unity, and aimed at unifying all the national forces for Cambodia's socio-economic rehabilitation and development under its national motto **"Nation, Religion and King"**.

4. Based on experiences and outcomes of the Fourth Legislature and the **"Political Platform"** of the Fifth Legislature, the Royal Government is of the view that the **Rectangular Strategy**, especially its central theme of **Growth, Employment, Equity and Efficiency**, continues to be relevant and appropriate for Cambodia to pursue further during the Fifth Legislature of the National Assembly (2013-2018). The four strategic rectangles of the Strategy will be maintained with expanded scope, refined and reprioritized sides, and improved and more effective policies and mechanisms. Therefore, the **"Rectangular Strategy-Phase III"** reaffirms the RGC's mission and its strong commitment to sustainable development and poverty reduction that respond to the people's will and emerging contexts of national and international developments. The **"Political Platform" of the Fifth Legislature** and the **"Rectangular Strategy-Phase III"** are a comprehensive policy framework for the formulation of the **"National Strategic Development Plan"**, with clearly defined indicators and

<sup>1</sup> World classification of GDP growth 2000-2010, World Development Indicators, the World Bank, May 2013.

<sup>2</sup> Who Are the MDG Trailblazers? A new MDG Progress Index, Working Paper No. 222, Center for Global Development, August 2010.

<sup>3</sup> Report on Human Development Index 2000-2010, UNDP.

**5.** In this context, the **Rectangular Strategy-Phase III** is the “**Socio-economic Policy Agenda**” of the “**Political Platform of the Royal Government of Cambodia of the Fifth Legislature of the National Assembly**”.

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**6.** Cambodia has achieved substantial progress in political stability, security and social order, particularly socio-economic development, which has underpinned the profound transformation in all aspects of Cambodia's society and economy, despite facing the challenges of global financial crisis and economic slowdown, threats to national sovereignty and territorial integrity and repeated natural disasters. The firm implementation of the **“Rectangular Strategy-Phase II”** has created a favorable environment and necessary conditions for Cambodia to move resolutely and confidently forward on a journey of reform and development, aimed at graduating from a low-income country to a lower-middle income status in the very near future and further to become an upper-middle income country by 2030.

1. Peace, political stability, security, social order and the functioning of multiparty liberal democracy have been strengthened; along with the observance of the principles of “rule of law”, particularly the development of the legal framework, enhancement of effective law enforcement, and assurance of respect for freedom, dignity and human rights. In particular these achievements are reflected in: (1) the improvement of respect for exercise of political rights and freedom, including freedom of expression and the organization of free, just and fair elections at national and sub-national levels; (2) the implementation of the **“Safe Village/Commune”** policy which contributed to substantial reduction in crime in both urban and rural areas; and (3) the further implementation of in-depth reforms in key areas including the fight against corruption, and reform of the legal and judicial system, armed forces, public administration, and public financial management, which were aimed at promoting good governance so that all the operations and functions of state institutions at both national and sub-national levels would be conducted in a transparent, accountable, predictable, effective and efficient manner.
2. Ensured macro-economic stability, including well-managed inflation, stable exchange rate and strengthened competitiveness of national economy through improving agricultural productivity, development of the rural economy, and accelerated economic diversification by strengthening the favorable environment to attract domestic and foreign private investments for vibrant industrial expansion in garment and other industrial sectors, as well as strengthening and promoting fast growth in the service sector. These efforts have helped create hundreds of thousands of jobs every year for the Cambodian people especially the youth.
3. An average annual growth rate of 6.7% was achieved during the period, excluding the sharp decline in 2009 due to the severe impact of the global financial crisis and economic downturn.

In 2009 Cambodia could still manage to keep the growth rate positive at 0.1%; GDP growth rebounded quickly to 6%, 7.1% and 7.3% in 2010, 2011 and 2012 respectively, even though the world economy remained mired in financial crisis which persisted due to the sovereign debt problem. The GDP per capita increased from USD760<sup>4</sup> in 2008 to nearly USD1,000 in 2012. Inflation was kept under control, averaging 4.2% per annum. The exchange rate was generally stable, with a slight appreciation of the Riel against US Dollar. International reserves increased by more than 60%, from USD2.16 billion in 2008 to USD3.5 billion in 2012, equivalent to 4.1 months of imports. Poverty Incidence dropped drastically from 47.8% in 2007 to 19.8% in 2011, or by 7 percentage points per annum, which secured for Cambodia the 4<sup>th</sup> rank in the world in terms of best performance in poverty reduction<sup>5</sup>.

4. The public financial management reform program has been further strengthened, especially through the implementation of the **“Public Financial Management Reform Program-Stage 2”**, which aimed at improving financial accountability. As a result, budget formulation and execution have improved through strengthened revenue collection and management, cash management, expenditure rationalization, and improvement in expenditure management. This has enabled the Royal Government to meet spending needs and priorities such as salary increase, increase in investments to promote growth, and efforts to address the impact of the global financial crisis and economic downturn, and relief and rehabilitation measures after natural disasters. In fact, the Royal Government has made an annual increase of base salary of civil servants by 20%, and has invested aggressively in rehabilitating and developing socio-economic infrastructure.
5. The construction of physical infrastructure has been further implemented with 77.4% of the total length of 5,600 Km National Roads provided with widened and asphalt-concrete pavements. Electricity supply reached 68% of the villages, nation-wide. Also there was remarkable progress in the development of irrigation, energy and telecommunications.
6. In-depth reforms in forestry and fisheries were implemented, as well as a comprehensive and historic land reform program through provision of legal land titles to people, which is a prerequisite to developing the rural economy. The RGC has issued more than 3 million land titles to Cambodian people, and granted social land concessions to 31,000 families of the poor, soldiers, and veterans. It has also provided allocated land to about 500,000 families under the **“Old Policy-New Action”** framework.
7. Considerable progress was achieved in reaching **Cambodia Millennium Development Goals (CMDG)**. Four goals have been achieved ahead of schedule, which include **Goal 4** of reducing child mortality rate, **Goal 5** of improving maternal health, **Goal 6** of combating HIV/AIDS, malaria and other communicable diseases, and **Goal 8** of forging a global partnership for development. As for other four CMDG goals, Cambodia is well positioned to achieve them on schedule by end 2015. They include **Goal 1** of eradicating extreme poverty and hunger, **Goal 2** of achieving universal primary education through increased investment in education, **Goal 3** of promoting gender equality and empowering women, and **Goal 7** of ensuring environmental sustainability. Substantial progress has been made in realizing **Goal 9**, initiated by Cambodia itself, including a sharp decline in the number of mine explosion accidents from over 300 cases in 2008 to 186 in 2012; clearance of more than 530 sq. km. of land from mines and unexploded ordnance (UXOs) during 2008-2012; dispatch of more than 1,400 Cambodian demining personnel for the United Nations’ peace-keeping missions; and Cambodia’s hosting and chairing of the 11<sup>th</sup> Meeting of the States Parties of the Ottawa Treaty at the end of 2011. Nevertheless, achieving Goal 9 will require additional efforts.

<sup>4</sup> The USD abbreviation refers to the United States dollar.

<sup>5</sup> Ranking of poverty reduction performance based on World Bank data, Povcalnet, WB, 2012.

8. Partnership with all stakeholders was further strengthened, especially with official development partners, private sector and civil society, through introduction of various effective mechanisms. The investments from state budget along with official development cooperation financing and inflow of private investments have helped promote high and sustained economic development.
9. Integration of Cambodia into the international community, including sub-regional, regional or global frameworks, has been successfully pursued along with nurturing friendly relations and good cooperation with all the countries, which has generated substantial support for national development. As Chair of ASEAN, Cambodia successfully hosted ASEAN Summits (in April and November 2012), East Asia Summit, the first ever ASEAN Global Dialogue, related ASEAN ministerial meetings as well as many other important regional and international meetings. These efforts clearly reflect Cambodia's capacity to take part in the resolution of regional and global issues that has helped enhance its international image and reputation. Moreover, Cambodia has achieved good results in fulfilling its obligations as a member of the World Trade Organization and other international organizations, including active participation in peacekeeping operations in a number of countries under the United Nations framework. Last but not the least, Cambodia succeeded in having the Preah Vihear Temple inscribed in the list of World Heritage sites in 2008 following the inscription of the Angkor Archaeological site and other intangible heritages of humanity and successfully chaired and hosted the 37<sup>th</sup> session of the World Heritage Committee in 2013 in its capacity as the President of the Committee.

## 1.2. Cambodia: Challenges and Opportunities

8. Notwithstanding the success in implementing the “**Rectangular Strategy Phase II**”, Cambodia is facing some important challenges:

1. Global financial and economic uncertainty continues to threaten sustainability of Cambodia's economic growth since its economy depends on external markets while its economic diversification remains limited. Although Cambodia has so far achieved high economic growth and rapid poverty reduction, poverty incidence in rural areas remains high and the achievement in narrowing the gap between the rich and the poor and between urban and rural people remains fragile.
2. Cambodian economy remains highly dollarized which imposes limitations on monetary policy. Moreover, despite good progress in managing the banking sector and developing the non-bank financial sector, challenges remain especially in strengthening the regulatory and supervision framework.
3. Public and legal services have not garnered the full confidence of the public. Legal framework remains not comprehensive while the dissemination of knowledge of laws and enforcement capacity is below the level desired by the Royal Government. Furthermore, the organization, structures and functions of the sub-national institutions have not fully responded to the needs of sub-national democratic development.
4. Transport cost remains high compared to neighboring countries while connecting the multimodal transport system through a vibrant national logistics system to increase Cambodia's economic efficiency and competitiveness, remains challenging. At the same time, effective management is needed to ensure timely repair and maintenance of road networks and monitoring overloaded transport, traffic safety and congestion.
5. Electricity cost remains relatively high compared to neighboring countries, despite considerable progress made in the energy sector, and ensuring reliable electricity supply remains an obstacle to strengthening Cambodia's competitiveness and economic development

as well as to attracting investments and enhancing the living standards of people. Moreover, the increase in nation-wide demand for electricity and the extension of main grid electricity supply into low population density areas, such as villages could negate the effort to lower electricity tariff.

6. Development of irrigation systems has not sufficiently responded to demand, especially for crop intensification, which requires additional investments; and maintaining and operating the existing irrigation systems remain challenging. In the provision of clean water, further development and expansion of services is needed to provide affordable clean water to the public, especially for those living in the rural areas and the vicinity of Phnom Penh and other major urban centers.
  7. Development of high quality and capable human resources to meet the immediate and long-term needs of economic growth and improving competitiveness during Cambodia's socio-economic development remains a challenge for the Royal Government. In education, it is required to particularly focus on strengthening the quality and responsiveness to labor market demand and the development of technical skills for youth to increase their job opportunities and to realize in full the potential benefits of Cambodia's demographic dividend as well as to ensure continuity in the country's leadership development for the future. In the health sector, expanded coverage, strengthened quality and affordability of healthcare services remain a concern that requires further attention of the Royal Government along with the strengthening and expansion of social safety net systems, enhancement of sanitation and nutrition, and improvement in gender equality.
  8. Although the management of environment and natural resources has improved with the strengthening of mineral resource management and the implementation of in-depth reforms in the forestry and fisheries sectors such as fisheries conservation, land and water resource management as well as the management of ecological system of Tonle Sap Lake and Mekong River, there remain challenges requiring further efforts and initiatives to ensure sustainable development. In addition, climate change has been adversely impacting on Cambodia's ecological system and socio-economic development.
  9. Regional and global integration, including participating in the ASEAN Economic Community to be established by 2015 and meeting the obligations of World Trade Organization's Membership, requires better coordination and stronger human and institutional capacity as well as effective and timely internal reforms, to ensure that Cambodia will benefit from the integration.
- 9.** Alongside, in the context of the evolving global and domestic environment, Cambodia is also presented with the following major opportunities:
1. The current geo-political and geo-economic situations in the world indicate that Asia especially East Asia is playing an increasingly important role in driving global economic growth while initiatives for promoting domestic demand for rebalancing economic growth are taking shape world-wide. As a consequence Asia has turned into an attractive investment destination and market for consumer goods that presents a **“golden opportunity”** for the development and modernization of industry, production and services in the region. Cambodia is situated at the center of this dynamic and growing region, and has the potential to be part of the production networks in East Asia.
  2. Visibly growing competition between two competing trading blocs in the Asia-Pacific Region, the Regional Comprehensive Economic Partnership (RCEP) and the Trans-Pacific Partnership (TPP), is creating momentum in the liberalization of trade in goods and services that will attract huge investment into the region. This is occurring while ASEAN is deepening its integration, establishing the ASEAN Economic Community by 2015, and making efforts to

play a centrality role in regional architecture. Thus ASEAN will become a region that is attractive to investment. All these developments will offer Cambodia opportunities to attract investments and expand its export markets through industrial and trade linkages as well as deepen physical and institutional connectivity with the regional and intra-regional production networks and supply chains.

3. Demographic dividend and low level of dependency together with an expanding middle income group will create opportunities for Cambodia to sustain high economic growth during the next three decades. Cambodia could capitalize on these opportunities to promote long-term sustainable socio-economic development.
4. Cambodia's economic development has started from a low base. Therefore, the country still has considerable potential to grow in every area and sector. The potential could be utilized to accelerate development in the real sectors, including agriculture, industry and services, and in the financial sector, including further deepening of financial intermediation and fostering the recently emerging insurance sector and newly established securities market, which will contribute to ensuring sustainable economic growth over the medium to long term.

### 1.3. The Need to Continue Implementing the Rectangular Strategy

**10.** The Royal Government's vision is to build a Cambodian society which is peaceful with political stability, security and social order; a prosperous nation with long-term economic growth, sustainable and equitable development, enhanced livelihoods of people, and reduced poverty incidence; a society which is committed to environmental protection, enhanced culture and national identity which firmly adheres to the principles of multi-party democracy and shows respect for human rights and dignity; and an advanced society with well-connected social fabrics and well-educated and culturally advanced population who enjoy a good standard of living and live in harmony both within the society and family; and a noble nation with high reputation in international fora and a full-fledged member of the international community with equal rights and functioning on equal footing as other members. To achieve this vision, the Rectangular Strategy has laid out four overarching objectives within the central theme of **Growth, Employment, Equity and Efficiency**.

**11.** Specifically, Cambodia aspires to reach the status of an upper-middle income country by 2030 and a high-income country by 2050. To meet this aspiration, the Royal Government will formulate "**Cambodia Vision 2030**" and "**Industrial Development Policy**" as well as other policy and strategy documents that will guide Cambodia's transformation, in terms of both quantitative and qualitative aspects. The "**Rectangular Strategy-Phase III**" is an effective policy instrument to support this Vision. To this end, the Royal Government of the Fifth Legislature will improve on the past achievements of the Fourth Legislature, by strengthening peace, political stability, security and social order, enhancing living standards and welfare of the people through implementing specific measures to promote the rule of law, respect for human rights including freedom and dignity as well as a multiparty liberal democracy to secure a stable political and security environment conducive to long-term development. Keeping these considerations in view, the Royal Government has set out "**Four Strategic Objectives**" and "**Four Priority Areas**" to reaffirm its commitment to continue implementing the "**Rectangular Strategy**".

**12.** The **Four Strategic Objectives** include:

1. Ensuring an average annual economic growth of 7%. This growth should be sustainable, inclusive, equitable and resilient to shocks through diversifying the economic base to achieve a more broad-based and competitive structure with low and manageable inflation, stable exchange rate and steady growth in international reserves.
2. Creating more jobs for people especially the youth through further improvement in Cambodia's competitiveness to attract and encourage both domestic and foreign investments.

3. Achieving more than 1 percentage point reduction in poverty incidence annually, including the realization of other **CMDG** targets, while placing higher priority on the development of human resources and sustainable management and use of environmental and natural resources.
4. Further strengthening institutional capacity and governance, at both national and sub-national levels, and ensuring the effectiveness and efficiency of public services to better serve people.

**13.** In the previous Legislature, the Royal Government's national development strategy identified four priority areas, viz. **Roads, Water, Electricity and People**. In fact, these four priorities were first identified in the 1980s. Going forward, Cambodia will need to focus on these priorities even more, though the relative emphasis among them may change depending on the dynamics of Cambodia's changing circumstances. In the Third and Fourth Legislature, the Royal Government had placed high priority on investing in road, water and electricity. But, in the era of the knowledge-based economy and information technology, the competitive advantages of a nation would depend on the quality of human resources which should possess high and broad knowledge, creativity and skills. This requires the Royal Government to focus more on "**human capital**" development along with increasing investments in road, water and electricity infrastructure.

**14.** Accordingly, the Royal Government of the Fifth Legislature will focus on the following **four priority areas**:

1. Development of human resources to ensure competitiveness in an increasingly open regional labor market, through: (1) Training of skilled and productive labor to meet market demand and increase value added; (2) Developing regulatory frameworks, and building educational and vocational training institutions to respond to the first action; (3) Encouraging private sector participation; and (4) Strengthening the quality of education and promoting scientific research, technology development and innovation.
2. Continued investment in transport infrastructure and improving trade facilitation to develop a vibrant logistics system through the development of a multi-modal transport network system to ensure connectivity within the country and with other countries in the region and rest of the world; and to respond to urban development. The outcomes will include: (1) Lower transport costs; (2) Improved reliability and effectiveness; (3) Improvement in competitiveness; and (4) Increase in investment and trade. In addition, the Royal Government will continue to give high priority to the expansion of low-cost energy production and supply and distribution network, aimed at ensuring energy security, reliability and affordability to meet development needs.
3. Further development of and increasing value added in agriculture, in particular through: (1) Enhancing value added of milled rice production and export, especially fragrant and organic rice and other high value agricultural products including rubber, cashew nuts, corn, mung bean, soy bean, sesame, pepper, silk, fruits, coffee, vegetables and flowers; (2) Promoting livestock production and aquaculture to meet market demand such as meat, fish and dairy products; (3) Encouraging investments in agro-industry; and (4) Enhancing agricultural productivity, modernization and commercialization.
4. Strengthening governance and capacity of public institutions in order to improve the efficiency of public service delivery and investment climate through: (1) Continuing legal and judicial reforms to ensure social justice and promote rights of people along with integrity, transparency and accountability of civil service; (2) Continuing reform of public administration including decentralization and de-concentration and strengthening oversight institutions to bring public services closer to the people, to promote democratic process at sub-national level and to ensure checks-and-balances in the exercise of power; (3) Continuing

public financial management reform to ensure efficiency in budget allocation and use of funds; and (4) Increasing attractiveness of investment through reducing the cost of doing business and lowering entry barriers, reviewing and reforming incentive system, strengthening business confidence and predictability of government decision making as well as focusing on the effective functioning of Special Economic Zones.

**15.** The Royal Government of the Fifth Legislature has identified specific factors underlying the need to further implementing the “**Rectangular Strategy**”. They include:

1. Further strengthening and building on achievements of the Royal Government under “**Rectangular Strategy-Phase II**” implemented during the Fourth Legislature.
2. Addressing challenges and opportunities, revealed during the implementation of the “**Rectangular Strategy-Phase II**” during the Fourth Legislature as highlighted above, requires the Royal Government to further refine, improve and strengthen its policy priorities, and promote the implementation of the policy agenda required for transiting to the next higher stage of development.
3. Recognizing that continuing implementation of the “**Rectangular Strategy-Phase III**” represents an important step forward for Cambodia in moving to a higher level of development i.e. transitioning from a low income country to a lower-middle income country, while building the foundations to realize its long-term vision of becoming an upper-middle income country by 2030 and high income country by 2050.
4. Paying close attention to the will and aspirations of Cambodian people, who are the voters, combined with the domestic and global situations which require the Royal Government to improve and refine the “**Rectangular Strategy-Phase II**” and implement it in the third phase.

## Part 2



### **2.1. The Structure of Rectangular Strategy-Phase III**

**16.** The success in implementing the **Rectangular Strategy Phases I and II** is evidence of the strong leadership of the Royal Government in governing the country. Keeping in view the current contexts and based on needs as identified above, Cambodia has been preparing rigorously and comprehensively to address the challenges, harness the opportunities and utilize the potentials to transit to the next stage of national development.

**17.** The “**Rectangular Strategy**” maintains its overall early structure in Phase III. However, the Royal Government has revised the order of priorities, changed the formulation of some sides of the rectangles of the strategy and included new priorities. It has also refined and sharpened measures in response to Cambodia’s specific needs and emerging contexts as described earlier and stated in the “**Political Platform of the Royal Government of the Fifth Legislature**”. The revised order of existing priorities and added new priorities are also aimed to promote development through strengthening of links and interactions between the four elements of the central theme which underlies the objectives of the strategy—viz. **Growth, Employment, Equity and Efficiency**—a system of equations that summarizes the Royal Government’s determination for enhancing the welfare of people.

**18.** Accordingly, the “**Rectangular Strategy-Phase III**” is organized as follows: (a) Overarching environment for the implementation of the strategy; (b) Core of the Rectangular Strategy – Good governance; (c) Four strategic rectangles, and (d) Strategic sides of the respective Strategic rectangles.

## 2.2. Overarching Environment and Core of the Rectangular Strategy—Phase III

### 2.2.1. Overarching Environment for Implementing the Strategy

19. A favorable overarching environment is fundamental to the successful implementation of the policy priorities identified under the four “**Strategic Rectangles**”, to achieve long-term vision of developing the Cambodian society. In this sense, the continued strengthening of key components of the supportive environment viz. peace, political stability, security and public order; assurance of favorable macroeconomic environment and environmental sustainability; strengthening development partnerships; and effective regional and global integration is the prerequisite for the successful implementation of the “**Rectangular Strategy – Phase III**”.

#### 1. Peace, Political Stability, Security and Public Order

20. The Royal Government succeeded in meeting its strategic objectives set out in the previous Legislature through securing national sovereignty and territorial integrity, and strengthening political stability, rule of law, multi-party democracy, and public order along with good progress in resolving border issues with neighboring countries to establish precise boundaries with them in pursuit of peace, friendship, cooperation and development. This progress has been fundamental for long-term development and poverty reduction. In consequence, Cambodia has succeeded in securing heightened confidence of investors and foreign travelers as reflected in increased inflow of investments and tourist arrivals in Cambodia.

21. Building on these achievements, the objectives of the Royal Government of the Fifth Legislature are to further strengthen the protection of national sovereignty and territorial integrity, national unity and territorial unification, peace, political stability, security, public order, respect for human rights and dignity and social harmony.

22. Accordingly, the Royal Government will focus on: (1) Continued strengthening of the rule of law, democracy, culture of peace, morality in the society and respect for human rights and dignity, along with zero tolerance to provocative activities that lead to political instability and social unrest; (2) Continued settlement of both land and maritime boundary disputes with neighboring countries based on aforementioned principles, along with continued preparation and strengthened implementation of border development strategies, while not allowing the use of Cambodian territory for aggression against neighboring countries; (3) Prevention and suppression of all criminal activities, including terrorism and its financing, money laundering, illegal drug and human trafficking, as well as transnational crimes, and the continued implementation of the “**Safe Village/Commune**” policy; and (4) Continued strengthening of traffic safety and public order as well as elimination of illegal checkpoints.

#### 2. Favorable Macroeconomic and Financial Conditions; and Environmental Sustainability

23. During the previous Legislature, even though Cambodia had been seriously affected by the global financial crisis and economic downturn whose impact is being felt even now, Royal Government succeeded in maintaining macroeconomic stability and as a consequence, the economy managed to achieve high economic growth of more than 7% during the past two years after the near stagnation of 2009. The continued implementation of Public Financial Management Reform Program-Stage 2 has helped further strengthen budget credibility and improve financial accountability.

24. However, the persistent ongoing global economic uncertainty and the increasing regional and global competition could become a challenge for maintaining Cambodia’s future high economic growth.

25. In order to strengthen macroeconomic stability, the Royal Government of the Fifth Legislature will focus on the following priorities:

1. Ensuring macroeconomic stability and resiliency of the national economy by further implementing a flexible, coordinated and cross-cutting fiscal policy to be consistent with monetary policy; diversifying the export base of the Cambodian economy to align with regional and global demand; increasing “**fiscal space**” and keeping public debt at a manageable level; and strengthening institutional coordination of crisis prevention and resolution mechanism.
2. Pursuing proactive macroeconomic policy to support growth by enhancing private sector development; promoting labor market development; encouraging investment in key sectors aimed at achieving economic diversification and high and equitable growth; and further implementing needed structural reforms, including implementing “**Financial Sector Development Strategy 2011-2020**”, to improve economic efficiency and competitiveness for attracting investments and promoting exports.
3. Pursuing a prudent and flexible monetary policy including a more vigilant management of capital flows to help safeguard macro-economic stability and create a conducive environment for development; ensuring an increase in international reserves; continuing to implement a managed float exchange rate regime to maintain stability of the Riel and strengthen public and investor confidence of the local currency to promote its greater use and reduce the high level of dollarization; strengthening and ensuring stability of the financial system especially that of banking system to be accomplished through making it more efficient, integrated and competitive, strengthened supervision and management of liquidity, credit and market risks in compliance with international standards.
4. Continuing to implement the Public Financial Management Reform Program aimed at improving the efficiency and effectiveness of Cambodia’s public financial management system according to international standards, through: (1) Further enhancing budget credibility by strengthening revenue collection and management, particularly the adoption and implementation of a medium-term revenue mobilization strategy, along with improvement in budget execution and cash management; (2) Enhancing financial accountability by developing and introducing a new budget nomenclature, a new chart of accounts and budget entities as well as the financial management information system (FMIS); (3) Enhancing links between the budget and policies and accountability for performance by strengthening and expanding program budgeting coverage and improving the implementation of the budget strategic plan with the introduction of a concept paper on strategic directions of budget reform; and (4) Enhancing capacity and proactive participation with ownership by line ministries/institutions to ensure success in implementing the reform programs.

**26.** Managing environment and climate change has become another challenge for the sustainability of Cambodia’s economic growth and social development due to pressures from population growth, urbanization, expansion and intensification of agriculture as well as development of transport, energy and other sectors. Many environmental issues are cross-sectoral in nature, which requires coordination across government agencies at both national and sub-national levels including cooperation with all the stakeholders.

**27.** In response, the Royal Government will continue to take a comprehensive development approach toward environmental management in Cambodia, through:

1. Sustainable management of natural resources.
2. Intensifying efforts to reduce the impacts of climate change by strengthening adaptation capacity and resiliency to climate change, particularly by implementing the “**National Policy on Green Development**” and the “**National Strategic Plan on Green Development 2013-2030**”.

3. Continuing to strengthen technical and institutional capacity to promote the mainstreaming of climate change responses into the policies, laws and plans at national and sub-national levels.
4. Continuing to introduce measures to control environment and ecosystems pollution.

### 3. Partnership in Development

**28.** The strategic objective of the Royal Government of the Fourth Legislature was to strengthen partnership in development through introduction and gradual improvement in the policy framework, institutional mechanisms and necessary regulations to support and improve effective partnerships to achieve the national development objectives.

**29.** In strengthening partnership with development partners, the Royal Government has successfully led the “**Cambodia Development Cooperation Forum**” since 2007, replacing the former “**Consultative Group Meeting**” mechanism. In particular, the development partners have disbursed annually about USD1 billion in development cooperation financing, which is well above the amount pledged annually during the last 5 years. Moreover, Cambodia has been recognized as a role model and leading partner country in implementing the “**Paris Declaration**” and “**Accra Agenda for Actions on Enhancing the Effectiveness of Cooperation Financing**” in Asia-Pacific region. In strengthening partnership with the private sector, the Royal Government has gradually improved the climate for investment promotion and mobilization. During the Fourth Legislature approximately USD700 Million in private investment was realized annually. Moreover, the regularly held “**Government-Private Sector Forum**” has been effective in addressing many challenges faced by the private sector.

**30.** In continuation of the progress already achieved in building partnership, the Royal Government of the Fifth Legislature will focus on:

1. Continuing to strengthen partnership in development with all stakeholders in order to mobilize financial resources from all sources for the country’s development based on the principle of ownership and leadership of the cooperation initiatives by the Royal Government.
2. Preparing and implementing the “**Strategy on Development Cooperation and Partnership 2014-2018**”. The main objective of this strategy is to strengthen **comprehensive partnership with all stakeholders** in the new context in which Cambodia has to address two main challenges: (1) the necessity to redefine the role of development cooperation financing due to a global decline in grant financing and developments in the partnership arrangements with individual partners; and (2) the anticipated decline in concessional financing when Cambodia reaches a lower-middle income country status in the near future. Moreover, this strategy will also highlight the Royal Government’s full commitment to key universal principles of development cooperation as agreed in various summits.
3. Continuing to promote and enhance the effectiveness of the **Government-Private Sector Forum** in order to strengthen the role of this mechanism in providing alternative policy options and recommendations that contribute to enhanced participation of private sector in development, as well as to strengthen its role in addressing business related bottlenecks and concerns it faces in Cambodia.
4. Conducting an annual consultative meeting between the Royal Government and NGOs while promoting the enactment of the law on associations and NGOs through broader consultation with all concerned stakeholders to ensure efficiency, transparency, and accountability of their operations.

5. Continuing to strengthen **Cambodia Development Cooperation Forum, Government-Private Sector Forum, Consultative Meeting between Government and NGOs, and Bilateral Consultation** mechanisms, with the aim to transform all these fora into a “**Cambodia Development Forum**” which will serve as a unified platform for dialogue between the Royal Government and all its stakeholders, including development partners, private sector and NGOs as well as other relevant stakeholders, to discuss development issues in the country.

#### 4. Deepening Cambodia’s Integration into the Region and the World

31. During the Fourth Legislature, the Royal Government’s strategic objective was to further pursue Cambodia’s integration with the region and international community, particularly through its participation in sub-regional cooperation frameworks, ASEAN community building, and fulfillment of its role as a member of the WTO and other international organizations.

32. In meeting this objective the Royal Government made remarkable progress in improving physical connectivity with countries in the region and deepening economic and trade liberalization through comprehensive regulatory reforms that have improved investment climate and trade facilitation including through measures to achieve consistency of Cambodia’s trade regime with international rules and standards. Moreover, the Royal Government has actively participated in international and regional fora on the basis of equal rights and equal footing as other members, especially in its contribution to promoting ASEAN’s centrality in the regional architecture.

33. Cambodia continues to face many challenges that should be addressed in order to fulfill its role effectively in the regional and international community, especially its participation in ASEAN Economic Community to be established by 2015 which will require further strengthened connectivity in physical infrastructure and regulatory and institutional reform as well as building capacity of human resources to enable Cambodia to effectively participate in and benefit from this integration.

34. Therefore, in the Fifth Legislature, the Royal Government will continue to focus on attracting investments, from both domestic and foreign sources, diversifying the production base, expanding export markets, promoting transport connectivity and logistics systems, improving the regulatory framework, strengthening institutional mechanisms including conflict resolution mechanisms, and enhancing capacity building to ensure favorable environment for Cambodia's development.

35. Specifically, the Royal Government will give priority to:

1. Committing to effectively fulfill its role in regional and international affairs.
2. Introducing required policies, in particular, the **Industrial Development Policy** to move the country to a higher value chain in the regional and global economy, especially within the rapidly growing Asian market, while paying attention to upgrading skills and vocational training for Cambodian workers at all levels.
3. Further improving regulatory framework aimed at improving business, trade and investment environment.
4. Taking measures to increase and expand Cambodia's export market, particularly through negotiations to open up new markets with other countries within and outside the region, improvements in transport infrastructure and logistics systems including the provision of information and communication technologies (ICT) to facilitate movement of goods and services, including financial services; and lower non-tariff barriers such as standards, and sanitary and phyto-sanitary standards (SPS).

5. Taking necessary policy measures to join the ASEAN Community by 2015, particularly through effective implementation of ASEAN-related agreements.
6. Establishing necessary frameworks to manage changes resulting from its participation in ASEAN Economic Community expected to be in place by 2015, and ensuring that Cambodia's best interests are served especially in managing the labor market and movement of workers.

## 2.2.2. The Core of the Rectangular Strategy—Good Governance

**36.** Good governance remains at the core of achieving social justice and sustainable and equitable socio-economic development. In order to further strengthen good governance, the Royal Government has firmly implemented key reform programs, including: (1) the fight against corruption; (2) legal and judicial reform; (3) public administration reform; and (4) reform of armed forces. The ultimate objective of the reforms, as well as that of other reform programs including public financial management reform, land reform, and forestry and fisheries reform, is to strengthen the capacity, efficiency and quality of public services to raise public confidence in government and respond to the needs and aspirations of the people and business community.

### 1. Fighting corruption

**37.** The strategic objective of the Royal Government of the Fourth Legislature was to implement a set of interlocking and crosscutting measures through education, prevention, strengthened accountability and institutional capacity, public support and involvement, private sector participation and strengthened law enforcement.

**38.** The Royal Government has achieved tangible progress in tackling corruption, including the adoption of Anti-corruption Law in April 2010, the establishment of the Anti-corruption Institution which consists of the National Anti-corruption Council and the Anti-corruption Unit, and the introduction of effective anti-corruption mechanisms both in terms of institutional arrangements and regulations such as: (1) Broad dissemination of anti-corruption law to all strata of society, especially line ministries and state institutions; (2) Establishing focal points in government agencies for coordination with the anti-corruption unit; (3) Requiring civil servants at regular intervals to declare their assets, as a preventive measure and for assuring their integrity; (4) Establishing the list of public service fees and time limit for service compliance by line ministries and state institutions aimed at eliminating unofficial payments and ensuring transparency and accountability and improving efficiency of public service delivery; and (5) Arrests of those who committed corrupted practices and sending them to court with firm evidence.

**39.** In order to effectively continue the fight against corruption during the Fifth Legislature, the Royal Government will further strengthen and enhance the effectiveness of three key measures, viz:

1. **Strengthening education “to stop corrupt practices”:** The Royal Government will further promote the dissemination of the Anti-corruption Law in all forms to both public and private sectors to raise awareness of the consequences of corruption and to discourage corrupt practices. The dissemination will be conducted by using all available means including on-the-spot education, media, annual organization of the anti-corruption day, and mainstreaming awareness of the Anti-corruption Law and consequences of corruption into academic curriculums and programs at all levels, with the objective that youth, who are the future of the nation, will observe moral integrity and shun corruption.
2. **Preventing corruption:** The Royal Government will further encourage civil servants at all levels to conduct themselves with dignity, observe moral integrity and professional ethics, and effectively implement the principle of avoiding incompatibility of functions and conflict of interests stipulated by law and related regulations by preparing and implementing internal

rules in addition to existing laws and regulations, including preparation of strategic plan, plan of action, internal rules, code of professional ethics, and regulations to create an agency with moral integrity to serve as a role model for efficient and successful public services. In addition, the Royal Government will further take specific measures to strengthen oversight institutions and promote better management of public revenue and expenditure, and expand the scope of the list of public service fees.

3. **Suppression of crimes by referring all cases to court:** The Royal Government will continue taking firm and strict measures against those who are found to be involved in corruption without any exception. To ensure effective implementation, the Royal Government will further strengthen the capacity of the Anti-Corruption Unit, especially in investigation and law enforcement.

## 2. Legal and Judicial Reforms

**40.** The vision of the Royal Government of the Fourth Legislature in legal and judicial reforms was to achieve a credible and stable legal and judicial system that promoted human rights and dignity, strengthened the rule-of-law principle of a liberal democracy, ensured social justice and created a reliable environment for attracting investment.

**41.** Important achievements of the Royal Government in realizing this vision during the last Legislature, include: (1) Modernization of legal framework especially with the enactment of the new criminal code in addition to three other existing codes, namely the civil code, the code for civil procedures, and the code for criminal procedures; (2) Enhanced awareness of law and better law enforcement through legal education, dissemination and training provided to officials responsible for administration of justice and other concerned law enforcement officials; (3) Improvement in judicial system by strengthening professional capacity and accountability of judges and prosecutors; (4) Provision of additional resources to judicial system through gradual increase in budget allocation; and (5) Expanded and strengthened out-of-court settlement mechanisms through establishment of the Center For Legal Services and the National Commercial Arbitration Center (NAC).

**42.** In the Fifth Legislature of the National Assembly, the Royal Government will continue to actively implement and deepen key reforms included in the action program for the implementation of legal and judicial reform strategy with special attention on: (1) Further promoting the adoption of key legislations concerning judiciary including the Law on the Statute of Judges and Prosecutors, the Law on Organization and Function of Courts and Prosecution, Amendment to the Law on the Organization and Function of the Supreme Council of Magistracy, as well as the development of new laws required for state governance and Cambodia's membership in the ASEAN Economic Community to be established by 2015 and the World Trade Organization; (2) Further strengthening of professional capacity and responsibility of judges and prosecutors; (3) Further promoting the establishment of court administration attached to tribunals at all levels; (4) Further equipping the tribunals with appropriate means to perform their functions; (5) Further implementing law dissemination and training programs; (6) Further extending cooperation and support to the Bar Association of the Kingdom of Cambodia to provide legal assistance to the poor for defending their rights and interests in the court system; and (7) Further promoting the out-of-court settlement mechanisms.

## 3. Public Administration Reform

**43.** The Royal Government's vision is to build a more responsive, effective, efficient and reliable public administration system while promoting good culture of public service including inculcating a sense of ownership, loyalty and professionalism among civil servants, and transforming public administration into an effective public service provider that better serves its people. As for the decentralization and de-concentration program, it is aimed at creating a sub-national administration system and organizational structure that promotes democratic development at the sub-national level,

and ensures effective, transparent and accountable delivery of public service to meet the demand of the local people.

**44.** In the area of public administration reform, the Royal Government achieved significant results during the Fourth Legislature period, including: (1) Managing an appropriate size of civil service while almost doubling the average monthly salary of civil servants; (2) Establishing Special Operating Agency (SOA) including the introduction of a public service database and the expanded scope of the “single window” mechanism to 24 municipal/district/khan offices; (3) Restructuring the administration system and other organizational structures at the capital, province, municipality, district and khan levels in accordance with the Law on Management of the Capital, Provinces, Municipalities, Districts and Khans; (4) Developing and establishing the sub-national financial management system in compliance with the Law on Financial Regime and Property Management of Sub-national Administrations; and (5) Developing required rules and regulations in support of the reform process.

**45.** In the Fifth Legislature, the Royal Government will further focus on implementing the three core strategies of the National Program for Administrative Reform through:

1. Strengthening the quality and effectiveness of public service delivery through development and implementation of public service standards that focus on five key indicators: (1) quality of information; (2) easy accessibility to services; (3) attention given to service users; (4) services rendered as per mandate and with good governance; and (5) mechanisms for receiving feedbacks and complaints from service users.
2. Capacity development, improved management and development of human resources through promotion of human resource development policy in public administration, especially the continued strengthening of work management and allocation, enhanced management of skills and size of civil service, implementation of civil servant performance and accountability system, strengthening capacity, improvement of morality and discipline of civil servants as well as preparation of human resource and succession planning.
3. Reforming pay and allowance system according to the following key principles: salary increase to be based on economic growth and affordability of national budget; assurance of equity, improved productivity and effectiveness; and ensuring the consistency in pay raise between civil servants and armed forces.

**46.** In addition, the Royal Government will further promote the implementation of decentralization and de-concentration reforms through the “**National Program for Democratic Development at the Sub-national Level 2010-2019**”, by focusing on:

1. Further expansion of the single window mechanism to cover all municipalities, districts and khans, and further promoting broader delegation of powers.
2. Enforcement of the Law on Financial Regime and Property Management of Sub-national Administrations, especially the gradual transfer of functions and resources within some priority sectors from the national to the sub-national levels.
3. Human and institutional capacity development at the sub-national level as well as strengthening the roles and responsibilities of sub-national councils with focus on the strengthening and improvement of the planning system at sub-national administration by defining clear mechanisms for results monitoring and evaluation as well as conformity with the law.
4. Strengthening the efficiency of a unified sub-national administration in coordinating all activities of the public administration within its jurisdiction by empowering the sub-national

administration to supervise and manage the civil servants from line ministries/institutions deputed to the sub-national level.

#### 4. Reform of Armed Forces

47. The strategic objective of the Royal Government of the Fourth Legislature was to promote implementation of the armed forces reform program to ensure effective protection of national sovereignty and territorial integrity, security and social order of the Kingdom of Cambodia.

48. In addressing this objective the Royal Government made significant progress including:

1. Effective protection of the national sovereignty and territorial integrity amidst foreign aggression.
2. Establishing the **Supreme Council of National Defense**; restructuring the organization of the Royal Cambodian Armed Forces (RCAF) including at the levels of the national army, military regions, divisions, provinces and districts; extending the restructuring to cover all branches of RCAF including the army, navy and air force and specialized units and especially the strengthening and expansion of army engineering corps to contribute to building physical infrastructure in the civilian sector.
3. Contributing to building and protecting world peace through participation in the UN peace keeping operations.
4. Effectively implementing the “**3 Strategies and 10 Operation and Development Actions**” program.
5. Promoting the implementation of **Cambodia’s National Police Strategic Plan 2008-2013**.
6. Effectively maintaining the security, safety and public order during the hosting of major and historical national and international events, including the elections, royal funeral parade and cremation ceremony of the late King-Father Norodom Sihanouk, ASEAN Summits and other Related Meetings, and other international meetings.
7. Successfully suppressing all types of crimes, assuring full security, public order and safety for the people, especially through implementing the “**Safe Village/Commune**” policy.
8. Participating in economic development and social work activities in accordance with the respective mandates of the various branches of RCAF, especially in the construction of physical infrastructure and conduct of rescue missions during natural disasters.

49. The Royal Government of the Fifth Legislature will continue with the reform of armed forces aimed at modernizing and enhancing the professional competence of all branches of armed forces in order to further ensure national sovereignty, territorial integrity, security, safety and public order.

50. To this end, the Royal Government will focus on the following priorities:

1. Enhancing professional competence of RCAF and National Police through further implementation of the “**3 Strategies and 10 Operation and Development Actions**” program, including by updating and promoting the implementation of Cambodia’s National Police Strategic Plan aimed at improving the effective functioning of police, particularly through adoption and enforcement of necessary laws and regulations.
2. Developing human resources and enhancing the capability of armed forces through modernization including use of appropriate technologies; improved quality of military drilling

especially training of professional soldiers; inducting youth into the military to build a young armed force to ensure continuity in the military; and strengthened cooperation with friendly countries.

3. Strengthening the chain of command in the armed forces at all levels to ensure their effective management.
4. Supplying technical equipment and promoting welfare of the armed forces, especially through more effective management of supplies, logistics and finances for units stationed at the frontlines and island territories.
5. Continuing support to veterans, disabled soldiers, families of deceased soldiers and families of military personnel in accordance with the Royal Government policy, particularly through the distribution and more effective management of social land concessions and development projects for the communities and families of armed forces stationed in the border areas.
6. Enhancing cooperation between all branches of the armed forces, and between armed forces and line ministries and institutions, and further strengthening the tradition of good relations between the armed forces and the public especially during operations during natural disasters, other humanitarian operations, involvement in crop cultivation, and participation in building civilian physical infrastructure and protecting the environment and natural resources.
7. Strengthening and expanding international relations and cooperation to develop armed forces in all dimensions including continued participation in the UN peacekeeping missions.

### **2.3. The Four Strategic Rectangles**

#### **Rectangle I: Promotion of Agriculture Sector**

**51.** Cambodia's agriculture continues to play an important role in supporting economic growth, ensuring equity, securing food security, and promoting development of the rural economy. The Royal Government's vision is to modernize Cambodia's agriculture, based on a new approach and with changed scope and pace, to transform this sector from extensive stage of development, i.e. primarily depending on expanded use of available resources (such as land and other natural resources) and traditional agricultural inputs, into an intensive stage of development that primarily depends on the application of techniques, new technologies, R&D, mechanization and increased capacity of irrigation to improve productivity, and diversify into high value crops and other agricultural products including livestock farming and aquaculture while taking into account the need to ensure efficient management of land and sustainability of environment and natural resources. Moreover, further promotion of commercialization and agro-industry development will increase added-value of agricultural products and income of people.

#### **Side 1: Improved Productivity, Diversification and Commercialization**

**52.** The strategic objective of the Royal Government of the Fourth Legislature was to improve agricultural productivity and diversification through expansion of production capacity on existing lands, focusing on interlinked and cross-sectoral interventions such as promotion of appropriate use of inputs, R&D, agricultural extension services, construction and maintenance of rural infrastructure, provision of rural credit and micro-finance, and improved market access for agricultural products, organization of agricultural communities, and agricultural land management.

**53.** In meeting this objective, the Royal Government made remarkable progress: (1) The average annual growth of crop production was 5% during 2008-2012; average paddy yield increased from 2.74 metric tons per ha to 3.13 metric tons and total production from 7.17 million metric tons to 9.31 million metric tons during the same period; (2) Farmers diversified into crops other than rice: the

cultivation of crops such as corn, cassava, sugarcane, cashew nut, pepper and others reached 770,000 ha in 2012 compared to only 210,000 ha in 2008, while the cultivation of rubber nearly doubled reaching 210,000 ha during the same period; and (3) Formal rice export reached 200,000 metric tons in 2012, while securing food security, compared to a negligible quantity exported in 2008; rubber export rose by 3.5 times during the same period, reaching 50,000 metric tons in 2012; and export of other crops increased from over 3,000 metric tons to nearly 50,000 metric tons during 2008-2012. The introduction and implementation of the *“Policy on the Promotion of Paddy Production and Rice Export”* and *“Cambodia Natural Rubber Development Strategy 2011-2020”* have significantly contributed to these achievements.

**54.** Nevertheless, Cambodian agriculture continues to face several challenges including in particular the vulnerable farming system, and low productivity and low value-added outturns, reflecting the need to improve the cropping technology such as the irrigation system, cultivation techniques, appropriate use of inputs, collection and storage facilities, processing capacity, logistics system, quality, sanitation and phyto-sanitation standards, and financing.

**55.** The Royal Government of the Fifth Legislature will exert more efforts to maintain the targeted agricultural growth of 5% per annum through enhanced productivity, diversification and commercialization.

**56.** In pursuance of this objective, the Royal Government will focus on:

1. Further improving productivity of rice and other crops by strengthening, expanding and ensuring the sustainability of extension services and market information; extending the outreach of the supporting services structure to local levels and linking it to concerned volunteer networks and other stakeholders; promoting R&D for productivity improvement and adaptation to climate change; promoting production and use of quality seeds needed by the market; further investing in irrigation infrastructure and rationalizing its utilization; improving collection and storage facilities; and preparing and improving the regulatory framework for seed production, import of agricultural inputs, contract farming, agricultural land use, agriculture and water user associations as well as human resource development in this sector.
2. Further promoting agricultural diversification through promotion of R&D, dissemination of new crops which have high potential for production expansion and exports; strengthening favorable environment to attract private investment especially in research on crop varieties, production and distribution of seeds and agro-processing; intensifying cooperation with all stakeholders aimed at transfer of “knowledge and know-how” and new technologies to farmers; and promotion of use of agricultural machinery.
3. Further promoting commercialization through implementation of laws and policies and strengthening institutional arrangements to promote trade and export of agricultural products, including effective implementation of law on agricultural communities, enhanced processing capacity, further improvement in trade facilitation including **“one-stop services”**, strengthened logistics system, enhanced quality of agricultural products according to international standards, improved capacity to provide affordable credit, and enhanced partnership between farmers and traders as well as between large-scale agro-industries and household farming.

In addition to the above priorities, the Royal Government will further promote the implementation of the *“Policy on the Promotion of Paddy Production and Rice Export”* and *“Cambodia Natural Rubber Development Strategy 2011-2020”* as planned.

## **Side 2: Promotion of Livestock Farming and Aquaculture**

**57.** During the Fourth Legislature, the Royal Government focused on fisheries reform aimed at addressing the nutrition needs of the population and preserving fishery resources through organizing fishery communities, reform of fishing lots management, conservation of flooded forests, combating illegal fishing and promotion of aquaculture.

**58.** The Royal Government has deepened fisheries reform by cancelling all fishing lots and making them available for artisanal fishing, strengthening and expanding fisheries communities and fisheries conservation zones, and implementing measures to protect inundated forest especially in the areas surrounding Tonle Sap Lake which is an essential breeding habitat of many aquatic species.

**59.** However, challenges remain in this sector including, in particular the need for improving productivity and ensuring sustainability of fisheries both marine and freshwater. Moreover, Cambodia still has considerable potential for development of the sector to meet the required nutritional standards of the population, to increase incomes of people and to meet the demand of domestic and overseas markets especially through promotion of livestock farming and aquaculture.

**60.** The objective of the Royal Government of the Fifth Legislature is to promote broader livestock farming and aquaculture through introduction of a policy framework based on value chain principle, and removing all the barriers to the development of this sector, taking into account issues such as food safety standards and market regulation functions especially sanitary and phyto-sanitary standards, while continuing to implement concrete measure aimed at ensuring the sustainability of both freshwater and marine fishery resources.

**61.** To promote fisheries and livestock farming development, the Royal Government will focus on the following priorities:

1. Further implementing Strategic Planning Framework for Fisheries 2010-2019 with the aim of boosting fish production to serve domestic consumption and export markets by relying on three pillars: (1) freshwater and marine-based natural fisheries; (2) freshwater and marine aquaculture; and (3) facilitating processing and trade.
2. Promoting the development and implementation of livestock farming policy and strategy.
3. Enhancing R&D in areas such as breeding, animal health and feed production, and farming systems both in livestock and aquaculture sectors.
4. Promoting the adoption of the law on animal health and production to provide the basis for the institutional arrangement and management of this sector, aimed at strengthening enforcement of sanitary standards for animal products, and strengthening and enforcing animal sanitary and phyto-sanitary measures to prevent and combat the outbreak of animal diseases, and to protect public health.
5. Encouraging investments in medium and large-scale animal feed production to support livestock farming, along with improvements in the extension services system, animal breeding, credit and market access for farmers, incentives for private investment in processing of livestock and fisheries products, establishment of modern slaughterhouses as well as facilitation of trade in livestock, livestock products, and fish and fisheries products.

### **Side 3: Land Reform and Clearance of Mines and UXO**

**62.** The strategic objective of the Royal Government of the Fourth Legislature was to continue with the land reform program aimed at strengthening the system of land management, distribution and utilization of land, ensuring the security of the titles of land ownership, eliminating illegal and anarchic land grabbing, and preventing misuse of land acquisition and landholding of concessions for

speculative purposes or without any productive purpose, as well as further clearing of mine and unexploded ordnances as set in the Goal 9 of **Cambodia's Millennium Development Goals**.

**63.** During the previous Legislature, the Royal Government's significant achievements in land management include the enactment of the Law on Expropriation and other key and necessary regulations related to urbanization, construction and land management; issuance of more than 3 million land titles through regular registration process and by implementing the **"Old Policy-New Action"** framework; distribution of lands under social land concession and land grant schemes to more than 53,000 families; and registration of large state-owned lands, economic land concessions, long-term land leases and indigenous communal lands. Moreover, the Royal Government paid attention to encouraging out-of-court land dispute settlement mechanisms and land dispute prevention, applying existing mechanisms and the **"Old Policy-New Action"** framework. Furthermore, the remarkable increase in the area of lands cleared of mines and UXOs expanded the land area available for development purposes. Moreover, the Royal Government's substantial investment in mine and unexploded ordnance clearance activities paved the way for investment in public physical infrastructure and other related investment projects in the areas rendered free of mine fields.

**64.** Notwithstanding the above achievements, Cambodia is required to address challenges in areas such as inconsistency in updating land information, inadequate institutional coordination, protracted delays in land dispute settlement, allocation of financial and human resources for land surveying, and the continued need for mine and unexploded ordnance clearance.

**65.** In response, the Royal Government of the Fifth Legislature will intensify and deepen land reform focusing on strengthening the management, organization, utilization and distribution of lands that will contribute to achieving the national objective of poverty reduction, ensuring food security, protecting the environment and natural resources, and socio-economic development in the context of market economy.

**66.** To achieve this objective, the Royal Government will focus on the following priorities:

1. Further promoting the formulation of a comprehensive land policy entitled **"White Paper on Land"**.
2. Promoting the preparation of Law on Land Management and Urbanization and Law on Agricultural Land.
3. Accelerating land registration and issuance of land titles including for state lands, private lands and indigenous community lands through regular land registration process and further implementing the **"Old Policy-New Action"** policy giving priority to land titling in dispute-free areas in order to guarantee security of title and ensure confidence in land ownership.
4. Further promoting the establishment of the database of land management and land use to provide the basis for the proper planning of land use and land classification under the following categories: agriculture, industry, tourism, rural areas, town, residential areas and protected areas, with the view to rationalize land use and avoid inappropriate use or conversion of land. The focus will be to further study and classify land according to different agricultural potential in each geographic area.
5. Further ensuring transparent and efficient management, conservation and use of land and natural resources to ensure the sustainability of the environment and socio-economic development, prevention of illegal forest encroachments and enforcement of strict measures against those who illegally grab state land or keep land idle for speculative purposes, intensification of drive for confiscation of economic land concessions in case of violation of contract agreement or regulations, and cessation of granting new economic land concessions.

6. Further distributing and using state land, especially the confiscated economic land concessions and cleared minefields, in a transparent and equitable manner, for development purposes that respond to the needs of the poor, disabled veterans, families of deceased soldiers and veterans who have genuine need to use the land, through the implementation of social land concessions and land grants.
7. Further exempting land tax on household farms and supporting the farmers in enhancing the productivity of land use through the construction of transport networks, irrigation systems and other essential infrastructure.
8. Resolving land disputes in an effective, transparent and just manner in accordance with existing law and regulations through either court or out-of-court land dispute settlement mechanisms.
9. Stepping up the implementation of the “**National Mine Action Strategy 2010-2019**”, especially the clearance of the remaining mines and UXOs of the war to expand arable land, secure safety of infrastructure development and further reduce mine and UXOs explosion accidents.

#### Side 4: Sustainable Management of National Resources

**67.** The strategic objective of the Royal Government of the Fourth Legislature focused on the management and conservation of forest and fisheries resources to ensure the sustainability of economic growth and improvement in livelihoods of rural population by further implementing forest community programs, monitoring forest exploitation, enforcing the Law on Forestry and strict measures against forest offenses; strengthening the management of protected areas, and deepening the reform of management of fishing lots and fisheries.

**68.** In pursuance of this objective, the Royal Government of the Fourth Legislature made remarkable progress: (1) in the forestry sector, forest cover was maintained at approximately 10 million ha or equivalent to 60% of the total land area, and 2,020 Km of the protected area boundary was demarcated along with the establishment of 453 forest communities in 19 provinces covering 399,880 ha of forests; and (2) in the fisheries sector, while abolishing fishing lots, the Royal Government created 516 fisheries communities and 354 conservation zones within the fisheries community area, alongside 50 new conservation areas and 8 fisheries conservation zones in Tonle Sap lake covering 22,500 ha; in particular the flooded forest surrounding Tonle Sap lake of 647,000 ha was well protected.

**69.** However, a number of challenges remain in ensuring the sustainability of natural resources, especially weak governance of the natural resource management system, insufficient legal and regulatory frameworks; and the need to strengthen coordination between related institutions and stakeholders, effectiveness of needed reform programs as well as management of the impact of climate and eco-system changes.

**70.** To address these challenges, the Royal Government of the Fifth Legislature will reinforce and broaden the management of natural resources to strike a “**balance between development and conservation**”, in particular, increase the contribution of natural resources to the development of agriculture sector by ensuring: (1) green cover, forest and wildlife conservation; (2) the sustainability of fisheries resources; and (3) the sustainability of the eco-system, so that the quality of land and sustainability of water sources could be improved by focusing on the protection of biodiversity, wetlands and coastal areas.

**71.** To achieve this objective, the Royal Government will implement a comprehensive and cross cutting approach, aimed at improving the effectiveness and equity in the exploitation of natural

resources, by: (1) clearly determining the ownership of natural resources; (2) developing an appropriate incentive scheme for the conservation of natural resources and empowering the sub-national government, communities and individuals to participate in their conservation by focusing on training, information sharing as well as strengthening social capital, and institutional accountability and transparency; and (3) stepping up cooperation with concerned stakeholders under the framework of green growth and climate change.

**72.** Base on this approach, the Royal Government will place priority on:

1. Further managing forest and wildlife resources in a sustainable and equitable manner, in accordance with the **“National Forest Program 2010-2029”**, in particular through better law enforcement and governance, demarcation, classification and registration of forest, effective management and exploitation of state and private forests, implementation of measures for improving the livelihoods of and promoting participation from forest-dependent communities, enhancement of management and effectiveness of conservation measures, reduction of deforestation and degradation of forests, intensified tree planting and forest rehabilitation, strengthening the conservation of wildlife and wildlife sanctuaries, development of institutional and human capacity, and promotion of research studies and their dissemination.
2. Further strengthening the management and conservation of fishery resources in a sustainable manner in line with the **“Strategic Planning Framework for Fisheries Sector 2010-2019”** and the **“Declaration on the National Policy for Fisheries Sector”**, especially through the suppression of all violations of laws, rules and regulations related to fisheries including tightened control of fishing gears and fishing period, elimination of overfishing, strengthening fishing communities’ capacity for the management, use and conservation of fisheries resources, protection of biodiversity and aquatic-animal habitats, control of freshwater and seawater quality through pollution minimization, protection and replanting of flooded forests and mangroves, demarcation of flooded forest and fisheries conservation zones, development of institutional and human capacity, and preparing research studies and their dissemination.
3. Intensifying the implementation of necessary measures to ensure the sustainability of the ecosystem, aimed at ensuring the quality of soil, and surface and underground water for serving the agriculture sector and the livelihood of Cambodian people by promoting the preparation and effective implementation of policies and regulations, as well as related action plans and programs for the management of protected natural areas such as national parks, wildlife sanctuaries, protected landscape areas, multiple use areas, wetlands, biodiversity conservation areas, natural heritage conservation areas, and maritime parks, and in particular, strengthening the implementation of **“Law on the Environmental Protection and the Management of Natural Resources”**, **“Law on Protected Natural Areas”** and **“Guideline on the Development of Coastal Areas in the Kingdom of Cambodia”**.
4. Stepping up cooperation with relevant development stakeholders under the framework of the **“National Policy on Green Development”** and the **“National Strategic Plan on Green Development 2013-2030”** through the development of regulatory frameworks and mechanisms for carbon trading, strengthening the capability, preparation and implementation of climate change adaptation measures, assessment of the scope of the use of environmental financing mechanisms including payment for environmental services and environmental fund, strengthening the management of protected natural areas including protection of biodiversity, rain forests, and wetland areas; and environment and ecosystem monitoring and control mechanism at both national and sub-national levels.

## **Rectangle II: The Development of Physical Infrastructure**

**73.** Infrastructure development and modernization is a key factor for supporting economic growth, enhancing economic efficiency as well as strengthening competitiveness and promoting Cambodia’s

economic diversification, especially for reducing poverty incidence. To respond to the demands of the next higher stage in the long term development of the country, the Royal Government will draft a master plan for achieving comprehensive connectivity by addressing both hard and soft aspects of the transport, electricity and information technology and telecommunication sectors, in addition to further development of irrigation system and clean water supply sectors. Alongside, the Royal Government will be more attentive to the development of urban infrastructure. All these initiatives will be undertaken consistent with the framework of land management and urban planning.

### Side 1: The Development of Transport and Urban Infrastructure

**74.** The strategic objective of the Royal Government of the Fourth Legislature was to continue the rehabilitation and development of transport infrastructure, including further construction and maintenance of roads, expansion of port capacity, restoration and development of railroads, expansion of airport services and strengthening of flight safety and traffic safety. The Royal Government accomplished good progress in the rehabilitation and development of transport infrastructure for enhancing domestic integration and regional connectivity. As of 2012, approximately 4,350 km out of the total length of 5,616 km of the national road network and 1,100 Km out of the total length of 6,640 Km of provincial roads were rehabilitated and improved with bituminous asphalt pavement. In parallel, the Royal Government placed high priority on the maintenance and construction of rural roads as well as border belt roads in order to serve the needs of the population, promote economic development and help safeguard territorial integrity. Furthermore, the Royal Government has improved infrastructure and enhanced the services of airports and ports.

**75.** However, Cambodia continues to face a number of challenges in transport infrastructure development such as high transportation costs compared with neighboring countries and other challenges related to linkage of various transportation modes in the country, road repair and maintenance, overloaded freight trucks, traffic safety and traffic jams and coordination between sector institutions.

**76.** To respond to the needs of the next higher stage of development, the objective of Royal Government of the Fifth Legislature is to promote further development of all modes of transport infrastructure as well as urban infrastructure supported with a vibrant, safe and efficient logistics system aimed at contributing to the enhancement of national competitiveness and people's welfare.

**77.** In pursuance of this objective, the Royal Government will place priority on:

1. Stepping up the construction of national, provincial and rural roads, particularly by targeting the paving of 300 – 400 Km of additional roads per year with asphalt or concrete pavement.
2. Directing more attention to the repair and maintenance of the transport system, particularly roads through the strengthening of mechanisms and enhancement of road repair and maintenance system, including effective and strict enforcement of punitive measures against overloading.
3. Further focusing on traffic safety through the improvement and stricter enforcement of the **“Law on Land Traffic”**, including the strict enforcement of measures against traffic violation, strengthening vehicle safety inspection and the system for issuance of vehicle roadworthiness certificates, the mechanism for issuing driving licenses, installation of traffic signs, facilitation of traffic flow, professional ethics and competence of law enforcement officers, as well as promotion of public awareness and dissemination of information on traffic safety in accordance with the slogan: **“Today, Tomorrow: No Traffic Accident!”**.
4. Designing and implementing the Master Plan for Transport Infrastructure Development to connect all parts of the country and with the neighboring countries through developing multi-modal and cross border transport systems along with an efficient and competitive logistics

system aimed at promoting investment, trade, tourism and rural development, with focus on the completion of railroad restoration and development, further development of airport and seaport infrastructure, assessment of the potential for investment in inland waterway transport as well as finding alternatives to monopolistic transport services and intensified implementation of various cross-border agreements and protocols signed by Cambodia.

5. Preparing necessary policies and legal framework for the management and development of infrastructure, such as the Law on Roads and related regulations addressing road standards and quality, Law on Ports and the Law on Road Transport to facilitate the implementation of Master Plan for Transport Infrastructure Development.
6. Preparing a Master Plan for Urban Infrastructure Development, in particular public transport in urban areas and connectivity of production centers on the outskirts of municipalities, main economic poles, industrial zones and special economic zones to reduce traffic congestion, improve national economic efficiency and competitiveness, as well as enhance welfare of people and ensure environmental sustainability through consistency with the framework of land management and urban planning including National Policy on Housing, laws related to land management, urbanization and construction, National Strategy on Development of Municipal and Urban Areas, installation of solid and liquid waste management system as well as fire prevention and firefighting system.
7. Further encouraging participation of the private sector in the development of transportation infrastructure by strengthening and improving the **“public-private partnership”** mechanism through the introduction of policy on the promotion of public-private partnership in Cambodia in order to attract and facilitate the implementation of infrastructure projects financed by the private sector.

## Side 2: Water Resources and Irrigation System Management

**78.** The strategic objective of the Royal Government of Fourth Legislature in this area was to focus on the effective construction, maintenance and management of irrigation infrastructure and clean water supply.

**79.** The Royal Government’s major achievements in meeting this objective included: (1) restoration and construction of irrigation systems extending over 250,000 ha during 2008-2012, resulting in a total irrigated area of more than 1 million ha consisting of 720,000 ha of wet season and 290,000 ha of dry season paddy fields; (2) establishment of more than 100 water user associations; (3) repair of flood prevention dams that protect more than 3,000 ha of cultivated land; (4) establishment of hydrology and meteorology stations along key rivers and streams; and (5) supply of clean water covering 44% of rural households and 76% of urban households.

**80.** However, a number of critical challenges remain including the needed expansion of irrigation capacity for increasing the number of crop rotations per year to promote higher agricultural productivity and intensification, strengthening repair and maintenance mechanisms of irrigation infrastructure, enhancement of the standards and quality of irrigation construction and its related infrastructure, rationalization of effective and sustainable water resources utilization, management of and protection against floods, expansion of the capacity and coverage of clean water supply, development of the legal framework, institutional capacity and human resources in the water sector; and strengthening the coordination between the uses of water in agriculture, energy and transportation.

**81.** To address these challenges the Royal Government of the Fifth Legislature will continue to enhance water resource management and develop irrigation systems, increase the effectiveness of repair and maintenance of irrigation infrastructure, and promote the integration between irrigation and

hydropower and transportation development and the development of legal framework, institutions and human resources.

**82.** In line with this objective, the Royal Government will place priority on:

1. Pursuing the expansion of irrigation systems through mobilizing public and other resources in order to rationally increase irrigation capacity, focusing on enhancing standards and quality of irrigation infrastructure, effectiveness of investment and construction of water storage reservoirs, and development of a fully extended irrigation system, with attention on needed preparations for adaptation to climate change.
2. Improving the effectiveness of irrigation system management, with emphasis on strengthening policy and legal frameworks and water use mechanisms, improved maintenance and financing through formulation and implementation of a master plan for water resources and irrigation system management, continuing to strengthen maintenance mechanisms, repair and rehabilitation of irrigation systems including formulation and implementation of legal arrangements related to the management of farmers and water users associations, river basins, and water quality; and human resource and institutional developments.
3. Stepping up institutional coordination aimed at harmonizing development of irrigation infrastructure, hydropower and transportation to increase effectiveness of investment and use of water resources.
4. Enhancing the sustainability of the use of water resources through vigorous implementation of **“Law on Water Resources Management of the Kingdom of Cambodia”** and other related laws.
5. Improving flood management and prevention by developing water release infrastructure, flood prevention dams, water storage reservoirs and water diversion channels to reduce impact from floods.
6. Further expanding the coverage of clean water supply to the rural and urban areas through the rigorous implementation of **“The National Strategy for Rural Water Supply and Sanitation 2011-2025”**, including formulation of a clear action plan and encouraging participation from the private sector.
7. Further strengthening and expansion of monitoring, forecasting and institutional mechanism for dissemination of timely and more accurate hydrological and meteorological information in particular, to ensure safety of cultivation and to prepare for adverse effect of disasters.
8. Stepping up involvement in international cooperation in the water sector to ensure the sustainability and effectiveness of water resources use as well as to address negative impacts arising from floods, droughts and climate change.

### **Side 3: Electrical Power Development**

**83.** The objective the Royal Government of the Fourth Legislature in the sector was to further expand the electricity supply coverage, lower the tariff and strengthen institutional mechanisms and management capacity.

**84.** To achieve this objective, the Royal Government boosted the supply capacity and diversified energy supply sources in order to reduce reliance on fossil fuels for electricity generation; the construction of hydropower and coal-fired power plants was broadly preferred for their high generation capacity and low production cost, and together with the import of electricity from neighboring countries was aimed at achieving a cheaper electricity cost. In parallel, the Royal

Government paid attention to the expansion of transmission and distribution networks as well as reduction of electricity losses in the system in order to accommodate the annual electricity demand increase of 25% due to economic growth and rise in the number of households, businesses and industrial consumption.

**85.** However, Cambodia still faces a number of challenges, including the mismatch between demand and supply of energy, and the need to increase capacity to ensure energy security and full reliability of supply and bring the electricity tariff down to the level desired by the Royal Government; and the need to further strengthen sector management capacity.

**86.** The objective of the Royal Government of the Fifth Legislature is to further strengthen the capacity and security of electricity supply and expand supply coverage to enhance economic competitiveness, support long-term economic growth, strengthen capacity to ensure energy security, and improve the living conditions of the people.

**87.** To achieve this objective, the Royal Government will place priority on:

1. Further expanding the capacity of low-cost and hi-tech electricity production, especially from new and clean energy sources, along with continued development of all levels of the transmission network aimed at strengthening energy security and ensuring efficient, safe, high quality, reliable and affordable electricity supply and distribution to respond to development needs.
2. Further encouraging the private sector to invest in electricity generation, and transmission and distribution infrastructure by focusing on technical and economic efficiency and minimization of environmental and social impacts.
3. Stepping up the implementation of the electrification strategy to realize the goal **“by 2020, all villages in the Kingdom of Cambodia will have access to electricity supplied by the national grid and other sources”**.
4. Further supporting the rural electrification fund aimed at achieving equitable electricity access for the population.
5. Pursuing rationalization measures for electricity consumption by reducing power tariffs during off-peak hours to serve production and irrigation systems aimed at improving agricultural productivity and accelerating the development of industry and handicraft sectors.
6. Stepping up the exploration and commercialization of the oil and gas sector which has enormous potential for ensuring energy security and will provide valuable resources for Cambodia’s economic development in the long term.
7. Further strengthening institutional capacity, human resources as well as planning and management of the energy sector.
8. Continuing active involvement in energy cooperation under the regional framework.

#### **Side 4: Development of Information and Communication Technology**

**88.** The strategic objective of the Royal Government of the Fourth Legislature was to promote the development of a modern and high quality information and communication technology by strengthening the regulatory framework, building institutional capacity, modernizing technical equipment base, fostering competition, strengthening the efficient use of IT system and e-Government, and building and enhancing the efficiency of the backbone infrastructure of the information and communication technology sector.

89. To achieve this objective, the Royal Government undertook reforms including creating the autonomous Telecommunication Regulator of Cambodia to regulate and oversee the technical and administrative aspects of the telecommunication sector, transforming the Cambodia Post as a state-owned enterprise to further expand and develop the postal sector to a high quality level on par with international standards, and establishing a Data Management Center aimed at strengthening the management and collection of revenue from the telecommunication sector. The reform has achieved significant progress, reflected in several indicators: (1) the number of mobile cellular subscription increased from 3.8 million in 2008 to approximately 19 million in 2012, equivalent to 130 subscriptions per 100 persons, and covered around 90% of urban areas; (2) the number of Internet service users increased from 20,000 in 2008 to 2.7 million in 2012; (3) the quality of telecommunication network and services was steadily enhanced, along with gradual development of the fixed-line telephone services; and (4) the network and service coverage of optical cable was continuously expanded by connecting Phnom Penh to all districts and communes across the country as well as neighboring countries in the region.

90. However, Cambodia still faces a number of challenges in the sector including: (1) inadequate and incomprehensive strategy, policy and regulation frameworks which constrain the effective oversight of this sector; (2) the need to strengthen and coordinate institutional mechanisms; (3) ineffective response of human resources and level of IT literacy to cope with the fast growth of modern technology; (4) the need to strengthen the competitiveness of Cambodia's mobile cellular and Internet services compared to the neighboring countries; (5) the need to strengthen cooperation and coordination among operators and between operators and supervisory authority; and (6) the need to enhance the effectiveness of investment and utilization of physical infrastructure and to expand the coverage and enhance efficiency of backbone infrastructure.

91. In response to these challenges and to lay the foundation for transiting to the higher stage of development, especially for ensuring Cambodia's competitiveness in the era of **"Knowledge Economy"**, the Royal Government of the Fifth Legislature will further develop the information and telecommunication technology sector as a modern, state-of-the-art and high quality service in accordance with international standards, competitive prices and nationwide coverage so that the public can use and benefit from the service.

92. To meet this objective, the Royal Government will place priorities on:

1. Preparing the national policy for the development of information and communication technology sector with due consideration of all social and economic aspects.
2. Promoting the adoption of the Law on Telecommunication and the preparation of related laws including those on Cyber-crime and e-commerce as deemed necessary for the effective management of the information and communication technology sector.
3. Stepping up the implementation and preparation of additional regulations for the telecommunication sector and information and communication technology sector.
4. Strengthening the role of supervisory institutions and enhancing institutional coordination to develop and manage this sector with transparency and efficiency.
5. Preparing and implementing the National Broadband Plan in order to help promote innovation, human resource development, competition, enhancement of economic productivity as well as greater participation from the public in socio-economic development.
6. Expanding the coverage and strengthening the efficiency of the backbone infrastructure, particularly by encouraging greater use of this infrastructure and further expanding to areas

with high economic and tourism potential as well as remote areas without or with limited telecommunication services.

7. Promoting human resource development to respond to the fast growing modern technologies and enhance public literacy level in information and communication technology aimed at more efficient use and deriving maximum benefit from this sector by strengthening all levels of education curricula, training of government officials and encouraging the private sector to participate in enhancing public's literacy in information and communication technology.
8. Further developing e-Government.
9. Encouraging the private sector to invest in the modern and state-of-the-art technology including broadband Internet, Cloud technology and software development to enhance the quality and efficiency of information and communication technology.

### Rectangle III: Private Sector Development and Employment

**93.** The Royal Government views the **“private sector as the locomotive of economic growth”**. The private sector plays a key role in promoting growth and socio-economic development, especially in realizing the Royal Government's objective of diversifying the production base, streamlining modern technologies and generating creative ideas aimed at improving economic efficiency and competitiveness as well as employment creation in order to reduce poverty and promote people's living standards. To respond to the needs of the next higher stage of development, the Royal Government will continue to promote private sector development through a package of comprehensive measures for improving existing policies and designing new policies including those addressing the legal, governance and institutional frameworks as well as related services and instruments, supporting and facilitating resource mobilization, and the development of financial and banking sector and labor market. To achieve the desired results, the Royal Government will introduce the **“Industrial Development Policy”**, designed to elevate Cambodia's economy to a higher level in the regional and global value chain.

#### Side 1: Strengthening the Private Sector and Promoting Investment and Business

**94.** The strategic objective of the Royal Government of the Fourth Legislature was to continue attracting domestic and foreign private investments through strengthened conducive investment and business climate, improved physical infrastructure, promotion of industrial diversification, upgrading small and medium enterprises (SMEs), enterprise modernization, strengthened regulatory framework, development of special economic zones and trade facilitation, and expanded access to international markets and strengthened public-private sector partnership (PPP) arrangements.

**95.** In addressing this objective, the Royal Government made significant progress during the Fourth Legislature period, including improvements in the legal framework, improved trade facilitation including reduction in costs of doing business, prescribing fees and standards for public services, reducing and streamlining administrative procedures; and expanding international markets through participation in the free trade areas and trade preferential agreements. Moreover, eight special economic zones were operationalized, attracting investments from new sources and in new sectors including food processing, machinery assembly and electronics. Furthermore, the partnership between the RGC and private sector was strengthened and expanded through the efficient process of the **“Government-Private Sector Forum”** and other related mechanisms. Cambodia received an annual average FDI of USD700 million per annum during 2008-2012 resulting in the creation annually of approximately 20,000 new jobs. In addition, Cambodia's exports have gradually increased, in particular during 2012, reaching USD 5,500 million with a more diversified range of exported goods.

**96.** However, Cambodia still faces a number of challenges in private sector development, especially inefficiency of logistics system and supporting infrastructure, high cost of doing business in

comparison to other countries in the region, productivity and labor skill levels not having met market requirements, and the need to strengthen the capacity of SMEs and the regulatory and institutional framework.

**97.** To address these challenges the Royal Government of the Fifth Legislature has set out two objectives: (1) to continue promoting the role of the private sector to be more active and dynamic as an engine for economic growth; and (2) to transform Cambodia to be an attractive and competitive destination for investment in the region, especially within the framework of ASEAN Economic Community.

**98.** To meet these objectives the Royal Government will focus on the following priorities:

1. Promoting investments in modern and high value added industrial sectors aimed at upgrading the diversification of the manufacturing base.
2. Encouraging investments in rural areas that will contribute to the development of the rural economy, reduce the gap between urban and rural areas, and improve the living standards of people as well as reduce migration from rural to urban areas and to foreign countries to seek jobs.
3. Further promoting the modernization of local enterprises and improved innovation capacity as well as strengthened links between local enterprises and domestic industries with foreign investment projects, aimed at promoting transfer of technology, knowledge and know-how, increasing productivity, and enhancing attractiveness and competitiveness of Cambodia.
4. Further strengthening favorable investment and business climate through improvement in regulatory framework, rationalization of incentives for investment projects, and improvements in good governance and efficiency of public institutions including the strengthening of **“Single Window”** mechanism of the Council for the Development of Cambodia (CDC).
5. Further improving trade facilitation through streamlined administrative structures and procedures, and cross border transport processes, reduced costs of doing business and strengthened inter-agency coordination.
6. Increasing investments in physical infrastructure including improvements in services and means to facilitate and support business processes and further strengthening and developing special economic zones.
7. Further strengthening corporate governance to promote the health and growth of private sector and corporate social responsibility.
8. Strengthening the effectiveness of **“Government-Private Sector Forum”** to address the challenges faced by the private sector, while upgrading it to a platform for dialogue for recommending policy options and advice that will further promote the role of private sector as a stakeholder in development.
9. Strengthening ‘investment aftercare services’ to address in a timely manner investor issues and concerns.
10. Strengthening the monitoring and evaluation system in implementing investment projects to ensure compliance with stipulated principles and conditions.

## **Side 2: Development of Industry and Small and Medium Enterprises (SMEs)**

99. The strategic objective of the Royal Government of the Fourth Legislature was to upgrade SMEs especially to improve business climate through enhanced regulatory framework, promotion of innovation and technology, increased access to finance, strengthened and expanded related support services, and integration of SMEs into global value chains.

100. In meeting this objective, the Royal Government achieved remarkable progress especially in promoting the implementation of the SME development framework through strengthened governance. The framework was aimed at promoting the business environment through developing industrial standards, adopting accounting and financial report standards to increase SMEs' access to finance, supporting priority activities with tax incentives on inputs, and building institutional capacity particularly with the establishment of “**National Productivity Center**” and “**Industrial Laboratory Center**”. The implementation of these measures contributed to the expansion of the industrial base including the emergence of a range of industries including machinery assembly, electronics, spare parts manufacture, agro-processing, and other manufacturing industries. During 2008- 2012, 518 new large-scale factories were set up, contributing around USD 5,500 million to GDP and providing 560,000 jobs. Moreover, the number of SMEs in 2012 reached more than 38,000 creating more than 185,000 jobs.

101. Nevertheless several challenges remain in industrial and SME development including in particular the narrowly-based industrial structure, lack of auxiliary industries supporting main industries, underdeveloped linkages between SMEs and large-scale enterprises, low productivity, high cost of doing business and other factors adversely impacting on Cambodia's competitiveness, not sufficiently effective policy and institutional frameworks, and industry not being fully equipped to meet market demand as compared to neighboring countries. Aside from this, the emergence of the extractive industry in Cambodia requires the Royal Government to pay more attention to the development of this sector to ensure that the management of mineral exploration and exploitation is efficient, transparent and accountable, and environmentally sustainable.

102. In the Fifth Legislature, the objective of the Royal Government is to continue to promote further diversification of the industrial base through encouraging investments in new high value added, more creative and more competitive industries, including in particular, assembly, electronics, spare parts manufacture, agro-processing and other manufacturing industries while also promoting further development of SMEs and handicrafts and expanding industrial development into rural areas to boost economic growth, job creation and incomes of rural population. Moreover, the Royal Government will also focus on the development and management of extractive industry with high accountability to transform its potential into another source of Cambodia's economic growth.

103. In pursuing this objective, the Royal Government will focus on the following priorities:

1. Formulating industrial development policy based on two key approaches: (1) expansion of industrial base supported by increased attractiveness of Cambodia to investors and investment promotion including modernization of SMEs; and (2) improved connectivity with regional production networks to integrate with and move up the global value chains.
2. Preparing science and technology policy with the objective to increase research and development capability of Cambodia in responding to the projected needs of national development in the next higher phase, in particular ensuring consistency with the industrial development policy and agricultural development policy as they evolve.
3. Updating the **SMEs Development Framework** to be consistent with the industrial development policy aimed at enhancing SME's capacity to link with large enterprises and form a cluster while promoting entrepreneurship, productivity, creativity, innovation and specialization through introduction and implementation of a comprehensive package of supporting measures including clustering, enhanced technology transfer, increased access to finance, strengthened technical standards, establishment of **business development**

**counseling centers**, promotion of “**one village one product**” movement and improvement of regulatory framework as well as strengthened institutional coordination.

4. Aligning private sector development and investment policies with SME and industrial development policy especially by encouraging investment in industrial clusters and industrial parks through promoting the adoption of Law on Special Economic Zones, in order to upgrade management, infrastructure and operations in the industrial sector to international standards.
5. Promoting industrial corridor development along the main national roads, linking key economic poles in Cambodia and connecting the Cambodian economy with the neighboring countries in particular through the economic corridor development framework in GMS and ASEAN.
6. Further strengthening the development process in extractive industry, especially technical regulation and supervision including risk management, and social and environmental impact management from inception of operations to post operations; and the management of fiscal revenue from this activity through development of policy, strengthening regulatory framework, capacity building, institutional coordination and human resource development.
7. Human resource development especially the skill training for industrial sector through enhanced quality of education in all areas and at all levels, especially the reform of tertiary education, technical and vocational training, giving priority to training of engineers, technicians and workers to acquire appropriate skills as demanded by the markets with a proactive approach using public-private sector partnerships.

### Side 3: Development of Labor Market

**104.** The strategic objective of the Royal Government of the Fourth Legislature was to continue implementing the policy of linking trade with improvement in labor conditions, provision of vocational training to meet market demand, dissemination of labor market information, development of labor statistical system and national qualification standards framework, strengthening labor dispute resolution mechanism and implementation of labor law.

**105.** The Royal Government’s achievements in meeting this objective were substantial. In 2011, the number of industrial enterprises<sup>6</sup> large and small, was more than 500,000 and they provided more than 1.6 million jobs<sup>7</sup> including more than 500,000 in textile, garment and footwear industries. Moreover, more than 100,000 legal overseas workers sent more than USD200 million per annum in remittances. The Royal Government also established the **National Employment Agency** to provide employment services to job seekers and the **Employment Forum** for exchange of information related to job markets. The Royal Government helped increase the monthly minimum wage in textile, garment and footwear industries from USD50 to USD80 while encouraging employers to provide other additional monthly benefits of about USD20 to workers. In promoting worker rights, acceptable working conditions and harmonious industrial relations between workers, employees and employers,

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<sup>6</sup> According to International Standard of Industrial Classification (ISIC) that used in “Economic Census 2011”, the establishment can be defined as an economic unit that engages, under a single ownership or control - that is, under a single legal entity - in one, or predominantly one, kind of economic activity at a single physical location. There are three kinds of establishments: (1) “Fixed” means an establishment running some economic activity always in the fixed place and building; (2) “Movable” means an establishment running some economic activity always in the fixed place, but it is possible to move the place easily; and (3) “Mobile” means an establishment running some economic activity on run along the street.

<sup>7</sup> This estimate does not include job creation in family businesses and non-industrial sectors including agriculture and services.

the Royal Government increased onsite labor inspections and interventions in labor dispute resolution, and provided support to the **Better Factory Program**. The Royal Government has also encouraged the use of out-of-court dispute settlement mechanisms such as the **Arbitration Council** and **Employment Counseling Committee**.

**106.** Nevertheless, challenges remain in labor market development to bring the key aspects of the labor market to close alignment, in particular, skill availability, labor productivity, shortage of engineers and technicians, the need for forecasting market demand for labor by profession and skill, the quality and relevancy of training in both tertiary and vocational training levels, high labor mobility, the protection of worker rights and labor conditions for local and overseas workers, the industrial relations between workers, employees and employers, and the continuing need for improvement in wage setting mechanism, and to strengthen and refine policy and regulatory framework, institutional capacity and coordination.

**107.** To address these challenges, the Royal Government of the Fifth Legislature will further deepen reforms of policy, and regulatory and institutional frameworks to ensure that all the components of labor market are collectively consistent, responsive and reinforcing each other so that they can effectively contribute to boosting economic growth, creating jobs and promoting livelihoods.

**108.** In pursuance of this objective, the Royal Government will focus on the following priorities:

1. Developing and implementing a national employment policy to closely align the employment sector to the needs of socio-economic development, in particular by focusing on youth employment, labor force preparedness to respond to the implementation of the Royal Government's development policies, as well as being well prepared in managing and benefiting from Cambodia's participation in ASEAN Economic Community.
2. Strengthening the **Employment Forum** coordinated by the Royal Government and in which job providers, job seekers and education and training service providers participate, aimed at improving exchange of labor market information, counseling and responsiveness to changing market conditions.
3. Expanding employment services to job seekers and a broader dissemination of information on job opportunities in the country and abroad to the public including counseling and support provided to worker recruitment through expansion of job centers under the National Employment Agency of the National Training Board across the country.
4. Further developing a sound labor market information system especially through strengthening data collection, analysis and dissemination of labor statistics and information on education and technical and vocational training programs, and providing information to the public on wages and the supply and demand of skills.
5. Further developing human resources, focusing on the technical capacity to respond to the needs of socio-economic development, especially through promotion of skills and professional training and retraining including apprenticeships, while encouraging private sector participation to promote higher productivity and incomes for both workers and employers.
6. Streamlining the education and technical and vocational training sectors especially in developing their frameworks and standards to facilitate student transfers from technical and vocational training to higher education.
7. Further improving labor conditions through strengthening the implementation of the labor law and the law on social security schemes for persons defined by provisions of the labor law, and

further supporting the **Better Factory Program** and improvement of labor market environment.

8. Strengthening harmony in industrial relations between workers, employees and employers through adoption of the law on trade unions, updating the labor law, strengthening adherence to work discipline and professional ethics, institutional strengthening and coordination for implementation of labor dispute prevention and resolution mechanism as well as the mechanism to prevent and address labor protests, strengthening capacity and role of labor inspectorate in dispute mediation and resolution; and establishment of labor courts.
9. Establishing mechanism to conduct regular and needed studies to provide recommendations for review and setting of minimum wage by region and sector in line with national economic conditions, as well as mechanism to protect the interest of workers and employees in case of factory bankruptcy.
10. Further strengthening the administration of the recruitment of labor to work abroad, as well as enhancing protection of rights, health and safety of Cambodian overseas workers.

#### **Side 4: Banking and Financial Sector Development**

**109.** The strategic objective of the Royal Government of the Fourth Legislature was to develop a sound and market-based banking and financial sector aimed at strengthening its role in driving development and economic diversification through financial resource mobilization to meet increasing financing needs.

**110.** The Royal Government has achieved remarkable progress in meeting this objective including: (1) Development of policies and regulatory framework in particular, strengthening the management of the banking and financial sector; (2) Institutional infrastructure development to support a sound, effective and well-functioning financial sector including the establishment of a national settlement system and credit bureau, strengthening rural financial services, and development of IT system to support central bank operations; and (3) Capacity building for human resource development, specialization and making substantive contribution to regional financial arrangements and financial stability.

The outcomes from implementing the above measures are reflected in the improved soundness of the banking and financial system, which has helped not only maintain domestic stability amidst global financial crisis but also increase dynamism and vibrancy in the mobilization of domestic and foreign savings and transforming them into an important resource for financing economic growth and job creation. Moreover, the non-bank financial sector has been further developed through strengthening and expansion of the insurance sector including life and micro insurance; the introduction of securities market; the establishment of social safety net schemes including the social security fund for civil servants, national fund for veterans, national social security fund for workers and employees, disability fund, and the voluntary private pension scheme.

During 2008-2012, total assets of commercial banks increased threefold reaching almost USD11 billion; the total credit stock grew by four times from more than USD1,500 million (23% of GDP) to USD5,800 million (41% of GDP); and bank deposits increased almost threefold from USD2,400 million (24% of GDP) to USD6,700 million (47% of GDP). In this period, the total assets of micro finance institutions increased six times from more than USD180 million to more than USD1,000 million while the total credit increased from more than USD150 million to more than USD880 million, serving more than 1.3 million people. In the same period, in insurance, the total premium almost doubled from around USD20 million to more than USD36 million while the total assets rose from about USD60 million to about USD105 million. The data reflect the deepening and diversification of financial intermediation as well as the shift toward specialization in the financial sector and increased public confidence in the sector.

**111.** Notwithstanding the above achievements, Cambodia’s financial sector is still facing challenges especially the need to further develop the sector with even stronger focus on ensuring stability and resiliency of the financial system through improved policy coordination in addressing the gaps and harmonization of regulatory framework, and strengthening institutional capacity and human resource development.

**112.** To address these challenges the Royal Government of the Fifth Legislature aims to further develop the financial sector to be more broad-based, diversified, deepened, sound and effective, based on market principles to support sustainable economic growth and poverty reduction.

**113.** In pursuance of this objective, the Royal Government will further promote effective and successful implementation of the “**Financial Sector Development Strategy 2011-2012**”, particularly focusing on:

1. Further developing and coordinating implementation of policy and regulatory frameworks, particularly in strengthening regulation and supervision mechanisms, institutional and human resource capacity in line with Cambodia’s economic development and in response to the need for Cambodia’s financial system to integrate with the regional and global financial system.
2. Continued development of a crisis prevention and resolution mechanism including an early-warning system through improved institutional coordination especially consideration of the need to establish a national financial stability board.
3. Further strengthening and developing effective financial infrastructure that includes a payment system, introduction of money market/interbank market, and promotion of use of international best practices in accounting and corporate governance.
4. Further supporting growth in banking and microfinance sectors to promote financial inclusion, focusing on improved registration and licensing as well as supervision systems so as to render them simple, transparent, accountable and effective especially Microfinance Institutions, while further diversifying financial tools and financial products such as financial leasing and risk sharing schemes’ operations.
5. Exerting more effort to expand microfinance services with affordable prices and better terms and conditions, especially targeting the poor and agricultural communities to promote the rural economy, and further expand credit to SMEs.
6. Further strengthening and expanding the scope of compulsory insurance and developing new products especially in life and micro insurance through development and improvement in regulatory frameworks along with strengthened capacity of the insurance regulator.
7. Further developing the securities market, encouraging firms and companies to launch their initial public offerings (IPOs) in the market while improving trading facilities, and considering the need to issue government securities.
8. Further developing and strengthening social safety net systems to be centralized, integrated, consistent and efficient.
9. Further developing and strengthening other components of the non-bank financial subsector such as trust funds and real estate markets as well as pawn shops.
10. Further exploring the possibility to establish a financial center.

#### **Rectangle IV: Capacity Building and Human Resource Development**

**114.** The development of high quality and capable human resources with high standards of work ethics is key to supporting economic growth and competitiveness of the country, both in the present and the future. This is even more important for Cambodia's transition from a lower-middle income country status to be reached in the near future, to an upper-middle income country by 2030 and a developed country by 2050, as envisaged by the Royal Government. Keeping this in view, human resource development, especially for the youth, will target capacity building without gender discrimination, in terms of establishing a reliable social safety net system, developing knowledge and know-how, entrepreneurship, skills, and creativity and innovation in every sector particularly in science and technology, and R&D along with enhancement in terms of improving physical health and conditioning, ethic attributes, a sense of personal responsibility, national conscience and professionalism.

### **Side 1: Strengthening and Enhancing Education, Science and Technology, and Technical Training**

**115.** The strategic objective of the Royal Government of the Fourth Legislature was to continue implementing the Education Strategic Plan focusing on equal opportunity for all Cambodian children and youth to have access to basic education, both formal and informal, and improving the quality of education in responding to the country's development needs.

**116.** In this regard during the Fourth Legislature period, the Royal Government made remarkable progress in enhancing the quality and effectiveness of human resource development through implementing the **“Education Strategic Plan 2009 – 2013”**, including improvement in policy and regulatory framework and increase in resources and investment available to the sector from the national budget, development partner assistance and private sector contribution. As a result, a number of key education indicators improved: (1) In primary education, the total number of public primary schools reached 6,910 in 2012, an increase by 345 schools during the Fourth Legislature, while the net enrolment<sup>8</sup> and completion<sup>9</sup> rates of primary education were respectively 97% and 87% during Academic Year (AY) 2012-2013; (2) In secondary education, the number of public lower secondary schools reached 1,214 in 2012 increasing by 92 during the Fourth Legislature, while the gross enrolment rate<sup>10</sup> at this level was 53% for AY 2012-2013 with completion rate of more than 40%; (3) The corresponding number of public higher secondary schools was 433 an increase of 84 during the Fourth Legislature, while the gross enrollment rate at this level was more than 27% with completion rate of about 27%; (4) There were 39 public and 62 private higher education institutions in 2012, with 250,000 students enrolled for AY 2012-2013; and (5) The total number of vocational and technical training institutes in 2012 was 331, of which 55 were public, 227 private and 49 non-governmental organizations. Moreover, the youth and sports sectors were also promoted through implementation of Three Best Movements **“Good Children, Good Students, Good Friends”** and through collaboration in promoting youth movement in society such as the Youth Movement for the Cause of Motherland, Red Cross Youth Movement, and the National Scouts Movement which participated in social activities and organizing sport events such as the **“Sports for All”** competition and other public sports championships at national and regional levels.

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<sup>8</sup> **Net enrollment rate** is enrolment of the official age-group for a given level of education expressed as a percentage of the corresponding population. For example, primary net enrollment rate is the proportion of children aged 6 to 11 in schools over the total population of this age group. This ratio aims to measure equity access of education service.

<sup>9</sup> **Completion rate** is the total number of new entrants in the last grade expressed as percentage of the total population of education age to the last grade. For example, primary completion rate is the proportion of new entrants at grade six over the total 11-year olds population.

<sup>10</sup> **Gross enrollment rate** is the total enrollment expressed as a percentage of the total population of education age. For example, lower secondary gross enrollment rate is the proportion of total student in the lower secondary school over the total population at age 12 to 14 years old. This ratio indicates total number of students and could exceed 100% due to the inclusion of repeats and over-aged student.

**117.** However, a number of challenges remain in the sector including the need to further promote the quality of education at all levels, the high drop-out rates especially at the secondary level, the need to strengthen technical skill development for the youth, the shortage of students studying engineering, and science and technology subjects to meet market demand and the country's development needs, and the need to further encourage and strengthen capacity of teachers and educational institutions through adequate provision of facilities and supply of materials.

**118.** To address these challenges, the Royal Government of the Fifth Legislature will further promote the implementation of “**Education for All**” policy aimed at ensuring equal access to education services, further promoting improvement in the quality and effectiveness of education services at all levels, as well as further developing the capacity of educational institutions and staff.

**119.** In pursuance of this objective, the Royal Government of the Fifth Legislature will focus on the following priorities:

1. Further developing and improving education policies and strategies, especially updating the Education Strategic Plan, Master Plan on ITC in Education and Policy on Research Development in Education, with the objective to build and develop a high quality, and capable human resource with high standards of work ethics in all areas, and to proactively meet the need of socio-economic development and strengthen Cambodia's competitiveness within the regional and global frameworks based on pro-active approach.
2. Enhancing knowledge and human resource capacity in science and technology, especially in the priority sectors including agriculture, livestock farming and aquaculture, industry, energy, construction and physical infrastructure, ITC, healthcare and environment, through implementing a number of key measures including: (1) mainstreaming scientific and technological knowledge and its applications in academic curriculums at all levels especially in high school, vocational and technical training and higher education; and (2) promoting R&D including the introduction of a research network model linking **universities, public institutions and industry**.
3. Increasing equitable access to education through further promoting the construction of elementary schools to reach remote villages, locating at least one secondary school in each commune subject to geographic conditions, and at least one university or its branch in each province subject to capacity constraints and specific circumstances in deploying teachers to all those establishments. This includes provisions such as allowing teachers to work in their own villages and communes, increasing the number of dormitories, reducing the costs incurred by parents, increasing budget spending for educational institutions as well as strengthening engagement of private sector and concerned development partners.
4. Continuing institutional development and capacity building through the development of legal framework and strengthened implementation of laws and regulations, organizational structure and skills training for education officials.
5. Increasing quality and effectiveness of educational services at all academic levels in particular, technical and skill training for both public and private institutions in accordance with international standards; meeting domestic development needs through: training and re-training of teachers, improvement in curriculums, strengthened inspection and management capacity, improved teacher motivation to increase their teaching capacity, better quality of examinations at all academic levels, encouraging study of needed foreign languages, improved learning environment, expanding libraries and science laboratories, increased supply of learning materials, as well as participation of parents, guardians and communities.

6. Further promoting the role of religion in education, especially Buddhism which is the state religion, to contribute in inculcating ethical, morality and behavioral values in students and ensuring harmony in Cambodian society.
7. Promoting the formulation and implementation of a national policy on education and technical and vocational training aimed at enhancing worker productivity, addressing and reducing youth unemployment, increasing people's income and ensuring equity.
8. Further strengthening the quality of education and technical and vocational training, and the development of technical and soft skills for youth, especially team work, discipline and professional ethics at workplaces through: the reform of training curricula and programs, strengthening national qualification standards framework, establishment of national competency standards, and monitoring and testing of competency, skill recognition, development and contest, aimed at fulfilling the demand of labor market, increasing employment opportunities and using all the potential of Cambodia's demographic dividend as well as creating appropriate conditions for Cambodia's workers to take up management and leadership roles.
9. Further promoting the implementation of National Policy on Youth Development and the National Policy on Physical Education and Sports through inspiring young people to participate in social movements and sports activities, which would transform the youth into a pool of human resources with high quality, capacity and desired attributes for socio-economic development and smooth succession from the present to future generations.
10. Further developing National Stadium and related sports facilities as well as training of athletes and sportsmen in the fields in which Cambodia has potential to prepare for the hosting of the SEA Game in 2023.

## Side 2: Promotion of Health and Nutrition

**120.** The strategic objective of Royal Government of the Fourth Legislature was to implement the **Health Sector Strategic Plan**, aimed at promoting people's well-being and higher nutritional standards and reducing maternal and infant/child mortality, through strengthening and improving quality, effectiveness and efficiency of health services. The results include remarkable progress in improvement in health status of the population especially women, infants, children and poor households, as reflected in the following key indicators: (1) Maternal mortality rate fell rapidly from 472 per 100,000 live births in 2005 to 206 per 100,000 in 2010; (2) Infant mortality rate declined from 66 per 1,000 live births in 2005 to 45 per 1,000 in 2010; (3) Mortality rate of the children under 5 dropped from 83 per 1,000 live births in 2005 to 54 per 1,000 in 2010; (4) TB mortality rate declined from 155 cases per 100,000 persons in 1990 to 63 cases in 2011; (5) TB prevalence rate dropped from 1,670 cases per 100,000 persons in 1990 to 817 cases in 2011; (6) Malaria mortality declined from 2.08 per 100,000 persons in 2007 to 0.32 in 2012; and (7) HIV prevalence rate fell from 0.9% of the population in 2006 to 0.7% in 2012. Moreover, the awareness among people of healthcare and hygiene has improved along with better and equitable access to health services through implementation of a number of measures including subsidy for the poor, equity fund and reproductive healthcare card; and increase in the coverage of poor households under the Equity Fund from 57% in 2008 to 78% in 2012.

**121.** Notwithstanding these major achievements, challenges remain in improving Cambodia's health conditions, including higher maternal and child mortality rates and child malnutrition compared to other regional countries as well as inadequate coverage and quality of health services in response to the demand.

**122.** In response, the Royal Government of the Fifth Legislature will continue implementing and updating **Health Sector Strategic Plan (2008-2015)** to promote sustainable development of the

health sector, aimed at improved sanitation, health, nutrition and well-being of Cambodian people particularly of the poor and the vulnerable including women and children.

**123.** The Royal Government will accordingly focus on the following priorities:

1. Developing and improving health sector policies and strategies; strengthening and improving regulatory framework especially for private health services; promoting good governance and strengthening health institutions at all levels; enhancing awareness among physicians, health workers, and health staff and service users about patient rights; promoting private sector partnerships in delivering health services; and encouraging community participation in health sector development.
2. Further developing supporting infrastructure in health sector through IT application and extension in order to strengthen the health sector database system.
3. Further increasing access to health services through expanded coverage and outreach of public health service by bringing them closer to the public through further expansion of health infrastructure including construction of referral hospitals, health centers and health posts according to geographic and demographic conditions, and providing them with facilities, equipment, medicines and medical staff with appropriate skills.
4. Further improving equity in access to health services through expansion of the equity fund and payment schemes for the poor; and development of health insurance system keeping in view Cambodia's socio-economic context and to promote the welfare of the people particularly by protecting the poor from the risk of excessive health spending.
5. Further enhancing the quality of health services through strengthening clinical techniques and management capacity of physicians, medical staff and health officials, by focusing on: (1) Improved quality of basic, advanced and specialized training; (2) Strengthened enforcement of professional ethics; and (3) Deployment of more physicians, pharmacists, dentists, mid-wives, nurses and medical assistants to all public health centers especially in rural areas, while giving priority to admitting students from the rural areas to undertake studies in national and regional health education institutions including the provision of adequate incentives and accommodation when deployed in rural areas.
6. Further enhancing awareness about hygiene and improving sanitary conditions among population aimed at maintaining good health and reducing prevalence and spread of diseases.
7. Further improving reproductive, maternal and infant/children health including their nutrition status through enhancing quality and effectiveness of reproductive, maternal, infant and children healthcare services by focusing on: expanded coverage of child delivery by professional mid-wives and physicians, maternal emergency and newborn baby care services, and consultation services on birth spacing options; increased coverage of children's vaccination especially vaccinations against measles and tetanus; provision of mineral supplements and proteins to infants during the initial 1,000 days after birth and special care services for those with severe malnutrition; and provision of reproductive education and healthcare services to the youth.
8. Further reducing morbidity and mortality rates caused by major communicable diseases such as HIV/AIDS, TB, malaria, dengue, and other neglected tropical diseases including newly emerged transmitted diseases and other re-emerged diseases, particularly exerting more efforts to completely eliminate malaria by 2025.

9. Further reducing morbidity and mortality rates caused by chronic non-communicable diseases and other public health vulnerabilities related to food safety, drug use, alcohol and tobacco consumption, traffic accidents, disasters, environment and climate change.
10. Further strengthening cooperation with development partners and other concerned stakeholders aimed at enhancing public health services, particularly for important health programs such as reproductive healthcare and women and children nutrition programs.

### Side 3: Development of Social Protection System

**124.** The strategic objective of the Royal Government of the Fourth Legislature in this area was to strengthen the current social protection programs and integrate them as a formal social protection system aimed at improving the welfare of the poor and the vulnerable, who cannot cope with health, education, food insecurity and crisis related financial impacts. In realizing this objective, the Royal Government introduced the **“National Social Protection Strategy for the Poor and Vulnerable 2011-2015”**, aimed at consolidating all the programs and services that have been implemented by different institutions into a single social protection framework that would facilitate the analysis, reform and mobilization of resources to support development of a comprehensive social protection system.

**125.** The Royal Government’s major achievements in addressing this objective include: (1) Introduction of the food assistance program for the poor, food for work program, protection programs to enable poor children to go to school and programs to support the vulnerable, especially the farmers during and after the natural disasters; (2) Support provided to workers and employees during the global financial crisis through the special fund for vocational training, and the provision of credit to create jobs for laid off workers and employees, payment by RGC of the mandatory contribution of employers to the National Social Security Fund for workers and employees’ workmen compensation insurance, which accounted for 0.3% of their base salary, and the support to maintaining jobs through allowing additional tax exemptions to textile, garments and footwear industries; (3) Implementation of the Health Equity Fund, fee payment scheme for the poor, reproductive health cards, and community-based health insurance schemes with participation from concerned stakeholders; (4) Improvement in the social safety net system through the creation of the National Social Security Fund, National Social Security Fund for Civil Servants, National Fund for Veterans and Disability Fund, with the National Social Security Fund implementing the occupational risk insurance scheme covering almost 800,000 workers and providing pension to the civil servants, armed forces, families of the deceased and disabled soldiers; with coverage extended to all the provinces and cities, and using the banking system to make direct payment to the beneficiaries; (5) Social land concessions and land grants to the poor who are landless or with limited land ownership, disabled soldiers, families of deceased soldiers, and former combatants; and (6) Expansion of microfinance coverage and improve accessibility to the public.

**126.** Notwithstanding these major achievements and progress, Cambodia faces a number of challenges, especially with regard to fragmentation, limited coverage and lack of complementarity in social protection system.

**127.** To address these weaknesses the Royal Government of the Fifth Legislature will continue strengthening the social protection system to be more interconnected and coordinated and consolidate it as an integrated, consistent, and efficient system covering both the public and private sectors, including a clear cut division of roles distinguishing between policymaking, regulation and operations.

**128.** In social protection reform, the Royal Government of the Fifth Legislature will focus on the following priorities:

1. Improving the social protection policy framework and strategy, including the update of **“National Social Protection Strategy for the Poor and Vulnerable 2011-2015”** and other related documents such as **“Financial Sector Development Strategy 2011-2020”** so as to be more consistent and responsive to the above objective.
2. Further promoting and developing a mechanism for institutional coordination including harmonization of the existing intervention schemes, preparing studies and functional analysis of target areas of protection, instruments and implementation arrangements aimed at increasing efficiency in resource use and fill the gap in social protection for the poor and vulnerable that will result in a comprehensive social security system under the **Law on Social Security System for the Cambodian People**.
3. Further implementing the national policy on pension for former soldiers and retired civil servants more efficiently through strengthening the national social security fund for civil servants and national fund for veterans.
4. Further implementing the national policy on disability through the **Disability Action Council**; strengthening the implementation of the **Law on the Protection and Promotion of the Rights of Persons with Disabilities**, and promoting the enhancement of rights and welfare of the disabled according to the **United Nations Convention on the Rights of Persons with Disabilities**, as well as improving the quality and efficiency of the disability fund’s services.
5. Further promoting the **National Policy for the Elderly People** through the Cambodian National Committee for the Elderly People; further strengthening the association of senior citizens, promoting welfare programs for elderly people at the community level and improved care programs for seniors at the family level; and in particular, enhancing arrangements and processes in providing services to the aged including provision of training for their care providers.
6. Further strengthening mechanisms to respond to disasters, with focus on protection of victims during and after disasters through further strengthened relevant institutions and mechanisms, in particular the Committee for Natural Disaster Management, by further increasing collaboration, cooperation and coordination with all related stakeholders such as the Cambodian Red Cross, various international humanitarian aid agencies, private sector, donors and other partners.
7. Further strengthening food security, especially the mechanism of **“Cambodia Food Reserve Management Committee”**.
8. Making further interventions in the health sector aimed at improving the sanitary conditions, enhancing prevention of epidemics and other health risks, promoting wellbeing of mothers, infants and children by paying attention to correcting malnutrition, expanded coverage of the equity fund, provision of health insurance to local communities and extending voluntary health insurance schemes targeting those in the informal economy.
9. Taking further initiatives in creating job opportunities through support provided to poor people to receive training and retraining in technical, professional, and entrepreneurship skills, that will help self-employment of workers or facilitate their job search in the market.
10. Introducing a package of flexible measures according to prevalent circumstances to provide protection to the vulnerable during future economic crises which may be faced by the country.
11. Further implementing measures to distribute land through social land concessions and land grants to the poor, handicapped soldiers, and families of deceased soldiers and former

combatants who are either landless or with limited land, in accordance with RGC's land reform policy.

12. Enhancing financial inclusion through expansion of coverage and intermediation of microfinance and micro-insurance services at affordable prices and favorable terms and conditions, including state assistance in financing business creation through the **“National Fund for Training and Poverty Reduction”**.
13. Further expanding occupational risk insurance and making arrangements to implement health insurance scheme for workers, employees and their dependents, and pension fund for workers and employees.

#### **Side 4: Enhanced Implementation of Population Policy and Gender Equity**

**129.** The strategic objective of the RGC of the Fourth Legislature was to strengthen the quality of people, improve the status of women who are the backbone of national economy and society, and to transform youth to become an important driving force for development in every sector.

**130.** In meeting this objective, the Royal Government has achieved remarkable progress including enhancing the quality and living conditions of the people as reflected in significant improvement in social and economic indicators in education, technical and vocational training, health and employment.

Specifically, in improving women's status, the Royal Government implemented the **“Nearby Rattanak Strategic Plan III”** stressing provision of expanded opportunities for women to develop their professional and knowledge capacity according to labor market requirements while easing the access to small and medium sized enterprise credit for female entrepreneurs. In education, the RGC has narrowed gender gaps at all levels through increasing the number of scholarships provided to students from poor families, particularly female students; educational institutions serving local communities; and dormitories for female students. In the health sector, the RGC has increased access to health services and nutrition for women and children that resulted in significant reduction in maternal and child mortality rates. In the public sector, the proportion of female civil servants reached 35% in 2012; country wide 218 women were appointed as deputy governors of capital, provinces, municipalities, districts, and khans, one as deputy prime minister, two as ministers, and 54 as secretaries and undersecretaries of state. Female parliamentarians accounted for 22% and one as vice president. The proportion of women elected as members of commune/district councils doubled from 8% in 2002 to 18% in 2012. In preventing violence against women and promoting morality in society and Khmer women and family values, the Royal Government has vigorously implemented the **Law Against Domestic Violence and Victim Protection**, the **Law Against Human Trafficking and Sexual Exploitation**, and the **First National Action Plan on Preventing Violence Against Women**.

As regards the youth, the Royal Government introduced the **“National Policy on Cambodian Youth Development”** aimed at developing knowledge, knowhow, health, physical fitness and morality in youth to become potential “human capital” and provide them with opportunities to participate in decision making activities at all levels including at family, community and national levels. The youth have played a significant role in social work through Scout Movement, Red Cross Youth and Voluntary Youth to implement the **“Old Policy-New Action”** and other youth movements for promoting national culture, traditions and environmental protection.

**131.** Cambodia's challenges in this strategic area include: (1) the necessity to manage the mobility of people and urbanization; (2) harnessing opportunities stemming from the demographic dividend arising from the share of youth less than 25 years old being about 50% of total population; and (3) the necessity to further improve the status of women who are the backbone of Cambodian society and economy.

**132.** To meet these challenges, the Royal Government of the Fifth Legislature will pay attention to further strengthening the management of the demographic dynamic, aimed at enhancing the quality of **human capital**, a key factor determining the country's long term competitiveness, and benefit from and capitalize on Cambodia's demographic dividend to the fullest for promoting sustainable economic growth, progress and prosperity.

**133.** To meet this objective the Royal Government will focus on the following priorities:

1. Developing a policy to manage the movement of people within the country in consonance with the implementation of strengthened land management and urban planning policies and focusing on: (1) Development of Phnom Penh, and other key economic poles, satellite cities and urban areas of the country while making efforts to create jobs in these communities; and (2) Linking satellite cities and urban areas with important economic poles and centers to form economic corridors.
2. Further developing human resources with focus on strengthening quality, ability and work ethic standards through implementing a variety of interconnected measures in related sectors such as education, research, science, technology, technical and vocational training, and health.
3. Promoting the role of women and youth in the economy through strengthening vocational training programs; equipping them with technical and entrepreneurial skills and empowering women and youth.
4. Promoting the role of women in the public sector through increasing the gender ratio in line ministry management and strengthening their ability to pursue leadership both at management and technical levels.
5. Promoting the implementation of **“National Action Plan to Prevent Violence Against Women”** aimed at eliminating violence against women and nurturing the culture of non-violence to contribute to enhancing morality in society, status of Khmer women and family values as well as building a happy family, harmonized community and society.
6. Further strengthening law enforcement to be more effective in measures against human trafficking and sexual exploitation of women and children.
7. Further promoting welfare and rights of children as stipulated in the International Convention on Children's Rights including their right to life, development, protection, and participation.
8. Continuing to pay attention to creating favorable conditions for youth to become worthy successors of the present generation and enable their participation in leadership and socio-economic development and protection of society's achievements, through gradually implementing steps to promote youth to take up more responsibility for development management at all levels.
9. Further mainstreaming gender in government initiatives and responding to the needs of youth in national policy and the development plans in all sectors and at every level.

## Conclusion



**134.** The successful implementation of the **Rectangular Strategy-Phases I and II** during the past decade has brought Cambodia to the threshold of a new stage of socio-economic development. The remarkable and historic achievements include:

1. Assured sustainability of peace, political stability, security and social order, improved observance of human rights and dignity, firm adherence to multi-party liberal democracy and rule of law, and enhanced Cambodia's image in regional and international arena including through fully secured national sovereignty and territorial integrity.
2. Achieved high, sustainable and more broad-based economic growth at annual average of 8% per annum over the last decade, while improving competitiveness and maintaining low inflation at around 5% per annum.
3. Reduced poverty incidence at more than 1 percentage point per annum while making significant improvement in key social indicators such as in education, health and gender equity.
4. Increased coverage, efficiency and quality of public services thereby securing more public confidence in government.

**135.** Given these achievements, **Rectangular Strategy-Phase III** of the Royal Government of the Fifth Legislature is designed to respond to two major momentous missions of the nation: (1) further progress with firm conviction to fully accomplish the Cambodia Millennium Development Goals (CMDGs) by 2015, while achieving the lower-middle income status; and (2) creating the necessary pre-conditions and a favorable environment for a profound transformation of Cambodia and to set the stage for the drive to the next higher level development and realize its goal to become a higher-middle income country by 2030 and a high income country by 2050.

**136.** To pursue these goals, the **Rectangular Strategy-Phase III** clearly defines Cambodia's socio-economic policy agenda for the next 5 years, **targeting four strategic objectives and four priority areas** as indicated earlier. During the next 5 years, this **Rectangular Strategy-Phase III** will guide Cambodia's robust transition to a higher level of development through a fundamental transformation that will be reflected in the following four major interlocked paradigm shifts:

1. The process of change by moving from quantitative to qualitative aspects of socio-economic development including structural reforms, increased productivity and economic diversification aimed at promoting Cambodia's competitiveness, enhanced social inclusion and public participation and improved social equity. This change will be reflected in: (1) continuation of in-depth reforms especially in public financial management, decentralization and de-concentration, and public administration including legal and judiciary reform; and (2) continuation of investments in physical infrastructure and further improvements in trade facilitation and investment climate.
2. The process of industrial development will be fundamentally changed through introduction and implementation of "**Industrial Development Policy**" and agriculture commercialization aimed at increasing value added in economy and developing Cambodia's agriculture from a low productivity and subsistence-based extensive agriculture to a high productivity and commercialized intensive agriculture.
3. The process of change will place less emphasis on **physical capital** formation and give greater importance to investment in building **knowledge capital** that implies more **human capital** development especially through increased investment in youth, greater role played by the youth in socio-economic development and improved public welfare particularly of women, infants and children.

4. The process of Cambodia's integration into regional and global communities will deepen especially through participation in the ASEAN Economic Community to be established in 2015, while making utmost efforts to effectively harness opportunities and the conducive environment stemming from regional integration to achieve maximum benefits for Cambodia, particularly through linking Cambodian economy to regional production networks and global value chains.

**137.** As in the previous legislatures, the “**Political Platform of the Fifth Legislature**” and “**Rectangular Strategy-Phase III**” will be implemented through the **National Strategic Development Plan 2013-2018** which will be introduced shortly. In implementing the Strategy, the Royal Government will make further efforts to ensure consistency of priorities and sequencing of implementation between the “**Political Platform**”, the “**Rectangular Strategy**” and the “**National Strategic Development Plan**” as well as with other sectoral development strategies including policy documents, strategies, programs and action plans, which have been already introduced as well as those to be introduced or updated in the future particularly the three-year rolling Public Investment Program (PIP) and the Annual National Budget.

**138.** Cambodia takes pride in having achieved substantial progress in a very short period after the national reconciliation and restoration of full peace across the country, whereas similarly situated other countries would have spent decades to accomplish the same results. However, the Royal Government recognizes that to achieve the vision as stated in the **Rectangular Strategy**, Cambodia will face many challenges and obstacles that require the whole Cambodian nation to galvanize its best effort and enhance her competitiveness in order to move forward more rapidly and efficiently so that Cambodia truly establishes a solid foundation to support the optimistic outlook of the Strategy.

**139.** Based on past achievements, the tremendous potential of Cambodia, particularly the strong will and talents of Cambodian people, their ability to learn and to draw lessons from past experience, the flexible approach envisaged in the Strategy for adjusting and adapting to changing conditions and the selection of appropriate responses by the Royal Government and Cambodian people, together with the right approaches set out in this document, the Royal Government is strongly convinced that Cambodia will be able to overcome all the challenges and obstacles in its path to progress, advancement and prosperity.

