

Section 5. Development Plans of Cambodia

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1. Introduction

1-1 Up to the peace agreement

The contemporary history of Cambodia started with its independence in 1953. From 1953 to the end of the 1960s, Cambodia enjoyed relative peace. However, Cambodia experienced more than two decades of turmoil after the coup d'état by Lieutenant General Lon Nol in 1970. The turmoil came to an end when peace was achieved early 1990s.

This period of turmoil was marked by successive changes of government and a series of armed conflicts. Cambodia was ruled by a military junta between 1970 and 1975. Between 1975 and 1979, Cambodia was under the rule of the communist regime of the Khmer Rouge. In 1979, Vietnamese troops invaded Cambodia. The 1980s was a period of planned economy and conflicts. Cambodia's politics and economy was in the doldrums in the absence of long-term development planning. In addition, the country remained isolated from the international community.

During the 1990s, the peace process progressed and Cambodia again became part of the international community. In 1991, the Paris Peace Agreements were signed. The Peace Keeping Operation (PKO) by the UN was launched in 1992. 1993 was the year of the launch of a new administration after the general elections, promulgation of a new constitution, and Prince Sihanouk's accession to the throne. During this decade, the Consultative Group, including Japan, and international organizations contributed greatly to the reconstruction of Cambodia. To date, they have exerted a significant influence on the Cambodian government.

1-2 Drafting development plans/programs for reconstruction

Financial and technical assistance from donor countries has been indispensable for the drafting of major development plans/programs in Cambodia. Guidance

and advice from donor countries and multilateral donors have therefore been strongly reflected in the drafting process of these plans/programs.

The National Programme to Rehabilitate and Develop Cambodia (NPRD) was announced in 1994 as the first full-fledged, comprehensive national development program since the new government was established. Based on the NPRD, the first Socioeconomic Development Plan (SEDP) was formulated in 1996 as the first five-year national development plan. Covering the five-year period between 1996 and 2000, the SEDP is currently the latest and most important development program. The second Socioeconomic Development Plan (SEDP II) is now in the process of being drafted. Because the drafts for this have not been released, the details of the SEDP II are not known¹.

Therefore, this section outlines and analyzes three development documents: i) the NPRD, ii) the SEDP, and iii) the Interim Report of the Poverty Reduction Strategy Paper (PRSP), instead of the SEDP II with which the PRSP is required to be consistent.

2. Outline of development plans/programs

2-1 National Programme to Rehabilitate and Develop Cambodia (NPRD)

2-1-1 Introduction

The National Programme to Rehabilitate and Develop Cambodia, the first national development program of the new government, was drawn up for the 2nd International Committee on the Reconstruction of Cambodia (ICORC II), a ministerial-level consultative group meeting held March 10-11, 1994. The NPRD was released on February 23, 1994, as an official government document.

The drafting of the document "Implementing the National Programme to Rehabilitate and Develop Cambodia (INPRD)" was started before ICORC II and completed in February 1995. The NPRD and the INPRD

¹ The Cambodian Minister of Economy and Finance told the Study Committee during its fact-finding mission to in February 2001 that the SEDP II aims to reduce poverty and, in order to achieve this goal, presents three strategies: i) sustainable economic growth and equitable distribution, ii) the promotion of social development and culture, iii) sustainable management and use of natural resources (see p.8).

covers different periods. While the NPRD includes both a mid-term (three-year) plan and a short-term (18-month) plan, the INPRD states that it is a specific plan covering 18-24 months.

2-1-2 Main points of the NPRD

The NPRD consists of two principles and six objectives for action. The first principle is that the government defines itself as the strategist and manager of national development. The second principle is that the government defines itself as a partner of the private sector in Cambodia.

Based on these two principles, INPRD set out six objectives for action: i) To establish Cambodia as a “State of Law” in which the rule of law prevails, ii) To achieve economic stability and structural adjustment with the goal of doubling GDP by 2004, iii) To improve education and healthcare in order to build up human resources and to improve people’s living standards, iv) To rehabilitate and develop the physical infrastructure and public facilities, v) To reintegrate the Cambodian economy into regional and international economies, vi) To give priority to rural development and to manage the environment and natural resources in a sustainable manner.

INPRD cites two necessary conditions for implementing the program: awareness-building among government officials and participation of the private sector.

The NPRD states that the two-year period between 1995 and 1996 is especially important because the NPRD had to get off the ground during this period. The fact that INPRD, released in February 1995, covers 18-24 months coincides with this requirement.

2-1-3 Contents of the NPRD

(1) General description

The summary at the beginning of the INPRD states that it has been prepared to set out specific actions for development for the next 18 to 24 months while taking into account developments since the NPRD was formulated. The implementation document says that improving people’s living standards is the government’s prime concern and goal. It also presents three priorities as set out in King Sihanouk’s letter, which was made public at the second ICORC in 1995: i) Rehabilitation of irriga-

tion facilities, ii) Afforestation, iii) Reintegration of soldiers who have defected from the Khmer Rouge into Cambodian society

INPRD sets out the three pillars of development policy: i) sustainable economic growth, ii) sustained development of human resources, and iii) sustainable management and use of natural resources. According to INPRD, among the major objectives are good governance, rural development, poverty alleviation, economic adjustment, private sector development, human resources development, reintegration of soldiers into society, healthcare, education, infrastructure buildup, and reintegration into the international economy.

It is safe to say that INPRD served its purpose as a preliminary report in the preparation of the next five-year plan. Although INPRD is more or less an omnibus list of development objectives, it covers the issues of deforestation and demobilization. These issues are peculiar to Cambodia and they have been addressed as major problems since INPRD was prepared.

INPRD does not highlight the differences between economic growth and social development nor does it give priority to either of the two. The SEDP, formulated two years after the NPRD, clearly put social development before economic growth, emphasizing poverty reduction and care for the socially vulnerable, as discussed later.

(2) Specifics

The NPRD consists of nine chapters. In Chapter 1 “The Concepts Underlying Cambodian Development,” the NPRD declares the Kingdom of Cambodia to be a democratic state with a free market economy. In the same chapter, the NPRD’s six objectives for action mentioned above and their interrelationships are explained. In Chapter 2 through Chapter 7, measures to be taken for each objective are presented. Chapter 8 discusses some points to be considered when implementing the NPRD. Chapter 9 wraps up of the document.

Chapter 2 deals with “Restructuring the Economy.” It sets out four important aspects of support for economic activity by the private sector: i) Macro-economic management, ii) Public investment management for a better investment environment, iii) Legal and administrative systems to accommodate the transition to a market economy, iv) Privatization of state-owned enterprises and development of the private sector

Chapter 3 “Reforming State Institutions” sets out three areas of reform: i) Fiscal reconstruction and administrative reform to improve administrative services, ii) Judicial reform including improvement of the court system and training of lawyers, iii) Demobilization and support for veterans

Chapter 4 “Developing the Rural Economy” states that such development is the most fundamental task for the Cambodian government. It defines development of the rural economy as the primary issue for national security and peace. In the NPRD, rural economic development covers such areas as food, water supply, mine clearance, finance, housing, vocational training, and access to markets and public services such as education and healthcare. The chapter also refers to the significance of NGOs in these areas.

Chapter 5 “Investing in People” is divided into two parts: “education” and “healthcare.” In the education part, the importance of improving the quality of, and access to, basic education and the importance of reinforcing educational administration are emphasized. In the healthcare part, the importance of maternal and child healthcare and controlling infectious diseases, including tuberculosis, malaria, and HIV/STD, is emphasized.

In Chapter 6 “Rebuilding Physical Infrastructure,” high priority is given to transport, energy, and water supply. It should be noted that the capital of Phnom Penh and the international port city of Sihanoukville is given regional priority.

Chapter 7 “Supporting Sustainable Growth in Output” sets out three major areas of development: i) Rice cultivation, stock raising, and forestry among the primary industries, ii) Promotion of domestic industry, the introduction of foreign capital, and the exploitation of energy resources among the secondary industries, iii) Tourism among the tertiary industries

The chapter also touches on measures to address pollution and other types of environmental degradation.

Chapter 8 describes issues in implementing the NPRD. These problems include inconsistencies in policy and procedures between aid agencies, and the difficulty of aid coordination.

Chapter 9 cites the following four issues that should be conveyed to the aid agencies concerned before the next ICORC: i) It is important that aid agencies extend financial assistance for initial investment in the urgent tasks of integrating the Khmer Rouge into society and reconstructing the nation; ii) A list of projects to which

Cambodia wants to attract the attention of aid agencies is attached at the end of the document; iii) The set of challenges for implementing assistance, concerning monitoring techniques, efficiency, standardization of procedures among others; iv) The demonstration of Cambodia’s commitment to the ICORC III and the country’s desire to hold ICORC IV in Phnom Penh.

2-2 First Socioeconomic Development Plan (SEDP)

2-2-1 Introduction

The NPRD discussed in the previous section only stated that the Cambodian government drafted it, and it does not specify which ministry is responsible for the drafting. On the other hand, the Socioeconomic Development Plan clearly states that the Ministry of Planning drafted it. The SEDP II, the next five-year plan, is not yet completed, although it should have been completed by March 2001. It is therefore unavoidable that the first SEDP must be considered as the current national development plan.

The SEDP states at the outset that it:

- integrates the NPRD, which was announced previously, the Socioeconomic Reconstruction Plan 1994-95, and the Public Investment Program (PIP) 1996-98,
- sets out a framework concerning midterm national development, and
- shows the breakdown by sector and region of the planned total investment of 2.2 billion US dollars over the subsequent five years.

The SEDP consists of three parts. Part One “National Development Objectives and Strategies” is made up of six chapters: i) Development objectives, strategies and constraints, ii) Employment and poverty, iii) Social Reconstruction and development for the Vulnerable, iv) Developing the Rural Areas, v) Managing of the Environment and Natural Resources, and vi) Reforming the State Institutions.

Part Two “The Context and Framework of the Plan 1996-2000” are vii) Economic Performance in 1990-1995, viii) Macroeconomic, Sectoral and Social target in 1996-2000, and ix) Public Investment and Its Allocation.

Part Three “Sectoral Development Programs” consists of eight chapters: x) Agriculture, xi) Manufacturing

and Mining, xii) Tourism, xiii) Transport and Communications, xiv) Water supply and Electricity, xv) Education, xvi) Healthcare, xvii) Culture, Religious Affairs and Information.

2-2-2 General description

The SEDP, at the outset, defines Cambodia as a nation with a market economy. While emphasizing the importance of rural infrastructure, especially road construction, the SEDP sets out such agendas as the introduction of a monetary economy into rural areas, improvement of rural livelihoods, the promotion and attraction of domestic and international private investment, the privatization of state-owned enterprises, and the strengthening of administrative services.

Yet the SEDP also clearly states that it is oriented toward social policy, centering on rural development, because 90% of the poor live in rural areas. The plan stresses that measures related to healthcare, water supply, sanitation, primary education, and care for the socially vulnerable directly contribute to poverty alleviation. It also suggests that 65% of public investment in Cambodia should be allocated to rural areas and the remaining 35% to the cities.

As for rural development, the SEDP expresses its expectations for the newly-established Ministry of Rural Development and the Village Development Committees, which have been introduced in each community. Then the SEDP discusses specific areas and agendas. Regarding education, the SEDP cites non-formal education and vocational training. On agriculture, the SEDP refers to food security centered on rice and grain farming. It also touches on the need to stem the population inflow into the cities. To solve this problem, measures to increase the cash income of farmers are suggested, including introducing a monetary economy into the agricultural sector and fostering small-scale local industries.

As examples for specific measures to address these agendas, the SEDP suggests expanding distribution channels at home and abroad by developing the network of trunk roads and rural roads. It also suggests fostering industries as such non-rice grain farming, stock raising, rubber, and fisheries, with the use of abundant natural resources in an environmentally friendly way.

As for industry, the SEDP stresses the need to improve the legal system to accommodate the introduction of domestic and foreign capital and to build up the

country's economic infrastructure. In addition, the SEDP states that job creation is crucial for addressing the natural growth of the population and the need to accommodate redundant government employees and soldiers. To this end, the SEDP suggests fostering labor-intensive industries such as the apparel industry and upgrading the labor force with long-term education and training. The apparel industry in Cambodia has a good track record in this regard.

2-2-3 Specifics

(1) Part I "National Development Objectives and Strategies"

Chapter I "Development objectives, strategies and constraints" states that the SEDP is not ambitious, but realistic. Then it sets out the sectors and agendas for the plan as outlined in the previous section by giving a general description.

The following chapters assess the state of affairs and discuss what measures need to be taken regarding each of the interrelated agendas.

In Chapter 2 "Employment and poverty," the SEDP states that job creation and poverty reduction are the most important agendas for the Cambodian government and the five-year plan. Then a poverty analysis is conducted based on the results of the Cambodia Socioeconomic Survey for 1993-94.

In Chapter 3 "Social reconstruction and development for vulnerable," the SEDP says that because the social security systems are no longer functioning due to the historical circumstances of the country, care for the most vulnerable is an urgent issue. The SEDP says that the socially vulnerable include orphans, the homeless, women and children engaged in the sex industry, victims of human trafficking, the disabled, refugees, displaced persons, ethnic minorities, and HIV carriers.

In Chapter 4 "Developing the rural areas" and Chapter 5 "Managing the environment and natural resources," the SEDP sets out what measures to be taken by, or under the auspices of, the Ministry of Rural Development, and the Ministry of Tourism, respectively. In Chapter 6 "Reforming state institutions," the privatization of state-owned enterprises is discussed in addition to administrative reform, judicial reform and reduction in the armed forces, as mentioned in the NPRD.

(2) Part Two “The Context and Framework of the Plan”

Chapter 1 “Economic performance in 1990-1995,” at the outset, refers to such issues as the liberalization of the economy launched in 1985, the Paris Peace Agreements in 1991, the establishment of private property rights in 1989 and onward, the abolition of the controlled economy, and price liberalization. The chapter declares that strengthening these systems constitutes a basic policy. An economic analysis is then conducted for the previous five years with the use of indexes.

In Chapter 2 “Macroeconomic, sectoral and social target in 1996-2000,” the SEDP sets out major fiscal policies for the five years, including: i) To slash external debts, ii) To reduce the total personnel expenditures for government employees and to increase the pay levels per employee, iii) To expand the tax base and to decrease dependence on customs revenue, iv) To achieve and manage a slight budget surplus, v) To reduce national defense spending, vi) To increase fiscal spending for the country’s social and economic infrastructure.

In Chapter 3 “Public investment and its allocation,” the projected percentage of public investment allocations is shown for each sector, including 23% for transport and communications and 11% for education. The policy to allocate 65% of public investments to rural areas and 35% to the cities as mentioned earlier is explained with similar examples in other countries.

It is reported that during the five years, 35% of public investments were allocated to rural areas and 65% to the cities, instead of 65% to rural areas and 35% to the cities, according to the informal preliminary figures released by the Ministry of Economy and Finance in July 2000. It is necessary to analyze the final figures to be released at the end of the fiscal year to find out the cause of this discrepancy. The targets that the SEDP II will come up with deserve attention.

(3) An overview of SEDP

The SEDP I is a major achievement that deserves praise. The development plan sets out the national management policy by the new administration as the first long-term national plan devised by the Royal Government of Cambodia, which was established with the support of the PKO by the UN. The plan has also served as a guideline for assistance from Japan and other donors

and aid agencies.

The SEDP I, however, does not necessarily reflect the philosophy and commitment of the Cambodian government. Most parts of the plan were drafted by consultants from the Asian Development Bank (ADB), as has been publicly acknowledged by officials from the Ministry of Planning, which is responsible for the drafting. Although this was unavoidable in light of the urgency of the situation, it may be problematic if the ongoing drafting of the SEDP II (the second five-year plan) is again dependent on the ADB, as reports from Cambodia suggest. This highlights the lack of human resources and financial difficulties on the part of the Cambodian government.

2-3 Poverty Reduction Strategy Paper (PRSP)

2-3-1 Introduction

A PRSP is a mid-term (three-year) national policy paper formulated by a recipient country. According to the policy of the World Bank and the IMF, a recipient country needs to formulate an Interim Report for a PRSP (I-PRSP) and obtain approval for it from these two institutions before receiving a new loan. The paper needs to be revised every year and requires approval from the cabinet of the recipient country. The World Bank and the IMF plan to introduce PRSPs in more than 70 recipient countries starting in 1999.

The plan to introduce a PRSP in Cambodia was announced for the first time to major donors and aid agencies at an informal meeting of the CG in May 2000, when representatives from the Cambodian government, the World Bank, and the IMF explained the schedule and the procedure for formulating a PRSP.

Earlier, the Ministry of Planning, which was making preparations for the drafting of the SEDP II that will follow the SEDP I (1996-2000), and the ADB and major donors that supported the drafting process, protested that the interrelationship between the PRSP and the SEDP II should be clarified. However, this interrelationship had yet not been clarified as of December 2000.

As the interrelationship between the PRSP and the SEDP II remained unclear, the Ministry of Planning and other ministries concerned put the drafting of I-PRSP before the drafting the SEDP II. In fact, they were pressed to deal with the drafting of I-PRSP, since coordination among donors concerning the issue of the in-

terrelationship took a long time, and because the World Bank and the IMF imposed a tight schedule that required the I-PRSP to be drafted by the end of 2000.

As a result, the preparation of the SEDP II is behind schedule. The ADB already admitted in its original plan that the SEDP II will not be completed until March 2001. The completion of the SEDP II may be further delayed if the ministries concerned spend more time trying to make the second development plan more consistent with the PRSP. It is therefore unlikely that the completed version, or even a summary, of the SEDP II will be available while the work of this study committee is in progress.

Thus the Latest version of the I-PRSP is outlined in this section. The updated version was dealt with the 6th working draft dated August 25, 2000. The 6th draft was reviewed by the World Bank/IMF, Japan, and other major donors and aid agencies. Then the sixth draft was translated from English to Khmer by the Cambodia government, commented on by the ministries concerned, and amended as the 7th draft. Then the 7th draft was reviewed by the World Bank/IMF and amended as the 8th draft. The 8th draft, in turn, was translated into Khmer and approved by the Cabinet on October 2000 as the formal I-PRSP. In January 2001, this I-PRSP, together with the WB/IMF Joint Staff Assessment², was submitted to the Board.

2-3-2 Structure of PRSP

The I-PRSP is made up of the following six parts: Foreword by the Economy and Finance Minister Keat Chon, I. The Nature of Poverty in Cambodia, II. Review of Existing Strategies and Performance, III. Statement of the Poverty Reduction Strategy and Objectives, IV. Capacity Building and Poverty Monitoring, and V. PRSP Workplan.

At the outset, the I-PRSP document says that the document has been prepared by a high-level committee under the direction of Prime Minister Hun Sen and that it has been established by a governmental decree to show that it is an official government document. The I-PRSP document says that the government has set up a preparation committee under the supervision of the Ministry of Economy and Finance with three sub-

groups on i) poverty diagnostics, ii) macro and sectoral policies, and iii) legal and institutional affairs and governance. The document claims that it has taken into account country ownership, the consultative process and monitoring techniques.

2-3-3 General description

An excerpt from the foreword by the Ministry of Economy and Finance is introduced below, as it sets forth the ideas behind the I-PRSP in a well-organized manner. The main concept behind the I-PRSP is to alleviate poverty by taking measures to: i) accelerate economic growth, ii) improve the distribution of income and wealth, and iii) promote social development. This concept is based on the three poverty reduction strategies Prime Minister Hun Sen set out in May 2000. These strategies are as follows: i) Long-term, sustainable economic growth at an annual rate of 6 to 7 percent, ii) Equitable distribution of the fruits of economic growth between the haves and the have-nots, between urban and rural areas, and between the sexes, iii) Sustainable management and utilization of the environment and natural resources.

To ensure equitable distribution, a set of supplementary measures are suggested. At the top of the list are education of females, safe water and sanitation, child immunization, and social security systems.

Based on the broad strategies above, the following policy responses to poverty have been formulated: i) Promoting opportunities, ii) Creating social security, iii) Strengthening capabilities, iv) Generating empowerment.

Among specific measures to promote opportunities are strengthening macroeconomic performance, accelerating economic growth, promoting private sector development, developing the physical infrastructure, strengthening the energy sector, ensuring sustainable development of the agricultural sector, improving water resource management, advancing rural development and decentralization, ensuring sound natural resources management, encouraging income generating activities, embarking on land reform, and increasing access to microfinance for the poor.

Cambodia should learn from past experience and

² A WB/IMF Joint Staff Assessment considers the advantages and disadvantages of the poverty reduction strategy and measures the impact of loan provision and debt relief under the HIPC initiative on the country in question. Based on the Joint Staff Assessment, the Board also assesses the effectiveness of the I-PRSP and the optimal approach for assistance.

Box 5-1 WB/IMF Joint Staff Assessment and Major Policy Agendas for the PRSP Full Report

<General>

More detailed discussion is requested concerning the sources of growth expected to achieve the medium-term objectives on each sector. More comprehensive assessment is necessary for the links between the labor market and poverty, especially in view of the large-scale military demobilization under way and the forthcoming civil service reform.

<Governance>

To fully integrate the governance and anti-corruption strategy into the poverty reduction strategy by establishing the links between governance and poverty, and by identifying concrete, feasible, and costed measures that tackle the governance problems most relevant to poverty reduction; in particular judicial reform, the passage of anti-corruption legislation, establishing an independent anti-corruption body, and stricter compliance with the 1995 Sub-Decree on Public Procurement.

<Gender>

More specific measures that promote the economic and social participation of women need to be formulated.

<Rural development>

The I-PRSP describes adequately a number of critical issues in rural development, including land reform, rural infrastructure, and rural credit. Yet the workplan for the full PRSP needs to put special emphasis on the importance of preparing a comprehensive rural infrastructure development strategy that will ensure sustainable transport improvements in rural areas.

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<Educational reform>

Effective implementation of education sector strategy requires tightening the link between budget formulation and execution, based on efforts to improve public sector financial management. The full PRSP needs to examine options to increase the enrollment and attendance rates of children of the poor and reconsider ways to direct subsidies to schools in needy areas.

<Healthcare>

In the course of preparation of the full PRSP, the authorities need to review whether earlier reforms have yielded the intended benefits in terms of improved access and services, and better capacity at the district level. More concrete actions on HIV/AIDS are required.

<Private sector development>

While the I-PRSP recognizes the crucial role of physical infrastructure development, the full PRSP needs to set out measures to promote private sector development and define the scope for public-private partnerships in consultation with the private sector. The I-PRSP makes no reference to tourism development although Cambodia boasts major tourist attractions.

should not depend on the development of the agricultural sector alone for rural development. The country also needs to improve systems for healthcare, savings, and loans for the development of the commercial and industrial sectors and establishing better livelihood opportunities for the rural population.

Social security should be ensured by expanding safety net programs, promoting environmental protection and clearing landmines. Such services should be delivered and reinforced jointly by the government, NGOs and the private sector. Finally, examples of measures for an action plan are given, such as administrative and fiscal reforms, judicial reform, development of the legal system to accommodate the transition to a market economy, and support for demobilization.

2-3-4 Specifics

2-3-4 Specifics

In Part One "The Nature of Poverty in Cambodia," poverty is defined. In Cambodia, the measurement of poverty is based on a poverty line where there is a daily intake of 2,100 calories per person and a small amount of expenditure to allow for basic items like clothing and shelter. Then the nature of poverty in Cambodia is ana-

lyzed from four different aspects as follows: i) Lack of opportunities (lack of the means of production, education, technology, etc.) ii) Vulnerability (natural conditions, underdeveloped infrastructure, healthcare, etc.) iii) Low capabilities (lack of provision of, and access to, education, healthcare, and other public services) iv) Social exclusion (illiteracy, corruption, etc.).

In Part Two “Review of Existing Strategies and Performance,” the first section on overall strategies says that the SEDP did not produce the expected results in poverty alleviation. The section also touches on the Triangle Strategy advocated by the prime minister as a recent national strategy. The Triangle Strategy addresses following three aspects: i) Maintaining order and building peace in the country, ii) Cambodia’s integration into the region and the international community, and normalization of its relationships with other countries, iii) Economic development and institutional reform.

The second section on sectoral strategies deals with education, health, agriculture, rural development, rural roads, land policy, governance, and others. The third section on policy performance and poverty trends analyzes the state of the affairs, and makes projections based on macroeconomic indexes and other indexes concerning education and healthcare.

Part Three “Statement of the Poverty Reduction Strategy and Objectives” sets out eight policy focuses in connection with the current administration’s policy based on the three strategies Prime Minister Hun Sen announced in May 2000 at the National Workshop, which was designed to launch the preparation of the SEDP II. The eight policy focuses are: i) Consolidation of peace, stability and social order, ii) Investment promotion, iii) Domestic resource mobilization, iv) Allocating investment to priority sectors and improving agriculture, v) Building institutional capacity and strengthening good governance, vi) Integration of the Cambodian economy into the region and the world, vii) Human resources development, and viii) Consolidation of the partnership with the donor community and civil society.

Then Part Three suggests specific measures to deal with the four aspects of poverty discussed in Part One. The four aspects are: i) lack of opportunities, ii) vulnerability, iii) low capabilities, and iv) social exclusion.

Part Four “Capacity Building and Poverty Monitoring” points out that some of the government ministries directly involved in poverty alleviation, including the Ministry of Social Affairs, Labor, Vocational Training

and Youth Rehabilitation and the Ministry of Women’s and Veterans’ Affairs, have insufficient institutional capacity to fulfill their duties. Therefore, the need to build institutional capacity in these ministries is emphasized.

Part Five “PRSP Workplan” includes a description of the organizations involved in the preparation of the I-PRSP, and an announcement that overall responsibility for the full PRSP will pass from the Ministry of Economy and Finance to the Ministry of Planning. In this part, it is also pointed out that the expected timeframe for preparation of the full PRSP is 12 months.

3. Future prospects

As mentioned above, it is unclear whether the SEDP II and the PRSP Full Report, both of which will be in the process of drafting between 2000 and 2001, will be separate documents or one merged document, or whether one of the two will incorporate the other. Different ministries and aid agencies have different opinions about the issue, and these differences have not been resolved.

Still, the Cambodian government and aid agencies agree on one thing that poverty alleviation should be at the core of long-term national policy in Cambodia. Even if the SEDP II and the PRSP Full Report will be produced as separate documents, it is certain that the I-PRSP will be strongly reflected in the SEDP II.

Close similarities between the SEDP II and the PRSP are expected, but from different viewpoints, although the periods they cover are not the same; five years for the former and three years for the latter. As discussed in this section, the revised version of the I-PRSP puts significant emphasis on economic growth like the SEDP II. This revision occurred after Japan expressed its view that the earlier draft of the I-PRSP put too much emphasis on social development and too little emphasis on economic development.

The PRSP Full Report is likely to be completed roughly by the end of 2001 if the drafting process goes smoothly and takes one year from the time of the submission of the I-PRSP to the headquarters of the World Bank/IMF for review.

The WB/IMF Joint Staff Assessment, which was submitted to the Board together with the I-PRSP says the PRSP Full Report should i) Consider constructing baseline poverty diagnostics based on the 1997 household survey instead of two rounds of the 1999 house-

hold survey, because there are serious issues of comparability between the two rounds; ii) Establish a process for consistent poverty monitoring through future household surveys; iii) Identify appropriate indicators and targets to be monitored and the corresponding improvements to data systems; iv) Ensure that the macroeconomic framework is well integrated into the poverty reduction strategy; v) Identify a set of priority public policies and programs that will have the greatest impact on poverty reduction and be consistent with financial and institutional constraints; vi) Include the full costing of proposed policy actions identifying, as far as possible, links to a medium-term expenditure framework; vii) Elaborate further on strategies for administrative reform and improving governance; viii) Be prepared to fully involve core agencies, in particular the Ministry of Economy and Finance, and ensure the active participation of civil society groups and external partners; and ix) Build on and clearly articulate the links between the PRSP and the SEDP-II.

Although the ADB, which supports the SEDP II, once anticipated that the document would be completed by March 2001 at the earliest, its preparation is now behind schedule. The preparation will be further delayed if an agreement is reached that the SEDP II will be merged with the PRSP in line with the opinions of some of the parties concerned, including Japan.

Anyway, there is good reason to believe that the officials of the Cambodian government and representatives of aid agencies will have generally resolved their differences through discussions at recent CG meetings and the CG monitoring process, and in the discussions on the Poverty Reduction Growth Facility (PRGF) at other occasions. Therefore, it is safe to say that the SEDP II will be in line with the prospects outlined in this section.

Although the Ministry of Planning apparently admits the fact that the SEDP was drafted mostly by the donors concerned, the Cambodian government has shown its commitment to taking the initiative in preparing the SEDP II and the PRSP. Still, technical and financial support from donors and aid agencies is indispensable for the Cambodian government. Japan, for its part, should be ready to provide assistance such as policy advice and projects aiming at poverty alleviation to support the development plan while respecting the initiative of the Cambodian government.

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