Cambodian-German Development Co-operation

Strategy for the Priority Area of Health

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Acronyms

ADB	Asian Development Bank
AIDS	Acquired Immune Deficiency Syndrome
BMZ	Federal Ministry for Economic Co-operation and Development
CIM	Centre for International Migration
DAAD	German Academic Exchange Service
DED	German Development Service
DfID	Department for International Development
EU	European Union

GDP	Gross Domestic Product
GNP	Gross National Product
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HIV	Human Immune Deficiency Virus
HSSP	Health Sector Strategy Plan
InWEnt	Capacity Building International, Germany
JICA	Japanese International Co-operation Agency
KfW	Kreditanstalt für Wiederaufbau
LDC	Least Developed Country
MDG	Millennium Development Goal
MoH	Ministry of Health
NGO	Non-governmental Organization
NIPH	National Institute of Public Health
NPRSP	National Poverty Reduction Strategic Paper
RACHA	Reproductive and Child Health Alliance
SEAMEO	South East Asian Ministers of Education Organization
SEDP	Socio-Economic Development Plan
SES	Senior Expert Service
SPH	Sector Program Health
SWAp	Sector Wide Approach
SWiM	Sector Wide Management
UNFPA	United Nations Fund for Population Activities
UNICEF	United Nations International Children's Fund
USAID	United States Agency for International Development
UNTAC	United Nations Transitional Authority for Cambodia
WB	World Bank
WHO	World Health Organization

1 Summary

The health indicators in Cambodia are among the Worst in Asia. The high costs faced by private households In the case of illness due to payments to private and public health care providers and loss of earnings due to illness are among the main causes of poverty and Impoverishment In Cambodia.

The Government has adopted a coherent strategy for the reform of the health sector. As part of this Strategic Plan, Sector Wide Management (SWIM) has been introduced, i.e. a modular system directed by the Ministry of Health, in which donors support individual components that are co-ordinated with one another.

The aim of German-Cambodian co-operation is, in particular, to improve the health situation of the poorest members of the population. Building on its experience and comparative advantages, German development co-operation in the health sector will concentrate on Reproductive Health and Quality Assurance as integral elements of the sector strategy. A wide range of instruments will be deployed to achieve this. They are to be linked to one another and to the projects of other donors even more than in

the past.

2 Scenario in the priority area

2.1 General situation and relevance for global structural policy

Under the Khmer Rouge regime (1975-1979), health care provision in Cambodia was decimated. For example, almost all the hospitals were destroyed and only 50 or so of a total of 1,000 Cambodian doctors survived. In the decade that followed a skeleton health service was built up. Between 1989 and 1995, the situation was assessed and replanning was undertaken with increasing donor support, essentially consisting of developing district health care systems and introducing sustainable financing systems. With external support, including German support, the Health Sector Strategic Plan, 2003-2007 (HSSP) was then drawn up. The plan sets out six key areas of work, in which substantial progress needs to be made by 2007: health service delivery; behavioral change; quality improvement; human resource development; health financing; and institutional development. At the heart of the plan is health service delivery. Activities in the other five fields shall promote the service delivery as a matter of priority. Reproductive health is an integral part of this strategic health plan and comes under the heading health service delivery. The implementation of the HSSP is being carried out within the framework of Sector Wide Management (SWiM). SWiM is different from a sector wide approach (SWAp) in that donors support various modules that are co-ordinated with one another and there is no basket financing.

Population growth, which stands at 1.8%, is among the highest in the region, even though the fertility rate has fallen in the past decade from 4.0 children per woman to 3.3. Modern methods of contraception are used by 19% of all women aged between 15 and 49; in the mid-90s it was merely 7%.

Among the most important health issues are infectious diseases such as malaria, tuberculosis, respiratory infections and diseases of the digestive tract, plus poor reproductive health[1]. The HIV/AIDS rate, which was the highest in the world in the 1990s, fell between 1997 and 2003 from 3.3% to 1.9%. There is a close link between HIV/AIDS and reproductive health, since the major risk groups, apart from prostitutes and their clients, are the wives of infected clients and newborn babies, who are infected by mother-child transmission. That is another reason why the problem remains acute and requires special consideration.

There are serious deficits in the health situation of Women and children in particular; the respective health indicators are amongst the worst in the region. For example, maternal mortality is 437 per 100.000 live births, infant mortality is 66 per 1000 and under-five mortality is 83 per 1000. About half of all infant deaths are due to diarrhoeal diseases, respiratory infections and vaccine-preventable illnesses. About 45% of all Cambodian children are chronically undernourished, with one in five children suffering from severe malnutrition. Only 38% of pregnant women receive ante-natal care and only a third of all births

are attended by trained health personnel.

High numbers of births in rapid succession linked with poor overall living conditions, inadequate mother-child health care, lack of hygiene, poor access to clean drinking water, a high work load all take a heavy toll on the health of Women and their children.

In the 1990s, private health care once again became more important. This development was encouraged by the fact that workers in the public health sector, whose salaries of US $10-15 are well below the existence threshold, were obliged to augment their earnings by working in the private sector. Only 18.5% of all patients use public health facilities when they fall ill, almost a third (32.9%) prefers to Use private services. Another third (35.15%) get their medicine directly from the chemist or from salesmen. 11.4% do nothing at all.

High costs in the case of illness due to payments for private and public health services and loss of work often lead to loss of land and further impoverishment. This causes undernourishment and malnutrition, which in turn means an increased risk of illness with the
consequences already described. The poor state of health of major sections of the population is a limiting factor on economic development.

2.2 Core problem: deficits and potential

The core problem in the health sector is that the poor in particular have very limited access to reasonable quality health services.

Deficits:

- Private households spend about 11 % of their income on health care each year. In 2002, per capita expenditure was US $33, 72% of which came from the population, 19% from donors and only 9% from the state.
- About 14% of the national budget for health is spent on personnel, which is well below the amount spent by other countries.
- As a result of the extremely low salary levels in the public sector, lack of performance incentives and delays in the payment of salaries which often stretch to months, health service staffs lack motivation. Income from other activities is a necessity and unethical behavior like failing to report it to the authorities is often the result.
- Lack of qualifications among health sector staff, both technical and managerial personnel.
- Poor levels of technical equipment and materials in basic health clinics and hospitals.
- The state is not adequately fulfilling its duty to monitor the private or the public sector. Most drug stores and chemist shops, which are often important ports of call in cases of illness, are not

licensed and are not subject to any kind of quality control. The growing sales of counterfeit medicines are a cause for concern.

- A comprehensive population planning policy is lacking. The National Reproductive Health Program, which is responsible for this area of policy, lacks both the staff and the finances for this task.
- In recent years there has been a drastic increase in drug consumption, especially amphetamines, among young people of all social classes, which will have dramatic Impacts on the state of health of the Cambodian population in the longer term.

Potential:

- The Ministry of Health is particularly well disposed towards reforms and opens to Innovative approaches. The HSSP is a sound sector strategy.
- The per capita state budget for health has been gradually increased (1998: US $1.05, 2004: US $3.70).
- The increased participation of decentralized levels of the health system in the planning and Implementation of reforms and the increasing incorporation of the private sector mean that it is possible to overcome the disadvantages of a centralized, state-run system.
- There have been significant achievements in individual medical areas. For example, the prevalence of HIV/AIDS has been reduced considerably. Furthermore, Cambodia was declared polio free in 2001.
- Pilot measures in the health financing system, e.g. official regulation of fees in co-operation with committees of local people instead of "under-the-table" payments[2], micro-insurance systems, etc. have proved successful[3] and could now be introduced on a broader basis.
- Measures to introduce a culture of quality have led in recent years, for example in the field of reproductive health, to significantly greater use being made of affordable public services.
- By changing the procurement procedures for medicines there is potential to move from a monopoly supply system to a competitive procurement structure.

2.3 Other donors and assessment of the German contribution so far

More than 20 bilateral and multilateral donors are supporting the development of the Cambodian health system. Much of this support (especially in the case of USAID) is being directed towards the work of international and local NGOs. By far the biggest donors are the ADB, World Bank and DfID and UNFPA, which have pledged co-ordinated support for measures amounting to US $80 million altogether for a Health Sector Support Project. The aim of the project is to improve health care services, support specific public health programs and strengthen institutional capacities. Other donors who are providing significant volumes of support are JICA, the EU, WHO, UNFPA and Belgian Technical Co-operation, as well as the GTZ and KfW.

The support is being provided either directly via general budget support channeled to the government (1.9% of GDP), via direct allocation to the health sector (0.9% of GDP) or via projects (0.9% of GDP). The funds are not equally shared between regions and sectors; for example, a higher proportion is allocated to Phnom Penh and to controlling HIV/AIDS.

Germany has been an important donor in the health sector in Cambodia for almost a decade. One special feature of this support is its long-term approach and its sustained presence.

German support is also active simultaneously at the micro, meso and macro levels. This has enabled innovative measures to be implemented at the local level, with the lessons learned being reported back to the system level and integrated in strategy development. German development co-operation in the health sector was implemented in the past by various organizations (KfW, GTZ, OED, CIM. the political foundations and church organizations) all working relatively independently of one another. The GTZ and OED co-operated closely, especially in their work on issues such as reproductive health. Between KfW and the GTZ there was merely an exchange of information. In the past two years the measures have been woven together and developed into a joint technical and financial co-operation project.

Between 1995 and 2003, a total volume of EUR 7.1 million was provided via the GTZ, mainly to support human resource development, the establishment of a National Institute for Public Health (NIPH) and a Regional Training Centre which receives technical and scientific support from the regional TROPMED network of the South-East-Asian Ministers of Education Organization (SEAMEO). The focus was on management to support the ongoing health reform and on reproductive health. In two provinces effective, needs-oriented district health systems were developed in conjunction with the OED. The follow-up project "Support for Health Sector Reform" is supporting through SWiM the core areas of quality management (as lead agency) and health financing in particular. Service delivery, institutional development, human resource development, behavioral change and communication continue to receive support as well.

One outcome is that quality management has become one of the cornerstones of the sector strategy and that the upkeep of hospitals, etc. has been accorded an impor1ant role. Considerable progress has also been achieved in terms of human resource development. For example, the NIPH has already covered 85% of national demand for advanced management training.

In the field of reproductive health, CIM, the DED and the GTZ have been able to influence improvements in measures for basic training and continuing education, working in groups with other donors. This was made possible in particular by linking the policy and the implementation levels of the system.

KfW has been active since 1995 in three projects (Sector Program Health I-III, SPH) with a total volume of about EUR 15 million. The aim was to contribute towards restoring or maintaining the provision of basic medicines and medical supplies In Cambodia's public health system. Since 1997, SPH III has been supporting the Family Planning Program by providing the contraceptives (oral and injectible and also IUDs) needed by the public health services throughout the country, in close co-operation with the WHO, UNICEF and UNFPA and also the NGO RACHA.

The DED has made important contributions by providing human resource support (costs in 2000-2003: EUR 1.47 million), particularly at the implementation level. Most of the measures were integrated into the GTZ health project. The aim and at the same time the strength the DED activities was 10 improve its partners' competence through training on the Job and find new ways through innovative approaches.

Integrated experts (CIM) are engaged in the field of health system reform (incl. drafting a master plan/ dental medicine and developing a national drug prevention program), in developing radiology services and in the provincial hospitals in Kampot and Kampong Thom. These hospitals are also referral hospitals and are supporting the introduction of a culture of quality (standards) for services and also staff development, as advisors for hospital management.

3 Aims and strategies

3.1 Cambodia's aims

According to the second Socio-Economic Development Plan (SEDP II, 2001-2005) and the Rectangular Strategy, poverty reduction IS the Cambodian government's supreme goal The National Poverty Reduction Strategy Paper (NPRSP), which builds upon the SEDP II states that the health sector is one of the priority sectors of poverty alleviation, with the HSSP as the guideline for action.

The Royal Governments priorities outlined in the Rectangular Strategy for the health sector include six key areas, one of which is "Promoting maternal and child care to reduce maternal and infant mortality".

In concrete terms, the MOH envisages the achievement of the following goals in particular between 2005 and 2010:

- Reducing the proportion of undernourished children under five from 45% to 29%
- Reducing the infant mortality rate from 66 to 60 per 1,000 births and the under-five mortality rate from 83 to 75 per 1,000 live births
- Reducing maternal mortality from 437 to 240 per 100,000 live births

- Increasing the use of modern contraceptives from 19% to 45% of women aged between 15 and 49
- Reducing the HIV infection rate from 1.9% in 2003 to 1.5% in 2010 in the 15-45-year age group

3.2 Germany's aims

Germany's primary goal is poverty alleviation. The international development goal of halving the proportion of people living in extreme poverty throughout the world by 2015 is expressly supported by Germany.

The promotion of the health sector, and especially the field of family planning, under the overarching aim of reducing poverty, is one of the priority fields of action for German development co-operation in Asia.

3.3 Definition of a shared strategy

The aforementioned goals of the governments of Cambodia and Germany are congruent. In line with the division of labor among all donors, the GTZ is concentrating on the field of quality improvement, health financing (especially health insurance), human resource development in the public and private sectors, and institutional development. A large proportion of the GTZ measures will address the sub-sector of reproductive health, and especially the family planning services, which are being supported by KfW.

In the field of combating drug abuse, an integrated expert (CIM) will support the development of a drug prevention strategy. Furthermore, individual inputs will be contributed by the GTZ sector project for drug prevention. Because of the shortage of funds and the sub-sectors that have been agreed upon, further support for the sub-sector drug prevention is not possible.

KfW, on the other hand, will concentrate within the framework of SWIM on the field of reproductive health.

Co-operation between KfW and the GTZ is to be intensified in particular within the framework of the key area of work, quality improvement, with special attention to maternal health, family planning and HIV/ AIDS prevention.

The shared strategy is characterized by the following conceptual elements:

- Incorporation of the private sector (especially by introducing licenses and certificates of quality)
- Interweaving of the activities of the German development co-operation organizations (KfW, GTZ, DED, CIM, etc.) with the aim of joined-up development co-operation
- Complementary promotion of the public and private sectors (creating foundations, partnerships),

promotion of the private sector wherever it is able to make significant contributions towards achieving goals in the health sector overall and has comparative advantages over the public sector in terms of delivery (social marketing/social franchising)
- Close linking of measures in the health sector with activities in the other priority areas and with the bilateral decentralization project [4]
- Special attention to the aspect of good governance in the health sector

In the long term the health sector is to be strengthened in such a way that its donor dependency is reduced. The private sector must assume its proper place and offer the population a service which complements that of the public sector. There must be clear delineation and quality control mechanisms at affordable prices. Because of the difficult situation from which these activities are being started, a period of at least eight years seems to be realistic for sustainable goal achievement. Taking into account the development achievements that have been accomplished by then, investigations should be made in 2010 to see whether and to what extent and in what form German support will be needed in the following years. The strategy to be pursued must be based on sustainable improvements in health indicators and sustainable reinforcement of the systems.

3.4 Target groups

The target group for the measures concerned with quality improvement, health financing and human resource development are poor and particularly disadvantaged members of the population, with special focus on selected provinces. The target group for German involvement in the sub-sector reproductive health consists, In particular, of women and girls, young people, and mothers and children.

3.5 Shared qualitative and/or quantitative targets of German development co-operation including time estimates

The target indicators laid down in the HSSP (see chap. 3.1) are very ambitious. Efforts will need to be made within the framework of bilateral development co-operation to ensure that they are achieved on a national basis by 2008.

The achievements of development co-operation are not solely to be measured by morbidity and mortality indicators, but also by access to or increased use of quality services and the level of direct expenditure by the population on health services. In both the priority provinces of bilateral co-operation, Kampot and Kampong Thorn, therefore, efforts will be made to achieve the following targets among others by 2008:

- 70% of poor people have free access to care in health center and referral hospitals
- Hospital beds are filled to 70% capacity
- Increase in deliveries attended by qualified staff from 15% to 25%

- 75% of service providers and users are informed about quality standards
- 60% of health facilities conform to quality standards
- 70% of users of health centers and 50% of users of hospitals are satisfied with the service provided
- 100% of private providers (e.g. doctors, midwives) are registered and 20% are licensed
- In 2 out of 7 districts in the two provinces, a social health insurance scheme has been introduced in 20% of the households

Furthermore, efforts will be made to ensure that, by 2008, 35% of women of childbearing age throughout the country are using contraceptives.

3.6 Complementarity with other donors

Activities under German development co-operation complement those of other donors (see chap. 2.3). In the Medium Term Expenditure Framework of the HSSP, contributions by all donors and financing gaps are recorded. These are continually being updated. Close co-ordination of the activities takes place via co-ordination mechanisms under the direction of the MoH, especially via monthly meetings. This ensures integration in the overall plan and reduces the danger of duplication.

Together with the Cambodian government, activities are also being identified that are not covered by other donors or not adequately covered, e.g. training in management and field research, family planning.

4 Significance of the German contribution

In the past, Germany has made significant contributions acknowledged by the Cambodian government and other donors, especially in the fields of reproductive health (particularly training health staff and supplying medicines incl. contraceptives).

The significance of Germany's contributions is further based on the fact that German development co-operation is active at all levels of intervention and is aimed at institutional improvements to the system, which are in turn prerequisites in part for the success of the measures of other donors in the health sector.

It is likely in future that the significance of this development co-operation will increase considerably, since it is now enshrined in a sector strategy, and that the capacities of the MoH and other Cambodian executing agencies in the health system will thus be significantly improved. On the other hand, the

establishment of priority areas and the formation of -programs by the German side, along with increased co-operation with other donors can be expected to bring about gains in efficiency and synergy.

5 Instruments and procedures

5.1 Instruments to be deployed

The German organizations, which have until now operated relatively independently from one another, are to co-operate more closely in the future. In particular, the co-operation between KfW and the GTZ is to be intensified.

The GTZ, OED, C/M and InWEnt will complement the work of KfW so that the system is strengthened (quality improvement) and the prerequisites are thus created for reproductive health to be taken into account at all levels as an integral issue.

The human resource development measures supported by the GTZ and DED in the Regional Training Centre in Kampot will be supported by KfW through infrastructure improvements. The joint involvement will help improve the learning and teaching conditions for the staff.

KfW will continue to Cover the demand for hormonal and clinical contraceptives and support improvements in the family planning services offered by the public sector. KfW will increasingly be working via the private sector in co-operation with international and national NGOs. Basket financing will not be used in the foreseeable future due to the lack of the requisite conditions.

CIM experts will be largely active at the national level in priority areas such as certification/quality management, health insurance, hospital management, HIV/AIDS prevention, e.g. in the Ministry of Health, central authorities or at the university. Moreover, the flexibility of the C/M instrument is also to be used if appropriate for sounding out new areas of promotion and laying the path for new projects or components in the health sector.

In line with its specific competence, the DED will be engaged in promoting local self-help and institutions, for the most part in joint GTZ and KfW co-operation projects.

In order to reduce the bottlenecks in terms of local know-how, the training of technical and managerial staff from Cambodia will be supported with InWEnt measures and SES deployments and other instruments (especially DAAD).

Besides implementing organizations from the state sector, German non-governmental organizations,

especially the Maltese Aid Service (MAS), are also active. Efforts are being made to integrate them into topical priority areas, e.g. quality management, as far as Possible,

5.2 Levels of intervention, players and counterpart contributions

The bilateral health program addresses all levels in accordance with their specific profiles. The strategy's main characteristic is the linking of the macro (policy and strategy development), meso (institutional level such as NIPH, Regional Training Centre in Kampot, provincial authorities, Department for Drugs and Food/ Essential, Drugs Bureau, NGOs) and micro levels (family planning establishment, decentralized medicine depots, health centers and hospitals, direct contact with the people), and the systematic incorporation of various levels in the development of strategies.

An intensive sector dialogue is being carried out with the MoH. Dialogue partners are the Ministry departments for planning, human resource development, hospitals and drugs, the NIPH, the provincial health authorities in Kampong Thom and Kampot and the Regional Training Center in Kampot (RTC).

The government has undertaken to successively increase the budget share for the social sector. For example, the budget share for health is to be increased until it reaches 2% of GNP.

5.3 Preconditions for co-operation

Generally speaking it can be said that German bilateral development co-operation takes account of the five criteria of German bilateral development co-operation (respect for human rights, the rule of law, popular participation in the political process, creation of a market- friendly and socially oriented economic order, development orientation of state action).

The following minimum requirements apply, inter alia, to German co-operation in the Cambodian health sector:

- Continuous increases in the share allocated to the health sector in the public budget
- Consistent pursuit of decentralization measures in the health sector
- Increasing counterpart contributions (incl. qualified staff) and ownership
- Implementation of the projects of the HSSP 2003-2007, harmonisation of donor support
- General reform of the salary system for public employees
- Creating efficient, clear structures and responsibilities within the MoH and subordinate institutions

6 Topics for the dialogue on the priority area

- Reform of the wage structure for employees in the public health sector
- Swift, increased budget allocations by the Ministry of Finance for the Ministry of Health and the provinces
- Efficient sector co-ordination

- Measures to ensure good governance, e.g. selection of managerial staff according to comprehensible, transparent criteria
- Problem and demand oriented further development of basic training and continuing education for health staff, grassroots relevance and systematic introduction of ethical aspects
- Increased cost-efficiency in the health sector (better use of resources, performance-oriented remuneration, incentives for providing care in rural areas)
- Introduction of a health insurance and social security system
- Incorporation of the private sector
- Increased use of social marketing and the provision of Cambodian funding for supplying contraceptives

Done in Phnom Penh, 18 October 2005

Annex V

Agenda Item 2: Development Since the last Negotiation Between Cambodia and Germany and Matters of General Concern.

by H.E Mr. Chhieng Yanara

Deputy Secretary General of CDC

Secretary General of CRDB

-Excellencies

-Members of the Delegation from the Federal Republic of Germany

-Ladies and Gentlemen

1. This agenda item in to-days program calls for a presentation by the Cambodian delegation on progress in matters of general concern since the last high level meeting in Bonn in October 2003. In the agenda the following items of general concern have been identified:

i. Political and Economic Situation in Cambodia.
ii. The Socio-Economic Development Plan (SEDP) II.
iii. Results of the Consultative Group Meeting Cambodia (CGC).
iv. Administrative and Judicial Reform.
v. Eradication of Corruption.
vi. Khmer Rouge Tribunal,
vii. Allocation and Disbursement of Public Funds.
viii. Salaries in the Public Sector.
ix. Land Reform

2. Overall, I am pleased to report that in spite of many challenges, we have made steady progress in each of these areas over the last two years. I would now like to give you a brief update in each of these areas.

3. I would like to begin by giving you an update on the first and the third item, that is, the *Political and Economic Situation in Cambodia, and the Results of the Consultative Group Meeting Cambodia*. As you know, when we met in Bonn in October 2003, following the general elections in July 2003, negotiations to form the new Government were underway. The formation of the new coalition Government in August 2004, after a year of negotiations in an environment of peace and security, represents an important landmark in the process of democratization in our country. A greater sense of peace and security has enabled the RGC to maintain the pace of social and economic development, broaden and deepen the reforms underway, and to continue to deepen Cambodia's integration in the regional and international arena.

4. On the domestic front, in spite of the uncertainties related to the end of the multi--fiber agreement on 31 December 2004, and higher oil prices over the last year macroeconomic performance has exceeded expectations. For the Royal Government, growth is the most powerful weapon in combating poverty and we remain committed to pursuing policies that encourage macroeconomic stability, shifting resources to more efficient sectors, and integrating ourselves within the regional and global economy.

5. I am pleased to report that we were able to achieve real GDP of 7.7 percent in 2004 against our planned target of 6.3 percent. As a consequence of the end of multi-fiber agreement at the end of 2004, late in 2004 the IMF had projected that real GDP growth in 2005 will decline to 2.5-3.0 percent in 2005. The negative impact of the end of the multi-fiber that was foreseen in 2004 has not materialized because of the positive effects of RGC's efforts to manage and enforce international labor standards in the garment industry. The IMF has revised significantly upwards its estimate of real GDP growth in 2005 to 6.3 percent. The tourism sector, another important contributor to GDP growth, has continued to experience double digit growth. In 2004, the number of tourists visiting Cambodia exceeded one million visitors. Domestic revenues in 2004 increased to 11.3 percent of GDP from 10.3 percent in 2003. The preliminary indications are that this upward trend is continuing in 2005. On the inflation front, because of higher oil prices as well as higher food price due to drought, inflation or the consumer price index increased by 5.6 percent in 2004.

6. As you know, the official development assistance to Cambodia - ODA - at present plays a very important role in the financing of our development programs. Improving aid effectives to reduce poverty and to maximize its benefits for our people is a high priority of the Royal Government. In support of RGC's efforts to sustain the GDP growth rate of over 6 percent that we were able to achieve over the last decade, *the Royal Government would like our development partners to give a priority to attaining a greater net transfer of ODA resources for the benefit of our poor people*. Over the last year, we have put in place a new mechanism for planning, managing and monitoring progress on the implementation of development assistance to improve ODA effectiveness. This new mechanism that includes 18 sectors and thematic joint Technical Working Group - TWGs - -and a high level Government-Donors Coordination Committee -GDCC- represents a fundamental change in the institutional set up for managing ODA to improve aid effectiveness. The TWGs provide an opportunity for ministries and

funding development partners involved in the sector or thematic area to work in an environment of shared responsibility and mutual accountability. The TWGs have made steady progress since the decision was made towards the end of 2004. However, progress among TWGs has been mixed. I am confident, however, that as my colleagues in the Royal Government gain experience and our development partners adjust to working in an environment of joint/shared responsibility and mutual accountability -the TWGs will find solutions to any problems that the TWGs may encounter.

7. The high level Government-Donors Coordination Committee (GDCC) -- whose membership includes Ministers or heads of government agencies, Ambassadors or .' Annex V heads of diplomatic missions, and heads of multilateral institutions --has been established to provide policy guidance, to set priorities, and to propose measures to solve problems raised by joint TWGs. The GDCC has been meeting quarterly and has reviewed progress in the implementation of TWGs Action Plan as well as progress on the Joint Monitoring Indicators agreed at the last CG meeting. This mechanism has enabled us to jointly review progress systematically --both in terms of our efforts and results achieved --on a quarterly basis and has enabled the Royal Government and our development partners to take timely actions to resolve problems as they arise rather than to wait for a review once a year at Consultative Group Meetings. The Consultative Group meetings perform two functions, a review of progress on policy issues and securing donor pledges. We now have a system through GDCC where progress on policy issues is now reviewed quarterly.

8. On the issues concerning harmonization and alignment of donor activities to improve aid effectiveness, a number of significant developments have taken place since 2003 in the international arena as well as in Cambodia. Towards the end of last year, RGC in close collaboration with development partners had prepared an action plan to implement the Rome Declaration's commitment that was approved by the Council of Ministers in November 2004. In December 2004, 12 development partners, including the Federal Republic of Germany, signed a Declaration to work with the Government in the implementation of RGC's Action Plan on Harmonization and Alignment of their ODA supported activities. An important element to move forward hinges on how fast donor country headquarters delegate authority to their country operations in order to empower them to work with RGC ministries and agencies on these issues. This is an area that is also noted for action by donors in the Paris Declaration that was issued early this year.

9. With respect to the second item, the Socio-Economic Development Plan (SEDP) II, as you know it covered the years 2001-2005. An important decision made by the Royal Government last year on the preparation of the Development Plan for the next five years --2006-2010 --was to consolidate the various strategies and plans into one consolidated National Strategic Development Plan. Work on this strategic development plan for the next five years to implement RGC's Rectangular Strategy and to achieve Cambodia's Millennium Development Goals is now underway. There were some delays in getting the needed TA on the ground. However, the MOP is working hard to complete the task by the end of 2005.

10. I would now like to give an update on items 4 and 8 --*Administrative and Judicial Reforms, and salaries in the Public Sector*, since they overlap. I am pleased to report that steady progress has been made since our last meeting in Bonn in both areas. In the area of public administrative reform, the TWG for PAR has been reporting progress on all five monitoring indicators that were agreed at the last CG meeting. A strategy to phase out salary supplement has been prepared, good progress is being made in reducing salary transactions in cash, and a merit based pay initiative is being implemented. The Council for Administrative Reforms has developed a comprehensive program dealing with civil servants remuneration issues salaries. It includes strategies for salary increases from the national budget, and through the Priority Mission Group and Merit Based Pay Initiative that could be financed through donor contributions. A merit-based pay scheme is currently being implemented under the Public Finance Management program funded by donors participating in the PF program. The basic salaries of public

servants financed from the national budget were increased in August 2005, significantly in the case of management personnel.

11. In the area of legal and judicial reforms, that include work on the Anti-corruption Law --item 5 on the list --significant progress has made. The Anticorruption Law had been drafted is currently being discussed with the civil society. The eight fundamental laws to be adopted under the legal framework have also been drafted and some has been sent to the National Assembly. These include the Organic Law on the Organization and Functioning of the Courts.

12. With respect to item 6, *Khmer Rouge Tribunal*, progress is being made to get the tribunal going. The UN has recently appointed an experienced KRT coordinator to oversee the process. While our desire is to proceed as soon as possible, the RGC still needs further financial support to fill the funding gaps.

13. Item 7, *Allocation and Disbursement of Public Funds,* is being dealt with under the comprehensive Public Financial Management reform program. Ten donors are working with the MEF to support the implementation of this program. The TWG for PFM that includes both donors and government has reported that significant progress is being made in this area. At the 15 September 2005 meeting of the GDCC, it was reported that satisfactory progress is being made on the joint monitoring indicators in this area agreed at the last CG meeting.

14. The last item, *Land Reforms*, in this area two sub-decrees one dealing with Economic land Concessions and the other with state land Management have drafted and have been submitted to the COM. Following a restricted meeting of selected donors with Samdech Prime Minister on 30 June 2005 on land issues, the Council of Ministers has instructed Ministry of Agriculture, Forestry and Fisheries and the Ministry of land Management, Urban Planning and Construction to make public disclosure of information on economic land concessions on land size, location, concessionaires, concession period, and other relevant information. Information on land concession is now being provided by the Ministry of Agriculture, Forestry and Fisheries and is planned to be posted on its website.

Thank you.

Agenda item 3: Sector Discussions -Priority Areas of Development Cooperation Assessment of the Focal Areas

Thank you for the presentation on priority areas for our future development cooperation. As you all know, the Government's development priorities are reflected in the "Rectangular Strategy" with the aim to reduce poverty in order to meet Cambodia's Millennium Development Goals (CMDGs). The Strategy selects key elements from the Second Socio-Economic Development Plan 2001-2005 and the National Poverty Reduction Strategy 2003-2005. In the Rectangular Strategy, four areas of priority are identified: (i) Enhancement of agricultural sector; (ii) Further rehabilitation and construction of physical infrastructure; (iii) Private sector development and employment generation; and (iv) Capacity Building and human resource development. Also this Rectangular Strategy identifies Good Governance as the most important prerequisite for achieving CMDGs, poverty reduction and sustainable development.

The proposed priority areas for development cooperation, namely Rural Development; Economic Reform and Development of the Market System; Health Nutrition and Family Planning, HIV/AIDS; and Good Governance respond precisely to the development priorities identified by the Royal Government of Cambodia. So, I think Cambodia don't see any problem with these priority areas for our future cooperation. However, I also propose that any activity or project under "Economic reform and development of the market system" should have a focus on rural sector in order to strengthen rural

growth and the efforts to eradicate poverty.

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[1] Reproductive health is defined as physical, mental and spiritual wellbeing with regard to all aspects relating to reproduction and sexuality. back

[2] 49% of these revenues can be allocated to augmenting salaries, 50% is used for recurrent costs and 1% goes into the state budget. back

[3] In these models, staff were paid better for good work and poor work was sanctioned, up to and including dismissal. Private work as health professionals ceased. back

[4] Concrete possibilities present themselves above all through support for the Commune Councils' efforts to identify the poor, to co-administrate the Equity Funds as part of preventive medicine activities by peripheral facilities, and to achieve quality control by the population. back