

**United Nations Development Programme  
CAMBODIA  
Project Document**

<b>Project Title</b>	Linking Policy and Practice for Accelerating MDG1
<b>UNDAF Outcome:</b>	By 2015, more people living in Cambodia benefit from , and participate in, increasingly equitable, green, diversified economic growth
<b>CPAP Outcome(s):</b>	CPAP Outcome1: by 2015 National and Sub-national capacities strengthened to develop more diversified, sustainable and equitable economy
<b>CPAP Output(s):</b>	CPAP Output 1: Evidence-based policy options provided; institutional capacities of select sectors strengthened and local income generation schemes scaled-up in support of inclusive and equitable growth.
<b>Implementing Partner:</b>	UNDP
<b>Responsible Parties:</b>	Supreme National Economic Council (SNEC) Ministry of Industry Mines and Energy (MIME) Cambodian National Petroleum Authority (CNPA) Council of Agriculture and Rural Development (CARD) Ministry of Planning (MOP)

Programme Period	2011-2015
UNDAF Outcome	By 2015, more people living in Cambodia benefit from , and participate in, increasingly equitable, green, diversified economic growth
CPAP Outcome(s)	CPAP Outcome1: by 2015 National and Sub-national capacities strengthened to develop more diversified, sustainable and equitable economy
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**Brief Description**

Poverty reduction and growth are the highest priorities of government. Poverty reduction with an improvement of livelihoods and the quality of life of the rapidly growing population have been recognised by the Royal Government of Cambodia's National Strategic Development Plan (NSDP) 2011-2013 as one the most formidable development challenge it faces. Cambodia's remarkable growth performance is more likely to be sustainable if it broadens its focus on additional, promising sectors and emphasizes the sustainable development of natural resources. In order to reach middle income country status while ensuring that progress towards poverty reduction are sustained, it has been recognised that Cambodia needs to ensure that its medium-term growth strategy and interventions are more inclusive, more sustainable and with stronger institutions.

UNDP Country Programme Action Plan (2011-2015) adopts an integrated poverty reduction approach in order to accelerate progress towards CMDG1. Addressing growth, poverty and equity requires acting simultaneously at the policy and macroeconomic levels and through direct interventions focused on the poorest populations. The acceleration path for CMDG 1 requires a combination of policy, sector strategies and local level initiatives. This will involve developing policy options for growth that benefits all; supporting human capital development and institutional capacity in selected sectors of importance for the diversification of the economy; and scaling up schemes to improve the incomes of those in the poorest provinces, this will in turn contribute to strengthening national and sub-national capacities to develop a more diversified, sustainable and equitable economy.

The UNDP Linking Policy with Practices (LPP) programme aims at (i) providing evidence-based policy options for inclusive, equitable and sustainable growth, (ii) supporting human capital development and institutional capacity development in selected sectors of importance and (iii) scaling up effective anti poverty practices for inclusive and equitable growth.

Programme Period:	<u>2011-2015</u>	Total resources required:	<u>20,379,281</u>
Key Result Area (Strategic Plan):	_____	Total allocated resources:	<u>6,748,110</u>
Atlas Award ID:	_____	• UNDP TRAC	6,579,281
Start date:	<u>January 2011</u> (Initiation Plan)	• Other:	168,829
End Date	<u>31 December 2015</u>	o NORAD	133,469
LPAC Meeting Date	<u>27 June 2011</u>	o Regional Cent	2,000
Management Arrangements	<u>DIM</u>	o 11888	33,360
		o Government	-
		<u>Unfunded budget:</u>	<u>13,631,171</u>
		In-kind Contributions	

Approved by:   
UNDP Country Director

Date: 28th August 2011

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## I. SITUATION ANALYSIS

Over the past decade, Cambodia has experienced peace and stability together with high levels of growth that has generated jobs, a dramatic reduction in poverty and notable improvements in health, education and other development indicators. Cambodia has also opened up to regional and global trade opportunities through the Association of Southeast Asian Nations (ASEAN) and the World Trade Organization (WTO). Nonetheless, a series of external shocks— the global economic crisis, rising food and fuel prices — and the threat of climate change have highlighted the fragility of the country's growth path and is straining Cambodia's ability to achieve its vision of reaching middle income status by 2020 and all its Millennium Development Goals (MDG) targets. Serious challenges over the next decade include the need to create enough jobs to handle Cambodia's demographic imbalance; the need to address the widening gap between rich and poor; and between provinces; and the need to respond to Climate Change and environmental degradation which puts water resources and agriculture development at high risk. The country's relative rapid economic recovery is presenting opportunities for Cambodia to make progressive pro-poor choices in economic and social policies that can help in this regard. Those policy choices will create more social and economic benefits to the poor and enable them to improve their standard of living.

### *Sustained high levels of growth*

From 1997 to 2008 Cambodia's economy grew on average at 9.3 per cent, driven largely by an expansion in four sectors, garment, construction, agriculture and tourism, making the country one of the best performers in the region. The country was hit hard by the global economic downturn in 2009 with Gross Domestic Product (GDP) levels falling from a robust 10.2 percent in 2007 to 0.1 percent in 2009. In 2010, the Cambodian economy achieved a stronger than expected recovery driven by foreign direct investment and exports with an estimated GDP growth at 6.7%. At the current projected growth rate of 6.5% in 2011 there is general consensus that Cambodia is set to reach lower middle income status in the next 5-10 years and upper middle status in the 35-40 years<sup>1</sup>.

Cambodia's economic growth has been urban-focused, concentrated mainly on the garment, tourism, and construction sectors—with few linkages to the rural economy where 80% of Cambodians (and 90% of the poor) live. As the economic downturn exposed the vulnerability of the economy to external shocks due to the narrow base of growth, Cambodia initiated some efforts of diversification of its production and export base with a focus on the agriculture sector. The strength of the economic recovery in 2010 is driven by three factors: agriculture growth (4.5 % growth in 2010); garment exports (55,300 new jobs created in 2010 almost offsetting the 2009 job losses) and tourism rebound (2.5 million tourists in 2010).

### *Decline in poverty*

In the past decade Cambodia achieved notable progress in poverty reduction. The 2007 Cambodia Socio-Economic Survey shows that the **overall poverty headcount index has decreased** from 34.7 percent in 2004 to 30.1 percent in 2007 based on the national poverty line of US\$ 0.45 and US\$0.63 respectively. While the reduction of poverty has been faster in urban areas, poverty levels have declined across the country. The **decline of poverty in rural areas** has been slower from 39.1 percent in 2004 to 34.7 percent in 2007. This resulted in a slow rate of poverty reduction (by about 1 percentage point a year) despite the exceptionally high growth rate.

Nonetheless, after 2007 recent trends indicate an **acceleration of poverty reduction** across the country. In 2008 World Bank *estimates* indicated a decrease in the poverty headcount index down to 20.7% in 2008<sup>2</sup>. This is confirmed by the provisional analysis of the 2009 Cambodia Socio-economic Survey which reveals sharp declines in poverty rates across the country. The Commune Database (CDB) which provides **indirect measures of poverty** in terms of consumption and income

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<sup>1</sup> 4th Cambodia Economic Forum presentation on Industrial Development, SNEC

<sup>2</sup> Poverty estimates for Cambodia, 2008, Report to the EAS country unit of the World Bank.

expenditure<sup>3</sup> shows similar trends: declines in poverty rates from 35% in 2004 to 30% in 2007 to 25% in 2010.

### *Rising inequalities*

The consequence of the weak link between growth and poverty is that ***inequalities have increased alarmingly during the past decade***. Although the poor have benefited from economic growth across the country, a higher share has gone to the better-off: This is illustrated by inequality in consumption measured by the rise of the Gini coefficient, from 0.35 to 0.43, between 1994 and 2007, meaning Cambodia has large differences between rich and poor compared with ASEAN countries with similar levels of income and consumption. Consequently, Cambodia now has one of the highest disparities between rich and poor in Asia. The share of income held by the richest 20% of the population also increased from 47 to 52% over this period, while the share held by the bottom 20% went down slightly—from 8 to 6%.

Despite strong performance since 1990, Cambodia still ranks 124th out of 169 countries on the Human Development Index (HDI)<sup>4</sup>, with a score of 0.494. Between 1995 and 2010, Cambodia's HDI value has increased from 0.385 to 0.494, an increase of 28%. However, when one applies inequality levels, the HDI falls to 0.351, a loss of 29% due to inequality. Furthermore, when one applies the Multidimensional Poverty Index<sup>5</sup>, 54 % of the population is found to suffer problems relating to access to health, education, water and sanitation, energy services and assets. An additional 20 % are vulnerable to the risk of multiple deprivations. ***This is in sharp contrast to the traditional measurement of income poverty measuring poverty levels at 30.1 % in 2007 and estimated at 25% in 2009/2010.***

### *Characteristics of inequalities*

Cambodia's unequal growth dynamics have a strong territorial dimension with relatively **uneven growth** between regions, provinces and districts and between urban/rural areas. There have been large differences in terms of access to services and job opportunities<sup>6</sup>. The highest concentrations of poor are to be found in the rural areas with 92.7 % of the nation's poor, or 3.7 million persons, living in rural areas in 2007. The average rural poverty rate is much higher than the Phnom Penh rate of 1 percent and the "other urban" rate. ***Inequality has increased not only between rural and urban areas, but also within rural areas.*** The poorest provinces are mainly in the north east (Kampong Thom, Ratanakiri, Mondulakiri, Kratie, Preah Vihear and Stung Treng), plus Kampong Speu and Siem Reap. The highest concentration of poor is to be found in the upland areas. However, rural areas have been able to benefit more from growth in recent years 2008-2010.

Inequalities are further enhanced by the ***exclusion of disadvantaged groups***, such as those in remote rural locations, youth, ethnic minorities, disabled, and rural women, who have not benefited as much proportionately from the benefits of growth.

Cambodia has one of the youngest populations in the region with 34.8 percent between 10 and 24 years of age<sup>7</sup>, and about 300,000 young people entering the workforce each year. This large youth population puts continued pressure on public services in particular in the area of health and education. Many of them are illiterate or have low skills<sup>8</sup>, with few opportunities to contribute to, and

3 A set of 13 CDB variables (household size, literacy levels, housing characteristics, access to basic services) are used with CSES and ID Poor data as reference household consumption and income data sources.

4 Human Development Report 2010, The Real Wealth of Nations: Pathways to human development, 20th anniversary edition.

5 The Multidimensional Poverty Index uses ten indicators to measure three critical dimensions of poverty at the household level: schooling, child enrollment, child mortality, nutrition, electricity, sanitation, safe drinking water, floor space, cooking fuel and assets.

6 Cambodia Local Development Outlook 2010, UNCDF.

7 General Population Census of Cambodia 2008.

8 General Population Census of Cambodia 2008 shows that 43% of workforce between 15-24 years of age is illiterate or has less than a complete primary school education.

benefit from, the country's economic growth, which in turn seriously hinders the productivity and competitiveness of the country.

In the north east a further dimension of inequality concerns Indigenous Peoples. Living mainly in upland areas, they have also been left behind and are particularly vulnerable to environmental degradation resulting from poorly planned development.

While Cambodian women are one of the most economically active in Asia<sup>9</sup>, social indicators highlight specific hardships for women, who are more likely to work in the informal sector, to be without education, and in the rural sector to be responsible for production and household livelihood without formal income, recognition or protection. Poverty in Cambodia also has a clear gender dimension. Women, and particularly female-headed households, tend to be poorer, with less social capital and less ability to access public services and to influence local decision making. Further, the global economic downturn has severely impacted the garment industry where a majority of the workforce are women with limited or no social security.

### *Vulnerabilities*

One of the key characteristics of poverty in Cambodia is that the poor or near poor are "clustered" around the poverty line, thus vulnerable to exogenous shocks. Such shocks can include (i) production/harvest failures due to natural disasters such as drought or flooding and impact of climate change, (ii) macroeconomic and trade shocks such as inflation (increasing food and fuel prices) and job losses in export sectors, (iii) health shocks due to high morbidity and limited access to quality healthcare, and other idiosyncratic risks such as loss of family member. Health shocks were found to be among the major sources of vulnerability faced by the poor. It takes only a family crisis, such as a family member falling ill, to push the near poor below the poverty line. The poor nutritional attainments records certainly play a role in increasing those vulnerabilities. Cambodian children's weight starts to falter from their 5th month, when usually children would start complementary food intake. Just as poverty rates, malnutrition is also more concentrated in rural areas where 31 percent of the children are underweight, contrasting from 23 percent from the urban areas. 30 percent of Cambodian children under five years old are underweight<sup>10</sup>. As food accounts for 60-70% of rural household expenditures, high food prices have had a significant impact on household food security and increased vulnerabilities. Seasonal unemployment and income insecurity further compound household vulnerability.

In the absence of any formal social protection scheme, when faced with exogenous shocks, families are forced to sell their productive assets such as cattle or farmland. Around 20% of rural households are landless and 26% own less than 0.5 ha and these numbers are increasing.

Meanwhile, the poor have reduced access to common property resources such as fisheries and forests which have traditionally served as social safety nets for the poor. Protected areas and forests are put at risk by logging, fuel wood dependency and lack of alternative sources of rural energy, clearance for agriculture and economic and social land concessions. This creates difficulties for the 30 to 40 per cent of rural households whose income comes from forest products<sup>11</sup>.

The limited development of social safety nets and micro insurance hampers entrepreneurship and risk taking. While microfinance is relatively developed across the country, a large portion of the rural population still cannot access credit, in particular landless farmers without land titles.

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9 Cambodia Gender Assessment, MOWA 2008

10 NIS, 2009

11 The Value of Forest Resources to Rural Livelihoods in Cambodia, Cambodia Development Research Institute Policy Brief 2006.

The most vulnerable include - the rural and urban poor, economic migrants and their families, fixed salary workers, the landless, ethnic minorities, children and elders, families affected by chronic illness such as HIV and disability. Poor infants and children face particularly high risks due to their particular vulnerability to detrimental coping strategies (such as reducing food consumption, eating less nutritious food, pulling children out of school and pushing them into child labour and trafficking). These groups warrant strengthened social protection and/or specific types of intervention.

### *Sustainability of growth*

Cambodia has fuelled growth by drawing on some of its assets (forestry, fisheries, land). Unsustainable development of natural resources, depleting ecosystems, water scarcity and increased climate vulnerability put Cambodia growth model at risk. 43% of the communes are considered vulnerable to extreme climate events (drought and floods)<sup>12</sup>. Cambodia is proportionally the most vulnerable country to floods in the Asia Pacific region, with 12.2 per cent of Cambodians exposed<sup>13</sup>. As agriculture relies heavily on rainfall (less than 10 per cent of agricultural land is irrigated during the dry season), any change in the rainfall pattern could impact productivity and food and water supplies. Cambodia can build upon good experiences such as the development of community forestry and fishery to make a more decisive effort to manage natural resources in a more sustainable and efficient manner.

### Government response

Poverty reduction and growth are the highest priorities of government. The Rectangular Strategy Phase II<sup>14</sup> reaffirms government's commitment to prioritize policies and investment in support of agriculture; infrastructure; private sector development and employment; and human resources development.

Cambodia realises that its remarkable growth performance is unlikely to be sustainable without a broader focus on more promising sectors and sustainable use of natural resources. Furthermore experience from many countries show that it is "easy to enter" the middle-income group but "difficult to graduate." In order to reach middle income country status while ensuring that progress towards poverty reduction are sustained, it has been recognised that Cambodia needs to ensure that its medium-term growth strategy and interventions are more inclusive, more sustainable and with stronger institutions. To support this aspiration, the Royal Government of Cambodia (RGC) has adopted a dual approach. This aims to diversify the economy and increase national competitiveness; and to expand the scope of social protection and safety net programmes.

Prime Minister Hun Sen, at the Third Cambodia Development Cooperation Forum (CDCF) on 2 June 2010, stated the importance of adopting a systematic and coordinated approach to redress sector ills:

*"While going through the hardest period of this crisis, Cambodia has gained lessons and experiences through designing and implementing necessary policies to contain the crisis, particularly by adopting systematic, coordinated and interconnected measures aiming at helping the sectors that were directly hit by the crisis, by strengthening social safety nets for Cambodian people and giving priorities to sectors that has the potential to generate high economic growth and support the effort for economic diversification and poverty reduction, as well as improving livelihoods of the overwhelming majority of Cambodian people in the rural areas, namely the agriculture sector".*

<sup>12</sup> Vulnerability assessment, Second National Communications Report to the UN convention on Climate Change, Climate Change Department, 2010.

<sup>13</sup> Protecting Development Gains, The Asia Pacific Disaster Report, 2010.

<sup>14</sup> The Government Rectangular Strategy Phase II, 2009-2013

## ***Diversifying the economy and improving national competitiveness***

Cambodia is actively looking for opportunities to diversify and expand the economic base of its economy within *existing* sectors of growth.

The government has identified agriculture as “the top priority sector for Cambodia’s socio-economic development”, focusing on increasing productivity and diversifying within this sector with a special emphasis on rice production. Agriculture, generating 32 percent of Cambodia’s GDP and employing 4.75 million of the 8 million labour force, has grown slowly but steadily since the early 1990s and proved to be the most resilient sector during the crisis growing by 5.4 % in 2009. The RGC rice export policy<sup>15</sup> aims to transform Cambodia into a “rice basket” through productivity enhancement, diversification (development of agro-industries), and agriculture commercialization (from subsistence to commercial agriculture). By 2015 expects to achieve milled rice export of at least 1 million tons. Volume of milled rice exported already almost tripled in 2010. Other key products with good export potential in the region have been identified (rubber, fish, cashew nuts, cassava, maize, corn, silk, organic fruits and vegetables and wood)<sup>16</sup>. The Rectangular Strategy also commits to tackling the climate change threat in particular to adapt to its potential impact on the agriculture sector and sustainable livelihoods<sup>17</sup>.

A growth driven by agriculture development has the potential to have stronger impact on poverty reduction in rural areas where 80% of Cambodians (and 90% of the poor) live provided that commercial agriculture creates new jobs enabling rural communities, in particular the youth, to make a greater contribution to the national economy. In addition to investment in rural roads network, irrigation and technology transfers, diversification would require investment in education, technical and vocational training, and health of the rural workforce, as well as strengthening of weak supply chains through trade facilitation.

Diversification is also a matter of new markets, not only new products. Another driver of growth is to further increase international and regional trade integration. Building on its comparative advantage (accessible arable land, cheap labour cost and closeness to dynamic regional markets), Cambodia is willing to reap the benefits from “*Everything But Arms*” initiative that came into effect on January 1, 2011 giving duty free access to LDC products to the EU markets as well as the *China-ASEAN Free Trade Agreement* which came into effect on January 1, 2010 waiving tariffs on 400 Cambodian products. To reap these benefits, Cambodia focus is on further increasing its competitiveness and productivity<sup>18</sup>. To support this aspiration, the government is rethinking its industrial policy; reviewing its human resource capacity (investment in education and vocational training in agriculture, textile, ICT, tourism, extractive industries) to become more responsive to private sector needs; and looking at enhancing the regulatory framework (from customs procedures to informal fees).

At the 4<sup>th</sup> Cambodia Economic Forum in February 2011, H.E Prime Minister Hun Sen highlighted the need for Cambodia to modernize its economy by promoting industrial development in order to achieve sustainable growth and take it to a higher stage of development. “*It would help Cambodia avoid the “Middle Income Country Trap” that has crippled a number of countries from moving further after achieving a middle income level*”. The industrial development policy presented at the 4<sup>th</sup> Cambodia Economic Forum is meant to capture more valued added of existing core sectors - agriculture, garment and tourism; upgrade emerging industries with growth potential - furniture and handicrafts, construction materials, household appliances, oil, gas and mining - and lastly identify areas of latent comparative advantage in software development, chemical industry, renewable energy, and creative industries.

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<sup>15</sup> “Promotion of Paddy Rice Production and Export of Milled Rice” policy launched by the Prime Minister in August 2010

<sup>16</sup> Cambodia Trade integration strategy, Ministry of Commerce & UNDP, 2007

<sup>17</sup> National Human Development on climate change, UNDP 2010

<sup>18</sup> Cambodia is ranked 109th in the Global Competitive Index (2010 – 2011) out of 139 countries.

One sector that Cambodia is actively promoting is extractive industries. It is anticipated that Cambodia will become a modest oil producer by the end of 2012 while mineral exploration for gold, copper, iron ore, bauxite and coal is promising. Adequate policies, legal and regulatory frameworks and investment in human capacity development are needed to accompany growth in this sector.

### ***Expanding the scope of social protection***

Addressing growth, equity and poverty reduction requires acting simultaneously at the policy and macro-economic level and through direct interventions focused on the poorest.

The Social Protection Index ranks Cambodia 25th of 31 Asia Pacific countries<sup>19</sup> with a value equals to 0.18. This ranking is much lower than the Asian Average of 0.36. So far Cambodia's expenditure on social safety nets is estimated to be less than 1 % of GDP and is largely limited to donor funded food programs with limited coverage. Government spending on social protection is focused on public sector workers (civil service pensions and veterans benefits), with some limited funding to vocational training and skills development. Comparatively, most developing countries spend in the range of 1 to 2% of GDP on safety nets. This indicates that Cambodia can afford and will benefit from developing broader social safety nets. The RGC appointed the Council for Agriculture and Rural Development (CARD) with the support of the Interim Working Group on Social Safety Nets (IWG – SSN) to develop an integrated national social protection strategy as an attempt to move from short-term safety net and stand alone programmes towards a more sustainable and coherent framework to address both poverty and vulnerability.

The 2011 National Social Protection Strategy (NSPS) aims to improve social safety nets through subsidies and employment for vulnerable sections of the population. It focuses on five priority areas: 1) basic needs of the population in situations of emergency 2) children and mothers 3) seasonal unemployment and underemployment 4) affordable health care for the poor and 5) social protection for special vulnerable groups.

The key question is how to target better the very limited resources that are available to ensure coverage of main sources of vulnerability and of most vulnerable groups. ***Better targeting plus coherence*** between current sector investments in social protection (for instance effective complementarities between Health Equity Funds (HEF), community-based programs and cash transfers pilots) and identifying gaps and priorities for scaling up across sectors, will ensure maximum coverage and provision for the poor and vulnerable. Indicative costing and costing for scaling up and pilots should be ready by 2011.

It is also necessary to improve the design of current targeting systems through the updating of poverty and vulnerability maps in order to improve coverage of the poorest regions and households. Existing gaps in coordination, monitoring, evaluation and information management can be addressed by building the capacity of CARD to perform these tasks.

Micro-insurance is becoming increasingly important in the design of the social safety net system. While micro-finance has taken a deep root in rural Cambodia, work on micro-insurance started only recently with the preparation of policies and a licensing system to regulate general insurance, life insurance, micro-insurance, and pension schemes and the drafting of a sub-decree covering micro-insurance initiatives. The support to the nascent Micro-insurance sector could increase outreach and coverage of the existing social protection framework to the vulnerable populations and enable a larger number of poor to be shield against external shocks and participate to economic activities.

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The country's rapid economic recovery gives the Royal Government of Cambodia opportunities to design progressive pro-poor economic and social policies in order to move faster to the next level of

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<sup>19</sup> Scaling Up of the Social Protection Index for Committed Poverty Reduction, Cambodia Country Report 2007, ADB.



development. Such structural and institutional change for transformative growth need to be supported by appropriate and flexible policies and incentives in these three areas: diversification; national competitiveness; and social protection.

## II. PROJECT SCOPE, STRATEGY

**OUTCOME 1: By 2015 National and sub-national capacities strengthened to develop more diversified, sustainable and equitable economy**

**OUTPUT 1.1 Evidence –based policy options provided, Institutional capacities of select sectors strengthened and effective anti poverty practices scaled up for inclusive and equitable growth.**

The United Nations Development Assistance Framework (UNDAF) 2011-2015<sup>20</sup> supports Cambodia's commitment to growth and poverty reduction with a focus on ensuring that *all people living in Cambodia can benefit from and participate in equitable, green and diversified economic growth* (UNDAF Outcome 1). The UNDAF also puts special emphasis on ensuring that the poor and vulnerable benefit from improved social safety net (SSN) and social security programmes (UNDAF Outcome 5).

To contribute to the achievement of these outcomes, the UNDP Linking Policy with Practices (LPP) programme aims at (i) providing evidence–based policy options for inclusive, equitable and sustainable growth, (ii) supporting human capital development and institutional capacity development in select sectors and (iii) scaling up effective anti poverty practices for inclusive and equitable growth.

### **UNDP past cooperation in the area of poverty reduction**

UNDP has a long standing engagement with the Royal Government of Cambodia in support of sharpening the pro-poor economic and social agenda through the lens of human development. Through the Insights for Action program, UNDP supported practical research in priority areas of the Rectangular Strategy and CMDGs including rural development<sup>21</sup>, extractive industries<sup>22</sup>, competitiveness of the Cambodian economy<sup>23</sup>, impact of the global economic downturn<sup>24</sup>, and more recently human capital development<sup>25</sup>. UNDP also supported the development and implementation of the Cambodia Trade Integration Strategy<sup>26</sup> focusing on 19 products for export with the potential to improve livelihoods of 2.5 million farmers. In the poorest provinces, UNDP's income generation schemes have increased livelihood opportunities for approximately 20,000 rural households through ecotourism, community fisheries, farming pilots and the promotion of indigenous handicraft products.

Building on its experience and comparative advantage in addressing capacity development challenges and with UNDP being recognized as trusted partner for its impartiality, UNDP will continue to support the RGC priorities to prepare the country to reach middle income status with more inclusive and more sustainable growth patterns and with stronger institutions which will allow it to move faster to the next level of development. In line with its ambition to achieve long term sustainable economic growth, Cambodia should be ready to reach middle income status with the ability to distribute its economic wealth to a majority of households, while improving on the human development index. Beyond the economic performance, and the ability to attract more business investments and the increase in per

<sup>20</sup> The five UNDAF Outcomes are i) economic growth and sustainable development, ii) health and education, iii) gender equality, iv) governance and v) social protection

<sup>21</sup> National Human Development Report on rural development, *Expanding choices for rural people*, Ministry of Planning & UNDP, 2017

<sup>22</sup> *Fueling poverty reduction with oil and gas revenues*, proceedings from the international oil and gas conference, UNDP, 2008; *Staking a claim for Cambodia*, proceedings from the international mining conference, UNDP, 2010

<sup>23</sup> Cambodia country competitiveness, UNDP in cooperation with SNEC and ODI, 2009

<sup>24</sup> The global economic downturn, opportunity or crisis? UNCT, 2009

<sup>25</sup> Human Capital Implications of Future Economic Growth in Cambodia: Elements of a Suggested Roadmap, UNDP, 2011.

<sup>26</sup> Cambodia Trade Integration Strategy, Ministry of Commerce and UNDP, 2007

capita income, the Cambodian society should economically rely on a solid and sustainable middle class who would have been able to integrate a larger number of the near poor and the poor and significantly reduce its vulnerability to extreme poverty. Cambodia would be better equipped to rapidly progress toward the achievement of the CMDG 2015 targets and beyond, specifically related to MDG 1, 3, 5, 7 and 9. This would be a positive indication of a sustainable economic and social progress and a positive shift from least developed country to middle income country status.

### ***An integrated poverty reduction approach in order to accelerate progress towards CMDG1***

UNDP Country Programme Action Plan (2011-2015) adopts an ***integrated poverty reduction approach*** in order to accelerate progress towards CMDG1. Addressing growth, poverty and equity requires acting simultaneously at the policy and macroeconomic levels and through direct interventions focused on the poorest populations. The acceleration path for CMDG 1 requires a combination of policy, sector strategies and local level initiatives.

This will involve developing policy options for growth that benefits all; supporting human capital development and institutional capacity in selected sectors of importance for the diversification of the economy; and scaling up schemes to improve the incomes of those in the poorest provinces (CPAP Output 1.1); this will in turn contribute to strengthening national and sub-national capacities to develop a more diversified, sustainable and equitable economy (CPAP Outcome 1).

#### ***Pillar 1) Policy advice and public/policy dialogue on inclusive growth and resilient development;***

UNDP will support the RGC to ***identify evidence based policy options to ensure that growth is more diversified, inclusive and resilient*** while progressing towards middle income country status. This demand-driven policy advice is expected to inform the development of national policies such as the new NSDP 2015-2019 and sector strategies through the lens of inclusiveness, equity, resilience, sustainability and human development. Policy options will be widely disseminated through various policy dialogues and public policy fora.

#### ***Pillar 2) Support to human capital development and institutional capacity development in selected sectors of importance for the diversification of the economy***

In emerging sectors of growth, UNDP will support the ***design of policies, laws and strategies as well as institutional development necessary for the sector to expand and contribute to poverty reduction***. As growth will need to be more sustainable and more resilient, it is important to start understanding what particular skills, competencies and knowledge will be needed in order to support specific demands attached to key sectors that will sustain a strong economic growth, and how to rapidly build those. Investing in people, in particular the youth, is decisive to respond to the current and future demand of high potential sectors. Therefore, human capital development strategies looking at improving the current education system, adapting existing vocational trainings, and other important capacity development curriculum will help guide the development of skills the private sector needs. On policy development front and sector support, UNDP will contribute to the responsible development of the extractive industry sector to ensure that its benefits extend to all Cambodians. This will involve the development of mineral and oil and gas policies to meet international governance standards as well as assistance in addressing human capital needs to manage the sector. Another important sector for UNDP support will be social protection.

#### ***Pillar 3) Scaling -up of effective local-level poverty reduction initiatives***

At the local level, UNDP will support sub-national governments and communities to scale up anti-poverty schemes in the areas of community-based income generation and inclusive finance in order to promote sustainable livelihoods, while pursuing linkages with national programmes for future integration of effective approaches.

The three pillars are interlinked and results will inform each other. This integrated approach to support the Royal Government of Cambodia response and accelerate progress toward CMDG1 is centered on stronger interactions, linkages and responses between policy making processes and sector strategies development at the national level and evidence based demands from the sub-national/grassroots level.

Evidence based policy advice (pillar 1) at the national level will influence the definition of priorities in selected sectors (pillar 2). Lessons learnt from the development of policies, laws and strategies for select sectors (pillar 2) will in turn feed into the refinement and sharpening of the country development agenda (pillar 1). Up-scaling grass root/local-level poverty reduction practices, including through integration into national and sub-national programmes (pillar 3), will make national policies and sector strategies (pillars 1 & 2) more responsive to local priorities and enriched with lessons from successful local practice. Overall public policy dialogue will promote better understanding and inclusiveness of policy planning and implementation.

### ***Knowledge management***

#### ***Knowledge generation***

UNDP will engage with government counterparts, civil society and development partners to identify policy issues that require further analysis and where UNDP could bring added value. To generate innovative and creative policy options through research and dialogue, to the extent possible UNDP will partner with local research institutes and universities rather than outsource research outside of Cambodia.

UNDP will bring global and regional experiences with a special focus on promoting ***south-south cooperation*** to provide alternative perspectives and successful experiences in promoting inclusive, sustainable and resilient development.

UNDP will facilitate the capture of knowledge and lessons learnt from sector development that will inform the refinement and sharpening of the country development agenda in particular the preparation of the new NSDP 2015-2019. Lessons from up-scaling local-level poverty reduction practices will also inform the development of national and sub-national programmes as well as national policies and sector strategies.

#### ***Influencing transformative change***

UNDP aims at contributing to and enriching the policy formulation and implementation process through the sharing of innovative ideas, creative approaches, and practical knowledge across a wide spectrum of Cambodian society. This would require a refined understanding of the policy making agenda in Cambodia, in particular of the different stages of policy making and entry points to influence the national agenda.

UNDP will support platforms for policy dialogue such as the biennial Cambodia Economic Forum, parliamentary briefings, issue based briefings or international conferences promoting south-south cooperation on issues of relevance to Cambodia. UNDP will use these platforms to disseminate policy options, share lessons and best practices from effective local poverty reduction practices, and advocate for special fast-track initiatives in relation to CMDG acceleration.

When needed, policy recommendations will be accompanied by concrete demand driven follow-up plan for capacity development to support the RCG in implementation of select policy options.

#### ***Tracking Change***

UNDP will seek to influence the development of progressive policies and sector plans and corresponding budgetary allocations that contribute to poverty reduction through the lens of inclusiveness, equity, resilience, sustainability and human development. At the national level, progresses made in supported sectors and policies will be measured through indicators and benchmarks linked to NSDP, the MDG framework and the Joint Monitoring Indicators. Progress in policy development and implementation will be reviewed periodically and carefully through the project M&E framework and resources, to reflect any changes in the local context, successes, failures and impact of specific initiatives. The direction of the policy work will need to be regularly adjusted to adapt UNDP support to the changing environment and needs. At the grass root level, up-scaling local practices will be continuously monitored with regard to the impact from expanding the coverage and breadth of income-generation and livelihoods-based approaches and securing better support and financing through national programmes.

***Partnership Strategy:***

UNDP will partner with a range of government and non government organizations. To ensure that policy recommendations are responsive to country needs and are being used effectively by national counterparts, development partners, civil society, and private sector, partners will be involved throughout the various stages of the policy development support process.

UNDP will strengthen existing partnerships with Royal Government of Cambodia. Partnership with the Supreme National Economic Council (SNEC) will be consolidated through the implementation of the MOU signed in 2010. Similarly, in 2011, a MOU was signed with the Ministry of Industry, Mines and Energy, and a Collaboration Plan with the Cambodia National Petroleum Authority (CNPA) expanding the scope of cooperation with both government agencies. The Ministry of Planning will be the key partner in poverty monitoring and NSDP review. The Council for Agriculture and Rural Development (CARD) will be the main counterpart on monitoring of social protection. The Ministry of Commerce will be the main counterpart in local economic development and diversification. Other partners include the National Assembly and Senate and Economic and Finance Institute. UNDP will utilise existing governmental coordination mechanisms, as the CARD Social Protection Coordination Unit (SPCU) to align its activities and ensure stronger linkages with key ministries and existing national strategies and plans.

UNDP will endeavour to closely coordinate the planning and design of activities and deliverables with other partner agencies involved in poverty reduction and policy dialogue. In particular UNDP will seek complementarities with the existing poverty reduction programs supported by Australia, Canada, Norway, the EU Delegation, GIZ, JICA, USAID and New Zealand. In the context of the scalability study, UNDP is undertaking a broad-based multi-partner approach, with 24 development partners and six government sectors being involved. These partnerships will be further strengthened through continuous knowledge exchange and documenting comparative practices in order to make effective local solutions be better documented, disseminated and taken to scale. Jointly working towards UNDAF Outcome 1 and 5, UNDP will partner with WFP, FAO, UNCDF, UNICEF, UNIDO, ILO and the UNV programme. UNDP will further strengthen its partnership with the international financial institutions such as the World Bank and ADB notably through joint support to the organization of the Cambodia Economic Forum by SNEC as well as in the extractive industries sector.

Partnership with relevant civil society groups and nongovernmental organisations will be further strengthened to ensure adequate representation of CSO technical advices and inputs, a stronger dialogue with leading civil society representatives in key sectors. And ultimately to leverage their existing national and local networks to convey and share policy options and promote broader debate of issues of concern to Cambodian society. UNDP will partner with the Cambodian Economic Association (CEA) and NGO Forum to promote further policy dialogue through a platform to share, discuss and disseminate policy-based research papers and policy briefs and to advocate policy recommendations. UNDP will partner with local research institutions such as CDRI and national academia on conducting policy-based research with elements of capacity development.

Increasing the involvement of the private sector in policy discussion is important, especially given the role of the private sector to secure development outcomes for Cambodia. The International Business Council (IBC), representing the largest national and international companies in Cambodia, is a most effective forum for presenting UNDP policy-based research findings. In the area of Extractive Industries, UNDP and private sector companies have developed the basis for a strong partnership, which should help to grow Cambodia's EI sector in a responsible manner.

Communications and outreach will play a central role in supporting the dissemination and broader debate of policy options. Involvement of local media will help increasing access to information and increase consultations on social and economic issues. The UNDP youth multimedia initiative and the UNDP sponsored Equity weekly program will be part of this effort.

#### ***Linkages with other UNDP programmes***

UNDP will ensure linkages and synergies with other UNDP programmes in the area of NSDP/CMDG monitoring, gender equity, climate change and natural resource management.

The NSDP/CMDG monitoring programme implemented by Ministry of Planning seeks to strengthen monitoring and analysis of the NSDP leading to evidence based policy decisions to accelerate progress in lagging behind CMDGs. Analytical work on inclusive growth and resilient development will inform NSDP update exercise. The MOP/UNDP programme will also contribute to strengthen access to information for decision makers and civil society and citizens at national and sub-national level through public information tools and CMDG scorecards.

Similarly gender analytical work conducted under MOWA/UNDP Partnership for Gender Equity will inform the development of gender progressive sector strategies and public policy dialogues on inclusiveness and equity.

UNDP is partnering with the Ministry of Environment, the Ministry of Agriculture, Fishery and Forestry to implement climate change resilience actions and sustainable forestry management and protected area management initiatives that will contribute to renewed thinking on sustainable management of natural resources.

Lessons learnt from UNDP income generation schemes in the area of ecotourism, community fisheries, and creative industries will feed into the identification of effective local-level poverty reduction initiatives.

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### **III. DESCRIPTION OF DELIVERABLES**

**OUTCOME 1: By 2015 National and sub-national capacities strengthened to develop more diversified, sustainable and equitable economy**

**OUTPUT 1.1 Evidence –based policy options provided, Institutional capacities of select sectors strengthened and effective anti poverty practices scaled up for inclusive and equitable growth.**

#### **Deliverable 1: Policy advice and public/policy dialogue on inclusive growth and resilient development**

UNDP will support the RGC to ***identify evidence based policy options to ensure that growth is more diversified, inclusive and resilient*** while progressing towards middle income country status. UNDP will support policy analysis and advice on issues identified by the RGC. This ***demand driven policy advice*** is expected to inform the development of national policies such as the new NSDP 2015-2019 and sector strategies through the lens of inclusiveness, equity, resilience, sustainability and human development. More specifically UNDP will support policy development in the following areas:

- a) UNDP will continue to support the RGC to broaden its economic base still concentrated on a few sectors, and create more jobs, while mitigating the climate change risks. The support toward a *sustained and diversified growth* will encompass analytical inputs on pro-poor economic diversification (including human resource development), industrial development (in particular what specific policy efforts would be needed to promote industrialization as part of a broader economic diversification agenda-diversifying Cambodia production and export structure-, while developing the country productive capacity for sustained economic growth, the creation of employment opportunities and substantial poverty reduction), competitiveness of the national economy, inclusive local development and sustainable use of natural resources.
- b) In order to achieve sustainable economic growth, large pockets of vulnerable people, comprised of women, youth and indigenous populations, need to be better integrated in the mainstream national and local economies, in order to better benefit from and better contribute to growth. In this regard, it is necessary to understand further how to better close the gap between urban and rural areas, what leverage to use in order to stop and reduce existing inequalities. The focus on *inclusive and equitable development* will generate analytical inputs on inequalities; rising vulnerabilities; regional disparities in relation to CMDG status; on rural and urban divides, and how growth in rural areas could be sustained in order to accelerate the poverty reduction pace, while maintaining the high economic growth levels in urban areas; how employments level could increase and offer more opportunities for vulnerable population groups; and equitable access to natural resources.
- c) To better cope with external shocks like climate change events, or macro economics shocks, building Cambodia's capacity to achieve a more *resilient growth and development* would be realized through advice on social protection (including micro-insurance), linkage to policy development and dialogue on climate change adaptation, disaster risk reduction and other areas of vulnerability.

In close collaboration with SNEC, CARD, MEF, and MOP, technical support and inputs within the 3 above mentioned areas will be captured, discussed, shared and disseminated using 2 key platforms: Cambodia's Economic Forum and the National Human Development Report. In parallel, UNDP will seek to systematically document other developing country experiences, approaches and lessons learnt to tackle similar issues and challenges. The results will be presented with a range of short term and medium term practical and implementable measures in the form of short policy briefs. The policy options will be widely disseminated to relevant government institutions through different workshops and round tables in order to facilitate information sharing and discussion around CMDG acceleration decisions or investment. Public dialogues and round tables involving government agencies, parliamentarians, research institutes, civil society groups, development partners, local media will be organized to generate broad based debate on available policy options. The RGC will decide, among the identified policy options, the ones to prioritize and support further toward policy development and action.

**Deliverable 2: Support to human capital development and institutional capacity development in selected sectors of importance for inclusive growth and resilient development**

Upon government request, policy advice will be accompanied by concrete follow-up plan for capacity development to support the RGC implement select policy recommendations in emerging sectors.

UNDP will support the *design of policies, laws and strategies as well as institutional development necessary for the sectors to expand and contribute to poverty reduction*. Policy development support will be provided to a few emerging sectors that are in need of policy and legislative frameworks that could guide their responsible development and contribution to equitable and inclusive growth. Following on the human capital road map presented at the 4<sup>th</sup> Cambodia Economic

Forum, UNDP will specifically focus on supporting the development of human capital development strategies that will help **generate the skills the private sector needs** and promote more employment opportunities for Cambodians. As the human capital study recommendations already point toward addressing unemployment by targeting rural and poor individuals and communities most affected by economic crisis, as well as strengthening and expanding the Scholarship for Poor Programme, the support ensures that the ultimate benefits will address the most vulnerable segments of the populations, including women.

It is expected that over the programme five year period **at least three emerging sectors** will be identified by the RGC where UNDP could provide tailored capacity development support based on its comparative advantage. Two sectors have been identified: Extractive Industries and Social Protection.

#### *Extractive Industries*

RGC is prioritizing the development of the Extractive Industries (EI) sector as a way to diversify sources of growth, while acknowledging the accompanying social and environmental risks. Building on UNDP's well-established presence in the EI sector over the past five years and trustful partnerships with the Ministry of Industry, Mines and Energy (MIME), and with the Cambodian National Petroleum Authority (CNPA), as well as with civil society and the private sector, UNDP will contribute to the responsible development of this sector to ensure that its benefits are extended to all Cambodians. This will involve assessing and addressing the human capital needs for managing the sector, developing policies and regulations to meet international governance standards as well as building institutional capacity. Cambodia's first offshore oil production has been announced for late 2012; mining exploration has sharply increased since 2005, and is picking up again after the financial crisis. These sectors are likely to bring benefits to rural regions facing high poverty rates. The key however, is to develop the sectors in a manner that is responsible, accountable and transparent. With this focus, inclusive economic benefits for Cambodian society can be realized, environmental risks properly managed, and, importantly, the social dislocations that have been associated with mining in other countries can be minimized.

UNDP will specifically support drafting of Cambodia's **first mineral policy** and update of its Mining Law, as well as introduce new approaches to artisanal and small scale mining in the country together with new instruments to help the miners secure sustainable livelihoods. A series of capacity development initiatives with CNPA aimed at conducting petroleum policy research and analysis will directly contribute to the preparation of Cambodia's **first petroleum policy framework**, and increased transparency in EI transactions, with the potential for Cambodia to become an EITI candidate country. UNDP will also contribute to a new human capital development strategy to ensure that demand is matched with supply of Cambodian professionals needed in public and private sectors to support the growth of petroleum and mining sectors. As part of the human capital development strategy, a new partnership was established in 2010 with the Institute of Technology of Cambodia.

#### *Social Protection:*

The National Social Protection Strategy (NSPS) was developed as an attempt to move from short-term safety net and stand alone programmes towards a more sustainable and coherent framework to address both poverty and vulnerability. UNDP sees social protection measures as critical for making a difference in accelerating CMDG1 and other CMDGs with a focus on the poor and most vulnerable.

In partnership and coordination with other UN agencies, under the leadership of WFP, UNDP support to NSPS implementation will involve assistance to CARD coordination unit and other line ministries in strengthening coordination and monitoring, in better understanding of the impact of social protection schemes on vulnerable groups and exploring the potential for new social protection tools such as micro finance.

UNDP demand driven capacity development support to CARD coordination unit will focus on strengthening its oversight and coordination function in complementarity with UNICEF, ILO and WFP and other DPs member of the IWG (ADB, AusAID, GIZ, WB) interventions. UNDP will support RGC to

put in place systems and human capacities to monitor and evaluate the impact of NSPS and thus better target social protection schemes. Specifically UNDP will assess jointly with CARD and Ministry of Planning the possibility of using Community-Based Monitoring System type of information (the Commune Database)<sup>27</sup> as a tool for monitoring of vulnerabilities, geographical targeting and evaluation of the impact of social protection schemes.

Through enhanced monitoring of vulnerabilities, UNDP together with other UN agencies will support RGC to deepen the understanding of the needs and rights of vulnerable groups and better assess the impact of social protection schemes on different vulnerable groups (in particular women and youth as reflected in the National Social Protection Strategy), as well as improve targeting of social protection schemes. For examples, UNDP will pay particular attention to social protection schemes with the potential to address the needs of people and families affected by HIV. Building on the findings of the UNDP study on the socio-economic impact of HIV at the household level<sup>28</sup>, UNDP, in consultation with UNAIDS, will support CARD to review key social protection schemes that can address the socio-economic impacts of HIV on households with a view to improving their HIV-sensitivity thus better understand the strategic relevance of HIV-sensitive social protection for impact mitigation.

UNDP in partnership with UNCDF will also support the development of the micro-insurance sector through a micro-insurance sector diagnostic study including community based health insurance schemes, property insurance and other products such as crop insurance and a pre-assessment of the demand side, in particular from the poor. Micro-insurance products have been recognized as effective instruments to complement existing social protection programmes. Micro-insurance demonstrated its capacity to reduce vulnerabilities and mitigate the external effects of external shocks, like natural disaster, illnesses, especially for vulnerable households, due to their low asset base. Micro-insurance products can protect the poor and their assets from negative external shocks or compensate their negative effects (e.g. production/harvest failures due to natural disasters such as drought or flooding and impact of climate change). They can as well address gender specific vulnerabilities, as we know that poor women in the Cambodian context are more exposed to risks related to health and income generation, and play key roles in generating and managing resources for the family. Micro-insurance can demonstrate its capacity to protect better and reduce the risks of failure for economic (and non economic) agents. With its potential to be gender and sector specific (health, agricultural sector), it can significantly contribute to build a stronger and more resilient economy.

In partnership with the UNDP International Policy Centre for Inclusive Growth in Brazil, UNDP will connect CARD, Ministry of Planning and line ministries with experiences and recent innovations from developing countries highlighting how social protection programs can also trigger economic benefits (e.g. Productive Safety Net Programme (PSNP) in Ethiopia). RGC expressed particular interest in the macro level benefits of adopting social protection strategies (counter cyclical impact, resilience to shocks, reductions in inequality leading to a broader domestic demand base etc).

### **Deliverable 3: Support to scaling up effective local poverty reduction practices**

UNDP will support the identification of successful anti-poverty models with demonstrable and sustainable impact that possess the potential to be scaled-up and integrated in national programs or sector programs as part of the acceleration of progress towards CMDG 1 with a particular focus on rural areas.

The large array of interventions aimed at combating rural poverty that can be grouped into several categories which include, but are not limited to i) improved agricultural input and cultivation techniques; ii) natural resource management and environmental conservation; iii) rural income

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27 Technical support from the Community-Based Monitoring System (CDMS) of the Poverty and Economic Policy Research Network (<http://www.pep-net.org/programs/cbms/about-cbms/>) can provide useful inputs to strengthen CDB (or adapted it) as a monitoring tool for NSPS.

28 Study on the socio-economic impact of HIV at the household level in Cambodia, UNCT, 2011



diversification and strengthening market access; iv) increased access to finance; and v) social protection programmes<sup>29</sup>. *Some examples of each are given in annex 1.*

It is recognized that achievements in poverty reduction programmes often fall short of reaching their full potential as linkages to align efforts and share lessons learned are not well established. As a result of these information gaps, approaches to poverty reduction in Cambodia are fragmented. In addition, there is little consensus as to which approaches are achieving the greatest and most sustainable impact on the lives of the poor.

The study is a formidable tool to advance toward higher income and level of consumption, and enable the poor to participate fully to economic processes, thus reducing their vulnerability to shocks. It will enable as well to support the 'near-poor', those who are living on, or just above the poverty line, but who often demonstrate a range of similar characteristics and vulnerabilities to those who are living below. It intends to address pockets of high prevalence of poor located in north eastern region, and in areas where ethnic-minorities are present.

As poverty in Cambodia also has a clear gender dimension, the study will intend to identify opportunities to better support women, and including female-headed households, who tend to be poorer, with less social capital and less ability to access public services and to influence local decision making.

#### Step 1 – Scalability study

UNDP will identify best practice models and approaches that reduce poverty and enhance livelihoods of the poor and vulnerable in Cambodia; and develop a methodology and assess identified models against a number of criteria in order to draw out useful comparisons, highlight best practice and identify possible areas for advancement. The study is planned to include four main activities; i) the development of a dynamic poverty profile and vulnerability context of the poor; ii) a mapping exercise of poverty reduction and livelihood enhancing models in Cambodia; iii) a scalability assessment of identified best practice models. The study is working to accelerate progress towards CMDG 1 and is therefore concerned with demonstrated impact towards improving household income and the reduction of hunger. The study includes criteria and indicators that move beyond impact. Those include, but are not limited to, sustainability, replicability, project relevance, community ownership, risk and value for money.

#### Step 2 - Identification of approaches to scale-up recommended models

Based on the recommendations of the scalability assessment, potential avenues for the up-scaling of recommended models will be identified. The aim is to link recommended models with available resources or opportunities in order to increase their outreach and/or effectiveness. Potential avenues for up-scaling may include, but are not limited to, the incorporation into existent or pipeline national programmes (including National Social Protection Strategy; National Forest Program, National Protected Areas Strategy; National Climate Change Strategy and Action Plan; and National Programme for Sub-National Democratic Development).

UNDP will advocate for special fast-track initiatives and for further externally-assisted support to sustain and expand the most effective anti-poverty models. UNDP will also support viability and sustainability of the most effective anti-poverty models through facilitated access to micro-finance.

UNDP partnership with the United Nations Volunteer programme will be critical for the success of this initiative. UNV will support the ***establishment of a network of National UN Volunteers to develop local capacities and strengthen linkages with partners***, especially civil society organizations and local government. Volunteerism plays a considerable role in community mobilization, social inclusion and capacity building in particular to increase participation of marginalized and disadvantaged

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29 UNDP's five existing inclusive income generation interventions will be part of the review for potential scale up including - The Creative Industries Support Program; Community-based Eco Tourism; Community based Fishery Conservation; Integrating Framing including SRI and Women Saving Groups.

people, such as women, youth and indigenous groups. Volunteerism not only contributes to inclusiveness and equality, but also strengthens social capital, which is important for strong economic growth and sustainability. In Cambodia, although over 70% of CSOs work with and through volunteers, the sense of traditional volunteering and mutual-aid has eroded as a result of the civil war. There is a great need to strengthen social networks and values of solidarity, trust and reciprocity for equitable and sustainable development.

UNDP and UNV will integrate volunteerism into the assessment methodology in identifying the best practices that have potential for up-scaling. A number of national UN Volunteers will be placed in the target provinces to facilitate communication, strengthen partnerships and linkages with local level initiatives and partners. Special efforts will be devoted to recruiting volunteers from among indigenous groups, women and youth. To support this initiative, UNV will seek USD 600, 000 from UNV head quarter. The budget includes the recruitment, training, travel, advocacy to promote volunteerism, activities on partnership building, and the remunerations of the volunteers.

The following results will be achieved in partnership with UNV: (i) increased effectiveness of the scaled-up poverty reduction projects through community participation and volunteerism; (ii) strengthened local capacities to implement poverty reduction policies and projects with the focus on both income and human dimensions of poverty; (iii) increased social inclusion and integration of concerns and needs of disadvantaged and marginalized groups, especially women, indigenous people, youth and others; (iv) a network of local volunteer established and trained to facilitate community mobilization, knowledge transfer and learning, partnership building and capacity development activities.

**IV. RESULTS AND RESOURCES FRAMEWORK**

<b>OUTCOME 1:</b>				
<b>By 2015 National and sub-national capacities strengthened to develop more diversified, sustainable and equitable economy</b>				
<b>Outcome indicators including baseline and target (extracted from the CPAP RRF):</b>				
<b>Indicator 1:</b> Number of national policies integrating UNDP policy recommendations (Baseline: 0, Target 4)				
<b>Indicator 2:</b> National Strategic Development Plan 2015 - 2019 includes new priorities and targets for inclusive growth (Baseline: No, Target: Yes)				
<b>Applicable Key Result Area : MDG and Poverty Reduction</b>				
<b>Partnership Strategy: DIM</b>				
<b>Project title and ID: Linking Policy and Practice for Accelerating MDG 1 ( Award ID: 00061025 Project ID: 00077102 )</b>				
<b>INTENDED OUTPUTS</b>	<b>OUTPUT TARGETS FOR (YEARS)</b>	<b>KEY DELIVERABLES</b>	<b>RESPONSIBLE PARTIES</b>	<b>INPUTS</b>
<p><b>Output 1</b></p> <p><b>Evidence –based policy options provided, Institutional capacities of select sectors strengthened and effective anti poverty practices scaled up for inclusive and equitable growth</b></p> <ul style="list-style-type: none"> <li>• No. of sectors that adopted Human Capital development strategies (2010: 0, 2015: 3)</li> <li>• No. of Extractive Industries policies in compliance with international standards of responsible governance developed (2010: 0, 2015: 4)</li> <li>• Impact of social protection schemes and vulnerabilities monitored through community-based networks</li> </ul>	<p><b>2011</b></p> <ul style="list-style-type: none"> <li>- 4<sup>TH</sup> Cambodia Economic Forum (CEF) successful organised in partnership with SNEC and collaboration with ADB and WB.</li> <li>- Human Capital Report is developed, published, and launched</li> <li>- Human Capital Roadmap concept note and implementation plan approved</li> <li>- Cambodia Human Development Report 2010/2011(CHDR)</li> </ul>	<p><b>Key Deliverable 1:</b> Policy advice and public/policy dialogue on inclusive growth and resilient development</p> <p><b>Key Actions:</b></p> <p><b>2011</b></p> <ul style="list-style-type: none"> <li>- Organize the 4th Cambodia Economic Forum</li> <li>- Launch Human Capital report</li> <li>- Develop Human Capital Roadmap and the implementation strategy</li> <li>- Produce and launch CHDR report</li> <li>- Organize a number of Roundtable Discussions on Cambodia economic diversification, inclusive growth in partnership with selected development partners</li> </ul>	<p>UNDP</p> <p>SNEC</p> <p>MoE</p> <p>MEF</p> <p>MoLVT</p> <p>MoYES</p> <p>ILO</p> <p>UNESCO</p>	<p>NHDR = 429,900</p> <p>CEF = 519,780</p> <p>Publication and printing = 78,000</p> <p><b>Total = 1,027,680</b></p>

<p>and Commune Database (2015: 0%, 2015: 15% of districts monitored by community-based networks; 100% of districts covered by Commune Database)</p> <ul style="list-style-type: none"> <li>• Nation-wide income generation schemes documented (2010: no, 2015: yes)</li> <li>• No. of documented income generation schemes scaled-up (2010: 0, 2015: 4)</li> </ul>	<p>published and launched</p> <ul style="list-style-type: none"> <li>- At least 1 round table discussion is organized</li> </ul> <p><b>2012-2015</b></p> <ul style="list-style-type: none"> <li>- 5<sup>th</sup> CEF successful organised in partnership with SNEC and collaboration with ADB and WB.</li> <li>- Cambodia Human Development Report 2014(CHDR) published and launched</li> <li>- At least 2 policy briefs on inclusive growth and human development produced</li> <li>- At least 1 policy briefs on vulnerability monitoring and impact assessment of social protection produced</li> <li>- NSDP 2015 – 2019 and sector strategy development are informed by the policy analysis and advice through the lens of inclusiveness, equity, resilience, sustainability, and human development.</li> <li>- At least 4 Policy Platform on socio economic development are organized</li> </ul>	<p><b>2012 - 2015</b></p> <ul style="list-style-type: none"> <li>- Organize the 5<sup>th</sup> Cambodia Economic Forum</li> <li>- Develop at least 2 background researches for the 5<sup>th</sup> Cambodia Economic Forum (2013).</li> <li>- Produce 1 NHDR (2014)</li> <li>- Identify, develop, and publish relevant strategic policy briefs</li> <li>- Organize Policy Platforms on socio-economic development in partnership with selected development partners</li> <li>- Develop advocacy strategies for the identified focus areas</li> </ul>	<p><b>Key Deliverable 2:</b> Support to human capital development and institutional capacity development in selected sectors of importance for inclusive growth and resilient development</p>	
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	<p><b>2011</b></p> <ul style="list-style-type: none"> <li>- Draft Minerals Policy developed</li> <li>- 3 EI policy briefs developed and published</li> <li>- Oil and Gas Policy Framework developed</li> <li>- 6 queries and consolidated replies of EI are shared and posted on Solution Exchange Knowledge Network</li> <li>- MoU with MIME signed</li> <li>- Resource mobilization plan for UNDP/MIME approved</li> <li>- MoU implementation plan with MIME developed and agreed</li> <li>- Work plan for UNDP/CNPA developed and agreed</li> </ul>	<p><b>Key Actions:</b></p> <p><b>2011</b></p> <p><b>Extractive Industry (EI)</b></p> <ul style="list-style-type: none"> <li>- Provide technical advice to MIME on mineral policy issues</li> <li>- Provide consultation and technical support in drafting the Cambodian mineral policy</li> <li>- Develop 3 EI Policy Briefs on strategic issues</li> <li>- Provide technical support to CNPA in drafting the Cambodian Oil and Gas Policy framework</li> <li>- Get 6 queries on EI (per year) and consolidate the reply and post on Solution Exchange knowledge network on EI</li> <li>- Develop MoU with MIME</li> <li>- Draft and implement resource mobilization plan for UNDP/MIME MOU</li> <li>- Develop MoU implementation plan with MIME</li> <li>- Develop the work plan for UNDP/CNPA</li> <li>- Provide support to the launch of ITC Department of Geo-resources and Geotechnical engineering (30 students enrolled in each year)</li> </ul> <p><b>Social Safety Net/Social protection:</b></p> <ul style="list-style-type: none"> <li>- Provide technical support to CARD to develop concept note on M &amp; E on impact and vulnerability</li> <li>- Develop positioning paper for UNDP in</li> </ul>	<p>UNDP MIME CNPA CARD SNEC Selected NGOs and DPs</p>	<p>Mining = 1,172,500 Oil and gas = 1,138,241 Micro insurance = 260,000 Social protection = 1,184,412 Technical support (expert) = 1,253,601 <b>Total = 5,008,754</b></p>
<ul style="list-style-type: none"> <li>- M&amp;E on impact and vulnerability concept note developed and included in</li> </ul>				

	<p><b>CARD work plan</b></p> <ul style="list-style-type: none"> <li>- Concept note on UNDP engagement in social protection drafted</li> <li>- Assessment of Micro Insurance sector in Cambodia completed in cooperation with UNCDF</li> </ul> <p><b>2012-2015</b></p> <ul style="list-style-type: none"> <li>- Mining Law updated</li> <li>- Mining legal framework updated</li> <li>- Human Capital strategies for 3 sectors including EI produced and adopted</li> <li>- Capacity Building plan of CNPA completed, as per joint UNDP/CNPA annual work plan</li> <li>- Capacity building plan for MIME completed, as per joint UNDP/MIME work plan</li> <li>- UNDP EI Engagement Strategy approved and implemented</li> <li>- UNDP capacity development and engagement in EI reviewed and approved.</li> <li>- At least 3 EI policy briefs and dialogue are produced and organized per year</li> </ul>	<p>social protection and partnership building</p> <ul style="list-style-type: none"> <li>- Provide support in order to conduct the assessment of Micro Insurance sector in Cambodia –joint initiative with UNCDF</li> </ul> <p><b>2012-2015</b></p> <p><b>EI:</b></p> <ul style="list-style-type: none"> <li>- Provide technical support to update Mining Law (2012)</li> <li>- Provide technical support to update Mining legal framework (2012/2013)</li> <li>- Provide technical support in drafting EI Human capital strategy (2012)</li> <li>- Implement UNDP/CNPA work plan</li> <li>- Implement MoU implementation plan with MIME</li> <li>- Update and approve UNDP EI Engagement Strategy (2012)</li> <li>- Review on UNDP capacity development and engagement in EI (2013)</li> <li>- Organize EI dialogue events (3 per year)</li> <li>- Produce EI policy briefs (three per year)</li> <li>- Participate in DPs informal working group on oil &amp; gas (ongoing)</li> <li>- Strengthen partnership with ITC in the area of human capital development in EI sector</li> <li>- Participate in South-south knowledge</li> </ul>		
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	<ul style="list-style-type: none"> <li>- Fiscal sustainability for social protection is developed and approved</li> <li>- Social Protection M&amp;E framework is approved and implemented</li> <li>- Policy paper on how to finance and support the implementation on NSPS developed and approved</li> <li>- At least 1 Micro Insurance product piloted</li> <li>- At least one emerging sector is identified and planned including funds mobilization</li> <li>- UNDP engagement plan in the emerging sector is developed and approved</li> </ul>	<p>sharing opportunities (to be confirmed)</p> <p><b>Social Safety Net/Social protection:</b></p> <ul style="list-style-type: none"> <li>- Engage with MEF to work on fiscal sustainability for Social Protection</li> <li>- In collaboration with CARD, implement the M &amp; E framework on impact and vulnerability.</li> <li>- Provide necessary support to develop a policy paper on how to finance and support the implementation of the NSPS</li> <li>- Identified the potential product of Micro Insurance that has potential to protect vulnerable group (youth, women, and minority) and help them to participate more in economic</li> <li>- Pilot micro insurance products identified in the context of Cambodia</li> <li>- Share knowledge and experience on innovations on social protection program with UNDP International Poverty Centre in Brazil</li> </ul> <p><b>Identify 1 new emerging sector</b>  <b>Develop UN engagement plan in the new emerging sector</b></p>	<p>UNDP</p>	<p>Scalability study = 10,070,000</p> <p><b>Total= 10,070,000</b></p>
<p><b>Key Deliverable 3:</b> Support to scaling up effective local poverty reduction practices</p>				

	<p><b>2011</b></p> <ul style="list-style-type: none"> <li>- At least five schemes identified for scale up</li> <li>- The plan for the 2<sup>nd</sup> phase is developed and approved</li> <li>- Resources mobilization plan is developed and implemented</li> <li>- At least 1 selected schemes are developed into the form of projects to scale up</li> </ul> <p><b>2012 - 2015</b></p> <ul style="list-style-type: none"> <li>- At least 3 (out of 5) project on scaling up of effective local community based income generation practices approved and implementing</li> <li>- Scale up plan for at least 3 (out of 5) projects identified are developed, approved, and implemented</li> <li>- Resource is successfully mobilized to support at least the 3 (out of 5) project identified</li> </ul>	<p><b>Key Actions:</b></p> <p><b>2011</b></p> <ul style="list-style-type: none"> <li>- Conduct and complete the assessment of income generation schemes with a participatory approach with other interested development partners</li> <li>- Develop the plan for the 2<sup>nd</sup> phase of the scalability initiative (after the completion of the 1<sup>st</sup> phase which is the scalability study)</li> <li>- Further develop and continue to implement the resources mobilization strategy</li> <li>- Develop the identified schemes into the form of projects to be scaled up</li> </ul> <p><b>2012 - 2015</b></p> <ul style="list-style-type: none"> <li>- Develop the proposal for the selected project on scaling up of effective local community based income generation practices</li> <li>- Develop the scale up plan for the identified projects</li> <li>- Continue to implement the resources mobilization plan in order to mobilize fund and other support for the identified project to scale up</li> <li>- Advocate for special fast track initiative</li> <li>- Support viability/sustainability of most effective poverty reduction model by facilitating the access to micro finance</li> </ul>	<p><i>Small Grant/UNEP DPs (TBI)</i></p>	
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Project Support Cost		Please refer to Organogram boxes Program management and Program Support	UNDP	Core staff cost = 2,594,576 MSU cost = 415,367 Operation = 307,953 GMS (7%) = 899,153 <b>Total = 4,217,050</b>
<b>LPP Project Cost – Grand Total</b>				<b>20,379,281**</b>

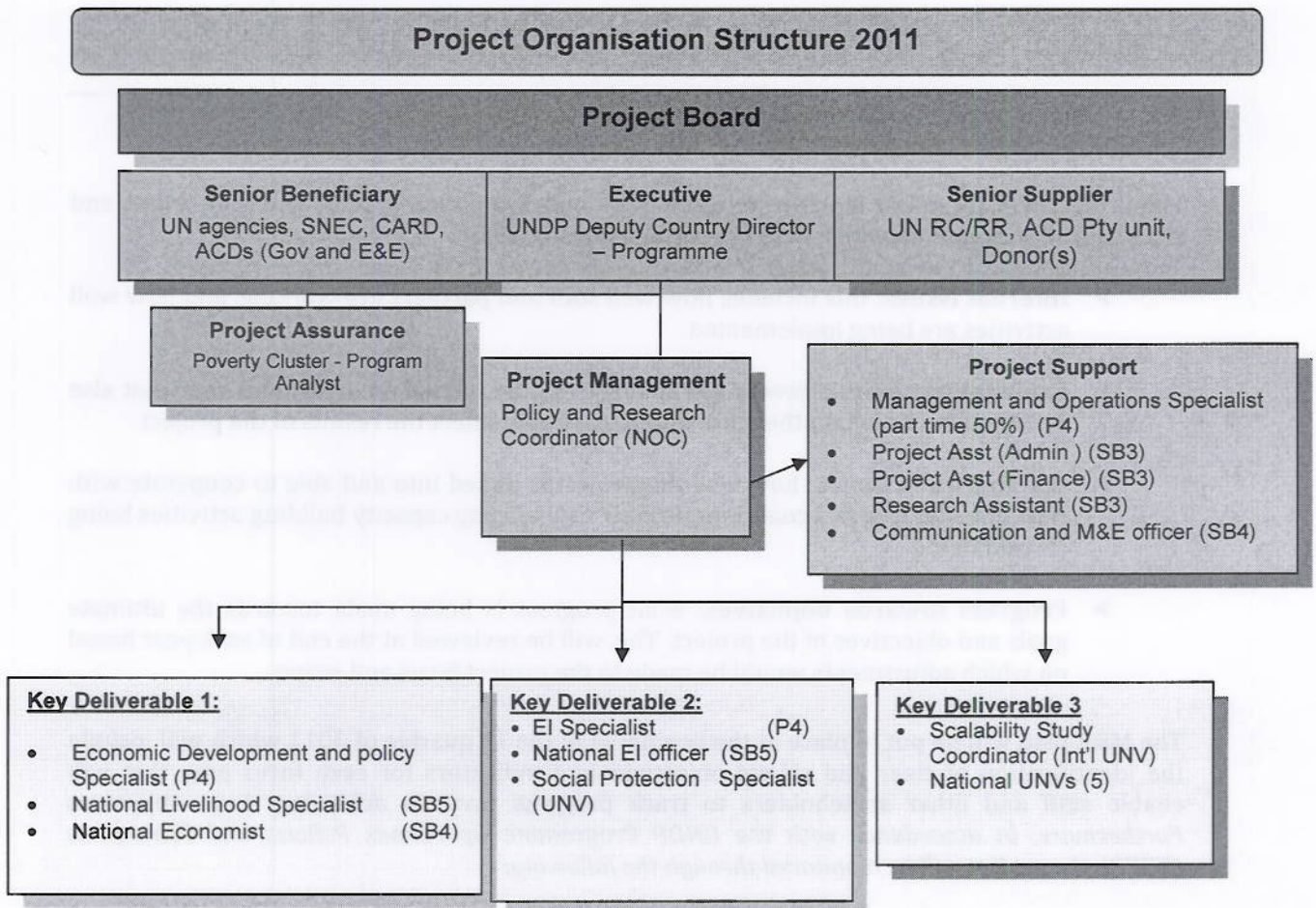
\*\* This is includes \$ 55,797 for HIV & TRADE project in IP stage of 2011 AWP.

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## V. MANAGEMENT ARRANGEMENTS

The project management arrangements follow the regular UNDP Result Based Programme management structure comprising of a Project Board, Project Assurance through a program analyst at the poverty cluster and overall Policy, Research and Advocacy Coordinator, Project Teams and Project Support Role.

- a) **Execution Modality:** To ensure the widest possible inclusion and participation of national counterparts and other stakeholders, the optimal implementation modality is Direct Implementation (DIM) by the UNDP Cambodia Office.
- b) **Project Board:** The Project Board will meet three times a year and will have a composition of:
  - i. **An Executive:** individual representing the project ownership to chair the group represented by the UNDP Country Director/ or the Deputy Country Director Programme.
  - ii. **Senior Supplier:** Individual or group representing the interests of the parties concerned which provide funding and/or technical expertise to the project. The Senior Supplier's primary function within the Board is to provide guidance regarding the technical feasibility of the project. UNDP Country Director, the UN Resident Coordinator, representatives from the UN Country Team and Government.
  - iii. **Senior Beneficiary:** individual or group of individuals representing the interests of those who will ultimately benefit from the project. The Senior Beneficiary's primary function within the Board is to ensure the realization of project results from the perspective of project beneficiaries. The ACDs and the Communications Advisor will monitor the progress of activities and provide strategic guidance to achieve the intended outputs and results
- c) **Project Assurance:** This position carries out project oversight and monitoring functions to ensure appropriate project management milestones are achieved. This function will be carried out by the Program Analyst in the Poverty Reduction Programme Unit.
- d) **Project Manager/Policy and Research Coordinator:** The overall responsibility of producing the project outputs lies with the Policy, Research and Advocacy Coordinator (management of and supervision of the project team; provision of strategic direction and quality advice on policy-based research; ensure effective implementation of knowledge sharing, knowledge management and advocacy strategy; creation and strengthening of strategic partnerships with relevant stakeholders including UN Country Team, development partners, civil society and private sector).
- e) **Project Support:** This team consists of an Admin/Finance, Research Project Assistant and Communications Assistant.
- f) **EI Specialist/Advisor, Economic Development and Policy Advisor and National Economists:** The Senior International Economist will provide policy advice and assist UNDP on macro and micro economic policy-based research and analysis in the area of socio-economic governance and other high priority issues; responsible for ensuring high-quality targeted policy-based research; advise and facilitate knowledge sharing and knowledge management, including networking at the regional and national levels; provide capacity building, including coaching to Project National Economists.



Each of the three key deliverable blocks are resourced with technical positions to respond to the requirements and specificities of each deliverables (as represented in the organigram above).

The Block 1 team, supporting priority policies and sector development, is comprised of 2 senior national and international economists, and one national economist.

The Block2 team will focus on building capacities and supporting the implementation of the policy and technical recommendations within the range of selected sectors. 2 selected specialists will continue to build on the past results and investments in the Extractive industries and develop further support to social protection sector, along with the direct contribution of a national EI officer and a UNV economist.

The Block3 team focuses on scaling-up community based models which demonstrated results in providing income and livelihood improvement to poor households and communities. The team is comprised of a livelihood specialist, equipped with a strong capacity to gear toward sustainability and success the scaling up of the selected models. The livelihood specialist will hold a central management and coordination role. At the local level, selected UNV will ensure liaison and solid implementation of the selected project activities with local partners at the grass roots level. The size of the team will depend on the number of identified and selected project, and ultimately the resources mobilized to sustain the scaling up phase.

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## VI. MONITORING FRAMEWORK AND EVALUATION

The Project will set up an Monitoring framework and Evaluation system that will collect and analysing information on wider issues covering information on:

- **Internal issues:** this includes how well staff and partners are working, and how well activities are being implemented
- **External issues:** this covers key changes in the external environment, and what else is happening or what others are doing that might affect the results of the project
- **Collaborative issues:** how well the project is linked into and able to cooperate with relevant alliances and coalitions, or how well are any capacity building activities being carried out; d
- **Progress towards objectives:** what progress is being made towards the ultimate goals and objectives of the project. This will be reviewed at the end of each year based on which adjustments would be made to the project focus and scope.

The M&E plan will be put in place at the beginning of the 1<sup>st</sup> quarter of 2011 which will include the identification of clear and staged objectives and indicators for each focus area that will enable staff and other stakeholders to track progress towards achieving these objectives *Furthermore, in accordance with the UNDP Programme Operations Policies and Procedures (POPP), the project will be monitored through the following:*

### Within the annual cycle

- *On a quarterly basis, a quality assessment shall record progress towards the completion of key results, based on quality criteria and methods captured in the Quality Management table below.*
- *An Issue Log shall be activated in Atlas and updated by the Project Manager to facilitate tracking and resolution of potential problems or requests for change.*
- *Based on the initial risk analysis submitted (see annex 1), a risk log shall be activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation.*
- *Based on the above information recorded in Atlas, a Project Progress Reports shall be submitted by the Project Manager to the Project Board through Project Assurance.*
- *a project Lesson-learned log shall be activated and regularly updated to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the project*
- *a Monitoring Schedule Plan shall be activated in Atlas and updated to track key management actions/events*

### Annually

- **Annual Review Report.** An Annual Review Report shall be prepared by the Project Manager and shared with the Project Board. As minimum requirement, the Annual Review Report shall consist of progress covering the whole year including a summary of results achieved against pre-defined annual targets at the output level.

- **Annual Project Review.** Based on the above report, an annual project review shall be conducted during the fourth quarter of the year or soon after, to assess the performance of the project and appraise the Annual Work Plan (AWP) for the following year. In the last year, this review will be a final assessment. This review is driven by the Project Board and may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.

It has been recommended to undertake a mid- term project evaluation to assess if the desired policy impact is being reached, what further adjustments in strategy can be made and assess if selected thematic areas should be revised or modified.

**Quality Management for Key Deliverables - TO BE COMPLETED**

*Replicate the table for each key deliverable of the AWP to provide information on monitoring actions based on quality criteria. This table shall be further refined during the process "Initiating a Project".*

<b>OUTPUT 1:</b>		
<b>Key Deliverable 1</b> (Atlas Activity ID)	<i>Short title to be used for Atlas Activity ID</i>	Start Date: End Date:
<b>Purpose</b>	<i>What is the purpose of the Key Deliverable?</i>	
<b>Description</b>	<i>Planned activities to produce the key deliverable</i>	
<b>Quality Criteria</b> <i>how/with what indicators the quality of the key deliverable will be measured?</i>	<b>Quality Method</b> <i>Means of verification. what method will be used to determine if quality criteria has been met?</i>	<b>Date of Assessment</b> <i>When will the assessment of quality be performed?</i>

**VII. LEGAL CONTEXT**

This project document shall be the instrument referred to as such in the Agreement between the Royal Government of Cambodia (RGC) and the United Nation Development Programme (UNDP) signed by the parties on 19<sup>th</sup> December 1994, which will remain in effect until such time that a new Standard Basic Assistance Agreement will have been signed between the RGC and the UNDP. All members of the LPP must approve of the budget revision when it involves a change in the project objectives or outputs. In other cases, the Implementing Partner alone may approve and sign. This procedure may be applied, for example, to annual mandatory revisions, or when the purpose of budget revision is only to rephrase activities.

**ANNEXES ATTACHED**

**Annex 1: Scalability study**

**Annex 2: Risk Analysis**

**Annex 3: Agreements: MOU MIME; MOU SNEC**

**Annex 4: Terms of Reference: TOR for key project personnel attached**

- Project Manager /PRA
- EI advisor
- Economic Development and Policy Advisor
- National Economist
- Livelihoods Specialist (ToR to be developed)

Key Indicator	Start Date	End Date	Quality Criteria	Description	Purpose	Quality Criteria	Quality Method	Date of Assessment

## **ANNEX 1: Scalability study**

UNDP Income Generation Models: Scalability study of poverty reduction and livelihoods enhancing schemes.

### **1. Introduction:**

Through strong economic growth over the period of 2000-2008 Cambodia has taken impressive strides in reducing the prevalence of poverty. The proportion of people living in extreme poverty has decreased from 47% in the mid-1990s to 30% in 2007.<sup>30</sup> In spite of the economic contraction of 2009 Cambodia is well on the road to recovery, with growth rates being forecast to reach 5.9% in 2010, and 6% in 2011.<sup>31</sup> Although, in order to achieve its ambition to become a middle income country by 2020 and continue to progress towards the achievement of its MDGs, Cambodia must ensure that growth remains high as well as inclusive.

As such, Cambodia's medium-term economic strategy should focus on policies and interventions that support inclusive growth, including by investing and improving services in the rural economy—where most Cambodians live and where investment can have the greatest human development impact.

In addition, lessons from the recent economic crisis highlight the need to improve resiliency to exogenous shocks. This means securing livelihoods against unpredictable natural, human, and economic shocks as well as improving social protection systems. As stated in the MDG Summit outcome document, countries need to view social protection not as a drain on their budget, but as an investment in their country's ability to cope with present and future shocks and sustain development momentum.

In an effort to promote advances towards achieving these priorities, UNDP will undertake a scalability study, in collaboration with interested development partners. The study will map out and assess a number of poverty reduction and livelihood enhancing models in Cambodia, both under the umbrella of UNDP and those managed by other development partners.

The purpose of the study is to identify models with demonstrable and sustainable impact that also possess the potential to be scaled-up. The expected outcome will be the identification of possible approaches to scale-up recommended models, with the support of UNDP and other development partners, to accelerate progress towards CMDG 1.

### **2. Rationale behind the study:**

As stated above, Cambodia has benefited from a continuing decline in the levels of poverty through the achievement of impressive recent economic growth. However, the effect of this growth has not been spread evenly. Inequality, as measured by Gini Index, is not only high, but has also increased in the last two decades—from 0.35 in 1994 to 0.43 in 2007.<sup>32</sup> As such, the transformation and improvement of the lives of the poor and most vulnerable has been limited. The majority of growth has been urban-focused, concentrated mainly on the garment, tourism, and construction sectors—with few linkages to the rural economy where 80% of Cambodians (and 92% of the poor) live.<sup>33</sup> This concentrated growth pattern has mostly excluded agriculture.

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<sup>30</sup> Chhibber, Ajay. *Cambodian Economic Forum*. Cambodia, Phnom Penh. 2011

<sup>31</sup> *ibid* 1

<sup>32</sup> *ibid* 1

<sup>33</sup> *ibid* 1

As such, poverty in Cambodia remains widespread and multidimensional, especially in rural areas.

Poverty in Cambodia can be categorized by low income and consumption, poor nutritional status and lack of access to basic education and health facilities. In addition, the poor are often excluded from participating fully in economic, social and political processes and are therefore highly exposed to vulnerabilities and shocks.<sup>34</sup>

In 2007 the World Bank reported that 30% of Cambodians live below the poverty line.<sup>35</sup> However, it is important to note that in Cambodia the 'near-poor', those who are living on, or just above the poverty line, often demonstrate a range of similar characteristics and vulnerabilities to those who are living below. This trend becomes apparent when considering the Multidimensional Poverty Index, which considers multiple deprivations of a household (including in education, health and other living conditions), which reports over 54% of the population live in poverty.<sup>36</sup>

In Cambodia 92% of the poor live in rural areas.<sup>37</sup> Locations of the highest prevalence of poor households include Ratanakiri, Mondulakiri, Kratie, Steug Treg, Preah Vihear, in addition to some provinces surrounding the Tonle Sap plain, including Kampong Thom, Siem Reap and Pursat.<sup>38</sup> In addition, the majority of the above mentioned areas are home to a number of the country's 36 different ethnic-minority groups. Although data on this issue is limited, some evidence correlates higher poverty profiles and poorer human capital development in areas where ethnic-minorities are present<sup>39</sup>

Poverty in Cambodia also has a clear gender dimension. Women, and particularly female-headed households, tend to be poorer, with less social capital and less ability to access public services and to influence local decision making. Strong cultural norms dictate that women engage themselves in a number of domestic activities, thus limiting their participation in other more productive activities. As such, women suffer from high and disproportionate exposure to vulnerabilities.

The majority of the poor in Cambodia are dependent on agriculture to derive a living.<sup>40</sup> However, the sector lacks diversity and falls short of reaching its full potential.<sup>41</sup> Although growth in the agricultural sector is showing signs of improvement, the average growth over the decade prior to 2005 was a mere 2%, of which the main driver was increased land under cultivation.<sup>42</sup> As a source of employment for 60% of the Cambodian labour force, weak average growth presents a major challenge to poverty reduction; current levels of growth are insufficient to absorb the increasing number of job-seekers into this sector, a number quoted at nearly one million people between 2000-2008.<sup>43</sup>

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<sup>34</sup> CDRI, *Annual Development Review 2010-11*, Cambodia, Phnom Penh. 2011

<sup>35</sup> World Bank. *Poverty Profile and Trend in Cambodia: Findings from the 2007 Cambodia Socio-Economic Survey (CSES)*. 2009

<sup>36</sup> United Nations Development Programme. *Human Development Report*. Rep. New York, 2010

<sup>37</sup> *ibid* 6

<sup>38</sup> *ibid* 5

<sup>39</sup> *ibid* 5

<sup>40</sup> IFAD. *Enabling the Rural Poor to Overcome Poverty in Cambodia*. 2007

<sup>41</sup> World Bank. *Cambodia Halving Poverty by 2015? Poverty Assessment*. 2006.

<sup>42</sup> *ibid* 12

<sup>43</sup> *ibid* 1



In addition, growth of the agriculture sector is further limited by increasing levels of landlessness (caused by economic land concession and land grabbing), as well as declining access to natural resources which are critical for the livelihoods of the poor. Furthermore, poor physical infrastructure results in high frictional distances to market outlets which in turn increase transportation costs and thus reduces profit.

In the face of these challenges, a large number of development organisations in Cambodia currently implement an array of projects aimed at combating rural poverty. Generally, these projects may be grouped into several categories which include, but are not limited to i) improved agricultural input and cultivation techniques; ii) natural resource management and environmental conservation; iii) rural income diversification and strengthening market access; iv) increased access to finance; and v) social protection programmes. Some examples of each are given below.

i) Improved agriculture input and cultivation techniques:

Given the large and increasing burden on the agricultural sector, a vast number of projects in Cambodia aim to increase productivity and growth through intensified cultivation techniques and the introduction of improved inputs. Such projects include the European Union, Plan International and CEDAC's joint sustainable agricultural methods initiative, the Food and Agricultural Organisations Small Scale Agricultural Production initiative, UNDP's Integrated Farming including SRI project, JICA's Agricultural Productivity Promotion project, IFAD's Community Based Rural Development project, CIDA's Agricultural Development in Mine affected communities and others.

ii) Natural resource management and environmental conservation:

Due to the critical importance of natural resources to support the livelihoods of the poor, considerable attention is placed on their sustainable management in the wider context of environmental conservation. Specific projects in this area include DANIDA and NZAID's Natural Resource Management and Livelihoods programme, the Asia Foundation's initiative of the same name, UNDP's Community Fishery Conservation project, the Sustainable Forestry Community Management in the Northeast with funding provided by the AECID, and others.

iii) Rural income diversification and strengthening market access:

An increasing number of projects aim to expand the livelihood opportunities of households beyond subsistence agriculture. Some of these initiatives include the Asian Development Banks Promoting Economic Diversification programme, UNESCO/ILO/FAO/UNDP's Creative Industries Support programme and SNV's Pro-poor Sustainable Tourism initiative. In addition to the above, a number of projects aim to strengthen existing livelihood activities through the development of value chains, such as NZAID's Cambodia Agribusiness Development Facility project, IFC's Improving Agricultural Supply Chains, GIZ Regional Economic Development - Green Belt Siem Reap Province project, AusAid's Cambodian Agricultural Value Chain programme, DAI's MSME project and AECID's Development of Sustainable Aquaculture.

iv) Increased access to finance:

Increased access to finance and micro-finance activities have shown to be valuable in the effort to reduce poverty in Cambodia. However, concerns have been raised over the penetration and outreach of the sector in low income markets. Specific initiatives which target financial services to the poorest include UNDP's Women's Savings groups, Padek's Integrated Community Development model, AECID's Fund for the Concession of

Microcredits for Basic Social Development project and the CIDA-WRC Partnering for Microfinance Development and Impact programme.

v) Social Protection:

Recently a number of development organisations have been implementing social protection programmes, including the World Food Programme's Food for Work initiative and the World Bank's wider Smallholder Agriculture and Social Protection Support operation. The multi-agency efforts also include the Health Equity Fund carried out in collaboration with the Royal Government of Cambodia, the World Bank, ADB, UNICEF, AusAid, GIZ and WFP.

However, despite each of these initiatives, on-going achievements in poverty reduction programmes often fall short of reaching their full potential as linkages to align efforts and share lessons learned are not well established. As a result of these information gaps, approaches to poverty reduction in Cambodia are fragmented. In addition, there is little consensus as to which approaches are achieving the greatest and most sustainable impact on the lives of the poor. This study hopes to make an initial attempt at addressing these short-falls.

3. Objective and outcome of the study:

This study has two main objectives i) to identify best practice models and approaches that reduce poverty and enhance livelihoods of the poor and vulnerable in Cambodia; and ii) develop a methodology and assess identified models against a number of criteria in order to draw out useful comparisons, highlight best practice and identify possible areas for advancement.

Through the successful facilitation of these objectives, the outcome of the study will be the identification of possible approaches to scale-up models through integration in national and/or externally-assisted programmes.

4. Proposed activities and outputs:

The study is planned to include four main activities; i) the development of a dynamic poverty profile and vulnerability context of the poor; ii) a mapping exercise of poverty reduction and livelihood enhancing models in Cambodia; iii) a scalability assessment of identified best practice models; and iv) the identification of approaches to scale up recommended models. Each of these activities is explained in further detail below.

I. A dynamic poverty profile and vulnerability context of Cambodia:

A dynamic poverty profile and vulnerability context will be developed in order to support the wider study. The purpose of this document is to provide an overview of the specific dynamics of poverty and sources of household vulnerability in Cambodia. The report will identify overarching national poverty trends as well as moving further to identify specific regional characteristics. The report will also highlight sources of vulnerability and outline coping strategies adopted by poor and vulnerable households.

Through taking stock of these trends and characteristics it becomes possible to better understand what is required from models and approaches that aim to reduce poverty in a sustainable manner, promote inclusive growth and protect the livelihoods of the poor and most vulnerable. This document will also provide a useful tool in the scalability assessment, helping identify potential issues when scaling-up models outside their present area.

II. Poverty reduction and livelihood enhancing model mapping exercise:

A number of poverty reduction and livelihood enhancing models in Cambodia will be identified and mapped. Keeping in line with CMDG 1, this exercise will consider models and approaches that aim to increase the income of the poor and most vulnerable.<sup>44</sup>

Evidence in Cambodia suggests that through increases in income, households are better able to cope with exposure to vulnerabilities and shocks and thus adopt less detrimental coping-strategies. As a result, long term benefits include increased nutritional status, improved health and sustained educational enrollment rates.

Projects considered will include both those under the umbrella of UNDP, as well as those managed by other development partners. This exercise will consider models that are currently being implemented, in addition to past projects with demonstrable impact.

The output of this exercise will be a report compiling all models and approaches identified according to a number of thematic categories. Fundamental information pertaining to each model or approach will also be presented, including their goal and purpose, key outputs and demonstrated impact.

### III. Scalability assessment of identified best practice models:

As an inclusive process, the exact methodology and criteria of the assessment will be developed, discussed and agreed upon by all development partners involved in this initiative.

Identified best-practice models will be assessed against a number of criteria in order to draw out useful comparisons and highlight opportunities for advancement. It is important to note the crux of this assessment is to highlight best practice and identify which models have the opportunity to be taken to scale and not to judge or grade models against each other.

Specifically, this study is working to accelerate progress towards CMDG 1 and is therefore concerned with demonstrated impact towards improving household income and the reduction of hunger. However, as a scalability assessment, criteria and indicators that move beyond impact must be considered. These should include, but are not limited to, sustainability, replicability, project relevance, community ownership, risk and value for money.

It is expected that the scalability assessment will be conducted in at least two parts. Firstly, all models identified through the mapping exercise will be assessed (approx. 40) at a desk level, by reviewing key project documentation, as well as possible interviews with project staff in Phnom Penh. Secondly, as an outcome of the desk assessment a number (approx. 10) models will be further examined at the field level, including visits to project sites, discussions with field staff and interviews with project beneficiaries and other relevant stakeholders.

To ensure transparency and fairness, the scalability assessment (based upon the agreed methodology) will be carried out by a qualified independent senior consultant and research firm, with demonstrated experience in this field. Cross-checking and quality control mechanisms will also be put into place by UNDP to ensure the rigor of the exercise.

The output of this assessment will be a report with detailed and in-depth analysis of each of the models assessed, showcasing best practice. Recommendations on which

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<sup>44</sup> For this study, the poor and most vulnerable are considered to be those who live below, on, or just above the poverty line.

models possess the ability to be developed and scaled-up with the support of UNDP and other development partners will also be provided. In addition, the report will outline linkages between proposed models and policies, identifying issues and steps to remove potential barriers in an effort to create a conducive environment for their up-scaling. This output will be shared and discussed with all development partners

vi) Identification of approaches to scale-up recommended models:

Through further discussions with the development partners, based on the recommendations of the scalability assessment, potential avenues for the up-scaling of recommended models will be identified. The aim is to link recommended models with available resources or opportunities in order to increase their outreach and/or effectiveness.

Potential avenues for up-scaling may include, but are not limited to, the incorporation into existent or pipeline national programmes (including Protected Areas Strategy; National Social Protection Strategy; Climate Change policy; and National Programme for Sub-National Democratic Development); *advocating for special fast-track initiatives (including MDG-related); facilitating further externally-assisted support to sustain and expand the effective local practice; improving viability and sustainability of projects through facilitated access to micro-finance.*

A list of development partners consulted is provided below.

- Asian Development Bank
- AECID
- AusAid
- CAVAC
- CARE International
- CEDAC
- CIDA
- Concern Worldwide
- DAI
- DANIDA
- European Union
- FAO
- GIZ
- Helen Keller International
- Heifer International
- International Development Enterprise
- International Finance Corporation
- JICA
- NZAid
- Oxfam America
- Padak
- Plan International
- SNV
- UNDP
- The World Bank
- The Asia Foundation
- World Fish

ANNEX 2: Risk analysis

OFFLINE RISK LOG



<b>Project Title:</b> Linking Policy and Practice for Accelerating MDG1	<b>Award ID:</b> 61025 <b>Project ID:</b> 77102	<b>Date:</b> 11 July 2011
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#	Description	Date Identified	Type	Impact & Probability	Countermeasures / Mngt response	Owner	Submitted, updated by	Last Update	Status
1.1	High reliance on local and international consultant with uneven quality of deliverables	Jan 2011	Operational Risk	*P = 4 *I = 5	Concise TORs, clear expectation, taking immediate action when deadlines are not met and have back up plan on quality assurance. Team up international and national consultants or UNDP economist.	Project Manager		Quarterly	(in Atlas, use the Management Response box) Increase outreach to Cambodian government, including letter to key partners
1.2	Absorption capacity of partner institutions and lack of financial incentives	Jan 2011		P = 4; I = 4	Build mutual understanding and credibility trust. Respond to their main concerns. Non-cash incentives should be considered.	Project Manager			
1.3	Slow response to SE-EI queries by international members and slow Cambodian government take-up	Jan 2011		P = 4; I = 5	Taking proactive steps to encourage international member to sign up and outreach to Cambodian government; SE extended to June 2011; to be reviewed in context of funding for LPP project.	EI Advisor			

2.1.	Political economy may constrain implementation of policy advice, esp working on sensitive issues.	Jan 2011	Political Risk	P = 5 ; I = 5	Strengthening partnership with Govt partners; both parties agree on expected outputs and strategic approach used.	Project Manager		
2.2	Balance on development agenda and work priority among Government and development partners.			P = 5 ; I = 5	Clear communication on UNDP development objectives, approaches and flexibility in terms of when to push and when to stop.	Project Manager		
3	NHDR concepts and principles do not well understand among key partners, which led to process delay and misleading of what we mean by "national ownership" and "independent views".	Mar 2011  June 2011	Strategic Risk	P = 4 ; I = 5	Wider and consistence discussion on human development concept and approach by UNDP staff, effective coordination and communication plan.	Project Manager		
4	Fund mobilization: The declining trend of donor funds could impact the project deliverable and plan activities.	June 2011	Financial Risk	P=3, I=5	A sound fund mobilization strategy and implementation plan; Potential donor identified and approached well in advance; Appropriate staff and times working on fund mobilisation.	Senior management		

\*Enter probability on a scale from 1 (low) to 5 (high)

\* Enter impact on a scale from 1 (low) to 5 (high)

**ANNEX 3: United Nations Volunteer Program support to Scalability study of poverty reduction and livelihoods enhancing schemes.**

UNV's involvement in this project will contribute to increased awareness about volunteerism and recognition of volunteer contributions of people and communities to development interventions. It will also contribute to stronger linkages and communication between the poverty reduction and livelihood enhancement initiatives and forge new partnerships at the community level.

The project will build on the lessons learned and successes of UNV's previous projects in Cambodia, especially the Sustainable Livelihoods through Community Volunteerism in the Tonle Sap Region project. The final evaluation of this project recommended up-scaling this approach focusing on community mobilization and capacity building in partnership with local stakeholders.

In this initiative UNV will be involved in implementing the activities under Output 3. UNV will support the integration of volunteerism and community participation into the scalability study of poverty reduction and livelihood enhancement interventions in Cambodia. Recognizing the role and contribution of people and communities in alleviating poverty will encourage more citizens to give their time and skills to development initiatives and strengthen the values that are important for equitable and sustainable growth. UNV Headquarters staff and Field Unit in Cambodia will be available to provide technical support to the evaluation team in defining and integrating assessment criteria relevant to volunteerism and community participation.

To support the scaling-up of identified best practices, a network of National UN Volunteers will be established. Motivated and skilled Cambodians will be recruited and placed at local levels. To attain to its principles of diversity, UNV will make an effort to recruit more candidates from among women, indigenous groups and youth.

Through the coordination of a network of UN Volunteers, the programme will learn from the scaled-up projects at the community level across the country and feed this learning into the management strategies and new knowledge products in this area. The programme team and UNDP CO will support and remain in constant contact with this pool of UN Volunteers and will undertake a series of trainings for trainers to ensure they can in turn help deliver such training and develop capacities within the communities where they will be placed.

The technical tasks and duty stations for the UN Volunteers within the network will be defined based on the projects that will be scaled-up as a result of the assessment. With specific technical knowledge, the volunteers can help to train the local communities and support capacity building of local counterparts. However, the main added value of this network is in intensifying communication and partnerships with the target communities. The National UN Volunteers will further help to engage stakeholders, identify issues and generate community-specific responses.

In addition to strengthening the linkages with communities, the network volunteers will also contribute to strengthening the linkages with between similar initiatives in the area of poverty reduction and livelihoods enhancement, which in turn will bridge the gap of fragmentation and duplication of activities.

Leveraging partnerships with community based organizations and CSOs the network volunteers will also promote the spirit of volunteerism in the communities, through mobilizing them to participate in the project activities, advocacy events and forming self-help groups.

Six National UN Volunteers will be recruited and trained over the course of project. The volunteers will be attached to the individual projects that will be scaled-up and will help to deliver projects' outputs. They will be supervised by the staff within the projects. A volunteer network coordinator (International UN Volunteer) will be recruited and placed within the programme framework to support the network and facilitate communication and capacity building of the network. Along with the individual technical trainings, a number of exchange and learning opportunities will be provided to the network members as a group.

Sustainability of this component will be reached both on individual and programme levels. Training of National UN volunteers will enhance their capacity to transfer knowledge to the communities and local counterparts. The element of community mobilization through volunteerism in this project will result in behavioral changes and stronger sense of solidarity, as well as in increased sense of ownership for development results. This capacity will provide a strong foundation for continued utilization of community volunteers in peer-to-peer outreach and knowledge transfer in the future.

Budget distribution (rough estimate)	Total US\$
5 National UN Volunteers (pro-forma costs) X 5 years	500,000
International UN Volunteer (fully funded)	0
Trainings and capacity building for the network of volunteers	50,000
Promoting volunteerism and community mobilization	50,000
<b>Total</b>	<b>600,000</b>