



German-Cambodian Development Cooperation

Strategy for the Priority Area Rural Development

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1. Summary

In view of what is still a high proportion of people below the poverty line, especially in rural areas, the Cambodian government has declared poverty reduction its top political priority. At present, it is not possible to fully tap the potential of rural areas due to deficits in the technical, institutional and economic environment. The present joint strategy on rural development analyzes the existing impediments to development and identifies, on that basis, key areas for bilateral cooperation in this sector. With a view to contributing to poverty reduction and improving the living conditions of people in poor rural regions, the sector strategy goal is defined as follows:

"The rural population improves its income and living conditions in a self-reliant and sustainable manner by means of increased participation in economic activity. Its efforts are supported by improved, decentralized public and private services."

Suitable areas of intervention include the improvement of the general environment – by means of supporting the decentralization process and land reform as well as developing physical infrastructure – and efforts at the target-group level to promote market-oriented activities in agriculture and in the private sector.

2. Scenario in priority area

2.1 General situation and relevance for global structural policy

After the devastation of the 1970s wreaked by the Khmer Rouge regime and the slow rate of development progress in the 1980s and 1990s, Cambodia is now one of the poorest countries in the world and, especially, within Asia, with a per capita income of approx. US\$350 (2004). Some 35% of its population of 13.1 million live below the national poverty line¹. While the country has succeeded in reducing poverty in urban areas significantly in some cases, the share of extremely poor people in rural regions continues to be more than 45%, notwithstanding major efforts by the Cambodian government and by the donor community. More than 90% of the poor live in rural households. Along with Laos, Cambodia is one of the two countries of South-East Asia where the agricultural sector is both the largest single contributor to GDP (37%) and the largest provider of jobs (70%). Cambodia's largely agrarian character is also reflected in the distribution of its population: 84% of Cambodians live in rural areas, which is an extraordinarily high share even on a regional scale.

The agricultural sector continues to be characterized primarily by subsistence farming. Especially for those living outside the small number of urban areas, agriculture is the only source of income available. Notwithstanding the sector's importance for Cambodia's economy, production growth rates (3.9% on average in the period 1994-2003) have exceeded population growth (2.7% on average) but are far lower than in the manufacturing (16.2%) and services (5.2%) sectors.² It is estimated that production in the agricultural sector in 2004 was 2% below that of the previous year.

Global structural policy. Cambodia is part of the group of least developed countries (LDCs) but has been a member of the World Trade Organization (WTO) since 2004. It is faced with the double challenge of establishing a functioning market economy and integrating into the global economy on the one hand and reducing poverty on the other. Economic progress is contingent upon reforms of the administrative and legal systems, transparent and efficient budget management, and, in particular, efforts to fight corruption, which is encouraged by the low salary level in the civil service.

¹ The poverty line has been set at a very low level: minimum expenditure per capita and day of KHR 1,753 (US\$0.44) in rural areas and KHR 2,351 (US\$0.59) in Phnom Penh (cf. the CMDG update of the Cambodian Ministry of Planning of 2005). Note: The international poverty line (US\$1 per day at 1990 purchasing power parity (PPP)) is used to measure *progress towards reducing global poverty*, that is, Millennium Development Goal (MDG) 1. In Cambodia, the proportion is 19% (2004, as opposed to 29% in 1990).

² Data from: Asian Development Bank (ADB) – Key Indicators 2004 (www.adb.org/statistics)

2.2 Problem analysis: deficits and potential

Low productivity, inadequate infrastructure, poor health and insufficient education make it difficult for people to overcome their poverty. If people's living conditions in rural areas are to be improved, efforts and programs covering a vast range of interdependent areas will be needed. The present chapter describes the main existing constraints and offers ideas on how to increase incomes in rural regions.

A central development problem in Cambodia, as has also been pointed out in the country's national development strategy, is the lack of **good governance**. Deficits in this area constitute a development constraint for the agricultural sector, too. This is why the Cambodian government has made the elimination of corruption and attention for minorities and particularly vulnerable groups a focus of its policy. A reform of the government service system will be indispensable in that connection.

In addition to the areas of intervention mentioned, **natural resource management** and, as a matter of priority, the implementation of land reform will be decisive for rural development. Cambodia is at a cross-roads: in order to secure sustainable growth and reduce poverty, the country must ensure that its rural people have access to land titles and concessions and that legal certainty prevails in this regard. The predominant practice of what is *de facto* unregulated granting of titles, illegal land grabbing, and excessive logging have been recognized as pressing problems.

The low level of **productivity** in agriculture and the monocultural character of the agricultural sector with its focus on rice cultivation constitute both the greatest deficits in the sector and an untapped potential. Raising productivity and diversifying production in a market-oriented manner³ are needed in order to ensure self-sufficiency, which has still not been achieved nationwide, as well as to contribute to economic growth through exports.⁴ Another challenge is constituted by the up to 250,000 people **entering the job market** each year, most of whom will be looking for work in the agricultural sector, as other sectors cannot absorb sufficient numbers of workers. But the agricultural sector is already characterized by structural underemployment.

The inadequacy of **transport and social infrastructure** is making it difficult for the majority of rural people to **access markets** and prevents them almost completely from taking part in economic activity. Moreover, the high cost of transport continues to be the main obstacle that keeps poor rural people from making use of health and education services, which are weak as well.⁵ Improved access to roads, power and drinking water will tremendously increase opportunities for market access and provide openings for generating non-agricultural income.

Moreover, the expansion of private-sector activities and the emergence of small, medium and micro enterprises (SMMEs) are impeded by inadequate access to **financial services**, especially affordable credit. Cambodia's financial sector, which developed from a socialist-type monobank system, is still in an early stage of development. However, the reforms undertaken so far have provided a regulatory framework for private banking activities, thus forming a basis for the expansion of services in what is still an unserved market.

The country's culture and history make **tourism** a sector with great potential. However, for that potential to be tapped, tourism infrastructure and the range of services offered must be expanded. The growth of tourism provides new sales markets for the agricultural sector which can be entered if products are in line with needs and of high quality.

2.3 Other donors and assessment of German contribution so far

The World Bank is playing its coordinating role in the Consultative Group process very actively. It proposes issues for debate and actively lends direction to the dialogue with the Cambodian government on the reform agenda, including the major donors for each given issue. Eight of the 18 Technical Working Groups (TWGs) are directly or indirectly related to rural development.⁶ In terms of the volume of their

³ Rice accounts for more than 90% of agricultural production. (ADB, Key Indicators 2004)

⁴ According to World Bank estimates, the rural economy needs to grow by 5 to 6 percent per year if the needs of the growing labor force are to be met.

⁵ The rural literacy rate (69%) is significantly lower than that in cities (87%).

⁶ Agriculture and water, decentralization, forestry, food security, infrastructure and regional integration, land, private-sector development, planning

contributions and the intensity of their policy dialogue with the partner side, the main donors in the priority area of rural development are Japan, the World Bank, ADB, Australia, Germany, and France.⁷

In the rural development sector, Germany has gained recognition for doing successful work in Cambodia since the early 1990s. Its Financial Cooperation (FC) has focused mainly on the development of transport infrastructure (rural road construction). Moreover, FC has provided support for financial system development with a focus on the microfinance sector. Support under German Technical Cooperation (TC) has been provided primarily in the areas of fostering and diversifying smallholder and cooperative production, developing service systems, supporting local administrative bodies, land reform, and natural resource management. The contribution made by German development cooperation in the rural development sector is of high significance, especially because of its broad impact and structural results.

It has been possible to achieve further synergies by increasingly combining projects into programs and cooperating with other German and international organizations. Yet there is still room for improvement in this regard. But the harmonization process in Cambodia provides fora, through the related working groups, for reinforcing coordination. The Global Donor Platform for Rural Development (GBRD) which Germany, too, supports and fosters, has become established as a coordination instrument in its pilot country, Cambodia.⁸ In view of the multitude of topics, methods and instruments, and taking into account the interdependency between the various areas of intervention, German development cooperation institutions have made a commitment to deepen coordination, including among each other.

3. Aims and strategies

3.1 Cambodia's aims

The *Second Socio-Economic Development Plan* (SEDP II, 2001-2005), the *National Poverty Reduction Strategy* (NPRS, 2003-2005), the Cambodian Millennium Goals and the *National Strategic Development Plan* derived from them (NSDP, 2006-2010) together form a general framework for the development of rural areas. Based on the agricultural sector's economic significance, the government's *Rectangular Strategy* has recognized enhancement of the agricultural sector as one of the four strategic growth rectangles on the basis of which the government seeks to achieve its goals of promoting economic growth, employment, improved equity and social justice.

Based on the said papers, the development goals of Cambodia's government can be summarized as follows: a cross-cutting task is to ensure good governance by means of intensified corruption control, quality improvements in the areas of legislation, the judicial system and public administration, and far-reaching decentralization. Growth is to be achieved by means of

- increasing agricultural production, with a special focus on productivity, diversification, land reform, and fisheries and forestry reform,
- strengthening the private sector and promoting SMEs,
- restoring and developing infrastructure in the areas of transport, water, energy, and communication, and
- improving education and health services and fostering gender equality.

However, these directives still need to be translated into a comprehensive, coherent sector strategy for rural regions.

3.2 Aims of German development cooperation

The following priority areas have been chosen for bilateral cooperation between Cambodia and Germany: rural development, health, and the cross-cutting issue of "Democracy and Good Governance." With a view to intensified poverty reduction, activities for fostering economic development will be focused on specific rural regions and will be integrated into the "Rural Development" priority area.

⁷ While the U.S. has been providing most of its support in the area of rural development, too, it has been disbursing funds exclusively to nongovernmental organizations.

⁸ Among other things, it supports the donor community in further developing the program-based approach (PBA) in the land sector.

The goal of cooperation in the area of rural development and the areas of intervention that have been defined to achieve that goal are in line with the guidelines that the Federal Ministry for Economic Cooperation and Development (BMZ) has defined for the German government's development policy:

"The objective of rural development is to improve the living conditions of people in rural areas and towns in a self-reliant way that is sustainable in the long term."

In Cambodia, cooperation in the area of rural development explicitly focuses on supporting poor households. The guidelines for German development cooperation are based on international agreements and on strategies drawn up by the BMZ.⁹

3.3 Definition of a shared strategy

The basis for the definition of a shared strategy consists of the said priority goals of the Cambodian government, the guidelines defined for German development cooperation, the experience gained with cooperation in the sector, and the resources available on the Cambodian and German sides.

Thematically, all activities relate to the tapping of income-generating potential. Related areas of intervention include activities that directly address target groups, and efforts to improve the general environment. On that basis, rural development is to be supported through an integrated, program-oriented approach to cooperation and through concentration on **five key areas**.

1. Development and diversification of agricultural production systems

Cambodia's agricultural potential has not been fully tapped so far, either in terms of quantity or quality. So the goal is to support the transition from a subsistence economy towards market-oriented production. In this connection, the improvement of quality and of people's access to governmental, nongovernmental and private-sector services plays a vital role. The two sides intend to foster the diversification of agricultural production, which has thus far mainly focused on rice cultivation. In order to meet domestic demand, including in particular from the tourism sector, and in order to make use of the potential for export, it is envisaged to rely on modern, optimized cultivation methods so as to both increase yields and enhance the quality of production through the introduction of standards. Since market orientation calls for an integrated approach, special attention is to be given to the creation of value chains through appropriate agricultural production systems, including input supply and extension services. The cross-cutting purpose of this key area is to facilitate market access for poor population groups and to integrate them into the economic cycle.

2. Promotion of the private sector in rural regions

In this key area, targeted support is to be provided to economic activities in upstream and downstream manufacturing industries, in the private and governmental services sectors, crafts and trades, and financial institutions in rural regions. The target group comprises small, medium and micro enterprises (SMMEs). Support is to be provided to them along value chains with a view to their development, their technical and organizational capacity, ability to innovate, and vertical cooperation. Improved financial services and access to long-term credit for SMMEs are intended to stimulate investment and the expansion of economic activities. The goals of this component are increased production, enhanced competitiveness of Cambodia's private sector, and the creation of jobs and income opportunities for the growing rural population.

3. Support for land reform

For those 70% of Cambodians whose livelihoods are based on agriculture, it is particularly vital that there be legally reliable land use and property rights and titles. However, under the Khmer Rouge regime all land register documents had been destroyed. The legal claims to land that the poor majority and the indigenous minorities have acquired through long-standing cultivation are insufficiently protected. In this area, support is to be provided to the Cambodian government's Land Administration, Management and

⁹ This includes *Rural Development. A Reference Framework; Participatory Development Cooperation; Concept for the Promotion of Equal Participation by Women and Men in the Development Process; Asia Strategy* (all by BMZ). Germany's cooperation with Cambodia is also governed by the framework provided by the eight Millennium Development Goals (especially goals 1 – halving poverty, 3 – promoting gender equality, 4 – reducing child mortality, 5 – improving maternal health, and 7 – ensuring environmental sustainability) and, in this connection, the Rio Declaration, Agenda 21, and the UN Convention Against Corruption.

Distribution Program (LAMDP), which is a long-term program for land reform. The purpose is to secure sufficiently reliable property and utilization rights regarding land, especially for poor population groups. Working with other donors, Germany is making contributions, among other things, to the definition of the regulatory framework regarding land, to institution-building, the resolution of conflicts over land, and the distribution of land through social concessions.

4. Development of rural infrastructure

The economic and social development of people in rural areas is hampered by inadequate infrastructure. The improvement of rural roads is intended to create market access and provide channels for transporting agricultural goods. But its socioeconomic impact is broader than that: the existence of transport infrastructure facilitates the utilization of health and education services. Another module of this key area is rural power supply. Increasing electrification is to improve the living conditions of rural people and, in particular, facilitate the expansion of economic activity and value added in agriculture. In both modules, solutions with areawide coverage are to be sought that can gradually be expanded. One central element is the transfer of knowledge and the development of structures for self-reliant, sustainable maintenance on the Cambodian side.

5. Support for the decentralization process

The Cambodian government has defined decentralization and administrative reform as a national development goal and regards such reform as an important contribution to poverty reduction. Germany's contribution to the decentralization process focuses on support and capacity-building for national, regional and local government bodies and civil society organizations. Advice is provided mainly in the areas of policy formulation, legal basis, process management, and municipal support systems, with a special focus on clarifying the transfer of responsibilities within Cambodia, fostering twinning programs between subnational authorities and civil society organizations, and institutionalizing a system for continuous capacity-building in subnational authorities.

In view of the multidimensional character of rural development and the close interrelatedness of various areas of intervention and sectors, it is indispensable that efforts be closely coordinated with other donors and that the German side continuously take part in the harmonization process. With a view to achieving a target-oriented, efficient approach, an increasing number of projects are to be carried out jointly with other development partners in future.

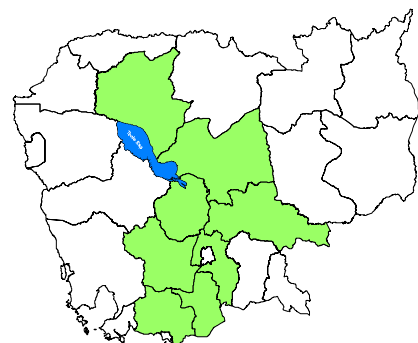
Due to limited resources and in order to increase efficiency, Germany's contribution in terms of activities that address target groups directly will **focus** on specific **regions**. Bearing in mind the overarching goal of achieving a division of labor among donors, three criteria have been established for the selection of project regions:

- high incidence of poverty in absolute terms,
- sufficient economic potential, and
- geographic contiguousness of the development region.

The latter criterion with its focus on contiguous development regions, or "development corridors," is aimed at achieving synergies by integrating activities from several priority areas, and at reducing transaction costs. Wherever that is possible and practical, Technical and Financial Cooperation are to combine their efforts and engage in complementary activities.

Based on these aspects, development corridors have been identified for Cambodian-German development cooperation on rural development that comprise the Provinces of Siem Reap and Kampong Thom on the northern bank of the Tonle Sap, the central Provinces of Kampong Chhnang, Kampong Speu and Kampong Cham, and the southern Provinces of Takeo and Kampot.

The overarching goal of reducing poverty and improving people's living conditions is to be achieved through an integrated approach pursued by German development cooperation. Close cooperation with projects in the priority area of "Health" is intended to generate



additional results for rural people. At the central government level, activities relating to the cross-cutting task of fostering democracy and good governance are to help improve the institutional environment.

3.4 Target groups

The target group of German development cooperation programs in the area of rural development is the poor population of selected rural regions. These people's capacity for self-help is to be fostered through bilateral development activities, taking into account cultural identities and gender- and age-specific aspects. The group comprises

- small family farms, agricultural producers,
- non-agricultural businesses in other sectors and their workers,
- their associations and local administrative structures, and
- young people, especially those who are only just entering the labor market.

The target groups are reached through development cooperation support provided to governmental and, as far as feasible, nongovernmental and private-sector organizations and their workers. Assistance is given to these intermediaries at the micro, meso and macro levels with a view to enabling them to provide services to their target groups that are appropriate in terms of quantity and quality.

3.5 Shared qualitative and/or quantitative targets

Following detailed discussions between the two development partners, the following goal was formulated for cooperation in the area of sustainable rural development:

"The population of selected poor rural regions improves its income and living conditions in a self-reliant and sustainable manner by means of increased participation in economic activity, supported by improved, decentralized public and private services."

The present joint strategy is to remain valid for a period of approx. 10 years. It is to be reviewed regularly, for example at bilateral government negotiations, and adapted if need be to changes in the environment and requirements.

Achievement of the goal of improved income and living conditions in the regions of intervention is to be measured on the basis of the following indicators:¹⁰

- I-1. improved income situation of target groups,
- I-2. significant reduction of the share of extremely poor and poor households,
- I-3. improved uptake of education and health services.¹¹

The indicators for the key areas of German involvement in rural development are as follows:¹²

Key area 1: Development and diversification of agricultural production systems

- (a) Expanded supply of and demand for services (offered by government bodies, NGOs and private-sector service providers) in support of agricultural production and rural value chains
- (b) Adoption by farmers of innovative methods of crop farming and livestock production
- (c) Enhanced quantity, quality and value added of agricultural production and greater diversity of products

Key area 2: Promotion of the private sector in rural regions

- (a) Increased number of people employed in the rural private sector
- (b) Increased number of SMME entrepreneurs who, having received advice, have improved their turnover and increased their investment
- (c) Increased number and activities of bodies, federations and networks representing the interests of private-sector players that have existed for at least three years, and higher share of women members
- (d) Expanded range of financial services and increased volume of lending in rural areas

¹⁰ Wherever possible, the underlying data is to be collected and analyzed on a gender-specific basis.

¹¹ in accordance with Cambodia's NSDP Monitoring Framework, indicators 10-15 (health) and 16-17 (education)

¹² Baseline data is to be collected in ongoing programs after the priority area strategy has entered into force.

Key area 3: Support for land reform

- (a) Significantly increased number of smallholder households that have land titles which are recorded in the land register
- (b) Significantly increased number of land title disputes that are settled through the out-of-court arbitration mechanism

Key area 4: Development of rural infrastructure

Energy supply:

- (a) Number of households connected to the national grid
- (b) Reduced power costs after connection to the grid

Rural roads:

- (a) Increased share of people with year-round road network access
- (b) Less time needed for transport, reduced transport cost
- (c) Improved access to markets, schools, health posts and community centers

Key area 5: Support for the decentralization process

- (a) Growing share of decentralizable competencies of national authorities that have *de facto* been transferred to lower-level regional authorities
- (b) Growing participation by civil society organizations and active involvement of women in formulating, implementing and monitoring local policy
- (c) Reallocation of responsibilities in at least three sectors (e.g., education, health, and agriculture)

3.6 Complementarity of German development cooperation with that of other donors

Cambodia is a pilot country for the implementation of the Paris Declaration. Accordingly, it has institutionalized the process of coordination between development partners.¹³ Together with the *Rectangular Strategy*, NSDP 2006-2010 forms a binding and accepted framework for action for all donors. German development cooperation is engaged in efforts that complement those of other multilateral and bilateral donors, focusing on regions and sectors that have not, or only insufficiently, been reached by other donors. Sector support methods are systematically coordinated with relevant district, province and national authorities, and aspects of complementarity are discussed on a regular basis.

Efforts to intertwine German development cooperation more closely with the work of other donors – such as the World Bank and Finland with regard to land reform in Cambodia's LAMDP sector program, and IFAD with regard to community development – have already been started. In order to benefit even more from complementarity in future, targeted efforts are to be made to enter into, and expand, program partnerships with other donors, so as to achieve synergies and the broadest possible impact.

4. Significance of German contribution

Poverty reduction and support for rural development are a priority development policy goal of the Cambodian government. Germany's activities focus on central areas of intervention that can initiate increased, pro-poor economic activity. To that end, replicable strategies are to be drawn up and applied on a pilot basis. The overall strategy for Germany's contribution provides for an integrated approach. Efforts to improve general conditions – by means of infrastructure development and support for decentralization and land reform (key areas 3, 4, 5) – give shape to the environment in which direct assistance is provided to the target group by means of advisory services (key areas 1 and 2, development of agricultural production systems and of the private sector).

One central task for the government and for international development players in the coming years, with a view to reducing poverty in Cambodia, will be to ensure a focus on target groups in the design and im-

¹³ Yet there is a need, and room, for optimization in view of the fragmentation of related efforts, which are taking place in 18 different Technical Working Groups, eight of which are of direct or indirect relevance for rural development.

plementation of programs. German TC will therefore support the Cambodian side in establishing a standard national procedure for identifying poor households and population groups.

The German contribution and its significance are also determined by Germany's involvement in the coordination and harmonization process. Significance, relevance, and results can be enhanced if the representatives of German institutions play an active role and endeavor to engage in cooperation with other donors and to intensify such cooperation.

5. Instruments and procedures

5.1 German development cooperation instruments

In Cambodia, bilateral German development cooperation relies on the full range of its instruments and addresses all levels of intervention. Activities in the area of rural development are based on integrated planning, taking into account the comparative advantages of each organization and linking the areas in which these organizations achieve results and become active.

Financial Cooperation with the Kingdom of Cambodia is carried out through KfW Entwicklungsbank (KfW development bank) and focuses on infrastructure development and support for the private sector and the financial sector. Technical Cooperation is operated by Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) and German Development Service (DED). GTZ and DED are active at the local, regional and national levels, pursuing sets of projects with a view to improving the general environment for rural development. In addition to GTZ and DED activities, Integrated Experts are seconded through CIM (Centrum für internationale Migration) in order to support reforms in executing agencies.

Other important players in the area of rural development include InWEnt (Internationale Weiterbildung und Entwicklung – Capacity Building International, Germany); German nongovernmental organizations (such as German Agro Action, Malteser Hilfsdienst, CARE Germany, Terre des Hommes Germany, ADRA e.V.), which mainly target the local level; the political foundations; churches; the German Academic Exchange Service; and various institutions of higher education and research institutes.

Great weight is attached to coordination and cooperation between the various German institutions with a view to making full use of the broad range of German instruments and their concerted use for the provision of needs-based services for the target group and for Cambodian partner agencies. This is to be achieved by means of regular steering and planning meetings both in Cambodia and in Germany. An integrated approach to designing the activities of the various governmental implementing agencies is to be pursued as early as in the stage of medium-term planning.

5.2 Levels of intervention

The joint strategy for rural development is to be implemented on the basis of a multi-level approach that addresses the village, district, province and national levels. In that connection, the directives of Cambodia's decentralization policy serve as a basis for the assignment of roles and tasks to the various levels of intervention.

Continued priority support is to be extended to players at the village and district levels who have direct influence on the living conditions of the target groups. Increased assistance is to be provided in that connection to self-help groups and women's organizations. Contributions to development at the regional level are to be ensured by integrating experience from local and multi-sector activities into regional development strategies and by building the capacity of relevant institutions at the provincial level. In order to enhance structural impact, lessons learned from local and regional cooperation are to serve as input for advice provided to standard-setting and implementing institutions at the national level, and for the definition of policies. A decisive aspect will be how to ensure that insights are transferred back to the local level of intervention and how the new decentralized administrative bodies can discharge their tasks (vertical integration). Bilateral development cooperation can achieve relevant and target-oriented structural results if the rural activities of the various development instruments are combined in selected provinces and coordinated with other players in the region concerned (horizontal integration).

5.3 Players and counterpart contributions

Central players on the Cambodian side are the intermediaries from governmental and nongovernmental organizations at all levels (see also 3.4). The capacity of administrative bodies and technical services at the local, district and province levels is to be built so as to provide technical, administrative and organizational support to the target group in the priority provinces. Special attention is given to assistance for commune councils.

This improved environment is to enable the target group to manage the requisite economic and social change in a self-reliant way through equal participation and capacity-building.

German bilateral cooperation establishes links between various areas of intervention in the rural development sector, thus working with various institutions and administrative levels as programs are implemented. At the national level, these institutions include the Ministry of Economy and Finance, the Ministry of Rural Development, the Ministry of Industry, Mines and Energy, the Ministry of Land Management, Urban Planning and Construction and the Ministry of Agriculture, Forestry and Fisheries. Furthermore, German agencies work closely with the respective coordinating body of the Cambodian Government, the Council for Agricultural and Rural Development. With a view to strengthening the private sector, German development cooperation also addresses private enterprises, federations, and financial institutions.

Relations between German development cooperation players and its partner institutions are characterized by an atmosphere of mutual respect and partnership. The contributions made by the Cambodian side consist mainly of the provision of qualified personnel and competent points of contact, logistics, infrastructure, and investment and maintenance activities.

5.4 Preconditions for cooperation

The government system of Cambodia is in the midst of a process of far-reaching administrative transformation. Anti-corruption efforts and public administration reform constitute both necessary prerequisites for and focuses of German involvement.

The most important prerequisite for the joint strategy for cooperation on rural development is that the Cambodian government consistently continue to pursue its reform agenda and implement the necessary steps. Central issues in that regard include the decentralization process and land reform. Both sides regard the promotion of democratic principles, a balanced policy for competitiveness, sustainability and gender equality as requisite elements of the political environment. At the administrative level, there is a need for clarifying and defining competencies, ensuring that public administration bodies have qualified, continuously employed staff with sufficient salaries, and seeing to the timely and sufficient allocation of funds.

Whether rural development efforts can be successfully implemented on a sustainable basis depends on whether planning efforts in the subsectors of rural development are integrated and coherent. This should form the basis for a comprehensive national sector strategy for rural development that can serve as guidance for national activities and for the coordination of international cooperation.

5.5 Topics for the dialogue on the priority area

The following are topics to be discussed in a continuous and constructive dialogue between Cambodian and German development partners with a view to the pursuit of their shared goal:

- further development of existing strategies for poverty reduction, especially of a comprehensive national strategy for rural development,
- identification of suitable executing agencies for integrated rural development activities,
- legal certainty for target groups regarding access to – and sustainable use of – land, water and forest resources,
- consistent implementation of the decentralization policy while strengthening the participation and decision-making powers of rural people,
- increase of counterpart contributions,

- allocation (and disbursement) of resources from the Cambodian side for maintenance and for ensuring the sustainability of development programs,
- support for private initiatives, self-help organizations and national nongovernmental organizations in rural areas, especially women's organizations,
- action to strengthen the regulatory and legislative environment for the private sector and the financial sector,
- equal participation by men and women in decisions on, and benefits of, development activities,
- systematic and participatory monitoring and evaluation, and
- openings for further harmonization and coordination.

Adopted in Phnom Penh, 16.11.2006