

Poverty Profile  
Executive Summary  
Kingdom of Cambodia

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Japan Bank for International Cooperation

## 1. POVERTY AND INEQUALITY IN CAMBODIA

### 1.1. Poverty and Inequality Measurement

The Cambodia Socio-Economic Survey (CSES) in 1993/94, 1997 and 1999 are a valuable primary data source to grasp living conditions of Cambodian households and analyze dimension of poverty and inequality. The analysis of this poverty profile is based on this CSES household survey data, with reference to the existing poverty analysis conducted by the other donors.

#### Poverty Line

The government of Cambodia defined the poverty line as a sum of minimum food and non-food expenditure. This minimum food expenditure is defined as the “food poverty line”. Minimum food expenditure is the total amount of the food basket covering daily minimum food energy requirements per capita - 2,100 kcal. This minimum food energy requirement in Cambodia is within the range of the WHO/FAO definition of the daily minimal energy per capita in developing countries - between 2,000 kcal and 2,400 kcal. Based on the daily minimum food energy requirement per capita - 2,100 kcal, the Government of Cambodia defined the food basket and its component items and prices referring to the result of 93/94 CSES. Since then, although the food component prices were adjusted, this food basket has been applied under CSES97 and CSES 99.

As for minimum non-food expenditure, the 1993/94 CSES did not show unit values for non-food items, thus a regression approach was used to calculate the allowance for non-food items of households on the food poverty line. In 1997 and 1999, the non-food poverty line was calculated from the non-food consumption of individuals whose total consumption was within 10% above or below the value of the food poverty line. The recent poverty line per person per day based on the 1999CSES are as follows: 2,470 Riel in Phnom Penh, 2,093 Riel in other urban areas (provincial capitals except Phnom Penh) and 1,777 Riel in rural areas, respectively.

#### Poverty Indicators

In Cambodia, population under the poverty line is defined as the poor. The Head count index shows a declining trend between 39.0% in 1993/94 and 36.1% in 1997, while a significant decline was not found between 36.1% in 1997 and 35.9% in 1999. The poverty gap showed a steady decline trend between 9.2% in 1993/94 to 8.7% in 1997, and between 8.7% in 1997 and 6.5% in 1999. As for the squared poverty gap, while there was no significant decline between 1993/94 (3.1%) and 1997 (3.1%), a declining trend is found between 1997 (3.1%) and 1999 (2.0%). Although the interpretation of this trend is rather complicated, it is not too much to say that the overall poverty situation between 1993/94 and 1999 in Cambodia had been improved.

As for regional disparities in terms of poverty indicators, disparities of the head count index between Phnom Penh and other urban areas were becoming narrower. The head count index in other urban areas was 2.6 times higher in 1999 than in Phnom Penh, while 3.2 times in 1993/94. However, disparities of the head count index between Phnom Penh and rural areas

were widening. The head count index in rural areas was 4.1 times higher than in Phnom Penh, while 3.8 times in 1993/94. In 1999, 90% of the population under the poverty line was concentrated in rural areas. Thus, rural poverty is one of the major concerns in the context of overall poverty reduction in Cambodia.

### Inequality Indicators

Cambodia's inequality indicators, both Gini coefficient and Thile index, showed a declining trend between 1993/94 and 1999. While any significant improvement was not found in Phnom Penh and other urban areas, inequality in the rural areas showed slight improvements. Although the factors of improving distribution in rural areas will be required for an in-depth survey, overall improvement in income (expenditure) distribution in Cambodia is owed to an improvement in rural areas.

### Access to Basic Infrastructures

Firstly, there is a large gap between Phnom Penh and other areas in terms of population access to safe water. In Phnom Penh, 60.9% of the population had access to safe water in 1997, which decreased to 48.3% in 1999. On the other hand, in the other urban and rural areas, only 8% and 2% of population respectively had access to safe water. Main sources of drinking water in the rural areas are wells, rivers, ponds and springs. The poor have limited access to safe water. As for sanitation, population share of access to sanitation increased from 77.8% to 86.8% between 1993 and 1999. Slight improvement was found in rural areas. However, in the other urban areas, the indicator worsened during the same period. Secondly, electricity has been mainly supplied by a thermal power generation plant in Phnom Penh. However capacity to supply electricity cannot meet the demands in entire Cambodia. Most rural areas have remained without electricity. As a result, 75.2% of the population in Cambodia used kerosene lamps as the main source of light in 1999. The low rate of electrification is one of the main bottlenecks to a develop manufacturing industry. Thirdly, regarding the main source of cooking fuel, most of the poor in rural areas use firewood. Since gathering of firewood is time consuming and labor intensive work, it is considered as main cause of loss for economic and/or education opportunities when a member of household is engaged in the work. Moreover, without appropriate use of cooking stoves, using firewood can be one of the causes of respiratory disease, especially in rural areas.

### Industrial Structure and Employment Opportunities

While 77.1 % of the working population was absorbed in the agriculture sector, the agriculture share of total GDP accounted for only 39.6% in 1999. That is, around 40% of GDP is distributed to 77.1% of the working population. Average income of labor in the agriculture sector was considerably lower than in other industries. Mainly due to such a lower income level in agriculture sector, 40.5% of labor engaged in agriculture was estimated as poor; that is a much higher figure than in other industrial sectors.

### Education

It is needless to say that education is major factor for poverty reduction. In terms of quality of education, Cambodia is currently facing a serious shortage of teachers due to the rapid increase of students especially in primary education. At the primary schooling level, teacher-pupil ratio was more than 1:50 in 2000. Generally speaking, a strong correlation is

found between the education system and educational attainment. The head count index in terms of educational attainment of household head indicates that the index is likely to be in decline as the household-head educational attainment level gets higher. Head count index of the household heads who attained primary education level, junior secondary level, senior secondary level, vocational education level, and tertiary education level were 38.8%, 32.2%, 23.9%, 10.3%, and 7.3% respectively.

## Health

Cambodia's health indicators are relatively on a better standard compared with the other developing countries achieving the same level of GDP per capita. However, comparing those with other neighboring Asian countries, major indicators such as the infant mortality rate, under five mortality rate, and maternal death rate get considerably worse. The high maternal death rate is due to the high proportion of delivery by traditional birth attendants at home (50%). Malnutrition of children under five years is higher in the rural area than that of the urban area. This suggests that food energy intake of rural children does not attain the minimum food calorie requirement defined by the food basket. This corresponds to a higher head count index in the rural areas than in Phnom Penh and the other urban areas.

## 1.2. Characteristics of Poverty in Cambodia

### Analysis of Household Balance

Taking a look at the income and expenditure level of each income and expenditure decile group, the expenditure level is almost equivalent to income level between the 10<sup>th</sup> lowest decile group and the 7<sup>th</sup> higher decile group. Between the 8<sup>th</sup> higher decile and the 10<sup>th</sup> highest decile, the income level gets overwhelmingly exceeded to the expenditure level. It suggests that inequality gets wider between the 7<sup>th</sup> income/expenditure decile group and the 8<sup>th</sup> income/expenditure decile group.

### Poverty Factors

In this profile, correlation coefficients estimation among poverty, inequality and the other socio-economic indicators, and multiple linear regression analysis are attempted to identify factors affecting poverty.

Firstly, through the estimation of the correlation coefficients between the poverty index and the other socio-economic indicators, the statistically significant indicators correlated with the poverty index are: "net enrollment rate in primary education"; "repetition rate in primary education"; "proportion of household heads attaining primary education"; "proportion of household heads attaining junior secondary education"; "proportion of household heads attaining tertiary education"; and "proportion of population using modern contraception methods". In terms of correlation between the inequality index and the other socio-economic indicators, statistically significant indicators with the inequality index are; "access to sanitation"; "proportion of electrified households"; "proportion of households without land"; and "net enrollment rate in junior secondary education.

Secondly, through multiple regression analysis using the head count index as a dependent variable and 29 socio-economic indicators as independent variables, the best statistically significant independent variables are; "proportion of household heads attaining primary education", "proportion of population using modern contraceptive methods"; "labor

participation rate”; and “net enrollment rate in primary school” are considered as the best statistically significant independent variables.

### Poverty Group in Cambodia

This report identifies “landless farmers”, “residents in mining areas”, “households with disabled person(s) because of war and mines” and “female-headed households” as the specific poverty group in Cambodia.

**Landless Farmers:** The constitutional reform in 1989 enabled farmers to have their own farming land which they cultivated under the cooperative farm management system under Pol Pot’s regime. However, households recently returned to rural areas, households succeeded by their children, and households which sold their farming land for their survival are increasing and considered as “landless farmers” having high poverty risk.

**Residents in Mining Areas with Land Mines:** During the civil war period, it is said that around 3 to 4 million land mines were laid. Altogether, it is estimated that land areas of 2,100km<sup>2</sup> which account for 1.7% of the national land, could be possibly have buried land mines. The residents in the area are not only inhibited in cultivating farming land, but also engaging other socio-economic activities. They are exposed to strong mental pressure every day. Moreover, land mines are the main cause of quadruple amputees which can be another specific factor of poverty.

**Households with Disabled Persons:** The proportion of the disabled population because of war and land mine explosions account for 22% of all the disabled and 1.5% of the population in Cambodia. Most of these war and land mine victims are quadruple amputees. In 1999, 45.7% of household members whose head of household is disabled are considered as the “poor”. This rate is higher compared to 35.7% of ordinary households.

**Female-headed Households:** Since a large number of males were killed during the Pol Pot regime, female-headed households are frequently seen in Cambodia. Around 411,000 female headed households are estimated to be account for 20% of all households. Phnom Penh has a higher proportion of female-headed households than in rural areas. Because the female attainment rate of secondary and post-secondary education is considerably lower than males in Cambodia, females have relatively limited access to productive employment opportunities. Although a further survey will be required, it might be that female headed households are relatively exposed to the risk of poverty.

## **2. GOVERNMENT POLICIES AND PROGRAMS FOR POVERTY REDUCTION AND EQUITY**

### **2.1. Macroeconomic Performance and Poverty**

#### Macroeconomic Impacts on Poverty

Under the Pol Pot regime, Cambodia experienced serious economic and social devastation. Because of that, the main issue for the new administration established in 1993 was promotion of economic reconstruction based on political stability. However, macroeconomic instability such as high inflation and Riel depreciation hampered the economic reconstruction. Therefore, the Government of Cambodia has started fiscal reform with assistance of IMF and has made efforts to control inflation. As a result of a series of stabilization programs, poverty and inequality indicators have been improved subsequently. It is supposed that the direct impacts of economic turmoil just after the peace agreement on the poor have not been very serious.

Economic liberalization has been tremendously affecting the Cambodian industrial structure which used to depend on traditional industries including agriculture. Although 80% of population are still working in the agricultural sector, the importance of the agricultural sector in the Cambodian economy has relatively declined since 1993. The share of agriculture in GDP has dropped from over 50% in 1990 to approximately 40% since 1993. In 2000, the agricultural sector accounted for less than 40% due to damage by the flood. On the other hand, the share of manufacturing in GDP has grown year by year from 7% in 1990 to 18% in 2000. In particular, foreign direct investment (FDI) has poured into labor intensive industries including textiles since Cambodia was given Most Favored Nation status or General System of Preferences by the USA and EU. The service sector expanded to 40% of the GDP during the period from 1993 to 1996. The growth of the service industry was driven by significant demand for trade and service since the arrival of UNTAC and other donor agencies. However, the service sector has decreased to 35% of GDP because the withdrawal of UNTAC diminished the temporary consumption demand by foreign residents.

#### Economic Growth and Income Distribution

Since the general election in 1993, the Cambodian economy has grown due to the transition to the market economy and economic liberalization: the average real economic growth rate between 1994 and 2000 was 4.2%. The driving force for the economic growth has been the labor-intensive manufacturing sector including textiles which rapidly grew because of FDI. Owing to dependence on rainwater, agricultural output is easily affected by weather conditions. Therefore, the volatile agricultural sector cannot steadily contribute to macroeconomic growth though 80% of the labor force is in agriculture. Since the driving force industries have been depending on FDI, the Cambodian economy has been vulnerable to changes in the international economic climate. Thus, the Asian currency crisis in 1997 heavily damaged the Cambodian economy.

From the macroeconomic point of view, the performance of the Cambodian economy has been favorable since the peace agreement with the positive economic growth and improvement of poverty and inequality indicators. The impacts of economic growth on

poverty and inequality during the 1990's are estimated by simulating elasticities of the poverty index with respect to growth and inequality: the elasticity of poverty with respect to growth led to -3.1 and the elasticity of inequality with respect to growth led to -0.79. These estimated figures, however, do not necessarily indicate that benefits of economic growth have been equally distributed among the poor in the country. In fact, while the poverty rates in rural areas, where 90% of the poor population is concentrated, have been constant since 1997, labor productivity of agriculture, which is the main industry in rural areas, has declined by 4.5% per year. While it is highly possible that the agricultural sector will remain the largest sector to absorb the labor force even in the future, more than half of workers in the agricultural sector still remain semi-employed. Thus, there is concern that lower agricultural labor productivity will bring about an increase of semi-employed workers in rural areas. In addition, it can be reasonably expected that an increase in semi-employed workers will hamper poverty reduction and improvement of inequality.

## **2.2. Government Policies**

### **Socio-Economic Development Plan and Poverty Reduction and Equity**

Since 1994, the Government of Cambodia has set forth NPRD and SEDPI as national development policies. SEDPI addressed poverty reduction as one of the long-term development objectives, and gave its priority to social policies including relief of socially vulnerable people rather than economic growth. Thus, agriculture and rural development have been one of the focus sectors in SEDPI since 90% of the poor live in rural areas. In particular, the Ministry of Rural Development (MRD) has prepared specific development programs based on SEDPI and has been implementing projects addressing institutional building enhancement for rural development, rural infrastructure development, agricultural development, and so forth, with assistance of donor agencies. However, the smaller public investments were disbursed for agricultural and rural development even though the public investment program allocated 65% of total public investment to agricultural and rural development.

Currently, the Government of Cambodia has been preparing SEDPII for the next five year from 2001 to 2005 and PRSP. Both SEDPII and PRSP will address poverty reduction as the most important objective and will take policy measures to attain this objective; acceleration of economic growth and equal distribution of benefits. Thus, both of them will be integrated and PRSP will be implemented as a part of SEDPII. While promoting improvement of public services, SEDPII will require maintaining sound macroeconomic conditions and executing broad structural reform in order to promote private sector development. In addition, SEDPII will include population control, improvement of access to education and health for the poor, and expansion of infrastructure and services at the village level.

### **Government Budget and Public Expenditure**

Three-year Public Investment Programs (PIP) have been prepared by the Government of Cambodia in order to clarify the priority investment areas, to allocate budget properly, and to implement specific projects based on SEDPI. The investment allocation planned in PIP was based on the 5-year investment plan for SEDPI. While PIP set investment limitation on each

sector, the Government has checked the priority sectors and balance among the sectors, and has revised budget allocation of public spending.

As share for the total public expenditures, public spending on education, health, and agricultural and rural development have been very limited despite the fact those sectors were prioritized in SEDPI. Because the government budget of Cambodia can cover only current expenditure basically, approximately 70% of total expenditure, which is allocated to public services, is financed by assistance of donors. Therefore, project implementation including social sector projects directly affecting the poor, has been heavily depending on aid money provided by donor agencies.

Considering the situation, the Government of Cambodia set forth its fiscal policy for budget deficit reduction; enhancement of the revenue base and expenditure restructuring. In particular, the Government will reduce military and defense expenditure and allocate more of the budget to the prioritized social sector.

### Social Policies

Social policies, which may have impacts on the poor are as follows; the demobilization program, education reform and health reform.

The demobilization program, which is one of the main components of public reform including restructuring of public spending, may have not only financial impacts on the government but also social impacts on communities. 1500 soldiers in four prefectures have been already discharged until mid-2000 as a pilot project. The Government of Cambodia has planned to implement the discharge of more 15,000 soldiers by the end of 2001. However, the current employment conditions are not necessarily favorable to absorb new comers. Adding to the already large number of agricultural workers with no payment or low wages in rural areas, it is predicted that the annual increase in the labor force will 135,000. Thus, discharged soldiers will induce new unemployment because the Cambodian labor market has only limited absorption capacity.

In terms of the education sector, the Interim PRSP set forth long term objectives till 2010: ensuring equal access to basic education and improving the quality of education. In order to attain those objectives, operation costs for school education will increase. Thus, the Government has prepared reform programs including funding for education since it is not feasible to charge those increasing costs for households. Under the current education system, costs of education have been covered by household expenditure. The financial burden on households is one of obstacles for children from poor families to have opportunities for education. It is expected to implement education reform which will contribute to improvement of the difference in educational level among the income groups

As a part of health reform, the health coverage plan aiming at rationalization and expansion of access to basic health services has been implemented nation-widely since 1996. Since the actual public spending on health was much smaller than the budget allocation, public health services cannot be provided sufficiently to meet the people's demand. In order to solve the problem, a medical charge system based on a user charge has been introduced with budgetary reform for the health sector. While access of the poor to primary health care was expanding due to the user charge system, exemption from the user charge has enabled the very poor to have easier access to primary health care.

## Policy Framework for Poverty Reduction and Equity

I-PRSP has been already published in October 2000 and a final draft of PRSP will be finalized between the end of 2001 and the beginning of 2002. PRSP will be integrated into a part of SEDPII. PRSP is based on understanding that a poverty reduction strategy in Cambodia will be realized by achievement of three objectives: long-term and sustainable economic growth, equal distribution of economic growth and sustainable management and use of environment and natural resources. IPRSP analyzed impacts of the implementation status of SEDPI on the poor. Based on the analysis, I-PRSP pointed out that implemented projects so far have not fully contributed to poverty reduction. Thus, under SEDPII, implementation of more effective projects for poverty reduction will be required.

In order to promote rural development, which is the top priority sector for poverty reduction in the country, the following rural development structure was established: from the national level of the Council for Agricultural and Rural Development (CARD) to the local level of Village Development Committees (VDCs). In particular, VDCs have been established as a bottom-up economic development base to implement sustainable participatory rural development. However, most VDCs are not functional, although some of them have been implementing projects with assistance of donors.

### **2.3. Poverty Reduction Programs**

#### Rural Development Program

The Ministry of Rural Development has promoted sustainable participatory rural development with the establishment of Rural Development Committees (RDCs) at the regional level and VDCs. In terms of rural infrastructure development and rehabilitation, rural road projects have been implemented by Labor based Appropriate Technology (LBAT) which aims to make optimum use of local resources including labor, materials, skills and so forth. Those projects have contributed to poverty reduction through not only infrastructure development but also employment creation in rural areas.

In addition, improvement of access to safe drinking water and sanitation has been targeted in the rural development program. However, since the accessibility to safe drinking water and sanitation in rural area has been increased at only three points, SEDPII will carry on the same target as the top priority.

SEDPII will target to promote transition to agriculture based on the market economy as a final goal in order to maximize effects of agricultural development such as employment creation, income generation, poverty reduction, economic growth and so forth. MRD has been planning to implement specific projects to achieve this goal. Basically, agricultural and rural development is based on the programs of SEDPI, and new items including Integrated Rural Accessibility Planning and environmental protection projects are being added to the program.

#### ACLEDA Program

ACLEDA, which was founded by the support of ILO in 1993, has operated micro credit programs in rural area of Cambodia. The credit outstanding of the ACLEDA program accounts for 70% of total credit outstanding in the entire country. Initially, the main target of

the program was conventional group lending in rural areas. Recently, the target has been shifting from income generation for poverty reduction to small and medium size firms development. Expansion of SME lending leads to a decrease in group lending in rural areas aiming at poverty reduction. SME development, however, does not necessarily conflict with poverty reduction because SMEs can provide employment opportunities in rural area where there is limited employment opportunities for paid workers. In fact, “small firms” provided loans by ACLEDA have only three to five employees. By international standards, firms with three to five workers are defined as micro enterprises. Thus, it can be considered that credit supply by ACLEDA has contributed to employment creation at SMEs for non-entrepreneur poor people.

### SEILA Program

The purpose of the Seila program is capacity building of municipalities to achieve poverty reduction. Under a cross-ministerial taskforce, poverty reduction programs targeting 1.6 million people in 220 communes have been implemented at the local level. The program is based on partnership between the Government of Cambodia and donor agencies. While donor agencies have been providing the program with more than total 75 million dollars including technical assistance, development of local services and infrastructure has been carried out with the participation of 11 multilateral and bilateral donor agencies, the Government of Cambodia, NGOs and local people from more than 1900 villages. The Seila program was targeted to strengthen administrative capacity of municipalities in terms of planning, funding, project implementation, provision of public services and so forth. The program has obtained good results. Therefore, the Government of Cambodia has an increase in making use of the successful experience of municipality reform in the Seila program for central government reform.

### **3. AID FOR POVERTY REDUCTION AND EQUITY**

#### **3.1. Outlook of Donor's Activities in Cambodia**

##### Total Amount of Aid and Main Donors

During 1991 to 1999, Cambodia has been received an average of about 300 million US dollars of ODA (about 12% of GNP) from the international donor community. While UNHCR was the largest donor in 1991, Japan, the World Bank and ADB became top donors in 1999. This change reflects the transition of the economic and social situation in Cambodia – from an emergency to a stable period in which establishment of the foundations for sustainable social and economic development should be pursued.

For the sustainable development of Cambodia, multilateral donors, bilateral donors and NGOs are working closely and sharing the view that “poverty reduction” is the highest priority area for the development of Cambodia. In addition to the World Bank, ADB and UNHCR, IMF and UN group organizations such as UNDP are major multilateral donors to Cambodia. Regarding bilateral donors, France, Australia, Germany and the US are playing important roles in Cambodia. NGOs have been conducting their activities since the confusion period. Their activities cover every province of Cambodia and most areas of development.

##### Priority Sectors and Donor Coordination in Cambodia

Allocation of ODA by sector also represents the transition of the economic and social situation in Cambodia. For example, although 56% of ODA was targeting humanitarian and emergency aid in 1992, its share decreased to 2% in 1998. On the other hand, the shares of regional/rural development, development administration, education and health are increasing. These areas are considered as the foundations for the development of Cambodia since its human resource and rural economy deteriorated during the confusion period.

These aid activities in several areas are coordinated in the Consultative Group meeting held every year. CDC represents the government of Cambodia as a coordinating agency. However, further capacity building of CDC is necessary to effectively coordinate the activities of many donors.

#### **3.2. Aid for Poverty Reduction and Equity**

##### Multilateral Aid

**IMF:** IMF has been working closely with the World Bank and other donors. In 1999, IMF released a USD 82 million ESAF (Enhanced Structural Adjustment Facility) which objectives were (i) macro-economic stability, (ii) rehabilitation of Cambodian economy and (iii) poverty reduction. In late 1999, ESAF changed its name as PRGF (Poverty Reduction and Growth Facility) and put more emphasis on supporting programs in line with PRSP.

**World Bank:** The World Bank's Country Assistance Strategy (CAS) clearly put heavy emphasis on poverty reduction and set its priority objective as “building foundations for sustainable development and poverty reduction”. According to the World Bank, good

governance, infrastructure development, human resource development and private sector development are considered as key “foundations”. The World Bank is trying to apply a Sector Wide Approach (SWAP) toward these priority areas under which supports from several donors are to be coordinated by the Cambodian government’s initiative.

ADB: ADB is working closely with the Ministry of Planning and is supporting preparation of SEDPII which is targeting poverty reduction as its main agenda. ADB also contributes to the rehabilitation of national roads with Japan and other donors. Other priority areas of ADB are land management, forest resource management and education.

UNDP: Priority programs of UNDP are ( i ) CARERE (Cambodian Resettlement and Regeneration Project) in Banteay Meanchey, Battambang, Pursat, Siem Reap and Ratanakiri, ( ii ) Financial and institutional support for CMAC, ( iii ) support for census and preparation of the human development report ( iv ) preparation of poverty profiles with the World Bank and ADB, and ( v ) poverty monitoring and capacity building of monitoring skills with SIDA. Moreover, UNDP contribute to the capacity building of governance through the support of CDC and other ministries.

#### Bilateral Aid

JICA: JICA has been assisting a variety of development fields in Cambodia. Regarding the core development assistance to Cambodia, JICA’s puts high priority on (i) Good governance (administrative, financial, judicial reforms), (ii) Economic promotion, (iii) Infrastructure improvement, (iv) Increased food and other agricultural production, (v) Education (Human Resource Development), (vi) Health (vii) de-mining and support for disabled persons and (viii) Natural resource management.

AusAid: AusAid’s priority areas are agriculture, health, education, good governance, de-mining and humanitarian aid. In relation to poverty reduction, AusAid is playing a prominent role in agriculture development. One of its major project is “Cambodia IRRI Australia Project” which intends to increase the productivity of rice with the cooperation of the International Rice Research Institute.

#### NGO Activities for Poverty Reduction and Equity

The number of NGOs conducting their activity in Cambodia has been increasing since the end of long-term civil war period. NGOs play a major role in the rehabilitation and development of Cambodia. They provide and support the provision of basic social services, and are found in every province and major sectors. Considering their activities in rural areas where the poverty of Cambodia is concentrated, CDC (Council for the development of Cambodia) recognizes NGOs as important partners for its policy implementation. NGOs’ put high priority on poverty reduction and partnership with the government and the international donor community to successfully implement PRSP and SEDP II.