

Australia – Cambodia Country Program  
Strategy  
2008-2015

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## I. Executive Summary

The Australia-Cambodia Country Program Strategy (2008-2015) articulates the Australian Government's renewed commitment to supporting the Royal Government of Cambodia (RGC) to progress its development agenda for a more prosperous, stable and healthy Cambodia. Significant gains have been made in Cambodia but the task of shoring up these gains and addressing critical shortfalls and gaps is the challenge faced by RGC and its development partners.

The duration of the Strategy is recognition that a long term and stable commitment is needed to achieve equitable and sustainable development in a post-conflict environment. To ensure ongoing alignment with RGC's development priorities over this period, a major review of the Strategy will be conducted in 2010. This will coincide with the release of RGC's new development plan covering the period 2010-2015 and will provide a catalyst for a process of closer alignment of all development partners in Cambodia with the development objectives of RGC.

Australia's program of assistance takes as its starting point the Cambodian Government's *National Strategic Development Plan 2006-2010* and the Cambodia Millennium Development Goals (CMDG), in particular CMDG 1 (poverty), CMDG 3 (gender equality), CMDG 4 (child mortality) and CMDG 5 (maternal mortality). Other important considerations in determining priorities are: Australia's comparative advantage; the engagements of other development partners; and the imperative of improving aid effectiveness.

Under this Strategy Australia will support the Cambodian Government to reduce poverty and achieve sustainable development with a focus on the following priorities:

- Reduce rural poverty through agricultural development
- Strengthen health system financing, service delivery and monitoring
- Improve economic and natural resource management
- Strengthen the law and justice system

Achieving sustainable outcomes in these areas will demand that Australia, and all major development partners, move beyond short-term objectives to partner in a more meaningful and coordinated way with the Cambodian Government. Over the Strategy period there will be a deliberate and ongoing effort to first strengthen, and then work through RGC systems to deliver coordinated assistance. Achieving this kind of partnership with RGC will require discipline from all development partners to deploy resources and expertise in the most efficient way possible.

Ensuring Australian development assistance is used to best advantage will require rigorous monitoring and evaluation. The systems developed for this purpose will provide useful information for ongoing management of the Program. Their purpose is not just to

demonstrate success or failure, but to provide information that enables managers to ensure that weaknesses and problems identified, become lessons to be fed back to improve implementation and design.

## II. Introduction

1. Australia has been an important partner in Cambodia's reconstruction since the signing of the Paris Peace Accords in 1991. Australia is Cambodia's fourth largest bilateral development partner and will continue over this strategy period to work with the Royal Government of Cambodia (RGC) in its efforts to achieve the Cambodia Millennium Development Goals (CMDG) and progress other development priorities as set out in the Cambodian Government's National Strategic Development Plan 2006-2010 (NSDP). A stable and prosperous Cambodia will contribute to maintaining sustainable regional economic growth and to combating transboundary threats such as trafficking in drugs and people, and the spread of infectious diseases.

2. The fragility of Cambodia's social fabric after years of conflict heightens the potential for violence and instability at a level not threatening the state itself, but highly detrimental to economic and social development. World Bank governance indicators show Cambodia to be relatively politically stable; more stable than both Indonesia and the Philippines, however, the legacy of conflict remains and must be taken into consideration in strategic and programming decisions.

3. Improving the way development partners operate in Cambodia will produce better development outcomes and a more efficient use of resources. The Cambodia Declaration on Aid Effectiveness clearly outlines how the Paris Declaration applies in the Cambodian context. To support implementation of its development priorities, the Cambodian Government has established a range of coordination mechanisms that, if used in a disciplined way, can facilitate a cooperative and efficient use of RGC and development partner resources. This issue will be addressed as a priority over the duration of the Strategy.

4. The choices Australia makes in determining priorities for its engagement in Cambodia are difficult and must be strongly informed by: the priorities of RGC; good development practice; Australia's comparative advantage, and evidence of aid effectiveness. The findings of the Effectiveness Review of Australia's assistance to Cambodia 2003-2007 have helped determine and refine priorities for this strategy. Key recommendations of the Review are:

- Ensure objectives and indicators in the results framework are aligned to objectives and indicators in the National Strategic Development Plan
- Ensure priority is given to the aid effectiveness agenda, including when considering participation in other areas of policy engagement or new funding interventions/modalities
- Ensure an active (enhanced) but selective role in policy engagement in key sectors to promote aid effectiveness

- Ensure the next strategy is flexible enough to respond to potentially large revenue flows from the discovery of offshore oil and gas that would dwarf donor disbursements and revenue collection
  - Ensure steps are taken in the next strategy period to enable AusAID to cooperate with other donors in the preparation of the country strategy post 2010 to further enhance aid partnerships and effectiveness
5. The majority of Australia's assistance to Cambodia is delivered through three programs, the bilateral program, the Mekong Sub-regional Program and the East Asia Regional Program. The regional programs are guided by their own strategies but in the interests of encouraging long term complementarity between these different streams, this strategy integrates key components of the regional programs and thus provides a relatively comprehensive picture of Australian assistance to Cambodia.

### III. Development Context

#### Millennium Development Goals

6. In 2003 the RGC Ministry of Planning developed the Cambodia Millennium Development Goals (CMDGs) based on the global MDGs but supplemented by Cambodia context specific elements. These include an additional goal (CMDG9) relating to de-mining, UXOs and victim assistance; and some supplementary targets under MDG3. Of particular note is the target - *reduce significantly all forms of violence against women and children*. In 2005, the CMDGs were incorporated into the National Strategic Development Plan (NSDP) 2006-2010 as part of the framework for defining priority goals for 2010.

7. Cambodia's progress towards meeting the 2015 CMDG targets is mixed. Good progress has been made in the areas of education (MDG2); HIV/AIDS control (MDG6) and de-mining (MDG9). Advances have been made in reducing extreme poverty (MDG1) with the most recent household survey data (2004) showing that 35 percent of Cambodians live below the national poverty line, compared with 47 percent a decade earlier. Some progress has been made in reducing infant and child mortality rates (MDG4) although even with these improvements Cambodia lags behind neighbouring countries in the region. The maternal mortality rate (MDG5) however, remains disturbingly high with little improvement since 2000. Greater progress on MDGs 4 and 5 is currently limited by a weak health system that suffers from skills shortages (e.g. midwives), low public sector wages, limited public financial resources and misallocation and bottlenecks in public and aid expenditure.

CMDG Summary Table <sup>1</sup>

Goal/Target	Tracking
<b>Goal 1: Eradicate extreme poverty and hunger</b>	
<i>Target:</i> Halve, between 1993 and 2015, the proportion of people whose income is less than the national poverty line	Improving but off target
<i>Target2:</i> Halve, between 1993 and 2015, the proportion of people who suffer from hunger	Improving, but off target
<b>Goal 2: Achieve universal nine year basic education</b>	
<i>Target:</i> Ensure all children complete a full course of primary education by 2010 and nine year basic schooling by 2015	On target
<i>Target:</i> Eliminate gender disparity in nine-year basic education	On target
<b>Goal 3: Promote gender equality and empower women</b>	
<i>Target:</i> Significantly reduce gender disparities in upper-secondary education and tertiary education	Improving, but off target
<i>Target:</i> Eliminate gender disparities in wage employment in all economic sectors	Improving, but off target
<i>Target:</i> Eliminate gender disparities in public institutions	Off target

<sup>1</sup> The Summary Table is an abridged version of the Cambodian MDGs. A complete version, incorporated within the broader indicators for the National Strategic Development Plan is detailed in Annex II

<i>Target:</i> Reduce significantly all forms of violence against women and children	Off target
<b>Goal 4: Reduce child mortality</b>	
<i>Target:</i> Reduce under 5 mortality rate, per 1000 live births - under-five mortality rate from 124 in 1998 to 65 by 2015 - infant mortality rate from 95 in 1998 to 50 in 2015	On target
<b>Goal 5: Improve maternal health</b>	
<i>Target:</i> Reduce the maternal mortality ratio from 437 in 1997 to 140 per 100,000 live births in 2015	Off target
<b>Goal 6: Combat HIV/AIDS, malaria and other diseases</b>	
<i>Target:</i> Reduce the spread of HIV/AIDS	On target
<i>Target:</i> Decrease the spread of malaria, dengue fever and TB	Improving and may meet target
<b>Goal 7: Ensure environmental sustainability</b>	
<i>Target:</i> Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources	Off target
<i>Target:</i> Halve the proportion of people without sustainable access to safe drinking water	Off target
<i>Target:</i> Halve the proportion of people without sustainable access to improved sanitation	Off target
<i>Target:</i> Increase the proportion of population in both urban and rural areas with access to land security	Unreliable data
<b>Goal 8: Forge partnerships for development</b>	
<i>Target:</i> largely for external development partners – no clear internal targets	
<b>Goal 9: Demining, UXO and victim assistance</b>	
<i>Target:</i> Move towards zero impact from landmines and UXOs	On target
<i>Target:</i> Eliminate negative humanitarian and socio-economic impacts of landmines and UXOs by 2015	Improving but below target

## Poverty

8. Cambodia has made steady progress on poverty reduction over the last decade. The World Bank has shown that this progress is corroborated by an increase in spending on non-food items and improved housing. Benefits have been enjoyed by both men and women and have been relatively widespread throughout the country but there is a serious disparity between rural and urban poverty rates. Between 1993 and 2004, poverty in Phnom Penh fell by half but only by a fifth in rural areas. A recent World Bank study found the standard of living of the poorest 20 percent improved by only 9 percent in real terms over 10 years while the standard of living of the richest 20 per cent improved by 45 per cent. A large number of people, particularly in rural areas, remain marginally above the poverty line and could easily

fall back into poverty as a consequence of external or internal shocks. Food price increases are of particular concern; the World Bank predicts that a 10 percent increase in the rice price may increase the national poverty rate by 0.5 percent.

### **Food Security**

9. Although Cambodia has surplus rice production, its ability to capitalise on higher prices is constrained by rising fuel costs and inadequate domestic processing capacity. There is growing evidence of the impact of rising prices on Cambodia's development. Domestic food prices in Cambodia increased by 24 Percent from January 2007 to January 2008. Rice, which constitutes 50 percent of the total food consumption of poor families, nearly doubled in price from January to April 2008. In 2004, 23 percent of Cambodia's population consumed less than the minimum daily energy requirement. In 2005, 37 percent of children aged under five were suffering chronic malnutrition and 7 percent were acutely wasted. Malnutrition is a major cause of the high level of maternal and infant mortality.

### **Civil Society**

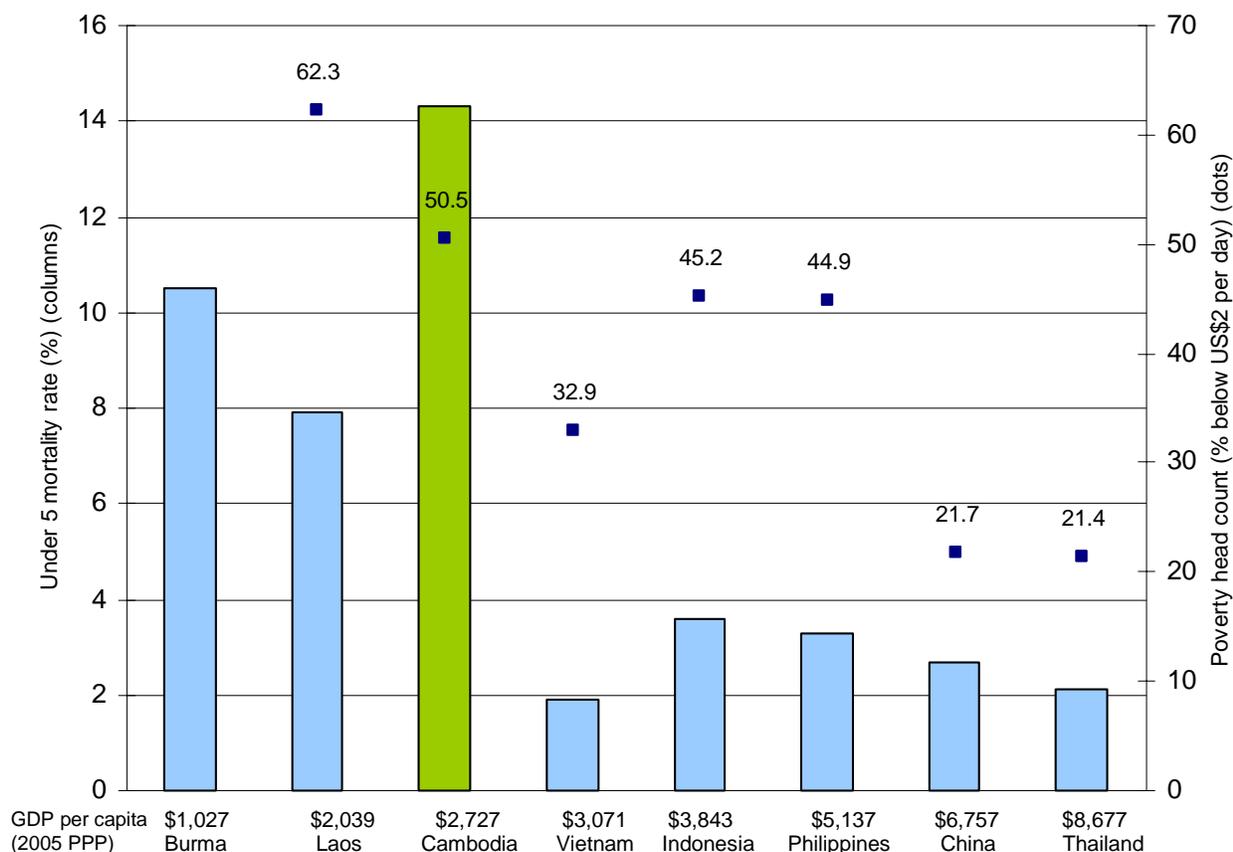
10. The Rectangular Strategy (2004) identifies partnership with civil society as critical to the enabling environment for implementing RGC development priorities but the relationship between civil society and the RCG has varied over time. Cambodia has an active civil society which grew rapidly during the UNTAC period to now more than 1800 NGOs active across all sectors serving a variety of functions. NGOs play a particularly important role in the area of service delivery, making services more accessible to the most vulnerable in society. Periodic crackdowns on NGOs that advocate on sensitive issues have undermined the important role they play as an instrument for improving government accountability and transparency.

### **Regional Context**

11. Sharing land borders with Vietnam, Laos and Thailand, and a significant portion of the Mekong River and its catchment, Cambodia faces a range of transboundary opportunities and challenges in common with its Mekong neighbours. To capitalise on its proximity to larger Asian markets, the Mekong region has an active economic integration, cooperation and liberalisation agenda. Transnational crime is a threat to the region's stability and prosperity, trafficking of persons for sexual or labour exploitation and narcotics trafficking, inextricably linked to organised crime, are growing problems. HIV/AIDS, tuberculosis and malaria jeopardise the region's human resource capacity, and vulnerability to pandemics and emerging infectious diseases is exacerbated by weak national health systems. The people of the Mekong Basin are heavily reliant on water resources for agriculture and fisheries so strong regional cooperation in managing water resources is vital for the sustainability of livelihoods. Climate change impacts in the Mekong region are likely to be severe and threaten to erode development gains, impacting most heavily on the poor.

## Comparative Human Development and GDP Per Capita Indicators

12. The graph below shows Cambodia's relative performance against other countries in the region in terms of child mortality and poverty rates – two areas of particular concern in Cambodia. Despite good economic growth and significant progress in some areas, serious challenges remain in Cambodia's overall development.



### Sources

Under 5 mortality rate: UNDP (2007) *Human Development Report 2007/2008*

Population under US\$2 per day: World Bank (2008) *East Asia and Pacific Update*

GDP per capita: UNDP (2007) *Human Development Report 2007/2008*

## IV. Socioeconomic Context

### Macroeconomic context

13. Cambodia has recently experienced fluctuating rates of economic growth, partly due to increased competition from Vietnam and China in the garment sector. Forecasts for 2008 put growth between 7 and 8 percent coming off double digit figures in recent years peaking at 13.4 percent in 2005. The agricultural sector, which provides livelihoods for around 80 percent of Cambodia's people, grew by only 4 percent in 2007. The International Monetary Fund (IMF) predicts that Cambodia will not meet its development goals if growth rates remain at this level. Its narrow manufacturing base, heavily dependant on garment exports,

constitutes an ongoing risk particularly as its primary export market, the US, is slowing and forecast to move into a period of mild contraction. Increased competition from Vietnam and China as the US removes import restrictions on these countries will place further pressure on the industry and rising inflation will impact on Cambodia's export competitiveness. Growth in tourism and construction could offset these risks to some extent but poor management of these sectors threatens their viability and sustainability.

14. While RGC successfully pulled back the high inflation rates that characterised the UNTAC period, recent rising inflation – particularly food which rose by 16.8 percent year on year in October 2007 – now presents a serious challenge. By the end of 2007, year-on-year inflation reached 10.8 percent. RGC's NSDP is predicated on an inflation rate of 5 percent out to 2010. While higher prices have the potential to assist farmers and promote rural development, these benefits are to some degree offset by the rising cost of fuel which has increased the cost of transport and agricultural inputs such as fertiliser. An imminent resources boom will likely contribute further inflationary pressure to the economy. Issues stemming from rising inflation include: food security; reduced export competitiveness; potential gains to farmers from higher market prices (this hinges on productivity gains); and fiscal tightening diverting spending away from pro-poor development priorities.

### **Economic Management**

15. The International Monetary Fund (IMF) acknowledges RGC's progress on economic policy reforms and general management of the economy. Its rating under the World Bank's International Development Association (IDA) *Resource Allocation Index (IRAI)* has improved steadily over recent years but from 2002 – 2005 Cambodia consistently fell in the fourth quintile of IDA borrowers. The index assesses the extent to which government policy is conducive to poverty reduction, sustainable growth and effective use of development assistance. The World Bank's *Doing Business 2008 Report* ranked Cambodia 145 out of 178 countries for ease of doing business, citing policy uncertainty, poorly protected property rights and a weak judiciary as major concerns. Difficult challenges remain if Cambodia is to broaden its economic base and improve the investment climate to strengthen resilience to external and internal shocks which could reverse development gains.

### **Governance**

16. Elements within the Government have expressed a commitment to addressing corruption but there remain serious challenges in terms of concrete steps that must be taken. One of the most significant in terms of providing a legal foundation for anti-corruption efforts is passing the Anti-corruption Law which has been in draft form for over 5 years. Improving state effectiveness in Cambodia requires commitment to strengthening rules-based governance over political and commercial decision making. This will demand reform at the central, provincial and commune levels of government.

17. Recent initiatives to decentralise and deconcentrate state functions out to provincial and commune levels, present an opportunity for better participation by citizens in decision making. However the risk of corruption and political patronage must be actively addressed to ensure proper inclusion of pro-poor concerns in provincial and commune planning mechanisms.

18. Transparency International's 2006 *Corruption Perceptions report* on transparency of government processes ranked Cambodia 162 out of 180 countries. A survey by the Economic Institute of Cambodia found that Cambodians judged the judiciary and courts to be the most corrupt institutions in the country with a rank of 1.8 out of 7. The public health sector and the police received ratings of 2.5 and 2.8 respectively.

## Gender

19. There has been considerable progress in establishing the institutional foundation and policy environment for gender equality in Cambodia. The 1993 Constitution clearly reflects the principle of gender equality, and domestic laws recognize the rights of women in employment and inheritance. At the international level, Cambodia is a signatory to the Convention on Elimination of all Forms of Discrimination against Women. The passing of legislation outlawing domestic violence in 2005, and new regulations against people trafficking, are evidence of a continued commitment to improving the institutional foundation for gender equality. Budget allocations for gender mainstreaming have been provided at the national and provincial level and progress has been made at the commune level with the number of gender sensitive priorities in commune plans increasing steadily - reproductive health, HIV/AIDS, vocational training and violence against women figure prominently.

20. Domestic violence, the rapid growth of the commercial sex industry and the trafficking of women remain serious problems. RGC has committed to increasing the number of women in decision-making positions, but little progress has been made. Women are under-represented at the commune level, in the National Parliament and in the judiciary; and less than 10 percent of civil servants are women.

## Employment

21. Each year, about 250,000 people join the workforce in Cambodia, many of whom are unskilled. Employment growth is not keeping pace with this rapid expansion and as 40 percent of Cambodia's population falls in the age range 10 - 24, this annual influx to the workforce will continue for the foreseeable future. Labour migration to Thailand, Malaysia, Republic of Korea and Taiwan has increased as unemployment and underemployment have risen in Cambodia.

## Crime

22. In recent years the homicide rate, particularly homicides involving firearms, has declined but worsening youth violence; organised crime; narcotics and people trafficking; and money laundering, constitute ongoing challenges for Cambodia. Crime levels impact on the investment climate as shown by a World Bank survey examining the business environment in Cambodia where 47 percent of investors surveyed considered crime to be a major constraint to doing business - this is in contrast to 4 percent in Vietnam and 10.3 percent in Thailand.

## Extractive industries

23. According to the World Bank, the future commercial exploitation of offshore oil and gas reserves will significantly boost GDP and Government revenue. A large and rapid influx of revenue presents both opportunities and significant challenges for Cambodia. The

experience of countries such as Nigeria that have undergone a similar resources boom highlights the importance of ensuring effective and transparent management of these new revenues. Institutions to oversee and scrutinise the collection of oil revenues are weak or non-existent and the potential for misdirection of revenues is high. Discovery of mineral resources, including precious metals, is likely to present a similar challenge.

## Environment

24. Cambodia has substantial forest and water resources that support the livelihoods of many of its people. Weak governance mechanisms have contributed to over-exploitation of these resources putting pressure on the viability of the livelihoods of people who depend on them. Land clearing for agriculture and demand from China and Vietnam for high quality tropical timber for furniture, is leading to rapid deforestation threatening Cambodia's biodiversity. Over-exploitation and poor management of water resources, particularly freshwater resources, is a serious problem once again affecting the viability and sustainability of rural livelihoods. Sanitation problems in Cambodia's larger urban centres are increasing as a result of rural-urban migration and growth in industrial waste leading to pollution of water sources. Cambodia's growing energy demands and heavy reliance on the Mekong River system will demand active engagement at the regional level to facilitate appropriate management of this critical resource.

## V. Cambodian Government Development Priorities

25. Cambodia's development priorities are outlined in the National Strategic Development Plan 2006-2010 (NSDP) which takes as its foundation the Cambodian Millennium Development Goals and the Rectangular Strategy (2004).

### The Rectangular Strategy

26. The Rectangular Strategy (2004) puts good governance at its core. It then highlights four elements that define the necessary environment for implementation of RGC's development priorities. These are:

- *Peace, political stability and social order*
- *Partnership with all stakeholders, including the private sector, donor community and civil society*
- *Favourable macroeconomic and financial environment*
- *Integration of Cambodia into the region and the world*

27. The Strategy then highlights four strategic growth rectangles as follows:

**[NB: Underlined text indicates areas of Australian engagement]**

- ***Enhancement of the Agricultural Sector.*** This covers: improved productivity and diversification of agriculture; land reform and clearing of mines; fisheries reform; and forestry reform.
- ***Continued Rehabilitation and Construction of Physical Infrastructure.*** This covers: continued restoration and construction of transport infrastructure; management of

water resources and irrigation; development of energy and power grids; and development of information and communication technology.

- ***Private Sector Growth and Employment.*** This covers: strengthened private sector and attraction of investments; promotion of SMEs; creation of jobs and ensuring improved working conditions; and establishment of social safety nets for civil servants, employees and workers.
- ***Capacity Building and Human Resource Development.*** This covers: enhanced quality of education; improvement of health services; fostering gender equity; and implementation of population policy.

## Development Assistance

28. International development assistance to Cambodia is estimated to be equivalent to 8.4 percent of GDP in 2007. Donors pledged in excess of US\$689.2 million in 2007 and over the past decade total ODA has exceeded US\$5 billion. On a per capita basis this is slightly above most other low income countries. The top three donors are Japan, USA and the ADB. Other significant partners are France, Britain, Denmark Sweden and more recently China. The World Bank and UN agencies also have a strong presence. The large number of major development partners operating in Cambodia presents significant challenges in terms of coordination. In 2006, NGOs made a substantial contribution in Cambodia's development, providing over USD 50 million of their own funds and implementing USD 63 million of donor assistance.

29. The *2006 Survey on Monitoring the Paris Declaration* found that a key binding constraint in terms of better ownership of the development agenda and better alignment of development partner assistance in Cambodia was weak government systems. The survey recommends full implementation of the Public Financial Management Reform Program as a critical step in resolving this problem. At the same time, development partners must further align their planning cycles with those of RGC and better use the NSDP to guide their own prioritisation of assistance to Cambodia.

## Effectiveness Review

30. In 2007 an effectiveness review of the Cambodia Country Strategy 2003-2007 recommended Australia be more selective in its engagements, focusing more strongly on key interventions and delegating others to development partners better placed in those sectors. It identified mine action as one of the most effective programs and the agricultural sector as one where Australia should maintain a strong engagement. It also noted the importance of maintaining enough flexibility within the program to respond to potential problems flowing from a large influx of revenue from exploitation of oil and gas reserves.

## VI. Strategic Framework

31. The goal of Australian assistance is to assist Cambodia to reduce poverty and achieve sustainable development. The starting point for determining Australia's engagement in Cambodia is the NSDP. To improve the effectiveness of Australia's engagement and avoid duplication, choices have been made to concentrate resources based on Australia's

comparative advantage and the engagements of other development partners. In agriculture, Australia will focus on agribusiness, agricultural production, integrated mine clearance and sector wide policy engagement. A gradual phase out of elections support recognises RGC taking ownership of this critical function of a democratic state. The choice not to engage in the education sector is based on the need to focus limited resources where they are most needed. The education sector in Cambodia enjoys relatively comprehensive engagement by other partners as well as eligibility to access substantial funds through the global multi-donor Education for All Fast Track Initiative.

32. The Strategic Framework outlines how, over the period 2008-2015, Australia will consolidate earlier gains, deepen policy engagement in selected sectors, and move forward, guided by the NSDP, with a more cohesive program. The Program will engage in the following areas:

- Rural poverty reduction through agricultural development
- Health systems strengthening
- Sustainable economic and natural resource management
- Strengthening the law and justice system

## Rural Poverty Reduction through Agricultural Development

### Australia will support the Cambodian Government to:

- Increase the value of agricultural production and agribusiness activities in selected provinces
- Improve rural infrastructure, particularly roads and electrification. (**Sub-regional Program**)

*"Poverty Reduction in the fastest possible manner is RGC's foremost priority. Given that 90 percent of the poor live in rural areas, priority attention is needed through NSDP to speed up development in rural areas." (NSDP 2006-2010, p29)*

33. Ninety percent of Cambodia's poorest people live in rural areas and about 80 percent of the population relies on agriculture for their livelihood. While the agriculture sector has enjoyed moderate growth over the past decade, it has been hampered by inefficient technologies, low levels of investment (including in water management and infrastructure), poor integration and functioning of markets, and limited government capacity to provide the policy framework and stewardship needed for sectoral modernisation. For Cambodia to achieve CMDG 1, poverty reduction in rural areas will be critical. In recognition of this fact, rural poverty reduction features centrally in RGC's National Strategic Development Plan. Australia's support to RGC for reducing rural poverty will focus on assisting RGC to:

- Increase the value of the agricultural sector through: a new engagement aimed at making markets work more effectively in the rice-based farming systems; and applied research to support agricultural diversification and increased productivity.

- Meet its targets under the Ottawa Convention to ban landmines thus increasing the land available for agricultural production that can be allocated to target rural poverty.
- Support Cambodia's most vulnerable people through food security activities coordinated by the World Food Program.
- Improve rural infrastructure, particularly roads and electricity supply; and improve water resource management.

### **Cambodia Agricultural Value Chain Project (CAVAC)**

34. Australia's key investment in the rural development sector will be a new program aimed at stimulating private sector development along key value chains. CAVAC will invest in research and extension, infrastructure (particularly in water management), and policy reform at both national and sub-national levels in order to boost the effectiveness of private sector actors. This will facilitate accelerated growth in the value of national agricultural production to help reduce rural poverty and improve the food security of Cambodia's poorest people. AusAID will continue to be instrumental in developing and implementing the Strategy for Agriculture and Water (SAW) and CAVAC will progressively be aligned with the SAW as opportunities arise to incorporate its activities into RGC programs.

### **Australian Centre for International Agricultural Research (ACIAR)**

ACIAR and AusAID will continue to work in close partnership in the agriculture sector in Cambodia. ACIAR's focus on applied research to improve the productivity of rice based farming systems, agricultural diversification and, increasingly, on the development of suitable supply chains will constitute an integral part of Australia's engagement in the sector. ACIAR's experience in water management will be an important source of expertise over this strategy period as water resource management pressures in the Mekong region increase, particularly as the impacts of climate change intensify.

### **Integrated Mine Action**

35. Australian supported mine action programs have contributed to the reclassification as low risk, of over 400 sq km of land facilitating its use for agricultural production. Increasing RGC ownership of the challenges in this sector will see a commensurate scale back of Australia's engagement. However, as a signatory to the Ottawa Convention to Ban Landmines, RGC is committed to achieving a medium term target of "zero impact from landmines and unexploded ordnance by 2015. In early 2008, RGC indicated its intention to formally seek an extension to fulfil this commitment. Australia will assess progress towards an amended target date as part of the 2010 Strategy Review. The scale and nature of future engagements will depend on the outcomes of this review.

### **Food Security**

36. CAVAC will be the centrepiece of Australia's response to improving the long term food security of Cambodia's people but support will also be provided to those excluded from the benefits of improving the value of agricultural production. This assistance will be provided in partnership with the WFP through mechanisms such as school feeding programs. If the current trend of sharply rising food prices continues, food security and malnutrition amongst

Cambodia's poorest and most vulnerable people will demand a scaling up of assistance for improving both long-term and short-term food security.

### **Gender mainstreaming for agricultural development**

Rural women in Cambodia are among the most disadvantaged in society. More than 65 percent of farmers are women and most have limited capacity to access new technologies, market information and financial services. Gender inequalities in education are worse in rural areas and health services for women are absent or not affordable.

Rice-based farming systems in Cambodia are central to social interaction, cultural identity and gender relations. Achieving poverty reduction in rural areas demands specific attention to the needs and roles of women. Active participation of women in planning and implementation of integrated mine assistance activities has ensured that their priorities have been given attention in implementation of activities. This same principle will be used in Australia's other engagements in the agricultural sector to improve outcomes both in terms of gender equality and rural poverty reduction. Disaggregation of data by gender will provide practical information to monitor and refine engagements.

37. Australia's Mekong sub-regional Program is working to improve rural roads and electrification across the region. This work directly complements that of the bilateral program by providing essential rural infrastructure to facilitate the expansion and proper functioning of markets. Increased pressure on water resources throughout the Mekong region will necessitate better management to address the irrigation and sanitation needs of Cambodia's rural population. Australia will work in partnership with Mekong country governments and other development partners to improve management of water resources and sanitation. The East Asia Regional Program also directly complements the bilateral program in the area of rural development by assisting ASEAN to integrate pro-poor concerns into regional trade integration mechanisms which will directly benefit Cambodian farmers to engage with international markets.

## **Strengthening Health Systems**

### **Australia will support the Cambodian Government to:**

- Improve health system financing, service delivery and monitoring

*"Although significant progress has been achieved in the Health Sector, there is still a long distance to go to reach satisfactory levels of health status, particularly in regard to reduction in maternal mortality and infant mortality rates." (NSDP 2006-2010)*

38. The health of Cambodia's people has improved steadily over the last decade, albeit from a very low base. Improving health services is a key priority in RGC's National Strategic Development Plan and as it points out (above), there is still a long way to go and maternal

and infant mortality rates are of particular concern. This is reflected in Cambodia's poor performance against CMDGs four and five.

39. New health challenges are emerging in Cambodia. Accidents, particularly involving motor vehicles, have become a leading cause of premature mortality and permanent disability among adults. A high smoking rate among men is a predictor for future chronic health problems and communities are concerned about the cost of treatment for chronic and non-communicable diseases such as diabetes, hypertension and mental disease.

40. Health system weaknesses are a significant factor contributing to poor health outcomes. Sustained progress towards CMDGs 4 and 5 will require addressing these weaknesses, including problems such as low public sector wages, shortages of key medical personnel (particularly midwives), and weak systems to monitor and effectively manage health expenditure..

41. Australia's contribution to the Cambodian health sector will be delivered primarily through the second phase of a multi-donor initiative, the Health Sector Support Program (HSSP2), which supports the implementation of RGC's second Health Sector Strategic Plan:2008 – 2015 (HSP2). The HSP2 is a comprehensive strategy for strengthening the health system in a sustainable and equitable way, enabling increased access to quality health services for the poor, women and children. Australia, alongside the World Bank and DFID, will be a major donor to HSSP2, and we will have a particular interest in ensuring that it effectively targets maternal and child health issues. Efficient and transparent management of resource is critical to the proper functioning of the health system so expenditure and revenue management will also be a key priority for our involvement in the program. HSSP2 gives primary responsibility for program management to the RGC, and will provide significant capacity development to build a health system able to be sustainably administered and funded by RGC in the long term. The program will progressively align with RGC's new decentralisation mechanisms to empower provincial, district and commune levels of the health system, and will support civil society's role in health service provision and facilitation, as well as to hold service providers accountable for service access and quality.

42. AusAID will complement its engagement through HSSP2 with support to other development partners working in the sector including: United Nations Population Fund, World Health Organisation, GTZ (German aid agency) and relevant Cambodian institutions, to improve sectoral financing arrangements, service delivery and improved capacity of the health system to deal with problems relating to disability, maternal and child health.

### **Regional Assistance to the Health Sector**

43. Australia will continue to support interventions at the regional level to combat transboundary health challenges such as HIV/AIDS and Avian Influenza including expansion of the regional HIV harm reduction program to include Cambodia.

## Sustainable Economic and Natural Resource Management

### Australia will support the Cambodian Government to:

- Improve public financial management through the predictable and timely flow of funds while ensuring adequate controls
- Improve management of natural resources (**Sub-regional Program**)

*"It has become increasingly apparent, however, that weaknesses in the public expenditure and financial management system not only have high costs in terms of allocative and operational efficiency, but also create unacceptably high levels of fiduciary risk to public funds." (Public Financial Management Reform Program Website)*

44. While Cambodia has been growing rapidly and poverty levels have been falling steadily, when compared to other countries in the region, these gains have not yet led to a broader systems strengthening in any significant way and indeed could be very rapidly reversed if high levels of growth cannot be maintained. Good management of public revenues is fundamental to achieving this strengthening and resilience. If public revenue is not well managed then achievement of all the CMDGs is placed in jeopardy.

45. RGC has responded positively to the weaknesses identified in its management of public revenue. Its PFM Reform Program brings development partners together with the Government to establish higher standards of management and accountability in the mobilization of government resources to implement NSDP goals. Significant progress has been made, for example: the use of cash within government has been significantly reduced; bank accounts have been identified and consolidated; procurement systems have been decentralized; and an internal audit unit has been established. Initiatives like PFMRP will become more common in Cambodia as the confidence and experience of both Government and development partners grows.

46. Australia will continue to participate in this multi-donor program to support the RGC Ministry of Economy and Finance to consolidate and further extend reforms. Priority for Australian engagement over the Strategy period will be given to supporting progressive improvements in the accountability and transparency of public expenditure in key line ministries, linked to improvements in the delivery of services.

### Extractive Industries Transparency Initiative (EITI)

47. The EITI aims to strengthen governance in the extractive industries sector by improving transparency and accountability in the management of revenues from oil and gas production. It will be a useful tool for RGC to ensure future revenue flowing from exploitation of Cambodian oil and gas resources is used effectively to support its development priorities. Australia's support and participation in the Public Financial Management Reform Program with RGC and other development partners will play a facilitating role in Cambodia's engagement with the EITI.

## Regional support for natural resource management

48. The NSDP highlights the importance to livelihoods and sustainable growth of effective management of the environment and natural resources. Improving management of substantial revenues flowing from exploitation of recently discovered oil and gas reserves as well as forests, ties in with the broader PFM Reform Program described above, but effective management of the actual resources is also a significant challenge. Australian assistance for natural resource management will be delivered through the Mekong Sub-regional Program and will focus primarily on water resource management and climate change mitigation and adaptation.

### Scholarships

Australian scholarships to Cambodia will increasingly be used to directly support the strategic objectives of the broader Program to ensure that the strengthening of human resources that scholarships provide can be more effectively leveraged to contribute to progressing Cambodia's development priorities. Strengthening the public sector will be a particular focus for scholarships so that in the longer term Cambodia has the technical expertise to sustain economic growth through effective public financial management, proper administration of the services sectors and good macroeconomic management. Attention will be paid to gender equality issues by providing targeted support for women to gain access to leadership scholarships.

## Law and Justice

### Australia will support the Cambodian Government to:

- Establish provincial crime prevention and community safety capacity
- Improve the capacity and commitment of police, courts and prisons to function effectively in dealing with juveniles and other vulnerable groups

49. The Criminal justice sector in Cambodia has been neglected by development partners. The sector is complex and requires long term commitment if sustainable gains are to be made. The poor are the most disadvantaged by an ineffective legal and judicial system and a stronger rule of law will help ensure that development gains are sustained and can be enjoyed by all Cambodians. Cambodia's tragic history of conflict makes a well functioning law and justice sector even more important in providing justice for the most vulnerable and ensuring their rights and responsibilities as victims and perpetrators are dealt with appropriately and fairly under the law.

50. The Cambodian Government places legal and judicial reform in the core of its strategic framework, the Rectangular Strategy, showing recognition of its importance in providing a solid foundation for achievement of the CMDGs and RGC's broader development priorities. Sustained and strong commitment to reform in this sector will be critical to achieving meaningful, sustainable progress. Australia's assistance will increasingly move towards a

strengthened engagement with RGC on key reform issues to ensure that reform efforts enjoy the requisite political commitment to gain traction.

51. Australia has been engaged in the sector since 1997 supporting important work such as developing the concept and infrastructure of the model court and prison and gradually integrating these into the Cambodian justice system. Australia's experience and reputation in this sector form a good platform for intensifying the partnership aspects of the engagement. Legal and judicial reform mechanisms set up by the Cambodian Government provide increased opportunities for strong partnership with Government and Australia's prominence in the sector brings with it responsibilities around development partner coordination and policy engagement.

52. Australian assistance to the criminal justice sector is integrated across all relevant institutions, police, courts, prisons, Ministry of Justice and Ministry of Interior. This approach facilitates strengthening of the system as a whole helping to clear bottlenecks in the flow of justice. Australia's assistance will focus particularly on the needs of juveniles, women and other vulnerable groups such as people with disabilities, who come in contact with the system as either victims or perpetrators. This work will contribute directly to the NSDP goal of increased individual rights and responsibilities within the justice system and to targets outlined under CMDG 3 relating to violence against women.

53. Increasing unemployment, particularly among Cambodia's youth, and a related increase in youth violence constitutes a serious risk to social stability. Youth diversion activities will promote positive engagement of at-risk youth in their communities. Support for vocational training initiatives in prisons, specifically targeting young men, and alternative sentencing in courts, will provide opportunities for meaningful reintegration of young offenders into communities, helping reduce recidivism.

### **Australian Federal Police and Australian Attorney-General's Department**

54. Building links between Australian institutions in the law and justice sector and their Cambodian counterparts helps to strengthen law enforcement in areas that impact both countries. Australian Federal Police (AFP) will continue to work with Cambodian authorities to strengthen their capacity to deal with organised crime, people and narcotics trafficking, and money laundering and child sex offenders. AFP will continue to be a critical source of expertise to support Australia's broader engagement in this sector over the Strategy period. The Australian Attorney-General's Department will continue to support Cambodian justice institutions by providing legal expertise in activities such as legislative drafting.

### **Khmer Rouge Tribunal**

55. Australian support for the Khmer Rouge Tribunal delivers restorative justice for victims and families who suffered under the Khmer Rouge. The Tribunal will also leave behind a legacy of judicial probity and effective operation of the machinery of justice which can be used as a model for the broader justice sector in Cambodia.

### **Regional support for law and justice**

56. At the regional level Australia will continue to work to reduce the number of trafficking victims and improve the protection, recovery and reintegration of people who have been

trafficked. This will be done primarily through the Asia Regional Trafficking in Persons Project (ARTIP). Strengthening regional responses to trafficking of illicit drugs will also continue at the regional.

### **Policy Engagement**

The Effectiveness Review of the Cambodia Country Strategy 2003-2007 recommended a more discriminating approach to Australia's policy engagement. In response to this recommendation, policy engagement will be restricted to areas where Australia has experience, credibility and the potential for influence.

Australia has been instrumental in the development of the National Sector Strategy for Agriculture and Water, which provides a framework for improved coordination in the sector. Australia will remain strongly engaged at the policy and coordination level in this sector.

A long engagement in the law and justice sector, and the extent to which the sector suffers from a lack of engagement by development partners, necessitate strong ongoing Australian engagement in this sector at the policy and coordination level.

Australia's new engagement in the health sector and increasing involvement on issues of public financial management will be supported by new technical positions in these areas to facilitate strong policy engagement; however, coordination will be delegated to the World Bank.

## **VII. Strategy Implementation**

### **Program management**

57. In response to the challenges presented by increasing the effectiveness of the Aid Program, Australia has upgraded its representation in Cambodia and established a strong regional presence in Bangkok. The Bangkok 'hub' has responsibility for implementation of both the regional and bilateral Programs and will facilitate better cohesion between these different streams of assistance. An in-country program team with sound knowledge of Cambodian Government systems, the Cambodian development context, and development partners – including key civil society organisations – will be essential to ensuring that Australian assistance is delivered effectively. Recruiting and retaining well qualified locally engaged program staff and ensuring they receive appropriate levels of training and good career development opportunities will be critical to effective delivery of the complex program outlined in this strategy.

58. As program implementation is fully devolved to post, the Mekong Section in Canberra will, in addition to its core Government of Australia responsibilities, undertake research and outreach activities to support an enhanced role in defining strategic directions and identifying emerging priorities. This will require Canberra based officers to be across current thinking on development issues relevant to the Country Program to facilitate country specific input to the broader expertise of AusAID's thematic groups. AusAID officers in Australia will be required to have the knowledge and skills to engage in a meaningful way with academia,

NGOs and other government departments on key development issues in Cambodia. Acquiring this level of country specific knowledge to complement core public service skills will be enhanced if lower staff turnover on the desk in Canberra can be achieved.

### Partnerships for Effectiveness

*“Partnership in development: There are three basic aspects of partnership between RGC and other stakeholders: (i) civil society, (ii) private sector business and investor community, and (iii) external development partners. The goal is to strengthen partnerships with all the stakeholders to improve effective and coordinated use of resources in order to achieve equitable socio-economic development.” (NSDP 2006-2010)*

59. Harmonisation with other development partners and alignment with RGC priorities are two elements of the same agenda – improving the effectiveness of development assistance in Cambodia. To ensure the best use of resources, RGC and development partners must continue working to improve sectoral coordination through the appropriate use of program based approaches and the alignment of planning, allocation, implementation and monitoring processes. Australia will look for opportunities such as joint analysis, pooled funding, delegated responsibility, joint monitoring and integrated program implementation units, in an ongoing effort to reduce transaction costs on RGC and increase Cambodian Government ownership of the development agenda.

60. Opportunities to work through RGC systems will be actively pursued where practical. Australian support to be delivered through RGC systems will be subject to vigorous risk analysis to identify and accommodate for system weaknesses before Australian funds are committed. Any proposal to deliver assistance in this way will be based on a rigorous assessment of fiduciary risk.

#### **Poverty Reduction and Growth Operation (PRGO)**

Enhancing aid effectiveness and Australian policy engagement with RGC will require consideration of innovative new forms of aid in Cambodia.

Recognising this, Australia will examine the merits of participating in the Poverty Reduction and Growth Operation (PRGO), a multi-donor budget support initiative led by the World Bank. Other contributing partners are Japan, EC and the United Kingdom. The PRGO provides resources and enhanced policy dialogue with RGC in support of reforms at the core of Cambodia’s development challenges; public financial management, private sector development and land and natural resource management.

Participation in the PRGO does carry risk, particularly in an environment of weak governance and accountability and associated high levels of corruption. Australian participation in the PRGO therefore will be dependent upon a rigorous risk management assessment that verifies the adequacy and effectiveness of fiduciary safeguards and governance arrangements between donors and the RGC.

61. Project style support and hybrid transition style programs will still play a role in Cambodia, particularly in terms of providing flexible and dedicated support in piloting new approaches,

supporting large scale capital investments and in delivering discrete capacity building. However, critical analysis of the effectiveness of the Program's use of technical assistance as a means of strengthening national capacity will inform continued scaled down of this type of assistance over the duration of the Strategy.

62. The Effectiveness Review noted that policy engagement by development partners in Cambodia is in some areas *becoming costly and unwieldy*. Development partners must engage in RGC sectoral coordination forums based on their comparative advantage and presence in particular sectors. Australia will lead the harmonisation effort in the agricultural and law and justice sectors and ensure that engagement in other sectors is regulated by Australia's potential to add value, being disciplined to avoid duplication and dysfunctionality.

63. *Civil society* – As Australia and other major development partners move away from large project style engagements and increasingly direct resources through government systems, supporting NGOs to complement the work of the State will be critical to ensuring equality of access to services and accountability of the institutions providing them. NGOs will also be supported where they are better placed than the State to provide services, particularly where services are failing to reach the most vulnerable in society such as persons with disabilities.

### **Engaging Australian NGOs**

Partnership with Australian NGOs provides an effective way to respond to emerging development challenges in Cambodia. Linking NGO programs and expertise to Australia's overall development cooperation strategy for Cambodia ensures Australian Government funding of NGOs complements the work of the broader program. NGO cooperation agreements are one way in which the aid program can effectively draw on this expertise.

NGO Cooperation Agreements are currently operating against four priority areas:

- Integrated Rural Development
- Integrated Mine Action
- Crime Prevention & Community Safety
- Child Protection

### **Cross-cutting Issues**

64. To ensure that Australia's program of assistance to Cambodia is sensitive and responsive to the local operating environment and does not inadvertently disadvantage or exclude parts of Cambodia's population but instead actively supports those most vulnerable and disadvantaged, the following cross-cutting issues are highlighted for particular attention.

- *Gender equality*
- *Disability*

- *Anti-corruption*
- *HIV/AIDS*

## Gender Equality

*“The Royal Government puts high priority on the enhancement of the role and social status of Cambodian women by focusing attention on the implementation of the Gender Strategy, capacity building for women in all sectors, changing of social attitudes that discriminate against women in all sectors, changing of social attitudes that discriminate against women, and ensuring the rights of women to actively and equally participate in nation building” (Rectangular Strategy 2004)*

65. Achieving good outcomes on gender equality in Cambodia requires commitment on the part of the Cambodian Government. While this commitment is clearly stated throughout RGC development planning documents, implementation of commitments remains weak. Australia’s approach to achieving progress in this area will be at two levels. At the level of policy engagement with RGC and at the level of the aid Program itself, focusing on design, implementation, and monitoring.

66. When engaging at the policy level, Australia will advocate for the mainstreaming of RGC policies on gender as a priority implementation issue in each sector Australia is engaged in. This may include the development of specific gender activities such as supporting the collection of sex-disaggregated data, piloting gender sensitive budgeting, or assisting with implementation of gender equitable processes in public service agencies.

67. At the Program level, AusAID will certify that gender analysis informs the design and implementation of all new and existing activities and that there is gender specialist input into all peer reviews. Gender equality will also have visibility in project monitoring and evaluation frameworks and higher level reporting through the Performance Assessment Framework.

## Disability

68. Disability affects a broad minority of the population in Cambodia. Some of the causes of disability are unexploded ordinance, malnutrition, traffic accidents, chronic disease, and problems experienced during child birth. While people with disability are in the minority, they are disproportionately represented among the poor. This stems from a lack of support services to facilitate meaningful integration of disabled people into society, and inadequate resourcing of initiatives to address constraints to access to health and education services.

69. To address disability issues in Cambodia, Australia will continue to support the development and implementation of a National Action Plan for Landmine Victim Assistance. Australia will support RGC to mainstream policy and services for landmine survivors into a broader disability paradigm. Support will be given to develop and implement a National Action Plan for Persons with Disabilities which will assist Cambodia to meet its obligations as a signatory to the UN Convention on the Rights of Persons with Disabilities. Currently disability services are almost exclusively managed by NGOs but the potential for strengthening government ownership and responsibility for the development of policy and management of service delivery for persons with disabilities will be explored in cooperation with RGC and other development partners.

70. Where opportunities exist, Australia will ensure assistance to Cambodia will target the needs of people with disabilities. In the agricultural sector this will mean supporting access to agribusiness opportunities for disabled people living in poor rural communities. In the health sector it will mean ensuring that people with disabilities have increased access to quality health services through equity financing measures. In the law and justice sector it will mean including people with disabilities when working towards improving access to justice for the most vulnerable in society. In order to monitor and refine engagements, data will be disaggregated where practical.

### Anti-corruption

*“Good Governance is the most important pre-condition to economic development with sustainability, equity and social justice. Good governance requires wide participation, enhanced sharing of information, accountability, transparency, equality, inclusiveness and the rule of law.” (Rectangular Strategy 2004)*

71. The Strategy is supported by an Anti-corruption Plan that lays out how Australia's development assistance to Cambodia will actively assist RGC improve transparency and, in practical ways, reduce opportunities for corruption. The Plan also outlines support for demand side approaches to governance issues, including strengthening of civil society.

72. Since 2004 Australia has supported a partnership between Radio National Australia and Radio National Kampuchea to produce high-quality talkback radio programs which have strengthened links between citizens and government improving transparency and accountability. Over this strategy period, Australia will continue to support initiatives aimed at building demand for better governance, particularly through partnerships with Cambodian civil society.

### HIV/AIDS

73. Cambodia has made good progress in HIV/AIDS prevention and treatment over the last decade. According to the 2005 Demographic and Health Survey, prevalence rates have fallen to an estimated 0.6 percent of the adult population. Progress has derived from public awareness campaigns, promotion of safe sex messages, strong and effective Cambodian leadership within the field, and significant international funding and technical support. However, economic and social changes such as: increased disposable incomes; greater regional travel; and new patterns of drug use, have led to new risks in terms of resurgence of infections.

74. The Australian supported Health Sector Support Program will help strengthen the health system making it better able to support prevention and treatment of HIV/AIDS and related diseases. At the regional level Australia will partner with the Asian Development Bank to mitigate HIV/AIDS and other associated negative social impacts of planned infrastructure development. The HIV/AIDS Asia Regional Program (HAARP) will commence in Cambodia in 2008 and will work to reduce the risk of HIV infections among injecting drug users. Design and implementation of activities across Australia's broader engagement in Cambodia will identify and utilise opportunities to reduce the risk of HIV infections in the communities in which they work.

## Scaling up

75. As development partners and RGC further align analysis, planning and implementation of assistance, opportunities to expand Australian support will grow. Expansion does not just mean doing more of what is already being done, but instead will demand changes in the way Australian Aid is delivered, the skill sets required for that delivery, and the depth and nature of the relationship with RGC. The World Bank led Poverty Reduction and Growth Operation and Health Sector Support Program are the kind of initiatives at the forefront of this transition. Working selectively with multilateral institutions both improves harmonisation among development partners and reduces the program management burden of individual projects. To facilitate meaningful engagement with multilateral institutions, Australia will increasingly draw into the Program technical skill sets that are appropriate to the level of engagement in particular sectors. Delivering aid through these mechanisms brings new challenges, not the least of which is an increased fiduciary risk, but with careful analysis to inform the establishment of appropriate controls and monitoring mechanisms, they present the opportunity to invest larger amounts of money in a more effective way.

## Emerging priorities

76. This strategy is not a static document; understanding emerging trends and new ways of working will be fundamental to maintaining the relevance and effectiveness of Australia's engagements. Development research and targeted analytical work undertaken in collaboration with other development partners will be central to guiding future engagements.

77. *Climate Change and Water and Sanitation* – Cambodia's reliance on water resources for fisheries, irrigation and transport, make it particularly vulnerable to the impacts of climate change. Over the duration of the Strategy, the importance of addressing issues of adaptation and mitigation to climate change will likely increase. The need for a regional response to these problems will mean that future engagements in this area will fall under the Mekong Sub-regional Program.

78. Industrialisation, urbanisation and population growth are placing severe pressure on Cambodia's water resources. Effective water resource management is critical to ensuring ongoing and sustainable development, particularly pro-poor rural development. Australia's engagements in this area will be shared between the Mekong Sub-regional program and the bilateral program, depending on circumstances. For example, support for management of the Mekong Basin resources at the macro level, will come under the Sub-regional Program whereas crop irrigation and urban sanitation issues can be more effectively addressed under the bilateral program.

## Risk management

79. Delivering a program of assistance in Cambodia has unavoidable risks. These include: global financial and economic fluctuations; natural disasters; and man-made disasters; but they also include risks associated more specifically with implementation of the aid program. Critical risks identified for implementation of the Strategy include:

- Inflation (inflation related impacts are outlined in the *Socioeconomic Context* section of the Strategy).

- Fiduciary risks related to increased use of RGC systems.

80. The Risk Matrix (Annex III) identifies the risks associated with implementation of the Program and outlines how these risks will be managed over the duration of the strategy.

## IX. Performance and Review

81. The Effectiveness Review found that the Strategy 2003-2007 and Results Framework were probably over ambitious, with the scale of the program insufficient to make an impact across all the (equal) priority areas identified in the strategy. To improve performance monitoring for this strategy period the Review recommended:

- Ensuring clarity of objectives and indicators in the results framework aligned to objectives and indicators in the NSDP
- Ensuring logic and clarity of lower level objectives (for example, ensuring objectives refer to expected national, sector or pilot area outcomes)
- Ensuring monitoring reports, completion reports and quality at entry reports align with the program results framework and address cross cutting issues, not just localized project level objectives

### **Aid Initiative Performance**

82. Underpinning the Strategy Performance Assessment Framework will be a rigorous approach to the quality and performance effectiveness of individual aid interventions. This process will ensure that activities apply internationally recognised characteristics of good practice. Activity designs will be independently appraised at entry and undergo a peer review process to ensure best practice before moving to implementation. Activity implementation will be monitored annually through to completion. On completion, an independent evaluation is carried out to assess overall effectiveness and provide lessons to be fed back into future programming.

### **Strategy Performance Assessment**

83. This strategy period will see an increased emphasis on the quality of the aid program by focussing on development results and the effectiveness of Australia's development assistance. The primary tool for achieving this will be a comprehensive Strategy Performance Assessment Framework (Annex I) agreed with RGC. The Performance Assessment Framework specifies objectives for 2010 which identify progress that is expected as a result of the Australian aid program working in partnership with the Cambodian Government. These objectives will be realistic and measurable and will be gender disaggregated to inform action on gender equality issues.

84. Each Strategy objective supports an RGC development priority and progress towards the objective is expected to contribute to progress in that priority area. Cambodian Government 2015 targets are also included in the Performance Assessment Framework. The Framework will utilise CMDG indicators and RGC monitoring systems wherever possible to track progress. Australia, in cooperation with other development partners, will support RGC in strengthening its data and monitoring systems to facilitate further alignment in the future.

## Strategy Assessment and Review

85. Strategy performance assessment will be undertaken on a regular and ongoing basis throughout the year. This will culminate in the Annual Program Performance Report, an annual assessment of progress against the Strategy utilising the Strategy Performance Assessment Framework.

86. The year 2010 will present a valuable opportunity for harmonising and aligning development assistance in Cambodia in line with the Paris effectiveness agenda and the recommendations of the Effectiveness Review. At this time, RGC will undertake a planning process for its development plan for the period 2010-2015. Australia will take this opportunity to conduct a major review of the Strategy to firstly assess progress to 2010, and secondly to refine and adjust strategy objectives for the period 2010-2015 based on RGC's new plan.

87. Australia's engagements in the law and justice sector and on mine action will receive particular attention in this review process. If measurable progress has been demonstrated in the law and justice sector then Australia will lead in encouraging participation from other partners in what is undeniably a difficult and complex sector, but a sector that is critical to achieving sustainable and equitable development outcomes in Cambodia. On Mine action, an assessment of RGC's progress towards meeting its Ottawa Convention target for 2015 will form the basis for a decision on how to move forward in this area.

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## Annex II – National Strategic Development Plans 's Macro-Goals and Critical Indicators (Targets) (\*) - CMDG goals and targets

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Major Goals: Targets/Indicators		2005	2010	CMDG-2015
<b>Eradicate - Poverty &amp; Hunger (*)</b>				
1*	Poverty levels % of population -- 2004 -- in 59% of country covered by 1993/94 survey	34.67 (28.0)	25	19.5
2*	Poverty levels % rural population -- 2004 -- in areas covered by 1993/94 survey	39.2 (33.7)		
3*	People below food poverty line % -- 2004 -- in areas covered by 1993/94 survey	19.7 (14.2)	13	10
<b>Enhance Agricultural Production and Productivity</b>				
4	Paddy yield per hectare (tons)	2.4	2.4	
5	Irrigated area – including supplemental irrign., (% of rice area)	20	25	
6	Land Reforms: Land Titles to farmers -- % of Total agri. land	12	24	
<b>Improvements in Health (*)</b>				
7*	Infant Mortality Rate per 1,000 live births	66	60	50
8*	> 5 Mortality Rate per 1,000 live births	82	83	65
9*	Maternal Mortality per 100,000 live births	N/A	243	140
10*	Births attended by skilled health personnel -- %	N/A	70	80
11*	HIV/AIDS prevalence, % of adults 15-49	1.9	0.5	
12*	Malaria Cases - fatality %	0.36	0.25	0.1
13*	TB smear positive cases, per 100,000	N/A	214	135
14*	Married women using modern birth spacing methods (%)	20.1	44	60
15	% of health facilities providing RH services	33	45	70
<b>Improvements in Education (*)</b>				

16*	Net Enrolment at Primary Schools (%) Total	91.9	100	100
	Boys	93.0	100	100
	Girls	90.7	100	100
17*	Net Enrolment at Lower Sec. Schools (%) Total	26.1	50	100
	Boys	27.3	50	100
	Girls	24.8	50	100
18*	Survival rate % : 1-6:	53.1	100	100
19*	Survival rate % : 1-9:	29.3	50	100
20*	6-14 years out of school (%)	12.3	11	0
<b>Rural Development</b>				
21	Rural Roads rehabilitated – Kms (out of total 28,000)	22,700	25,000	28,000
22*	Safe Drinking water access -- % rural population	41.6	45	50
23*	Sanitation access -- % rural population	16.4	25	30
<b>Environmental Sustainability (*)</b>				
24*	Forest Cover -- % of total area	60	60	60
25*	Fuel Wood dependency: Households -- %	83.9	61	52
26*	Access to safe water source -- % of urban population	35	75	80
27*	Access to improved sanitation -- % of urban population	55	67	74
<b>Gender Equity (*)<sup>3</sup></b>				
28	Mainstream gender in all spheres			
a	Concerned ministries/institutions have formulated their Gender Mainstreaming Action Plan	2	27	
b	Concerned ministries/institutions have implemented their Gender Mainstreaming Action Plan	2	15	27
29*	Female share of wage employment (%): agriculture	52.5	50	50
	industry	53.5	50	50
	services	27.0	37	50
30*	Level of awareness that violence against women is wrongful behaviour and a crime (%)	4.5	50	100
<b>Reforms</b>				
31	Accelerate Governance Reforms	To be developed		
<b>Sustain high Macro-Economic Growth (*)</b>				
32	Annual GDP Growth at constant prices - %	13.4	7.0	
33	Per Capita GDP at constant prices (000)	1,846.59	2,888.45	

	Riels)			
34	Rate of Inflation %	6.7	3.0	
	<b>Improve Budget Performance</b>			
35	Total Government budget revenues - % of GDP	10.60	11.60	
36	Total Government budget expenditure -- % of GDP	13.3	14.2	
	<b>Accelerate Industrial Growth &amp; Employment</b>			
37	Annual Growth in manufacturing - constant prices (%)	10.2	7.2	
38*	Working children aged 5-17 years -- %	22.3	10.6	8
	<b>Tourism</b>			
39	Annual Tourist arrivals nos -- 000s	1,300	3,120	
	<b>De-mining, Victim Assistance (*)</b>			
40*	Casualties (deaths and injuries) nos.	875	200	0
41*	Area affected cleared of mines and UXOs -- %	50.3	77	100
<b>Major Goals: Targets/Indicators</b>		<b>2005</b>	<b>2010</b>	<b>CMDG-2015</b>
	<b>Infrastructure</b>			
42	Length of paved roads (primary & secondary) out of 11,310- kms	2,100	4,100	
	<b>Energy</b>			
43	Per capita use of electricity - Kwh/year	54.01	89.11	

## Annex III – Australia-Cambodia Country Strategy Risk Matrix

<b>Risk 1 – Economic and/or political crisis</b>	
Description	Major downturn in economy
Triggers	<ul style="list-style-type: none"> <li>• Macroeconomic instability (e.g. very high inflation, banking crisis)</li> <li>• Economic downturn (slower growth/poor terms of trade)</li> <li>• Global economic downturn</li> </ul>
Impacts	<ul style="list-style-type: none"> <li>• Livelihoods affected - increased poverty levels particularly among vulnerable groups</li> <li>• Food security crisis</li> <li>• Reduced RGC spending on development priorities impacting disproportionately on the poor and vulnerable</li> </ul>
Risk Level	Medium (Likelihood - Medium / Consequences - Major)
Mitigating Actions	<p>a. Donors support Government to identify and monitor key socio-economic risks and mitigation strategies</p> <p>b. Maintain some flexibility in the Program to respond rapidly to identified impacts</p>

<b>Risk 2 – Effectiveness of RGC reform agenda</b>	
Description	Political climate becomes increasingly resistant to progressing reforms
Triggers	<ul style="list-style-type: none"> <li>• Evidence of weak policy making</li> <li>• Inadequate systems, institutional arrangements, infrastructure and capacity to support implementation (national, sub-national)</li> <li>• Rise in incidence of fraud and corruption reflecting inadequate processes for accountability and transparency.</li> </ul>
Impacts	<ul style="list-style-type: none"> <li>• Decrease in the effectiveness and timeliness of the delivery of initiatives undertaken using RGC systems.</li> <li>• Unable to meet corporate reporting requirements for quality and effectiveness.</li> </ul>
Risk Level	Medium (Likelihood - Medium / Consequences - Major)
Mitigating Actions	<p>a. Work in partnership with other donors and Government agencies to directly support Government programs and systems.</p> <p>b. Donors strengthen engagement on reform issues through policy dialogue with partner Government</p>

<b>Risk 3 – Aid effectiveness</b>	
Description	Donor coordination
Triggers	<ul style="list-style-type: none"> <li>• Donors continue to deliver a multitude of poorly coordinated programs poorly linked to Government of Cambodia priorities.</li> <li>• Donors continue to develop parallel systems to RGC systems to deliver aid programs.</li> </ul>

	<ul style="list-style-type: none"> <li>• Dysfunctional RGC/donor coordination mechanisms</li> </ul>
Impacts	<ul style="list-style-type: none"> <li>• RGC systems burdened with heavy transaction costs associated with fragmented donor programs.</li> <li>• Poor sustainability of development gains due to low level of RGC ownership</li> </ul>
Risk Level	High (Likelihood - Likely / Consequences - Major)
Mitigating Actions	a. Work in partnership with other donors and Government agencies to directly support Government programs and systems.
	b. Engage and support policy dialogue and performance monitoring around the aid effectiveness agenda
	c. Selective and disciplined policy engagement

<b>Risk 4 – Corruption</b>	
Description	Australian funds involved in corruption scandal
Triggers	<ul style="list-style-type: none"> <li>• Major corruption scandal involving Australian aid resources followed by a weak RGC response.</li> </ul>
Impacts	<ul style="list-style-type: none"> <li>• Major disturbance to significant programming of aid resources potentially leading to a withdrawal from some major engagements under the Strategy.</li> </ul>
Risk Level	High (Likelihood – Possible / Consequences – Major to Severe)
Mitigating Actions	a. Work in partnership with other donors and Government agencies to directly strengthen Government systems for financial management. Work with other donors to develop response and contingency action plans in the case of discovery of corruption.
	b. High Level Consultations continue to emphasis the need to tackle corruption.
	c. Fiduciary Risk Assessments undertaken for relevant initiatives in conjunction with DPs.

<b>Risk 5 – Human Resources</b>	
Description	Inadequate resources to support new ways of operating in a devolved environment
Triggers	<ul style="list-style-type: none"> <li>• Tight labour market in Australia and/or Cambodia leads to a skills gap for program delivery.</li> </ul>
Impacts	<ul style="list-style-type: none"> <li>• Deterioration in the effectiveness of engagement with development partners and partner Government causing damage to Australia's reputation.</li> <li>• Decrease in the effectiveness and timeliness of the delivery of initiatives.</li> </ul>
Risk Level	High (Likelihood – Possible / Consequences - Major)
Mitigating Actions	a. Identify appropriate skill sets needed for effective program implementation and explore new ways of sourcing people with the requisite skills.
	b. Ensure full engagement of local staff in human resource planning.
	c. Provide quality training and career opportunities and balanced

	workloads to staff at post and in Canberra.
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<b>Risk 6 – Government of Australia (GoA) priorities</b>	
Description	Australian Government priorities change
Triggers	<ul style="list-style-type: none"> <li>• Australian/Global economy contracts leading to reprioritisation of Australian Government resources</li> <li>• GoA identifies new development priorities that are not covered under the strategy</li> <li>• Global events force a change of GoA priorities. E.g. natural disasters, conflict etc.</li> </ul>
Impacts	<ul style="list-style-type: none"> <li>• Major scale-down or scale-up of assistance to Cambodia</li> <li>• Major reorientation of priorities leading to ‘orphaning’ of the Strategy priorities.</li> </ul>
Risk Level	High (Likelihood – Possible / Consequences - Major)
Mitigating Actions	a. Develop contingency plans for scale-up, scale-down and redirection of resources

<b>Risk 7 – Royal Government of Cambodia (RGC) priorities</b>	
Description	RGC priorities undergo major change
Triggers	<ul style="list-style-type: none"> <li>• Political instability or change</li> <li>• Identification of new priorities under the next National Strategic Development Plan</li> <li>• Social or environmental crisis</li> </ul>
Impacts	<ul style="list-style-type: none"> <li>• Pressure to engage in areas not considered by Australia to be high development priorities</li> <li>• Inappropriate strategic framework unable to deal with strategic shift in RGC priorities</li> </ul>
Risk Level	High (Likelihood – Possible / Consequences - Major)
Mitigating Actions	a. 2010 Strategy Review point b. Ongoing policy engagement with RGC to support stable and well-informed priority setting.

<b>Risk 8 – Natural Disasters</b>	
Description	Major natural disaster
Triggers	<ul style="list-style-type: none"> <li>• Natural event</li> <li>• Climate change</li> </ul>
Impacts	<ul style="list-style-type: none"> <li>• Large scale loss of life</li> <li>• Large scale loss of livelihoods leading to increased poverty</li> <li>• Spread of disease</li> <li>• Social unrest</li> </ul>
Risk Level	High (likelihood – High / Consequences – Major)
Mitigating	a. Ensure Disaster Risk Reduction planning is undertaken for all Australian

Actions	programs that could be impacted by natural disasters
	b. Maintain good communication with AusAID Humanitarian Emergencies Section to ensure that logistical response structures including communications are in place

<b><u>Risk 9 – Extractive Industries</u></b>	
Description	Misuse of revenues from extractive industries
Triggers	<ul style="list-style-type: none"> <li>• Large influx of new revenues into poorly prepared RGC systems</li> </ul>
Impacts	<ul style="list-style-type: none"> <li>• RGC resources not used to support development gains</li> <li>• Social unrest caused by visible misuse of revenues (conspicuous consumption amongst public officials etc.</li> </ul>
Risk Level	High (Likelihood – High / Consequences - Major)
Mitigating Actions	a. Support civil society to encourage accountability and transparency of Government
	b. Work with other donors to encourage signing and implementation of the Extractive Industries Transparency Initiative