



Australian Government
AusAID

Annual program performance report for the Cambodia 2007–08

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For more information about the Australian overseas aid program, contact:

Communications Section

AusAID

GPO Box 887

Canberra ACT 2601

Phone (02) 6206 4000

Facsimile (02) 6206 4695

Internet www.ausaid.gov.au

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Summary

The annual program performance review identifies a number of challenges in meeting the higher level objectives of the 2003–07 Australia Cambodia Country Program strategy. When the Cambodia aid program is examined at the activity level a more positive picture emerges. Notwithstanding areas for improvement, on the whole the performance ratings indicate that program activities are being managed and implemented satisfactorily.

The apparent contradiction between performance at the activity and strategy levels can be explained in part by the growth during 2003–07 in the number of small-scale, individual projects, some of which had limited links to broader development objectives in Cambodia. This issue was identified in a Country Strategy Effectiveness Review conducted in 2007. The review also noted that activity-level monitoring did not accord sufficient attention to the performance framework of the country strategy and that the performance framework in some cases did not sufficiently align with the development plans of the Royal Government of Cambodia.

A new country strategy is being developed; it will demand both greater selectivity and accelerated efforts towards program-based approaches for delivering Australian aid. An explicit focus on Cambodian Millennium Development Goals will anchor this work, and action to improve the health of women and children will be a high priority.

Country performance

Cambodia has made good progress in addressing its development challenges over the past decade, but its progress towards meeting the 2015 targets of its Millennium Development Goals¹ is mixed. Good progress has been made in the areas of education (CMDG 2); HIV/AIDS control (CMDG 6) and de-mining (CMDG 9). Advances have been made in reducing extreme poverty (CMDG 1) with the most recent household survey data (2004) showing that 35 per cent of Cambodians live below the national poverty line, compared with 47 per cent a decade earlier (although a serious disparity in poverty levels remains between rural and urban areas). Some progress has been made in reducing infant and child mortality rates (CMDG 4), although even with these improvements Cambodia lags behind neighbouring countries. The maternal mortality rate (CMDG 5), however, remains disturbingly high with little improvement since 2000. Greater progress in reducing infant, child and maternal mortality rates is currently limited by a weak health system that suffers from skills shortages (for example, midwives), low public sector wages, limited public financial resources, and the misallocation of public and aid expenditure and bottlenecks in that expenditure.

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 per cent, coming off double digit growth, which peaked at 13.4 per cent in 2005. The International Monetary Fund predicts that Cambodia will not meet its development goals if growth rates remain at this level. Inflation also threatens to erode development gains, rising to an annual rate of 10.8 per cent at the end of 2007. Food prices increased by more than 16 per cent in 2007. Without broadening its economic base and improving its investment climate, Cambodia will remain exposed to external shocks.

Ongoing governance reform is a particular priority for Cambodia. In 2008, it was ranked 145 out of 178 countries in terms of the ease of doing business, citing policy uncertainty, poorly protected property rights and a weak judiciary as major concerns². Cambodia was also ranked 166 out of 180 countries on transparency of government processes³ covering the same period.

Cambodia's future development will also be significantly influenced by transboundary issues. Strong regional cooperation in managing resources, such as water, will be

¹ Cambodian Millennium Development Goals (CMDGs) include Cambodian-specific MDGs. They include an additional goal (CMDG 9) relating to de-mining, unexploded ordnance and victim assistance, and some supplementary targets under MDG 3—to reduce significantly all forms of violence against women and children.

² *Doing Business report*, World Bank, 2008

³ *Corruption Perceptions Index*, Transparency International, 2008

particularly important. Adverse impacts from climate change are also likely to disproportionately affect the rural poor.

In 2007, international development assistance to Cambodia was estimated to be equivalent to 8.4 per cent of its gross domestic product. Donors pledged in excess of US\$698 million in 2007 and during the past decade, total official development assistance has exceeded US\$5 billion. On a per person basis this was significantly more than most other low-income countries were pledged. The top three donors to Cambodia are Japan, the United States and the Asian Development Bank.

Australia has been an important partner in Cambodia's development since the signing of the Paris Peace accords in 1991. Australia is Cambodia's fourth largest bilateral development partner and in 2007–08 provided \$54 million in total official development assistance. The majority of these resources were delivered through the bilateral country aid program and the Greater Mekong Subregion aid program.

A new country strategy to guide the activities of the bilateral program is being developed to replace the 2003–07 strategy and will have four strategic objectives: rural poverty reduction through agricultural development; health systems strengthening; sustainable economic and natural resource management; and strengthening the law and justice system.

However, this report assesses the performance of the bilateral aid program against the three strategic objectives outlined in the 2003–07 strategy:

- > increase productivity and incomes of the rural poor,
- > reduce vulnerability of the poor and
- > strengthen the rule of law.

What are the results of the Cambodia aid program?

The Cambodia aid program's performance in meeting its objectives during the strategy period 2003–07 was assessed on basis of overall performance during the strategy period rather than an annual basis. The ratings are based on the Country Strategy Effectiveness Review conducted in 2007 and the 2007 quality-at-implementation reports prepared for individual activities.

OBJECTIVE 1:

INCREASE PRODUCTIVITY AND INCOMES OF THE RURAL POOR

RATING

■ The objective is unlikely to be achieved within the timeframe.

ASSESSMENT OF RESULTS AND PERFORMANCE

To increase the productivity and incomes of the rural poor—90 per cent of the poor in Cambodia—the program focused specifically on:

- > increasing agricultural efficiency and market orientation
- > improving the efficiency of agricultural markets.

This focus is appropriate, as 80 per cent of the rural poor rely on agriculture for their livelihoods.

Rural poverty declined during the strategy period but there were only marginal improvements in sustainable agricultural productivity, incomes and market efficiency. The Royal Government of Cambodia acknowledges it is not on track to achieve CMDG 1—to halve poverty by 2015. Agricultural trends are positive; however, production continues to be heavily dependent on weather patterns. The sector is underfunded in terms of national development priorities, and donor support is fragmented.

Key constraints to agricultural development in Cambodia include policy, planning and monitoring of irrigation systems; the land law; and the policy environment for agricultural markets. Implementation of the land law remains a major constraint to improving productivity in the agricultural sector, and progress on land law reform has been slow.

In 2003, when the strategy period began, capacity issues in the agricultural ministries and the absence of a sectoral plan meant that projects were the obvious mechanism for delivering assistance. Australian assistance was provided through three projects, focusing on:

- > expanding agricultural research capacity

- > increasing extension and planning
- > introducing improved rice seeds.

These projects, completed between late 2006 and mid-2007, were successfully implemented. Through the projects Australia has built a reputation as a credible and long-term partner of the Royal Government of Cambodia and other donors that work in the sector. However, there were mixed results in achieving strategic and sector-specific objectives.

Agriculture research capacity

The Cambodia Agricultural Research and Development Institute Assistance Project, completed in 2006, successfully assisted the Cambodia Agricultural Research and Development Institute to develop research planning capacity and diversify its research profile, manage and implement various research projects and enhance business development. The Institute is now the leading agricultural research body in Cambodia and is expected to have an impact on improving farming systems. However, it has not achieved a key operational objective of financial and administrative autonomy. The project model has not influenced incentives within government to provide core funding for the Institute and for agricultural research in general. This is explained partly by the Institute's limited influence and the constraints on civil service salaries.

Extension and planning

There is some evidence that improved farming techniques were adopted in project areas resulting from the Cambodia Australia Agricultural Extension Program, completed in 2006. But project monitoring and evaluation systems were unable to confirm the impact and the extent of the adoption of new technologies. The Royal Government of Cambodia has established an extension service, but it has not spelt out a strategy for its sustainable operation and funding. The Ministry of Agriculture, Forestry and Fisheries has weak capacity and limited funding to institutionalise changes introduced by the project.

Improved rice seeds

The availability of high-quality rice seed has had an immediate impact on the productivity of rice growers. The Agriculture Quality Improvement Project has made rice seed available to 80 000 farmers who have adopted new technology and improved production techniques as a result. The gross financial benefit of the project seeds on rural income is estimated to have been US\$2.8 million in 2007. Domestic production of high-quality rice seed now meets 20 per cent of seed demand in Cambodia. Plans to ensure that the project's outcomes are sustainable include converting the project into a commercial rice seed company and, although progress towards this was slow, registration of the seed company was completed in August 2007. The company is operating as a joint venture, with minimal support in day-to-day management from its managing contractor.

Company income in 2007 was close to forecasts, and business plans for 2008 and 2009 indicate that no further AusAID funding is required when the project ends in 2009.

More than 65 per cent of farmers are women and most have limited capacity to access new technologies, market information and financial services. There is significant scope for gender analysis to underpin a strong response to the disadvantages faced by women farmers. Projects have included gender analysis in their designs, but have provided little data on the gender outcomes. Although women have not participated on the board of the rice seed company or been targeted in mentoring plans, they have played an important role and been targeted in marketing of the project's high-quality rice seed.

AusAID leadership and specialist technical support facilitated the finalisation of Cambodia's Agriculture and Water Strategy in 2007, which was agreed between the government and donors. This strategy has the potential to reduce the high level of donor fragmentation and use of parallel systems that plague donor operations in the agricultural sector.

OBJECTIVE 2:

REDUCE VULNERABILITY OF THE POOR

RATING



The objective will be partly achieved within the timeframe.

ASSESSMENT OF RESULTS AND PERFORMANCE

To reduce vulnerability of the poor the program focused on:

- > reducing the impact of land mines and unexploded ordnance
- > promoting household food security
- > reducing the impact of natural disasters.

The need to reduce the vulnerability of the poor is clearly articulated in the Cambodia's National Strategic Development Plan 2006 - 2010⁴ and the objectives of the aid program are well aligned to the priorities of the Royal Government of Cambodia.

There has been strong progress towards the Cambodian target of completely clearing all mined areas by 2015. A total of 32 974 hectares had been cleared of mines by 2005 and the target by 2010 is 45 000 hectares. Cambodia's National Mine Action Strategy 2005 is being implemented. Casualties dropped from 857 in 2000 to 500 in 2006, suggesting that the Royal Government of Cambodia's target of 200 by 2010 is achievable. The government's regulatory role has been clarified and strengthened, with the Cambodian Mine Action Authority actively accrediting mine clearance operations and monitoring compliance in 2007.

⁴ The National Poverty Reduction Strategy 2002 - 2005, Royal Government of Cambodia, was the preceding document.

However, at the sectoral and national levels there has been limited progress against the reform milestones of the National Strategic Development Plan on reducing vulnerability to disasters and ensuring food security. There has been an increase in the area of rice planted, and a small improvement in yields. The proposed national program on food security has not been delivered and there is concern about increasing landlessness. The proportion of households lacking land for cultivation rose from 16 per cent in 1999 to 20 per cent in 2004. This situation was fuelled by land fragmentation and weak implementation of the land legislation.

The most significant gap in the general picture of progress towards achieving this objective is in titling of land cleared of mines. While there has been a positive trend in land area cleared and handed to the poor with temporary certificates of title, there have been long delays in issuing permanent titles.

The assistance provided by Australia in the three areas is outlined below.

Land mines and unexploded ordnance

Coordination mechanisms in the mine action sector have strengthened considerably, with strong cooperation between the Royal Government of Cambodia and most of the 10 donors in the sector. AusAID is an active member of the Mine Action Technical Working Group. Some donor projects continue to operate in ways inconsistent with the aim of strengthening the Cambodian Mine Action Authority, and there are some risks related to overloading the capacity of the Authority, given the resources it has available.

Australia has taken the lead on integrating mine clearance with development activities after the land has been cleared of mines, and has been effective in linking national structures with field-level innovations. Assistance has been provided through a series of interventions—the Cambodia Mine Action Centre, Clearing for Results (in collaboration with the United Nations Development Programme, with pooled funding from five donors), NGO Cooperation Agreements (including work with Mine Action Planning Units), and the Landmine Victim Assistance Fund. While not an explicit objective, Australia's approach has evolved into a sector-wide approach, with a set of complementary and mutually reinforcing achievements. Linking cleared land with development activities provides a platform for improving livelihoods in remote and poor communities. The Landmine Victim Assistance Fund has provided small grants to non-government organisations for rehabilitating and reintegrating victims.

Gender equality issues have been addressed directly within AusAID-supported activities on mine action, with gender awareness training and project activities targeting women. A recent NGO initiative focuses on gender mainstreaming with the Cambodian Mine Action Authority, which will build on progress towards greater representation of women in decision-making processes on land clearance and subsequent land use. This could increase gender equality through all donor projects involving the Authority.

Food security

More than 700 000 Cambodians are classified as ‘food insecure’. AusAID support in this area has been provided largely through food aid in cooperation with the World Food Programme. AusAID has also provided support for improving the food security of poor households through integrated rural development activities under an NGO Cooperation Agreement. The impacts of these activities have been positive, but localised, and not the result of the strategy of the Royal Government of Cambodia to tackle the issue of food insecurity. The sustainability of outcomes remains a key concern.

Natural disasters

In the field of disaster preparedness Australia supports a range of projects by non-government organisations. These have been successful in introducing elements of emergency management and, to some extent, in engaging with the government on planning processes. However, interventions have been small (up to 20 villages) and evidence of disaster management strategies being implemented at district or provincial levels is limited.

OBJECTIVE 3: STRENGTHEN THE RULE OF LAW

RATING



The objective is unlikely to be achieved within the timeframe.

ASSESSMENT OF RESULTS AND PERFORMANCE

To strengthen the rule of law the program focused on:

- > strengthening the justice system, ensuring transparency and equitable access
- > increasing the effectiveness and accountability of the civil service
- > helping to develop a strong representative parliament.

While key indicators relating to institutional capacity, transparency, equality, access to justice and sectoral reform are ‘off track’, there has been progress in reforming public financial management.

One of the key challenges in reducing poverty in Cambodia is governance. A strong and credible public sector is important to improving accountability and transparency, ensuring stability and economic growth, and dealing with corruption.

The Royal Government of Cambodia’s 2004 Rectangular Strategy states that the rule of law is crucial to improving governance. A Legal and Judicial Reform Strategy was adopted in 2003, and a Plan of Action in 2005. However, only limited progress has been made in implementing reforms, including applying existing laws, revising inconsistent

legislation, drafting new laws, increasing transparency in the legislative process, expanding the number of trained practitioners, and creating an environment that is not conducive to corruption. Improvements in cooperation between the Ministry of Justice (courts and law) and the Ministry of the Interior (police) are required.

There are significant barriers to women participating in all areas of governance and being involved in decision making. While women are well represented in civil society, their participation in middle and senior management of the public sector and elected representation is very limited. Australian Development Scholarships have achieved some change, with equal numbers of women and men from the public service receiving scholarships in 2007. This is a significant improvement given that, of the 50 scholarship holders in Australia in 2006, only 18 were women.

A description of Australia's assistance in the three areas of focus follows.

Justice system

Australia's largest single intervention in the justice system was the second phase of the Criminal Justice Assistance Project, completed in 2007, which has been followed by a third phase. The main achievements of the second phase, identified in the 2007 independent completion report, included constructing Kandal prison and court buildings, successfully piloting juvenile crime prevention and community safety programs (to which the provincial government now contributes its own resources), improving police investigation capacity and producing a court procedures handbook (which has improved court administration). While commitments have been made to scale up project pilots to the national level, evidence of the sustainability of outcomes from the second phase is limited. More effort is needed to change perceptions of the justice system, particularly by women, children and the poor. There is no evidence of improved confidence in the justice system in project areas.

The third phase, which commenced in 2007, will roll out the court and prison models to four provinces. This phase seeks to address the Royal Government of Cambodia's lack of ownership through a National Board of Management, a flexible funding mechanism, integration of community policing initiatives into district and provincial planning, and co-location of adviser staff. The shift to increasing use of government systems, ownership and decision making has created challenges for the managing contractor. In particular, it will require a more explicit commitment to capacity development and policy engagement with the government in implementing the Legal and Judicial Reform Strategy.

Australia supports a number of NGO Cooperation Agreements focusing on protecting children and reducing violence against women. The agreements complemented the 2003–07 country strategy and are effective on a small scale. There is scope to better align these interventions with supply-side efforts in the third phase of the Cambodian Criminal Justice Assistance Project.

AusAID has participated actively at the policy level in the justice sector, acting as co-facilitator (with France) of the Judicial and Legal Technical Working Group. However, progress on developing a coherent approach among key donors to implementation strategies and priorities for sectoral reform has been slow.

Civil service

Australia's support for increasing the effectiveness of the civil service was provided through a number of mechanisms, including pooled funding of the Public Financial Management Reform Program, and more generally through Australian Development Scholarships. An external review of the Public Financial Management Reform Program in 2007 found measurable progress in administering revenue, managing debt, simplifying the budget classification system and streamlining budget execution procedures to speed up disbursements to agencies of the Royal Government of Cambodia. AusAID played a leadership role in establishing this program; it was one of the first donors to provide pooled funding when sector-wide approaches were considered high risk by many donors.

Around 20 Australian Development Scholarships are provided each year to public sector employees broadly in line with the 2003–07 country strategy objectives. A 2005 review found that the scholarships had been effectively implemented and broadly built the capacity of the civil service. At that time, 10 graduates were senior members of the bureaucracy—two Secretary Generals, seven Director Generals and one Senior Adviser to the President of the National Assembly. The review also noted that conditions in the civil service were a significant constraint. Low pay, no clear recruitment and promotion policies, no human resource planning and low skill levels continue to lead to low capacity.

Representative parliament

The key interventions in support of parliamentary representation included a contribution to the United Nations Development Programme's program for strengthening the electoral process, and the Cambodia Radio Development Assistance Project with Radio National Kampuchea (the national broadcaster) and the Australian Broadcasting Corporation.

The elections assistance project improved the conduct of elections and voter education. The radio assistance project promoted talkback radio, which provides a forum for citizens to hear and question political leaders and civil society organisations, with women receiving priority. For example, female panel experts (mostly from civil society) are engaged, calls are screened to give women priority, and program topics are designed to attract women listeners. The talkback program has been recognised as a valuable format for promoting accountability, with the World Bank (also a donor) looking to scale up the program and support institutional reform in the national broadcaster through a major investment in the Demand For Good Governance Program, due to commence in late 2008.

What is the quality of AusAID activities in Cambodia?

In 2007–08, 20 of the 23 individual initiatives in the Cambodia aid program had their quality at implementation rated. These ratings indicated that on the whole the assessed initiatives were being satisfactorily managed and implemented—with 95 per cent rated as making satisfactory progress in implementation and towards achieving objectives, 80 per cent rated as having satisfactorily monitoring and evaluating systems, and 90 per cent rated as satisfactorily producing sustainable outcomes. Even so, 75 per cent the activities assessed required some work to improve their monitoring and evaluation and the sustainability of outcomes.

The ratings contrast—in some cases sharply—with the overall assessment of the aid program’s performance in meeting strategic objectives. The 2007 Country Strategy Effectiveness Review probed the factors behind this apparent contradiction. The review found that the operational focus of the 2003–07 country strategy was directly relevant to Cambodia’s development challenges and reflected areas of Australia’s comparative advantage and Cambodian government priority.

The review’s principal conclusion, however, concerned the aggregate impact of AusAID’s activities. An explicit aim of the country strategy was to target Australian aid where it could make a difference. In this context, the review found the country strategy and the results framework were overly ambitious, with the scale of the program insufficient to make an impact across all priority areas identified in the country strategy. This finding is particularly apparent in the growth of small-scale, individual projects with weak links to the overarching objectives of the strategy. The findings also reflected the weak link between the performance framework established for the country strategy and individual program activities. The Effectiveness Review suggested that activity monitoring did not take sufficient account of the performance framework, which in some cases was unclear and was not adequately aligned with plans of the Royal Government of Cambodia.