



Australian Government

Department of Foreign Affairs and Trade

Aid Investment Plan

Cambodia

2015–2018

Strategic priorities and rationale

It is in Australia's interest to support Cambodia's development by implementing a complementary set of foreign, trade and aid policies. Through our aid program we are contributing to greater prosperity in Cambodia and reduced poverty in our region. Our aid complements diplomatic and security efforts to address shared challenges including, transnational crime, people smuggling and pandemics. As the Cambodian economy grows, the opportunities for business linkages and expanded bilateral trade will increase. We have already seen the market for Australian education, a focus of our economic diplomacy strategy, quadruple over the past ten years. There are also emerging opportunities for cooperation in resources, agriculture and professional services.

Australia's relationship with Cambodia has achieved greater prominence since the signing of a bilateral Memorandum of Understanding on refugee resettlement in September 2014. Our cooperation on people smuggling in the region has bolstered bilateral dialogue, and the increased political level contact is creating opportunities for further expansion of the relationship in a range of areas.

Over the past two decades, Cambodia has had one of the fastest growing economies in the world, but this growth has come from a very low base. Notwithstanding its strong recent economic growth, Cambodia continues to face major development challenges. Poverty has fallen dramatically - from 53 per cent of the population in 2004 to less than 20 per cent in 2012 - but Cambodia remains one of the world's least developed countries. It was ranked 128 of 168 countries on the basis of GDP per capita in 2012.

There is much to be done if Cambodia is to continue its impressive economic growth and poverty reduction. The barriers are clear. Further investment is needed to improve infrastructure, increase agricultural productivity, and deliver better quality health and education services. Continuing reforms are needed to tackle corruption, improve public administration and address persistent gender inequalities. The Royal Government of Cambodia is aware of the problems, but addressing these remains challenging.

International donors still play a valuable role in Cambodia. While government revenues are increasing and aid has declined as a share of national income, donors still fund a significant proportion of spending on public goods. Australia is one of the largest donors in Cambodia and has a reputation for delivering effective aid. We have strong relationships with the Cambodian Government, civil society groups and development organisations.

During 2015–18, our investments will prioritise three key objectives: (1) improving access to infrastructure; (2) increasing agricultural productivity; and (3) better health and education. Across all our programs we will focus on inclusive participation, governance, women's empowerment and disability. Our support will prioritise innovative approaches to delivering aid which work closely with the private sector to drive growth and poverty reduction, and will contribute to achieving Australia's overall aid for trade target by 2020 in line with the

Government's Strategy for Australia's Aid for Trade Investments. We will also maximise impact and cost effectiveness by focusing on fewer, larger investments.

1. Improving access to essential infrastructure

Infrastructure will be a key pillar of our aid to Cambodia. Cambodia's infrastructure has expanded rapidly, but is still struggling to keep pace with economic growth. Access to basic transport and energy infrastructure is amongst the lowest in the region. Only 20 per cent of households have access to electricity and only 17 per cent have access to piped water.

Improving access to infrastructure is critical to both economic growth and poverty reduction. The Cambodian Government places a high priority on infrastructure, but it has limited resources and corruption reduces the efficiency of its investments in major projects. With the support of Asian donors, the Cambodian Government is focused on improving national-level infrastructure. But there is also an infrastructure gap at the local level, including water and electricity distribution networks. We want to leverage investment by the private sector to address this gap and accelerate growth and access to services.

The centrepiece of our support will be the innovative *3i: Investing in Infrastructure program*, which will work with the private sector to expand access to electricity and piped, treated water in local communities. Access to water and electricity will help local businesses grow, as well as improving health outcomes. Our initial analysis suggests that the program will benefit women most as they currently bear the greater burden of water collection and household activities such as cooking, which will be safer and less time-consuming with access to electricity.

2. Increasing agricultural productivity and farmer incomes

We will continue our longstanding support for Cambodia's agricultural sector. Agricultural productivity has been improving, but Cambodia still has the lowest rice yields in South-East Asia. Lifting agricultural productivity further is vital to Cambodia's economic growth. Agriculture accounts for a third of Cambodia's GDP and almost half of all jobs. It is particularly important for the poor—the majority of whom live in rural areas and work in agriculture.

Our previous investments in agriculture have been successful. The innovative *Cambodian Agricultural Value Chain Program (CAVAC)* has built relationships among agricultural suppliers, farmers and retailers. CAVAC provides access to modern farming techniques, lifts productivity and crop quality, and improves the incomes of thousands of farmers. CAVAC is recognised as a leading example of aid delivered in collaboration with the private sector. It was also recognised by the Office of Development Effectiveness as a good-practice example of an agricultural program that embeds gender equality in its design.

Over the next four years we will design and implement a new phase of CAVAC to extend the benefits to new crops and more locations. It will include a focus on rice-milling and export—a priority for the Cambodian Government. We will maintain our focus on improving the lives of rural women. And we will continue to fund agricultural research through the Australian Centre for International Agricultural Research (ACIAR).

Support to rural development through demining will be continued. We have worked in this area since 1994, currently through the multi-donor *Clearing for Results* program. A baseline survey completed in 2013 found that over 1,900 square kilometres remained contaminated with mines and other explosive remnants of war. Clearing this land helps reduce casualties and frees up land for agricultural use.

3. Better health and education outcomes

Continuing to strengthen Cambodia's health system will be a key priority for our aid program. This is critical to increasing the health of all Cambodians and providing greater opportunities for people to participate in society and the economy.

Sustained health investment from the Cambodian Government and international donors, including Australia, has led to significant improvement in key health outcomes in recent years. For example, approximately 80% of women gave birth in health facilities in 2013, up from 10% in 2000, and maternal mortality has more than halved over a similar period. However, other health indicators, such as neonatal mortality, have barely improved and Cambodia faces emerging health threats such as drug-resistant malaria. These issues demonstrate persistent weaknesses in Cambodia's health system.

Weak health systems undermine efforts to contain disease outbreaks and other cross-border health security threats such as antibiotic resistance. Poor health also holds back economic growth—it lowers workforce participation and reduces workers' productivity.

Our support will focus on the issues where we can have greatest impact, use the most effective partners, and complement the work of other donors. We will help strengthen Cambodia's health financing system to improve efficiency and quality of care. We will also tackle the ongoing challenge of poor reproductive, maternal and neonatal health, particularly for vulnerable women, such as those working in garment factories or living in remote communities.

We will continue to support Cambodia's education sector through our long-running Australia Awards Scholarships program. We have chosen to target our education support through scholarships, as this is where we can make the most difference to Cambodia's human resources development, and complement the large number of donors supporting basic education. Our scholarships fill a development gap—we target disciplines that are vital for development, such as agriculture and health, but are less likely to be studied by privately-funded students. Scholarships also provide training for a generation of future leaders and, alongside the New Colombo Plan, building stronger personal links between Australia and Cambodia. We will monitor any changes in local context and maintain flexibility to be responsive to emerging conditions and opportunities.

We have not yet met our goal of awarding 50 per cent of our scholarships to women. But using a range of strategies—including targeted English-language training and priority during shortlisting—we have improved the results. In the 2014 intake, 44 per cent of awardees were women, up from only 26 per cent in 2012.

Our scholarships program is also an important component of our economic diplomacy strategy in Cambodia. The prestigious Australia Awards Scholarships program plays a valuable role in strengthening the Australian education brand in Cambodia. The high quality of Australian education and the demonstration effect of scholars returning to Cambodia with recognised qualifications have resulted in Australia being the most popular English-language destination for privately-funded Cambodian students studying overseas. This market looks set to continue growing strongly, further boosting our people to people links and providing more Cambodian students with opportunities for international education.

Inclusive participation and governance

Governance

Improving governance—including tackling corruption, strengthening public administration and maintaining law and order—is vital to Cambodia’s economic development. Strong institutions are needed to support a more diverse and inclusive economy, enhance human development and maintain social stability. Governance will be addressed through our broader investments in infrastructure, agriculture, health and education. For example, we will advocate for better regulation of agricultural input markets, and support improvements to public financial management in the health sector.

We will support a number of targeted governance programs. As agreed with the Cambodian Government, we will end our long-running support to the Cambodia Community Justice Assistance Program, but we will make new investments in community policing, community safety and crime prevention. Our new investments in community policing will have a special focus on addressing gender-based violence.

We will also support electoral reform. This is important but potentially politically sensitive. As agreed with the Cambodian Government, our assistance in this area will be apolitical, targeted and coordinated with other donors. Our initial support will help to improve Cambodia’s civil registry. A comprehensive civil registry is important for future voter lists and provides data that can help improve the delivery of public services, such as healthcare and education.

In keeping with our commitment to reinforcing the rule of law, we are committed to assisting the United Nations to bring to justice the perpetrators of atrocities that took place in Cambodia in the 1970s. Contributions through the aid budget have made Australia the third-largest contributor to the Khmer Rouge Trials (Extraordinary Chambers in the Courts of Cambodia).

Empowering women

Empowering Cambodian women will be a key theme of our aid to Cambodia. Much needs to be done. While women’s workforce participation is high by regional standards, women remain clustered in low-skilled jobs. And the rate of domestic violence in Cambodia remains high—around one in five women reports experiencing physical, sexual or emotional abuse from her spouse. While there have been some positive legal changes to protect the rights of women, implementation remains challenging.

Our efforts to empower women will be ‘twin track’. Firstly we will focus on improving gender equality through all of our investments. We will integrate gender analysis into our designs and will look at the impact on women when we evaluate our investments. Secondly we will implement a specific program on ending violence against women, working with the Ministry of Women’s Affairs to help provide services to women who have experienced violence and take steps to prevent violence occurring.

Disability

We will continue our support for the disability sector in Cambodia. There are estimated to be up to two million people with disability in Cambodia. People with disability are less likely to obtain an education, face poorer job prospects, and can face social and political discrimination. The Cambodian Government recognises the rights of people with disability and ratified the Convention on the Rights of Persons with Disabilities in 2012. We will support the

government's efforts, including by assisting disability groups, helping to build the evidence base for disability-inclusive development, and directly funding rehabilitation and other services.

Regional program

Regional and global programs account for around a third of Australia's total official development assistance (ODA) to Cambodia, and we will work to ensure these programs complement and enhance our bilateral program.

Australia's aid program supports regional economic growth and integration. Our regional investments in private sector development, financial inclusion, the empowerment of women and girls, and water resources management will support Cambodia's participation in ASEAN's economic integration agenda. We will also proceed with regional initiatives with the ASEAN Secretariat that support economic integration, including implementing the ASEAN-Australia-New Zealand Free Trade Agreement. Cambodia's ability to achieve long-term economic and social development will be influenced by its success on integrating into the ASEAN Economic Community.

We will implement the *Mekong Business Initiative*, to strengthen private sector development in the region, and with the *Shaping Inclusive Finance Transformations in ASEAN (SHIFT)* program which aims to help six million poor people use well regulated and affordable financial services by 2020.

Our priority regional investments to combat trafficking in persons and encourage safe labour migration will strengthen the region's criminal justice responses to trafficking, increase regional cooperation and advance regional human security.

This focus will ensure that Australia meets its commitments to ASEAN economic growth and integration, maintains its contribution to countering criminal human trafficking networks, and supports stable legal migration.

Implementation approaches

Building on past experience, working more closely with the private sector

Working with the private sector will be a key feature of our program over the next four years. CAVAC is already a leading example of an Australian aid program that works with the private sector. CAVAC has partnered with over 30 businesses to provide advice to farmers and improve farming techniques. The program also funds the construction and maintenance of low-cost irrigation schemes, which are managed locally and involve provincial government, community water groups and private water sellers.

We are using the lessons learned from CAVAC to develop a new program in the infrastructure sector. Under the 3i: Investing in Infrastructure program, we will co-fund infrastructure in partnership with private operators, co-invest with private equity or social impact funds, and support interventions which address constraints in local infrastructure markets.

Working with partners who have a strong record of performance

We will work with a range of partners to deliver our aid effectively. Australia will work with top-performing multilateral development organisations, including the World Bank, Asian Development Bank and key United Nations agencies. We have established formal agreements with other bilateral donors, such as Germany, and participate in multi-donor funding arrangements. Australia will also continue to look for opportunities to engage with emerging donors, including China. Non-government organisations (NGOs) are important partners given their expertise, on-the-ground networks and experience working with local communities.

While there are a large number of development organisations in Cambodia, the quality is varied. We will only work with organisations with a history of strong performance. We will draw on partner performance assessments and DFAT's aid quality reporting processes more broadly to identify top performing organisations. Partners are expected to track progress towards program objectives during implementation and we regularly meet with partners to discuss performance and receive early warning of risks.

Consolidating our investment into fewer—but larger—programs

Over the next four years we will focus on fewer, but larger, investments in Cambodia. Consolidating the number of projects we fund will help increase the impact of our investments and reduce the overheads required to manage them effectively. In practice, this means we will end a number of smaller programs. For example, in the infrastructure sector, we will replace ten small initiatives with a single flagship program. In line with this principle, the additional aid to Cambodia announced as part of the refugee settlement arrangement will be delivered as far as possible through existing mechanisms and against existing priorities.

Safeguarding against environmental, settlement, and child protection risks

We ensure our development assistance does not adversely impact people and the environment, by strictly adhering to mandatory policies related to environment, resettlement, child protection and workplace health and safety. For example, we manage our child protection responsibilities closely by providing extensive training to aid program staff and delivery partners, and by applying a specific child protection due-diligence assessment to identify and manage ongoing risks.

Performance management

Performance benchmarks

Performance benchmarks 2014-15 to 2017-18

		2014-15	2015-16	2016-17	2017-18
Objective	<i>Improved access to essential infrastructure</i>				
Performance benchmark	Additional households and businesses connected to electricity each year	-	46,400	197,200	197,200
Performance benchmark	Additional households and businesses connected to piped, treated water each year	-	27,600	117,300	117,300
Objective	<i>Increased agricultural productivity and farmer incomes</i>				
Performance benchmark	Number of farmers with increased productivity	-	[TBA]	[TBA]	[TBA]
Performance benchmark	Additional area of land contaminated by landmines and other Explosive Remnants of War released for productive use each year	10.3 km ²	10.3 km ²	10.3 km ²	10.3 km ²
Objective	<i>Better health and education outcomes</i>				
Performance benchmark	Percentage of health facilities, hospitals and health centres, assessed by quality of care assessment tool	50%	70%	90%	100%
Performance benchmark	Number of scholarships awarded (female/male)	28/27	28/27	28/27	28/27
Objective	<i>Reduced gender-based violence</i>				
Performance benchmark	Additional number of women survivors of violence receiving services such as counselling each year	1000	1000	800	500

Mutual obligations

The Australian Government commits to providing aid as outlined in this Aid Investment Plan. We will report annually on our performance against the performance benchmarks above. If we need to make significant changes, we will consult the Cambodian Government.

As part of a bilateral refugee settlement arrangement, Australia committed to providing an additional \$40 million over four years in development assistance to Cambodia. The funding will target agriculture, land mine clearance and electoral reform activities –building on activities we already support.

For its part, the Cambodian Government has committed to implementing the reforms set out in its *National Strategic Development Plan (NSDP) 2014-2018*. We will monitor progress against the objectives in the NSDP to assess the Cambodian Government's commitment to reform. We will pay particular attention to progress in six key areas which correspond to our support:

- **Overall:** The Public Financial Management Reform Program, including strengthened revenue collection and management (see section 4.36 of the NSDP)
- **Infrastructure:** The development of physical infrastructure, including electrical power development (4.122) and improving water supply (4.108)
- **Agriculture:** Improved productivity, diversification and commercialisation of the agriculture sector (4.53)
- **Health:** Sustainable development of the health sector, aimed at improved sanitation, health, nutrition and well-being of the Cambodian people (4.167)
- **Education:** Improvement in the quality and effectiveness of education services, and further development of the capacity of educational institutions and staff (4.160)
- **Gender equity:** Promoting the role of women and the implementation of the National Action Plan to Prevent Violence Against Women (4.191).

Monitoring, review and evaluation

Our aid to Cambodia will be subject to rigorous monitoring and evaluation. Poorly performing aid investments will be cancelled if they do not improve.

The overall performance of our aid program in Cambodia will be assessed through the annual aid program performance reporting processes. Each year we will publish an aid program performance report (APPR) which provides a frank, evidence-based assessment of progress against the objectives set out in this plan and includes proposals for management action. APPRs will be peer-reviewed to ensure that the assessment and reporting of performance is robust and contested.

We will also review progress of our program at our biennial high-level consultations with the Cambodian Government—currently scheduled for 2016 and 2018. These consultations provide an opportunity to acknowledge successes, discuss challenges and agree on the future direction of Australian aid.

Program management

Governance and resource management

Australian aid to Cambodia will be overseen by the Department of Foreign Affairs and Trade in Phnom Penh and Canberra.

The First Assistant Secretary, South-East Asia Mainland and Regional Division, has overall responsibility for Australia's aid to Cambodia. Staff based in Canberra are responsible for policy development and guidance, drawing on the expertise of thematic specialists.

The Australian Ambassador to Cambodia has specific responsibility for the strategic direction and effectiveness of our aid to Cambodia, and delivery of the bilateral aid program against the objectives of the AIP. Staff based in Cambodia have primary responsibility for program analysis, design, management, monitoring and evaluation. They will work closely with colleagues in the South-East Asia Bilateral Branch in Canberra.

Developing, implementing and evaluating aid investments require highly skilled staff. We will maximise our capability through innovative and flexible use of resources and by investing in staff training and development

Risk management

Cambodia remains a challenging place to deliver Australian Government programs. Key risks over the period 2015-2018 include corruption and fraud, unintended harm, political tensions, external shocks and damage to Australia's reputation.

Corruption and fraud are significant concerns. In 2013, Cambodia was ranked 160 of 175 countries on Transparency International's Corruption Perception Index. Australia takes a 'zero-tolerance' approach to corruption and fraud in its aid program. Our new Fraud Control and Anti-corruption Strategy outlines how we protect Australian aid funds, ensuring our aid reaches intended beneficiaries and supporting Cambodia's own anti-corruption efforts. We will regularly assess the effectiveness of our risk management process to reduce opportunities for corruption. We will also support the Cambodian Government to improve public financial management in the sectors where we work. We will investigate all allegations of fraud within our programs.

Given the weak regulatory environment, many development projects entail risks of unintended social and environmental consequences. We will work with the Cambodian Government and development partners to minimise these risks. This will include applying robust social safeguards policies and processes, and conducting additional monitoring when required.

Managing our workplace health and safety obligations is a challenge, given the high standard set by Australian law and the weak regulatory environment in Cambodia. We will work closely with our implementing partners to help ensure that our investments are delivered safely.

Domestic and international events will have a large influence on the success of our programs. The lead-up to the Cambodian national election—currently scheduled for 2018—offers opportunities and challenges. The Cambodian Government has an ambitious policy agenda, generating positive pressure on ministries to implement reforms and deliver results. But political tensions can also hinder attempts to reform. To help ensure that our aid remains effective, we will continue to monitor Cambodia’s political and economic environment. We will tailor our programs so that they are both technically feasible and politically informed.

External shocks, such as an economic downturn in a major trading partner, a crash in rice prices or a natural disaster could have a large impact on Cambodia. While these events may be beyond our control, we will retain flexibility in our program to help ensure we can provide emergency assistance where needed.

We have a mature bilateral relationship with Cambodia and raise concerns when necessary, including on human rights. We will continue to raise these issues in a constructive manner in the appropriate setting.

We will regularly assess, monitor and manage risks in accordance with the table below.

Risk monitoring and communication

Process	Frequency
Update of program-level risk register	Biannually
Update of sector-level risk registers	Biannually
Mission senior management team discussion on progress of risk treatments, escalation of country aid risks and any new risks	Monthly
Country program senior management team discussion on progress of risk treatments, escalation of sector risks and any new risks	Monthly