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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID Assistance Strategy for Cambodia

FY 1994-97

USAID/Cambodia

May 1994

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TAGS:
SUBJECT: APPROVAL OF USAID/CAMBODIA COUNTRY STRATEGY

1. USAID/W APPROVES USAID/CAMBODIA'S COUNTRY STRATEGY AS IT WAS PRESENTED IN JUNE 1994, PROVIDED THAT USAID/CAMBODIA MAKE REVISIONS TO THE DRAFT DOCUMENT TO

REFLECT GENDER ISSUES AS DISCUSSED DURING THE STRATEGY REVIEW

2. THIS APPROVAL OF USAID/CAMBODIA'S 1994-97 STRATEGY IS BASED ON REVIEW MEETINGS HELD IN JUNE 1994. AA/ANE MARGARET CARPENTER CHAIRED THE REVIEW WHICH INCLUDED USAID/CAMBODIA REPRESENTATIVE LEE TWENTYMAN AND REPRESENTATIVES FROM ANE, G, PPC, M, AND STATE/EAP.

3. THE COUNTRY STRATEGY FOLLOWS CLOSELY ON THE PROGRAMS ALREADY IMPLEMENTED BY THE DAR. THE STRATEGY ACCURATELY DESCRIBES THE FAST-CHANGING CIRCUMSTANCES IN CAMBODIA AND EFFECTIVELY OUTLINES A PLAN TO CONTINUE THE FLEXIBLE, RAPID-RESPONSE PROGRAM IN THIS HIGH-PROFILE COUNTRY. THE FUNDAMENTAL GOAL OF THE COUNTRY STRATEGY IS TO SUPPORT THE NATION-BUILDING PROGRAM OF THE RCG. THE STRATEGY'S THREE MAIN OBJECTIVES ARE TO STRENGTHEN PLURALISM AND

GOVERNANCE, TO SUPPORT BROAD-BASED ECONOMIC GROWTH, AND TO MEET TARGETED BASIC HUMAN NEEDS. THE STRATEGY INCLUDES NEW STARTS IN THE AREAS OF FAMILY HEALTH/CHILD SPACING, PRIMARY EDUCATION, THE ENVIRONMENT, FARM-TO-MARKET ROADS, AND AMENDING THE EXISTING DEMOCRATIC INITIATIVES PROJECT. APPROVAL TO PROCEED WITH NEW STARTS WILL BE SUBJECT TO MAD REVIEW.

4. GIVEN CAMBODIA'S RECENT HISTORY, THE COUNTRY STRATEGY CATEGORIZES USAID'S PROPOSED PROGRAM FOR CAMBODIA DURING

FY 94-97 AS A "POST-CRISIS TRANSITION" PROGRAM RATHER THAN A "SUSTAINABLE DEVELOPMENT" PROGRAM. USAID/W AGREES THAT THE USAID/CAMBODIA PROGRAM SHOULD QUALIFY AS A "POST-CRISIS TRANSITION" PROGRAM. FURTHER, USAID/W AGREES THAT,

BECAUSE THE PRESENT CONDITIONS IN CAMBODIA PREVENT THE GATHERING OF ADEQUATE BASELINE DATA, THE CAMBODIA PROGRAM WILL BE GRANTED AN EXEMPTION FROM PRISM AND PRISM-TYPE EXERCISES DURING THIS ENTIRE STRATEGY PERIOD. THE DAR SHOULD BEGIN, HOWEVER, TO ACCUMULATE DATA THAT COULD SERVE AS A BASELINE FOR FUTURE PERFORMANCE MEASUREMENT AS WELL AS TRY TO STRENGTHEN INSTITUTIONS THAT COULD COLLECT AND MONITOR RELIABLE DATA IN THE FUTURE. ALSO, THE NEXT COUNTRY STRATEGY FOR CAMBODIA WILL BE EXPECTED TO MEET THE NORMAL AGENCY PRISM REQUIREMENTS.

5. THE MANAGEMENT AND STAFFING ISSUES RAISED BY THE STRATEGY AND DISCUSSED AT SEVERAL POST-STRATEGY REVIEWS AND SUBSEQUENTLY WITH USAID/CAMBODIA AND THE EMBASSY WILL BE ADDRESSED BY USAID/W ON A PRIORITY BASIS.
CHRISTOPHER

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Executive Summary

The political environment in Cambodia has evolved rapidly since 1988, with corresponding changes in USAID/Cambodia's assistance program. The program shifted from support for the non-communist resistance in the Thai border areas to include substantial support for the UN-sponsored peace process and subsequently to direct support for rehabilitation and economic growth in the post-election period. The installation of the Royal Cambodian Government (RCG) in September 1993 marked a significant change in the development context. Cambodians are now governed by a structure which was established under a mandate of the majority and programming can now look to establishing foundations for future growth in addition to meeting immediate needs. The political situation remains extremely fragile, however. As one of the primary donors in Cambodia, USAID/Cambodia's program could help make the difference between whether the newly elected government holds together or falls apart, potentially threatening destabilization and the immense investments already made on Cambodia's behalf and condemning Cambodia's population to continued dire poverty.

Cambodia is one of the world's poorest nations with social and economic indicators below most African countries. Since World War II, Cambodia has been torn by strife and civil war. Cambodia was a major battlefield and staging ground during the wars in Indochina, particularly beginning in the late 1960s as the Vietnam War began to spill over into Cambodia, eventually engulfing it. Riding the wave of revolution, the Khmer Rouge, supported by Vietnam and China, seized power in 1975. The Khmer Rouge imposed a brutal regime under which more than a million Cambodians died from execution or starvation. In addition, the Khmer Rouge abolished money, property and family structures and cut communications with the outside world. Vietnam in turn invaded in 1978-1979, driving the Khmer Rouge back along the border with Thailand. A Vietnamese-supported regime took over the government, backed by Vietnamese troops, the latter withdrawing in 1989. At that time a process began that culminated in 1991 with a peace settlement among the four competing factions and establishment of a Supreme National Council (SNC) as the embodiment of national sovereignty, with the United Nations Transitional Authority in Cambodia (UNTAC) playing an unprecedented peacekeeping role. Although the Khmer Rouge signed the Peace Accord, they later withdrew their support for the elections and did not participate in the widely-supported free and fair election which was held under UN auspices in May 1993. The elected representatives established a National Assembly which in turn promulgated a new constitution. The RCG was formed in September 1993 to take over all aspects of governance.

The RCG is a tenuous coalition of the former political and military adversaries that participated in the elections. Political in-fighting continues both within and among the parties in the government. These parties are not well developed as institutions. They continue to compete for political power and economic gain. The balance between and among them is under constant negotiation. The unified military, composed of soldiers from all of the factions which participated in the elections, is underpaid. It lacks traditional military discipline and a chain of command. Soldiers frequently leave their posts to earn money to support their families, leaving territory at great risk. Corruption is widespread and, combined with the present extremely low

capacity of the government to govern, increases the threat of destabilization. The Khmer Rouge continue to fight to regain control of Cambodia and reimpose their philosophies of governance.

Cambodia has weak democratic traditions. The systematic extermination or emigration of virtually all educated Cambodians, coupled with the deliberate destruction of the national education system, leaves an extremely small skill base on which government and private enterprise can operate. The conflict has left an estimated 10 million landmines scattered around the country, and various combatants continue to lay new landmines. These mines cause approximately 300 casualties a month.

As Cambodia has evolved toward becoming a democratic state, USAID/Cambodia's program has also evolved from a rapid response program, addressing relief and rehabilitation and supporting the peace process, toward a more traditional bilateral program addressing rehabilitation and growth. The goal of USAID/Cambodia's program is to support the nation-building effort which is being undertaken by the Cambodian people. By the very nature of the unique, rapidly-evolving situation in Cambodia, this strategy covers a shorter time frame than is usual for a country assistance strategy. It projects priorities and programs for three years beyond the current fiscal year (FY 1994) and recognizes that significant shifts in the country context may require shifts in program priorities.

USAID/Cambodia recognizes that significant humanitarian needs remain to be addressed and that the RCG is not yet ready or able to take on responsibility in many of these areas. Therefore, the strategy continues to include investment in basic human needs activities. At the same time, the positive developments which have occurred in Cambodia permit the laying of a foundation for eventual Cambodianization of programs as well as for future sustainable development. Therefore, major emphasis will be placed on helping to build Cambodian capacity and helping to establish an environment conducive to sustainable growth. Short-term and on-the-job training for indigenous NGOs, key institutions, the private sector and core RCG staff are underlying themes of USAID/Cambodia's entire program. The transformation of Cambodia's economy from a central planning focus to an outward-looking market orientation will require significant shifts in every sector. All of USAID/Cambodia's projects will specifically examine ways to stimulate private sector growth and participation in the economy.

Democracy lacks strong roots in Cambodia. If Cambodia's citizens are to continue to stave off attempts by various factions to seize control, then establishing popular support for democratic governance demands that benefits of this change be visible in the short-term on a national basis. Therefore, a cross-cutting theme of all assistance activities will be to place high priority on rural development and assuring that program benefits accrue broadly, particularly to women who represent a disproportionate percentage of the population. USAID/Cambodia's strategic approach emphasizes achieving rapid, high-impact, visible outcomes which can be achieved during the short time-frame of the strategy -- while, at the same time, making key human resource, infrastructure and institution-building investments for the future.

Both the development context and USAID/Cambodia's role and management structure in Cambodia are unusual. The program which currently exists was established in large part at the behest of the Congress and the State Department. The relatively high funding levels were set in a highly visible political context, with a Secretary and Deputy Secretary of State attending international donor meetings on Cambodia in the last three years. Recognizing the need for extreme flexibility, Congress enacted specific "notwithstanding" legislation which exempts design and implementation of development programs for Cambodia from normal legislative requirements. The original vision of a short-term, rapid response program managed by a small office has since been overtaken by the realities of implementing a larger, longer-term, and more complex "post-crisis transition" program. As a consequence, staffing requirements have increased accordingly (see page v).

While USAID/Cambodia can sign bilateral agreements with the RCG, the RCG's accountability and implementation capacity -- including a capacity to contribute financially -- are not yet at a level required to permit programming in the usual bilateral context, that is, with host country contracting or direct support to Cambodian ministries and government agencies. Therefore, USAID/Cambodia's program has been implemented totally through direct USAID contracts, grants and cooperative agreements, with NGOs playing a lead role. This programming mode will continue throughout the strategy period to assure accountability and successful program impact, although the strategic approach also will place increasing emphasis on building governmental capacity. Use of this unusual programming approach requires both a management plan for oversight of a multitude of NGO partners in the development process and sufficient staff in USAID/Cambodia for accountability and oversight. Although there will not be direct assistance to the RCG in many areas, RCG employees will be among the primary beneficiaries of NGO training programs as part of USAID/Cambodia's intent of building governmental capacity for long-term development. USAID/Cambodia's role is envisioned as that of wholesaler with the NGOs carrying out the "hands on" retail function.

USAID/Cambodia's strategy is built on three objectives:

- strengthening pluralism and governance
- supporting broad-based economic growth
- meeting targeted basic human needs

In meeting these objectives, USAID/Cambodia will continue to invest in the following activities:

- co-financing of PVO activities to address basic human needs in health, vocational education, community development, rural savings and microenterprise credit, care for displaced children and orphans, prosthetics and demining
- democratic initiatives to support better governance and help political institutions (including the National Assembly and public interest NGOs) to function better
- technical support to improve government's analytic capability and policy making
- emergency rural road repair to link economic growth centers.

In addition, during the strategy period, USAID/Cambodia proposes new activities in the following areas:

- teacher training and materials for primary education
- rural farm-to-market road rehabilitation to link production areas with markets
- commodities, training, information, education and communication support for maternal health and birth spacing
- technical assistance and material support for environmentally related planning and advocacy
- follow-on PVO Co-financing II for continuation of PVO Co-financing activities

The proposed strategy has been developed taking into account USAID/Cambodia's assessment of Cambodian needs and constraints, the RCG's recently formulated program to rehabilitate and develop Cambodia, other donor assessments and intentions, lessons learned from neighboring countries which have realized significant growth with equity; and USAID's comparative advantage for delivering programs. The objectives and approaches have been discussed with the U.S. Embassy, the RCG, other donors, and NGOs operating in Cambodia thereby taking into account a broad view of Cambodia's development needs and the best approaches to address them. The proposed assistance priorities and implementation approaches were selected as most appropriate in the existing Cambodian environment after consideration and rejection of several alternatives.

As a result of USAID/Cambodia-supported activities, several tangible outcomes are expected by the end of the strategy period: the RCG will have better analytic capacity to establish a framework for growth; the legal, regulatory and judicial framework will be more transparent and predictable; the major road between the deep-water port and the capital will be repaired, permitting transport of large quantities of goods; 500 km of farm-to-market roads will be brought back into service; all 46,000 primary teachers will be trained and provided educational materials; key civil servants will receive basic as well as specific job related training; capital will be more widely available for microentrepreneurs; contraceptive prevalence and health status will improve significantly; improved environmental planning will begin and indigenous environmental groups will grow; the indigenous Cambodian capacity for demining will be enhanced; basic services in health, birth spacing, education, prosthetics and care of displaced children and orphans will be delivered; and, particular programmatic emphasis will be placed on assuring that women receive a proportionate share of program benefits.

For program monitoring and evaluation USAID/Cambodia will implement a contextually appropriate approach which takes into account the lack of baseline data and the inability to undertake systematic national measurement activities to estimate parameters of interest to the program. Priority in this monitoring and evaluation will be on measures of direct program impact which are most useful as a management tool to assure that the program is being carried out as planned. With respect to impact at a higher level, USAID/Cambodia has undertaken a tentative planning exercise (and provides its preliminary thinking in Annex H), but neither Cambodian conditions nor mission staffing permit rigorous baseline analysis or monitoring.

To implement the activities proposed for achieving its objectives, USAID/Cambodia is requesting \$136.3 million in program funds and \$7.7 million in OE for the strategy period 1994-97. USAID/Cambodia will continue to employ mechanisms to minimize the management burden on the small staff in Cambodia (3 USDH in Spring, 1994, with a projection of 5 USDH by Fall, 1994). Program implementation will be accomplished through direct USAID contracts, grants and cooperative agreements, with NGOs continuing to take a leading role. USAID/Cambodia will continue to look to the RSM/EA for critical legal, contracting, and financial support services. For technical support in project design, implementation and evaluation, USAID/Cambodia will call on the RSM, the Global Bureau in Washington, and IQCs, as appropriate.

Direct contracts will be used under the roads projects and buy-ins to regional and central projects will be used to procure technical assistance under the technical support project. The education project anticipates a grant to a consortium of NGOs which will work in close coordination with UNICEF, an international organization which already has a capacity in place to address needs in this sector. Grants and cooperative agreements will be used to implement family planning, democracy and PVO Co-financing activities. USAID/Cambodia will continue to use an umbrella PVO mechanism under a cooperative agreement to award and manage subgrants and to provide training of indigenous NGOs. Awards of NGO grants and cooperative agreements will be based on specific criteria which are closely linked to USAID/Cambodia's objectives. USAID/Cambodia also anticipates transferring approximately \$250,000 per year to USIS to fund Master's level, U.S.-based long-term training in developmentally-oriented areas for up to five Cambodians per year. This approach has been chosen since it requires no additional management burden for the already hard-pressed USAID/Cambodia staff. USIS has a system already in place with a proven track record of identifying exceptional individuals and placing them in top notch training programs, often with reduced tuition.

USAID/Cambodia anticipates that three substantive divisions will oversee project activities. One division, charged with technical assistance activities and headed by a USDH, will oversee technical support, education and environmental activities. A second division, headed by a USDH, with an FSN engineer and a USPSC engineer, will carry out program support and capital projects activities. The third division, with two USDH staff, one US PSC, one TCN PSC, a population fellow, and two professional FSNs, will oversee the umbrella cooperative agreement and direct grants and cooperative agreements for PVO activities as well as the democracy and family health/birth spacing activities. With the exception of the population fellow position, which was supported during the project review in USAID/W, the positions in this staffing pattern have already been approved by USAID/W, including a new USPSC executive officer position. USAID/Cambodia recognizes that flexibility is necessary in managing program implementation and that in a small post, staffing patterns must maximize the use of skills of the limited number of staff. The organization of USAID/Cambodia will be modified as necessary to reflect changes in the portfolio and in staff skills.

USAID/Cambodia will be hard-pressed to carry out the proposed program given the above staffing pattern, using support staff from the RSM as available. This approach, relying on off-shore RSM support, is both inefficient for program implementation and leaves serious vulnerabilities in management controls within USAID/Cambodia. Implementation of the program needs to be greatly improved by the allocation of additional support to USAID/Cambodia. First, given the magnitude of the program, USAID/Cambodia believes that the ANE Bureau should place a controller in Cambodia for on-site supervision of grants, cooperative agreements and contracts implementing the program, since lack of on-site services creates significant financial vulnerability in the portfolio. There is a need for on-site monitoring of the financial systems of implementing entities and neither USAID/Cambodia nor the RSM/EA has the local hire technical staff to carry out this function. A qualified financial controller is needed to address this program vulnerability. (The Inspector General has already noted that this vulnerability is developing.) Second, adding a full-time contracting professional to the staff of USAID/Cambodia with first hand knowledge of the contracts and grants implementing the program and the unusual environment in which implementation takes place is essential. This would greatly facilitate the procurement process and provide in-house sources for grantees and contractors with technical procurement questions regarding the contracts and grants. It would also speed up the turn-around of procurement actions. Finally, if USAID/Cambodia were required to undertake significant formal data collection and reporting in conjunction with program monitoring and evaluation, additional USPSC or USDH staff would be needed.

At the March 1994 meeting of the International Committee on the Reconstruction of Cambodia (ICORC), the U.S. Government pledged \$29.3 million for FY 1994 and \$37 million for FY 1995 as the USAID budget for Cambodia. An additional \$6 million was pledged for these two years for demining activities outside the scope of USAID. The strategy assumes that USAID funding levels for Cambodia will remain level, at approximately \$35 million per year for FYs 1996 and FY 1997.

Acronyms

AAFLI	Asian-American Free Labor Institute
ABS	Annual Budget Submission
ADB	Asian Development Bank
AIDS	Acquired Immune Deficiency Syndrome
ANE	Bureau for Asia and the Near East
CANDO	Cambodian-American National Development Organization
CARERE	Cambodia Resettlement and Rehabilitation Programme
CCD	Canadian-Cambodian Development Program
CDC	Cambodia Development Council
EA	East Asia
EEC	European Economic Community
ESF	Economic Support Funds
FAO	Food and Agriculture Organization
FP	Family Planning
FSN	Foreign Service National
FTE	Full-Time Equivalent
FY	Fiscal Year
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
ICORC	International Committee on the Reconstruction of Cambodia
ILO	International Labor Organization
IMF	International Monetary Fund
IQC	Indefinite Quantity Contract
IRI	International Republican Institute
IRRI	International Rice Research Institute
MOE	Ministry of Education
MOEF	Ministry of Economy and Finance
MOH	Ministry of Health
NCRD	National Committee for Rehabilitation and Development
NDI	National Democratic Institute for International Affairs
NGO	Non-governmental Organization (both for-profit and not-for-profit)
NIC	National Investment Committee
NPRD	National Program to Rehabilitate and Develop Cambodia
O/KA	Office of Khmer Affairs, Bangkok
OE	Operating Expense
OFDA	Office of Foreign Disaster Assistance
OYB	Operating Year Budget
PACD	Project Assistance Completion Date
PACT	Private Agencies Collaborating Together
PE	Public Enterprise

PIB	Public Investment Budget
PSC	Personal Services Contractor
PVO	Private Voluntary Organization
RCG	Royal Cambodian Government
RFA	Request for Assistance
RP	Bureau of Refugee Programs, Department of State
RSM	Regional Support Mission, Bangkok
SNC	Supreme National Council
STD	Sexually Transmitted Disease
TAF	The Asia Foundation
TCN	Third Country National
TDY	Temporary Duty
UNDP	United Nations Development Program
UNHCR	United Nations High Commission for Refugees
UNTAC	United Nations Transitional Authority in Cambodia
USAID	U.S. Agency for International Development
USIS	United States Information Service
WFP	World Food Program

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I. Introduction

This document presents USAID/Cambodia's proposed economic assistance strategy for Cambodia for fiscal years 1994 through 1997. The strategy builds on the Agency's post-crisis transition strategy and outlines assistance which USAID/Cambodia believes can help to make the difference between Cambodia's achieving sustainable broad-based development with expanded political pluralism or its return to progressive disintegration as a society.

Although Cambodia's needs are immense, the strategy aims to target assistance in a limited number of areas consistent with the Royal Cambodian Government's development objectives. The strategy centers around visible, high impact activities that can be completed over the next three years. The activities have been selected on the basis of their importance to reinforcing recent democratic gains, strengthening the capacity to govern, building the basis for sustainable broad-based growth, and meeting basic human needs.

The strategy takes into account programs of other donors, U.S. comparative advantages in delivering assistance, operational conditions in Cambodia, and probable resource levels. All proposed programming is in the context of the Agency's four strategic priorities of democracy, economic growth, health/family planning, and environment. Although the strategy places heavy emphasis on promoting stability and consolidating the gains Cambodia already has made, it also attempts to lay the basis for sustainable development, thus adhering to the Agency's broadest mandate.

The strategy also takes into account lessons learned from the remarkable successes of neighboring Asian countries which have achieved significant, sustained growth while, at the same time realizing improved quality of life on a broad basis. The critical factors in these success stories were sound market-oriented economic policies, political stability, and significant investment in human resource development.

The strategy has been developed with several assumptions regarding the operational environment and available resources, including:

- assistance levels will remain relatively stable at about \$35 million throughout the strategy period;
- the Royal Cambodian Government (RCG) will not have in place control, accountability, administrative, and counterpart capacity sufficient to permit host country contracting or cash transfers to the RCG;
- all procurement will be through direct USAID contracting (including buy-ins to regional and central activities), grants and cooperative agreements;

- non-governmental organizations (NGOs) will play a key role in human resource development and a lead role in program implementation in order to deliver maximum impact at the community level and compensate for the government's institutional weaknesses;
- staffing will need to increase beyond currently authorized levels to implement the new family health/birth spacing project and to reduce grant management vulnerabilities.

During the preparation of this strategy, discussions were held with other donors, international and indigenous private voluntary organizations operating in Cambodia, the Royal Cambodian Government, and the U.S. Embassy. In addition, most of the recent development literature focusing on Cambodia has been reviewed. (See Annex A for a list of sources consulted.) The report begins with a review of USAID and other donor activities in Cambodia. It then examines the development context and the prospects for Cambodia's development. It goes on to present the proposed assistance strategy. The final section of the report presents the action plan.

USAID in Cambodia

USAID assistance to Cambodia has evolved to reflect the changing situation in the country since the mid-1980s. It has shifted from a program managed out of Bangkok, with a goal of providing humanitarian assistance to non-communist resistance groups in the border areas, to a more focused bilateral program for socio-economic and political development, based in Phnom Penh. USAID initiated humanitarian support to two Cambodian non-Communist groups in northwestern Cambodia in 1986, after an absence of a decade. Funds under this program provided non-lethal support to the non-communist resistance in the form of medical equipment and supplies, transportation, food, and training for community development and health care. Program levels averaged \$3.5 million annually through 1988, and increased to \$5.5 million and \$7.7 million in 1989 and 1990, respectively. The assistance was a rapid response civic action program rather than a development program. Known as the "cross-border program," it was administered by the Office of Khmer Affairs from Bangkok.

With the signing of the Paris Peace Accord in 1991, the program evolved towards a more traditional bilateral USAID program with emphasis shifting toward meeting basic human needs across Cambodia as a whole and supporting the UN-sponsored move to establish a freely elected government. Assistance levels expanded to \$25 million in 1991 and 1992 and then to \$60 million in 1993, reflecting USG priorities of supporting the peace process, providing critical humanitarian assistance, and resettling Cambodian refugees inside Cambodia in time to participate in the May 1993 elections. USAID/Cambodia implemented in record time an emergency roads rehabilitation project to assist in resettlement, expanded its basic human needs oriented NGO activities, and engaged in democracy-related initiatives. As shown in Table 1.1, USAID/Cambodia designed and implemented seven major projects in 1992 and an additional PVO Co-financing project in 1993 to successfully provide a rapid response to the swiftly evolving needs throughout these stages of the peace process. USAID/Cambodia's role in

supporting the democratic transition and meeting significant humanitarian needs of the approximately 300,000 returning refugees was noteworthy.

TABLE 1.1: USAID/Cambodia Project Portfolio

Project		Year Authorized	LOP Funding	PACD
		(\$ million)		
442-0100	Northwest Regional Development	Annual	N/A	1994
442-0102	Humanitarian Aid to Children	Annual	N/A	1994
442-0104	Cambodian Community Outreach	1992	5.0	1994
442-0108	Cambodian American National Development	1992	1.0	1994
442-0109	Emergency Roads Repair	1992	40.0	1996
442-0110	Technical Support	1992	10.0	1998
442-0111	Democratic Initiatives	1992	15.0	1997
442-0112	PVO Co-financing	1993	50.0	2000

USAID's assistance to Cambodia is well into the process of becoming a "post-crisis transition" program which may well be an instrumental factor in determining whether Cambodia continues on the path to democracy or falls back into a state of chaos¹. The program is being implemented under umbrella bilateral agreements with the newly established government which permit, in principle, more usual approaches for implementation.² Implementation of the program is now based in Phnom Penh and, in addition to addressing basic human needs, is focused on helping to establish the basis for rebuilding the country and establishing a strong,

¹ The Agency has defined the concept of "post-crisis transition" and the need to respond quickly in its strategy statement, Providing Humanitarian Assistance and Aiding Post-Crisis Transitions: USAID's Strategy (March 1994). This strategy notes that the end of the Cold War has created "so-called transitional situations -- circumstances in which countries try to emerge from a national conflict, a significant political transition, or a natural disaster -- where the timely provision of assistance can help revitalize society, reinforce institutions, and preserve national order. These countries have special needs that are not addressed by traditional disaster relief or long-term programs of sustainable development; the reintegration of dislocated populations, including demobilized soldiers; the restoration of elementary security and infrastructure; and the creation of political institutions. Transitional nations often are poised simultaneously for either growth or chaos. Given the opportunity and the risks -- especially from the failure to act quickly and effectively -- the donor community must try to respond."

² The cross-border program and early stages of the Phnom Penh-based program were legislatively mandated to be implemented primarily through NGOs, with obligations through direct grant agreements, due to a lack of diplomatic relations between the U.S. and Cambodia. Once the SNC was formed subsequent to the Peace Accords in 1991, some limited scope grant agreements were then able to be signed with the SNC.

participatory constitutional system. The evolution toward a more traditional bilateral program permits the definition of longer-term strategic objectives and a more stable program. See Annex B and Tables in Section V for more details on the existing program.

Activities of Other Donors

Donor programs and donor coordination in Cambodia have been undertaken within the context of the International Committee on the Reconstruction of Cambodia (ICORC), which was established as part of the Paris Peace Accord in 1991. Consisting of some 30 participating countries and 14 international organizations, ICORC has generated over \$1 billion in donor pledges. In 1993, donors disbursed \$155 million, of which approximately \$68 million supported development projects; \$35 million financed commodity imports and \$52 million was used to clear arrears with the IMF.

These pledges were driven initially by donor priorities and the resulting assistance programs have been in many cases disjointed and uncoordinated. The RCG has recently established the Cambodia Development Council (CDC) to develop investment priorities and budget requirements, formulate assistance requests, and coordinate donor assistance programs. Donor coordination both at the international level and within Cambodia is now moving from an essentially political and humanitarian focus to a more traditional economic development orientation and is responding to Cambodian priorities as outlined in the RCG's National Programme to Rehabilitate and Develop Cambodia issued February 1994.

Because of Cambodia's isolation prior to the 1991 Peace Accord, international financial institutions did not operate here. It was only after arrears were cleared following the September 1993 ICORC meeting that the World Bank, the IMF and the Asian Development Bank were permitted to begin programming activities for Cambodia. In addition, the United Nations Development Program began at that time taking on responsibility for new programs and also programs under the administration of the United Nations Transitional Authority in Cambodia (UNTAC).

A goal of all four of these institutions has been to put in place quick-disbursing programs as an immediate bridge to helping Cambodia meet its balance of payments and budget support needs. At the September ICORC meeting the World Bank announced a quick-disbursing loan for emergency commodity imports in the health and education sectors but has had problems in reaching agreement on imports to be financed. Because of these problems and accountability issues, and the desire to quickly provide resources for Cambodia, the World Bank is examining the possibility of establishing a social fund which will provide grants of up to \$50,000 for community-based activities. However, this program is still in the development stages and has not yet been presented to the board. At the same time, the World Bank is undertaking necessary analyses to develop a longer-term structural adjustment program which will focus on civil service reform. The IMF has put in place a program to provide initial budget support and help the central bank begin to establish monetary and fiscal stability. The Asian Development Bank's

program in Cambodia is supporting the RCG's macroeconomic management capability with short-term technical assistance, funding emergency rehabilitation of infrastructure, providing technical assistance to develop sector strategies, and supporting institution-building and human resources development. The UNDP has an office in Phnom Penh which has served as a clearinghouse for information on donor activities and coordinated activities of UN agencies in Cambodia. The UN family of activities includes UNESCO support to restoration of the temples around Angkor Wat, UNICEF assistance for primary education and child survival, limited UNFPA assistance in family planning, refugee resettlement activities under UNHCR, and a variety of other UNDP activities in several sectors.

Besides the United States, which has provided the highest cumulative level of assistance to the Cambodian people since the mid-1980s, other major donors in Cambodia are the Japanese (who have focused on specific infrastructure projects), the French (who have targeted the education sector, with emphasis on French language-based higher education) and the Australians (who have focused on support for specific PVO programs). In addition, close to thirty other bilateral donors are involved in providing assistance to Cambodia.

Although donor pledges have been notable and disbursements in the last year significant, it is clear that Cambodia will need technical assistance and financial support for many years to make the transition to sustainable development. The RCG has prepared a public investment program for 1994-96 totaling \$780 million, of which \$476 million has been tentatively identified of interest to specific donors. Anticipated donor involvement is heavily skewed toward transport, health, education, and rural development, in that order. Energy and water supply appear to have drawn notably less donor interest. However, current donor projections of their disbursements over the same period total only \$290 million, reflecting the tentative nature of commitments to the investment plan.

Annex C provides a summary of the planned public investment program 1994-96 with anticipated donor contributions, self-estimates of donor disbursements, and technical assistance requirements for macroeconomic management.

II. The Development Context

Cambodia is among the poorest nations in the world, measured by almost any standard³. While all of the countries of Southeast Asia have seen improvements in social welfare over the last three decades, Cambodia has not. Per capita income, at \$180 per year, places Cambodia among the poorest nations of Asia and the world. Life expectancy, at less than 50 years, is among the lowest in the world. Fertility rates at 4.5 are among the highest in the world. Health statistics are likewise among the worst in the world with the infant mortality rate 117 per thousand, the child mortality rate at 200 per thousand, nearly 12,800 people per physician nationwide, and nearly 25,000 people per physician in the provinces. Only 12 percent of the rural population has access to safe water. Average caloric consumption is the lowest in Southeast Asia. Literacy rates are estimated at less than 50% for adult males and less than 25% for adult females. Cambodia stands at 136 out of 160 on the 1992 UNDP Human Development Index.

Environment and Demography

Cambodia is a relatively small country in Indochina, approximately the size of Missouri, covering 69,898 square miles. With reasonably good alluvial soils, abundant but unharnessed irrigation water and a tropical monsoon climate with excessive rainfall, Cambodia has unexploited agricultural potential both extensively and intensively. The Mekong river is a major source of untapped potential for irrigation and hydroelectric power. The Tonle Sap and coastal areas are rich sources of fisheries and marine life with potential for expanded catches. Cambodia has small amounts of many minerals but little on which to base major economic activity. Unofficial exports of gems may be its single largest mineral export.

Cambodia's population was estimated at 9.65 million in 1993, with a conservatively estimated annual growth rate of 2.6%. About 85% of the population lives outside of the major cities. Although population density is low for monsoon Asia, the population structure is very young and the proportion of adult females very high. The extreme skew in age and gender structure is a potential source of future instability because of the high dependency ratio, the implicitly unfavorable fertility dynamics, the large proportion of households headed by females, and rising employment pressures as increasingly larger numbers of youth enter the labor force.

Seventeen percent of the population is under the age of six and nearly half is under age 15. The average Khmer mother will have 6 to 7 children during her lifetime. Maternal death rates are among the highest in the world, estimated at between 1 and 2 percent of deliveries, with induced abortions by village midwives being a leading cause of maternal death. Infant mortality is reported at 117 per thousand.

³ Measurement in the Cambodian context is not in any way precise. As described later in Section V, all estimates of parameters are at best "guesstimates" and do not reflect scientifically-derived sampling and estimation procedures. The estimation errors of these parameters are large and cannot be bounded by usual statistical principles.

A major imbalance in the gender distribution occurred as a consequence of war and Khmer Rouge persecution. In addition to the war casualties which were predominately male, there was selective emigration of men which led to a population in which about 64 percent of the adults were female in the 1980s, declining to 57 percent by 1990.

Both the war and greed of various political factions have led to an extensive environmental degradation which affects productivity and well being. Rampant logging, gem mining, millions of unexploded mines, and polluted water supplies top the list of priority problems (although many of these problems are the result of actions taking place in areas beyond the control of the government). The Tonle Sap provides water regulation for the Mekong River and spawning grounds for a significant proportion of the fish found throughout the Mekong Basin and the Mekong Delta, yet silting is increasing at a rapid pace from environmentally unfriendly mining in Cambodia's northwest. The rapid pace of logging operations threatens the largest undisturbed deciduous forests in the region which are host to rare and endangered species such as the kouprey and Eld's deer; the percentage of Cambodia's total land area which was forested dropped from 73 percent in 1964 to 62 percent in 1992. The rate of deforestation between 1989 and 1992 was estimated at 3%.

The RCG must seek a balance between sound natural resource utilization to support economic growth and environmental protection as opposed to exploitation solely to accelerate short-term economic growth. Preservation of Cambodia's natural resources is a regional as well as a national concern. Although a Cabinet-level Secretariat of the Environment has been established, it remains weak, without a legal framework for environmental protection and conservation. There is no strong indigenous environmental advocacy. While it is unrealistic to think that the weak coalition government will be able to put in place strong environmental laws and rigorous enforcement, nonetheless the rate of uncontrolled exploitation dictates that environmental awareness be strengthened both in and outside of the government.

Human and Physical Capital

The massive deficit in human capacity is one of most serious constraints impacting on future growth and the programming of assistance.⁴ Although physical infrastructure has been neglected for over 30 years and has deteriorated significantly, the physical infrastructure deficit pales in comparison to what happened on the human side.

Most of the population aged 18 to 36 lack critical education and basic skills because of genocide, starvation, and massive emigration during the reign of the Khmer Rouge, continued starvation and emigration under the subsequent Vietnamese sponsored regime, and war-related casualties. Ministries and businesses are staffed at the top levels by individuals who were educated prior

⁴ This deficit is particularly relevant to Cambodia's future growth since investment in human resource development has been identified as one of the two most important factors leading to the economic success of neighboring countries in the World Bank's recent study on Asia.

to the Khmer Rouge era and either fled and later returned, or somehow survived in Cambodia. Many of this thin cadre are competent and well educated. There is, however, a critical shortage of a core mid-level cadre in all sectors, with top officials unable to delegate even minor tasks.

Cambodia's educational system was dismantled during the reign of the Khmer Rouge. Under the Vietnamese-backed government, schools were re-opened. Nevertheless, the system never grew beyond a deteriorated state and remains in critical condition. Teachers remain untrained and textbooks, supplies and equipment are wanting. There is a severe shortage of adequate facilities, furniture, equipment, libraries, teaching materials, and trained teachers. Schools are overcrowded, running three sessions daily with up to 120 students per classroom. Daily sessions last only 1.5 to 2 hours. Absenteeism, by both students and teachers, is extremely high. Curricula are inappropriate. There is a limited number of trained administrative and professional staff for policy formation, implementation and supervision. Management information systems for budget and program development are inadequate.

Although there is a large number of donor and NGO programs in the education and training sector (approximately 120), their programs are relatively recent and coordination and strategic planning are weak. UNICEF has developed a promising primary education program which provides training for primary teachers, books and educational materials, but funding for the program is limited. The depths to which Cambodia status has plunged is reflected in its rank of 136 out of 160 nations on the 1992 UNDP Human Development Index.

Cambodia's physical infrastructure has deteriorated significantly as a result of 30 years of war and neglect. Less than 600 km of paved roads remain. Farm-to-market roads have disappeared completely. Major roads have deteriorated from acts of war, wear and tear and effects of weather. Bridges were primary targets for the warring factions and suffered disproportionate damage. Most existing usable bridges, even on main roads, are temporary Bailey bridges. Physical plant for health, education and other sectors has been neglected and those buildings which are still usable are in severe need of repairs and maintenance. The power plant in Phnom Penh is able to provide electricity no more than a few hours per day, on average. The water system is dilapidated and does not deliver potable water. The telecommunications system's coverage is extremely limited and nearly non-functional.

Food Security and Basic Needs

Unlike many other countries coming out of a similar crisis situation, Cambodia does not face an imminent food security problem. The Food and Agriculture Organization (FAO) has indicated that Cambodia will not face a national rice-production deficit in the immediate future, although there may be deficits in certain localities. The FAO has indicated that Cambodia's food security problem is a function of distribution rather than production, with inadequate marketing links and security-related concerns more of an issue than production deficits.

Public infrastructure is extremely poor, if existent, in most of rural Cambodia. Little of the country is covered by roads and those which do exist have been virtually destroyed by the 30 years of conflict. Most rural farmers are essentially cut-off from urban areas, with no access to basic agricultural inputs or markets for their products. Employment opportunities in rural areas are scarce, except for on-farm employment where underemployment already permeates. Credit for rural investment and microenterprise activity is virtually non-existent.

Health care in Cambodia is extremely poor and mortality rates are high. There are an estimated 12,800 persons per doctor. Half of the population does not have access to basic health care and three quarters of age one infants are not immunized. Access to safe drinking water is believed extremely low at less than 12% in rural areas. Infant mortality is reported at 117 per thousand and under age 5 mortality is estimated at 200 per thousand. Life expectancy is less than 50 years. Leading causes of mortality and morbidity in Cambodia are malaria, TB, diarrheal disease, childbirth, side effects of abortions, accidents, dengue hemorrhagic fever, measles, tetanus, polio, acute respiratory infections and malnutrition. Access to adequate health care is low, although Cambodians travel great distances and pay high prices in the private sector for what services they do get.

Although the recent flow of donor assistance in the health sector has provided significant progress in the last two years, there remain long-term problems in the sector. Malaria and tuberculosis are spreading almost unchecked in rural areas. Child mortality from preventable diseases is high for a country of Cambodia's level of development. Public health services remain unavailable or ineffective in much of the country. Resources for public health have declined steadily since the beginning of the decade, reducing an already inadequate system to an extremely low degree of quality and service effectiveness. Public sector health expenditures amounted to less than US \$1 per capita in 1993. Low salaries, coupled with systematic elimination of health professionals has resulted in extremely low skills of health care providers. The primary health care system is non-functional or in disarray in many provinces. While donor activities through NGOs have filled a critical service delivery gap, the abundance of individual programs has resulted in an uncoordinated patchwork of health activities. There is a need for the RCG to establish a coordinating function over these activities so that they address national priorities and meet minimum standards.

The size of Cambodia's vulnerable population has increased and its access to opportunities has diminished throughout the civil strife of the last 30 years. Village society in Cambodia remains unstable as hundreds of thousands of refugees have been resettled and internally displaced people and demobilized soldiers seek to integrate themselves into pre-existing village structures. Landholders remain uncertain about their rights of tenure. Traditional family support networks have been decimated by years of war and social engineering. UNICEF estimates that 60 percent of Cambodia's farming households are headed by single women and UNFPA has estimated that one third of all households are headed by women whose spouses were killed in the war. Personal security remains uncertain and is a constraint to programs attempting to promote rural development. Individuals have been injured both as a direct result of conflict and by the landmines resulting from this conflict. Landmines continue to prevent full use of once

productive agricultural land.⁵

Political/Security Environment

Cambodia is emerging from one of humanity's most brutal episodes of social, political and economic destruction. After World War II, Cambodia was re-established as a French protectorate, with a monarch carrying out largely ceremonial functions. France granted Cambodia independence in 1953. As in the rest of Indochina, the communist insurgency grew and in 1970 the monarchy was peacefully overthrown and replaced by the anti-communist Lon Nol government which was allied closely with the United States. After the withdrawal of the U.S. from Indochina in 1975, the Khmer Rouge took over the country and carried out a campaign of genocide unparalleled in recent history, exterminating or causing the death of up to one-third of the country's population by some accounts.

During the tyranny of the Khmer Rouge governance, virtually all of Cambodia's educated and culturally elite were either driven out of the country or systematically exterminated. The implementation of the radical rural commune-based philosophy of the Khmer Rouge resulted in a far-reaching social transformation which affected all aspects of life within the space of four years. The cities were emptied. Money, markets and private property were abolished. All educational and religious institutions were closed. Communications were cut off, including the abolishment of printing presses and the postal system. Freedom of movement, exchange of information, personal adornment, and leisure activities were curtailed. Punishments for offenders were severe. Repeat offenders were imprisoned under harsh conditions or killed. Families were broken apart and youth were placed in strictly controlled work camps, forced to labor long hours without rest. All individuals were assigned tasks to support the revolution, although seldom related to training or skills. Almost all citizens were forced to become peasants.

In 1978-79 Vietnam invaded Cambodia, after repeated attacks across its borders by the Khmer Rouge, and installed a pro-Vietnamese communist regime which took over the country's governance. Market-based mechanisms were not permitted to function and little training occurred to build a basis for economic growth or the functioning of government. In September 1989 the Vietnamese withdrew their armed forces from Cambodia, under the pressure of a costly and largely unsuccessful effort to defeat the Khmer Rouge and non-communist opposition, and under pressure from the U.S. as a pre-condition for lifting the trade embargo. Following the

⁵ The general consensus of demining professionals in Cambodia is that distribution of mines does not have a significant effect on the productivity of agricultural lands in the short-term. Nevertheless, an estimated 300 individuals are injured or killed every month by such devices and the cost, both directly in terms of treatment and lost revenues and indirectly in terms of lost productive capacity in agriculture, is significant. With expenditures of approximately \$10 million to \$20 million per year for demining some estimates suggest it would take several hundred years to fully demine the country at the current rate of removal and assuming that no new mines are placed. See Annex G for more detail.

collapse of the Soviet Union and diminution of superpower rivalry, the five permanent members of the UN Security Council pressured the four competing Cambodian factions to the peace table. In 1991 the four factions signed a Peace Accord which marked the beginning of a transition away from thirty years of crisis.

After the Peace Accord was signed, an interim administration was installed under the auspices of UNTAC to oversee a process ultimately leading to national elections and the establishment of a national government. Despite signing the 1991 Peace Accord, the Khmer Rouge refused to comply with the terms of the Accord by allowing UN forces access to the territories they controlled and disarming and withdrawing their troops into cantonments. Instead the Khmer Rouge played a spoiler role throughout much of the period leading up to the elections, alternating between threats and appeals to Cambodian nationalism with charges of continuing Vietnamese influence in the government and presence in the country. The Khmer Rouge ultimately boycotted the elections and, after largely failing to intimidate voters, engaged in an on-going attempt to negotiate a de facto role in the new government.

Successful national elections were held in May 1993 in which almost 90% of registered voters cast their ballots. A new constitution was drafted and adopted four months later and on September 24 of that year the Royal Cambodian Government, a constitutional monarchy under King Norodom Sihanouk, was installed. Most of the international community, including the U.S., immediately recognized the new Cambodian government, opening the way for increased assistance flows, particularly from the multilateral organizations.

Unfortunately, the Khmer Rouge still pose a very real threat to the new government. Although their numbers are believed to have steadily diminished from about 27,000 in 1991 to about 8,000 at present, they still control an estimated 6% of the population and most of the border area with Thailand. In addition, they still operate in small bands in much of the northwest portion of the country, giving rise to uncertainty over personal safety. Combatting the Khmer Rouge is expensive and drains resources away from critical development priorities. In addition, the military successes of the Khmer Rouge undermine confidence in the RCG and psychologically undercut the optimism stemming from the first free election in Cambodia's history.

Nevertheless, some analysts believe the days are numbered for the Khmer Rouge. Support to the insurgency has diminished significantly. Chinese assistance was terminated as part of the peace process initiated in 1991 and Thai support also is believed to be lessening. Further, the Khmer Rouge are losing other sources of finance since they no longer control the huge areas from which they extracted logging and gem revenues. Finally, it appears that popular support for the Khmer Rouge has further declined because their main argument on Vietnamese influence in the government no longer appears credible and people are tired of fighting.

Thus, the trends appear to be in the right direction. The Khmer Rouge are being increasingly marginalized. Nevertheless, in the meantime they still have a substantial force that can create a great deal of difficulty to a fledgling government that needs to focus its attention and scarce resources fully upon the nation-building task at hand.

The Economic Environment

Although some positive measures have been taken during the last two years, Cambodia's economy continues to suffer from the Khmer Rouge insurgency and the aftermath of 30 years of war. Estimated per capita income of \$180 remains a small fraction of levels in neighboring countries like Thailand and Malaysia. The economy continues to be primarily agriculture-based, with the agriculture sector contributing about half of Cambodia's GDP and employing between 80 and 85 percent of the labor force. Prior to 1991 the public sector deficit was financed primarily by external subsidies from former Soviet bloc countries. The abrupt evaporation of these subsidies in 1991 left a macroeconomic imbalance that was subsequently financed by Western donors and, to a larger extent, the printing of money.

Before Cambodia's turmoil began in the 1970s, the country was self-sufficient in essential foods and a net exporter of rice. Under the Khmer Rouge, radical commune-based social structures were put in place and Cambodia's communications and relations with the external world were systematically broken, destroying institutions and infrastructure as well as foreign trade. When the State of Cambodia was formed in 1979, a Vietnamese-dominated, centralized communist government was established. However, as Vietnam began to turn toward market mechanisms in 1985, so did Cambodia, with a lifting of price controls and a sanctioning of some private activities and joint ventures. This reform was accelerated in 1989 with the restoration of private property ownership and the subsequent elimination of most price controls.

As the 1990s approached, Cambodia was one of the poorest countries in the world with living standards and social indicators near the bottom among country rankings. Millions of landmines remained in the country as a result of the conflicts of the past 30 years and productive land remained unclaimed. Military spending remained relatively high, reflecting the ongoing civil conflict.

In 1992 the budget deficit stood at 4.6 percent of GDP. The deficit was financed primarily by issuance of new currency, leading to increases in consumer prices of over 200%. Late that year, in consultation with the IMF and the World Bank, the RCG undertook several steps to stabilize the situation, including severe cuts in capital expenditures, restraints on current expenditures, and introduction of new taxes. Additional measures were introduced in 1993 to strengthen tax enforcement and generate new sources of revenue. Official foreign exchange rates, which closely track the parallel market, had stabilized relatively by the end of 1993 (at riels 2200 per U.S. dollar) after depreciating rapidly in 1991-92 (from 600 riels to 2000 per U.S. dollar) to compensate for high inflation.

While the average annual growth rate in GDP for Cambodia has been estimated at between 7 and 8 percent over the 1991-1993 period, this growth has had limited impact and its benefits were not spread evenly. Most of the growth has been concentrated in Phnom Penh where 7.5%

of the population is located⁶. This growth was driven by substantial increases in donor presence (particularly the presence of UNTAC), leading to a donor-driven service industry and construction boom in Phnom Penh. This growth, while positive in terms of encouraging private investment, is neither sustainable at these levels nor national in scope.

Although progress has been made, Cambodia's macroeconomic situation remains unsettled. The financial system is shallow, reflecting both a lack of confidence in the banking system and the lack of earning potential in riel accounts. The skeletal tax system is inelastic and narrowly based, relying primarily on customs duties. According to the World Bank, duties represented 60 percent of tax collections in 1993 with 75 percent of duties attributed to goods that are re-exported. Tax revenue covered only 61 percent of current expenditures in 1993 and non-tax revenue sources remain limited with budgetary contributions of state-owned enterprises declining sharply since the initiation of a privatization program in 1989.

About half of all public expenditures are for military and security purposes. This is understandable given the continuing threat from the Khmer Rouge but nonetheless extremely limiting in terms of financing other critical needs. Salaries remain the largest item in current expenditures, although civil servant salaries (which reportedly lag by as much as three months) remain below subsistence levels at approximately \$20 per month and are sometimes paid with rice rather than money. The civil service remains much too large for the available budget, ultimately requiring broad-reaching reform that will reduce numbers by perhaps more than half and increase the pay of those retained.

⁶ According to estimates reported in the February, 1994 World Bank publication Cambodia: From Rehabilitation to Reconstruction

III. Prospects for Development

Cambodia is embarking on step two of a long journey to a more normal and hopeful existence. The people of Cambodia, some of the poorest in the world, have endured mass destruction, immense personal hardships, and unspeakable horrors. Now they appear to have successfully completed a first key step toward normalcy by establishing relative peace and electing a broadly representative government. Both political and economic stability appear within the grasp of the Cambodian people if the government has the time and the key donor assistance to make the proposed rehabilitation effort a concrete and successful reality. Consolidation and reinforcement of what has already been accomplished is critical. At the same time, laying a sound human resource and institutional basis for future development is both fundamental and essential if Cambodia is to move quickly toward a more normal development track and the social welfare of its people is to improve.

Realistically, a nation cannot be rebuilt in ten years nor can the key institutions and human capabilities necessary to manage that process be established in half that time. Nevertheless, the ground work can be laid for the most important of tasks, the most fundamental of priorities, and the establishment of the most critical capabilities. In essence, over the next three years the Cambodian government must consolidate its previous gains, produce immediate and visible results for a hopeful population in order to establish its legitimacy, and establish its core capabilities preparatory to commencing the third step of the longer-term transition from chaos and despair to broadly participatory, sustainable development. Clearly, key human resource development and institutional capacity building will remain priority tasks in the longer-term reconstruction phase of Cambodia's development. Nevertheless, the initial steps in capacity building that will be taken over the next three years are key to and will set the tone and timeline for Cambodia's ultimate development success.

Key Factors Affecting Prospects

Although Cambodia's negatives clearly outweigh its positives at the present time, there are limited but real bases for optimism. On the positive side major factors include visible progress in the last two years on several fronts, strong donor support, commitment and competence at the top of key ministries, establishment of a reasonable RCG development agenda, the presence of a strong NGO base in Cambodia, and significant unexploited agricultural potential.

On the negative side we see an extensive array of fundamental problems impacting on both short-term and long-term development prospects. With a focus largely on immediate concerns, the key negative factors include chronic budgetary deficits, an urgent need for civil service reform, a chronic lack of competent counterparts, lack of effective key institutions, lack of a fully market-oriented policy framework, lack of a strong private sector, chronic lack of basic infrastructure, destructive political faction infighting, the continuing threat by the Khmer Rouge, and the overall lack of organizational capacity to implement a rural development program.

Positive Factors: Although encouraging at first glance most of the factors listed below have occurred during the last two years and must be taken only as tentative evidence of the significant turn in Cambodia's fortunes. The development outlook over the next three years is highly tenuous despite these encouraging signs. Nevertheless, Cambodia has the following favorable factors upon which to consolidate and extend its recent gains:

Visible Progress in Last Two Years: The mood, if not buoyant, is definitely hopeful. People are visibly better off and the psychological mood, although fragile, is noticeably improved. Positive reform measures have been taken, trends toward economic stability are positive, relative peace has been established, government forces control a much greater proportion of the countryside, and the first freely elected government in Cambodia's history has been installed. In consequence, domestic entrepreneurs are emerging and foreign investors are more actively exploring trade related opportunities.

Strong Donor Support: The international community responded generously after the signing of the Peace Accord in 1991, pledging over \$880 million of support in Tokyo in 1992 and an additional \$119 million in 1993. At a March, 1994 meeting in Tokyo a further \$500 million (but with considerable duplication from the 1993 figures) was pledged to support Cambodia's rehabilitation and reconstruction. By 1993 these pledges were leading to significant disbursements, estimated at \$155 million, and expansion of economic activity.

Commitment and Competence at Top: The newly established RCG is characterized by dedicated leaders committed to creating lasting peace and economic growth. Key ministries are being led by competent ministers and vice ministers that are working diligently to create viable programs. Many well-educated Cambodians who fled the country over the past decades are now returning and taking positions in government or establishing new businesses and entering into dialogue with government about the economic and regulatory environment needed for growth. There is an open, objective attitude in senior management conducive to developing well-targeted, consistent, strong programs based on recommendations from expatriate advisors.

RCG Development Agenda Established: The RCG has taken significant strides towards taking charge of its development agenda since its installation in September 1993. At the March 1994 meeting of ICORC, the RCG distributed its new development agenda, stating "the overriding objective of the RCG is to achieve a fair, just and peaceful society and, through accelerating the rate of economic growth, to raise the living standards of all Cambodians." The RCG aims to double GDP in the next ten years in real terms, achieving an annual growth rate of between 7 and 8 percent. In the same time frame, it intends to extend health, education and social services to the entire population, thus leading to substantial improvement in the standard of living. In the same forum, the RCG identified its specific development priorities as well as performance criteria for itself and the donor community.

Strong NGO Base in Cambodia: Performance of NGOs is generally strong in Cambodia with coverage that tends to be national in geographic scope. They have engaged in pilot activities in all major areas of interest to USAID. Their pilot activities have served as a real-world test, in the Cambodian context, of technologies and approaches for providing assistance which have been tried elsewhere and which have worked. NGOs provide a generally strong support system for delivering broad-based social services.

Good Agricultural Potential: Despite the heavy rural-based nature of Cambodia's economy, population density on arable land is low. Relatively good alluvial soils combined with good potential for expanding irrigated acreage imply good scope for ultimately extending agriculture and increasing crop intensities. This potential is extremely important because 85% of the population is dependent on agriculture, population growth rates are extremely high, and labor force growth will be extremely high over the next decade and beyond.

Negative Factors: Cambodia has a long list of fundamental negative factors, many of which can be addressed given sufficient time and resources. Among the most important factors bearing immediately on Cambodia's development prospects are the following:

Chronic Budgetary Deficits: RCG revenues are not sufficient to cover even current budget expenditures. Tax revenues are narrowly based on import duties and relatively inelastic. The public payroll accounts for the overwhelming share of budget expenditures, yet wage levels are extremely low. Defense and security expenditures consume about 50% of the budget. Currently, no public infrastructure investment can be funded in a non-inflationary manner in the absence of donor assistance. In the absence of non-inflationary financing the government will be tempted to turn to the printing presses.

Urgent Need for Civil Service Reform: The civil service is very large but unable to meet the current demands being placed on it. Civil service reform must urgently address several issues including salaries that are below the poverty line, a bloated workforce that is often not at work, rampant corruption (including phantom armies), and lack of accountability within the government at all levels. These factors lead to both an inability to use government structures for most direct programming of urgent donor assistance; they also serve as a disincentive to citizens to have confidence in the government and to comply with basic government mandates, such as payment of taxes and customs duties. Diversion of resources from government revenues undermines government functioning and reduces funds available for government priority programs.

Chronic Lack of Competent Counterparts: The lack of qualified technical, managerial, and administrative counterparts throughout the government (and the country) is a fundamental constraint to effective utilization of donor assistance. Absorptive capacity is extremely limited. In order to deliver urgently needed assistance to the Cambodian people donors must, in effect, work around human resource and institutional weaknesses in the government. In the absence of strong counterpart organizations, and with donor competition for the attention of the few competent counterparts who do exist, donors must carefully coordinate and make minimal demands on RCG counterparts.

Lack of Effective Key Institutions: Given more than 30 years of political instability and civil war, coupled with nearly 20 years of communist rule and economic practice, Cambodia must actively work to overcome its grossly inefficient base of civil governance. It must put in place a legal, regulatory and judicial system which encourages private entrepreneurial practice and open markets as well as protect human rights and individual liberties. In effect, the key institutions and trained personnel required for supporting the operation of a market-based economy and the rule of law are largely absent or extremely weak. This phenomenon is common to former command economies under communist governments attempting to make the transition to market-oriented systems.

Lack of a Fully Market-Oriented Policy Framework: Cambodia is at the very earliest stages of making the transition from a command economy to a market-oriented economy. Although certain key steps have been taken since the late 1980s, including the reestablishment of property rights and the decontrol of most prices, the command economy mentality is hard to break and the vestiges of the former system are still in place. As a result, nominal market orientation often is subverted by the legacies of the past, whether it be petty officials or arcane regulations. In addition, the key institutions required to formulate, manage, and implement economy policy are extraordinarily weak, with little or no personnel technically capable to carry out the institutional tasks. The battle over economic stability is far from won until key budgetary and monetary reform occurs. The battle for structural reform awaits key measures relating to export and currency controls and encouragement and protection of foreign capital.

Lack of a Strong Private Sector: The destruction of the Cambodian society over the last 30 years also destroyed much of the basis for a strong private sector. The purposeful killing by the Khmer Rouge of the risk takers, the educated and the skilled is probably the single most important factor constraining the private sector today. Nevertheless, many other important factors have impacted adversely upon the emergence of the private sector and the capacity and outlook of private entrepreneurs. These factors include the mindless destruction of capital resources, the dismantling of key institutions, the rigidity of the communist economic and social ideology, and the heavy handed (often murderous) suppression of innovation. Private entrepreneurs face great uncertainty from many directions including political and economic instability and threats to personal security including extortion and banditry. In addition, private entrepreneurs have little access to credit, basic infrastructure services, or common business services. Taken together the above factors have created a relatively fragile (extremely short-term view) entrepreneurial spirit upon which to build, despite the strong traditional entrepreneurial heritage in East Asia.

Chronic Lack of Basic Infrastructure: Much of Cambodia's infrastructure has essentially disintegrated after 30 years of destruction and lack of maintenance. There is a critical lack of basic infrastructure, including roads, electrical power, potable water and sanitation systems, and telecommunications. Most roads are barely passable (if existent), electrical power is largely unavailable or completely undependable where it does exist, potable water exists absolutely nowhere except in 5-star hotels and expatriate organizations/homes, and telecommunications are limited to a select wealthy or powerful few in the larger cities. Transport equipment is minimal

for the needs at hand and totally inadequate for a vibrant market economy. Basic facilities and equipment are grossly lacking in key ministries, institutions of higher learning, and for the delivery of basic services such as health and education.

On-going Factional Infighting: While accomplishments to date are unprecedented in terms of the political transition which has taken place, significant conflict remains within the RCG and between the RCG and dissident factions, especially the Khmer Rouge who refused to support or participate in the May 1993 elections. The RCG is a coalition government of three factions created under the political guidance of King Sihanouk.⁷ The coalition government has two prime ministers and two ministers in two key ministries, reflecting the intricate nature of the political deals which were made to permit formation of a constitutional government. The King's moral guidance was critical in forming this most unusual political compromise. Unfortunately, the King's health is frail.

Continuing Threat by Khmer Rouge: Although believed to have experienced substantial defections over the last two and one-half years and likely to become increasingly marginalized in the future, the Khmer Rouge (with an estimated 8,000 troops) continue to wage a costly unconventional war against the new government. In addition, the Khmer Rouge control an estimated 6% of the population in rural areas. The progress which has been made in Cambodia so far must be viewed in light of the terrorist threat of factions outside of the government as well as the possibility of political disintegration within the two key parties. Donor assistance will need to address the development of effective participatory structures, particularly in the rural areas, which empower and provide opportunities for Cambodia's citizens and reduce the viability of terrorist threat.

Difficulty of Delivering Rural Development: The RCG faces some particularly difficult development challenges, including the immense implementation challenge posed by rural development. With over 85% of the population living in the country-side, a balance must be struck between emphasis on development of urban and rural sectors. Any solution which purely maximizes economic growth is not likely to be viable in political terms. Most rural areas are in desperate need of basic health and education, rural farm-to-market roads, and safe drinking water supplies. However, access to and communications with rural areas are extremely poor. In addition, provincial administration is weak and personal security is low.

⁷ The party which won the May elections, FUNCINPEC, is itself a coalition of political groups. There are constant shifts within FUNCINPEC which reflect ongoing shifts in political positions.

Strategic Priorities and Pressing Issues

The RCG has two essential tasks to accomplish over the next three years. First, it must establish its credibility by maintaining stability and providing a hopeful outlook through visible signs of progress. Second, it must rapidly increase the capacity of the government (and the country) to absorb and effectively utilize donor assistance before initial enthusiasm wanes.

To achieve these tasks the government needs to accomplish several different things over the next three years. The near-term priorities include:

- Improve personal and national security: by decreasing the size of the military force and improving the training, pay, and equipment of the rest; by targeting banditry and improving law enforcement.
- Reinforce and consolidate democratic gains: by strengthening the capabilities of the National Assembly to carry out its functions and improving the capacity of public interest NGOs.
- Improve the capacity to govern: by radical reform of the civil service including substantial reduction in numbers and increases in pay; by short-term training of key staff in key ministries; by selected long-term training for mid-level and/or promising officials occupying key functions in key institutions; by establishing basic legal, regulatory, and judicial systems necessary for protection of human rights and proper functioning of a market economy; by systematically attacking corruption within government.
- Stabilize the macroeconomy: by reducing chronic budget deficits through tax reform, civil service reform, and reordering budget allocation priorities; by imposing controls over credit allocations to SOEs; by establishing and institutionalizing monetary discipline and developing further monetary instruments upon which to control the money supply.
- Lay the foundations for broad-based growth: by establishing the basic institutions necessary to manage a market economy; by establishing an outward looking market-oriented policy framework; by adopting a favorable foreign investment code; by halting the environmental pillage; by promoting effective microenterprise credit schemes.
- Build core human resource base: by building a strong primary education system; by providing universal access to primary education; by providing basic vocational skills; by providing short-term training to core civil service and institutional staff.
- Establish and strengthen key institutions: in particular, the legal, regulatory and judicial systems; and the principal economic ministries and central bank.
- Get basic services out to broad population: in particular, farm-to-market roads, health and family planning, basic education, and potable water.

- Repair and rehabilitate basic infrastructure: in particular, primary roads, electrical power, water supply, and selected facilities supporting key institutions.

Proposed Development Agenda

The RCG outlined its development agenda in the February 1994 National Programme to Rehabilitate and Develop Cambodia. The document identified the "crucial elements" of its agenda as the following:

- reforming the State apparatus and Public Service
- realizing political stability and economic growth
- establishing a legislative and regulatory framework conducive to a fair and stable investment climate
- providing required physical infrastructure
- developing human resources
- gradually integrating the country into the regional and world economies
- optimizing sustainable resource use
- security and demining

In response to a request by the ICORC donor group in its September 1993 meeting, the World Bank prepared a comprehensive assessment of Cambodia's near-term needs.⁸ Focusing largely on needs over the next three years, the World Bank identified sectoral assistance priorities based on (i) number of beneficiaries, (ii) capacity for implementation, and (iii) intersectoral linkages. Emphasis in establishing economic stability and commencing with structural adjustment were stressed as expected.

In order of priority, the World Bank's assessment of sectoral needs was as follows:

- agricultural and rural development: includes improving the rural road network, extending refugee resettlement programs, clarifying property rights and land titling, and demining;
- transportation infrastructure: includes repair and rehabilitation of primary roads and provision of material and equipment for maintenance;
- energy: includes capital investment in generation and distribution, and technical assistance for institutional and regulatory issues;
- water supply: includes production in rural levels (including provision of chemicals), rehabilitation of distribution and wells in rural areas;

⁸ The World Bank, Cambodia: From Rehabilitation to Reconstruction, February 1994. Several needs assessments have been conducted by the major donors including the World Bank, ADB, IMF, UN, U.S., and Sweden. However, the World Bank's assessment is the most recent comprehensive donor effort.

- health: includes provision of tuberculosis and malarial drugs and supplies, expansion of AIDS, maternal-child health and birth spacing programs, improving the malaria program in endemic areas, improving cold chain maintenance for drugs and vaccines, and construction of blood banks;⁹
- education: especially expanding access to and improving the quality of basic education.

USAID/Cambodia is in general agreement with the World Bank's assessment of priorities. Our proposed program focuses almost entirely on four of the six priority areas identified plus the macroeconomic policy framework. Although somewhat more vague in its setting of priorities, the RCG's development agenda also clearly stresses each of the major USAID programming areas. See Annexes D and E for summaries of the RCG and World Bank reports.

Potential Risks and Vulnerabilities

The major risks and vulnerabilities to Cambodia's development prospects over the next three years have already been laid out in other discussions. They may be summarized as follows:

- Political instability: The tenuous political situation could be unsettled by several conceivable factors including possible breakup of the coalition government, a coup, or social unrest;
- Khmer Rouge resurgence: It is easy for the Khmer Rouge to cause major disruption and very costly for the RCG to contain;
- Economic instability: The RCG must move against chronic budget deficits immediately and impose significant discipline on monetary management and issuance of new credit to SOEs;
- Foot dragging on key reforms: The RCG must move quickly ahead on key economic, civil service and legal, regulatory, judicial and human rights reforms.
- Corruption: Corruption undermines effectiveness of donor efforts and functioning and creditability of the government. It is essential that it be addressed as a core part of civil service reform and in the efforts to establish rule of law and accountability within government.

⁹ The construction of hospitals was specifically cited as something which donors should not undertake until need is clearly identified and the RCG is able to properly operate them.

IV. Proposed Assistance Strategy

Important progress has been made in Cambodia over the last 2 1/2 years. The political situation has stabilized, democratic elections have been held, a new constitution has been drafted, and a new coalition government has been installed. The economic situation is slightly better, trending toward notably greater stability if donor support is continued and proposed rehabilitation agendas and reforms are implemented.

Nevertheless, the next phase in the post-crisis transition process is extremely fragile. Failure at this stage could undo much of the hard won progress already made. The next three years are pivotal. Consolidation of gains already made, fast-paced rehabilitation preparatory to the reconstruction phase ahead, and core capacity building are the next critical steps in normalizing the Cambodian development process. Cambodia continues to face major risks in the period immediately ahead and is unlikely to make a successful transition without close, continuous, and substantial donor assistance. As one of the primary donors in Cambodia, USAID's program could help make the difference between whether the newly elected government holds together or falls apart. Failure now will threaten destabilization and the immense investments already made in Cambodia's behalf and condemn Cambodians to continue to live in dire poverty.

Cambodia's unique circumstances dictate the need for an innovative USAID post-crisis transition strategy. The critical lack of institutional capacity, skilled personnel, and local financing dictates an interim USAID strategy of relying largely on NGOs for much of the program implementation. The implementation choice is between direct USAID management, private contractors recruited from off-shore, or NGOs. NGOs have proved to be the best alternative given Cambodian conditions. They are technically competent, committed, and have proven operational capabilities in Cambodia. They stack up well on all accounts against either direct USAID management or private contracting alternatives and are significantly more cost effective on average.

We see Cambodia as an opportunity to test a major NGO-led post-crisis transition model of assistance. USAID's NGO management strategy focuses on laying the groundwork for future development as well as the delivery of critically needed basic services. A focus on training, replicability, and sustainability will underlie all future NGO programming. We believe the many NGO strengths, particularly in delivering community-based programming, more than compensate for certain of their weaknesses. USAID/Cambodia intends to manage its program in such a way that it capitalizes on NGO strengths and minimizes weaknesses. USAID/Cambodia believes that Cambodia's situation requires extensive hands-on "retail" approaches to delivering assistance which USAID cannot directly manage and for which NGOs are uniquely qualified. (See Annex F for further discussion of USAID's NGO Management Strategy.)

USAID/Cambodia's proposed strategy focuses on Cambodian urgencies and transition priorities. It is strongly complementary and interdependent at both the project and strategic objective level. It fits well in the medium-term rehabilitation/transition framework proposed by the RCG and the

World Bank. However, despite the wholesale NGO-led nature of the proposed program, additional staffing will be required if program financial management vulnerabilities are to be reduced to acceptable levels.

The proposed assistance strategy covers the three-year period FY 1994-97 because the rapidly evolving situation in Cambodia dictates a shorter time-frame than usual.¹⁰ Nevertheless, the proposed planning period matches up well with the recently proposed RCG and World Bank rehabilitation/transition agendas. USAID's assistance strategy has been developed with input from other agencies of the U.S. Government, donor implementing organizations, NGOs, beneficiary groups, and the RCG.

The proposed strategy conforms with identified priorities of the RCG, complements other donor assistance programming, plays to U.S. comparative advantages, and is fully consistent with the Agency's strategic objectives. The strategy attempts to address areas of critical need in the ongoing nation-building process, with emphasis on visible, high impact activities that can be completed within the strategy period -- while still laying the basis for future development.

The overarching goal of U.S. assistance is to support the nation-building process of Cambodia during the critical period ahead. Promoting stability by delivering visible progress on several simultaneous fronts -- while developing the minimum core capacities for the future -- will be key to ensuring the success of Cambodia's nascent nation building process.

The proposed program is based on three strategic objectives which address pluralism and governance, economic growth, and basic human needs:

Strategic Objective 1: *To reinforce democratic gains by further strengthening the capabilities of public interest NGOs, processes and institutions and to strengthen Cambodia's capacity to govern by helping to establish legal, regulatory, and judicial systems.*

Strategic Objective 2: *To promote sustainable broad-based economic growth by helping to establish an outward-looking market oriented policy framework.*

Strategic Objective 3: *To help meet targeted basic human needs by supporting programs and policies which assure that rural citizens and vulnerable groups have access to services and participate in economic growth.*

The existing project portfolio consists of a democracy project, a PVO co-financing project, an emergency roads project, and a technical support project. All four directly support the three strategic objectives. The challenge over the course of the strategy period is to accelerate the shift away from service activities implemented largely outside of the governmental framework to activities which fall within and are supportive of national programs being undertaken by the

¹⁰ More precisely, the strategy covers FY 1995-97 plus the approximately four months remaining in FY 1994.

RCG. Activities over the strategy period will increasingly emphasize institutional capacity building by promoting training, sustainability of service delivery programs, and Cambodian capacity to replicate program services.

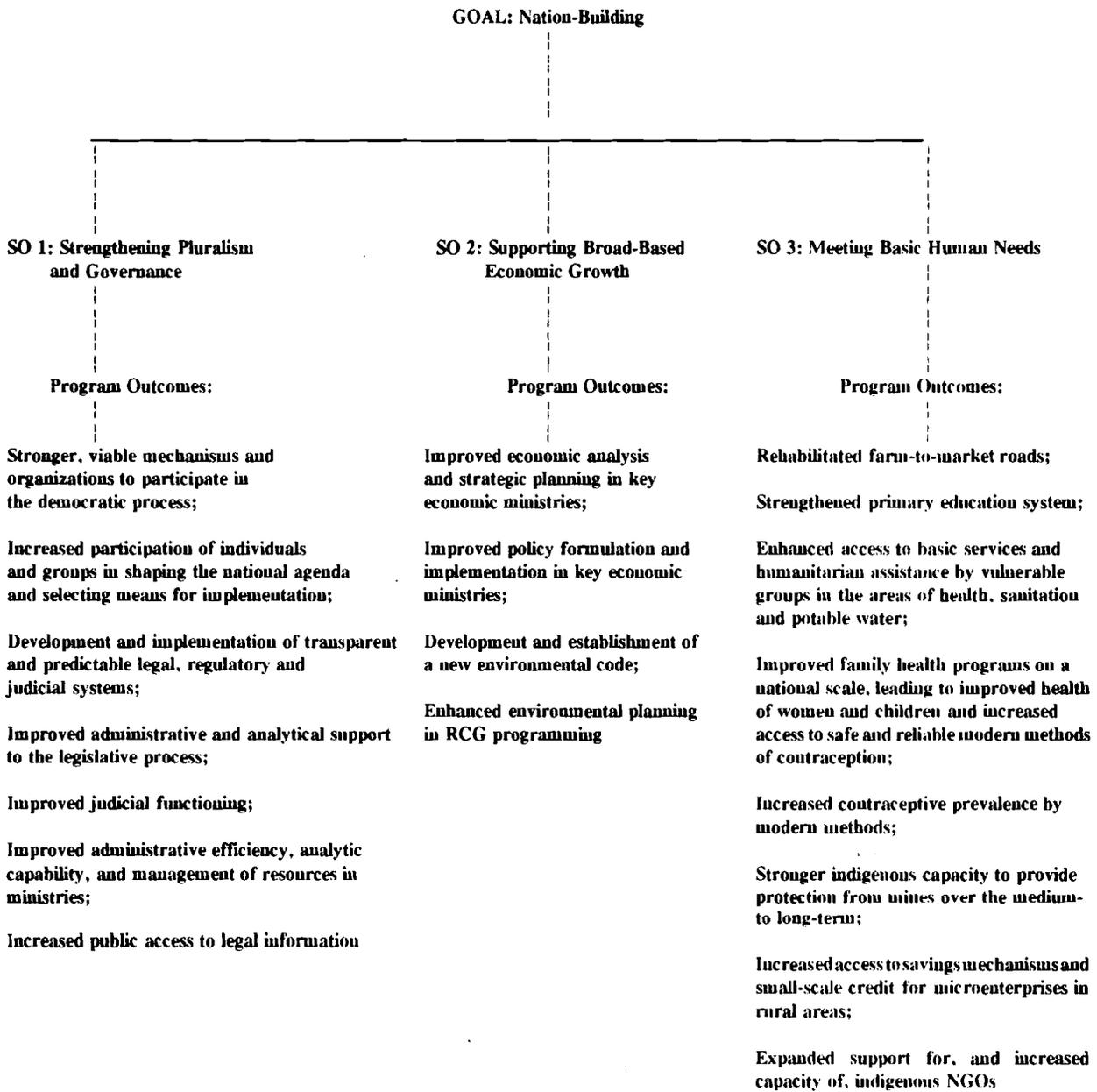
Five new projects are proposed during the strategy period: family health and birth spacing; farm-to-market roads; environment; primary education; and a follow-on PVO Co-financing project. These projects all directly support the program's three strategic objectives. Each of the new projects address areas of priority need identified by the World Bank in which USAID has a comparative advantage to provide assistance¹¹.

It is important to understand that capacity building through training is an underlying theme that runs throughout the proposed USAID strategy and project portfolio. It occurs or will occur in all projects of the proposed portfolio, including technical support, democratic initiatives, primary education, family health and birth spacing, farm-to-market roads, and environment. It also is incorporated throughout the PVO Co-financing portfolio of activities and will be further emphasized in future rounds of Co-Fi grant making.

USAID/Cambodia's approach to capacity building will emphasize short-term training, learning-by-doing, and emphasis on gender equity in participant selection. Much training in the portfolio already is conducted in the Khmer language except where English language training is clearly appropriate; this will continue. NGO training will include private sector activities, indigenous NGO training, and, where appropriate, training of government officials and counterparts. Short-term training of key civil service staff in core ministries related to the USAID strategy will occur under the technical support project and under grants to NGOs. Limited long-term training at the Master Degree level in areas of development priority will be conducted under the Fulbright program.

¹¹ Cambodia: From Rehabilitation to Reconstruction, The World Bank, February 1994.

FIGURE 1: HIERARCHY OF OBJECTIVES



Considerations Guiding Strategy Development

Criteria: In the context of lessons learned from neighboring Asian successes, the Agency's goal and objectives, and the post-crisis transition strategy, USAID/Cambodia has selected strategic objectives for the Cambodia program based on the following criteria:

- consistency with Cambodian development priorities;
- consistency with the Agency's strategic focus and mandate;
- complementarity with other donor programs;
- potential for visible, high impact within a relatively short time frame;
- priority in terms of democratic government surviving the post-crisis transition;
- likelihood of spread effects, especially in which a high degree of rural household participation is facilitated and in which benefits accrue to the rural population;
- U.S. comparative advantage in technical expertise; and,
- manageability and accountability of proposed activities.

Assumptions: Three key assumptions underlie the proposed assistance strategy: continued political stability and commitment to democratic pluralism; continued RCG willingness to implement donor recommended economic policy reforms; and continued RCG willingness to permit NGOs to operate throughout the country.

Continued Political Stability/Commitment to Pluralism: The expected outcomes from USAID/Cambodia's assistance throughout this strategy period will depend on continued political stability in Cambodia and a continued commitment by the RCG to a multi-party, democratic structure. Political stability is both a necessary precondition for a successful post-crisis transition as well as a desired outcome. Political stability provides both security and a basis for economic growth. Only as benefits of democratic change begin to accrue broadly will necessary political support grow and stability be ensured. Should civil war resume or the Khmer Rouge insurgency significantly widen, or should any particular party take control of the government, achievement of the program outcomes would be in jeopardy and a readjustment of the assistance program would be required.

Continued Willingness to Implement Donor Recommended Reforms: A second key assumption underlying the proposed strategy is the RCG's willingness to implement recommended policy changes to improve the economic and business environment. This includes early reform of the civil service including significant downsizing and competitive salaries for those who remain.

Continued Willingness to Allow NGOs to Operate Throughout the Country: A third key assumption is that the RCG will continue to permit NGOs to operate throughout the country, although it is expected that the RCG will implement quality control and other oversight functions which will govern NGO activities.

Strengthening Pluralism and Governance

Strategic Objective 1: *To reinforce democratic gains by further strengthening the capabilities of public interest NGOs, processes and institutions and to strengthen Cambodia's capacity to govern by helping to establish legal, regulatory, and judicial systems.*

Rationale: The division of the country for decades and factional infighting has led to extreme instability on the political, economic and social fronts. The factions do not fully function as political parties. Government and factional power is a basis for skimming off personal wealth and the needs of vulnerable groups throughout the country tend to be ignored. Although political parties have existed for many years, they do not yet understand how to function effectively as parties or participate in a multi-party system. The newly formed National Assembly is not equipped to operate effectively. Legislators lack understanding of their role in particular and the needs and responsibilities for governance in general. The legal system is not transparent, predictable or efficient. The RCG lacks the basic laws, policies, regulations and implementing mechanisms required for an efficient, market-oriented economy.

USAID/Cambodia has already taken significant steps to promote pluralism and strengthen governance. Evolving from activities to support the Peace Process and the May 1993 elections, the existing democracy project has provided training for the major political parties (not including the Khmer Rouge) and for establishing operating mechanisms in the new National Assembly. Under the auspices of The Asia Foundation, the National Democratic Institute, the International Republican Institute and the Asia-American Free Labor Institute, these programs have been endorsed by recipient organizations and have already led to tangible outcomes. In addition, assistance to the Economics Institute and the Ministry of Justice have expanded Cambodians' understanding of the linkages between the transition to a market economy and the rule of law. Progress to date includes increased transparency in courts and respect for due process and education of public defenders to protect the rights of and assure due process for accused who cannot afford expensive legal counsel. Programs to date have emphasized the role of women and the empowerment of women in the democratic process; this emphasis will continue throughout the strategy period. USAID/Cambodia is currently undertaking a comprehensive assessment of existing programs and looking at the situation in Cambodia to recommend refinements of USAID/Cambodia's overall approach in this area.

USAID is one of the few donors with a specific objective to promote improved functioning of the National Assembly and public interest NGOs in Cambodia. USAID/Cambodia is able to bring in expertise from many countries so that Cambodian recipients of assistance are able to judge what particular aspects of assistance and models of governance are most appropriate in the Cambodian context. This broad-gauged approach contrasts with other donor programs which have attempted to unilaterally introduce particular approaches to governance and legal development, thereby promoting competing systems and languages of instruction.¹²

¹² For example, recent demonstrations occurred at the French-administered Faculty of Law, where students protested mandatory French language instruction and corruption.

The RCG has specifically requested additional U.S. assistance in promoting democratic processes and supporting good governance, noting that this assistance is both unique in the overall context of donor assistance and effective in terms of its impact. The National Assembly strongly endorses USAID assistance and currently has requests pending for continued and additional assistance.

Proposed Activities: Emphasis will be given to working with the parliamentary system to build administrative and analytical capacity necessary to support the emergence of a meaningful legislative role. Support will also be provided to develop legislative capacity to analyze issues, develop legislative agendas, and promote organizational development and functioning of the legal and judicial systems. Specific emphasis will be given to working with the RCG and relevant institutions to develop transparent mechanisms for governance, law and justice; and to selected ministries to evaluate and define priorities and formulate implementation plans.

Expected Program Outcomes:

- *Stronger, viable mechanisms and organizations to participate in the democratic process*
- *Increased participation of individuals and groups in helping to shape the national development agenda and selecting the means for its implementation*
- *Development and implementation of transparent and predictable legal, regulatory, and judicial systems*
- *Improved administrative and analytical support to the legislative process*
- *Improved judicial functioning*
- *Improved administrative efficiency, analytic capability, and management of resources in ministries*
- *Increased public access to legal information*

Implementation Plan: The recipients of assistance under this objective are the Cambodian National Assembly, political parties, and educational institutions involved in training leadership for both the public and private sectors. In addition, targeted technical assistance will be provided to key Cambodian ministries, human rights organizations and public interest NGOs. Assistance under this objective will continue already established assistance modes, under a grant to The Asia Foundation as well as through other qualified U.S.-based PVOs to deliver assistance. Some support to ministries may be provided under the existing technical support project (e.g., Ministry of Justice).

Resource Requirements: To carry out the activities proposed under this strategic objective, USAID/Cambodia is requesting \$28.8 million in program funds and \$1.8 million in OE funds throughout the strategy period (FY 1994-97). Table 5.12 provides a detailed breakdown of program funding requirements by project for meeting this objective. In implementing the activities under this objective, USAID/Cambodia will require the services of a USPSC democracy officer (already in place) under the supervision of the USDH projects officer.

Supporting Broad-Based Economic Growth

Strategic Objective 2: *To promote sustainable broad-based economic growth by helping to establish an outward-looking market oriented policy framework.*

Rationale: The current policy and regulatory framework does not provide an internationally competitive basis to attract the foreign investment necessary for meeting the RCG's growth objectives of between 7% and 8% per year. Nor does it promote the necessary rapid expansion of exports on which neighboring countries have established such growth rates. While significant advances have been made in the last two years, there remain many issues with respect to establishment of corporations, licensing requirements, national treatment of foreign investment, export duties, tariff structures, transparency and equity in taxation, and predictable and transparent resolution of conflict, including recourse to international arbitration for foreign investors.

The RCG's extremely weak technical capabilities require that key individuals in all ministries and agencies spend disproportionate amounts of time on office administration tasks, which do not represent an efficient use of their time. At levels below senior management there is little, if any, capacity for analytic work, including the ability to identify and collect raw data needed for policy decisions. Strategic planning is not emphasized and decisions are taken on an ad hoc reactionary basis rather than from a forward thinking strategic approach. Critical skills for interaction with professional staff representing international organizations, whether public or private are seriously lacking. The little training that has been provided has generally been derived from a communist, central planning orientation. The basic concepts of a market-oriented approach to governance and the role of government in a market-oriented system are not understood. Basic skills required to facilitate policy development (e.g., computer skills, data management and analysis, preparation of briefing materials) are scarce.

Specific needs have already been identified in key ministries critical to the emergence of a market-oriented economy. Technical assistance will be provided to ministries which have projects included in this strategy, e.g., health, education, environment, and public works. Indicative needs of the economic ministries include¹³:

¹³ These examples are indicative of priority needs but not exhaustive, either in the ministries discussed or in other ministries related to the USAID strategy; assistance will address critical planning needs and will also emphasize equity issues in the context of governmental planning.

Ministry of Economy and Finance: Although short-term advice has been provided by the IMF on tax policy and administration, this technical assistance has ended and the Minister has requested long-term assistance in this critical area. The Ministry lacks the ability to conduct financial and performance audits, a key requirement for promoting transparency and accountability in government. The Ministry's needs include developing tracking systems, prioritizing expenditure requests from the various ministries, and forecasting of government revenues and expenditures. The Ministry lacks the ability to properly evaluate the costs and benefits of proposed public sector investments. Inability of staff to speak foreign languages impedes enforcement of foreign contracts and the management of foreign exchange budgets.

National Bank of Cambodia (NBC): The NBC functions as Cambodia's Central Bank. It was reestablished in 1979 after the fall of the Khmer Rouge regime and reorganized in 1989 to adapt to a monetary regime based on indirect control over the money supply. The NBC is weak in mid-level policy management and implementation capacity. It lacks many of the tools for facilitation and prudent regulation of financial intermediation by the private sector. This includes transactions clearing mechanisms, policy instruments for indirect control of the money supply, and the ability to supervise commercial banks for prudential practices. The NBC needs immediate help to develop monetary policy instruments, policy mechanisms for foreign exchange management, and capacity to monitor commercial credit. It also needs assistance in devising systems to control credit to the public sector, provide adequate credit to the private sector, license and supervise financial institutions, and incorporate village credit institutions into the national banking system.

Ministry of Commerce: This Ministry lacks necessary skills for establishing and enforcing domestic commercial regulations or engaging in external trade negotiation. Assistance is needed in setting up mechanisms for business registration, creation of industry and trade standards, facilitating domestic trade, understanding the principles of international negotiations, and establishing consumer protection and anti-trust regulation.

The donor community has tended to provide piece-meal assistance to various RCG ministries and institutions. No donor is providing a comprehensive strategic overview of necessary analysis and decision-making.¹⁴ The World Bank is providing assistance to particular ministries, such as education and health. The IMF is providing short-term technical assistance to the Central Bank. Short-term assistance has been provided to the Institute of Economics and the Ministry of Economy and Finance, but there remains a need for strategic planning advisors for the RCG, and a comprehensive plan for short-term technical assistance.

¹⁴ There are many donor-funded activities underway in Cambodia, and donor coordination is improving both as a result of direct interactions among the donors, primarily under the auspices of ICORC, and with the formation of the RCG's Council for the Development of Cambodia (CDC) and its operational arm, the National Committee for Rehabilitation and Development (NCRD). The CDC is a senior-level coordinating body which sets development priorities and programs and the NCRD implements policy set by the CDC. These Cambodian entities cooperate closely with the Ministries of Foreign Affairs and International Cooperation, Plan, Economy and Finance and technical ministries in program and project identification, implementation, monitoring and evaluation. At a macro level, these institutions will assure that there is consistency among various donor programs.

While there has been an oversupply of technical assistance from the donor community, as a result of uncoordinated RCG requests in the early days of the government, the RCG is beginning to realize that this haphazard approach to assistance is neither targeted at the areas now viewed as most important by the RCG nor driven by the RCG's real needs. Rather it has been driven by donor supply and priorities. The RCG is beginning to identify the types of assistance which it considers most important as it begins to implement its development plan. We expect that greater clarity will develop on the part of the RCG with respect to its real technical assistance needs in the coming months.

USAID/Cambodia has worked with economic planning ministries throughout the developing world and our assistance in this area is viewed as particularly important by the RCG. RCG ministries already have sent demands for technical assistance far in excess of what could be supported during the strategy period. The challenge to USAID is to work with the RCG to identify which needs are most critical and areas where the USG is most capable of providing assistance in a sustained way over the medium term. The Ministry of Finance and the Central Bank are working closely with USAID/Cambodia to identify the most critically important long-term assistance needs and areas where short-term technical assistance would be most appropriate. Both the First and Second Prime Ministers have endorsed USG assistance in this area, identifying sustainable growth with equity as the critical goal of the RCG.

Long-term participant training is usually a high priority for addressing weak counterparts and low absorptive capacity. However, the Cambodian situation limits the extent to which this remedy can be applied during the strategy period since few Cambodians currently qualify for such training. Preparatory time to gain the language and the fundamental skills needed to meet graduate entrance requirements, plus the actual time spent in training itself, is likely to exceed the strategy period, except in exceptional cases. More importantly, the few individuals who come closest to being qualified are critically needed in Cambodia in the short-term to help keep the government functioning and to serve as counterparts for donor assistance programming.

Although the RCG has established a cabinet-level Secretariat for the Environment, there is no legal framework for regulation of environmental protection. In addition, there are few indigenous groups which are currently undertaking advocacy on environmental matters. Environmental degradation is at high levels, while various factions pursue logging, gem mining and business ventures which have serious environmental impacts. Unfortunately, these factions are closely aligned with politically powerful groups in Cambodia and a comprehensive solution of these environmental issues will not be forthcoming until political solutions are at hand. Nonetheless, USAID/Cambodia believes that the environmental problem is of such grave importance that it cannot be ignored during the strategy period and addressed only after a period of several years. The Secretary for Environment specifically has requested technical assistance to develop an environmental code.

Proposed Activities: Given the RCG's desperate need for analytic support and in-house training, the USAID/Cambodia program will provide short, medium and long-term technical advisors to key ministries involved in formulating the economic framework and managing the market economy. USAID/Cambodia will select highly qualified advisors to provide both immediate analytic support to senior ministry staff and assistance to ministries in developing on-going staff development programs which will increase indigenous capacity for data collection, analysis, and policy formation. In addition, USAID/Cambodia will explore the possibility of public administration training that targets specific immediate needs in key civil service positions.

Long-term participant training will not be a major activity in USAID/Cambodia's strategy. USAID/Cambodia intends to pursue a low cost, quick return strategy that will generally have participants back in country within 30 months.

In response to the Secretary of the Environment's request for assistance, USAID/Cambodia intends to enter into a cooperative agreement (under a new environmental project) with a world-class environmental NGO (or consortium of such NGOs) to provide technical advice to the Secretariat, especially in the areas of legislation, regulation, training and institutional development. The NGO also will support environmental advocacy activities, including assistance to establish and strengthen indigenous environmental groups and promote equity in environmental programs. It is expected these activities will help to assure that environmental issues are being considered in RCG planning and that by the end of this strategy period the RCG will be ready to look at broader, more comprehensive approaches to environmental conservation.

Expected Program Outcomes:

- *Improved economic analysis and strategic planning in key economic ministries*
- *Improved policy formulation and implementation in key economic ministries*
- *Development and establishment of a new environmental code*
- *Enhanced environmental planning in RCG programming*

Implementation Plan: USAID/Cambodia will engage short, medium and long-term technical advisors to meet specific needs of ministries directly involved in the management of the Cambodian economy. These advisors will be procured through direct USAID institutional contracts, buy-ins to regional or central contracts, or under NGO grants, as appropriate to the situation.

USAID/Cambodia is exploring engaging a Gray amendment firm under its Technical Support Project to procure expert services and handle all administrative arrangements for medium and long-term technical assistance (e.g., travel, housing, salary payments). This firm will report directly to USAID/Cambodia, permitting necessary coordination with RCG counterparts, and

assuring responsiveness on the part of the contractor to RCG and USAID/Cambodia priorities. For short-term assistance, USAID/Cambodia will use direct contracting methods, including buy-ins to regional and central projects, to procure services. Environmental expertise will be procured through a USAID grant with a U.S. environmental NGO or a consortium of NGOs.

Although originally planning significant long-term technical assistance in the early stages of the formation of the government, USAID/Cambodia has decided to allow "the dust to settle" for a few more months on the long-term technical assistance front and then work closely with the RCG in identifying specific assistance requirements. Short-term technical assistance has been, and will continue to be, provided on an as needed basis in key ministries and agencies. As current technical assistance, provided from all corners of the donor community, is evaluated and realistic RCG absorptive capacity is assessed, USAID/Cambodia will develop a technical assistance plan based on USAID/Cambodia's strategic objectives and the RCG's development plan in conjunction with senior RCG counterparts.

Although the likely institutional partners for this assistance are the Ministry of Economy and Finance, the Ministry of Commerce, the Central Bank, and the Secretariat of Environment, other relevant ministries and Cambodian institutions will also be considered for assistance (e.g., the education and health ministries and the secretariat of rural development). Since USAID/Cambodia's macroeconomic technical assistance is flexible and will be coordinated with senior RCG officials, it can be modified as necessary to reflect other donor programs. Accordingly, it is unlikely that USAID/Cambodia will duplicate other donor assistance. USAID/Cambodia will transfer funds to USIS for the Fulbright Program, which will support up to five Cambodians a year for long-term training at the master's degree level (including preparatory time) in key skill areas.

Activities under this strategic objective will be carried out through direct USAID contracts, including buy-ins to regional and central projects, grants and cooperative agreements with NGOs, and grants to international organizations. In each of these areas there exist strong institutional partners capable of delivering quality programs and achieving the desired program outcomes. In delivering services under this objective, particular emphasis will be placed on developing an indigenous Cambodian capacity to carry out programs in the future.

Resource Requirements: To carry out the activities supporting this objective, USAID/Cambodia requests \$35.3 million in program funds and \$1.8 million in OE funds over the strategy period (FY 1994-97). Table 5.12 provides a detailed breakdown, by project, of the required program resources for achieving this objective. The primary activities which will support the objective are the technical support project, the education project, the roads projects and the long-term training activity. The technical assistance project will be managed by a USDH who is division chief of the technical assistance division of USAID/Cambodia. Management of related projects is shown under the strategic objective in which the project has primary influence. Long-term training will be carried out through an OYB transfer to USIS, with oversight and required reporting by its USDH program officer.

Meeting Basic Human Needs

Strategic Objective 3: *To help meet targeted basic human needs by supporting programs and policies which assure that rural citizens and vulnerable groups have access to services and participate in economic growth.*

Rationale: Throughout the civil strife of the last 30 years, the size of Cambodia's vulnerable population has increased and its access to opportunities has diminished. Village society in Cambodia remains unstable as hundreds of thousands of refugees have resettled and internally displaced people and demobilized soldiers seek to integrate themselves into pre-existing village structures. Landholders remain uncertain about their rights of tenure. Traditional family support networks have been decimated by years of war and social engineering. UNICEF estimates that 60 percent of Cambodia's farming households are headed by single women and UNFPA has estimated that one third of all households are headed by women whose spouses were killed in the war. Personal security remains uncertain and continues as a constraint to programs attempting to promote rural development. Individuals have been injured both as a direct result of on-going conflict and by the landmines resulting from this conflict. Landmines continue to prevent full use of once productive agricultural land.

In most of rural Cambodia, public infrastructure is extremely poor, if existent. Little of the country is accessible by roads and those which do exist have been virtually destroyed by the 30 years of conflict. Rural farmers are essentially cut off from urban areas, with little access to basic agricultural inputs or markets for their products. Employment opportunities in rural areas are scarce, except for on-farm employment where underemployment already permeates. There is little, if any access to credit for rural investment, and microenterprise activity is undertaken under less than ideal circumstances, with little capital or training.

Cambodia's population growth rate was estimated at 2.6% in 1993. The population pyramid shows a disproportionate number of young children. All reports indicate there is a large unmet demand for contraception. Maternal death rates are among the highest in the world, estimated at between 1 and 2 percent of deliveries, with induced abortions by village midwives being a leading cause of maternal death. Among the 91% of women in the southeastern province of Svay Rieng who wanted birth spacing in 1993, abortion was the only method known to 60% of them. Public and private health providers report great demand for contraception despite widespread misunderstanding and scarce availability of services. Over 85% of women in Kandal Stung district interviewed by World Vision in 1993 wanted no more children during the next two years. Although the RCG has stated its support for making modern contraception universally available, it urgently needs assistance in defining a rational, viable program which will provide national coverage and make efficient use of RCG and donor resources.

Although a surprisingly large number of health workers are employed by the Ministry of Health (MOH), this cadre of workers is poorly trained and service delivery is at a level well below internationally acceptable standards. Focus is on curative care, with little emphasis on women's health and family planning. Salaries for health workers range from approximately \$10 to \$20

per month. Facilities are in very poor condition and there is a pervasive lack of supplies and equipment. Cambodians pay for services, making contributions at public clinics and paying for house calls by MOH personnel who moonlight to survive. Training programs for health workers is an essential immediate need.

Adult literacy is very low (35%) and Cambodia's primary education system is still largely in shambles. UNICEF has undertaken significant analysis of the educational system. Based on recent findings UNICEF has worked with the RCG to develop a primary education program which addresses the most critical needs of providing training for primary teachers, books and educational materials. However, this program does not have sufficient funding for the massive primary teacher retraining component needed in the short to medium-term.

Unemployment and underemployment are extremely widespread in both the public and private sectors, although accurate estimates of rates of unemployment are impossible given the lack of data. Those who are employed are paid low wages. Productivity and the quality of production are extremely low. Workers do not have adequate access to transportation, health care, or other services which can increase their productivity. Most workers lack rudimentary skills, basic training, or familiarity with even simple technologies. If Cambodia's transition to a more democratic society is to stay on track, the economy must soon offer significantly expanded productive employment opportunities so that Cambodian citizens can provide their families with the basic needs of shelter, food, health care and access to education.

Proposed Activities: USAID/Cambodia is undertaking several activities to meet the basic human needs objective, including:

PVO Co-financing: The needs of vulnerable groups are immense; USAID/Cambodia will focus on activities which produce visible, high impact during the strategy period. USAID/Cambodia is already helping NGOs move into their new role of providing support to a national social service delivery system which fits with RCG priorities, including geographic, sectoral and gender distribution of coverage. USAID/Cambodia will help NGOs shift some of their efforts away from pure service delivery toward delivering replicable training programs and adapting technologies which can be replicated through NGOs, government, and private sector channels. The training will focus on helping to build Cambodian capacity in sectors served by the NGO community and promoting expansion of successful activities outside the realm of specific NGOs.

USAID/Cambodia's intent is to promote sustainable approaches to service delivery. USAID/Cambodia will periodically solicit proposals from NGOs and provide grant funds on a competitive basis to activities which are consistent with USAID/Cambodia's strategic directions. Such support is viewed as critical in the development process to assure that NGO grass-roots efforts grow and that participation is enhanced throughout Cambodia. The PVO co-financing project will request proposals to promote rural savings and small scale-credit schemes for microenterprises and to meet specific basic needs.

USAID/Cambodia will place high priority on helping NGOs on cost-recovery and sustainability issues so that NGO-administered activities can continue after USAID/Cambodia funding is shifted to other priorities over time. As a condition of future funding, emphasis will be placed on building indigenous NGO capacity to carry out activities in the medium and long-term, as well as supporting government-led efforts.

PVO Co-Financing II: Funding under the existing PVO Co-financing project will end in 1997, as this strategy period draws to a close. USAID/Cambodia anticipates a follow-on PVO Co-financing II project which will continue support for PVO activities as outlined in this strategy paper, with particular emphasis on participation, directed assistance to vulnerable groups, expanded support for indigenous NGOs and redirection of efforts toward sustainable development within a governmental framework. Particular emphasis will be placed on implementing high priority family health and birth spacing activities and on promoting rural-based service delivery programs. Areas of greatest interest include management of natural resources, environmental protection, and rural savings and microenterprise credit programs, with emphasis on equity among program beneficiaries.

Farm-to-Market Roads: USAID/Cambodia will emphasize the rehabilitation and construction of farm-to-market roads to link rural areas of production with markets, inputs, and service providers under the new farm-to-market roads project¹⁵. Roads will stimulate economic activity in rural areas, provide immediate employment opportunities, strengthen national food security, increase the personal security of the rural population, and improve the status of rural women. USAID/Cambodia has already successfully implemented rural roads activities with significant results in terms of kilometers of roads rehabilitated and constructed (over 500 km) and maintenance systems established. The proposed farm-to-market roads program will use direct USAID contracts to engage services of contractors already experienced in road development.

Primary Education: UNICEF is already undertaking a successful program in primary education in Cambodia, but it does not have funding sufficient for massive primary teacher training¹⁶. USAID/Cambodia will support strategic planning, teacher training, limited materials development, and provision of textbooks, educational supplies and materials in the primary education sector, with benefits accruing in a large part to Cambodia's predominately female primary teacher corps. USAID/Cambodia will provide a grant to a consortium of NGOs to work with UNICEF to continue and geographically expand these primary education support activities.

¹⁵ In the area of rural development, the major other project which will address roads is planned by the Asian Development Bank (ADB) which contemplates a \$22.5 million rural infrastructure project. The ADB will work through the Cambodia Resettlement and Rehabilitation Programme (CARERE) and the International Labor Organization (ILO) to rehabilitate approximately 300 km of rural roads annually over a six-year period. The focus of these efforts will be provincial roads, as opposed to farm-to-market roads on which USAID will focus. USAID will work closely with CARERE and the ILO to assure that there is complementarity between these two programs.

¹⁶ There is close donor coordination among donors in the education sector. A national conference on donor support for education was held in March, 1994, and a review was undertaken of what donor programs existed in the sector and where needs exist. USAID's approach to support the UNICEF primary education program is a response to immediate need for continuing and building upon successful donor programs which are drawing to a close. Support in primary education will be coordinated by UNICEF.

Family Health and Birth Spacing: USAID/Cambodia will support a new family health and birth spacing project to help meet the widespread, unmet demand for safe and reliable family health and birth spacing services throughout Cambodia.¹⁷ This project will work with Ministry of Health counterparts to build Cambodian capacity towards this end, with emphasis in the near term on training and provision of commodities. Primary beneficiaries of this activity will be the predominately female health corps and Cambodia's female population which currently suffers from substandard service delivery leading to high risk pregnancies, risk of mortality in childbirth and exposure to risk in abortion, the country's current primary method of birth control. USAID/Cambodia will continue to support service delivery and capacity building programs of PVOs through the PVO Co-financing project.

Demining: USAID/Cambodia will provide funding both under its roads activities and through support to the Cambodian Mine Action Center for specific mine awareness programs, demining activities, and administrative and technical support.

Expected Program Outcomes:

- *Rehabilitated farm-to-market roads which permit subsistence farmers to have access to agricultural inputs and markets, thus promoting food security*
- *Strengthened primary education system through teacher training, provision of textbooks, supplies and materials, and policy-level technical assistance*
- *Enhanced access to basic services and humanitarian assistance by vulnerable groups in the areas of health, sanitation and potable water*
- *Improved family health programs on a national scale leading to improved health of women and children and increased access to safe and reliable modern methods of contraception*
- *Increased contraceptive prevalence by modern methods*
- *Stronger indigenous capacity to provide protection from mines over the medium to long-term*
- *Increased access to savings mechanisms and small-scale credit for microenterprises in rural areas*
- *Expanded support for, and increased capacity of, indigenous NGOs*

¹⁷ The World Health Organization has coordinated donor efforts in the health and family planning sector. Support for family planning is extremely limited, with the primary other donor being UNFPA, and USAID's program will be the most significant effort in this area. The USAID program will serve as a major influence in directions for service delivery and policy formulation in the sector.

Implementation Plan: The proposed primary education project will be administered by a grant to a consortium of NGOs under UNICEF direction. The farm-to-market roads project will be implemented under a direct USAID contract. The family health and birth spacing project will be administered as an integrated set of activities, with a primary implementing institution procured under a grant, with buy-ins to central projects for commodity procurement and provision of specific technical assistance. Coordination of these population activities will be relatively management-intensive and USAID/Cambodia will need a full-time technical specialist to oversee activities under this project. At present it is anticipated that a project-funded Population Fellow will be obtained through the Global Bureau to manage the program and provide technical oversight to project activities.

Resource Requirements: To fund the activities supporting this objective, USAID/Cambodia requests \$72.2 million in program funds and \$4.1 million in OE funds for the strategy period FY 1994-97 (see Table 5.12 for detail, by project, of annual program funding requirements). The principal activities which will support the objective are the PVO Co-financing, family health/birth spacing, environment and primary education projects. The USAID/Cambodia projects office, headed by a USDH division chief and supported by a USDH PVO project officer will oversee the PVO activities. A population fellow is expected to be approved for this division to manage technical aspects of the family health/birth spacing project, supported by an FSN professional. A USDH in the technical assistance division will oversee the primary education and environment projects, supported by an FSN professional employee. The farm-to-market roads project will be overseen by the USDH program/capital projects officer, with support from a USPSC engineer and an FSN engineer.

The Accountability Environment

Given the capacity of governmental agencies as well as rampant corruption and lack of accountability, it is unlikely that traditional bilateral assistance programs can be pursued during the strategy period. USAID/Cambodia's experience with NGOs, both in Cambodia and other countries, has proven to be a satisfactory alternative for achieving early results in provision of services, meeting required levels of accountability until such time as appropriate program implementation can be gradually shifted from NGOs to the government. There will remain, of course, accountability problems with nascent, indigenous NGOs and the program will continue to use the umbrella PVO grant instrument to streamline grant management and assure accountability in assistance to and through such organizations.

While progress has been made in putting in place governmental entities which can track funds and monitor project implementation, the RCG's implementation capacity is rudimentary at best in most sectors. This has led to most donor programs funding NGOs and foreign private contractors to assure both accountability and program follow-through. While there will continue to be progress in terms of the RCG's ability to implement programs, it is not realistic to expect that its absorptive capacity will materially improve over the three year strategy period covered by this plan.

An immediate implication of this approach is that direct budget support cannot be profitably employed during the strategy period. While direct cash transfers are not likely, given USAID budget constraints as well as the accountability problem, use of the network of established NGOs in Cambodia remains a viable implementation approach. USAID/Cambodia has been very successful in obtaining full financial and implementation control of services procured under bilaterally signed grant agreements. This approach permits USAID/Cambodia to have full oversight over all financial aspects and monitoring of contractor performance under direct USAID contracts and oversight of grants¹⁸. It is anticipated that this mode of bilateral programming, with USAID/Cambodia retaining full financial controls, will continue throughout the strategy period. Accordingly, the strategy envisions that program implementation will continue primarily through NGOs and contractors recruited outside Cambodia, although it can be expected that obligations will be through bilateral agreements, without passing funds through the government. The RCG will have input into the programming process and its oversight of implementing entities will increase throughout the period.

Gender Considerations

As an integral focus of strategic planning, USAID/Cambodia plans to incorporate equity and gender considerations in all project development. As noted earlier, years of war and civil conflict have resulted in a disproportionate number of women in the adult population and likewise, a disproportionate number of female heads of households, farmers and microentrepreneurs. All activities undertaken during the strategy period will specifically address how special concerns of women will be taken into account and how the project will assure that women benefit from program activities at a level proportionate to their representation in the population. In 1990, Redd Barna-Cambodia issued a comprehensive report on women in Cambodia and recommended a strategy to improve the status of Cambodia's female population; the findings of this report were validated in a 1992 UNICEF report on the situation of women in Cambodia. The Redd Barna strategy stressed: a) improving women's living conditions through project interventions; b) strengthening implementing counterparts, particularly women; and c) addressing women's issues in all program areas. USAID/Cambodia's strategic approach takes into account these recommendations and conforms to all three recommendations.

While there has been an economic recovery over the last two years, the benefits of this recovery have been realized primarily in the urban areas. In general, USAID/Cambodia's focus on rural benefits from all programs will have particular impact on rural, female-headed households. In addition, specific project emphasis will be placed at the design stages in identifying particular interventions and activities which will have direct benefit on the female population. Project designs will examine ways in which organizations such as the RCG's new Secretariat for Women and the Women's Association of Cambodia can be partners in project implementation so as to assure complementarity between USAID programs and other existing and planned programs.

¹⁸ However, see USAID/Cambodia's caveat on financial vulnerability in its request for additional contract and controller staff under staffing in Section V.

V. Action Plan

Proposed Assistance Activities

USAID/Cambodia currently supports activities under eight projects. Three of these projects were PVO activities originally under the oversight of the O/KA which closed on September 30, 1993 and their activities were shifted to USAID/Cambodia oversight; these three projects terminate in 1994, and the Cambodian-American National Development project (with a 1994 PACD) has been folded into the PVO-Co-Financing project, so these four projects are not treated separately as a part of this strategy. Table 5.1 provides an overview of the current life of these projects, spanning from year of authorization to year of project assistance completion date.

TABLE 5.1: Existing USAID/Cambodia Projects, by Fiscal Year

Project	1992	1993	1994	1995	1996	1997
442-0100 Northwest Regional Development	XXXXXXXXXXXXX					
442-0102 Humanitarian Aid to Children	XXXXXXXXXXXXX					
442-0104 Cambodian Community Outreach	XXXXXXXXXXXXX					
442-0108 Cambodian American Nat'l. Devel.	XXXXXXXXXXXXX					
442-0109 Emergency Roads Repair	XXXXXXXXXXXXXXXXXXXXXXXXXXXXX					
442-0110 Technical Support	XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX-> 98					
442-0111 Democratic Initiatives	XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX					
442-0112 PVO Co-financing	XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX-> 00					

If USAID/Cambodia is to continue support for democratic initiatives, the project will need to be extended and possibly modified. A democracy sector assessment has been initiated for Cambodia and the findings of this assessment will guide specific decision-making on future support for democracy and governance activities. Because work on democratic initiatives also draws upon technical assistance funded under the Technical Support Project, USAID/Cambodia will need to re-examine needs for technical assistance that extend beyond the current life of the Technical Support project. It is expected that the existing democracy project will be modified to extend both project life and increase the authorized funding level.

In addition to the current portfolio, five new projects totaling \$130 million life of project funding are proposed during the course of the strategy period. Table 5.2 presents USAID/Cambodia's proposed portfolio of activities (including current activities), showing year of authorization, life of project authorized levels of assistance, year of final obligation and project assistance completion date. In addition, USAID/Cambodia anticipates transferring approximately \$1.25 million to USIS to fund Masters Degree level, U.S.-based long-term training in developmentally-oriented areas for up to five Cambodians per year. This approach has been chosen since it requires no additional management burden for the limited USAID/Cambodia staff. USIS has a proven track record of identifying exceptional individuals and placing them in top notch training programs, often with reduced tuition.

TABLE 5.2: Proposed USAID/Cambodia Project Portfolio¹⁹

Project/Sector		Year Authorized	LOP Funding	Final Obligation	PACD
			(\$ millions)		
442-0109	Emergency Roads Repair	1992	40.0	1993	1996
442-0110	Technical Support	1992	10.0	1996	1998
442-0111	Democratic Initiatives	1992	15.0	1996	1997
442-0112	PVO Co-financing	1993	50.0	1997	2000
442-0115	Family Health/Birth Spacing	1994	20.0	N/A	1998
xxxxxxx	Primary Education Activity	1995	30.0	N/A	1999
xxxxxxx	Environment Activity	1995	10.0	N/A	1999
xxxxxxx	Farm-to-Market Roads Activity	1995	20.0	N/A	1999
xxxxxxx	PVO Co-financing II	1996	50.0	N/A	2001
xxxxxxx	USIS/Fulbright Support	1995	1.25	1995	Continuing

¹⁹ USAID/Cambodia anticipates there will be Global Bureau activities during the strategy period, although we have no details on funding or specific activities. USAID/Cambodia will review all proposals with particular emphasis on management implications for field staff.

Resource Requirements²⁰

Program Funding: To carry out the proposed strategy USAID/Cambodia has assumed that OYB levels will remain relatively consistent with amounts pledged at the ICORC meeting in March 1994. At that meeting, the U.S. pledged that USAID would provide \$29.3 million for FY 1994 and \$37 million for FY 1995. The strategy proposes \$35 million in FY 1996 and FY 1997 to support new and continuing program activities. If levels were to drop in FY 1996 and/or FY 1997 USAID/Cambodia would propose first that the environment project be dropped from the portfolio. This would reduce the required levels to \$32 million and \$33 million per year, respectively, for FY 1996 and FY 1997. However, eliminating this project would have negative impacts for Cambodia's development prospects since no support would be provided in either environmental planning or advocacy by any donor except on an ad hoc basis. If funding needs to be cut below these levels in FY 1996 and FY 1997, the education sector activity would be reduced next. Since this project proposes to cover the entire country within three years, any sizable reduction could have dramatic impact on the ability to make significant visible improvements on a national scale. Proposed obligations for each project in FY 1994, FY 1995 and FY 1996, and a tentative obligation proposal for FY 1997 are presented in Table 5.3.

TABLE 5.3: Planned USAID/Cambodia Obligations
(\$US Thousands)

Project	1992	1993	1994	1995 1996 1997		
				1995	1996	1997
xxxxxxx Projects not in strategy period	8,838	0	0	0	0	0
442-0109 Emergency Roads Repair	12,359 ²¹	24,000	6,000	0	0	0
442-0110 Technical Support	1,000	4,000	2,800	1,200	0	0
442-0111 Democratic Initiatives	3,000	5,000	5,500	1,500	3,000 ²²	4,000 ²²
442-0112 PVO Co-financing	0	24,494 ²³	14,600	12,566	0	0
442-0115 Family Health/Birth Spacing	0	0	400	8,750	6,000	5,600
xxxxxxx Primary Education Activity	0	0	0	7,734	11,750	8,750
xxxxxxx Environment Activity	0	0	0	5,000	3,000	2,000
xxxxxxx Farm-to-Market Roads Activity	0	0	0	0	7,000	6,400
xxxxxxx PVO Co-financing II	0	0	0	0	4,000	8,000
xxxxxxx USIS/Fulbright Support	0	0	0	250	250	250
TOTALS	25,197	57,494	29,300²⁴	37,000	35,000²⁵	35,000²⁵

²⁰ The need for flexibility in programming has been asserted by the Congress in its consistently providing "notwithstanding" authority for program implementation every year to date. However, USAID/Cambodia has, as a matter of principle, minimized use of this authority in program design and implementation.

²¹ Includes \$2,358,627 for emergency roads to support OFDA repatriation program not charged to the project

²² Assumes new obligations to modified democracy project

²³ Includes \$1,660,000 carry-over from Office of Khmer Affairs not charged to the project

²⁴ Amount pledged at March, 1994 ICORC Meeting in Tokyo

²⁵ Estimates of OYB level beyond existing pledge levels

Funding levels for each fiscal year by strategic objective are presented in Table 5.4. The largest share of proposed funding, generally about half, will be allocated against meeting basic human needs in each of the fiscal years. The balance of funding is roughly split between the remaining strategic objectives, with supporting broad-based economic growth receiving slightly greater budgetary emphasis than strengthening pluralism and governance. However, given the subjective nature of the estimates and the strong interdependency and complementarity of both objectives and activities, these estimates should only be taken as approximate. See Tables 5.11 and 5.12 for the assumptions behind these estimates.

TABLE 5.4: Estimated Funding Levels by Strategic Objective
(\$ 000)

	1994	1995	1996	1997
SO 1: Pluralism/Governance	7265.0	5485.1	8187.5	7907.5
SO 2: Economic Growth	6970.0	8445.2	10425.0	9435.0
SO 3: Basic Human Needs	15065.0	23069.7	16387.5	17657.5
TOTALS	29300.0	37000.0	35000.0	35000.0

Staffing: The management burden for implementing a program of this size is clear. The current USAID/Cambodia staff (including anticipated new arrivals) is at the bare minimum to assure proper oversight for this program, even using a "wholesaling" approach to deliver a large proportion of assistance through NGOs. The rapid expansion of the program since 1991 (from about \$8 million in 1990 to between \$25-\$60 million 1991-93) has been driven by Congressional mandate and State Department pressures, not by the size or sufficiency of USAID/Cambodia's field presence.

As of May 1994 USDH staff stands at three, with two additional USDH expected by the fall of 1994. With the enhanced staffing, USAID/Cambodia proposes that it be organized with three substantive divisions to oversee project activities. One division, charged with technical assistance activities and headed by a USDH, will oversee technical support, education and environmental activities. A second division, headed by a USDH, with an FSN engineer and a USPSC engineer, will carry out program support and capital projects activities. The third division will oversee the umbrella PVO cooperative agreement, the direct grants and cooperative agreements for PVO activities, and the democratic initiatives and family health/birth spacing activities. This division will be staffed by two USDH, one USPSC, one TCN PSC, two FSN professionals and a population fellow.

Table 5.5 reflects USAID/Cambodia's USDH, USPSC and TCN PSC staffing pattern for substantive positions in USAID/Cambodia, including staff yet to arrive. With the exception of the population fellow (which was supported during the project review in USAID/W) the positions in this staffing pattern have been approved by USAID/W, including the new USPSC executive officer position.

TABLE 5.5: Approved Substantive Positions

	May 1994	Fall 1994
USDH	Aid Representative Program Officer Projects Officer	Aid Representative Program Officer TA Officer Projects Officer PVO Officer
USPSC	PVO Advisor Democracy Advisor Executive Officer	Population Fellow ²⁶ Democracy Advisor Executive Officer
TCNPSC	PVO Assistant	PVO Assistant

USAID/Cambodia recognizes that flexibility is necessary in managing program implementation and that in a small post, staffing patterns must maximize the use of skills of the limited number of staff. The organization of USAID/Cambodia will be modified as necessary to reflect changes in the portfolio and in staff skills. USAID/Cambodia will draw on services of support staff from the RSM/EA, the ANE Bureau, the Global Bureau, and contractors as required to meet the demanding schedule of design and procurement necessary to meet the urgencies of the Cambodian situation (see Table 5.8).

USAID/Cambodia will be hard-pressed to carry out the proposed program given the above staffing pattern, using support staff from the RSM as available. This approach, relying on off-shore RSM support, is both inefficient for program implementation and leaves serious vulnerabilities in management controls within USAID/Cambodia. Implementation of the program needs to be greatly improved by the allocation of additional support to USAID/Cambodia. First, given the magnitude of the program, USAID/Cambodia believes that the ANE Bureau should place a controller in Cambodia for on-site supervision of the grants, cooperative agreements, and contracts, and for financial analysis of emerging indigenous grantees, since lack of on-site services creates *significant vulnerabilities* in the portfolio. There is a need for on-site monitoring of the financial systems of implementing entities and neither USAID/Cambodia nor the RSM/EA has the local hire technical staff to carry out this function. A qualified financial controller is needed to address this program vulnerability. (The Inspector General has already noted that this vulnerability is developing.) Second, adding a full-time contracting professional to the staff of USAID/Cambodia with first hand knowledge of the contracts and grants implementing the program and the unusual environment in which implementation takes place is essential. This would greatly facilitate the procurement process and provide in-house sources for grantees and contractors with technical procurement questions

²⁶ Included based on informal agreement during review of New Project Description for Family Health/Child Spacing Project, subject to NSDD-38

regarding the contracts and grants. It would also speed up the turn-around of procurement actions. Finally, if USAID/Cambodia were required to undertake significant formal data collection and reporting in conjunction with program monitoring and evaluation, additional USPSC or USDH staff would be needed.

USAID/Cambodia would be derelict in its management responsibilities if it did not point out the vulnerabilities which will exist without a contract officer and controller resident at the site of program implementation. Although the current configuration, calling on support staff from the RSM/EA has worked, there have been substantive issues. Efficiency has been undermined by the lack of sufficient understanding of the complexities of the Cambodia context and program. This has required on-going orientation of non-resident support staff at the expense of local staff time. The potential value of non-resident support staff is further diminished because USAID/Cambodia has little control over timing and availability of such staff, including the scheduling of TDYs to other countries in the region, leave, and training schedules. In addition, the high cost and inefficiencies of TDY staff results in high OE costs not consistent with productivity levels required. Finally, no input is solicited from USAID/Cambodia for employee performance reviews of regional staff.

Operating Expense Budget: Given the staffing patterns approved for the fall of 1994, and assuming no increases in staffing, USAID/Cambodia proposes that its operating expense budget remain at the FY 1994 level of \$1.6 million, plus an estimated 5% annual increase for inflation for FY 1995 through FY 1997. In addition, given the number of grantees and assistance recipients and the lack of a PSC or USDH financial officer to implement internal controls and financial oversight, USAID/Cambodia proposes an additional \$250,000 of OE for implementing financial internal control procedures, beginning in FY 1995, augmented by 5% per year for inflation in FY 1996 and FY 1997, implemented through OE contracts or TDYs supervised by RSM/EA controller. The OE budget would need to be adjusted accordingly if the two additional positions proposed by USAID/Cambodia were to be approved. The proposed OE budget for the strategy period (rounded to the nearest \$0.01 million) is as follows:

TABLE 5.6: Proposed OE Budget FY 1994-97

Fiscal Year	OE Required (\$ millions)
1994	1.60
1995	1.93
1996	2.03
1997	2.13
Total	7.69

Implementation Timelines

Table 5.7 provides an overview of proposed timelines for all activities, both existing and proposed, during the strategy period. Major emphasis is placed on rapid project design and start-up in order to maximize actual program impact during the critical three year strategy period ahead. The Family Health and Birth Spacing project will begin in FY 1994. The proposed Farm-to-Market Roads, Primary Education, and Environment Projects and the amended Democratic Initiatives Project will all begin in FY 1995. The follow-on PVO Co-financing II project will begin in FY 1996, before the termination of PVO Co-financing I.

TABLE 5.7: Proposed Project Portfolio, by Fiscal Year

Project/Sector	FISCAL YEAR					
	1992	1993	1994	1995	1996	1997
442-0109	Emergency Roads Repair	XXXXXXXXXXXXXXXXXXXX				
442-0110	Technical Support	XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX->	98			
442-0111	Democratic Initiatives	XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX->				
442-0112	PVO Co-financing		XXXXXXXXXXXXXXXXXXXXXXXXXXXX->	00		
442-0115	Family Health/Birth Spacing		XXXXXXXXXXXXXXXXXXXX->	98		
xxxxxxx	Farm-to-Market Roads Activity			XXXXXXXXXXXX->	99	
xxxxxxx	Primary Education Activity			XXXXXXXXXXXX->	99	
xxxxxxx	Environment Activity			XXXXXXXXXXXX->	99	
xxxxxxx	PVO Co-financing II				XXXXXX->	01

It is clear there will be an active project design and mobilization process to put the above program in place. In particular, both FY 1994 and FY 1995 will be a heavy period of activity. Two project designs, one project amendment, and one assessment are scheduled in the remainder of FY 1994. Three project designs and one project assessment will be scheduled in FY 1995. Although fully aware of the difficulties implied in implementing this schedule, USAID/Cambodia believes it must compress design at the outset of the proposed strategy period. Given the high funding levels anticipated, the urgency of delivering significant support during Cambodia's post crisis transition and the requirement that strategic objectives are to be achieved over the three year strategy period, there is simply no other choice. Table 5.8 shows the significant project design, assessment, procurement, authorization and obligation activities that will be required to implement the proposed program.

TABLE 5.8: Major Project Actions During Strategy Period

FY	Assessment/ Evaluation	Design	Authorization/ Obligation	Procurement
1994	Democracy	Family Health Farm-to-Market Roads Democracy (amendment)	Family Health PVO Co-Fi Emergency Roads Democracy Technical Support	Family Health Emergency Roads Democracy PVO Co-Fi Technical Support
1995	Tech Support Assessment	Primary Education Environment PVO Request for Assistance	Primary Education Environment Farm-to-Market Roads Democracy (amendment) PVO Co-Fi	Primary Education Environment Farm-to-Market Roads Democracy (amendment) PVO Co-Fi Technical Support
1996		PVO Co-Fi II	PVO Co-Fi II	PVO Co-Fi II Technical Support Democracy (amendment) Farm-to-Market Roads
1997	Emergency Roads			PVO Co-Fi II Democracy (amendment) Farm-to-Market Roads

Monitoring and Reporting Plan

Although one would expect to have an evaluation/performance monitoring position in a normal bilateral program, USAID/Cambodia does not have staff to assign to this task. Nevertheless, USAID/Cambodia has conducted two major evaluations/assessments. USAID/Cambodia realizes that it is important to have measures of program impact and plans to review progress toward broad program outcomes as a management tool to assure that projects are being managed properly.

USAID/Cambodia will continue to require reporting from contractors and grantees on a quarterly basis to provide information on achievement of desired outcomes and, through site visits and

RCG reports, validate these reports. In addition, some projects (such as the family health and roads projects) will have built in assessments which will document achievement. However, in all projects the level of outcome which will be monitored will remain at a lower data level than might be addressed in more sophisticated monitoring systems. For example, in the education project USAID/Cambodia will require documentation of the number of teachers trained, books printed, and supplies provided rather than assessments of literacy and school coverage. This will provide solid program management information on delivery of inputs from which impact on a higher level can be inferred.

USAID/Cambodia is fully aware of the importance attached to measuring program outcomes rather than inputs. Nevertheless, the realities of the data situation in Cambodia (described below), the limits of present staffing levels, and the urgency of focusing all effort on a successful outcome to Cambodia's post crisis transition, dictate emphasis on program implementation rather than monitoring. An additional USPSC or USDH staff position would be needed at a minimum if USAID/Cambodia were required to undertake a formal data collection and reporting effort in conjunction with program monitoring and evaluation -- beyond using data which are already available through contractor and NGO reports, site visits, and documents available from the RCG and other donors. However, even with additional staffing the value of inferences that could be drawn from the data collected would be highly questionable.

Data are non-existent, not being collected, or tend to be essentially useless in almost all sectors in Cambodia. Archives were systematically destroyed during the reign of the Khmer Rouge and were not replaced under the subsequent communist government. As in all fields, individuals trained in data collection and analysis were either killed or driven from the country. Nascent programs in statistics have begun in a few institutions of higher education, most notably the Institute of Economics, but very few graduates have yet been produced capable of either overseeing or implementing systematic data collection and analysis. More importantly, the lack of sound census data prohibits sampling approaches which can produce valid generalizations on a national scale since survey sampling is inherently dependent on knowledge of the population both for developing sampling techniques and building models to estimate population parameters from sample statistics.

Even if population data were known, the security situation would hamper any effort at systematic data collection and vitiate estimation of population parameters of desired variables from samples which might be drawn. The control of the Khmer Rouge over approximately 6% of the population imposes an absolute prohibition of access to this subgroup. The broader security threat, both from the Khmer Rouge and criminal elements throughout the countryside, impedes access to approximately 85% of the population. Statistical inference in the Cambodian context is reliable at best only in the case of the capital city, representing only about 7.5% of Cambodia's population and not the target of most USAID/Cambodia programs.

USAID/Cambodia will nonetheless use all available means to collect data, primarily from entities implementing USAID/Cambodia programs, other donors, international lending institutions and

occasional reports of the RCG, as a basis for monitoring program implementation and impact. Data available from USAID/Cambodia contractors and USAID/Cambodia-funded NGOs, as well as site visits by USAID/Cambodia staff, will be the primary source of data for assessing the degree to which the program is being implemented according to plan and the coverage of program activities. Such anecdotal data are not, however, sufficient for making generalizations to population parameters.

As noted earlier, USAID/Cambodia will track closely the number of teachers trained, training outputs, and the distribution of textbooks and educational materials in the field of education. If it becomes apparent that training is not taking place in a particular province or that teachers being trained in a particular province are not meeting the training objectives, such information will be used to examine problems and take corrective actions to assure that all teachers do in fact achieve the desired competencies. USAID/Cambodia will not, however, be able to infer any measurements of literacy on a national scale from anecdotal data collected in the implementation of this program.

Likewise, in the family health and birth spacing project, USAID/Cambodia will monitor closely the distribution of contraceptives and the training of public and private providers of services. Again, information on the program implementation will be readily available, as will measures of contraceptive prevalence in specific limited areas, but these data will not be sufficient for generalization to national prevalence parameters.

In the roads projects, it will be easy to monitor the number of kilometers of roads constructed. However, estimates of impact on rural economic well-being and food security will remain problematic.

Table 5.9 provides a listing of the types of reports which will be available to USAID/Cambodia through the strategy period to monitor program performance and measure program impact.

TABLE 5.9: Data Sources for Program Monitoring

Data Source	Type of Data
Non-Governmental Organizations	Quarterly Reports
USAID/Cambodia Contractors	Monthly Reports
Royal Cambodian Government	Occasional Reports
Other Donors and Multilateral Organizations	Occasional Reports
USAID/Cambodia Site Visits	Occasional Reports

Despite the relatively overwhelming task of measuring and monitoring, USAID/Cambodia has given considerable thought to the question of program outcomes and performance indicators and found the exercise of utility during the strategy development. Annex H provides a listing of program outcomes and illustrative performance indicators that might make sense under Cambodian conditions, if sufficient resources were available. Nevertheless, it must be emphasized that USAID/Cambodia is not in a position to either collect, monitor, or analyze most of these data, aside from reporting which can be obtained from contractors and grantees implementing the program.

USAID/Cambodia's strategic objectives are program-wide and each of the proposed projects addresses to some degree all of the program objectives. Table 5.10 indicates how each ongoing project or proposed activity will help address USAID/Cambodia's strategic objectives over the strategy period.

TABLE 5.10: Project Support for Strategic Objectives

Objective: Project:	SO 1: Strengthening Pluralism and Governance	SO 2: Supporting Broad-Based Economic Growth	SO 3: Meeting Basic Human Needs
Democratic Initiatives	Capacity-building in National Assembly, Political Parties and Public Interest NGOs; Governance	Legal, Regulatory and Judicial Framework for Free Market Transition; leadership development	Advocacy
Technical Support	RCG Analytic and Decision-Making Capacity-Building	Legal Frameworks, analytic support for taxation, commercial codes, etc.; financial sector strengthening	Enhanced Analytic Capacity in Social Ministries
PVO Co-financing and PVO Co-financing II	Advocacy; immediate growth in services showing benefits of democratic government	Microenterprise support	Direct Services; TA to Social Service ministries; improved dialogue between NGOs and ministries
Roads	Deny insurgencies exclusive access/control of rural populations; immediate cash inflow to local construction workers; immediately visible impact of democratic government	Farm-to-market links; immediate cash inflow to local economies; improved transport between Phnom Penh and Sihanoukville	Improved access to services Food security Reduced mine hazard
Family Health/Birth Spacing	Immediately visible impact of democratic government	Reduced population growth and concomitant demand on limited resources; increased productivity with reductions in sick time and acute health care costs; improved services for RCG expenditures in health	Improved maternal and child survival rates; safer, more reliable services; increased contraceptive use
Primary Education	Immediately visible impact of democratic government	More productive workforce; fewer children competing for scarce jobs	Better primary education; more educational materials; improved family access to information
Environment	Enhanced advocacy; land tenure at community level	More sound resource planning and resource utilization; natural resource management	Improved environmental conditions leading to better health status

Table 5.11 provides an estimate of the percentage of project resources which will be obligated to support each strategic objective during the strategy period. These percentages, while subjective, represent the strong consensus and collective wisdom of the USAID/Cambodia technical staff, based on their knowledge of Cambodia and the details of the proposed activities. It is clear from this table that USAID/Cambodia believes that all of the proposed activities positively impact on its three strategic objectives. This is not surprising given that Cambodian needs are so fundamental that almost anything done to help, including the simplest of activities in any sector, is ultimately an investment in development. USAID/Cambodia believes that not only are the strategic objectives strongly interdependent and complementary, that so also is the proposed project portfolio.

TABLE 5.11: Percentage of Project Activities Supporting Each Objective

Objective: Project:	SO 1: Strengthening Pluralism and Governance	SO 2: Supporting Broad-Based Economic Growth	SO 3: Meeting Basic Human Needs	TOTAL
Democratic Initiatives	65 %	30 %	5 %	100 %
Technical Support	30 %	60 %	10 %	100 %
PVO Co-financing and PVO Co-financing II	5 %	10 %	85 %	100 %
Roads	35 %	35 %	30 %	100 %
Family Health/Birth Spacing	5 %	20 %	75 %	100 %
Primary Education	20 %	40 %	40 %	100 %
Environment	30 %	20 %	50 %	100 %
USIS/Fulbright	15 %	70 %	15 %	100 %

Table 5.12 on the following page shows the attribution of proposed funding to the three strategic objectives over the strategy period FY 1994-97. The attribution is based on the proposed project obligation schedule in Table 5.3 and the percentages shown in Table 5.11.

TABLE 5.12: Attribution of Obligations to Strategic Objectives
(US \$ 000)

	SO 1: Pluralism/Governance				SO 2: Economic Growth				SO 3: Basic Human Needs			
	1994	1995	1996	1997	1994	1995	1996	1997	1994	1995	1996	1997
Democratic Initiatives	3575.0	975.0	1950.0	2600.0	1650.0	450.0	900.0	1200.0	275.0	75.0	150.0	200.0
Technical Support	840.0	360.0	0.0	0.0	1680.0	720.0	0.0	0.0	280.0	120.0	0.0	0.0
PVO Co-Financing I & II	730.0	628.3	200.0	400.0	1460.0	1256.6	400.0	800.0	12410.0	10681.1	3400.0	6800.0
Roads	2100.0	0.0	2450.0	2240.0	2100.0	0.0	2450.0	2240.0	1800.0	0.0	2100.0	1920.0
Family Health/Birth Spacing	20.0	437.5	300.0	280.0	80.0	1750.0	1200.0	1120.0	300.0	6562.5	4500.0	4200.0
Primary Education	0.0	1546.8	2350.0	1750.0	0.0	3093.6	4700.0	3500.0	0.0	3093.6	4700.0	3500.0
Environment	0.0	1500.0	900.0	600.0	0.0	1000.0	600.0	400.0	0.0	2500.0	1500.0	1000.0
USIS/Fulbright	0.0	37.5	37.5	37.5	0.0	175.0	175.0	175.0	0.0	37.5	37.5	37.5
TOTALS	7265.0	5485.1	8187.5	7907.5	6970.0	8445.2	10425.0	9435.0	15065.0	23069.7	16387.5	17657.5

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Contingency Scenarios

As noted earlier, the political situation in Cambodia remains fragile. The RCG is a coalition government. Its present, unusual structure was developed through political negotiations after the interim administration was put in place between July and September of 1993. The King was a critical player in the final formation of the existing government, but the King's health is frail and the line of succession to the throne is not clear. The Khmer Rouge, although weakened as a military force, remains a threat as a potential terrorist group.

Although it is not expected there will be major setbacks in Cambodia's democratic evolution, it is not inconceivable. Should the situation in Cambodia deteriorate, USAID/Cambodia will reevaluate its program in light of the specific events. It is anticipated that the program would continue to the maximum extent possible. Subject to personal security requirements, appropriate NGO and direct contract activities would continue to support the three strategic objectives with the intent to help put the post crisis transition back on track.

The strategy anticipates there will be at least five USDH in place at the beginning of the strategy period. In addition, it proposes that a USDH controller and a USDH contracts officer be placed in Phnom Penh to assure proper oversight and accountability during the administration of this program. If these resources are not available, there will be a need for support on a temporary duty basis approaching the equivalent of ten to twelve months full-time duty in Phnom Penh for both a contracts officer and a controller. USAID/Cambodia recommends that these resources be detailed from the RSM/EA (or alternatively from USAID/W) for long-term TDYs to meet these needs. If these support functions cannot be provided, then projects will need to be re-evaluated in terms of the likelihood of assuring adequate technical supervision and financial control. In particular, the farm-to-market roads project and the family health/birth spacing project will require specific technical guidance which requires a full-time, in-country oversight presence. Without this presence the authorization of these projects should be reconsidered.

Program Phase-out Conditions

The Administration has stated that its strategic interest in Cambodia is to promote a nation-building effort and consolidate the gains which have been achieved to date with the nearly \$1 billion which the U.S. Government has committed to Cambodia since the mid-1980s (including peace-keeping funds, refugee assistance, disaster assistance, military assistance and economic and humanitarian support). It is unrealistic to think that Cambodia can achieve a level of development which would lead to complete donor "graduation" any time in the next few decades. Rather the question of U.S. program assistance is more likely to be driven by budgetary realities and foreign policy objectives. U.S. economic assistance to Cambodia remains critical both in terms of its development impact and as a statement of political support for the democratic transition for at least the next five to ten years.

ANNEXES

ANNEX A: Bibliography

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ANNEX B: The Current USAID/Cambodia Program

STRATEGIC OBJECTIVES

- Promote the democratic transition
- Assist the new government
- Meet critical humanitarian needs
- Help rehabilitate Cambodia

CURRENT STATUS: The program moved quickly from one limited to a cross-border effort to support the Non-Communist Resistance forces to one focussed on meeting humanitarian and rehabilitation needs in all of Cambodia. The new, democratically elected government is now in place and requires assistance in setting up structures to meet the needs of citizens and operate efficiently and effectively. At the same time, provision of humanitarian and rehabilitation aid cannot be fully turned over to the new government, so a continuation of assistance in these areas is required. During FY 1993 the cross-border program ended, and all assistance activities are now managed by A.I.D.'s office in Phnom Penh, with support from AID's Regional Support Mission in Bangkok.

HIGHLIGHTS OF RESULTS: Nineteen U.S. PVOs supported by A.I.D. are now providing critical humanitarian assistance to vulnerable groups, including children, widowed heads of households and war victims. Rural roads were rehabilitated to provide mine-free access to facilitate repatriation of refugees, and have opened and helped to integrate rural areas into the national economy. Procurement is in the final stages for the rehabilitation of the road from Phnom Penh to the port of Sihanoukville, the economic lifeline of the capital, as an alternative to shipping up the Mekong River through Vietnam.

COUNTRY LEVEL ISSUES: At the March 1994 ICORC, the Administration pledged that USAID would provide \$29.3 million for FY 1994 and \$37 million for FY 1995 for Cambodia. In addition, the Administration pledged \$6 million for demining support outside of the USAID program. The FY 94 support to Cambodia will assist the new government in developing its capacity; continue to support democratic development and human rights in Cambodia; and continue to provide humanitarian assistance in coordination with the new government.

ON-GOING PROJECT PORTFOLIO:

- Technical Support: to provide human resources and analytic capacity for the new government to strengthen the ability of economic and technical ministries to function and to expand their absorptive capacity and the overall capacity to govern, USAID/Cambodia is supporting a \$10 million technical assistance program

- Democracy: to provide support to the National Assembly and judiciary and to provide training for public interest NGOs, USAID/Cambodia is supporting a \$15 million Democracy program being carried out through 22 organizations (see Table B.1 for a listing of USAID/Cambodia-funded PVOs)
- Emergency Roads: USAID/Cambodia is supporting a \$40 million emergency roads project which has already demined and rebuilt nearly 500 kilometers of key rural roads and is in final stages of selecting a construction contractor to rebuild Route 4 between Phnom Penh and the port of Sihanoukville, the economic lifeline of the capital; this rehabilitation is critical as an alternative to shipping up the Mekong River which can be held hostage by Vietnam
- Humanitarian Assistance: to provide humanitarian assistance, USAID/Cambodia supports a \$52 million NGO program implemented through 33 organizations focusing on humanitarian, reconstruction and sustainable development activities (see Table B.1 for a listing of USAID/Cambodia PVO grantees and Table B.2 for a sectoral distribution of USAID/Cambodia-funded PVO activities)

Projects which have received distinct funding in the past, but for which future funding will be included under the PVO Co-financing project are:

- Regional Rehabilitation and Prosthetics: to train and employ disabled Cambodians in manufacture of prosthetics and wheelchairs
- Cambodia Community Outreach: To establish an umbrella project to fund and assist PVOs in providing humanitarian assistance
- Cambodian American National Development Organization (CANDO): a \$3 million volunteer program (CANDO) which has already brought 25 American citizens to work on Cambodia's reconstruction needs and will shortly bring up to another 48 volunteers, largely from the Khmer American community
- Aid to Children and War Victims: to provide humanitarian assistance to children and victims of war, formerly funded from Global Bureau's earmark

TABLE B.1: USAID/Cambodia PVO Grantees

PVO Co-Financing Project

American Refugee Committee (ARC)
American Red Cross (ARC)
World Concern
World Relief
World Education
CARE
International Rescue Committee (IRC)
Vietnam Veterans of America Foundation (VAAF)
World Vision
Cambodian-American National Development Organization (CANDO)
Action Internationale Contre la Faim/USA (AICF/USA)
Family Planning International Assistance (FPIA)
Medecins Sans Frontieres/USA (MSF/USA)
Population Services International (PSI)
Private Agencies Collaborating Together (PACT)
Khmer Buddhist Society (KBS)
University of Massachusetts Foundation (UMass)
International Catholic Migration Commission (ICMC)
United Cambodian Community (UCC)
Cambodian Humanitarian Foundation (CHF)
International Medical Corps (IMC)
Helen Keller International (HKI)
World Health Organization (WHO)

Democratic Initiatives Project

The Asia Foundation (TAF)
National Democratic Institute (NDI)
International Republican Institute (IRI)
Asian-American Free Labor Institute (AAFLI)

TABLE B.2: Sectoral Distribution for PVO Co-Financing Project

PVO	HEALTH						COMMUNITY DEVELOPMENT		
	HEALTH EDUCATION	CHILD SURVIVAL	CHILD-SPACING SERVICES	HOSPITAL REHABILITATION	NUTRITION, WATER & SANITATION	PROSTHESIS	STRENGTHENING COMMUNITY GROUPS	VOCATIONAL/ TECHNICAL TRAINING	INCOME GENERATION, CREDIT
TOTAL	11	10	2	6	6	2	5	4	9
AICF/USA	X				X				
American Red Cross				X		X			
American Refugee Committee*	X	X		X	X				
CARE	X	X			X				X
FPIA*			X						
Int'l Rescue Committee	X	X		X	X				X
MSF/USA				X					
PSI*			X						
VVAF*						X		X	X
World Concern	X	X		X	X		X		X
World Education*	X	X							
WHO		X							
World Vision*	X	X		X					
World Relief*	X	X							X

* Activities focus on establishing and/or strengthening indigenous NGOs.

** Training and capacity-building are cross-cutting activities of all grantees and sub-grantees in the PVO Co-Fi project.

TABLE B.2 (Cont'd): Sectoral Distribution for PVO Co-Financing Project

PVO	HEALTH						COMMUNITY DEVELOPMENT		
	HEALTH EDUCATION	CHILD SURVIVAL	CHILD-SPACING SERVICES	HOSPITAL REHABILITATION	NUTRITION, WATER & SANITATION	PROSTHESIS	STRENGTHENING COMMUNITY GROUPS	VOCATIONAL/ TECHNICAL TRAINING	INCOME GENERATION, CREDIT
PACT/JSI (intermediary) *	X						X		
CANDO								X	
PACT SUBGRANTS									
Cambodian Humanitarian Foundation	X	X							X
International Catholic Migration Committee	X						X	X	X
Khmer Buddhist Society							X		
United Cambodian Community								X	X
University of Massachusetts Foundation							X		
Helen Keller International	X	X			X				

* Activities focus on establishing and/or strengthening indigenous NGOs.

** Training and capacity-building are cross-cutting activities of all grantees and sub-grantees in the PVO Co-Fi project.

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TABLE B.3: Geographical Distribution of PVO CO-Financing Activities

PVO	PHNOM PENH	BATTAM-BANG	BANT. MEAN-CHEUY	KAN-DAL	KAM-POT	KP. CHAM	KOMPONG CHHNANG	KP. SPEU	KRATIE	PREY VENG	PURSAT	RATA-NAKIRI	SIEM REAP	SIHANOUK-VILLE	STEUNG TRENG	TAKEO	SVAY RIENG
AICF/USA									X						X		
American Red Cross								X									
American Refugee Committee											X						
CARE											X						
FPIA	X							X								X	X
Int'l Rescue Committee							X										
MSF/USA			X														
PSI*	X																
VVAF	X									X		X			X		
World Concern										X							X
World Education										X							
WHO*	X																
World Vision	X																
World Relief	X						X										

* With nationwide coverage.

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TABLE B.3 (Cont'd): Geographical Distribution of PVO CO-Financing Activities

PVO	PHNOM PENH	BATTAM- BANG	BANT. MEAN- CHEUY	KAN- DAL	KAM- POT	KP. CHAM	KOMPONG CHHNANG	KP. SPEU	KRATIE	PREY VENG	PURSAT	RATA- NAKIRI	SIEM REAP	SIHANOUK- VILLE	STEUNG TRENG	TAKEO	SVAY RIENG
PACT/JSI intermediary (SAG grants indicated here)	X	X		X	X	X	X	X	X	X	X			X		X	
CANDO	X												X				
PACT SUB- GRANTEES																	
Cambodian Humanitarian Foundation																X	
International Catholic Migration Committee		X															
Khmer Buddhist Society								X									
United Cambodian Community					X												
University of Massachu- setts Foundation							X										
Helen Keller Int'l*	X																
TOTAL	9	2	1	1	2	2	3	4	2	4	3	1	1	1	2	3	3

* With nationwide coverage.

for

ANNEX C: Other Donor Assistance

The following list of donor activities includes only the largest donors which participated at the 1992 Tokyo conference. Not included are commitments to support UNTAC, UNHCR, WFP and UNDP.

- Australia: Many small-scale projects through Australian NGOs, particularly in the areas of Community Development, English language instruction and agricultural improvement, including a project drawing on the expertise of the International Rice Research Institute (IRRI) of the RP.
- Austria: A soft loan for an undetermined amount for construction of the Kirirom Hydro-Power Plant.
- Canada: Community development projects through the Canadian-Cambodian Development Program (CCD) which will disburse funds to Canadian NGOs.
- Denmark: \$8 million through the Mekong Committee for rehabilitation of inland ports, including important ferry crossing in Stung Treng and Kompong Cham. \$2 million for cattle breeding and water supply improvement projects.
- EEC: \$10 million for a reintegration program in Battambang province.
- France: \$3.6 million for water and electricity supply projects in Phnom Penh. \$1.3 million for rubber sector development. \$1.2 million to Faculty of Medicine/Phnom Penh. \$250,00 for creation of a School of Commerce. Approximately \$100,000 for a School of Administration.
- Italy: \$5 million for rural resettlement through Italian NGOs. \$5 million for rehabilitation of the water and electricity supplies in Battambang City.
- Japan: Port and road rehabilitation. Various road repair "workshops" by Japanese construction companies, in coordination with UNDP. \$17.6 million to rebuild the Chung Chrab bridge across the Mekong near Phnom Penh by a Japanese construction company (this construction is now nearing completion). Provision of Japanese forestry and agricultural equipment. \$1.5 million for the rehabilitation of an agricultural research center in Battambang. Provision of various medical equipment to provincial hospitals throughout Cambodia. Food for internally displaced and refugees.
- Netherlands: Unspecified amount of fertilizer to generate revenue to be used to support the creation of a distribution system for fertilizers and agricultural support. \$2 million to NGOs (unspecified purpose). \$3 million to UNICEF with no conditions attached. \$4 million to UNDP with no conditions attached. \$3 million to WFP with no conditions attached.
- Sweden: \$1.5 million in fertilizer, similar to the Netherlands' plan above. \$5 million to UNDP for roads. \$21 million to unspecified International Organizations.

TABLE C.1: ICORC Pledges Made at Tokyo in June 1992

DONOR COUNTRY	PLEDGE (US \$)* Note 1
Australia	40,000,000
Austria	11,500,000
Belgium	2,300,000
Brunei	600,000
Canada	14,700,000
China	10,000,000
Denmark	25,000,000
Finland	6,400,000
France	57,000,000
Germany	21,500,000
India	1,000,000
Ireland	800,000
Italy	22,300,000
Japan	150,000,000 to 200 million
Korea	300,000
Malaysia	400,000
Netherlands	31,000,000
New Zealand	500,000
Norway	10,500,000
Russian Federation	1,800,000
Sweden	38,000,000
Switzerland	7,000,000
Thailand	8,100,000
United Kingdom	30,000,000
United States of America	135,000,000
Others (A,B,C, etc)	<u>100,000</u>
Country sub total:	<u>625,800,000</u>
MULTILATERAL:	* Note 2
Asian Development Bank	80,600,000
EEC	40,200,000
UNDP	57,100,000
UNESCO	2,900,000
UNICEF	3,000,000
World Bank	<u>70,000,000</u>
Multilateral sub total:	<u>253,800,000</u>
GRAND TOTAL:	<u>879,600,000</u> * Note 3

* Note 1 Figures include funds channelled through multilateral organizations and NGOs for repatriation and rehabilitation.

* Note 2 Figures include only allocations from "core" resources.

* Note 3 Figure excludes contributions to UNTAC.

TABLE C.2: Summary of the Planned Public Investment Program, 1994-96
(in millions of US dollars)

	1994					1995					1996					Total 1994-96
	External Aid		Budget	Total	External Aid		Budget	Total	External Aid		Budget	Total				
	Official NGOs	Total			Official NGOs	Total			Official NGOs	Total						
Activities Identified by Donors a/																
Rural Development	22.9	20.0	42.9	1.6	44.5	7.0	6.4	13.4	0.8	14.2	6.4	6.0	12.4	0.6	13.0	71.7
Transport	60.3	0.0	60.3	1.0	61.3	61.3	0.0	61.3	1.5	62.8	19.2	0.0	19.2	0.8	20.0	144.1
Energy	17.2	0.0	17.2	0.7	17.9	27.8	0.0	27.8	1.3	29.1	0.0	0.0	0.0	2.5	2.5	49.5
Water Supply	8.1	0.0	8.1	0.8	8.9	12.7	0.0	12.7	0.7	13.4	9.0	0.0	9.0	0.7	9.7	32.0
Health	32.0	24.2	56.2	0.0	56.2	24.2	8.4	32.6	0.0	32.6	7.5	2.4	9.9	0.0	9.9	98.7
Education	18.0	12.9	30.9	0.2	31.1	12.9	12.5	25.4	0.5	25.9	10.4	12.4	22.8	0.4	23.2	80.2
Total	158.5	57.1	215.6	4.3	219.9	145.9	27.3	173.2	4.8	178.0	52.5	20.8	73.3	5.0	78.3	476.2
Additional Needs b/																
Rural Development			26.7	1.9	28.6			46.4	2.2	48.6			45.1	2.3	47.4	124.6
Transport			6.3	0.0	6.3			11.0	0.2	11.2			15.5	0.5	16.0	33.5
Energy			0.0	0.0	0.0			26.5	5.0	31.5			50.5	8.4	58.9	90.4
Water Supply			0.1	0.0	0.1			6.6	0.2	6.8			15.4	0.5	15.9	22.8
Health			3.9	0.2	4.1			12.1	0.4	12.5			18.4	1.0	19.4	36.0
Education			1.5	0.0	1.5			1.5	0.3	1.8			2.0	0.4	2.4	5.7
Total			38.5	2.1	40.6			104.1	8.3	112.4			146.9	13.1	160.0	313.0
Total Investment Program																
Rural Development			69.6	3.5	73.1			59.8	3.0	62.8			57.5	2.9	60.4	196.3
Transport			66.6	1.0	67.6			72.3	1.7	74.0			34.7	1.3	36.0	177.6
Energy			17.2	0.7	17.9			54.3	6.3	60.6			50.5	10.9	61.4	139.9
Water Supply			8.2	0.8	9.0			19.3	0.9	20.2			24.4	1.2	25.6	54.8
Health			60.1	0.2	60.3			44.7	0.4	45.1			28.3	1.0	29.3	134.7
Education			32.4	0.2	32.6			26.9	0.8	27.7			24.8	0.8	25.6	85.9
Total			254.1	6.4	260.5			277.3	13.1	290.4			220.2	18.1	238.3	789.2

a/ It should be emphasized that the size, composition, and trends of donor activity reflected in this table should be viewed as indicative of patterns resulting from project identification up to December 1, 1993, often in the context of a rapidly changing country situation. This report suggests a few changes in the program.

b/ Needs identified in this report.

Note: "Budget" represents estimates of cost incurred by the Government

TABLE C.3: Donors' Projections of Disbursements a/
(in millions of US dollars)

	1993	1994	1995	1996	1994-96
	Projections				
Commodity Aid and Budget Support	26.6	49.6	26.1	0.0	75.7
ADB	3.5				0.0
IDA	0.0	12.5	12.5		25.0
Belgium		1.5			1.5
France	1.2				0.0
Germany		9.9	8.5		18.4
Italy		0.6			0.6
Japan	4.6	23.1	4.6		27.7
Netherlands	3.8				0.0
Sweden	2.5				0.0
United Kingdom	1.0	2.0	0.5		2.5
Special Budget Support b/	10.0				0.0
Project Aid c/	85.4	147.1	63.2	4.5	214.8
ADB	1.6	19.6			19.6
IDA		15.0	22.5		37.5
UNDP	19.0	20.0			20.0
Australia	5.3	12.3			12.3
Canada	1.7				0.0
Denmark	1.0	0.5	1.0		1.5
France	6.6	16.9	6.3		23.2
Germany	0.8	2.2	3.5	1.5	7.2
Italy	0.2	0.2	0.4	0.4	1.0
Japan	34.3	40.9	7.1		48.0
Sweden	1.0	3.3	3.0	1.4	7.7
Thailand	0.6				0.0
United Kingdom	4.1	2.6	2.0		4.6
United States	9.2	13.6	17.4	1.2	32.2
Total	112.0	196.7	89.3	4.5	290.5

a/ Official Donors' projections of their own disbursements, as of December 1, 1993.

b/ Budget support provided by donors through UNTAC.

c/ Including technical assistance.

Note 1: The data provided by donors are based on the knowledge donors had of their assistance program as of December 1, 1993. No attempt was made to include assistance which had not yet been confirmed. Also, the report assumes a different disbursement profile.

Note 2: The European Community's contribution amounted to US\$17 million in 1993. This amount is not added to the above total to avoid double counting.

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TABLE C.4: Technical Assistance Requirements in Macroeconomic Management a/

Domain	Required Assistance and Timing	Provider	Objectives and Comments
Tax Policy and Administration			
a. Senior fiscal advisor	Initial adviser in place April-July 1993. Expected replacement to start in January 1994.	IMF (Under ADB/UNDP Project)	General Macroeconomic and fiscal advice for Ministry of Finance.
b. Tax policy and administration mission	November 1993	IMF	Tax administration and tax policy experts to remain after mission.
c. Strengthening of tax administration	A short-term expert (4 months) to start from January 1994	IMF (Under ADB/UNDP Project)	
d. Tax policy adviser	A short-term expert (6 months) to start December 1993	IMF (Under ADB/UNDP Project)	To help implement the tax reform proposals.
e. Fiscal reform mission	Late 1993/early 1994	IMF	To establish agenda and timetable for fundamental fiscal and tax reform.
Budgetary and Expenditure Control			
a. Budgeting and expenditure control	In place since July 1992	World Bank UNDP	Development of new budget nomenclature and procedures beginning with 1994 budget.
b. Treasury operations	In place since July 1992	World Bank UNDP	Reinstate the Treasury in its traditional role. Development of new accounting procedures.
c. Public accounting	A short-term expert (4 months) needed for 4th quarter 1993	IMF (Under ADB/UNDP Project)	
d. Budget law	A short-term expert (1 month) needed for 1st quarter 1994	IMF (Under ADB/UNDP Project)	
Money and Banking			
a. Central bank operations	Adviser in place since August 1992	SIDA/CDRI	Assist the NBC in implementing various institutional strengthening measures
	Adviser from Banque de France expected in January 1994	France	Adviser to the Governor of the Central Bank
b. Monetary policy	Adviser expected to be in place late 1993	IMF (Under ADB/UNDP Project)	Assisting the NBC in implementing monetary policy
c. Research and analysis	Adviser expected late 1993, for a 6-month period	IMF (Under ADB/UNDP Project)	Development of a research and analysis capability in the NBC
d. Accounting	Adviser expected late 1993, for a 6-month period	IMF (Under ADB/UNDP Project)	Development of a research and analysis capability in the NBC
e. Banking legislation	Adviser expected late 1993, for a 6-month period	IMF (Under ADB/UNDP Project)	To assist with revamping of the central bank law and other financial legislation

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TABLE C.4: Technical Assistance Requirements in Macroeconomic Management (continued)

Domain	Required Assistance and Timing	Provider	Objectives and Comments
f. Bank supervision	In place for the period July-October 1993. New adviser is expected in 1994.	IMF (Under ADB/UNDP Project)	A pre-requisite for ensuring financial sector soundness in view of the rapid proliferation of banks
g. Financial sector study	Short-term assistance to conduct studies/audit	ADB to be confirmed	Study of financial intermediation, including rural credit Audit to delineate responsibilities and assets between NBC and Foreign Trade Bank
h. Monetary statistics	Follow-up missions in 1994	IMF	To assist with implementation of recommendations of earlier missions
i. Exchange markets	Four to six months beginning in the 4th quarter 1993	IMF (Possibly under ADB/UNDP Project)	Advise on further development of the foreign exchange market and revamping of foreign exchange law. In association with the proposed merging of the official and parallel exchange markets
Balance of Payments			
Balance of payments statistics	A short-term expert (6 months) began late 1993	IMF	Necessary to establish the capability within the NBC to compile balance of payments statistics
Debt Management			
Debt Management	TA, logistical support over two-	To be determined	Create a debt office in the Ministry of Finance Assist in debt management This will require TA, computerized systems, logistical support
Public Investment Programming			
a. Policy Formulation and Project Monitoring	Resident TA, computerized system, logistical support, studies. Needed as soon as possible. Must be developed in parallel with PIB in MOF	To be determined with ADB	Help Ministry of Planning and sectoral ministries develop a policy formulation capability Strengthen project monitoring units in sectoral ministries and ministries.
b. Public Investment Budget (PIB)	Two to three year assistance: resident and short-term TA, computer system in parallel with PIP system, logistical support	To be determined	Assist in setting up a Public Investment Budget directorate in MOF. Assist in managing the PIB, including counterpart funds generated by donors.

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TABLE C.4: Technical Assistance Requirements in Macroeconomic Management (continued)

Domain	Required Assistance and Timing	Provider	Objectives and Comments	
Planning, National Statistics and Accounting				
a.	Planning	Resident Adviser for two years.	UNDP/ADB	Advise and train in macro-economic management and analysis, forecasting, and planning
b.	Statistics	Resident adviser for two years.	UNDP/ADB	Assist in the development of systems for the collection and maintenance of national statistics
Civil Service Reform				
a.	Policy formulation and preparation of implementation schedule	One short-term expert is presently in the field. A team of 5 to 7 experts due to arrive in January 1994.	UNDP (MDP) yet to be determined	Assist the Government in (i) formulating its policy; (ii) preparing the outline of the reform program including an implementation schedule; and (iii) establishing a social safety net program for displaced civil servants Provide discussion papers and advice to the soon-to-be established Technical Commission for Civil Service reform Provide logistical support to the Technical Commission and to the ministry in charge of managing the Civil Service
b.	Control entry in the service	Immediate action is needed	To be determined	Institute a probationary period for school graduates entering the Civil Service (following cessation of automatic recruitment) and develop training programs for them Prepare new rules and conditions of entry in the Civil Service Develop reform programs (including training and retraining programs) for schools catering for needs of the Civil Service
c.	Restructuring of pilot ministries	Immediate action is needed	To be determined. Possible ADB assistance ^{b/}	Restructure and downsize the ministries of Planning and Civil Service to allow them to perform tasks resulting from their short-term agendas Provide them with needed technical assistance, logistical support, and targeted training once restructured ^{c/}

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TABLE C.4: Technical Assistance Requirements in Macroeconomic Management (continued)

Domain	Required Assistance and Timing	Provider	Objectives and Comments	
Public Enterprise Reform				
Public Enterprise Reform	Ongoing under UNDP/ADB project. Additional short-term support may be needed.	World Bank UNDP	Prepare a policy paper to be promulgated by June 30, 1994. In that context, prepare a policy paper specifically on privatization.	
			Inventory of cross debts.	
		To be determined with UNDP/ADB	Prepare diagnostic studies of enterprises slated to remain in the public sector.	
		To be determined	Establish targeted safety net programs for displaced employees.	
		To be determined with UNDP/ADB	Perform asset valuation in the privatization process.	
	To be identified	To be determined with UNDP/ADB	Prepare legal framework for SOEs.	
Training Schools				
a.	Ecole Royale d'Administration	Assistance started in 1992	France	Renovation and equipment of the building Retraining started in 1993, training will start in 1994
b.	Ecole des Finances	Two resident experts and short-term missions. Assistance will start in January 1994.	France	France's support should allow preparation of needed reform program. More assistance could be needed during implementation.
c.	School of Planning and Statistics		France	Assistance is needed to reform the school which is currently solely supported by the Government

tbi: to be identified

a/ Including structural reforms such as Civil service and PEs, and the establishment of an appropriate legal framework for a market economy.

b/ ADB technical assistance to planning will play a role.

c/ For the Ministry of Planning, this exercise is linked to Public Investment Programming.

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TABLE C.5: Key Economic Indicators, 1991-1996 a/

	1991	1992	1993 Est.	1994	1995 Projections	1996
	(changes in percent)					
Real GDP	7.6	7.0	5.7	7.5	7-8	7-8
GDP Deflator	107.4	75.5	104.2	4.3	5.1	5.1
Consumer prices (end-period)	87.9	176.8	54.8	9.0	5.0	5.0
Domestic liquidity	28.6	209.0	..	..	..	..
Net credit to Government	35.3	200.9	..	..	..	..
Velocity of money	19.0	16.3	..	..	..	..
Exports of goods (values in US\$) b/	116.7	-28.1	-38.5	93.0	33.0	25.0
Imports of goods (values in US\$) b/	-6.1	32.5	52.9	40.1	19.4	12.9
	(as ratio of GDP, unless otherwise specified)					
Budget revenue	4.4	6.2	5.4	7.6	8.1	8.8
Budget expenditure	7.8	9.9	11.6	14.3	15.0	15.0
Current expenditure	7.4	9.5	7.2	9.5	8.8	8.5
Capital expenditure	0.4	0.3	4.4	4.8	6.2	6.5
Current budget deficit c/	-1.2	-4.3	-1.8	-1.9	-0.7	0.3
Overall budget deficit d/	-3.4	-3.6	-6.1	-6.8	-6.9	-6.2
Foreign financing	0.5	0.1	4.9	7.1	6.9	6.2
Domestic financing	2.9	3.5	1.2	-0.3	0.0	0.0
(of which: bank financing)	1.1	4.5	0.8	-0.1	0.0	0.0
Domestic investment	9.4	9.8	15.5	17.6	19.6	20.4
Government investment	0.4	0.3	4.4	4.8	6.2	6.5
Non-government investment	9.0	9.5	11.1	12.8	13.4	13.9
Financing of investment	9.4	9.8	15.5	17.6	19.6	20.4
National savings	7.9	7.3	8.2	8.3	10.2	11.5
Foreign savings	1.5	2.5	7.7	9.4	9.4	8.9
External current account deficit e/ (in millions of US\$)	-27.7	-49.6	-147.7	-212.7	-236.2	-254.4
Foreign official financing f/ (in millions of US\$)	7.7	5.0	154.6	185.7	189.0	192.5
Gross official reserves g/ (in millions of US\$)	0.3	29.9	44.5	75.5	103.3	128.4
(in months of imports) b/	0.0	2.6	2.5	3.1	3.5	3.9
Official exchange rate h/ (riels per US\$, end-period)	520	2,000	2,200	2,600	..	..
				(USAID est)		
Memorandum item:						
Nominal GDP (in billions of riels)	1,336	2,508	5,413	6,069	6,856	7,744

a/ Budget and balance of payments do not include the debt service payments or arrears to bilateral official creditors.

b/ Excludes re-exports.

c/ On cash basis.

d/ On accrual basis.

e/ External current account deficit excluding official transfers.

f/ Includes IMF purchases and, in 1993, funds for clearance of IMF arrears.

g/ Gross foreign reserves of the National Bank of Cambodia, its provincial branches, and the Foreign Trade Bank of Cambodia.

h/ For 1993, as of November 13, 1993.

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ANNEX D: National Programme to Rehabilitate and Develop Cambodia

Executive Summary

The overriding objective of the Royal Government is to achieve a fair, just and peaceful society and, through accelerating the rate of economic growth, to raise the living standards of all Cambodians. In short, the Government is striving to achieve sustainable growth with equity and social justice. This will be reflected in a relatively high rate of growth which:

- optimizes the utilization of the Kingdom's domestic resource base in the generation of that growth and;
- allows wide and equitable access of the population to the fruits of that growth.

The Royal Government is committed to achieve a full-fledged market economy. As a strategist and manager of development, the Government intends to work with the private sector as a full partner in the rehabilitation and development of the Country. Capacity-building is a major undertaking which can only be realised in full cooperation with private investors and the international community.

The Vision

The Royal Government's vision could best be described as a commitment to:

- reform the State, its institutions, and its Public Service so as to attain political and socio-economic priorities;
- rely on private entrepreneurship and the market as engines of growth;
- double the present level of GDP by 2004 in real terms, and place heightened emphasis on harnessing Cambodia's agricultural, industrial and tourism potentials;
- extend health, educational and social services to the entire population so as to ensure, within the decade, a substantial improvement in the standard of living;
- improve rural living by promoting rural development as a central feature of the Government's development priorities;
- ensure that the pattern of development is sustainable socially, politically, fiscally and environmentally;
- strengthen domestic self-reliance and thus reduce the current dependence on external financial and technical assistance.

The overall objectives are national reconciliation, social justice and economic growth. The approach must be therefore comprehensive.

To achieve these objectives, the Royal Government's National Program to Rehabilitate and Develop Cambodia (NPRD) recognises that the human resources of the Nation, men and women, represent the most important asset in the quest to rehabilitate and develop the country.

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The Approach

The crucial elements of the Royal Government's approach will be: reforming the State apparatus and the Public Service; realizing political stability and economic growth; establishing a legislative and regulatory framework conducive to a fair and stable investment climate; providing required physical infrastructures, developing human resources, gradually integrating the country into the regional and world economies and optimising sustainable resource use. It also includes re-establishing the country in the community of nations as a State, a people committed to the rule of law. The eventual success of the National Programme will depend in large measure on whether or not the Royal Government succeeds at ensuring security and at demining.

Thus, five mutually reinforcing strategies are envisaged:

1. Reform the administrative and judicial institutions of the State

- Overhauling the Public Service and promoting an effective workforce respective of human rights, equality and merit principles. The object is to adapt the public service to the needs of a market economy, and a liberal, democratic society.
- Strengthening Government institutions through a clarification of roles and responsibilities, reforms in corporate functions, and more effective coordination between central and provincial administrations. The object is to improve service delivery and program implementation around the country.
- Establishing effective and fair judicial institutions through legislation, people, equipment, infrastructure and the will to enforce. The object is "Faire du Royaume un Etat de Droit."

The Royal Government is rebuilding its institutions through a dual strategy: a) system-wide reforms including the promulgation of laws and the implementation of programs to overhaul financial and personnel practices and systems as well as interministerial coordination; b) specific management improvements including the delegation of operational decisions, materials management, results-oriented project management, monitoring, evaluation, service delivery assessment. Prudence, economy, discipline and commitment will be the keys.

Key Ministries are targets for rapid institution-building; intensive training, information systems, computerization, and policy formulation and management capacity. Steered by an interministerial committee of high officials at the Council of Minister, these reforms are intended to increase absorptive capacity and improve service delivery.

2. Promote economic stabilization and growth

- Consolidating the conditions for macroeconomic stability.

The Kingdom has had impressive successes; it must now meet stringent targets and standards.

- Creating the institutions, instruments and policies necessary for prudent, long-term economic management.

The Royal Government will pursue economic and financial stability, with high growth through a combination of fiscal and monetary policies supported by structural reform. Fiscal policy is a key to stabilization, rehabilitation and development. For stability, the fiscal deficit will be kept to what can be externally financed. For rehabilitation, the Government's investment budget targets carefully selected priority areas.

The recent comprehensive budget and the accounting reforms provide the basis for greatly improved management, control, and the rationalization of government expenditures. However, revenues will need to rise substantially, in

order to provide sufficient resources to support even basic social and economic needs.

3. Ensure structural adjustment and sectoral reform

- Sustaining a socio-economic climate conducive to private investment. Codes of commerce, and of investment, property laws will be enacted. The government will be both a partner and a manager of development.
- Overhauling sector policies and programs.
- Integrating the Cambodian economy into the regional and world economies. The Country has turned to the world. Treaties are being signed. Trading opportunities are being explored.

4. Provide direct support for sustained development

- Addressing physical infrastructure needs, especially those that would unlock critical bottlenecks.

The needs are staggering and only so much can be done. Priorities have been identified in energy, transportation, communications, and basic infrastructures. All are essential to the success of the National Program and the political agenda of the Government.

- Widening access to social services, especially among women and disadvantaged groups.

Training, education, information are the keys. Management and technical know-how will be enhanced quickly, preferably on the job. The curriculum of schools and universities will be adapted to the needs of the market place and government. The development of human resources is both an objective in itself and a means to achieve stability and security.

5. Optimize the sustainable utilization of the natural resource base

- Strengthening the protection of the environment through proper legislation.
Minimum environmental standards
- Supervising and monitoring conservation management
The strengthening of monitoring and enforcement mechanisms both at the national and local levels.
- Developing sustainable resource use strategies
Protect biodiversity, sustainable forest exploitation, environmental awareness, improvement in urban living.

In pursuing these strategies, particular emphasis will be paid to developing the country's rural areas, and to gradually integrate the more remote areas of the country into society's mainstream. The agriculture sector will receive a high priority, as it is a key to bolster rural economy. This will be a long, arduous process which will require people to adapt to new circumstances and acquire new skills and know-how.

However, above all, the successful rehabilitation and development of Cambodia requires the establishment of a secure environment in which people may go about their business in peace and without fear. The Royal Government is firmly committed to establish such a society and it will take the necessary political initiative to this end. However "Un Etat de droit" requires important means and security involves demining and the containment of crime. External assistance will be essential to success.

The Government's vision and the above strategies present immense challenges. The rebuilding of an infrastructure devastated by war and neglect has to take place in a climate of security. The human resource and organizational base have to be adapted to the needs of a market economy, and be supported by a coherent set of long-term objectives and a series of integrated programmes. All this takes time.

The Immediate Future

The Government has adopted a multi-year rolling plan.

The next eighteen months or so will be used to consolidate the achievements of the recent past, and to build upon them in order to create a base from which longer-term development will spring. Priorities had to be established and difficult choices had to be made. Among many possibilities, the Government wishes to concentrate its efforts on addressing those features of the country's weaknesses considered to be the most fundamental of developmental barriers. Accordingly, in that period, the Royal Government will focus on:

Strengthening the base for a market economy

Accelerating the reform of fiscal and monetary policies and practices and establishing a legal and predictable environment for private entrepreneurs.

Increasing absorptive capacity

To urgently overhaul the apparatus of the state, its public service, its practices and systems, and encourage the emergence of a vibrant private sector. The strengthening of operational ministries, development of human resources and the creation of one stop shopping for investor and contributors are also primary thrusts.

Sectoral programmes

Priority initiatives will be launched immediately in each sector of the economy with a view to establishing the foundation of suitable development and growth. Fairness, equity, and the protection of the environment will condition the action.

The Royal Government recognises that actual projects selection will largely be determined by macroeconomic and technical considerations such as the shortages of government revenue and technical implementation capacity. This is why such emphasis will be put on revenue generation, expenditure restraint, and the development of skills and know-how.

Conclusion

The Royal Government has decided to seize the future, but for it to succeed international financial support and technical assistance are necessary. The National Programme and supporting documents identify ways, means and areas where contributing countries and agencies could help.

The National Programme to Rehabilitate and Develop Cambodia is very ambitious. It will require the mobilization of the country's human, physical and financial resources. It will require the involvement and cooperation of all citizens. The Royal Government is committed to involve the population in its actions and wants them to be devoid of political partisanship.

The National Programme to Rehabilitate and Develop Cambodia is a cohesive package and its component parts must be pursued concurrently. They mutually reinforce and complement one another and must be well orchestrated. The Royal Government is assuming this delicate task with resolve and an unbinding commitment to its population and its friends in the world community. The successful implementation of the national program will not only induce economic growth and social justice; it is also a necessary condition to political stability and security.

ANNEX E: Cambodia: From Rehabilitation to Reconstruction

The World Bank

February, 1994

Executive Summary

1. In a very short time Cambodia has made impressive progress in achieving peace and stability. Following UN-sponsored elections in May 1993 and three months of an interim government, a national government was established in late September 1993 within a framework of parliamentary democracy, under a new constitution, with a constitutional monarch as head of state.

2. The ultimate Government objective is to rebuild the country and to realize its full economic potential and, in the process, to reduce poverty, which is the dominant feature of the Cambodian situation. The donor community has pledged its support for Cambodia's recovery. However, institutional constraints and the lack of suitably qualified personnel at the operational level are causing rehabilitation programs to proceed more slowly than the Government had expected. It should therefore be emphasized that rebuilding the economy and reconstructing the physical capital ravaged by two decades of conflict will take many years and must be expected to continue well beyond the time horizon of the suggested policy framework of 1994-1996. The rehabilitation program described in this report sets the stage for the next phase of the Government's recovery process: reconstruction and development.

Recent Economic Developments

3. In spite of recent progress, the Cambodian economy continues to suffer from the legacy of decades of war and internal strife. Per capita income, although rapidly increasing, is low compared with some neighboring countries. The main domestic activity on which most rural households depend is agriculture and its related sub-sectors. Manufacturing output is varied but is not very extensive and is mostly conducted on a small-scale and informal basis. The service sector is heavily concentrated in trading activities and catering-related services, which are still geared predominantly to a foreign clientele.

4. The loss of aid from the former Soviet Bloc countries has had a severe effect on public sector finances, which remain the main source of macroeconomic imbalance. Despite steep cuts in capital spending and some restraints on current payments, the overall budget deficit in 1992 widened to 4.6 percent of GDP. In the absence of significant external assistance, the fiscal deficit was financed largely through currency issue. By the end of the third quarter of 1992, the economy was slipping toward hyperinflation. Against this background the authorities adopted a series of stabilization measures aimed at arresting this fiscal deterioration. A key component of the policy package was a set of taxation measures. In November 1992, the reference prices on which customs duties were based were revised upward and a new hotel room tax was introduced. On the expenditure side, outlays were held below planned levels. In early 1993 the authorities implemented a set of new revenue measures including: (i) an increase in the duty rates on petroleum products; (ii) an upward revision of the price list for the business tax on imports; and (iii) an increase in the airport departure tax. After the formation of the National Provisional Government in July 1993, action was taken to strengthen tax enforcement; an anti-smuggling task force was created to improve customs duty collection; and a survey of larger taxpayers was conducted to improve the accuracy of the assessment of turnovers. Again, in September 1993, new measures on the customs side were implemented. Finally, in December 1993, the authorities introduced the import duty sticker for cars, increased the import duty on petroleum products, and launched a major crackdown on unpaid customs duties on cars.

5. Despite these measures, the country's budget situation remains precarious. On the revenue side, the heavy reliance on import duties makes the tax system inelastic and vulnerable to external conditions. Of current expenditures, only slightly more than half are spent for civilian purposes. The dominant item in current expenditures is salaries. Capital expenditures are tailored to the availability of external financing, as almost the entire capital expenditure is financed by external aid. This situation obviously cannot continue indefinitely. The Government is expected to shoulder an increasing share of the cost of reconstruction.

External Aid

6. The international community has responded generously to the UN Secretary-General's appeal of 1991 to support Cambodia's rehabilitation efforts, providing pledges and other commitments totaling US\$880 million at the Conference on the Rehabilitation of Cambodia in Tokyo in June 1992. New pledges of US\$119 million were added in September 1993 in Paris. Cambodia's dependence on the donor community for economic and social rehabilitation is total.

Policies and Programs for Recovery

The Macroeconomic Framework

7. The macroeconomic framework for 1994-96 laid out in this report aims at: (i) maintaining an average real growth of 7 to 8 percent per year; (ii) reducing the inflation rate to a rate comparable with that of partner countries (5 percent annually) by 1995; and (iii) strengthening the external position by reducing the external current account deficit to 9 percent of GDP by 1996 (after a sharp initial increase to accommodate reconstruction expenditure) and raising international reserves to a more adequate level.

8. Because the country is only just emerging from high inflation and total loss of confidence in its institutions and in the future, the first phase of recovery should emphasize internal macroeconomic stability. Stable prices, along with other advantages of a predictable macroeconomic environment, would provide the basis for renewed confidence, long-term growth, and development. The anchor for domestic and external financial stability will therefore continue to be tight fiscal policies designed to avoid monetary financing of the budget. The reforms would also focus on strengthening the Government's capacity to implement policies and on establishing an environment conducive to private sector development.

9. The medium-term framework projects a sharp increase in gross domestic investment. While much of the increase would take place in the public sector to meet the immediate infrastructure needs, an increase in private investment would also be expected. The overall fiscal deficit would rise in the initial phase and would decline subsequently. Such a rise in investment would need to be associated with a substantial increase in national savings, primarily as a result of improved tax efforts and restraints on current spending. The country will also have to continue to rely on donor support for its reconstruction program, combined with inflows of foreign private investment. Budget support and commodity aid will be keys to the success of the program, especially in the early phases, as the creation of new assets will bring in its wake higher incremental operational costs for the budget.

Sectoral Priorities

10. The cardinal objective of the 1994-96 recovery program proposed in this report is to make a start toward reducing poverty and strengthening the foundations for economic and social stability. Priorities have therefore been determined according to number of beneficiaries, impact on economic growth, and capacity for implementation. In the absence of government coordination, donors have done their best to identify Cambodia's rehabilitation needs in different sectors and to provide the means to cover them. To a very large extent, the priorities determined by donors during a highly unstable period remain suitable today and meet the main selection criteria mentioned above. However, as is indicated in the report, the immediacy of some of the investments needs to be re-examined in the

light of recent events.

11. One reason for adjustment is the concern for regional disparities which are essentially due to the problems of security and accessibility. The country is divided between fairly well-serviced areas and areas that are poorly serviced or are not serviced at all. The thinly populated provinces of the northeast receive little or no assistance from the Government or from donors. Although they are not as completely cut off from services and assistance, many of the populated central lowland provinces have also suffered from lack of services, as assistance was directed to the northwest and the resettlement areas. Redressing such disparities is made more difficult by the highly decentralized government structure. However, over the next three years basic services will need to be expanded to the underserved regions. It is clear that resources will not permit a strategy of providing comprehensive services in all areas; choices will have to be made and a practical approach adopted. However, a start, if only in a minimal way, will have to be made to expand services in stages to those provinces that are underserved and densely populated.

12. Choices will also have to be made in sector development. To foster economic growth and adequately address the problem of poverty, the Government will need to give top priority to agriculture. Parallel with this, priority should be given to improving the transportation network with a view to facilitating communication and economic activity in rural areas. Third, the dramatically low level of basic education in Cambodia deserves full and immediate attention.

13. An outline of the aims of the proposed 1994-96 program is presented here, by sector. In the agriculture and rural development sector, the program supports a number of important activities of which the following are top priorities: in agriculture, funding the continued demining of agricultural land and improving rural roads; in livestock, extending the coverage of the vaccination program; in fisheries, realizing the potential of marine fisheries and small-scale aquaculture; and in forestry, establishing and putting into operation the new forestry code in accordance with the ecological and economic needs of the country. The report recommends the reallocation of some resources to cover more pressing needs, such as expanding rural development programs which address the poverty problem more directly and efficiently.

14. Transport infrastructure is an important requirement of growth in investment, consumption, and trade. For such growth to spread its benefits into rural areas, a functioning road infrastructure, both for agricultural activities and for external trade and commerce, is required. Over the next three years the most urgent priorities in the transport sector are (i) to repair and rehabilitate the most dilapidated sections of the primary road network and (ii) to provide essential equipment and material for operations and maintenance of transport services. While substantial assistance has already been mobilized, additional resources will be needed to complement existing projects and cover critical gaps. Another top priority is to expand the repair and rehabilitation of rural roads with a view to linking the rebuilt national roads to small rural roads. This will allow smallholders to transport their surplus product to market and will help integrate markets generally.

15. In the energy sector, the objectives of the proposed program are to re-establish an adequate electricity supply, reduce costs, and strengthen sector institutions. To this end, the program includes two main components of equal importance: (i) capital investment in energy generation and distribution, and (ii) technical assistance for institutional and regulatory issues and for improving investment decisions and implementation.

16. In the water supply sector, while donor assistance has already been mobilized for Phnom Penh and Sihanoukville, additional resources are required to benefit other provincial centers and expand support to rural infrastructure programs with a view to increasing community benefit and participation.

17. The health status of the population is both a symptom and a cause of severe poverty. The impact of debilitating illness on the productivity of rural families is well known. Medical expenses for treating such conditions can be devastating to the household budgets of the poor, which are almost completely dedicated to food and basic necessity

consumption. The unusually high female gender ration in Cambodia adds another dimension to the importance of health services, particularly for preventive and maternal and child health. Improving the health status of the population through expanded and improved public services will be a basic component of the proposed program. The most urgent priorities are to ensure adequate provision of drugs and medical supplies for the malaria and tuberculosis control programs and to initiate family planning and AIDS prevention programs.

18. To launch a meaningful assault on poverty, the Government will need to improve the quality of education so that its labor force can begin to compete with those of neighboring countries in basic skills. Hence, expanding access to and improving the quality of basic education are at the present the major priorities. However, progress in this respect is constrained by the Government's inability to finance the training and recruitment of enough teachers and, more important, to pay them adequate salaries which would allow them to teach full-time. Alleviation of this constraint with donor support would raise the sector's absorption capacity for investments, opening the way for more rapid and sustainable improvements.

Financing Requirements

19. Cambodia requires donor financing for two main activities: to support the rehabilitation program and to meet the budgetary deficit. In 1993, official donors disbursed US\$103 million in the form of development assistance to Cambodia. Projected disbursements of official aid for 1994-96 are estimated at US\$185 million in 1994, US\$190 million in 1995, and US\$200 million in 1996. Of these totals, financing of activities already identified by official donors as of December 1, 1993, would represent about US\$135 million, US\$110 million, and US\$80 million in 1994, 1995, and 1996, respectively. Therefore, financing to cover additional requirements identified in this report would amount to US\$50 million in 1994, US\$80 million in 1995, and US\$120 million in 1996. About half of the additional requirements in 1994 -- that is, US\$25 million -- are for budget support and commodity aid. Additional requirements for this type of support decline in 1995 and 1996. It should be noted that all financing requirements are expressed here in terms of disbursements. In terms of commitments, these requirements would represent larger amounts.²⁷ An estimate of 1994 commitments to cover additional requirements for that year would be US\$125 million, of which US\$100 would be for investment needs.²⁸

Implementation and Capacity Building

20. The implementation of the program in support of the recovery process will require considerable efforts in the area of capacity building. The degree of success of the program and the rate at which it will be implemented will depend heavily on enhancing community participation; developing human resources; strengthening institutions; improving investment programming; providing well-targeted technical assistance; and improving security.

Aid Coordination

21. To properly mobilize the resources needed to sustain the recovery process in Cambodia, it is necessary that the various levels of government and agencies work together to establish investment priorities for the relevant sectors and identify investment and budget requirements. The recent establishment of the Cambodia Development Council (CDC) is a step in the right direction, provided that the division of labor between this interministerial institution and

²⁷ The figures provided in this section do not include NGO disbursements, for which aggregates are less meaningful since the pertinent data are incomplete and more approximate.

²⁸ The assumptions under which these figures are arrived at are to be found in Chapter IV, note 5.

individual ministries is made clear in the CDC's texts.²⁹

22. Equally important is consultation among major donors, in order to avoid duplication of effort, to ensure that the available financing is in fact allocated to support the Government's priority program, and to improve the coordination of the various technical assistance programs. This coordination will have to proceed at two levels. First, after an assessment of the macroeconomic situation, an estimate will have to be made of the overall resources required from external sources, together with a judgment on the division of these resources between quick-disbursing and project financing. Second, it would be desirable to examine some sectoral and project possibilities in more detail. This could be achieved at meetings of sector coordination groups to be held in Phnom Penh from time to time, with representation from the major donors and the relevant agencies of the Cambodian Government. In addition, a suitable vehicle for aid coordination outside of Cambodia is needed. Currently, the International Committee on the Reconstruction of Cambodia (ICORC) is serving this purpose.

Choices of Instruments of Assistance

23. A distinctive feature of the Cambodian development landscape is the array of instruments currently in use to deliver assistance. NGOs predominate in direct delivery in rural areas and are also well represented in the cities. Employing large numbers of expatriates and working with local counterparts, NGOs offer the assurance that assistance will be well implemented and disbursed and that it will reach local target groups. Bilateral donors often choose to route their resources through NGOs because of the weak capacity of central and local government. Another instrument involves bilateral donors that, like the NGOs, channel assistance directly to a facility or a service, again with little involvement of the Cambodian authorities and with the direct managerial input of the donor in the activity. Turnkey construction projects are a typical example of this instrument. As a third instrument, donors have joined together to finance integrated development schemes. This entity blends the potential scale and consistency of government services with the local implementation capacity of NGOs, but does so through autonomous technical and coordinating teams. Finally, the Government itself will be increasingly involved in the direct preparation and management of foreign assistance projects, even if the capacities are widely lacking at the present.

24. Which of these instruments is best suited to the delivery of development assistance? Here the question of timing arises. There is at the moment little likelihood that the Government will be able to assume direct control of many project activities; this will require a slow process of institutional development and capacity building. Nevertheless, it would be appropriate for the Government to begin playing a more active role in public investment programming and project implementation. Bilateral donors will need to build into their projects more involvement of counterpart ministries as part of the capacity building process. Increasing amounts of bilateral assistance will need to be routed through the Government for direct Government management and implementation. This underlines the importance of assisting the Government to build up its implementation capacity. A more active Government role in policy formulation will also help NGOs to better target priority needs.

²⁹ The CDC is composed to two committees: the National Committee for Rehabilitation and Development (NCRD) which will deal with public investment and aid coordination, and the National Investment Committee (NIC) which will handle private investment. As of January 25, these committees were not yet fully operational and their organic texts had yet to be drafted.

ANNEX F: USAID/Cambodia NGO Management Strategy³⁰

Historical Background

With the signing of the Paris Peace Accord in October 1991, the United States Government expanded the reach of its humanitarian assistance in Cambodia from the non-communist resistance zones of the Northwest to the entire country, excluding those zones controlled by the Khmer Rouge. Assistance was to be channeled through international relief agencies and American non-governmental organizations (NGO), made available nationwide to civilians only, and allocated on the basis of need. The 1991 awards to NGOs recognized the immense needs of the Cambodian populace and targeted, as priority needs, delivery of health services to mothers, children and civilian war victims through immunization, nutrition, training, and education activities. Thus began USAID/Cambodia's NGO program which to this day spans a broad and diverse sectoral spectrum, providing services of one kind or another on a nearly national basis.

The gradual shift from pure emergency relief to soft development assistance coincided with the commencement of the United Nations Peacekeeping effort to prepare the country for its first democratic elections in decades. The Accord-driven opening of the country permitted NGOs to broaden their focus to include human rights education, political party development, and teaching of electoral processes. This phase saw the emergence of the first generation of Cambodian led NGOs. USAID/Cambodia provided substantial support for these organizations through three of its projects: the "Strategic Assistance Grant" component of the PACT cooperative agreement; the Democratic Initiatives project through its grants to The Asia Foundation, the National Democratic Institute and the International Republican Institute; and the Cambodian-American National Development Organization (CANDO) that contributed invaluable technical assistance to fledgling human rights organizations through its volunteer work force. This period marked the transition from a narrow, geographically focused, international NGO-based program to an expanded, nation-wide program encompassing the development and strengthening of local institutions.

The immediate post-election euphoria, followed by relative political stability, enabled USAID/Cambodia to bring yet more focus to its NGO-led program. For the first time, USAID/Cambodia grants, awarded in the fall of 1993 under the new PVO Co-Financing Project, introduced the concepts of sustainability, replicability, and participatory development. A one-week workshop sponsored by USAID/Cambodia in January 1994, for its grantee community, provided the opportunity for USAID/Cambodia to clearly articulate the evolution of its strategy to move from the preceding phases of emergency relief and broad based support for fledgling local initiatives toward sustainable interventions promoting replicable models of development.

³⁰ The term NGO is used to include all non-governmental entities, both for-profit and not-for-profit. The term PVO applies only to non-profit private voluntary organizations.

NGO Strengths and Weaknesses

Relentless efforts of NGOs -- funded by both USAID/Cambodia and other donors -- have played the leading role in the remarkable nation-wide improvements of social conditions. Bearing in mind the extreme, broad-based poverty, and the dearth of educated Cambodian counterparts, the NGOs' emergency relief efforts have prepared the terrain for longer term, sustainable programs. A significant consequence is that the absorptive capacity and receptivity of communities for donor assistance is greater today than anyone had anticipated.

The strength of NGO programs has been their individual work at the provincial, district and grassroots levels, specifically:

- they established contact and trust with groups and communities that had been living in nearly complete isolation of necessary health and other services;
- they implemented with these communities development programs in selected fields, e.g. preventive health care training, community development, vocational training, non-formal health education, income generation; and,
- in some cases, particularly in the health sector, they substituted for the public sector to ensure delivery of basic services.

Collectively, the NGOs in Cambodia demonstrated that they excel in small, community development settings where they engage beneficiaries in projects that are designed to ameliorate some condition, be it economic (income generation, vocational training), social (education, health), or other. The NGOs' demonstrated very high commitment to the people with whom they work, often enabling them to obtain results that are the envy of public or private sector intervenors. Their ability to call on technical experts to assist them in launching projects, and their generally solid organizational structures enable them to commence implementation quickly.

Finally, their talent in working with a select group within a community (e.g. the disabled, women, widows) permits them to further target their assistance and increase impact. Some of the most successful projects in USAID/Cambodia's portfolio are those that have circumscribed their beneficiary community very narrowly and adhered strictly to their project objectives. Alternatively, those that saw expansion as the remedy for slow or more diffuse results generally did not achieve better outcomes -- and USAID/Cambodia for the most part, discouraged this practice.

Parallel to the grass-roots work, a smaller group of health NGOs has focused its assistance on solidifying the public provincial health systems. On the whole, achievements have been positive, but the lack of uniformity in approach has created some different models which have stimulated

national level debates on their appropriateness for Cambodia. For example, the provincial health development models proposed by the two leading international organizations -- UNICEF and WHO -- are so divergent that they have created "party lines" among NGOs that agree or disagree with one or the other. The same type of controversy exists in the prosthetics field with a plethora of models staunchly advocated by proponent NGOs. National conferences on the subjects revealed that the government is not yet capable of assessing the full impact of selecting one model over another, but do show that there is keen interest in the matter and real concern over adopting the most suitable model.

In terms of cost-effectiveness, PVO programs generally achieve planned outputs at a significantly less cost than would be incurred by a private sector or government entity. Overhead rates are usually substantially less than the private sector -- on average, PVOs do not exceed the 25-35% range -- and staff salaries -- including benefit packages -- rarely equal those of US government direct hire employees. That being said, contrary to what some may believe, NGOs do not work for free. There are very definite costs associated with the work they perform and it is therefore incumbent on donors, like USAID, to verify the social and technical soundness of the projects they fund.

If the strength of the NGOs has been their individual ability to stimulate development, their weakness has been that very individualism which has at times impeded coordination and cooperation. In some instances, an NGO has gone so far as to claim territorial or sectoral exclusivity over a province, a district or other field of intervention. This is generally sanctioned by the interested governmental authority due to fears of the withdrawal of the organization if another is allowed in. Obviously, this is extremely detrimental and only serves to deny beneficiaries the full potential of coordinated aid.

Another equally problematic phenomenon that plagued the Cambodian foreign PVO sector was the project identification process. Owing to the difficulty of travel and communication throughout the country, a number of the early projects were identified outside Cambodia and planted in a beneficiary community. Consultation with beneficiaries, or with government, to determine whether the project was a priority could not generally occur and participation in project development was unheard of. This, of course, is changing. With the advent of government/donor/PVO consultative groups, far more effort is put into assessing the relevance of a program for a particular village or community.

Yet another concern that USAID/Cambodia highlighted in the most recent round of grant awards is NGOs' heavy reliance on expatriate staff. Each of the organizations selected for a grant was asked to review its proposed expatriate needs and asked for its plans to "Cambodianize" its operation. In one case, an organization was only given funding for two of three years requested salary for one of its full-time expatriate employees, forcing it to reevaluate the proposed time frame to train a Cambodian counterpart so as to shift the position responsibilities.

The seriousness of this problem was recently exposed at the September, 1993, ICORC meeting where the highest levels of government strongly criticized NGOs for what was labeled "charity business".

USAID/Cambodia's Future NGO Program Management Strategy

First and foremost, any development strategy for Cambodia must recognize and address the constraints resulting from its desolate human capital landscape. All nation-building efforts undertaken by the international community necessarily confront the extreme limitations of the government's absorptive capacity which include lack of management capacity, basic technical knowledge and accountability. This last factor renders all direct channeling of funds through the government impossible. Therefore, in the short and medium terms, the NGOs will continue to carry out the tasks the government is unable to perform, in order to ensure continuity and progress of development through service delivery and training. This will allow the government the necessary time to begin assuming some of its more traditional roles and responsibilities.

In the next evolutionary stage of USAID/Cambodia's NGO-led program, USAID/Cambodia proposes to encourage both NGOs and the government to broaden their horizons and exploit their synergy -- taking full advantage of their complementary roles. USAID/Cambodia's NGO-based strategic goals are to:

- **Promote sustainable development by stimulating and facilitating coordination and cooperation within the international NGO community;**
- **Enhance the potential for replicable development projects by stimulating and facilitating the government/NGO partnership, and assisting these partners to define their respective roles; and,**
- **Foster and actively participate in the development and strengthening of an indigenous NGO sector and selected governmental institutions.**

USAID/Cambodia proposes to implement this three-pronged strategy by:

A - Tailoring USAID development tools, such as projects and grants, to include appropriate guidelines that mandate NGO/NGO and NGO/government partnerships.

For instance, in an effort to avoid overlap and redundancy, grants signed in fall 1993 under the PVO Co-Financing Project all included a provision directing grantees to collaborate with other NGOs and relevant entities (i.e. government) operating in the same sector or geographic area for the duration of the activity.

Future grant competitions may choose to include stronger imperatives or conditions to the award of funds. At this time, an assessment of performance and results at various levels -- field, coordination, indigenization -- is already a pre-condition to the granting of funded extensions. An additional selection criteria might require proposals to include government worker training for certain sectors such as health or education.

B - Participating actively in national and sub-national sectoral coordinating groups bringing together donors, NGOs and government to advise government.

With U.S. recognition of the Royal Government of the Kingdom of Cambodia (RCG) in September, 1993, came USAID/Cambodia's ability to participate at the policy level with governmental counterparts and other donors. Commencing in November 1993, USAID/Cambodia has attended the Ministry of Health Coordinating Committee meetings grouping representatives from bilateral donors, various departments of the MOH and NGOs. One of the true tests of USAID/Cambodia's success in the long run will be the degree to which it uses these fora to generate and strengthen the necessary partnership between the public, non-governmental and, to a limited extent, the private sectors of Cambodia.

C - Providing guidance to grantees such as PACT and The Asia Foundation on the use of grant funds to promote and strengthen a corps of indigenous NGOs.

The flexibility afforded by the cooperative agreement instrument, permits USAID/Cambodia and its grantees to set objectives without limiting implementation options to achieve them. USAID/Cambodia is already working closely with its two major grantees to ensure that the indigenous NGO sector development responds to country needs.

In sum, criteria for future grant solicitations should at least include:

- clear directives on cooperation and coordination with all relevant entities:
 - foreign and indigenous NGOs
 - local and national government
 - private sector
- strengthening of local NGOs working in the same sector perhaps through a "sponsor" system
- low level reliance on expatriate staff
- gradual "Cambodianization" of the program or activities

- government worker training component where applicable
- emphasis on sustainability and replicability

Conclusion

USAID/Cambodia's ability to positively influence the course of future NGO activities in Cambodia is contingent on developing a clear and focused understanding of what role that community should or must assume. Periodic and regular dialogue with the government, other donors and the NGOs, both foreign and indigenous, will enable these groups to reach a modus vivendi that both satisfies their individual goals and meets the development objectives of Cambodia.

The remarkable progression of USAID/Cambodia's NGO program through several evolutionary stages reflects the revolutionary political development of Cambodia over the past three years. In implementing its proposed strategy, USAID/Cambodia aims to shift from a predominantly NGO-led social development program to cross-sectoral development anchored in an increasingly capable government administration. Ironically, in a certain manner, success will ultimately lie in the gradual phase-down of the foreign NGO program in favor of a strong and capable indigenous NGO corps.

As far into the future as one can imagine, NGOs -- both USAID and non-USAID funded -- will have a role to play in Cambodia; the task at hand is to assist the players define that role concretely, while retaining flexible boundaries that enable Cambodian development to maintain its pace, and concurrently ensuring that the process works deliberately to build the RCG's capacity. As one of the major donors -- and stakeholders -- USAID/Cambodia is in a unique position to participate in this process.

ANNEX G: Landmines³¹

King Sihanouk has recently noted it will take hundreds of years to fully demine Cambodia, even at the current rate of demining financed with significant external support in relation to the overall amount of assistance levels for Cambodia. And this assumes that all laying of landmines would stop -- which unfortunately is not the case. Mine identification, mine awareness programs and demining will need to continue in Cambodia for quite some time to come. A key goal of donor assistance will need to be to help strengthen the Cambodian capacity to address this critical development problem.

Demining is a tedious and dangerous task. Once an area has been demined, there is a rapid response of the local population to put demined land to productive use. Demand at Cambodian prosthetics centers attests to the terrible human suffering caused by this scourge on the country left by thirty years of civil strife -- and continuing placement of landmines. Numbers of amputees demonstrate the human toll being paid by Cambodia's citizens.

A major tragedy in the efforts to demine Cambodia is the laying of new landmines. Recently during battles in Battambang Province, territory which had already been demined fell to the Khmer Rouge. While this land was ready for productive economic use, it unfortunately will now to be demined a second time, at considerable expense and over another significant period of time, before it can be considered safe. Mine identification and demining efforts remain at great risk as long as conflict continues in the country.

The U.S. government has to date provided the most of foreign assistance for demining support to Cambodia -- approximately \$6 million, including the \$2 million which was transferred to the United Nations to purchase the demining equipment which it would have otherwise removed from Cambodia for peacekeeping efforts elsewhere in the world. At the ICORC meeting in Tokyo in March 1994, the U.S. government also pledged an additional \$6 million for demining efforts in Cambodia for FY 1994 and FY 1995, keeping U.S. commitments far above those pledged by any other donor. This pledge is not USAID funding, although USAID/Cambodia will address mine clearing under its roads project and is working on a grant to provide additional institution-building support to the Cambodian Mine Action Center (CMAC) outside of this pledge (in addition to equipment and operational support provided under the funds transferred to the United Nations on CMAC's behalf).

There is no easy answer for the landmine problem. Even if USAID/Cambodia were to put all available Cambodia funding into mine identification, mine awareness and mine clearance, all ordinance would not be eradicated and there would still be no quick resolution to the problem. USAID/Cambodia's strategic approach is to treat the landmine problem as a human problem and support a Cambodian-led approach which will: (i) strengthen institutional capability of the

³¹ The term "landmine" is used generically and includes anti-personnel and anti-tank mines, unexploded and unexploded ordinance, and booby traps.

indigenous Cambodian entity charged with mine clearing, (ii) identify areas where there should be priority demining, (iii) in areas where the effort can wait for a short time, clearly mark these areas, and (iv) educate the surrounding population of the threat. U.S. support is on three levels: building Cambodian capacity to address the landmines problem (both in terms of institution-building and technical assistance), providing necessary equipment for the effort, and supporting some operational costs for demining activities while the RCG establishes its capacity to take on this critical expense. USAID/Cambodia is working with CMAC which was established during the UNTAC period and which has been designated by the RCG as their official demining organization.

ANNEX H: Program Outcomes and Illustrative Performance Indicators

USAID/Cambodia has reviewed the program proposed and the expected program outcomes in the context of measuring performance of implementing organizations and reviewing overall program impact. As noted in Section V of this document, there exist severe problems both in the measurement of impact on a general scale and inference from measures of performance of individual implementing organizations to national parameters of impact. Nonetheless, USAID/Cambodia has developed an illustrative set of indicators which might be used to examine program impact. Despite these concerns, USAID/Cambodia has prepared the following listing of strategic objectives, expected performance outcomes and possible performance indicators which could be used to assess program impact.

STRATEGIC OBJECTIVE 1: *To reinforce democratic gains by further strengthening the capabilities of public interest NGOs, processes and institutions and to strengthen Cambodia's capacity to govern by helping to establish legal, regulatory, and judicial systems.*

Expected Program Outcomes:

- Stronger, viable mechanisms and organizations to participate in the democratic process
- Increased participation of individuals and groups in helping to shape the national development agenda and selecting the means for its implementation
- Development and implementation of transparent and predictable legal, regulatory, and judicial systems
- Improved administrative and analytical support to the legislative process
- Improved judicial functioning
- Improved administrative efficiency, analytic capability, and management of resources in ministries
- Increased public access to legal information

PROGRAM OUTCOME 1(A): Stronger, viable mechanisms and organizations to participate in the democratic process.

Illustrative Performance Indicators:

- Revenues of supported public interest NGOs raised from local sources
- Number of USAID-approved management and financial systems in place in local public interest NGOs
- Increase in number of research or policy reports generated by the National Assembly

PROGRAM OUTCOME 1(B): Increased participation of individuals and groups in helping to shape the national development agenda and selecting the means for its implementation.

Illustrative Performance Indicators:

- Number of policy interventions by public interest NGOs with RCG
- Number of meetings of public interest NGOs
- Number of articles/books produced on human rights and democracy by assisted NGOs
- Number of articles/books/surveys reported on democratic functioning

PROGRAM OUTCOME 1(C): Development and implementation of transparent and predictable legal, regulatory, and judicial systems.

Illustrative Performance Indicators:

- Access of public defenders to practice in courts
- Promulgation and publication of criminal, contract and environmental legislation
- Development of database of existing laws available for public access
- Number of publications of judicial decisions
- Number of ministries with legal departments providing information to law faculty
- Enactment of legislation requiring full disclosure of all laws and regulations

PROGRAM OUTCOME 1(D): Improved administrative and analytical support to the legislative process.

Illustrative Performance Indicators:

- Publication of a clear legislative agenda
- Increased number of policy studies related to the legislative agenda
- Systems in place to support administrative functioning of the National Assembly

PROGRAM OUTCOME 1(E): Improved judicial functioning.

Illustrative Performance Indicators:

- Publication of court dockets
- Regular assignment of judges to courts and within courts to cases
- Regular representation of legal counsel before court proceedings

PROGRAM OUTCOME 1(F): Improved administrative efficiency, analytic capability, and management of resources in ministries.

Illustrative Performance Indicators:

- Publication of program and operating budgets within ministries
- Regular payment of salaries of public employees
- Clear strategies and agendas for program activities within ministries

PROGRAM OUTCOME 1(G): Increased public access to legal information.

Illustrative Performance Indicators:

- Publication of laws promulgated by the National Assembly
- Increased number of public defenders operating freely in the courts
- Improved cataloging of laws and legal opinions in the Ministry of Justice

STRATEGIC OBJECTIVE 2: *To promote sustainable broad-based economic growth by helping to establish an outward-looking market oriented policy framework.*

Expected Program Outcomes:

- Improved economic analysis and strategic planning in key economic ministries
- Improved policy formulation and implementation in key economic ministries
- Development and establishment of a new environmental code
- Enhanced environmental planning in RCG programming

PROGRAM OUTCOME 2(A): Improved economic analysis and strategic planning in key economic ministries.

- Publication of strategic plans for key sectors in economic ministries
- Increase in the number of analytic studies related to the strategic agenda of economic ministries
- Presence of options papers for critical economic decisions
- Productive interactions with outside contacts including bilateral and multilateral donors, foreign investors, and financial institutions.

PROGRAM OUTCOME 2(B): Improved policy formulation and implementation in key economic ministries.

Illustrative Performance Indicators:

- Policy achievements in:
 - fiscal and monetary area
 - financial and capital markets
 - food and agriculture
 - efficiency and competitiveness
 - equity and participation
- Increased tax collections
- Promulgation of commercial laws and implementing regulations
- Distribution of higher percentage of government expenditures poorer regions

PROGRAM OUTCOME 2(C): Development and establishment of a new environmental code.

Illustrative Performance Indicators:

- Introduction of environmental legislation in the National Assembly
- Promulgation of implementing regulations for environmental code
- Publication of laws related to environmental impact
- Regular meetings between legislative staff of Secretariat of the Environment and the Ministry of Commerce and Industry related to environmental issues

PROGRAM OUTCOME 2(D): Enhanced environmental planning in RCG programming.

Illustrative Performance Indicators:

- Regular environmental impact assessments on capital projects across all ministries
- Enactment of legislation for environmental conservation
- Increase in number of indigenous environmental NGOs
- Formal RCG environmental consideration process developed for project approvals
- Number of PVO studies and publications on environmental issues in Cambodia
- Appropriate environmental policy reform and planning formulated and implemented
- Increased governmental capacity to enforce newly enacted environmental legislation
- Environmental institutions (e.g., research, supervision, monitoring bodies) established or modified
- Environmental technologies identified and utilized
- Incentive structure for private firms developed
- Increase in listed private investments meeting environmental criteria

STRATEGIC OBJECTIVE 3: *To help meet targeted basic human needs by supporting programs and policies which assure that rural citizens and vulnerable groups have access to services and participate in economic growth.*

Expected Program Outcomes:

- Rehabilitated farm-to-market roads which permit subsistence farmers to have access to agricultural inputs and markets, thus promoting food security
- Strengthened primary education system through teacher training, provision of textbooks, supplies and materials, and policy-level technical assistance
- Enhanced access to basic services and humanitarian assistance by vulnerable groups in the areas of health, sanitation and potable water
- Improved family health programs on a national scale leading to improved health of women and children and increased access to safe and reliable modern methods of contraception
- Increased contraceptive prevalence by modern methods
- Stronger indigenous capacity to provide protection from mines over the medium to long-term
- Increased access to savings mechanisms and small-scale credit for microenterprises in rural areas
- Expanded support for, and increased capacity of, indigenous NGOs

PROGRAM OUTCOME 3(A): Rehabilitated farm-to-market roads which permit subsistence farmers to have access to agricultural inputs and markets, thus promoting food security.

Illustrative Performance Indicators:

- Number of kilometers of rural roads increased
- Improved condition of rural roads
- Increase in capacity for road maintenance
- Adequate food supplies in markets

PROGRAM OUTCOME 3(B): Strengthened primary education system through teacher training, provision of textbooks, supplies and materials, and policy-level technical assistance.

Illustrative Performance Indicators:

- Improved capacity of primary teachers
- Increase in numbers of textbooks available to primary students
- Increase in available supplies and materials for primary schools
- Improved curriculum in Khmer language and mathematics

PROGRAM OUTCOME 3(C): Enhanced access to basic services and humanitarian assistance by vulnerable groups in the areas of health, sanitation and potable water.

Illustrative Performance Indicators:

- Improved access to services by vulnerable populations
- Increases in economic well-being of vulnerable citizens

PROGRAM OUTCOME 3(D): Improved family health programs on a national scale leading to improved health of women and children and increased access to safe and reliable modern methods of contraception.

Illustrative Performance Indicators:

- People in high risk groups receiving treatment from professionals
- Knowledge by professionals of proper prevention practices
- Number of people receiving STD/AIDS counseling
- Number of women receiving pre-natal care
- National AIDS policy developed
- National information campaign on FP and AIDS
- National resources allocated to reproductive health
- Number of people receiving birth spacing services from the private sector
- Number of people receiving birth spacing services from the public sector
- Number of people paying for birth spacing services from the public sector
- Number of hospitals using fee-for-service schemes

PROGRAM OUTCOME 3(E): Increased contraceptive prevalence by modern methods.

Illustrative Performance Indicators:

- Contraceptive prevalence rate using modern methods
- Contraceptive prevalence rate using long-term methods
- Continuation rate for family planning methods
- Condom use rates

PROGRAM OUTCOME 3(F): Stronger indigenous capacity to provide protection from mines over the medium to long-term.

Illustrative Performance Indicators:

- Proportion of CMAC budget from non-donor sources
- Increase in the number of hectares demined
- Proportion of mined land in September 1993 demined

PROGRAM OUTCOME 3(G): Increased access to savings mechanisms and small-scale credit for microenterprises in rural areas.

Illustrative Performance Indicators:

- Number of loans to small entrepreneurs and rural dwellers increased
- Repayment rates of small loans improved
- Increase in number of rural institutions and service delivery points providing access to savings and credit
- Increased linkages between rural informal financial institutions and urban financial institutions
- Increased competitiveness of small and medium scale enterprises and their access to external and internal markets
- Increase in number of micro and small scale enterprises
- Expansion of micro and small scale enterprises
- Increase in number of viable rural institutions providing financial intermediation
- Improved policy and regulatory environment to support rural financial intermediation

PROGRAM OUTCOME 3(H): Expanded support for, and increased capacity of, indigenous NGOs.

Illustrative Performance Indicators:

- Increase in NGO revenues from local sources
- Increase in the number of NGOs with formal strategic plans
- Diversity in funding sources for indigenous NGOs

ANNEX I: Social Indicators

Two decades of warfare and isolation from the world economy have made Cambodia among the world's poorest countries, with human resources severely depleted. The demographic profile reflects the legacy of warfare, with the gender ratio dramatically skewed by the years of war, as shown in Table I.1. Almost half of the population was under age 15 in 1990, and the high birth rate has shifted this proportion even higher since that time. The estimated population in 1993 was 9.7 million.

TABLE I.1: Population by Age Group and by Gender, 1990³²

Age Group	Total	Percent of Total Pop.	Percent Female in Total Pop.
All Ages	8,567,582	100.0	53.7
Over 15	4,547,673	53.1	57.3
6 to 15	2,600,130	30.3	49.7
1 to 5	1,062,559	12.4	49.6
Under 1	357,220	4.2	49.8

TABLE I.2: Population Estimates³³

Year	Total (millions)	Growth Rate (percent)
1981	6.68	---
1988	8.11	---
1989	8.33	2.7
1990	8.57	2.9
1991	8.81	2.8
1992 a/	9.26	5.1
1993 a/	9.65	4.1

a/ Includes repatriated population of about 375,000.

Source: World Bank, 1994

³² Source: Department of Statistics, Ministry of Planning

³³ Source: Department of Statistics, Ministry of Planning

TABLE I.3: Social Indicators³⁴

Age Group	25 -30 Years Ago	15-20 Years Ago	1990 (unless noted otherwise)
Life Expectancy at Birth	44.6	34.9	49
Crude Birth Rate	44 (1965)		38
Crude Death Rate	20 (1965)		15
Adult Literacy	36.1	--	35
Infant Mortality Rate per 1,000 live births	134	230.2	117
Infant Mortality Under 5 per 1,000 live births	--	--	200 (1989)
Education Enrollment Ratio:			
Primary			
- Total	77	42	53
- Female	56	35	43
Secondary			
- Total	4	6	--
- Female	4	6	--
Access to Safe Water (% of population)	--	--	12 (1982, rural)

³⁴ Source: The World Bank, Social Indicators of Development, 1993; World Development Report, 1993; and Social Dimensions of Reconstruction in Cambodia, 1993.

TABLE I.4: Health Sector Statistics, 1993³⁵

Category	Total	Phnom Penh	% Share of Total	Provinces	% Share of Total
Doctors	986	626	63	360	37
Population/Doctor	9,440	1,104		23,935	
Medical Assistants	1,810	697	39	1,113	61
Primary Nurses	6,920	1,329	19	5,591	81
Primary Nurses/Doctor	7	2		16	
Secondary Nurses	2,622	931	36	1,691	64
Primary Midwives	1,844	84	5	1,760	95
Primary Midwives/Doctor	2	0.1		5	
Secondary Midwives	1,120	307	27	813	73

³⁵ Sources: UNICEF and Ministry of Health