

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

The Department for International Development (DFID) is the British government department responsible for promoting development and the reduction of poverty. The government elected in May 1997 increased its commitment to development by strengthening the department and increasing its budget.

The policy of the government was set out in the White Paper on International Development, published in November 1997. The central focus of the policy is a commitment to the internationally agreed target to halve the proportion of people living in extreme poverty by 2015, together with the associated targets including basic health care provision and universal access to primary education by the same date.

DFID seeks to work in partnership with governments which are committed to the international targets, and seeks to work with business, civil society and the research community to encourage progress which will help reduce poverty. We also work with multilateral institutions including the World Bank, United Nations agencies and the European Commission. The bulk of our assistance is concentrated on the poorest countries in Asia and sub-Saharan Africa.

We are also contributing to poverty elimination and sustainable development in middle income countries, and helping the transition countries in Central and Eastern Europe to try to ensure that the widest number of people benefit from the process of change.

As well as its headquarters in London and East Kilbride, DFID has offices in New Delhi, Bangkok, Dhaka, Nairobi, Dar-es-Salaam, Kampala, Harare, Pretoria, Kathmandu, Suva and Bridgetown. In other parts of the world, DFID works through staff based in British embassies and high commissions.

COUNTRY STRATEGY PAPERS

Country Strategy Papers (CSPs) are prepared for all countries where we provide development assistance programmes, and are normally produced every three years. CSPs set out how we aim to contribute to achieving the international development targets in the country in question. Progress will be assessed against the strategic objectives set out in Section E of the paper. In preparing CSPs, we consult closely with governments, business, civil society, and others within both the partner country and the UK.

Department for International Development
March 2000

CAMBODIA: COUNTRY STRATEGY PAPER 2000-2002

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A. SUMMARY

A1. Cambodia is emerging from more than 30 years of civil war and turmoil. This has left a population traumatised and desperately poor. Cambodia is one of the poorest countries in the region, and has some of the worst human development indicators in the world. There are enormous challenges ahead to meet the international development targets.

A2. Recent economic growth has focused on the capital city and surrounding areas. The vast majority of the population live in rural areas. They have very limited access to government services such as health and education. They depend heavily on their land for survival. Rice yields are among the lowest in the region, hence most households do not produce enough to eat. Common land such as forests and lakes is used to make up the difference, but this is increasingly restricted because of commercial (and often illegal) use.

A3. There are now opportunities of a kind that have not existed before. The challenge for the Cambodian Government is to win the trust of the people and the international community by living up to its promises. It needs to strengthen the capacity of the public service, tackle the power of the military and security services, and promote pro-poor growth. The recently-elected Government has made a good start on many of these fronts.

A4. Cambodia represents a major challenge for donors too.

As enthusiasm mounts about Cambodia's future, donors and government need to avoid 'project (and strategy) proliferation' in its worst form – where donors compete amongst themselves to provide projects that are uncoordinated, lack national ownership and impose many separate types of donor procedures and objectives. There is a need to find more effective ways of working in an environment of weak government capacity.

A5. The overall purpose for DFID's involvement will be to promote a new way of working for donors to improve rural livelihoods significantly over the next ten years. This will not be a narrow 'bilateral' programme. We aim to be in a position in ten years' time to continue our support to Cambodia completely through multilateral agencies, without the need for a bilateral aid programme. A programme review in 24 months' time will articulate five-year benchmarks on our progress towards this objective.

A6. We have chosen two entry points to promote a more collaborative way of working. These are on rural livelihoods and the health sector (including HIV/AIDS). DFID will increase its in-country capacity to achieve this. And with continued good progress by the Cambodian Government, we aim to increase the size of the programme. In the complex environment in Cambodia this takes time, hence in the short term only a modest increase in programme resources is expected.

B. THE CHALLENGE

B1. The Naw Kyet family live in Daem Po, a small village in southern Cambodia. They have five children – two boys and three girls. They have two hectares of land, but only in a good year do they produce enough rice to eat. In a bad year they go hungry. They survive by fishing and raising ducks.

THE OVERALL PICTURE

B2. There is nothing exceptional about this family. Cambodia is one of the poorest countries in South East Asia, and stands out for exceptionally low human development indicators:

POVERTY PROFILE

MACRO-FIGURES:

- Cambodia's United Nations (UN) Human Development Index ranking is 153 out of 175 countries, the lowest in South East Asia
- the UN human poverty index ranks Cambodia 73rd of 78 developing countries
- the average per capita income is \$286
- at current population growth rate (2.5% in 1997) population will rise from 11.4 million to around 14 million by 2005

HEALTH AND EDUCATION:

- half of the children under five are malnourished
- for 1000 live births, 115 children die before they reach five years old
- average life expectancy is 54 years
- 42% of the population are under the age of 15
- of 100 children, 78 start primary school, 31 repeat their first year, seven complete primary school in six years. About 60% do not complete primary school.
- Total expenditure on both health and education in 1998 was about 1.35% of Gross Domestic Product (GDP)
- Twice as many women as men over 15 years of age have never attended school

POVERTY:

- about one-third of Cambodians do not have enough to eat
- about 40% of households live below the poverty line
- most of the poor (90%) live outside the cities in rural areas
- rural people have an average income of less than one-third of urban incomes
- 82% of rural households have no toilet, 96% cook with firewood, and less than 1% have access to electricity

B3. Is life for the poor getting better or worse? Recent economic growth has benefited those living in the cities far more than those living in the countryside. During the last five years, the consumption of the richest 20% increased ten times faster than the poorest 20%. Income poverty is estimated to have fallen by about 4% during the last five years. But anecdotal evidence suggests that life is getting tougher for many people too – access to fishing and forests is getting harder, and high population growth is increasing the number of people to feed. Basic poverty information is available in Cambodia, but there is still a real lack of research and understanding of the lives of the rural poor and what donors and government should do to help.

'In most discussions of Cambodian political and economic development, the vast peasant majority, living at subsistence level, is generally invisible and silent.'

– Ledgerwood, 1999

B4. The challenge is to support the development of laws, institutions and provide investment that changes the lives of the rural poor for the better. But what does this mean for the Naw Kyet family? The following section tries to look at Cambodia's challenges from the perspective of what will make the lives of the rural poor, and this family in particular, better.

B. THE CHALLENGE

CONTINUED

POVERTY AND VULNERABILITY TO SHOCKS

B5. Most of the rural population lead precarious lives, even those not under the ‘poverty line’. One of the characteristics of their poverty is vulnerability to shocks, of which there are many:

- **farm failure:** harvest levels in Cambodia have been dramatically affected by drought and floods in five of the last nine years. Death of an animal or crop failure can plunge a family into debt. The last few harvests have been particularly bad in Daem Po village, with many men forced to leave the village to seek work elsewhere;
- **health shocks and chronic illness:** 45% of people borrow money for health emergencies. One response to health shocks is to pull children out of school – especially girls. Such emergencies are a constant threat to the poor. There is no fresh water in the Daem Po village and they rely on dirty pond water for drinking. Children suffer from frequent attacks of diarrhoea and acute respiratory infections. Chronic illness such as HIV/AIDS and tuberculosis is common. Cambodia has one of the most rapidly growing HIV/AIDS epidemics in the region;

‘The continued absence of the rule of law in Cambodia is probably the single most important obstacle to development.’

– Non-Government Organisation (NGO)
Forum on Cambodia

- **rural crime and insecurity:** the Naw Kyet’s neighbour, Long Neou, had her oxen stolen last year. This is a common story in their village. Cambodia is not a ‘lawless society’, but a lack of good government has led to high crime rates. The judicial system and fair treatment by the courts are believed to be dependent on money and connections. There is often no police presence, and many farmers complain that they cannot transport their products to market for fear of being robbed by bandits.

‘More than three-quarters of the poor are found among households in which the head has an agricultural occupation.’

– World Bank, A Poverty Profile of Cambodia

DEPENDENCE ON NATURAL RESOURCES

B6. Most families own land but do not produce enough to survive. The difference is made up by fishing and foraging. Many households, both rich and poor, depend on prei (forests/wildland) for basic household goods, foodstuff, and grazing land.

B7. Access to all natural resources is under growing pressure, especially agricultural land and ‘common property’ (e.g. forests and lakes) previously held by the state:

- **forests:** many forests have been subject to illegal logging, sometimes with the collusion of elements of the military. This, and the allocation of concessions without full consultation with local communities, is barring poor people from an important source of food, materials and income. Illegal logging has also cost the Government millions of dollars’ worth of lost tax revenue (estimated to be equivalent to about two-thirds of actual budget revenue), and causes lasting damage to the environment.
- **aquatic resources:** these have been similarly exploited. Unsustainable fishing is taking place in many areas and fish stocks are decreasing rapidly. Tonle Sap, Cambodia’s largest lake which supplies 40% of the country’s fish protein, is being depleted rapidly.
- **land:** rights to agricultural land are undermined by weak legislation and ineffective enforcement. Many people do not have evidence of legal title to their land, and even if they do, face the constant risk of expropriation. There have been growing protests by dispossessed peasants in Phnom Penh and violent land disputes in the provinces. Overall land availability is not bad (Cambodia has three times as much land per capita as Vietnam), and the distribution of land is better than many countries in the region. However, land pressure is high in the more fertile areas and there are signs that landlessness and land consolidation is growing.

B. THE CHALLENGE

CONTINUED

B8. Landmines and unexploded ordinance restrict access to some agricultural and forestry land. A lot of mined areas have been cleared in recent years, including nearly all transport routes. Now that the conflict has ended no new mines are being laid. According to one recent estimate, about 300 square kilometres of productive land remains mined and approximately 1,000 people a year are injured by mines and unexploded ordinance. While mines and unexploded ordinance remain a hazard for some communities, donors and government should now evaluate the scale of the remaining problem and the costs of dealing with it. This must then be set alongside Cambodia's other major development priorities in deciding how much donor and government funding to provide.

DECREASING POVERTY AND VULNERABILITY

B9. So what could be done to help people like the Naw Kyet family become less poor and vulnerable? To assess this we need to look at each aspect of their livelihoods:

NATURAL AND PHYSICAL CAPITAL

B10. The rural poor have little to sell if things go wrong. Selling their land is an option, but this leaves them with fewer productive assets and in chronic poverty. They need continued access for (sustainable) use of 'common resources' such as forests and lakes. Government must be careful that sustainable community use is not cut off as part of any crackdown on illegal logging or fishing. There are also concerns that some versions of a new land law, currently in draft, do not pay adequate attention to community ownership and community rights.

Growth has not been 'agriculture-led' in Cambodia – one striking statistic is that, while Gross Domestic Product (GDP) grew at about 6% on average between 1990 and 1995, rice production was stagnant at -0.1%.

B11. Increased productivity in the way they use their land would make a big difference in increasing their wealth and assets. The Naw Kyet family work hard in their fields for 12 hours a day, yet this does not produce enough food for them.

Rice yields are very low at about 1.3 tonnes per hectare on average in Cambodia, compared to over three tonnes in neighbouring Thailand and Vietnam.

B12. What could increase rice productivity? Physical investments to boost yields and measures designed to make agricultural markets function more effectively are needed, such as:

- **better irrigation and water management:** many villages, including Naw Kyet's village, lack basic systems. Only a small fraction of the estimated 234,000 hectares of dry-season rice land is irrigated;
- **better rural access:** lack of transport to many areas makes it difficult to buy agricultural inputs and sell produce, hence reducing the incentives to invest in land. Daem Po village is connected to the district centre by a rough dirt road which is unmotorable during the rainy season
- **better access to information:** very few villages ever receive a visit from a government agricultural officer and agricultural market information is hard to come by.
- **better management of property rights for land and better security:** weak property rights has led many farmers to keep their investment in the land very low and to resort to slash-and-burn farming techniques.

SOCIAL CAPITAL

B13. Strong family and community groups can be a major buffer against shocks, and represent the interests of the poor. In Cambodia, some studies suggest that community organisation is weak: co-operation between neighbours has been discouraged by a recent history of upheaval, violence, deprivation, and imposed collective organisation.

B. THE CHALLENGE

CONTINUED

B14. But although local organisations may be weaker than elsewhere, communities do still work together. In villages and towns across Cambodia, local networks have strengthened in a period of stability. Some informal groups exist without any external involvement. Others are supported through donor programmes. Neighbourhood Buddhist temples are flourishing, and are often the most prominent focus of a community.

FINANCIAL CAPITAL

'40% of rural households engaged in small-scale rice farming activities are using the harvest to pay back loans.'

– United Nations Development Programme (UNDP),
Aspects of Poverty and Human
Development in Cambodia

B15. Households need more options to borrow and save money. Only six commercial banks have branches outside the capital, and 16 provinces containing almost half the population have no bank branch at all. Yet most families, including those in Daem Po village, borrow money and have debts. People try to borrow from relatives or neighbours. If that is not possible then they borrow from money-lenders at interest rates of between 10–30% a month. Small-scale rural credit programmes can play an important role in Cambodia, including in the crucial development of the small and medium-scale private sector.

HUMAN CAPITAL

B16. Human capital represents people's skills, good health, knowledge, and ability to work. Health and education are major priorities:

- effective public investment is needed to tackle the underlying causes of *ill-health* (such as safe water), together with better public health services and more effective regulation of private healthcare. The Naw Kyet family have to walk 11 km for the nearest public health clinic which has a reputation for very poor service. A commune health worker visits maybe once in two months. Most medicines are

purchased privately in the local market. Cambodians spend much of their meagre income in this way – on average US\$22 per year. What's worse is that, due to a lack of government regulation, health education and trained staff, people buy medicines and medical care that is often inappropriate and a waste of money. People are selling their only assets for healthcare that is effectively worthless – especially the poorest quarter of the population, who spend on average 28% of their income on healthcare.

'It is estimated that between 75% and 80% of Cambodia's teachers and higher education students fled or died [during the Khmer Rouge period].'

– Klintworth, 1989

- People want *education* and are prepared to pay for it. Three-quarters of the cost of primary education is met by households and communities. Government pays 17% – one of the lowest government contributions to primary education in the world. Education is too expensive for many families, girls and older children especially working rather than going to school. Education faces multiple challenges including high population growth rates, a need to improve efficiency and effectiveness at all levels and a need to enhance political will and technical capacity to undertake financial, institutional and regulatory reforms. These challenges require a realistic and widely agreed policy framework and targets which define the role of government in financing and managing education.

B17. One aspect of 'human capital' that is unfortunately widespread is prostitution. Many prostitutes are under-age. The problem is an international one: young sex workers in Cambodia often come from Vietnam, and Cambodians themselves are recruited for work in the sex industry in Thailand as well as further afield. Recent attention has also highlighted some child sex 'tourism' to Cambodia. A recent survey suggested that over 40% of sex workers are HIV positive.

B. THE CHALLENGE

CONTINUED

BETTER GOVERNMENT

B18. Most (but not all) of the above relies on better government. Yet the rural poor have barely any contact with government:

- **local government:** they have little to do with the commune (the lowest level of government) authorities, and have little say in the appointment of the village chief or in what decisions are made. Anyway, few decisions are made directly on their behalf because so few government services are provided. They pay no formal 'tax' on what they grow and produce, because most of it is grown for themselves. They have even less to do with politically appointed provincial authorities, who have little capacity and ability to take decisions. Planned reform of local government is both an opportunity and a threat, depending on how legislation is framed and implemented. With a good policy climate, there is scope for donors and government to build on initiatives to promote village-level decision-making.
- **central government:** decisions taken in central government ministries have even less immediate impact on them. It is the lack of implementation capacity, rather than an adverse or disempowering influence of government policies, that characterises Cambodia. This is partly because of such low government expenditure – revenue collection is only 9% of GDP, total public investment is only 3.4% of GDP, and government expenditure on health for example is only US\$1 per person per year (six times lower than the developing country average).

‘The Government should now make, and implement, the difficult decisions to resolve the problems of governance that impinge on every aspect of development. This would provide a lasting legacy for the new Government and the Prime Minister.’

– from DFID Statement, 1999 Consultative Group

B19. But while the rural poor may rightly see the Government in Phnom Penh as very remote from their lives, it is still a key factor in determining their future standard of living, especially that of their children. There are four main challenges for the new Government:

WIN THE TRUST OF THE PEOPLE AND THE INTERNATIONAL COMMUNITY

B20. The Cambodian people desperately need peace and security rather than political in-fighting and corruption. The coalition Government is based on partnership between political parties that have been bitter enemies. The ‘winner takes all’ nature of local and national Cambodian politics has contributed to a vicious circle of factionalism and political in-fighting. This needs to end to maintain a stable and committed Government that can deliver on its commitments to rural development and poverty reduction.

B21. Cambodian people need to see a decrease in corruption. This clearly undermines government, donor and private activity. Illegal logging, for example, goes to the heart of governance. It is not only about the depletion of valuable forest resources, but also relates to the establishment of the rule of law, to the countering of corruption and a commitment to strengthen revenue collection to the benefit of the poorest. The level of corruption in government, the civil service, and political parties is perceived as high. Political parties are alleged to have deployed funding from a variety of ‘business’ sources, including semi-legal and illegal sources (such as income from illegal logging).

TACKLE THE POWER OF THE MILITARY AND SECURITY SERVICES

B22. The military enjoy great autonomy, benefit from some 30–40% of government spending, and have thus far remained immune from attempts either to reform them or to hold them to account for recent violations of human rights. The power of the armed forces and the threat they pose to stability is a reflection of their still very large numbers, the diversity of armed units, and the decentralised nature of military command.

B. THE CHALLENGE

CONTINUED

B23. Combined with the precariousness of rural livelihoods, the wide availability of guns, and the weakness of the civilian forces of law and order, the military could create continuing insecurity in Cambodia. Demobilisation in the context of security sector reform which depoliticises the army is therefore a major challenge for the new Government.

STRENGTHEN THE CAPACITY OF THE PUBLIC SERVICE

B24. The public service is weak at all levels, with low morale, very low pay (on average US\$15 per month) and poor management. Implementation of the civil service reform programme is needed following limited progress since inception and its stalling for political and economic reasons in 1997/98. The programme aims to strengthen the legal framework of the civil service, make it more accessible and accountable to the population, and revise management and pay structures. Decentralisation of decision-making must match local government capacity-building.

PROMOTE PRO-POOR ECONOMIC GROWTH

B25. Recent estimates suggest that income poverty levels have fallen by about 4% since 1991 (about 7% in Phnom Penh and 3% in rural areas). Better provision of government services can increase the impact of growth on poverty reduction. But continued economic growth is also needed to underpin such measures.

B26. Following a surge in 1990, growth averaged 6% per year until 1997. Growth fell rapidly in 1997 and 1998 due to political events and the Asian financial crisis. Growth in 1999 is projected to pick up to about 4%. Benefiting from increased trade access, the garments sector has been the main generator of new jobs in the last few years. This has mainly been focused in areas near the capital city. The external debt stock is about \$2.1 billion (about 68% of GDP), over two-thirds of which is owed to the former Soviet Union and is not being serviced. Following a Paris Club agreement and given non-payment on rouble debt, debt service levels are low as a percentage of exports (about 6%).

B27. Overall economic policy is to promote an open liberal economy that is integrated into the world trade system. Macroeconomic management is good. Following the elections of 1993, Cambodia's economic reform programme has liberalised the economy substantially. The trade regime is only moderately restrictive, and the Government are proceeding with plans for accession to the World Trade Organisation. The exchange rate regime is flexible with few restrictions on transferring money. Most major state-owned enterprises have been privatised.

B28. An International Monetary Fund (IMF) 'extended structural adjustment programme' to Cambodia was suspended in 1997, in part because of concerns about illegal logging. The main points at issue have been the interrelated fiscal and governance problems discussed throughout this strategy paper. A new IMF package – an Enhanced Structural Adjustment Facility (ESAF) – has been agreed in 1999. This requires the Government to: strengthen tax and custom administration; expand coverage of value-added tax and expedite refunds; allocate more expenditures to the social sectors; and restore pre-shipment inspection procedures. The next ESAF could provide an opportunity to apply the principles underlying the new Poverty Reduction and Growth facility.

'Establishing the conditions that allow economic growth to accelerate in the poorer developing countries is, therefore, a critical prerequisite for sustainable poverty eradication.'

– UK White Paper on International Development

C. PARTNERSHIPS

C1. This section gives an assessment of potential partners with whom we could work to address the above challenges. In summary, there are multilateral and bilateral donors, and elements of government and civil society, with whom DFID shares the objective of eliminating poverty. But capacity weaknesses and insufficient knowledge about the poor mean that there will be a need for DFID involvement even when we are working through others.

PARTNERSHIP THEMES

‘What I am asking you, our external partners, is...to help us in moving together towards the use of a proper sector-wide programme approach to needs definition, programme design, service delivery and implementation.’

– Keat Chhon MP, Senior Minister of Finance

C2. There are three general themes:

- **reassessing aid:** the collective challenge for donors and government is to avoid ‘project (and strategy) proliferation’ in its worst form – where donors compete amongst themselves to provide projects that are uncoordinated, lack national ownership and impose many separate types of donor procedures and objectives. This can make the situation worse rather than better. There is a need to find more effective ways of working in an environment of weak government capacity.
- **increasing investment levels in rural areas:** the majority of donor funds are focused on the capital, Phnom Penh. For example, about two-thirds of donor spending on capital investments in health is spent in the capital city. Government capacity, especially at the local level, needs to be increased so that we can redress this imbalance. Better understanding of rural livelihoods is also needed.
- **sustainability of donor support:** Cambodia’s challenges now require long-term sustainable solutions rather than relief programmes. The sustainability of donor support depends heavily on government capacity to maintain investments and to get the most out of technical assistance. This is a particular dilemma in providing investment for the poor, where it will take many years to develop government capacity to provide for their basic

needs. Donor programmes should assist government in developing its capacity, and in the meantime consider implementing basic needs investments directly and through civil society organisations.

‘There is finally a situation in which the Government can concentrate on economic and development issues in a way it just hasn’t been able to because security issues were taking all their time. There is peace now to an extent there has not been in 30 years.’

– George Edgar, British Ambassador

WORKING WITH GOVERNMENT

C3. Is the Government committed to ensuring human rights in their broadest sense (economic, civil and political, social and cultural) for all its citizens? This depends on government policies and government capacity. This is a Government with new rhetoric and a new mandate, but it is still too early to tell whether it can turn this into reality. The Government has made a good start, in particular in engaging with donors and civil society in an open discussion about its policies. It will be judged on its ability to tackle vested interests and deliver on its promises. In particular: to reduce the power and size of the armed forces, reform public expenditure systems and public administration, increase public spending in rural areas and end illegal logging.

ECONOMIC RIGHTS

C4. Government policy statements are pro-poor. At the 1999 Consultative Group, the Government said that it planned to increase rapidly its public investment in rural areas, and by the end of the year 2000 to more than triple spending on education and health and increase revenue collection to 13% (from about 8% of GDP in 1998). By the year 2002/2003 it intends to increase expenditure on health and education to 5% of GDP from the current level of about 1.35%.

‘Our main objectives are to reorient spending priorities from defence and security towards the social sector— notably education, health, agriculture and rural development.’

– Hun Sen, Prime Minister

C. PARTNERSHIPS

CONTINUED

C5. Is the Government really committed to its pro-poor policy statements? Some good progress has been made since the 1998 election: value added tax (VAT) has been introduced, tax exemptions reduced, 'ghost' soldiers removed as part of a demobilisation plan, illegal logging has been reduced and some forestry concessions cancelled, and the National Assembly has amended a law that gave ministries the right to provide immunity to civil servants. Meeting the conditions of a World Bank and IMF reform package would be a good indicator of continued progress in resolving these interrelated fiscal and governance problems. It is too early to tell whether public investment in rural areas is increasing.

CIVIL AND POLITICAL RIGHTS

'Cambodia's present culture of impunity is the greatest barrier to the consolidation of peace.'

– Accord Review of International Peace Initiatives

C6. Is the Government protecting civil and political freedoms? At the last Consultative Group meeting, the Government pledged to reaffirm its 'unbreakable attachment to liberal democracy, to freedom of expression, to an independent judiciary'. The freedoms of speech, assembly and association are guaranteed under the constitution. Respect for them is variable:

- Cambodia is signatory to the major *international human rights conventions* and the basic human rights are enshrined in the constitution. But the administrative legal and justice systems are unable to enforce them effectively or fairly. The Government does monitor human rights provisions, but ineffectively. The most egregious offences can often be traced back to the authorities themselves. Human Rights Watch report that in 1998, out of 1,152 arrests, police killed 76 people and wounded 12;
- *women* are entitled to equal rights with men under the constitution and the law. In practice women have considerably less access to education, reflecting social attitudes more than official or bureaucratic obstacles. For similar reasons they are also under-represented in the political process. For example, of 1,623 commune chiefs only ten are women.

Violence against women is also a serious problem;

- *employment rights and conditions* are also enshrined in the constitution and in the labour law. There is weak implementation of these rights and, although there are some trades unions, these are not yet very effective in protecting them. The Government has committed itself to enforcing the International Convention on Labour Unions.
- the print *media* are free to report anything they want. But although circulation is growing rapidly, most newspapers are dependent on political patrons and do not yet see themselves as a check on government and administrative power. The broadcast media are much more restricted, and tend to follow a government line.

SOCIAL AND CULTURAL RIGHTS

C7. The majority of the population (90%) are ethnic Khmer, and Buddhist. The rest comprise Cham (Muslims), Chinese, Vietnamese and Khmer Loeu (highlanders). These divisions do not form basic political fault lines, except in so far as the ethnic Vietnamese population tend to be political scapegoats for some parties. Membership of ethnic/religious/linguistic groups is not at present a strong factor in access to power. In terms of access to government services, discrimination against ethnic groups (such as the Vietnamese) appears to be a matter of neglect rather than one of institutionalised discrimination.

C8. Minority rights are protected under the constitution. But issues such as land rights can have a disproportionate effect on minority groups. For example, traditional patterns of natural resource use are undermined by commercial forestry. Khmer Loeu also benefit least from schooling at all levels.

WORKING WITH CIVIL SOCIETY AND INTERNATIONAL NGOS

'If we look at our own history in Britain and ask where the political will for major reform and advance came from – the answer is what we have now come to call civil society.'

– Clare Short, UK Secretary of State
for International Development

C. PARTNERSHIPS

CONTINUED

C10. What is ‘civil society’ in Cambodia? It consists of a range of bodies, including Buddhist and other religious groups, human rights organisations, pressure groups and local non-governmental organisations (NGOs). Given Cambodia’s legacy of authoritarian rule, many such organisations are at an early stage of development. There are also many active international NGOs. There are over 400 local and international organisations:

- **national issues:** there are organisations trying to influence events or government policy centrally, which can play an important role in a fragile democracy. They are generally able to operate freely, and have some influence on policy. These groups have been supported – and often established – by donors. Human rights groups are particularly active, some of which concentrate on training and raising awareness.
- **grassroots level:** civil society is often fragile or weak. But local and international NGOs have the potential to help strengthen the voice of the poor and build social capital. In the absence of government services, they can also fill some vital gaps in the short-run in providing services to the rural and urban poor. But such interventions should also aim to strengthen government capacity to provide such services in the long-run. The larger NGOs in Cambodia are all international NGOs, many of whom operate with smaller local partners to channel donor and other funds into strengthening indigenous civil society. Other civil society organisations, including informal local groups and religious bodies, also exist at this level.

WORKING WITH OTHER DONORS

AID DEPENDENCY?

External assistance was about 12% of GDP in 1998 (about US\$400 million).

This was more than the total level of government expenditures. All public infrastructure investment by government is financed by donors.

C11. Cambodia is very dependent on external assistance and has many donors. The main multilateral donors are: the United Nations Agencies, the World Bank, the Asian Development Bank (AsDB) and the European Union (EU). Japan is the largest donor, and is mainly involved in large and medium-size infrastructure. Australia, the United States and France are the other main bilateral donors. In 1998, half of this was provided in the form of technical assistance, while the rest largely comprised investment projects. In 1998 there was no budget support, although that will change in 1999 with the agreement of an IMF ESAF and a possible World Bank structural adjustment credit.

C12. The UN system has been very active since the early 1990s and has traditionally been the lead donor. It is involved in most sectors. There is a need to improve the clarity of vision of the various UN organisations, and improve co-ordination (for example in moving towards a more coherent UN-wide strategy planning process – the UN Development Assistance Framework).

C13. The AsDB, the EU and World Bank are in the process of developing new country strategies for Cambodia. The AsDB is involved in most major sectors, largely providing sector-based investments and technical assistance to develop policies and institutions. A new country strategy is being developed, which rightly focuses interventions on fewer sectors including good governance and rural development. The EU has some promising programmes, although the centralisation of control in Brussels adds an additional challenge in making these programmes effective and flexible. The World Bank’s new strategy will emphasise building stronger partnerships with donors, including working jointly in areas such as rural infrastructure, social sector investment and governance reform. The World Bank does not yet have a decentralised office, and needs to consider how to strengthen its presence in Cambodia to enable the development of stronger partnerships.

D. CURRENT UK PORTFOLIO

D1. Cambodia's turbulent history has made it difficult for the international community to engage in longer-term development challenges.

D2. The current UK development assistance programme is no exception. The current programme is implemented via international organisations, notably the UN. The main elements are:

- **health:** working with the World Health Organisation (WHO), the United Nations Population Fund (UNFPA) and Population Services International we have supported interventions to combat HIV/AIDS, malaria and to help women and men access reproductive health services. This includes community awareness programmes, contraceptive provision and the application of new approaches and associated technical expertise and training. We have also supported an ambitious programme with the Ministry of Health to strengthen the policy environment for the delivery of primary healthcare services;
- **education:** we are providing institutional and policy support to improve the quality of teaching and learning in secondary schools, primarily (but not exclusively) via English language. We are also working with the World Bank to support the development of primary education in three provinces;
- **urban poverty:** working with the United Nations Centre for Human Settlements (HABITAT) and the United Nations Development Programme (UNDP) we have provided support for the increasing number of poor people in Phnom Penh. The programme has helped to stop forced evictions – the key problem for the urban poor. It has also built government and civil society capacity, and provided small scale improvements including employment training schemes and walk-ways to avoid flood-water;

- **governance:** We provided support via the UN Trust Fund to support the 1998 national elections and have supported research on voter perception as a contribution to programmes for voter education;
- **civil society:** our Civil Society Department (formerly under the Joint Funding Scheme) has provided assistance to international NGOs working on a range of issues from forestry and livelihoods to street children and human rights programmes;
- **mine action:** we have provided substantial support through a UN Trust Fund for the Cambodian Mine Action Centre and through UK NGOs, the HALO Trust and Mines Advisory Group.

LESSONS LEARNED

D3. As the Challenge section points out, tackling poverty in Cambodia means working with the rural poor. Although our current programme has brought real benefits to some Cambodians, it has not focused sufficiently on reducing poverty. One reason is insecurity. This has made it difficult to implement programmes in rural areas. Another is the lack of effective governance. Also, our own interventions have sometimes been episodic, and reactive rather than pro-active.

D4. We have learned a number of lessons. We need to ensure that policy reform work is linked directly to poverty reduction now and in the future. We need to become more pro-active in engaging in policy debates in Cambodia on poverty reduction and the role of donors. We need to ensure that resources provided do reach the poor. And we need to take a fresh look at the context for providing further assistance to mine action activities.

E. FUTURE UK STRATEGY, IMPLEMENTATION AND RESOURCES

A MULTILATERAL NOT BILATERAL OUTLOOK

E1. This will not be a narrow ‘bilateral’ programme. We aim to be in a position in ten years’ time to continue to support Cambodia completely through multilateral agencies, without the need for a bilateral aid programme. A programme review in 24 months’ time will articulate five-year benchmarks on our progress towards this objective.

E2. How will this outlook affect the way we develop our involvement? It will have a bearing on every decision. We will:

- make the next ‘DFID’ country strategy a joint strategy with other donors and government
- only develop interventions that complement a wider programme of multi-donor support (see ‘what we will do’ below). To avoid the aid management problems set out in paragraph C13 above, we will focus on a small number of flexible programmes and reduce the burden of our own procedures (such as through joint evaluations, assessments and pooled funding programmes)
- strengthen our in-country capacity so that we can work intensively with other donors and government. This will enable us to engage more actively in national policy debates on strategic development issues like aid effectiveness.

A PROCESS NOT BLUEPRINT STRATEGY

E3. This Country Strategy Paper is not a blueprint for what we will do. It will be a ‘living strategy’ which will be reviewed in 24 months’ time; the results of this will be publicly available. The outcome of this strategy in terms of programme scope and size will depend on government maintaining its recent good progress in improving all the rights of its citizens as set out in the Partnerships section above. The strategy process starts with improving our knowledge. DFID and many other donors have little previous experience in working on longer-term development programmes in Cambodia, especially in rural areas that were previously too dangerous to enter. Further, the situation in Cambodia has changed rapidly, and continues to change. And while we have some understanding of what are the challenges in reducing poverty, donors and government are

struggling with how to implement programmes to address them. The strategy will also develop as we learn from success or failure. We will institutionalise processes to learn from what DFID and others have done or are doing at programme and overall strategy levels.

OUR PURPOSE AND OBJECTIVES

E5. The *long-term goal* of our support will be to contribute to a reduction in the number of Cambodians living in extreme poverty in 2015 in line with the internationally agreed development targets.

E6. The *overall purpose* is for DFID to promote a new way of working for donors to improve rural livelihoods significantly over the next ten years. We will do this by working in partnership with the state, civil society and donors to promote three interlocking objectives:

- encourage broad-based rural development that empowers poor and disadvantaged people;
- enhance government capacity to plan and implement pro-poor policies, to raise resources, and to account for their use;
- support improved policies and systems which enable the state to guarantee the equitable provision of effective basic services.

WHAT WE WILL DO

E7. What will this involve in terms of activities? Much of this will be defined over the next few years as we build up our understanding and knowledge of Cambodia. DFID cannot be involved in all the areas described in the challenge section. And achieving the three objectives above will rely very much on working with others and recognising that their own contribution may be more significant than ours.

E8. The Challenge and Partnerships sections highlighted the rural nature of poverty, the lack of government services and investment in these areas, the need for better knowledge of poverty, and the need for an effective donor response. We have chosen two entry points to promote a more collaborative way of working. These are on rural livelihoods and the health sector:

E. FUTURE UK STRATEGY, IMPLEMENTATION AND RESOURCES

CONTINUED

Eg. Develop innovative rural livelihoods programme(s):

- **explore jointly** with other donors, government and NGOs how to take advantage of new opportunities to work in rural areas. We have already funded a number of studies, to be followed up by design work, to learn from the experiences of other donors. The outcome will build on this experience to develop a new generation of rural livelihoods programmes, including those being considered by the World Bank, the EU and UNDP. And we shall seek to learn lessons from these about how policies and institutions act as constraints on the rural poor and feed these back into national policy debate. We shall be engaged in the debate on the evolution of the role of local government.
- see that rural livelihoods programmes address the barriers at the local level to the rural poor gaining access to **education** and literacy, recognising the importance for them of developing their human capital. We will also continue to support the development of basic education through our regular multilateral contributions to the EU and the United Nations Children's Fund (UNICEF).
- **develop a five-year strategy on our support to mine action:** during 2000 DFID is planning to undertake an evaluation of its mine action programme, which will include Cambodia as a country case study. This case study will assess the economic, humanitarian, and political economy aspects of mine action in Cambodia and will contribute to the development of a long-term strategy on the scale and nature of DFID support to mine action activities. Meanwhile we shall help the Cambodia Mine Action Centre (CMAC) restructure to become an efficient and effective national mine action centre – provided there is sufficient evidence of reform – and continue selective programmes of humanitarian mine clearance. These will focus, as far as possible, on: introducing better planning to address priority needs more systematically; encouraging greater competition and hence cost-effectiveness among mine action operatives (whether CMAC itself, NGOs, or commercial companies); supporting improved efficiency in mine clearance practices; and linking mine clearance more closely with

development plans and activities.

Eio. In the health sector future assistance will:

- **build on the work done over the past years on strengthening the policy environment to improve health services, particularly for the poor.** We will work with other donors to explore how elements of 'sector-wide approaches' (thinking more holistically about sector policy and donor support) can be applied to this sector. This will build on the position we have established with the WHO and the Ministry of Health in national policy debate. It will emphasise a stronger link between policy development and poverty impact;
- **support programmes to combat HIV/AIDs including associated reproductive health issues.** This should focus on developing multi-donor/government programmes to address the many dimensions – for example health, education, and reproductive health – of this growing problem.

HOW WE WILL DO IT

Eii. If we are genuinely to add value to others' efforts in seeking more effective engagement in reducing rural poverty – the key to progress against the international development targets in Cambodia – we need a more intense and effective staff input from DFID. We shall therefore:

- **increase our human resource inputs:** immediately increase our staff capacity in-country by appointing additional development experts. We shall also allocate more staff time to work on Cambodia in DFID South East Asia.
- **focus the programme:** over the three-year course of this strategy paper, we will conclude a second phase of assistance to consolidate links between the Municipality of Phnom Penh and civil society groups working with the urban poor. We will complete our support for Cambodian Secondary English Training (CAMSET 2). We will continue combating malaria, but will do so through our multilateral contributions to the European Community (EC) and WHO roll-back malaria programme.

E. FUTURE UK STRATEGY, IMPLEMENTATION AND RESOURCES

CONTINUED

- *increase the level of funding:* between 2000/01 and 2002/03 we shall aim for a modest increase in the size of the development assistance programme. A greater share of these resources will be targeted on improving rural livelihoods. But we aim to double our investment to £10 million per annum in 2003/04 and beyond. This will depend on our ability to develop quality pro-poor investments with government and other donors, and the Cambodian Government's continued commitment to meeting its development challenges.

SUMMARY OF CONSULTATION PROCESS

Consultation began early in the strategy formulation process. It was important to gain quickly an insight into the nature of poverty in Cambodia and the priorities and plans of the new Government, donors and civil society for tackling the poverty agenda. The consultation process involved discussions with representatives of all of these groups over a period of time. This included senior members of the Royal Government of Cambodia, Cambodian NGOs (including representatives of women's groups, academics, opposition politicians, human rights groups), and bilateral and multilateral donors.

Given the lack of information on rural Cambodia, it was also necessary to conduct our own strategic studies to help shape our thinking. These included studies on:

- Sustainable Livelihoods in Rural Cambodia
- Demobilisation
- Governance including Local Government in Cambodia

The process of completing these studies involved extensive consultation with the groups mentioned above.

The February 1999 Consultative Group meeting with donors in Tokyo (the first with the new Government) provided an opportunity to listen to and engage the new Government and donor group in wide ranging policy dialogue about Cambodia's future. This was followed by a bilateral discussion with senior members of the Government in October 1999 when we discussed the UK's White Paper on International Development and its implications for a future development assistance programme with Cambodia.

The Government welcomed the Country Strategy Paper saying that it was innovative, original and the approach to its development should be emulated by others. In particular it welcomed the UK's move to a longer term commitment on development assistance. Agreement was reached that poverty elimination would provide the strategic focus for this and on the challenges that would need to be overcome.

A number of key lessons were drawn from the many and varied views we received during the preparation process. These included the need to focus on issues impacting on livelihoods in rural areas, the need to adopt a flexible, lesson learning approach and the need to strengthen our capacity to engage more fully in-country policy discussions. This is reflected in the current strategy paper. The consultation process was completed at the highest levels when the UK Parliamentary Under Secretary of State for International Development visited Cambodia in October 1999 and held discussions with the Cambodia Prime Minister HE Hun Sen.

During the consultation process we have sought the views of other Whitehall departments including the Foreign and Commonwealth Office and the Department for Trade and Industry. The consultation process will not end with the publication of the country strategy paper. We shall hold regular strategic talks with government and other donors. We shall also maintain and build the contacts we have established with representatives of civil society organisations in Cambodia.

PROGRAMME EXPENDITURE PROFILE

£ MILLION	1999/00	2000/01	2001/02
COMMITMENTS			
Education	0.9	0.3	0
Rural Developnemt	0.2	0.2	0.2
Health	2.0	0.8	0
Urban Poverty	0.2	0	0
Others	0.2	0.3	0.4
SUB-TOTAL	3.5	1.6	0.6
OTHER PLANS			
Rural Livelihoods	0	0.5	1.5
Health	0	0.9	3.0
Urban Poverty II	0	0.5	0.5
Forestry Crime Prevention	0,2	0.2	0
SUB-TOTAL	0.2	2.1	5.0
GRAND TOTAL	3.7	3.7	5.6
EXPECTED ACTUAL EXPENDITURE	3.5	3.5	5.0

Note: This includes Aid Management and Small Grants Scheme

Figures do not include CSU and the Conflict and Humanitarian Affairs Department funded projects