



USAID | **CAMBODIA**
FROM THE AMERICAN PEOPLE

USAID CAMBODIA STRATEGY STATEMENT



The background of the page is a collage of ancient stone carvings. On the left, there is a large, detailed stone face with a serene expression, carved into a block. To the right, there are several smaller, more stylized stone faces and figures, some appearing to be part of a larger architectural structure. The overall tone is historical and monumental.

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I. PROGRAM SUMMARY

USAID pursues three central goals for Cambodia: *good health; good education; and good governance*. For at least the next five years, every activity in the USAID/Cambodia portfolio will directly respond to at least one of these three major concerns.

We will do this by modifying two existing Strategic Objective (SO) statements related to health and education and by introducing a new, cross-cutting SO. The partnerships that we develop and the programs that we implement will thus be driven by these specific objectives:

- ◆ First, USAID/Cambodia will promote *improved health services in HIV/AIDS and other infectious diseases as well as in maternal, child and reproductive health*.
- ◆ Second, USAID/Cambodia will support *increased relevance, quality and access in education*.
- ◆ Third, USAID/Cambodia will contribute to *improved political and economic governance* through a series of flexible interventions, as opportunities arise and when reformers emerge.

The first two of these SOs are sector-specific, addressing specific human development issues that are rooted in decades of war, fratricide and destruction. The third SO crosses several sectors (including health and education), providing a broad yet unified approach for addressing foundational issues that will determine whether Cambodia succeeds or fails as a country.

All three SOs will contribute to a broader program vision that has USAID/Cambodia working with Cambodian counterparts and the international community to *promote more effective, inclusive and accountable management of what should be Cambodia's main assets—its people; its natural resources; its economic potential; and its fledgling democratic institutions*.

II. POLICY PERSPECTIVES

Multiple constituencies shape the USAID program in Cambodia. In the past, Cambodia has often been viewed as simply the passive recipient of large amounts of humanitarian aid. In reality, U.S. interests—like those of other bilateral and multilateral donors—extend to other areas. *A stable and successful Cambodia will have important political and economic implications for South East Asia*. An unsuccessful Cambodia would have negative consequences, not just in Cambodia but also beyond.

Policy guidance that helps shape the USAID strategy in Cambodia comes from several sources, including:

A. *White Paper*: This policy statement, reflecting both State and USAID concerns, provides an over-arching vision on how U.S. assistance programs can advance broader U.S. foreign policy objectives. As a matter of historical interest, Cambodia is one of the few countries to figure at one time or another across virtually the entire spectrum of “typologies” presented in the White Paper. Briefly a “*strategic*” state during the Vietnam War era, Cambodia in turn became a “*failed*” state and then a “*fragile*” state and is now emerging as a “*transformational development*” country. For much of the last decade, Cambodia was in recovery from years of conflict, chaos and violence. At this point, it can finally position itself to more effectively address long-term development concerns.

B. Millennium Challenge Corporation (MCC): Reflecting a new approach to U.S. foreign assistance, the MCC was organized to help countries that demonstrate a clear commitment to help themselves. Three criteria determine eligibility: (1) ruling justly; (2) investing in people; and (3) promoting economic growth. *Dramatic progress must be made in category one in particular before Cambodia can become a serious contender to join the ranks of MCC countries, a fact that underscores the importance of USAID/Cambodia's strategic focus on good governance.*

Cambodia is not considered a MCA-eligible or MCA-threshold country at this time. However, it is appropriate to note that investments in people are increasing. For example, health spending as a percent of GDP increased from 0.7 percent in 2000 to 1.04 percent in 2003. Education spending increased from 1.2 to 1.8 percent of GDP during the same period. While annual economic growth rates have ranged from 4.3 percent to 7.7 percent during the last six years, *the economic growth rate figure for 2005 is unlikely to exceed 2.5 percent, not enough to provide needed jobs or generate the income needed to provide more effective social services.* While Cambodia ranks higher than Thailand, Malaysia, Vietnam or Laos in the latest (2005) Index of Economic Freedom published annually by the Heritage Foundation and *Wall Street Journal*, foreign investment also continues to decline.

C. Asia/Near East (ANE) Bureau Planning Framework: Much of the ANE Bureau Planning Framework reflects the current focus on the Middle East, especially Iraq and Afghanistan. However, there is growing recognition that *the rise of South East Asia and especially China very possibly represents the most significant long-term global development of the new century.* The way in which this process unfolds will directly affect Cambodia. As for the seven programmatic goals set forth by the ANE Framework we expect to make significant contributions to at least two (improving maternal and child health care and reducing the transmission of HIV/AIDS) while directly addressing several others (building democracy; promoting rule of law; supporting trade capacity and strengthening basic education).

D. Congressional Earmarks and Directives: Annual appropriation bills routinely include language that directly affects our programs. For example, the FY 2005 bill granted a unique exception to permit two endowments, one for the Documentation Center of Cambodia and a second focused on Cambodia's disabled population. Annual appropriations also define the scope of USAID/Cambodia's engagement with the central government. At this point, exceptions permit USAID to engage directly with government on health, education and trafficking. Subject to continuing consultations with Congress, work related to other areas such as legal reform and anti-corruption is also authorized. *Throughout the strategy period, such Congressional language, usually linked to developments in Cambodia, will continue to have a direct bearing on the planning and implementation of USAID activities in Cambodia.*

E. Mission Performance Plan (MPP): Policy guidance from various sources helps shape the MPP, a document prepared by the Embassy country team with the active participation of USAID/Cambodia. A new strategy will ensure that the USAID program is even more closely aligned with that document. The current MPP posits six main goals: (1) combating terrorism; (2) strengthening democracy; (3) assisting American citizens abroad; (4) promoting economic growth and development; (5) advancing global health concerns; and (6) broadening public support for US positions abroad. *Our new strategic construct ensures that we directly address three core areas (democracy, economic development and global health concerns) while indirectly addressing two others (terrorism and public outreach).*

III. COUNTRY CONTEXT

Cambodia is shaped by recent history as well as its ancient past. To a degree not widely recognized, Cambodia has often been a “meeting ground” and occasional “collision point” for several of the great religions (Hinduism, Buddhism and Islam) and civilizations (Indian, Chinese) represented in South East Asia. More recently, it was significantly shaped by the French colonial era and the years of American involvement in Indochina. Amidst these many influences, Cambodia has maintained its independence and retained its distinctive Khmer cultural heritage.

The Khmer Rouge regime (1975-1979) represented “ground zero” in Cambodian history, a radical attempt to erase the past and build a new society from ground-up. A generation of Cambodians was literally wiped off the face of the earth. As much as 20 percent of the population—more than one million out of a population of 7 million—was murdered or died as a result of disease and starvation. Virtually every one with any education was either killed or fled the country.

This was followed by years of protracted instability, uncertainty and violence. Tens of thousands of Cambodian refugees found safety in the U.S., Canada, France, Australia and elsewhere. Many of these Cambodians have since renewed ties to their “home” country, providing *an important resource that can help strengthen Cambodia’s wider global connections.*

Despite a decade of relative calm, *Cambodia remains one of the world’s poorest countries* as it slowly builds a market-based economy and takes tentative steps toward more democratic governance. *Social and economic indicators are among the lowest in Asia.* Annual per capita income is on the order of \$300. Cambodia also wrestles with serious global concerns, including those related to environmental degradation, HIV/AIDS, trafficking in persons and child survival.

Cambodia’s geographic position at the center of mainland South East Asia will help shape its future. Starting from a lower economic base, Cambodia aspires to duplicate the relative economic success of its much larger neighbors, Thailand to the west and Vietnam to the east. Some of the same dynamics that contributed to the rise of radical Islamic terrorism in southern Thailand and Indonesia could be present in Cambodia. From a more long-term perspective, China looms as the big neighbor to the north that is increasingly making its presence felt across South East Asia and beyond.

Stability in Cambodia has important implications for its neighbors, even as instability could provoke a cycle of violence that would inevitably involve other countries. In particular, Cambodia’s emergence as a democratic and economically viable state will strengthen its role in the Association of South East Asian Nations (ASEAN) and other international groupings. From a U.S. point of view, *a stable and successful Cambodia would serve to strengthen regional cooperation, support more open society, ensure political stability and contribute to economic growth*

Yet significant challenges face Cambodia, both economically and politically. *There is an overwhelming reliance on the garment industry* for private sector income receipts, with the tourism industry the most rapidly growing second sector. *Foreign aid primarily accrues to the government,* which has yet to make much progress in reducing poverty reduction or improving social indicators.

Beyond this, there is a vast and unproductive rural sector on which most of the country depends. Investment levels—both foreign and local—have declined in recent years. *Employment concerns loom large as 150,000 young and often unskilled Cambodians enter the workforce each year, a number expected to increase to 200,000 by 2010.* The fact that nearly 50,000 garment workers (out of a work force estimated at around 250,000) are out of work underscores the fact that this industry will no longer be able to absorb large numbers of new job entrants as it has in the past.

Abysmal health and other social indicators are also a concern. *Research suggests that serious disease is a prime contributor to rural poverty, with families selling land and other assets to obtain medical care.* High fertility rates will make unemployment a concern for at least another generation. Initiatives in health can also have a regional dimension. For example, activities that control infectious diseases (such as HIV/AIDS, drug-resistant malaria and avian flu) and prevent them from spreading benefit all of South East Asia, not just Cambodia.

The political culture is precarious. Cambodia has held a series of three elections over the past twelve years (May 1993, July 1998 and July 2003), each suggesting at least some degree of forward movement and each in some sense more “successful” than the last. After the traumas of the last several decades, Cambodia enjoys its highest level of stability in generations. At the same time, *government institutions remain weak: there is little concept of rule of law; corruption is rampant; competing political voices have a hard time being heard; and power is increasingly concentrated in a few hands.*

Finally, *the large donor community bears an important responsibility in terms of coordination and cooperation.* USAID accounts for about 10 percent of the estimated \$500 million in donor assistance provided to Cambodia each year. *The biggest bilateral donor is Japan, with the US ranked second.* A relatively large number of other bilateral donors with significant programs are also represented, including France, Australia, Germany, Britain, Denmark and Sweden, among others. Both *the World Bank and the Asian Development Bank have large portfolios and significant policy expertise.* Many UN agencies also play an important part within the donor community.

Within this network of other donors, USAID/Cambodia’s “niche” is especially pronounced in the health sector (especially with respect to HIV/AIDS and child survival) and in its almost exclusive reliance on NGOs and PVOs, both international and local, to implement programs. USAID/Cambodia also strives to promote donor coordination and linkage among activities. For example, in the health sector USAID and Japan have signed a Memorandum of Understanding formalizing our commitment to work together. USAID/Cambodia also participates in all relevant technical working groups that have been established to promote coordination and harmonization with the Government of Cambodia and among the donor community.

IV. STRATEGY DEVELOPMENT

This document constitutes the first full-fledged country strategy since the establishment of a USAID Mission in Phnom Penh following the signing of the Paris Peace Accords in April 1991. Even our currently operative strategy (USAID/Cambodia Interim Strategy Plan), covering the period 2002 to 2005, was considered an “interim” document, not a full-fledged, five-year plan.

The *Interim Strategy* explicitly recognized that it was time to move beyond humanitarian relief and address more long-term concerns. It emphasized the social sectors while also drawing attention to concerns about democracy and human rights. Given the short, three-year time frame, it focused on political competition in anticipations of upcoming national elections. In retrospect, *it is clear that “good governance” is about much more than elections or increased political competition.* In reality, “good governance” pervades almost every aspect of political, economic and social development in every part of Cambodia. *It is a vital factor in creating the sustainable institutions and conditions needed to support a competitive political process.* Finally, it requires a long-haul effort, not a series of ad hoc “quick fixes”.

Even as the current *Interim Strategy* is set to expire, new Washington guidance underscores the usefulness of embarking on a new strategy. *The new guidance is more streamlined and more flexible, important considerations when developing any new strategy for Cambodia.* The new guidelines also suggest that the extensive assessments and never-ending consultations that have often marked the strategy planning process in the past are no longer required. This is especially welcome in Cambodia, where many issues have already been studied, assessed and analyzed several times over.

Events within Cambodia further underscore the desirability of reaching consensus on a strategic structure for USAID/Cambodia now. As noted, the current USAID Interim Strategy reflected a time when upcoming elections dominated the political discussion—would the elections be competitive, would they be free, would they be credible? Those elections have taken place and a new government is in place. The details of what will unfold over the next few years are murky. However, *the main contours of the development landscape in which USAID and other donors will have to work until local elections in 2007 and national elections in 2008 are beginning to emerge.* In addition, other landmark events—including the coronation of a new king (October 2004) and Cambodia’s accession to the World Trade Organization (December 2004)—suggest that it is appropriate to take a fresh look at the current USAID strategic framework and possibly introduce some adjustments.

Developments among various donor agencies also point to the usefulness of undertaking this strategic dialogue now. *The donor community in Cambodia is almost certainly better organized and coordinated than ever before.* During the recent Consultative Group (CG) meetings held in Phnom Penh in December 2004, there was *remarkable donor consensus on the main challenges facing Cambodia, with corruption and good governance topping the list.* These concerns were amply reflected in individual statements presented by various heads of delegation on behalf of the entire donor community. At the same time, a series of eighteen working groups reflecting virtually every area of donor activity have been organized, further deepening dialogue with government while also strengthening donor coordination.

Against this backdrop, the fact that *the World Bank, Asian Development Bank (ADB), United Nations and UK have all been involved in a joint strategic planning exercise during 2004-2005* needs to be highlighted. USAID/Cambodia is not a formal part of this process. However, it certainly benefits from it. In particular, we have drawn on public forums and background analyses prepared as part of that process, even as we share the USAID perspective among our donor colleagues. The simultaneous launch of several strategies from a significant segment of the donor community sends a powerful message, especially because each one of these strategies emphasizes good governance across the board.

Finally, a quick note on major “milestones” marking the formulation of a new USAID strategy for Cambodia: *Discussions with Washington started in June 2004.* Throughout the fall, *informal conversations* introduced the outlines of a new strategy and solicited comment from our partners. At the same time, *formal visits from Washington colleagues* (including in health, democracy, environment and education) helped build consensus and “test” ideas. An *offsite Mission retreat* (February 2005) served as another landmark. This was followed by discussions within the Embassy country team (March 2005); a series of *public presentations involving partners and counterparts* in Cambodia (April 2005); and *formal presentation of the new strategy in Washington* (May 2005).

V. STRATEGIC FRAMEWORK

Cambodia's appearance on the list of potential "transformational development" countries represents genuine progress. A generation ago, Cambodia reached its nadir as a "failed state". For most of the last two decades, it was viewed as a "fragile state," ravaged by uncertainty, volatility and low level violence. *Now the challenge is for Cambodia to move further up the continuum of "transformational development" countries--a task that requires steady progress in a range of areas related to governance, the provision of social services and sustained economic growth.*

USAID/Cambodia stands ready to assist in that transition. *We have to take the long view. We are realistic about the challenges as well as the opportunities.* Yet, building on past programs, current partnerships and our niche within the larger donor community, we can make a difference, especially in the social sectors and in broader issues related to good governance.

Under the new framework, *USAID/Cambodia will retain its strong presence in the health sector; expand its more modest support for education, linking those programs directly to skills training and economic growth; and use good governance as an organizing principle for addressing a series of impediments to future democratic, economic and social development.* Interventions in the latter area will have to be opportunistic. At times, it will seem that positive steps forward in one area are accompanied by disappointing steps backward in another. Yet, taking a longer-term approach, *USAID/Cambodia can certainly help contribute to a stable Cambodia that makes positive contributions in South East Asia and beyond.*

USAID/Cambodia will address these concerns by organizing its portfolio around three specific Strategic Objectives, each of which is presented below:

A. Improved Health Services in HIV/AIDS and Infectious Diseases as well as in Maternal, Child and Reproductive Health: This Strategic Objective builds heavily on prior investments in public health while aligning our Intermediate Results (IRs) to the relevant program components introduced as a result of USAID's new strategy guidance. Essentially, the USAID health program will revolve around HIV/AIDS and other infectious diseases; mother and child health concerns; and capacity-building within the health sector. The emphasis throughout will be on a combination of improved quality, access and utilization.

The current SO commenced in 2002, concludes in 2007 and is authorized at a funding level of \$100 million. As described in this new strategy, the revised SO now anticipates *funding levels on the order of \$20-\$30 million during each of the next five years (FY 2006 through FY 2010).* This strategy thus *extends the date of the current SO by five years (until September 30, 2012) and anticipates as much as \$150 million in new funding,* for with total funding expected to eventually reach \$250 million.

Program Component 1: Reduce Transmission and Impact of HIV/AIDS. A focus on HIV/AIDS lies at the core of the USAID/Cambodia strategy in health and will continue to receive the largest share of resources within the health sector for the foreseeable future. Partly, this reflects Cambodian realities: despite a significant decline in HIV/AIDS prevalence rates from more than 3.0 per hundred in 1997 to 1.9 per hundred in 2004, Cambodia proportionately faces the most serious HIV/AIDS problem in South East Asia. Approximately 130,000 Cambodians are HIV/AIDS positive, more than 7,000 of them children. Some 16,000-20,000 Cambodians still die of conditions related to HIV/AIDS each year. *Throughout the strategy period, USAID/Cambodia will strive to be a leader within the donor community in implementing successful HIV/AIDS interventions and in helping to shape programs*

programs implemented by other donors, including the Global AIDS Fund. From a USAID/Cambodia perspective, the “continuum of care” approach is the appropriate model, setting the stage for USAID support in activities ranging from prevention to care and support.

Program Component 2: Prevent and Control Infectious Diseases of Major Importance. Approximately two-thirds of all Cambodians carry the tuberculosis bacterium, one of the highest rates in the world. Some 10,000 Cambodians die annually from tuberculosis. While malaria mortality rates have been halved since 1999, it continues to be a problem across much of rural Cambodia. The fact that some forms of malaria in Cambodia are resistant to all available anti-malarial drugs increases concern. Dengue fever is also a significant health concern in some regions of Cambodia. Latent threats such as SARS or “bird flu” could emerge unexpectedly, with potentially devastating consequences. *Effectively addressing current and emerging infectious diseases is central to our public health program, and will be an important area of concern for USAID/Cambodia during the coming years.*

Program Component 3: Improve Maternal and Child Health and Nutrition. More than 50,000 children under the age of five die in Cambodia each year. Infant mortality rates are on the order of 95 per 1,000, as much as four times that of neighboring Thailand and Vietnam. Most of these deaths are preventable. Yet the rate is very possibly continuing to rise, especially among children under the age of one. Maternal mortality rates also rank as the highest in South East Asia, resulting in more than 1,500 deaths each year. More appropriate birth spacing would improve the health prospects of mothers as well as children. The current fertility rate stands at four, with modern contraceptive prevalence estimated at only 19 percent. *By explicitly focusing more attention on maternal and child health, USAID/Cambodia anticipates that recent improvements achieved in HIV/AIDS and infectious diseases can be extended to this area as well.* The emphasis will be on specific interventions that save the lives of children and reduce the maternal mortality rate.

Program Component 4: Build Health Systems Capacity. A more effective health system is crucial for long-term sustainability. Success achieved in limited geographic areas on a pilot basis needs to be “scaled up” and extended to have national impact. Some of the most promising examples include quality improvement, drug logistic systems and integrated care models. *During the next strategy period, USAID-funded programs will more explicitly address concerns related to capacity, sustainability and national impact in these and other areas.* Efforts will also be made to strengthen community outreach and expand public-private sector partnerships.

B. Increased Relevance, Quality and Access in Education: This Strategic Objective, while building on an existing initiative focused on curriculums, has been modified to include *a stronger emphasis on access and inclusion.* It also draws further attention to the need for quality and relevancy. *More than half of Cambodia’s population is under the age of 25.* Given Cambodia’s overwhelmingly youthful demographic profile, it is imperative that Cambodians who complete their basic education emerge with basic skills relevant to the workplace.

The current SO commenced in 2002, concludes in 2007 and is authorized at a funding level of \$15 million. As described in this new strategy, the revised SO now anticipates funding levels of \$3-\$6 million over each of the next five years (FY 2006-FY 2010). This strategy thus *extends the life of the SO* (until September 30, 2012). It also anticipates *additional funding on the order of \$30 million,* with total funding expected to eventually reach \$45 million. While the SO includes a strong emphasis on basic education, it also embraces other areas of potential interest, including work force and management training.

Program Component 1: Improve the Quality of Basic Education. Cambodia's educational system has made significant strides over the last four years. Since 2001, there has been a 30 percent increase in primary and secondary enrollment. Central government spending for education represented 23.1 percent of the national budget, up from 9 percent in 1994. Meanwhile, donor funding has been the catalyst for new classroom construction. Under this program component, USAID will support curriculum improvements as well as teacher training and community involvement in education. *Quality concerns are paramount, especially given rapid expansion within the sector in recent years. Explicit efforts will also be made to promote inclusive education, including outreach to Cambodia's Cham (Islamic), tribal, disabled and other minority school-going populations.*

Program Component 2: Improve Quality of Work Force: While the focus of this SO is on quality basic education, a second program element organized around the quality of workforce is also included. This is based on several concerns. First, it underscores the pragmatic, economic-oriented nature of USAID/Cambodia activities in this area. Second, it acknowledges that *within the MPP our education portfolio is directly linked to economic development.* Third, it recognizes that Cambodia is indeed a "changing economy," requiring a new set of "knowledge" and "skills," some of which have to be acquired during secondary school and in young adulthood. And, fourth, it ensures a more flexible Mission response to the current economic downturn as well as two or three years from now, when issues of employment and workforce quality will be even further heightened.

Ongoing Mission activity related to making Cambodia's precarious garment industry more competitive helps inform the development of this SO. It needs to be emphasized that the inclusion of workforce quality as an area of USAID activity does not carry with it the expectation of any major investments in vocational education. However, our research DOES suggest that strengthening Cambodia's cadre of mid-level management is one of the biggest challenges in terms of adding value and increasing Cambodia's competitiveness. *Much of South East Asia is on the move economically. Cambodia will be left behind if it fails to produce a workforce that has the skills needed to compete economically on at least a regional stage.*

C. Improved Political and Economic Governance: This is an entirely new Strategic Objective, replacing the existing one built mainly around competitive political systems. It takes a broader and more long-term view. The official US statement at the December 2004 Consultative Group (CG) meetings in Phnom Penh anticipates our strategic approach, focusing as it does on four main challenges that affect good governance in Cambodia: *corruption, courts, competitiveness and civil society.* It also provides a useful perspective on the enormity of the task facing the country.

While "good governance" certainly includes transparent electoral systems and the opportunity for competing voices to be heard, it goes far beyond that, embracing several other themes emphasized by the USAID Center for Democracy and Governance in Washington: transparency; accountability; predictability; participation; responsiveness; and the protection of the rights and security of individual citizens. Similarly, "governance" *isn't limited to just what a government "does". It also includes interactions within the web of other relationships that involve not only government but also the private sector and civil society.* The quality and nature of these relationships will be emphasized within this entirely *new SO*, which is authorized to commence at the start of FY 2006 and conclude on September 30, 2012. Annual funding is anticipated on the order of *\$15-\$25 million over each of the next five years, with total funding expected to eventually reach \$125 million.*

Throughout the strategy period, *the Mission's ability to work directly with government institutions will partly depend on legislative requirements that affect the implementation of the USAID*

program in Cambodia. If the statutory language permits, areas of possible engagement on good governance issues include local government, judicial reform, commercial courts and anti-corruption. Again, the extent of Mission involvement in these and other areas will depend on several factors, including Cambodia-specific legislative language provided by Congress each year; other legislative requirements, including those related to the Nethercutt Amendment and possible Tier 3 trafficking status; and the evolving situation on the ground in Cambodia.

Program Component 1: Promote and Support Anti-Corruption Reforms. Surveys routinely suggest that corruption is viewed as the single most important constraint to private sector growth in Cambodia. The new king warned about it; the Prime Minister declared “war” on it; the December 2004 CG meetings emphasized it; and the President of the World Bank recently underscored that *corruption is the single most important priority facing Cambodia.* The USAID/Cambodia strategic approach includes both illuminating the extent of the problem and providing realistic tools to help address it.

Program Component 2: Improve Justice Sector/Legal Framework. Surveys highlight the fact that *Cambodia’s courts “enjoy” the most negative ratings of any public institution in Cambodia.* Few have any illusions about the “independence of the judiciary” or “rule of law.” While current USAID programs focus on legal advocacy, changing U.S. legislation as well as greater commitment within Cambodia could mean that USAID/Cambodia will be able to engage more directly with the judiciary during the years ahead. USAID activity could involve support for commercial courts as well.

Program Component 3: Protect Human Rights and Equal Access to Justice. *Human rights are a foundational concern, the one on which everything else depends. USAID/Cambodia provides extensive support for a broad spectrum of local human rights organizations* such as the Cambodian Center for Human Rights, LICADHO and ADHOC that monitor, investigate and represent individuals whose human rights have been violated. The new USAID-supported Public Interest Law Advocacy Center (PILAP) has recently taken on some of the most high profile, cutting edge class action lawsuits to ensure that land and property rights are respected. Also, USAID/Cambodia’s extensive support for the Documentation Center of Cambodia (DC-Cam) provides an important “touch stone” for broader discussions on human rights. DC-Cam both records the abuses of the Khmer Rouge period and educates later generations about what happened. USAID/Cambodia’s extensive *programs focused on trafficking are also fundamentally based on human rights concerns.* These programs embrace the full spectrum of issues related to trafficking, including prevention, enforcement of existing laws and support for the victims. To some extent, important trafficking issues are addressed through other USAID-funded activities which focus on corruption and legal issues as well.

Program Component 4: Support Democratic Local Governance and Decentralization. A lack of understanding about what democracy means at grass roots levels hampers efforts to promote democracy more broadly. *Political institutions also need to root their programs more deeply in the countryside, where four out of every five Cambodians live.* Some observers view the emergence of elected commune councils as one of the more significant developments in Cambodia over the last decade. USAID/Cambodia intends to actively support these nascent efforts. The effective provision of services at a local level would be an important step forward, both in terms of enhancing good governance and in ensuring that those most in need of these services actually receive them. *Continued support for political party development will also be maintained under this program component in the lead-up to upcoming local elections (2007) and national elections (2008).* Specifically with regard to political parties, the intent will be to strengthen their grassroots base and tie the national political discussion more firmly to local constituency concerns.

Program Component 5: Improve Sustainable Management of Natural Resources. In the Cambodian context, “good governance” is central to effective natural resource management. Due to a high dependence on land and natural resources, the lack of effective management through good governance constitutes one of the most important threats to stability. While inclusion of this program component does not provide a “back door” for massive engagement on a broad range of unrelated environmental issues, it does recognize *that transparent and accountable natural resource management is one of the biggest challenges that Cambodia now faces*. Efforts will be directed to promote greater civil society participation in the administration and monitoring of land, forests and protected areas, including the promotion of community rights to manage these resources. Ordinarily, *biodiversity earmarks related to USAID/Cambodia can also be addressed under this program component, to the extent possible in ways that also advance larger strategic issues related to good governance*.

Program Component 6: Improve Private Sector Growth. Careful thought lies behind the introduction of this new component, which should not be seen as an open invitation to work on private sector issues across the board. Rather, it views *private sector involvement as key where “good governance” concerns are also paramount*. For example, Cambodia’s accession to the WTO provides an impetus to introduce “international best practices” on certain policy issues that have governance as well as legal implications. It also adds further impetus to the need for effective commercial courts. Work related to the garment industry—including labor tribunals and work standards certifications, currently funded by the US Department of Labor—should receive serious consideration, given the importance of the garment industry as a source of employment, economic growth and foreign exchange. Finally, a more effectively organized private sector can strengthen the voice of civil society within Cambodia in calling for more accountable and transparent governance.

VI. CROSS-CUTTING THEMES

A. Transparency and Access to Information: *If there is one recurring theme that lies at the heart of this strategy, it is transparency and access to information.* It will emerge repeatedly—in every Strategic Objective; in every program component; and in most of the individual grants and cooperative agreements that USAID funds. Such concerns are already addressed in a number of ways, including through radio programming, web pages, publications, computer centers and television. For example, USAID pioneered the first television “info-drama” (*Punishment of Love*) dealing with HIV/AIDS. Similarly, USAID supported Cambodia’s first televised political debates as well as the series of open forums initiated by the Cambodian Center for Human Rights (CCHR) during the 2003 election campaign and afterwards. USAID also supported the establishment of a series of regional computer information centers, providing access to Khmer language material in several rural centers. This has been followed by the publication of the first series of provincial newspapers in Cambodia. In these and other ways, USAID/Cambodia will seek to expand transparency and access to information in virtually *every* program that it funds.

B. Linkages: Fostering linkages among USAID-funded partners and within the wider donor community is a second key theme that should engage every grantee throughout the strategy period. On many occasions, these linkages may be formalized through sub-grantee relationships. In every case, though, *“partnerships” and “linkages” need to be internalized as part of an institutional ethos that comes as naturally as breathing*. Possibly, this approach will help promote Global Development Alliance (GDA) linkages as well.

Potential USAID-funded partners will be assessed in part on their ability and commitment to make connections, forge partnerships and work effectively with other groups, both local and international.

For its part, Mission staff will also be committed to identifying and promoting linkages within and between our three Strategic Objectives and among the broader donor community. For example, our health partners are meeting with our education team curriculum writers to shape the content of the new national primary and lower secondary school curriculum in science and biology to ensure that areas such as HIV/AIDS, reproductive health and sanitation and hygiene are also included.

C. Gender Issues: In April 2004, UNIFEM, ADB, UNDP, DFID and the World Bank produced an in-depth Gender Assessment (*A Fair Share for Women: Cambodia Gender Assessment*). That assessment underscores lessons learned during implementation of USAID/Cambodia's own program: mainstreaming gender throughout our Strategic Objectives is the best approach. The recent arrival of a new IWID Fellow boosts the ability of individual SO teams to increase the effectiveness of our programs. USAID/Cambodia will conduct a gender analysis to help fine-tune indicators. This work should also help shape and inform activities that effectively respond to gender concerns.

D. Other Agency Concerns: This brief section highlights three specific cross-cutting concerns: information; linkages and gender issues. At the same time, it should be noted that a series of other Agency concerns will also be addressed in a cross-cutting way across the various Strategic Objectives. For example, proportionately Cambodia has one of the largest disabled populations in the world. Some programs—such as the planned endowment with Veterans International and a new basic education focused on access—explicitly target disabled populations. More broadly, *every USAID partner needs to look at ways to “mainstream” the needs of the disabled within their respective activities*. Other USAID concerns—including basic development principles such as sustainability, accountability and partnership—will also be addressed in the preparation of annual work plans and in discussions over new programming mechanisms and approaches.

VII. OTHER CONSIDERATIONS

A. Monitoring Plans: Once this new strategy is approved, *USAID/Cambodia will develop monitoring and evaluation plans, tailored to the individual SOs and program areas outlined in this document*. Health indicators in particular will partly draw on Millennium Development Goals (MDG) tracked by the entire donor community. *Agency-wide reporting measures will also be adopted where appropriate*. While Agency guidelines give Missions one year to develop these targets, indicators and benchmarks, we hope that the new monitoring plan can be developed in time to be reflected in the December 2005 Annual Report as well as the February 2006 Mission Performance Plan (MPP).

B. Regional Development Mission for Asia (RDMA): As “near neighbors,” we enjoy positive working relationships with RDMA in Bangkok, which serves as the base for our contracting services. USAID/Cambodia, formerly a regional Mission, assisted in the set-up of RDMA and continues to provide financial and other support. Our relationship will almost certainly deepen in the coming years. Viewed from a bilateral perspective, *RDMA can be especially useful in terms of (1) funding regional programs that include Cambodia and support the themes embedded in this strategy; (2) providing international comparative experience relevant to Cambodia; and (3) developing regional contracting mechanisms that make it easier to access quality technical and other resources quickly*.

C. Other US Government (USG) Programs: *USAID is the largest USG donor in Cambodia but by no means the only one*. For example, the Department of Labor played a vital role in the emergence of the Cambodian garment sector, in part by funding the ILO labor tribunals as well as its certification program. The US Department of Agriculture manages commodity programs that benefit NGOs, which in turn use the proceeds to fund activities, especially in the agricultural sector. Civil outreach programs initiated by the Department of Defense have built bridges, renovated schools and provided medical services.

Over the years, the Public Affairs Office (PAO) has developed a cadre of Fulbright scholars that represent some of the “best and brightest” in a new generation of Cambodians. Also, PAO recently launched a historical preservation program at Angkor Wat. The involvement of Peace Corps in Cambodia is under active consideration. Finally, USAID coordinates closely with the Center for Disease Control (CDC), which maintains an active program in Cambodia. *USAID/Cambodia, which actively supported some of these programs in recent years, will continue to look for ways to promote synergies among and between various USG agencies throughout the next strategy period.*

D. Funding Requirements and Scenarios: It would be unrealistic to map out funding plans for the long or even medium term. During FY 2004, our annual program obligations exceeded \$57 million, the highest level since 1993 when obligations reached \$63 million. Significant portions are “earmarked” for health, education, trafficking or other purposes. Broadly speaking, *this strategy is based on anticipated annual obligations on the order of \$45-\$55 million* involving DA, ESF and Child Survival funds. Within these levels, roughly 50-60 percent would be for health and 5-10 percent for basic education. Remaining funds would be focused on good governance, democracy and human rights.

E. Procurement Mechanisms: Procurement is more a question of tactics than strategy. However, *USAID/Cambodia will maintain a heavy emphasis on cooperative agreements* rather than contracts as its main mode of doing business. By and large, new procurements will be made competitively—either directly in the field or through RDMA/Bangkok or Washington-based mechanisms that have already been pre-competed. *An appropriate balance must be struck between promoting new, non-traditional partnerships and avoiding the program fragmentation that occurs when too many management units are involved.*

Most often, linkages with smaller NGOs will occur through sub-grantee arrangements. Already, we have used these types of mechanisms to build partnerships with non-traditional, faith-based organizations such as Maryknoll, Buddhism for Development and the Islamic Local Development Organization. However, there will certainly also continue to be a place for direct grants with local, faith-based and other less “traditional” partners. Other implementation instruments, including Global Development Alliance (GDA) and Development Credit Authority (DCA), are already part of the USAID/Cambodia portfolio and will also be considered in the future.

F. Staffing Considerations: *USAID/Cambodia is as well-staffed as it has ever been.* Significant shifts, either up or down, are not anticipated during the next several years. Current authorized levels include 8 US Direct Hire (USDH), including two staff under the New Entry Program (NEP); 6 other US staff, including local hire personal service contractors (US PSC); 3 third country national (TCN) staff; and more than 50 Cambodian professional and support staff, including the USAID-operated ICASS motor pool. *The annual Mission operating budget is on the order of \$3 million.* While modest changes could be made in both staffing and operating budgets from time to time, these levels should be sufficient to effectively implement the Mission’s new strategic framework.

G. Other Management Implications: The Cambodia country team was one of four pilot programs involving shared services between State and USAID. The consolidation of these services—USAID now manages the Embassy motor pool and vehicle maintenance, while State takes responsibility for maintenance, leasing and warehousing—has gone relatively well. *Over the next few months, both State and USAID will be heavily involved in the move to a new Embassy complex* in which USAID will occupy a separate, stand-alone building. The move to the new Embassy complex in May

2006 will almost certainly place renewed strain on USAID/Cambodia's operating expense (OE) account and an increase in OE will likely be required. We will continue to review administrative requirements within the context of the broader country team. Having assumed responsibility for one ICASS service, opportunities may emerge for USAID to take a lead role in managing others as well.

H. Conflict Assessment: The Vulnerability Assessment prepared as part of the *Interim Strategy* (February 2002) remains largely relevant and does not need to be rewritten. *Some concerns—especially on land issues—have been heightened* and will be further addressed under this new strategy. Also, the emergence of violence within the Islamic community in southern Thailand needs to be seen in its larger South East Asia context and could have implications for Cambodia's Cham (Islamic) minority. This is probably the only pressing issue that did not figure in that earlier conflict assessment. *One important feature of our new strategy is to promote greater inclusion among all Cambodians (including Cham), not only in education but in other sectors as well.* Based on strategy discussions in Washington, we will need to continue to monitor concerns related to violence and conflict in Cambodia, possibly making program adjustments and introducing new activities to respond to this important concern.

I. Environmental Compliance: *A summary environmental assessment completed in early 2005 is available on file.* It helps ensure compliance with Section 119 of the Foreign Assistance Act pertaining to environmental concerns over the next strategy period.



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