

USAID/Cambodia

Annual Report

FY 2004

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Cambodia

Performance:

Background: The Kingdom of Cambodia has made progress in its difficult transition to democratic governance after decades of war and lack of democratic experience. Cambodia's first election after the Peace Accords of 1991 was conducted entirely by donors. With each election since then, Cambodian organizations and institutions have gained expertise in conducting elections that represent the will of the people. In the July 2003 national assembly elections, activities funded by USAID helped create the most open political environment in the past decade, with Cambodia's first public candidate debates ever held for national elections, televised and broadcast on radio. Also in 2003, Cambodia was the first developing country to successfully bid for membership in the WTO. The challenges to political and economic progress are many: a narrow and vulnerable economic base of garments and tourism; limited foreign and domestic investment; low levels of education and literacy; and wide-spread corruption. The judicial system is weak and generally unable to protect human rights or fairly resolve commercial disputes.

Cambodia's social indicators, among the worst in the region, reflect lack of access to basic health services. Life expectancy is in the mid 50's; population growth rate is 2%, and infant mortality 95 per 1000 births. Cambodia has successfully reduced the estimated HIV prevalence among adults aged 15-49 from 3.3% in 1997 to 2.6% in 2002 with support from donors, including USAID. According to a 1999 survey, only 37% of the population is literate. Development progress in rural areas, where 82% of Cambodians live, is interrupted periodically by severe flooding of the Mekong river basin and droughts in the north and northwest.

Although the government has steadily increased spending on social sectors, along with a decline in defense and security outlay, Cambodia continues to depend heavily on foreign assistance for its development. Government revenues have improved because of VAT, but still fall short of meeting current expenditures. The World Bank estimates that Cambodia's per capita GDP is \$273. External debt in 2002 is estimated at 65.6% of GDP, with debt servicing 3% of Exports and Imports. Price inflation has been low since 1999, reflecting government avoidance of banking financing. As a result, exchange rates have been stable.

In recent years Cambodia's economy has become largely dependent on only two sectors, garment manufacturing and tourism. Garment manufacturing is the single largest export item in Cambodian economy -- over 90% of all domestic exports -- not to mention employment generated for Cambodians. It is estimated that more than a million rural Cambodians depend on the income sent home from garment workers in the capital. For this reason, Cambodia has a large trade surplus with the United States, much of it under quota. US imports from Cambodia in 2002 were more than \$1 billion and US exports to Cambodia were \$29 million. Many of the garment worker jobs may be lost after the Multi-fiber Agreement, and quotas, expire in 2005. Tourism is on the increase, which could bring in foreign exchange, expand investment, and generate jobs. The challenge is to increase investment, both domestic and foreign, that will absorb the more than 200,000 new labor force entrants each year, and raise incomes in rural areas.

As a development partner, the government of Cambodia has demonstrated commitment to make progress in education and health, including HIV/AIDS, but the disbursement rate of funds to provincial and district health centers is so slow that it threatens progress in improving health status. The legacy of authoritarian government, political patronage and lack of human capacity has impeded donor efforts to improve civil service administration and reform the judiciary so that it can protect human and civil rights. Accession to WTO signals commitment to open markets and attracting investment. Reforms in rule of law and governance required by WTO accession may bring about the much-needed strengthened

commitment to progress in these areas.

U.S. interests and goals: Because Cambodia has the potential to be a democratic and prosperous ally in the region, U.S. interests are firmly rooted in promoting democratic practices and improving market-led growth and health status, which includes reducing the spread of HIV/AIDS. These goals are reflected in the strategic objectives (SOs). USAID supports democratization by increasing political competition, demand for reforms, professional and focused investigations of human rights abuses, and legal action against trafficking in persons. USAID helps trade unions form and engage in non-violent dispute resolution. Through its democracy SO, USAID also addresses market-led growth by increasing informed public debates on obstacles to private sector growth, and by improving capacity of small and medium businesses to advocate for reforms. In its education SO, USAID will help children stay in school and become productive future workers. In its health SO, USAID encourages the poor to take preventive and other health care measures by bringing health services to rural communities and improving the quality of health care provided in health centers and provincial hospitals. USAID seeks to reduce the spread of HIV/AIDS and related infectious diseases through home-based care of patients, training of health workers in treatment and prevention of mother to child HIV transmission, community outreach programs and care of children and orphans of HIV/AIDS.

Donor Relations: USAID is a member of donor technical working groups in education, health, HIV/AIDS, legal and judicial reform, forestry, fisheries and private sector development and trade reform. The technical working groups meet approximately once a month and are the platform for identifying key issues with Cambodian government counterparts, establishing action plans, and coordinating funding among donors on complementary activities. The most successful groups have been in the education and health sectors. The Health Sector Reform Program came out of a collaborative process, and the Education Sector Strategy and Support Plan have been developed with broad-based support. UNESCO and UNICEF provide support for Cambodia's new education strategy which USAID will support through curriculum reform and teacher training. Japan, United Kingdom, UNICEF and ADB are all partnering with USAID on HIV/AIDS activities. Australia provides support to the Ministry of Justice which complements USAID efforts to increase prosecutions of human rights offenders. Germany, the United Kingdom, Australia and other bilateral donors provided funds to UNDP for the 2003 national election, the National Election Council, and media access, which complemented USAID support for political party development and NGOs working in other election related activities.

Challenges: Cambodia has made gains in the years since the Paris Peace Accords of 1991 ended years of civil conflict, but still faces formidable challenges. Foremost among these is the high level of poverty that exists, with some 36% of the Cambodian population living below the poverty line of less than 50 cents per day according to the 2002 National Poverty Reduction Strategy. Poverty in Cambodia results from the high population growth rate, inadequate opportunities, low literacy levels and training, exclusion, and lack of security. Due to lack of infrastructure and services, family expenditures on health are a leading cause of indebtedness and subsequent landlessness among the poor. Lack of food, uncertainties about access to natural resources, and powerlessness all keep the level of poverty high. While the government of Cambodia has made commitments to a broad governance action plan, actual progress has been disappointing in most areas. The failure to follow through on the reform agenda reflects not only the lack of managerial capacity to implement reforms but also, in some areas such as forestry, continued resistance to reform from powerful vested interests.

A vibrant civil society in Cambodia strengthens the impact of USAID's program. Cambodia has more than 400 registered NGOs and many of these have extensive networks throughout the country. A decade of USAID assistance has contributed to the strength of NGOs. Now the leading human rights organizations are prepared to challenge abuses publicly, both in courts and in the media. Health NGOs enable USAID to reach even the most remote rural areas with programs to improve maternal and child health.

Key Achievements: FY 2003 was a year of substantial progress for the USAID program in Cambodia. Significant gains were made this year in creating opportunities for democratic parties to gain access to the public at large and compete on the basis of their platforms for the National Assembly elections. Major legal victories also set a new standard for prosecution of human rights offenders. The challenge in future

years will be to increase government accountability to address the public's demand for reform. Major gains were also made in reducing HIV/AIDS infections and increasing prenatal access to health care. The effectiveness of the health program is due in part to close coordination with and commitment of Cambodian government officials to reform the health sector. The challenge will be to extend results achieved in target areas to nationwide coverage, which will require staff and resources.

1. Health Program: Health is an important USG priority in Cambodia and USAID's investment under the health portfolio continues to yield impressive results. The program aims to promote effective HIV/AIDS prevention and care activities and increase access to and quality of Maternal Child, and Reproductive Health services. HIV prevalence among sentinel populations continued to decline and the overall adult prevalence has stabilized at 2.6% - a notable decrease from 3.2% in 2001. USAID-funded HIV/AIDS prevention programs have averted new cases of HIV infection, especially among females and newborn children. This slowing of the epidemic is positive, but there are a number of reasons to regard this achievement with caution. Underlying factors, such as increased poverty, political will and financial disbursements, and intravenous drug abuse, all have the potential to compromise progress.

As a strategic imperative, both women and youth are targets for interventions and as a result, health protecting behaviors continue to increase. USAID funded social marketing has made noteworthy progress. Condoms sales exceeded the expected target by more than 3.2 million condoms, or 18%. Nearly 100% contraceptive availability level means more access to protection for couples. A nationwide NGO network of community-based social marketing and outreach in both the private and public sectors has been established, thereby ensuring coverage in the rural areas of Cambodia where over 85% of the people live. The number of orphaned and vulnerable children served reached 12,652, more than twice the number served in 2002. The 129,731 individuals reached by community and home-based care this year was a full 20 times more than in 2002. FY 2003 was the first year USAID partners assisted in offering Voluntary Counseling and Testing services, with over 5,508 recipients receiving services.

The percent of women with at least two Antenatal Care (ANC) visits in the USAID supported rural provinces increased from a baseline of 28% to 40%, resulting in a 75% increase in safe deliveries by trained midwives in these areas. These improvements will continue to be supported by persistent reproductive health gains in contraceptive prevalence to at least 30%. USAID's integrated objective continues to make gains in Vitamin A distribution - with a national goal of country-wide distribution and coverage by FY 2005.

2. Democracy and Governance Program: This SO actively funds NGOs who challenge the political and judicial system for equitable treatment of Cambodian citizens. High profile land dispute, anti-trafficking, and labor rights cases were successfully argued in court. By increasing the capacity of legal and human rights professionals and providing legal services or grants to pursue important cases, USAID is increasing its pressure on the Cambodian judiciary to conform to international norms.

USAID activities made substantial gains towards achieving a level playing field for political parties in the 2003 National Assembly elections. Major improvements which allowed for more open and competitive elections were made. Democratic opposition parties had increased access to media outlets and were able to present party platforms. For the first time, the share of free broadcast airtime among the three major parties was proportionate to their representation in the National Assembly. Improvements of regulatory frameworks, though still restrictive, enabled USAID funded NGOs to broadcast their election programs on local television and radio stations, notably the airing of public candidate debates, held for the first time in a national election in Cambodia. USAID activities through local NGOs encouraged the high voter turnout, decreased violence and intimidation, and an enhanced integrity of the election process.

3. Basic Education: The USAID basic education program in Cambodia is focused on improving the quality and proficiency of the education system by increasing the relevance of the basic education curriculum to everyday life; building the capacity of the school system to deliver competency-based education; and, training teachers to utilize student-centered teaching methodologies.

Impact will be nationwide, with activities in all 22 provinces, 18 provincial Teacher Training Colleges, and

six Regional Training Colleges. The program addresses key issues including increased attendance for females, minorities, students with disabilities, and the poor. The project is strong on reform and positive change within the Ministry of Education and supports the recruitment and training of teachers from minority groups including Cambodia's Islamic Cham population. The project is integrated into key government education initiatives, including the Education Strategic Plan (ESP) and the Education Sector Support Program (ESSP).

Gender: The USAID/Cambodia program emphasizes gender as a cross-cutting issue in each of its strategic objectives. During the period leading up to the July, 2003 National Election, USAID/Cambodia supported the participation of women by funding training for potential women candidates. With USAID support, there was a 50% increase (15 new legislators) in women elected to Parliament. Training for women candidates included national and regional conferences on women in politics and public fora to develop their skills. USAID activities also provided mechanisms for the relatively small but growing group of female elected officials to develop their own networks and agendas for action. In the garment industry, where 95% of the labor force is female, USAID supported training of more than 9,500 women garment workers and 1,500 women union leaders in union organization and operations. Assistance to the Ministry of Women's and Veteran's Affairs focused on women's rights and anti-trafficking. USAID also supported research that explored economic opportunities for trafficked women in Siem Riep province. Another USAID sub-grantee provided community-led conflict resolution that resulted in supporting 107 victims of domestic violence, and 14 victims of rape. USAID also funded the investigation and intervention in over 40 cases of trafficked women, with several court victories over the perpetrators. The Basic Education SO will improve the quality of education and increase student enrollment, attendance and completion rates in grades one to nine, with a particular emphasis on female students. Program priorities include gender balance in enrollment and ensuring continued attendance of poor females, who drop out of school at a higher rate than their male counterparts.

Country Close and Graduation:

Results Framework

442-001 Strengthened Democratic Processes and Respect for Human Rights

442-002 Improved Reproductive and Child Health

442-003 Improved Quality of Primary Education

442-004 Enhanced Assistance for War and Mine Victims

442-005 Reduced Transmission of Sexually Transmitted Infections and HIV/AIDS among High-Risk Populations

442-007 Expanded Access to Sustainable Financial Services

442-008 Other Activities in Support of Agency Objectives

442-009 Increased Use of HIV/AIDS and Family Health Services and Appropriate Health-Seeking Behavior

2.1 Increased access for information and services

2.2 Strengthened capacity of individuals, families and communities to protect and provide for their own health

2.3 Improved quality of information and services

2.4 Improved capacity of health systems

442-00X (Disregard)

442-010 Increased Competition in Cambodian Political Life

1.1 Political processes and parties that meet international standards

1.2 Increased transparency and accountability on key economic and political issues

1.3 Focused monitoring and defense of human rights

1.4 Engagement of newly elected local officials with central, provincial and district officials on key development issues

1.5 Increased capacity of future leaders in and out of government to develop policies and effect change

442-011 Increased Relevance and Quality of Basic Education

3.1 Increased relevance of the basic education curriculum to everyday life

3.2 Increased capacity of the school system to deliver competency-based education using student-centered teaching methodologies

442-0XX (Disregard)

442-XXX (Disregard)