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Sida Country Report 2003

Cambodia



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1. Summary

Cambodia still remains one of the poorest countries in Asia. 36 percent of the population lives below the poverty line of USD 0.5 a day and the 13 million inhabitants have an average income of USD 280 per year. The Human Development index is ranked 130 and Gender development index is the lowest in Asia. Cambodia's Poverty Reduction Strategy, NPRS, was launched in March 2003. Much will be needed to reach the MDG targets, especially reaching the targets for children under five and maternal mortality rates. However, HIV-prevalence has decreased and is likely to reach the target of 1.8 percent in 2015.

The economy grew by 4.8 percent in 2003 but was affected by anti-Thai riots, SARS and the global economic slowdown. Although the elections in July 2003 were performed in a better way than on previous occasions the run-up period and the post-election bickering and non-establishment of a government have contributed to a slower economic performance. An agreement on trials of former Khmer Rouge leaders was signed in June 2003 but has not yet been ratified by the non-operational National Assembly. The same applies to the September 2003 decision on WTO-accession. The call for Legal and Judicial reformed continued to be a major issue, as well as corruption and impunity.

Government and donors made considerable efforts to improve coordination and harmonization, with mixed results. No date is set for the next CG-meeting following the one in June 2002.

The Sida programme is well aligned with the main objectives of NPRS and the priority areas of the ongoing Swedish country strategy – education, rural development and democratic governance – are deemed highly relevant. The overall performance of the was good in 2003 and the projected utilization of funds was achieved with one exception, mainly due to the change in currency exchange rates over the year.

Preparations are under way to take on an enlarged delegation to DCS from 2005. Improved IT-connection is one step but a new in-house server will be necessary to manage the increased delegation. Recruitment of a Swedish administrator to the office started at the end of the year and will also contribute to these preparations.

2. Strategic Country Development Trends

2.1. Poverty Reduction: Overall Trends and Perspectives:

Despite the progress made over the past few years, Cambodia still remains one of the poorest countries in Asia. Based on the latest household socio-economic survey undertaken 1998/1999, it is estimated that about 36 percent of the population live below the poverty line, in Cambodia less than USD 0.5 a day. Its 13 million citizens have an average per capita income of USD 280, and the poverty is pervasive across the country, in particular in the rural areas. Slow economic growth in rural areas has not kept pace with population growth leading to an increase in rural under-employment. During the 1990s, there was a poverty reduction rate of around 0.6 percent per annum despite an average annual economic growth rate of 4.2 percent at the same period.

Cambodia's social indicators are poorer than those in most other countries in the region are. The population consists of around 42 percent below the age of 15 years resulting in high dependency ratio. Only 67 percent of Cambodian adults are literate. Cambodia's human development index is ranked 130 and shows the lowest gender development index in Asia (0.537). Gender equality still remains an issue requiring attitudinal and behavioral changes. Maternal and child mortalities in Cambodia remain high despite some improvement made during the 1990s, with an average life expectancy at birth of only 56.4 years.

The National Poverty Reduction Strategy, NPRS, was launched in March 2003. Progress in implementation was limited the first year. There have been some achievements in poverty reduction during the year, such as improved food security, increased primary education enrolment, reduced level of communicable diseases, expanded coverage of the public services and an improved road network. The NPRS annual progress report 2003 is produced by the Ministry of Economy & Finance, MEF, and Ministry of Planning, MOP, in consultation with all stakeholders involved. Considering the extent of the agreed reform programme and the need for comprehensive sectoral strategies, a major challenge for the new Government is to ensure that the priorities of the policy matrix of the NPRS are linked to the Government's Medium Term Expenditure Framework, MTEF.

Cambodia has made some progress in achieving the MDGs but more efforts will be needed over the next decade. Meeting the targets would require faster economic growth, more poverty reduction and an increased participation of a wide range of stakeholders in the development process and a popular involvement in decision-making processes. Cambodia is unlikely to meet its target of reducing children's under-five mortality and the maternal mortality rate by 2015. Moreover, according to Cambodia's MDG report of October 2003, institutional strengthening must address three problems, which impede the attainment of the MDGs: too few effective civil society organizations, weak coordination and management within the public sector, and limited human resource capacities.

The localization of the MDGs has provided a list of no less than 96 sub-indicators to the seven overall MDG targets. As for the NPRS, it will be necessary to prioritize among these.

A high growth rate is necessary to generate employment and income earning opportunities. A growth strategy must benefit all Cambodians, by improved planning and enhanced coordination among donor partners. The HIV-prevalence has decreased from 3.3% in 1997 to 2.6% in 2002 but remains among the highest rate in Asia. The share of HIV-positive in the population is an ambiguous indicator as a decrease may be achieved partly through a decrease in the rate of new infections (positive) but also through a high rate of mortality among persons with AIDS (negative). However, a linear trend extrapolation would suggest that Cambodia will meet its MDG target of 1.8 percent HIV prevalence in 2015.

The overall public budget is small and the share for development programs is modest. More efficient and better-targeted aid, in line with national priorities, is needed. MDG monitoring will be integrated within a national poverty monitoring and impact assessment system.

Government and donors have worked together to identify a prioritized list of reforms in the country's public expenditure and financial management system. The current donor arrangement in Public Expenditure Management, PEM, is the Technical Cooperation Assistance Programme, TCAP, launched in October 2001. It is funded by IMF, ADB, DFID, the Netherlands and UNDP to strengthen RGC (Royal Government of Cambodia) capacity.

2.2. Macro-economic Development

The Cambodian economy grew by an estimated 4.8 percent in 2003, slightly down from around 5.5 percent growth in 2002. Its performance was adversely affected by the anti-Thai riots in early 2003, the outbreak of severe acute respiratory syndrome, SARS, and global economic slowdown. In addition, uncertainties in the run-up to the national election in July and the subsequent delay in forming a new government inevitably exacerbated the growth prospects. The economy's two main industries, garments and tourism remain dominant. However, the elimination of garment quotas under WTO rules in 2005 will put part of this growth at risk. Inflation was 3.8 percent in 2003, slightly higher than in 2002. Basically it resulted from increasing price of foods, gasoline and

housing. The exchange rate was relatively stable around 4,000 riels to the USD. The economy is largely dollarized, however a dedollarization is put in the long-term plans to build public confidence in the domestic currency.

The external current account deficit of 10.4 percent of GDP was covered through official transfers and capital inflows in the form of concessionary loans and foreign direct investment (FDI). The investment was slightly increased to USD 101 million in 2003. Foreign exchange reserves stood at about 3.3 months of imports. The Government revenue was predicted to increase to 12.7 percent of GDP in 2003 (12.1 percent of GDP in 2002) due to the reform efforts, by simplifying the tax structure and widening coverage. On the other hand, the current budget expenditures were estimated at 19 percent of GDP, representing a slightly increase compared to the same period in 2002. The total external debt is estimated at about 35.2 percent of GDP, which includes old bilateral debts with the Russian Federation and the United States. The debt service ratio was an estimated 2.1 percent of exports in 2003.

2.3. Political Development, Good Governance and Human Rights

On July 27 Cambodians voted in *the third national election* since the Paris Peace Accord in 1991. Compared to previous elections the process was judged to be considerably improved with declining levels of violence and insecurity, higher degree of neutrality on the part of the reformed National Election Committee and more equal access to media for all parties. Nevertheless, in the words of the UN Special Representative on human rights in Cambodia, "a fully transparent electoral process administered by neutral state institutions still encountered significant obstacles".

The dominant party in the previous coalition government, Cambodia People's Party, CPP, won the election and received a majority of mandates but failed to secure the two-thirds majority required by the constitution to form a cabinet. Ensuing political positioning and negotiations between the CPP and the Democratic Alliance, established by the former CPP-coalition partner the royalist Funcinpec and the opposition Sam Rainsy Party, could not break the *political deadlock*. The Alliance refusal to accept Hun Sen as a prime minister in a proposed three party coalition government meant that at the close of 2003, five months after the election, no new government had been formed. It is worth noting, though, that this stalemate did not deteriorate into large-scale political violence, which happened after the elections in 1993 and 1998.

Negotiations on the *Khmer Rouge Trial* between the Government of Cambodia and the UN (stalled in February 2002) resumed in March 2003. On 6 June the parties signed an agreement on a trial of former senior leaders of Democratic Kampuchea for crimes committed between April 17, 1975 and January 6, 1979. Funding of the trial has to be done through voluntary contributions by UN member states. The agreement was largely welcomed by Cambodians and by the international community. However, international and local human rights groups, and the political opposition, remained critical. Due the political deadlock the agreement has not been ratified by the parliament.

Cambodia's ambitions to be seen as a fully integrated partner on the international and regional scene were seriously damaged by the *anti-Thai riots* in late January and the government's poor handling of the incident. The break-off in diplomatic relations between Cambodia and Thailand, closing of borders between the countries and significant slow-down in business relations had serious repercussions on Cambodia politically and economically. The incident offset most goodwill gained by Cambodia up till then in the context of the ASEAN co-operation, where Cambodia held the chair until mid 2003.

On *legal and judicial reform* not much progress was recorded. However, a growing awareness of the need for such reforms has emerged. It was raised as a priority in various policy documents, including NPRS. The decision in September 2003 on Cambodia's *accession to the WTO* has played a role in highlighting the need for reform for the country. A strategy for legal reform was adopted by the government in June. Still, representatives of the HR civil society organizations were, as always, kept at bay. *Corruption* at every level of Cambodian society is still a major problem, the legal and judicial system continues to be flawed and the elite is still largely above the law, enjoying *impunity*. The executive branch of the government constantly interferes with the judiciary and the anti-corruption law has not, as promised, been presented to the national assembly. The National Audit Authority, established in 2002, has only begun to make a difference in this respect.

As for *human rights*, 2003 was less than satisfactory. High-profile killings, political bullying and unchecked riots in Phnom Penh made 2003 the most violent in Cambodia since 1998. Civil liberties were diminished by the Phnom Penh municipality banning political rallies as well as other demonstrations. This was due partly as a result of the disastrous handling of the anti-Thai riots at the beginning of the year, partly to pre-empt the large demonstrations and police crackdowns that followed the 1998 elections.

2.4. Development Co-operation and Partnership

There are roughly 30 donors and a vast number of NGOs, both local and international, operating in Cambodia. A large, extended group of "likeminded" and "poverty concerned" bilateral and multilateral donors, including Sweden, UK, Australia, Denmark and UN-agencies such as UNICEF is working for these targets together with the World Bank, ADB and UNDP. It has been noted that during 2003 the World Bank, ADB and DFID have participated in a joint process to develop their respective new Country Assistance Strategies. Although sympathetic to these tendencies the European Commission delegation in Phnom Penh has not integrated their ongoing CAS process into this mainstream. However, EU member states have been active in their process.

The group of likeminded is trying to find common ground with the large bilateral donors France and Japan. However, the US has, in principle, opted not to channel any funds through the government. It is instead operating through NGO support. Sometimes these NGOs have a clear political mandate, as became apparent during the election period, "to create a more leveled playing field for the opposition", as a top US Embassy official explained.

Although (with the exception of US) there is a wide spread acceptance of the need for RGC ownership and management of donor coordination, the donor harmonization process in Cambodia has not been without pitfalls. The role of NGOs has not been easy to define in this context. The Government-Donor Partnership working group, formed as a result of the latest CG-meeting in 2002 and chaired by the Council for Development of Cambodia, CDC, under MEF, has been trying to coordinate donors, supported and advised by UNDP. However, the non-inclusive process has triggered opposition due to poor advice by UNDP.

In a parallel process, donors have sought to revive the work of different sub-working groups on primarily technical and concrete matters. However, with a few exceptions (including the education sector which has been active), this revival has been largely stalled during 2003 as a result of the pre-election occupation with political matters and the post-election bickering, hindering the much sought government ownership of the process. As the new government is not yet formed, no date is set for a CG-meeting. Most donors would agree that the most important issue right now is to have a functioning government and national assembly to deal with many pressing issues, one of which is to be able to exercise leadership in these working groups.

Recently CDC identified three sector programs in Cambodia deserving special attention as examples of good donor coordination; within health, education and the Seila/PLG programme. Sida is a partner in the two latter. In fact, the Swedish multi-bilateral approach working through other partners was generally highlighted as a good example of harmonization efforts.

Concerning budget support there is generally some hesitation among most donors to engage this instrument. Widespread corruption is often quoted as a hindrance to budget support. Sida's experience of linking budget support to a World Bank SAC credit, with the last tranche paid out late December 2003 has produced slightly mixed impressions. On the one hand, the process – involving conditions connected to demobilization of soldiers and forestry matters – has been delayed by over one and a half year. On the other hand, control mechanisms discussed with the Bank and agreed with RGC have been in place and have worked, allowing for a better dialogue on important matters.

3. Swedish Development Co-operation

3.1. Strategic Assessment and Considerations

The NPRS, covering the years 2003–2005, indicates eight areas of Priority Poverty Reduction Actions. Although, generally, NPRS has to many priorities it is noteworthy that Sida is concerned with at least four of these. We are e.g. concerned with *improving rural livelihoods* through the Seila/PLG programme, work is ongoing to *strengthen institutions and improving governance* within ministries and through support to governance institutions and the basic education programme is aiming both at *improving capabilities* and *promoting gender equity*. Thus, it is fair to say that the Sida programme is well aligned to the objectives laid out in the NPRS.

Furthermore, Sida is supporting several of the institutions concerned with the monitoring and evaluation of the progress of NPRS. Cooperation and support is given to MOP, the National Institute of Statistics, NIS, the Council for Social Development and to the Poverty Monitoring and Analysis Technical Unit, PMATU.

The Swedish country strategy 2002 – 2006, with poverty reduction as the overall objective, states that areas of priorities during the strategy period shall be:

- Rural development
- Democratic governance
- Basic education

In relation to the NPRS, the current country programme is deemed highly relevant. As the new NPRS will be prepared in 2005 to cover the following years, this will provide an excellent background and starting point for the new Swedish Country strategy, from 2007 and onwards.

There is no general consensus among donors which issues should be seen as the most important if e.g. only two top priorities were to be chosen. DFID, for one, has suggested Public Administration Reform and Public Finance Management to be the most important ones. Others would argue that Legal and Judicial Reform including corruption issues would be the most urgent. Considering the vast majority of Cambodia's population staying in rural areas, still others (including FAO, naturally) would argue that the agricultural sector and the overall improvement in

Natural Resources Management including forestry would be the most pressing issue. Yet again, others (like IMF) may see fiscal and tax reform and tight expenditure regimen as the most pressing to generate government revenue, necessary for reform. Possibly, the common denominator is that whereas all these reforms are necessary the foremost need is for prioritization of objectives (very little of this is seen in Cambodia's NPRS) and a long-term donor commitment.

3.2. Overall Country Programming Review

The portfolio under implementation in 2003 comprised of 12 programs/projects, excluding the Consultancy and PUM Funds and support to Economic Reforms/Budget support. When clustering these under common headings, one refers to education support, three to decentralization and local governance, two to de-mining, one to poverty monitoring and analysis and the remainder to democracy and human rights interventions. An effort is made to reduce the number of interventions and concentrate on fewer and larger contributions. Sida support to democracy and HR was generally only extended to non-governmental actors while funding for cooperation with the Government of Cambodia continued to be channeled through multi-bilateral agreements and joint co-financing arrangements with UN-bodies and the Asian Development Bank.

Agreements on Sida-support to basic education and decentralization, which constitute the bulk of Sweden's development co-operation with Cambodia, will expire by 31 December 2005. Also the long running support for humanitarian de-mining will be phased out at the end of 2005. At the end of 2003, only two interventions had formal agreements covering year 2006. Therefore, the office in Phnom Penh has together with DESO/UND, DESO/Desa and NATUR already started discussions on the redesign and preparation of continued support to education, decentralization and rural livelihoods management support.

3.3. Follow-up of Country Programme Performance

3.3.1. Expanded Basic Education Programme, EBEP

The overall implementation of the programme has been successful making positive contributions to the achievement of Education Sector Support Programme, ESSP. Success of the pro-poor policies in increasing access to basic education, attaining better equity in the provision of education services and reduction of gender gap in school participation. However, only about 60 percent of the total allocation for 2003 (MSEK 42,3) had been disbursed at the end of 2003. This is, according to explanations offered by Unicef, due to the depreciation of the USD and the election in July, which slowed down the program's implementation. UNICEF Hq has been alerted on the issue and asked to find means on how to deal with the matter when it comes to budgeting and planning.

The national ownership and management capacities have been improved and the Ministry is now in a better position to assume leadership for the education sector reform. Progress has been made in increasing gender awareness and reducing the gender gap at all levels in all geographic areas. The gender gap for primary education level has

decreased from 7.7 percent in 1999–2000 to 4.2 percent in school year 2002–2003. Participation of females in all development processes has also increased.

The net enrolment rate at the primary school level has increased to 88.9 percent in 2002–2003, from 85.5 percent two years ago. This is in line with the sector performance target of 95 percent set for 2005–2006. There has been increased attention by MoEYS towards enhancing the quality of teaching/learning processes and of schools becoming effective and child- and teacher-friendly. Heavy dependence on foreign technical assistance and capacity shows the need to accelerate national technical skill development. A smaller number of priority areas could increase impact and speed up the mainstreaming of certain key programmes.

The donor coordination has improved with support from a donor coordination advisor financed by the Sida contribution. Even the education SWAp process is on the right track. A joint ESSP review was conducted in May 2003 with broad participation. However, the budget support programme of the European Commission to support the common ESSP framework falls short of expectation. Sida will closely follow the experiences of this EC targeted and performance based budget support in order to have a good basis for decisions on any possible future budget support to the sector.

3.3.2 Decentralization/Local Governance

A substantial part of the country programme in 2003 was dedicated to long-term support for the decentralization reform through

The Seila/Partnership for Local Governance, PLG, Project, 2003–2005, co-financed with UNDP and DFID, with UNDP as lead agency;

The Commune Council Development Project, CCDP, 2003–2005, under a joint co-financing agreement with ADB and the Dutch Government, with ADB as the lead agency;

The Policy Oriented Research Programme on Decentralization, PORDEC, 2002–2006, with parallel financing by Sida and DFID.

The performance of the respective projects must be seen against achievements and shortcomings in the government's own work on the decentralization reform. However, the lines are very blurred due to heavy dependence on donor funding for the implementation of the reform.

A Seila/PLG Mid Term Review was conducted in late 2003 by independent consultants. The review team concluded that the progress made over the past two years has been laudable by putting in place a basic level of democratically elected government, the commune councils. The Mid Term Review noted that thanks to the PLG support, the Seila Programme has been able to play a crucial and highly effective role in pioneering the entire decentralization reform, including commune planning, project implementation and development management systems and related capacity building.

However, when 2003 came to an end a number of issues remained to be resolved. They included the incomplete legal framework, the lack of an organic law for the provincial and district administration and the uncertainty surrounding the institutional ownership of the reform, meaning the "parallel" ownership by the Ministry of Interior, MoI, and

the inter-ministerial Seila Task Force, under MEF. In 2002, the government fully honored its financial commitment to the communes the development but performance in 2003 was disappointing with less than 50% actually disbursed of the committed 12 million USD (10 MUSD by the government and 2 MUSD by the PLG). Serious cash flow problems within government were the cause for this shortfall. If continued, this could jeopardize the whole decentralization reform. Another concern is that the allocations to the communes are too small and resources spread too thinly. During 2003, on average only USD 6 100 was budgeted for investment per commune. The support structure built up through the Seila programme would need more substantial sums to flow through the system to be more cost effective and serve as a more robust mechanism for poverty reduction.

During 2003 the Seila programme with PLG-financing and support achieved national coverage. Following the establishment of commune councils all over the country after the commune elections in 2002 it became necessary to extend support to the remaining seven provinces and municipalities, not previously within the programme. Therefore, in early 2003 the programme was covering all of Cambodia's 1 621 communes in both rural and urban areas. Thus the Seila Programme – by Sida up till then largely characterized as a rural area development programme – has evolved into a national local governance programme.

In 2003, the World Bank and Danida entered into agreements with the Seila Task Force and implementation started on a 22 MUSD loan for rural commune investments and an intervention for mainstreaming natural resources and environment investments at the commune level.

The ADB's CCDP commenced early 2003. However, the capacity building component, financed by Sida, did not start until May when the chief consultant took up his post in Phnom Penh. The first output by the consultant was a comprehensive contextual capacity building analysis. This provided the basis for more hands-on project capacity building and information activities to start in 2004. Sida has agreed with the ADB that the capacity building chief consultant would take on the role as CTA for the whole project. The project is complementary to other ongoing decentralization support like the Seila/PLG-project. Sida's support to both Seila/PLG and the ADB/CCDP makes for a flow of information between the two projects, and opportunities for coordination and cooperation between the two.

The CDRI-executed *PORDEC* started work when the team of researchers was fully staffed in mid 2003. Extensive networking began early on with government and non-government stakeholders and institutional cooperation was established with the University of Gothenburg/Padrigu and the Norwegian Institute for Urban and Regional Research in Oslo. Indications are that *PORDEC* will deliver work that will influence policymaking, which was the rationale for Sida's decision to support the project.

3.3.3. Democracy and Human Rights Interventions

The country strategy emphasizes the need for balancing democratic governance support between interventions through the government and support to local NGOs. In 2003, with valuable input from the regional adviser on democracy and human rights in Bangkok, considerable time

and resources were committed to assess progress of reform work within the legal and judicial sector. This was necessary as a basis for a Sida-decision on possible long-term commitment. In spite of the government's adoption of a strategy for the reform, Sida did not arrive at a decision in this respect. The non-formation of a cabinet, persistent doubt about real will to reform on the part of the power elite and the absence of a donor willing to take the lead in a co-financing effort contributed to this.

For the *National elections* Sida extended financial assistance to the government through its National Election Committee, NEC, by use of a UNDP Trust Fund. However, support was also given to civil society organizations for training of voters, observation and watchdog purposes. Sida choose, as during previous years, to continue to support democracy and HR in Cambodia through civil society/local NGOs in combination with the strengthening of a government institution, NEC.

Support to the *Cambodia Office of the High Commissioner of Human Rights (COHCHR)* continued under a new agreement 2003 – 2004. From January 2003 the COHCHR Office worked with considerably reduced staff and a more focused programme than previous year. Emphasis was on long-term protection work, which constitutes the most sensitive area of work carried out by the Office. COHCHR's special Election project played an important role to prevent, monitor and inform about election related violence. The "impunity project", launched in the autumn of 2003, is intended to investigate 10 years of cases registered by the COHCHR. The results of the project will be presented in September 2004.

An evaluation of COHCHR, by a team of internal and independent experts, was carried out in late 2003. A salient recommendation was that the Office should continue to operate for at least one more 2-year period. In particular, it was recommended to work on different forms of advocacy for a reformed legal and judicial system and to check impunity and human rights violations.

Sida is providing core support to the *Documentation Center of Cambodia (DC-CAM)* up to the end of 2005. DC-CAM will play an important role for the trials of the top Khmer Rouge leaders. DC-CAM is well positioned and prepared to serve as a primary source of evidence to those to be tried. Should the tribunal fail to convene in 2004–05 or thereafter it could well be claimed that the value of DC-CAM's work could even be greater. DC-CAM carries out many of the functions that in other countries are sometimes entrusted to a "truth commission". It could be noted that Youk Chhang, the center's director, visited Baghdad to help local NGOs begin the process of documenting serious HR abuses in Iraq.

Sida's three years programme for *Democracy and HR-support through Forum Syd and Diakonia* came to an end in December 2003. As preparation for continued support to civil society, Sida had commissioned a study to gauge the overall state of civil society and its role in furthering democracy and human rights in Cambodia.

In December 2003 Sida entered into new agreements with Forum Syd and Diakonia for the period 2004 – 2006. Funding was slightly increased while the respective programmes and portfolios of the two organizations were more focused than before. The number of Cambodian partners was also decreased. More emphasis was put on support to community based organizations operating outside urban centers. New areas of work

were support to decentralization and participation and to the promotion and protection of the rights of rural communities, in particular regarding access to natural resources.

Cambodia Development Resource Institute, CDRI, has evolved from a human resource development center to Cambodia's most professional research institute. In 2003, research was done i.a. on poverty reduction and rural livelihoods, decentralization and participation, on democratic processes and good governance practices.

CDRI is a non-governmental organization, though with close links with and a high level of acceptance by the government. CDRI depends on international donor funding for the bulk of its work. During the annual review meeting in December, Sida urged CDRI to strive to substantially increase own income over the years to come. However, there are difficulties and dilemmas facing CDRI in trying to balance between own earnings and donor contributions without jeopardizing the image as an independent research institution.

During 2003 a number of key senior management staff left CDRI, most notably Ms Eva Mysliwiec, CDRI's founder and director. A new executive director took over mid December.

3.3.4. Capacity Development for Poverty Monitoring and Analysis (PMA):

The UNDP managed support to the PMATU with the overall objective of capacity building has during 2003 been suffering from delays and shortcomings. A tripartite review meeting in January 2003 discussed several of these flaws but despite numerous calls for changes and improvements, the overall situation has not improved. Mid year the local TA assistance to the project through the CDRI employed Long Term Advisor was terminated along with the support by the international TA component through the Canadian consultancy IDEA International. In effect, since then the project and the Technical Unit (the recipient of the capacity building) has been without project management and proper guidance up till early 2004.

A Sida review in September dealt with all these problems including lack of sufficient ownership by the government, inconsistent order lines for the management of the project and short term demands for immediate output rather than the long term vision for increased capacity. Still, in spite of the shortcomings, the review consultant recommended an extension to the project combined with the possibility for a slightly changed focus to include support to collection and processing of data by NIS.

A no-cost extension for two years was made by the end of 2003. An evaluation to be performed by UNDP first half of 2004 will be useful also as an input to Sida. It may provide advice whether it will be worthwhile to continue to support capacity development within PMATU and other parts of the government in the current form or if other ways may have to be chosen.

3.3.5. De-mining and support to Cambodian Mine Action Center, CMAC:

During 2003 two new administration agreements were entered into between Sida and UNDP as a continuation to previous support to CMAC and the Mine Detection Dog, MDD, teams, both managed under Trust Fund arrangements with UNDP. However, no Specific Agreement with

RGC was signed covering these two support lines due to the constitutional crisis and the non-establishment of a new government after the elections.

The TA support to the MDD teams, up till end of 2002 managed by the Swedish Armed Forces is since March 2003 performed under an agreement between CMAC and the Norwegian People's Aid. Two Swedish consultants, the last under the previous arrangement, have been retained in the new contract between CMAC and NPA. They are presently assisting both at Headquarter level and in the field, safeguarding methodological progress and improved Standard Operations Procedures.

In Dec 2003 the project was visited by a review and follow-up team from the Geneva International Center for Humanitarian De-mining, GICHD. The center, which has also earlier performed this monitoring task on behalf of Sida, noted good progress. Some changes to working procedures were suggested and accepted by CMAC. Next review will be late April 2004 when also the 2003 yearly report will be discussed in detail.

The current phase of support to CMAC 2003–2005 constitutes the final period of support. It has been noted that there are a number of donor agencies and countries supporting CMAC and other de-mining agencies (Halo Trust and Mines Advisory Group, MAG). It has also been noted that the number of casualties has been reduced over time – although still around 750 occurred in 2003, approx. 200 resulting in fatal injury. However, there is a growing concern among donors about the apparent lack of coordination and appropriate policy guidelines on issues like "village de-mining" (often done by former army soldiers or ex-mine clearing staff on a free-lance basis). The role to provide this guidance rests with CMAA (Cambodia Mine Action and Victims Assistance Authority). However, CMAA has not been able to perform this duty in any comprehensive way. Progress is under way in donor harmonization on how to improve methods for mine clearance.

3.4. Office and Administrative Issues:

During 2003 DCS had no delegation (to take financially binding decisions within the development cooperation area) except for use of the Consultancy Fund and the Project Development Fund. The multi-bilateral model for support to project and programs has made it possible to sustain operation of the office with two sent-out staff and six locally recruited officers in various positions (out of which one Program Officer recruited in mid 2002).

A rather vivid regional cooperation took place in 2003 to upgrade skills in the office. The Program Officer visited the embassy in Laos to discuss educational matters and the financial administrator went to Hanoi to learn from the bigger office there. Furthermore, the Chief Secretary concerned with i.a. the International Training Programme went to Stockholm for training and participation in an ITP seminar. Both Swedish staff participated in seminars and conferences, both regionally and in Sweden.

The Sida Field controller visited the office in February 2003 to look into administrative needs, in particular in view of a future enlarged delegation of financial powers. Most of his recommendations have been implemented including the follow-up to his visit, a six months short-term assignment, commencing late August 2003 to continue work on adminis-

trative and consular matters. During this period an improved IT-connection was introduced to the office i.a. speeding up receipt of e-mail and allowing for access to the Sida Intranet, although still at a reduced capacity. However, a new in-house server with satellite connection and a proper Local Area Network has to be put in place to allow for PLUS and LIS services, necessary to manage the envisaged increased delegation.

At the very end of 2003, it was decided to start recruitment of a Swedish administrator for quality assurance, to deal with complicated consular matters and to act as Systems Operator (SYSOP) for the future improved IT-systems of the office.

A major overhaul and upgrade of the office premises took place early 2003 including an upgrade of the entrance area. (This work will continue in 2004, partly as a result of the enlarged delegation to be given to the office beginning of 2005). Later in the year also certain security installations were made, following the visit of the MoFA security advisor.

Annex 1

Medium Term Macroeconomic Framework, Cambodia

(In percentage of GDP, unless otherwise indicated, based on the 2002 national accounts)

Real Sector	2000	2001	2002	2003	E2004	E2005
Nominal GDP, current (Million USD)	3,351	3,404	3,663	3,891	4,111	an
Growth rate of real GDP	7.7	6.3	5.5	4.8	6.0	6.0
Real GDP growth per capita	5.0	3.7	2.5	2.9	3.9	2.9
GDP per capita (USD)	261	259	273	284	295	303
National savings	9.2	12.7	13.7	13.9	14.1	14.1
Domestic investment	13.5	17.9	16.6	16.9	17.4	17.7
Growth rates of CPI (Annual average percentage)	-0.8	0.2	3.3	3.8	3.5	3.5
Exchange rates: Riel/USD (Average)	3,859	3,924	3,925	4,022	4,156	4,281
Fiscal sector						
Expenditure	16.4	17.7	18.9	19.0	19.1	19.4
Revenue	11.2	11.7	12.1	12.7	13.4	13.9
Overall balance	-5.2	-6.0	-6.8	-6.3	-5.7	-5.5
Overall balance (Including grants)	-2.3	-3.1	-3.3	-3.4	-2.9	-2.7
Domestic financing	-0.1	0.1	-0.3	-0.2	0.0	0.0
External financing	5.3	5.9	7.1	6.5	5.7	5.5
External sector						
Domestic export (Percentage change)	30.9	7.4	10.7	9.6	9.7	10.9
Retained import (Percentage change)	36.5	6.8	5.8	8.6	9.8	9.8
Current account balance (Excluding transfers)	-12.3	-13.4	-10.7	-10.4	-10.5	-10.8
Current account balance (Including transfers)	-4.3	-5.3	-2.9	-3.0	-3.3	-3.6
Foreign direct investment (Million USD)	135	95	98	101	110	120
Gross official reserves (Million USD)	485	550	642	696	742	810
(In months of imports of goods and services)	2.8	2.9	3.3	3.3	3.2	3.2
Net capital flows	10.8	11.9	10.6	11.4	10.2	10.1

Financing gap (Million USD)	0	0	0	31	20	15
External debt outstanding	67.6	66.2	65.6	35.2	36.0	37.0
External debt-NPV	56.0	55.5	52.9	21.8	22.0	22.2
Debt-service ratio (Cash basis, % of domestic exports)	0.8	1.1	1.1	2.1	2.6	2.4

Sources: MoEF, IMF, IFAPER- Joint document of WB and ADB, November 2003.

Annex 2

Financial Follow-up 2003

Agreement/ Contrib. Numbers	Financial follow-up CAMBODIA Country Programme, updated 27 Jan 2004,MA (tkr)	Status	Agree- ment Period	Amount agreed	Amount planned agreement	Disb'd up to & incl 02	Disb'd 2003 as at 31/12	Estm'd Disb. 2004	Estm'd Disb. 2005	Estm'd Disb. 2006
1. Country Allocation, Cambodia										
1A. Dev Coop Agreement A 0201-0412 330 mkr										
1. DEMOCRATIC GOVERNANCE & HR										
A7230007	CDRI cont core support	A	0101-0406	9 000	7 000	2 000				
A7300406	CDRI cont core support	P	0403-0706	7 000				2 500	2 500	2 000
	CDRI decentral research	A	0211-0706	4 000	800	200		1 000	1 000	1 000
	Judicial Reform/Media/other	I	0501-0806	30 000					5 000	5 000
A7260287	UNDP National election 2003	A	0301-0406	5 000			5 000			
A7265104	Decentralization/ADB/CCDP	A	0212-0606	30 000		10 000		13 000	7 000	
	Decentralization/ADB/CCDP	P	0501-0606	5 000					5 000	
	Decentralization/ADB Cont/CCDP	I	0603-0906	60 000						20 000
A4100164	Poverty Monitoring Analysis UNDP3	A	0107-0406	10 800	8 000	2 577		223		
	Poverty Monitoring Analysis	I	0403-0706	8 000				4 000	4 000	
	Public Finance Management	I	0506-0806	30 000					15 000	15 000
2. SOCIAL SECTORS				150 000	115 000	44 532	25 111	42 357	55 000	28 000
A7240001	Expanded Basic Ed Prog	A	0201-0606	150 000		44 532	25 111	40 357	40 000	
	Educ.Sector Programme Support	I	0501-0912	100 000					10 000	20 000
	Institutional Development	I	0401-0712	15 000				2 000	5 000	8 000
3. INFRASTR. PRIV.SECT. URB. WATER/SAN.				54 800	45 000	54 800	0	0	15 000	15 000
Rural Development										
26820019	ILO Upstream, Roads	A	9801-0306	54 800	54 800					
	Rural Infrastructure (Soft loan)	I	0501-0712	45 000					15 000	15 000
4. AGRIC. FISHERY AND ENVIRONMENT				188 425	216 000	41 776	50 323	55 683	55 500	72 000
Rural Development										
A7300527	Seila (incl CNRM/ICRC&PAG)	A	0107-0306	46 925	41 776	6				
A7300616	Support to Seila Programme II	A	0301-0606	141 500		50 317		47 683	43 500	
	Decentralization/Seila Cont.	I	0601-0906	120 000						40 000
	Land Management & Administration	I	0407-0712	36 000				8 000	12 000	12 000
	Decentralization Rural livelihoods	I	0601-0906	60 000						20 000
5. HUMANITARIAN				75 159	0	40 582	16 047	9 000	7 309	0
A7400205	CMAC Trust Fund	A	0004-0308	23 849	20 582	1 046				
A7401170	Extension UNDP TF	A	0107-0312	25 000	20 000	5 000				
A7401444	CMAC NPA	A	0303-0602	6 310		3 001		2 000	1 309	
A7401490	CMAC TF new phase	A	0307-0612	20 000		7 000		7 000	6 000	
6. OTHER				8 635	6 000	1 155	679	4 135	2 000	2 000
A4400057	Consultancy Fund 02-04	A	0201-0506	8 500	1 155	679		4 000		
	Consultancy Fund 05-07	P	0501-0806	6 000					2 000	2 000
A2120000	KTA 2004 Cambodia	A	0401-0412	135				135		
TOTAL DISB. DEV.COOP.AGR.				535 819	522 000	198 645	111 937	131 898	174 309	160 000
out of which agreed								115 398	98 809	1 000
Planning Forecast - DCA Cambodia								2 004	2 005	2 006
1. Annual Allocation (Total 330 for 3 years)								110 000	110 000	
2. Act/Planned disbursements								131 898	174 309	
3.Total balance/deficit in DCA										
1 B. Outside dev coop agreement										18 250
1. DEMOCRATIC GOVERNANCE & HR										
A7230010	Democracy programme FS	A	0101-0406	18 000	12 800	5 200				
A7230011	Democracy prog Diakonia	A	0101-0406	9 000	5 928	3 072				
A7260289	Demo. Prg FS	A	0401-0706	19 500				6 500	6 500	6 500
*	Demo. Prg. Diakonia	A	0401-0706	12 000				4 000	4 000	4 000
*	Civil society CAM-EV	A	0401-0706	500					500	
A7260163	SAT Team Demo/HR	A	0207-0506	3 200	176	917		957	1 150	
A7265106	COHCHR 03-04	A	0301-0506	7 000		4 500		2 500		
	Cont. Support COHCHR	I	0501-0706	5 000					2 500	2 500
A7265101	Documentation Centre cont	A	0212-0606	6 000	1 500			3 000	1 500	
	Cont. Support to DC-CAM	I	0601-0806	4 000						2 000
2. OTHER				6 911	11 500	1 930	2 038	4 478	2 980	3 250
A4100400	Programme Funded Staff (PO-02)	A	9801-0403	5 372	1 809	1 763		1 800		
	Programme Funded Staff (PO-02), cont	I	0401-0903	9 000				1 800	1 800	1 800

Agreem./ Contrib. Numbers	Financial follow-up CAMBODIA Country Programme, updated 27 Jan 2004,MA (tkr)	Status	Agree- ment Period	Amount agreed	Amount planned agreem	Disb'd up to & incl 02	Disb'd 2003 as at 31/12	Estm'd Disb. 2004	Estm'd Disb. 2005	Estm'd Disb. 2006
A4400058	NPO	A	0205-0412	679		121	180	378		
	NPO	P	0501-0702		1 700				850	850
A4400060	PUM	A	0301-0402	200			95			
	PUM	P	0401-0703		800			200	300	300
A4100190	Eco Monit Cam 03-07	A	0306-0806	660				300	30	300
	3. ECONOMIC REFORMS			40 000	120 000	24 000	16 000	40 000	40 000	40 000
A4100152	BPS 2	A	0109-0404	40 000		24 000	16 000			
	KHM 2004 Budget support	P	0401-0506		40 000			40 000		
	KHM Budget support	I	0501-0706		80 000				40 000	40 000
	TOTAL DISB. OUTSIDE DEV.COOP.AGR.			122 111	140 500	46 334	31 727	61 435	59 130	58 250
	out of which agreed							19 435	13 680	10 800
	TOTAL DISB. COUNTRY ALLOCATION			657 930	662 500	244 979	143 664	193 333	233 439	218 250
	out of which agreed							134 833	112 489	11 800
	I & P COUNTRY ALLOCATION							58 500	120 950	206 450
2. Outside country allocation										
	OTHER			3 000		3 000		0	0	0
A7205023	Drug Control, UNDCP	A	0009-0506	3 000		3 000				
	TOTAL DISB. OUTSIDE COUNTRY ALLOCATION			3 000	0	3 000	0	0	0	0
	GRAND TOTAL CAMBODIA			660 930	662 500	247 979	143 664	193 333	233 439	218 250

Annex 3

List of Strategic Documents Received During 2003

Politics

Economy and Development Planning

- Monthly Flash Reports on the Cambodian Economy by CDRI for 2003
- Cambodia Development Review, CDRI for 2003
- Summary Report on Poverty and Vulnerability Analysis Mapping in Cambodia by Ministry of Planning (MoP) and WFP, March 2003
- The Macroeconomics of Poverty Reduction in Cambodia, Cambodia Case Study, Ministry of Economy and Finance (MoEF), Ministry of Planning (MoP) and UNDP, March 2003
- Annual Progress Report on Capacity Development for Poverty Monitoring and Analysis Project by UNDP, 25 June 2003
- Report from a Mission to the National Institute of Statistics (NIS) on Designing the next Socioeconomic Survey for Cambodia (2) by Sten Johansson, 28 July – 6 August 2003
- Final Report on Capacity Development for Poverty Monitoring and Analysis by CDRI, August 2003
- Mission Report of IDEA International, PMA project, March 2003
- Report from a Mission to the National Institute of Statistics (NIS) on Analysis of the Pilot Survey for Cambodia Socio-Economic Survey 2003–2004 by Peter Vorwerk, August 2003
- Final Report on Assessment of the Capacity Development for PMA project, Mr. Gus Edgren, October 2003
- Cambodian Millennium Development Goals Report, Ministry of Planning, UNDP, October 2003
- Enhancing Service Delivery through Improved Resource Allocation and Institutional Reform, IFAPER, a Joint Document of World Bank and ADB, November 2003
- Cambodia Assessment and Localization of the Millennium Development Goal on Reducing Poverty and Hunger, UNDP and FAO, December 2003

Society – General

- A Situation Report on International Child Adoption in Cambodia by the Royal Netherlands Embassy in Bangkok, May 2003

Democratic Governance and Human Rights

- Civil Society and Democracy in Cambodia by Sida Advisory Team on Democratic Governance, March 2003
- Leveling the Playing Field for Democratic Governance – Technical Review of the DESA Project Portfolio in Cambodia by Sida Advisory Team on Democratic Governance, December 2003
- Final Report of the European Union Election Observation Mission – Election of the Members of the National Assembly 27 July 2003 by European Mission, November 2003
- The 2003 National Assembly Elections by the Special Representative of the Secretary General for Human rights in Cambodia, December 2003
- Final Statement and Report on the 2003 National Assembly Elections by Comfrel, December 2003
- Human Rights Situation Report 2003 by the Cambodian Human Rights and Development Association, February 2003
- Legal & Judicial Reform Strategy, Government of Cambodia, Council for Legal & Judicial Reform, June 2003
- Legal & Judicial Action Plan by the Government of Cambodia/ Council for Legal & Judicial Reform, December 2003
- Legal & Judicial Reform Mission to Cambodia – Aide-Mémoire by World Bank, July 2003

Education

- Report from First Assignment on Enhanced Donor/Partner Liaison in Education in Cambodia 2003, Mr. John Virtue, Donor Coordination Advisor, April–June 2003
- Education Sector Performance Report 2003 by Ministry of Education, Youth and Sport, May 2003
- Cambodia Education Sector Donors' Report Presented for the 2003 ESSP Joint Review, May 2003
- EBEP, Review Report for the Period of January–December 2002 by Sida Advisory Team (SAT), Paris, May 2003
- 2003 ESSP Joint Review Report and its Summary Report by MoEYS, June 2003
- 2003 Education Forum Report by MoEYS, June 2003
- Mid-Term Review Report by the Royal Government of Cambodia (RGC) – UNICEF Country Programme of Cooperation 2001–2005, October 2003

Decentralization and Rural Livelihoods (Including the Seila Programme/PLG and the ADB/CCDP Project)

- Seila Programme – Annual Work Plan and Budget 2003 by Seila Task Force, January 2003
- Seila/PLG Annual Project Report 2003 by Seila Task Force
- Report from the Seila Forum Meeting 2003, by Seila Task Force, December 2003
- Seila-Support to Deconcentration Framework; An Update and Agenda by Hugh Emrys Evans, November 2003
- First Mission Report of DFID/Sida Permanent Advisory Team on the Seila Programme by Oxford Policy Management/SPM Consultants, May 2003
- Seila Programme/PLG Mid-Term Review – Debriefing Note by a joint NCG/OPM/SPM Consultants team, November 2003
- Report N° 3 on the Seila Community Natural Resources Management Project in Ratanakiri Province by Lars-Erik Birgegard and Srey Chanthy, Facilitator HB, April 2003
- Report N° 4- on the Seila Community Natural Resources Management Project in Ratanakiri Province by Lars-Erik Birgegard and Srey Chanthy, Facilitator HB, December 2003
- The Strategic Management of Capacity Building For Decentralization and Deconcentration in the Kingdom of Cambodia by Ministry of Interior/DoLA – the ADB/Commune Council Development Project, October 2003
- Annual Report 2003 on Policy Oriented Research Programme on Decentralization (PORDEC), Activity Report N° 2 to Sida by CDRI
- 2002 Annual Report on the Royal Government's Commune/Sangkat Fund by Seila Task Force Secretariat/PLG, May 2003
- Seminar Proceedings on Enhancing Rural Livelihoods, Strategies and Policies that Work for the Poor by CDRI in Cooperation with Ministry of Interior, May 2003

Natural Resources and Land Management

- Annual Report 2002/2003 on Land Management and Administration Project, LMAP, Ministry of Land Management, Urban Planning and Construction (MoLMUPC), ADB and GTZ
- Natural Resource and Environment Programme – Commune and Community Based Natural Resource and Environment Management Component 2004 – 2007 (to be implemented in cooperation with the Seila Programme) by Danida, September 2003

De-mining

- Annual Report 2002 by Norwegian People's Aid
- Annual Report 2002 by CMAC/MDD Roger Malmgren, 30 January 2003

- Project Progress Report on Support Mine Action programmes in Cambodia by UNDP, January–June 2003
- Six-month Progress Report by CMAC, January – June 2003

Regional Affairs

- Annual Report 2002 by the Mekong River Commission (MRC)
- Social Atlas of the Lower Mekong Basin by Mekong River Commission (MRC), March 2003
- Programme Document on Mekong Environment Programme 2004–2008 by MRC
- State of the Basin Report 2003 by Mekong River Commission (MRC), June 2003
- Annual Report 2002/3 on the Mekong Private Sector Development Facility by IFC/MPDF

Others

- Result of a Survey on Capacity Building Practices of Cambodia's Development Partners by CDC/CRDB, December 2003
- Case Studies on Practices and Lessons Learned in the Management of Development Cooperation, Sub-working Group N° 3, January 2004

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.



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