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AID INFUSIONS, AID ILLUSIONS

**Bilateral and Multilateral Emergency and Development
Assistance in Cambodia, 1992-1995**

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in collaboration with the
NGO Working Group on Development Assistance

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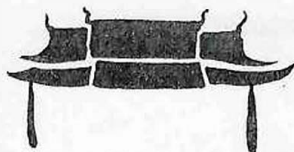
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This paper represents the collective effort of the Cambodian Development Resource Institute (CDRI), the Cooperation Committee for Cambodia (CCC), and the NGO Forum on Cambodia to examine the broad trends in emergency and development assistance to Cambodia in the period 1992-1995. The importance of this task was affirmed at the Annual General Meeting of the NGO Forum on Cambodia in May 1995.

Research for the study was undertaken by the NGO Working Group on Development Assistance convened specifically for this purpose. Members of the Working Group were John P. McAndrew (CDRI), M.S. Shivakumar (CCC), Joan Anderson (Save the Children Fund - UK), Peter Annear (Save the Children Fund - Australia), Mary Buchalter (GOAL), Mats Melin (Forum SYD/SVS), Jim Noonan (Maryknoll), Anne O'Mahoney (CONCERN), Vishalaksi Padmanabhan (Oxfam - UK), Toshihiro Shimizu (Japan International Volunteer Centre) and Pascal Simon (Handicap International). The report of the Working Group was presented at the Annual General Meeting of the CCC in September 1995.

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Acronyms Used in This Report

ADB	Asian Development Bank
ASEAN	Association of South East Asian Nations
CARERE	Cambodian Resettlement and Reintegration Programme
CCC	Cooperation Committee for Cambodia
CCDP	Cambodia Canada Development Programme
CDC	Council for the Development of Cambodia
CDRI	Cambodia Development Resource Institute
CIB	Cambodia Investment Board
CIDA	Canadian International Development Agency
CMAC	Cambodian Mine Action Centre
CMEA	Council for Mutual Economic Assistance
CRDB	Cambodian Reconstruction and Development Board
CWS	Church World Service
ERC	Economic Rehabilitation Credit
ERP	Emergency Rehabilitation Project
ESAF	Enhanced Structural Adjustment Facility
FAO	Food and Agriculture Organization
GDP	Gross Domestic Product
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IBRD	International Bank of Reconstruction and Development

ICORC	International Committee for the Reconstruction of Cambodia
ICRC	International Committee of the Red Cross
IDA	International Development Association
IDRC	International Development Research Centre
ILO	International Labour Organization
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
JVC	Japan International Volunteer Centre
KID	Khmer Institute for Democracy
MRC	Mekong River Commission
MCRRC	Ministerial Conference on the Rehabilitation and Reconstruction of Cambodia
MSF	Medicins Sans Frontieres
NGO	Non-Governmental Organization
NOVIB	Netherlands Organization for International Development Cooperation
NPRD	National Programme to Rehabilitate and Develop Cambodia
OECD	Organization for Economic Cooperation and Development
ODA	Official Development Assistance
PACT'	Private Agencies Collaborating Together
PADEK	Partnership for Development in Kampuchea
SDR	Special Drawing Rights

SIDA	Swedish International Development Authority
STF	Systemic Transformation Facility
UNBRO	United Nations Border Relief Operation
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNRISD	United Nations Research Institute for Social Development
UNTAC	United Nations Transitional Authority in Cambodia
USAID	United States Agency for International Development
WFP	World Food Programme
WHO	World Health Organization

Executive Summary

This report presents the broad trends in bilateral and multilateral emergency and development assistance to Cambodia in the period 1992-1995. It examines some of the key issues arising from this cooperation and seeks particularly to stimulate discussion on the role of NGOs within the overall aid effort.

Pledges and Disbursements

Donor pledges made from 1992-1995 amount to almost US\$ 2.3 billion. Donor disbursements made and anticipated through 1992-1995 amount to US\$ 1.3 billion. These include US\$ 967 million (72 per cent) from bilateral donors and US\$ 380 million (28 per cent) from multilateral institutions. While the bilateral average rate of disbursement to pledges is 74 per cent, the multilateral rate of disbursement is only 39 per cent.

Absorptive Capacity

The issue of disbursement of funds and absorptive capacity is central to any discussion of effective emergency and development assistance. One may legitimately ask whether the funds pledged and disbursed for Cambodia are more than the country can effectively manage in the short-term? Would it not be more advantageous to commit and sustain relatively smaller amounts of donor aid over a longer time period? The informed response appears to lie in the affirmative. Unfortunately, aid flows in crisis periods are not necessarily adjusted to the needs and absorptive capacity of the recipient country, but are more attuned to the political needs of donors seeking to manifest foreign policy. Another difficulty is that donor programme cycles are short-term and appropriations often subject to annual approval. The global donor community is generally unable to commit funds and plan on a long-term basis. This mitigates against a more participatory and process approach to Cambodian development.

From the view of the recipients several factors confound the issue of aid absorption. Cambodian government representatives at International Committee for the Reconstruction of Cambodia (ICORC) meetings are often incredulous about the high levels of funds reportedly disbursed by donors. Obviously much of the money has never passed through Cambodian government channels. Substantial amounts have not even been spent inside Cambodia. In large measure people other than Cambodians have managed the funds. Understandably, government officials have expressed their dismay upon hearing that they lack the capacity to absorb aid from the very donors who restrict their access to funds.

Donors need to examine how their aid disbursements may adversely affect local ability to manage assistance. In the rush to repatriate people from the Thai-Cambodian border and to jump-start rehabilitation efforts, the participation of the government bureaucracy was largely ignored. In effect a parallel structure was created with NGOs, multilateral agencies, and consultants performing many of the tasks normally assumed by government personnel. The urgency of donors to implement high-cost emergency programmes was, ironically, in conflict with the slow process of rebuilding societal institutions needed to manage aid effectively. While donors rationalized that Cambodia lacked absorptive capacity they failed to center their programmes on, and direct more funds at, capacity development.

Types of Aid Disbursed

Donor disbursements by type for the period 1992-1995 are relatively even with 26 per cent for technical assistance, 28 per cent for investment project assistance, 19 per cent for budgetary aid/balance of payments support, and 27 per cent for food aid/emergency and relief assistance. The overall pattern points to the mixture of emergency relief and development aid, and to the large amounts of technical assistance and balance of payments support spent to prop up the recently established coalition government. Certain trends are evident over the four-year period. Technical assistance has doubled. Capital development assistance has quadrupled. Humanitarian assistance has dropped drastically. Budgetary aid has risen then declined slightly.

Terms of Aid Disbursed

In 1992-1995 donors provided 79 per cent of total assistance in the form of grants and 21 per cent in the form of loans. Of interest to note, the volume of grant aid from 1994 to 1995 rose by only 5 per cent while the volume of loan assistance rose by 58 per cent. In this two-year period the volume of loans for investment project assistance more than quadrupled. The increasing reliance on loans is a source of concern. Long-term debt servicing for public investment may lead Cambodia into an irreversible debt trap. While concessional loans from the multilateral financial institutions carry little or no interest and enjoy long payback and grace periods, their less than productive investment for the generation of capital and foreign exchange represents a potential long-term burden on the national budget.

Disbursements to Sectors

By sector, the largest disbursements in 1992-1995 were provided for

humanitarian aid and relief, transport, economic management, and area/rural development. Lesser amounts were provided for development administration, agriculture/forestry/ fisheries, education/human resource development, health, social development and energy. Funds allocated for communications, natural resources, domestic trade, and industry were minimal. Despite the large sums allocated for sectoral programmes in Cambodia, projected needs remain high. A collective reading of the various sectoral reviews commissioned by bilateral and multilateral donors underscores the need to prioritize programmes both within and across sectors.

Disbursements to Geographical Areas

While external assistance has not been allocated equally to all areas of Cambodia, it is difficult to gauge the precise disparities of allotment. In 1994-1995, 71 per cent of all assistance was designated as disbursed on a country-wide basis. Nevertheless, it is reasonable to assume that a substantial portion of these funds was spent to support Phnom Penh missions and programmes. In addition, 16 per cent of all assistance in the same two-year period was designated specifically for Phnom Penh and the remaining 13 per cent for a number of specific provinces. The concentration of aid in Phnom Penh to the neglect of provincial agricultural areas could foster a pattern of growth with impoverishment further exacerbating existing conditions of poverty and social inequality. Greater efforts must be made to decentralize assistance to rural areas with a focus on enabling local communities and improving agricultural productivity and diversification. This points to a need for creative experimentation in provincial programming and the sharing of lessons learned among donors.

The geographical imbalance of aid in Cambodia is explained, in part, by adherence to an open-market strategy that concentrates infrastructure development in growth centers like Phnom Penh to attract private investment. Ideally, the rebuilding of basic infrastructure attracts investment in productive activities thereby creating jobs, expanding the local market, and generating capital for further investment. But coordination between public investment and private investment in Cambodia is weak and donors may be unwittingly subsidizing investment activities that do not produce long-term and broadly based benefits. The impact of investment projects on job creation, local market expansion, capital generation for in-country reinvestment, and environmental degradation needs to be carefully assessed.

Aid Coordination

The large-scale aid programme in Cambodia demands effective coordination. The planned approach to aid coordination in Cambodia includes many elements:

International Committee for the Reconstruction of Cambodia (ICORC) meetings, Council for the Development of Cambodia (CDC) boards, United Nations Development Programme (UNDP) in-country aid coordination meetings, World Bank and Asian Development Bank (ADB) policy and sectoral reviews, and informal discussions among donors. Nevertheless, very little coordinated programming has taken place among bilateral, multilateral, and NGO donors in 1992-1995. This has led to some duplication and miscoordination, especially in the provision of technical assistance. More importantly, it has allowed the collective assistance effort to evolve reactively rather than proactively. The steps taken by donors to enhance opportunities for proactive aid coordination are most welcome. Still the aid coordination effort must be led more and more by the Government, though the pace may be slower, or donor paternalism, so endemic in Cambodia, will continue.

The fact that the planned approach to aid coordination has yet to yield desired results may be partly explained by the dynamics of the "aid market" which contains countervailing forces of competition, conflicting interests, and lack of coordination. As aid flows increased to Cambodia, competition arose as new organizations sought to establish their respective niches. Once it became clear that donors held different views on how the development process should unfold, on how priorities should be set, and on how sector programmes should be designed, coordination broke down. Conflicts also surfaced as agencies maneuvered for project contracts, for control over sector work, for staff in local institutions, and for donor country resources. A planned approach to aid coordination must take into account the dynamics of the "aid market" and harness or circumscribe these forces in the most effective way.

Aid Policy Framework

The National Programme to Rehabilitate and Develop (NPRD) Cambodia outlines the government's policy framework for utilizing internal and external resources for national development. The goal of the NPRD is to achieve sustainable development with equity and social justice through economic growth, human development and managed use of natural resources. The NPRD pursues six interrelated objectives: 1. the rule of law; 2. economic stabilization and structural reforms; 3. human resource development; 4. rehabilitation of the physical infrastructure and facilities; 5. integration of the Cambodian economy into the regional and world economies; and 6. rural development.

The NPRD presents a broad framework of development that most donors are able to support in part, if not in whole. This stems from the programme's ability to incorporate elements from several different approaches to development. Most donors will find something in the NPRD that resonates with their own institutional mandate and priorities. For some, it will be stabilization and structural adjustment reforms in

support of a free-market economy. For others, it will be human resource development and investment in people. For still others, it will be the emphasis on rural development and the sustainable management of natural resources. Whatever the particular donor emphasis, the NRPD has sketched the parameters of the development debate in Cambodia. It has also provided an arena for Cambodians and donors of various backgrounds and experience to experiment and work out the contradictions and trade-offs inherent in concrete models of development. It now needs to be complemented by a more detailed, operational plan for development.

In the pursuit of NPRD objectives Cambodian government officials, bilateral and multilateral donors and NGOs need to engage each other in a constructive critique of their own and each other's development approaches. For example, while NGOs recognize the importance of economic growth, they are certain to point out that restructuring should not neglect the social needs of vulnerable groups or ecological sustainability. NGOs are also likely to note that infrastructure projects do not necessarily generate trickle-down benefits for the poor: they must respond to the needs of small producers for increased access to land, water, credit, markets, and technology. NGO are likewise to stress the importance of Civil Society to balance the emphasis placed by others on the State and the Market. A state responsive to the needs of its people and supportive of a vibrant market economy must encourage the active involvement of its citizens associations to help define what kind of development is best suited to its nation.

While all donors bring their own perspectives to bear on the development of Cambodia, the stabilization and structural adjustment programmes of the International Monetary Fund (IMF) and World Bank have, by far, the most leverage on national economic policy. Disbursements of these loans are made conditional on the Royal Government's adherence to market-oriented policy reform. In recent years, the structural adjustment programmes of the IMF and World Bank in several countries have been criticized for eroding the living standards of the poor. Fiscal austerity and economic liberalization, it is argued, lead to a reduction in government expenditures, a curtailment of consumer subsidies, a fall in real wages, high unemployment, and an increase in indirect taxes. Indeed, the structural adjustment programmes of the IMF and World Bank are not designed on the principle of minimizing costs and maximizing benefits to the poor. One principal policy task in Cambodia is to formulate a long-term anti-poverty strategy and ensure that adjustment policies are consistent with that, without detracting from the imperative of adapting the economy to changing circumstances.

Implications for NGOs

Caught up in the historical circumstances that have conditioned the flow of aid

to Cambodia, NGOs have been forced to redefine their roles at successive stages of involvement. In 1992, an NGO-commissioned study for the ministerial meeting emphasized the need for NGOs to develop the capacity to systematically analyze their collective experience and to articulate the policy implications arising out of this process. This challenge remains as relevant today as it did three years ago. If NGOs are to advocate models of sustainable development they must generate knowledge and share learning gained from their actual experience. This demands that they assess together the strengths and weaknesses of their respective programmes. NGOs have also to develop the capacity to monitor bilateral and multilateral programmes effectively and to advocate for alternatives, if necessary.

NGO work on development assistance is best situated and pursued within the framework of existing NGO coalitions such as the Cooperation Committee for Cambodia and the NGO Forum on Cambodia. Both of these organizations are recognized for their active involvement in aid coordination and advocacy and are in a position to speak on behalf of large numbers of NGOs. While each coalition has its own separate mandate, ample opportunities exist for serious collaboration at programme levels. It is important for both groups to continue to delineate their respective roles in relation to one another, and to identify those areas of development assistance where they can best work together or separately. Both groups have acknowledged the need to develop strong partnerships with Cambodian groups for advocacy on aid issues.

From 1992 to 1995 Cambodia has been the recipient of US\$1.72 billion in United Nations Transitional Authority in Cambodia (UNTAC) funds and US\$ 1.3 billion in emergency relief and development assistance. From the view of the donor community these are huge aid flows into a single country in a four-year period. Still it must be emphasized that the majority of these funds have not been directed specifically at development assistance. The UNTAC funds were spent primarily for peacekeeping, repatriation and resettlement. Likewise much of the external assistance disbursed by bilateral and multilateral donors has gone to emergency needs. While the process of rehabilitation, reconstruction and development has been initiated, it will need to be sustained for at least a decade to come. Will the money be there to support it? While disbursements have steadily increased in the 1992-1995 period they are likely to level off in the next few years, and then begin to decline. Donors need to plan now to ensure support for long-term development assistance to Cambodia. The task is as critical now as it was four years ago. Based on current trends the collective programme needs to be more focused and process-oriented, and better coordinated and evaluated. It needs to center more on the enabling of vulnerable groups in rural communities and on promoting agricultural productivity and diversification. It needs to rebuild indigenous institutions and social services. It needs to rely on grant contributions as well as on loans. And most importantly, it needs to be less donor-dependent and more Cambodian-driven.

Introduction

Emergency and development assistance to Cambodia from 1979 has occurred within three clearly defined political eras. In each period, aid was turned on or turned off to support geopolitical decisions made by major powers. The fall of the Khmer Rouge regime in late 1978 occasioned a massive outpouring of aid from Western donors. From 1979 to 1981, US\$ 664 million in aid was channelled through United Nations agencies, the International Red Cross and NGOs to launch a major relief operation. Half of these funds were allocated for displaced persons and refugees at the Thai-Cambodian border. The other half were destined to support rehabilitation efforts inside the country. The emergency operation from 1979 to 1981 was the largest international aid effort of its kind to date. This notwithstanding, the flow of Western aid to reconstruction efforts inside the country was drastically curtailed in 1982. This occurred not principally as a result of rehabilitation needs fulfilled but as a consequence of an international embargo imposed on the Vietnamese-backed regime in Cambodia.¹

The period 1982 to 1989 constitutes a second phase in the politics of aid to Cambodia. Financial and technical assistance from socialist countries replaced aid from Western nations and amounted to about US\$ 100 million a year. The Soviet Union alone provided an estimated US\$ 80 million of this annual assistance aimed principally at infrastructure rehabilitation and agricultural production. Except for small amounts of aid channelled through NGOs and United Nations emergency programmes the Western boycott remained firmly in place. The flow of Western aid to support refugees and resistance forces at the Thai-Cambodian border continued throughout this period.²

In 1989 the collapse of the Soviet Union and the withdrawal of Vietnamese troops from Cambodia coincided with steps by the Cambodian government to liberalize the economy and legalize private property ownership. This signalled an opening for the restoration of Western aid to Cambodia. Official development assistance from Western donors, channelled through NGOs and multilateral agencies, grew from US\$ 18.5 million in 1988 to US\$ 90.9 million in 1991.³

The Paris Peace Accords of October 1991 officially ushered in the third phase of aid flows to Cambodia. A total US\$ 2 billion was provided for the 18-month peacekeeping activities of the United Nations Transitional Authority in Cambodia (UNTAC). An additional US\$ 2.3 billion in emergency and development assistance was pledged by bilateral and multilateral donors from 1992-1995. This represents a substantial international commitment to a single country.

This report presents the broad trends in bilateral and multilateral emergency and development assistance to Cambodia from 1992-1995. It examines some of the

key issues arising from this cooperation and seeks particularly to stimulate discussion on the role of NGOs within the overall aid effort.

Pledges and Disbursements

Donor pledges made from 1992-1995 amount to almost US\$ 2.3 billion. These include more than US\$ 1.3 billion from bilateral sources and nearly US\$ 1 billion from multilateral agencies. At the initial Ministerial Conference on the Rehabilitation and Reconstruction of Cambodia (MCRRC) in 1992 donors pledged US\$ 800 million. At subsequent International Committee for the Reconstruction of Cambodia (ICORC) sessions donors pledged US\$ 120 million in 1993, US\$ 770 million in 1994, and about US\$ 500 million in 1995.

Donor disbursements made and anticipated through 1992-1995 amount to US\$ 1.3 billion. These include US\$ 967 million (72 per cent) from bilateral donors and US\$ 380 million (28 per cent) from multilateral institutions (Table 1). For 1992-1995 the largest bilateral donors in terms of total disbursements are Japan, the United States, France, Australia, Sweden, and the Netherlands. For 1995 alone Germany is also among the largest bilateral donors. Of interest to note, several Southeast Asian countries namely Brunei, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam have also committed aid to Cambodia.⁴

For 1992-1995 the largest multilateral donors in terms of total disbursements are the United Nations agencies, notably the United Nations Development Programme (UNDP), and the European Union. For 1995 alone the Asian Development Bank (ADB) and the World Bank disbursed the most multilateral assistance in a combination of loans and grants. This underscores the expanding role of these two financial institutions in Cambodia's development (see Appendix 1 for summary presentations of bilateral and multilateral donor programmes).⁵

For 1992-1995 the combined average rate of disbursement to pledges is 59 per cent. While the bilateral average rate of disbursement to pledges is 74 per cent, the multilateral rate of disbursement is only 39 per cent. Even lower are the ADB and World Bank disbursement rates at 24 and 26 per cent respectively (Table 1). The low disbursement rates of these multilateral financial institutions suggest a wait and see approach to the actual commitment of funds. They also manifest the conviction of the ADB and World Bank that the Royal Government is unable to absorb large quantities of external assistance.

Absorptive Capacity

The issue of disbursement of funds and absorptive capacity is central to any discussion of effective emergency and development assistance in Cambodia. It is also one that is best approached from several perspectives. To the extent that total sums disbursed are conditioned by the dynamics of global aid commitments the question of determining optimum levels of appropriate assistance lies beyond the capacity of individual donors. The generous pledges from donor agencies emanate from a genuine desire to assist the people of war-torn Cambodia. They also spring from a perceived interest to promote stability and market growth in Southeast Asia. In addition, they reflect a convergence of foreign policy worldwide desiring to support a peace process emerging from the post-Cold War era. For these reasons large sums of external assistance have been allocated for Cambodia at this particular point in history.

Table 1: Pledges and Disbursements of External Assistance, Cambodia, 1992-1995
(in thousands US\$)

Donors	Total Pledges 1992-1995	Total Disbursements 1992-1995	Percentage of Disbursements to Pledges
Multilateral			
IBRD/World Bank	285,000	75,249	26.4
Asian Development Bank	280,100	67,235	24.0
United Nations Agencies	169,435	92,088	54.3
European Union	122,346	92,979	76.0
IMF	120,000	52,750	44.0
<i>Totals for multilaterals</i>	976,881	380,301	38.9
Bilateral			
Japan	321,400	395,854	123.2
United States	244,800	154,685	63.2
France	208,570	88,478	42.4
Australia	81,259	57,087	70.3
Sweden	67,500	54,851	81.3
Denmark	61,000	18,971	31.0
Germany	57,024	30,823	54.1
United Kingdom	48,600	26,913	55.4
Netherlands	42,000	42,668	101.6
Canada	26,557	18,849	71.0
Norway	10,500	212	0.2
Russian Federation	10,400	12,200	117.3
Belgium	8,329	541	6.5
Thailand	1,200	147	12.3
Other bilateral donors	122,687	64,390	52.5
<i>Totals for bilaterals</i>	1,311,826	966,669	73.7
Totals	2,288,707	1,346,970	58.9

Source: Council for the Development of Cambodia (CDC)/United Nations Development Programme (UNDP)
Development Cooperation Report, 1995.

One may legitimately ask whether the funds pledged and disbursed are more than Cambodia can effectively manage in the short-term? Would it not be more advantageous to commit and sustain relatively smaller amounts of donor aid over a longer time period? The informed response appears to lie in the affirmative. One difficulty related to this is that donor programme cycles are short-term and appropriations often subject to annual approval. Political and humanitarian considerations may also dictate that donors direct aid flows away from Cambodia to other countries at short notice. Some donors have already begun to do this. The global donor community is generally unable to commit funds and plan on a long-term basis. This mitigates against a more participatory and process approach to Cambodian development.

Examining the political environment of emergency aid to Cambodia, a Swedish International Development Authority (SIDA) evaluation report argues that aid flows in crisis periods are not necessarily adjusted to the needs and absorptive capacity of the recipient country, but are more attuned to the political needs of donors seeking to manifest foreign policy.⁶ They observe:

The sudden, and considerable aid-flows triggered by emergencies, (or as a step in a peace process), have their own dynamic. First, the commitments of aid during the peak events (in the case of Cambodia 1979-81, and 1991-93) might be considerably larger than what eventually is delivered or can be absorbed, hence creating both false expectations and exaggerated plans. Secondly, these flows, or expectations of flows, tend to create vibrant "aid markets" attracting a large number of aid implementing agencies that establish themselves over a short period of time, each one with ambitious aid programmes; third, the aid flows have considerable distortion effects; they tend to cause considerable "rent seeking" [i.e. various official and unofficial forms of capturing benefits from external (and other) public sources for non-productive purposes] by the recipient government and organizations; strong competition for scarce local resources and institutions - a competition manifested in donor driven salaries out of bound of the going market rates (in Cambodia topping up of government salaries in the order of ten times is not uncommon); fourth, with the sudden flows of aid it is difficult to avoid waste and ill-conceived programmes; fifth, the crisis related aid flows tend to be strongly donor driven, as governments, almost by definition, are weak, unorganized and poor. Sixth, emergencies tend to create easily defined target groups for aid - i.e. registered refugees which generally are receiving considerably larger shares of the emergency aid per capita, than the non-refugee population and internally displaced persons, partly because they are often more vulnerable, but also because they are easily defined and visible.⁷

Given the contingencies and consequences of global aid infusions, it is

perhaps more realistic to ask how donors can best use the funds they have already pledged. In the rush to repatriate people from the Thai-Cambodian border and to jump-start rehabilitation efforts, the participation of the government bureaucracy was largely ignored. Likewise until the Royal Government was installed in September 1993 donors were reluctant to channel money through the previous administration controlled by the State of Cambodia. In effect a parallel structure was created with NGOs, multilateral agencies, and consultants performing many of the tasks normally assumed by government personnel. Many large infrastructure projects were likewise constructed on a turnkey basis with little direct involvement by the government. The urgency of donors to implement high-cost emergency programmes was, ironically, in conflict with the slow process of rebuilding societal institutions needed to manage aid effectively. While donors rationalized that Cambodia lacked absorptive capacity they failed to center their programmes on, and direct more funds at, capacity development.

From the view of the recipients several factors confound the issue of aid absorption. Cambodian government representatives at ICORC meetings are often incredulous about the high levels of funds reportedly disbursed by donors. Obviously much of the money has never passed through Cambodian government channels. Substantial amounts have not even been spent inside Cambodia. In large measure people other than Cambodians have managed the funds. Understandably, government officials have expressed their dismay upon hearing that they lack the capacity to absorb aid from the very donors who restrict their access to funds. And yet questions persist about the proper use of funds and will continue until an attempt has been made to establish a thorough and transparent accounting of donor disbursements.

Meanwhile as Cambodians strive to meet with countless donor missions and mobilize assistance effectively, they struggle to make a transition from a socialist to a liberal democratic state, and from a centrally planned to a market economy. Presently, Cambodia's legal, financial, and administrative institutions are undergoing massive and thorough reform. These factors leave government bureaucracies overextended and generally weak. At the same time the Government feels that it must demonstrate to its constituency that it is capable of attaining development benefits now. Donors need to examine how their aid disbursements may adversely impact on local ability to manage assistance, while they encourage participation and capacity development at all levels. The UNDP Resident Representative in Cambodia cogently observes that if the building of national capacity is not given the prominence it deserves, then current practices will only serve to perpetuate a dependency on external, donor-driven assistance.⁸

Types of Aid Disbursed

In this report types of external assistance are classified as: 1.) technical assistance; 2.) investment project assistance; 3.) budgetary aid/balance of payments support; and 4.) food aid/emergency and relief assistance.⁹

Donor disbursements by type for the period 1992-1995 are relatively even with 26 per cent for technical assistance, 28 per cent for investment project assistance, 19 per cent for budgetary aid/balance of payments support, and 27 per cent for food aid/emergency and relief assistance (Table 2). The overall pattern points to the mixture of emergency relief and development aid, and to the large amounts of technical assistance and balance of payments support spent to prop up what has become known as a country in transition. Against this general background, certain trends are evident over the four-year period.

In 1992 food aid and emergency and relief assistance accounted for 67 per cent of total disbursements. By 1994 this type of aid had dropped to 15 per cent of the total. A large amount of the initial funds were apparently disbursed for the repatriation and rehabilitation of refugees from the Thai-Cambodian border camps.

In 1992 technical assistance accounted for 20 per cent of total disbursements. By 1995 it had more than doubled in volume and risen to 30 per cent of the total. The provision of expatriate technical assistance has the potential to equip Cambodians with the technical and managerial skills needed to undertake development activities in the short-term. It also holds the potential to stifle local initiatives or simply to be irrelevant. For these reasons the effectiveness and appropriateness of expatriate assistance has to be assessed on a regular basis. Equally important as expatriate advice is the provision of technical assistance as educational and training opportunities. This form of technical assistance has the capacity to equip Cambodians with knowledge and learning for long-term, self-reliant development.

In 1992 investment project assistance accounted for only 13 per cent of total disbursements. By 1995 this type of assistance had more than quadrupled in volume and accounted for 37 per cent of the total. This is a clear sign that more money has been allocated for capital development projects which, in themselves, hold the potential for generating productive capital. A caveat is the increasing amount of investment project assistance financed by loans.

In 1992 budgetary aid/balance of payments support made up only .5 per cent of total disbursements. However, it rose to 23 per cent of total disbursements in 1993 and then to 27 per cent in 1994 before declining to 20 per cent in 1995. The Government needs grant funds from donors for budgetary support on a continuing basis in the short-term to maintain balance of payments while pursuing administrative

reforms and supporting critical programmes in agriculture, education, and health.

Table 2: External Assistance Disbursements by Type, Cambodia, 1992-1995
(in thousands US\$)

Type of Assistance	1992	1993	1994	1995	Totals (1992-95)	Percentage Allocation
Technical Assistance	52,144	88,268	89,060	125,335	354,807	26
Investment Project Assistance	32,758	67,283	125,625	154,906	380,572	28
Budgetary Aid/Balance of Payment Support*	1,410	75,792	97,347	85,204	259,753	19
Food Aid/Emergency and Relief Assistance	172,226	92,950	53,208	53,321	371,705	27
Totals	258,538	324,293	365,240	418,766	1,366,837	100

* Budgetary support amounted to US\$ 43 million in 1994 and US\$ 73 million in 1995.

Source: CDC/UNDP Development Cooperation Report, 1995.

Terms of Aid Disbursed

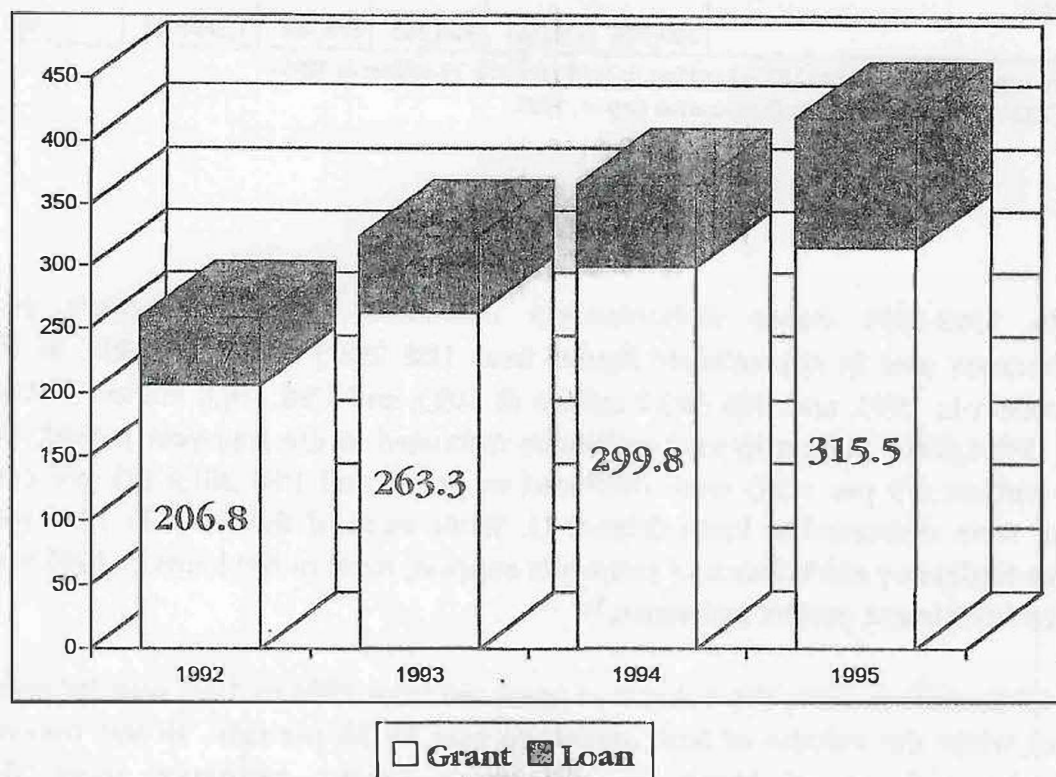
In 1992-1995 donor disbursements continued to increase every year. Disbursements rose in approximate figures from US\$ 258.5 million in 1992, to US\$ 324.3 million in 1993, and US\$ 365.2 million in 1993, and US\$ 418.8 million in 1995. Of the US\$ 1,366.8 million in total assistance disbursed in the four-year period, US\$ 1,085.4 million (79 per cent) were disbursed as grants and US\$ 281.4 (21 per cent) per cent were disbursed as loans (Figure 1). While most of the loans in 1994 were made for budgetary aid/balance of payments support, most of the loans in 1995 were made for investment project assistance.¹⁰

Of interest to note, the volume of grant aid from 1994 to 1995 rose by only 5 per cent while the volume of loan assistance rose by 58 per cent. In this two-year period the volume of loans for investment project assistance more than quadrupled.¹¹ The increasing reliance on loans is a source of concern. Long-term debt servicing for public investment may lead Cambodia into an irreversible debt trap. While concessional loans from the multilateral financial institutions carry little or no interest and enjoy long payback and grace periods, their less than productive investment for the generation of capital and foreign exchange represents a potential long-term burden on the national budget.

Less critical than the volume of loans for budgetary support and investment project assistance, but nonetheless troublesome, is the amount of loans provided for technical assistance. In 1994 US\$ 1 million in technical assistance was financed by loans, and in 1995 US\$ 2.4 million.¹² Funds for technical assistance, much like food aid and emergency assistance, are best sourced from grants. For example, the Asian

Development Bank (ADB) provided US\$ 20 million in technical assistance grants to Cambodia in 1992-1994 and plans to provide from US\$ 8 million to US\$ 10 million annually in technical assistance grants in 1995-1997.¹³ Likewise, the International Monetary Fund (IMF) provided US\$ 2 million in technical assistance grants in 1994.¹⁴ By comparison, the World Bank approved a US\$ 17 million credit for technical assistance loans in 1995.

Figure 1: External Assistance Disbursements, by Grants and by Loans, Cambodia, 1992-1995
(in million US\$)



Source: CDC/UNDP Development Cooperation Report, 1995.

Debt Servicing and Management

In 1993 bilateral donors lead by Japan and France generously paid up US\$ 53 million in arrears to allow Cambodia to reestablish relations with the IMF.¹⁵ In 1995 the Paris Club offered to reschedule Cambodia's pre-1975 external debt to Organization for Economic Cooperation and Development (OECD) countries, allowing for up to a two-thirds write-off of the debt stock and a rescheduling of US\$ 239 million. Cambodia has also approached former Council for Mutual Economic Assistance (CMEA) countries, particularly Russia, for a similar rescheduling of its non-convertible debt estimated at 840 million rubles at the end of 1991.¹⁶ The World Bank predicts that the external debt of Cambodia relative to Gross Domestic Product

(GDP) will stabilize at just below 25 per cent. In 1994 Cambodia's debt service ratio was 7.3 per cent. By 1995, it had increased to 8.9 per cent.¹⁷

The multilateral financial institutions have a critical role to play in enabling the Royal Government to manage its debt servicing. The leverage of these institutions can be used judiciously to help keep excessive borrowing in check. In 1995 the IMF deferred a US\$ 22 million tranche payment of the Enhanced Structural Adjustment Facility (ESAF) until the Government tightened up its policies on non-concessional loan borrowing.¹⁸ In a manner consistent with their scrutiny of commercial borrowings the multilateral financial institutions would do well to pursue discrete and selected loan programmes themselves. Both the ADB and the World Bank appear committed to aggressive long-term loan programmes in Cambodia. Total ADB loans to Cambodia in the 1992-1997 period are estimated at US\$ 296 million with more than two-thirds to be contracted in the 1995-1997 period.¹⁹ In 1994-1995 the World Bank approved loans to Cambodia of US\$ 63 million, US\$ 17 million, and US\$ 40 million. From 1996 through 1998 the World Bank plans to provide US\$ 60-75 million annually in loans to Cambodia.

Disbursements to Sectors

By sector, the largest disbursements in 1992-1995 were provided to humanitarian aid and relief (20.2 per cent), transport (14.3 per cent), economic management (11.5 per cent), and area/rural development (10.7 per cent). Lesser amounts were provided to development administration (8.6 per cent), agriculture, forestry, fisheries (8.6 per cent), education/human resource development (7.9 per cent), health (6.7 per cent), social development (5.5 per cent) and energy (4.8 per cent) (Table 3).

While funds for humanitarian aid and relief have decreased steadily over the four year period, funds for transport have steadily increased. Economic management includes balance of payments and budgetary support and accounts for this sector's high levels of disbursement particularly in 1994 and 1995. Disbursements for area/rural development have remained relatively even. In 1995 disbursements for agriculture, education, health, social development, and energy made noticeable increases. Funds allocated for communications, natural resources, domestic trade, and industry have been minimal.

Despite the large sums allocated for various sectoral programmes in Cambodia, projected needs remain high. Sectoral reviews commissioned by bilateral and multilateral donors make this immediately clear. Even the current, relatively high, levels of donor assistance are not sufficient to cover all the identified needs. What follows are summary assessments for agriculture, education, health, transport and

energy. A collective reading of the sectoral reviews underscores the need to prioritize programmes both within and across sectors. Contrary to popular wisdom all donor activities are not necessarily priorities. Programmes and projects must be chosen carefully, within a holistic framework, and with a view towards broadly based and synergistic development.

Table 3: External Assistance Disbursements by Sector, Cambodia, 1992-1995
(in thousands US\$)

Sectors	1992	1993	1994	1995	Total Disbursements	Percentage Allocation
Humanitarian Aid and Relief	141,058	53,756	47,239	37,585	279,638	20.2
Transport	13,182	44,963	61,556	78,140	197,841	14.3
Economic Management	542	2,352	78,691	78,374	159,959	11.5
Area/Rural Development	35,103	46,157	33,622	32,853	147,735	10.7
Development Administration	9,937	71,708	17,583	20,119	119,347	8.6
Agriculture, Forestry, Fisheries	16,875	27,528	25,818	48,981	119,202	8.6
Education/Human Resource Development	15,763	28,834	28,636	36,313	109,546	7.9
Health	15,483	28,985	20,452	28,477	93,397	6.7
Social Development	5,571	15,782	24,126	30,569	76,048	5.5
Energy	1,057	7,498	23,869	34,245	66,669	4.8
Communications	860	1,350	1,821	3,923	7,954	0.6
Natural Resources	315	1,236	1,524	2,435	5,510	0.4
Disaster Preparedness	2,359	220	0	0	2,579	0.2
Domestic Trade	300	-	297	535	1,132	0.1
Industry	132	10	0	0	142	0.01
Totals	258,537	330,379	365,234	432,549	1,386,699	100.11

Note: Percentages do not add to 100 due to rounding.

Source: CDC/UNDP Development Cooperation Report, 1995.

Agriculture

The 1994 Agricultural Development Options Review of the Food and Agriculture Organization (FAO) estimates that 200,000 hectares of formerly cultivated rice land in Cambodia require de-mining at a cost of some US\$ 500 million.²⁰

Education

The 1994 Educational Sector Review prepared by ADB proposes the spending of US\$ 151.6 million on education in Cambodia in the 5 to 6 year period 1994-2000. A total US\$ 101.2 or 67 per cent of this investment is proposed for basic education.²¹ The 1995 CDC/UNDP Development Cooperation Report notes that only US\$ 12 million or 33 per cent of the total US\$ 36.3 million in development assistance for education in 1995 was allocated for basic education.²²

Health

The Ministry of Health has developed a comprehensive plan for the health sector. It projects requirements of US\$ 196.2 million for 1994-1996, of which US\$ 85.5

million are capital investment and US\$ 110.7 are recurrent costs. Presently, there is a US\$ 30 million yearly shortfall in funding that includes district health systems, essential drugs and human resources.²³

Transport

The 1995 Transport Rehabilitation Study, co-financed by SIDA and UNDP, proposes a total budget of US\$ 126 million for the 1995-1999 rehabilitation programme. This includes US\$ 112 million for roads and bridges, US\$ 4 million for railways, US\$ 8 million for international ports, and US\$ 2 million for inland waterways.²⁴

Energy

The 1994 Subregional Energy Sector Study commissioned by ADB estimates the 1994-2000 capital requirements for electric power development in Cambodia at US\$ 254 million. This includes US\$ 27 million for 1994, US\$ 30 million for 1995, US\$ 33 million for 1996, US\$ 37 million for 1997, US\$ 41 million for 1998, US\$41 million for 1999 and US\$ 45 million for 2000.²⁵

Disbursements to Geographical Areas

External assistance has not been allocated equally to all areas of Cambodia. Still it is difficult to gauge the precise disparities in allocation for 71 per cent of all assistance in 1994-1995 was designated as implemented on a country-wide basis. Nevertheless, it is reasonable to assume that a substantial portion of these funds was spent to support Phnom Penh missions and programmes. In addition, 16 per cent of all assistance in the same two-year period was designated specifically for Phnom Penh.

In 1994-1995 aid earmarked for specific provinces totaled 13 per cent. It was highest in Battambang (2 per cent), Kompomg Speu (1.9 per cent), Siem Reap (1.5 per cent), Kompong Som (1.4 per cent), Takeo (1.3), and Kandal (1.2 per cent). Aid designated specifically for other Cambodian provinces was in all cases less than 1 per cent. In some instances it was zero. It is important to note that these figures based on data collected by CDC/UNDP consider only bilateral and multilateral disbursements.²⁶ NGO activities are visible all over the country. Still the geographical imbalance of external assistance is a source of real concern. The concentration of public investment in Phnom Penh to the neglect of provincial agricultural areas could foster a pattern of growth with impoverishment further exacerbating existing conditions of poverty and social inequality.

The geographical imbalance of aid in Cambodia is related to security issues in some provinces. It is also related to the repatriation of refugees in the northwest

provinces and the commitment of donors to follow them there. It is consistent, too, with an open-market strategy that concentrates infrastructure development in growth centers like Phnom Penh to attract private investment. In many ways it reflects the outcome of divergent actors with competing paradigms to influence aid flows and the development process itself. Unfortunately, a central focus of NGO work, namely enabling rural communities and improving agricultural productivity, has not received the same relative emphasis from bilateral and multilateral agencies.

By comparison, the rehabilitation of physical infrastructure in Phnom Penh has received considerable attention from bilateral and multilateral donors. Japan alone has contributed more than US\$ 170 million to six capital development projects in and around the capital city. Ideally, the rebuilding of basic infrastructure attracts investment in productive activities thereby creating jobs, expanding the local market, and generating capital for further investment. But coordination between public investment and private investment in Cambodia is weak and donors may be unwittingly subsidizing investment activities that do not produce long-term and broadly based benefits.

From the promulgation of the investment law in August 1994 to May 1995 the Cambodian Investment Board (CIB) approved 97 projects with a total investment capital of about US\$ 2.55 billion. These investments were in the areas of construction (67 per cent), manufacturing (15 per cent), tourism (13 per cent), agriculture and agro-industry (3 per cent), and services (2 per cent). Companies by full or partial ownership were primarily from the countries of Cambodia (50), Malaysia (19), Singapore (17), China (8), Hong Kong (8), Taiwan (8), United States (8), Thailand (7), Australia (6), and France (6). The Ariston company of Malaysia with a project to develop resorts and a casino in Sihanoukville alone accounted for US\$ 1.3 billion of total investments.²⁷ The impact of these investment projects (and others subsequently approved) on job creation, local market expansion, capital generation for in-country reinvestment, and environmental degradation will need to be carefully assessed.

While several bilateral and multilateral agencies have initiated innovative integrated rural area development programmes, greater efforts must be made to decentralize aid programming to provincial levels. Broadly, programmes would focus on increasing agricultural productivity and diversification, and promote cooperation among local governments, national line agencies, and local people's associations. The process would emphasize provincial capacity development and increased local control over financial and programme management. Donors might consider the establishment of provincial development foundations with national oversight to ensure adequate financial resources for sustained, long-term development. There is a need for creative experimentation in provincial programming and the sharing of lessons learned among donors.

Aid Coordination

In line with the provisions of the Paris Peace Accords, the ministerial meeting held in Tokyo in 1992 established the International Committee for the Reconstruction of Cambodia (ICORC) as a mechanism for aid coordination beyond the term of the United Nations Transitional Authority in Cambodia (UNTAC). In three successive years, ICORC has convened annual donor meetings alternating venues between Paris and Tokyo. These gatherings have served as pledging sessions and have facilitated the sharing of views and information. They have done little, however, to coordinate donor policies and programming. In 1996 the annual ICORC session will give way to a Consultative Group meeting organized by the World Bank and the Japanese Government in Tokyo. Although a fourth ICORC meeting is scheduled to be held in Phnom Penh in 1997, the Consultative Group process will eventually replace the ICORC format. As the World Bank assumes more leadership over the external aid coordination process, greater attention will likely be placed on policy considerations, particularly the Cambodian government's adherence to structural adjustment reforms. Policies and programmes focused on enhancing the agriculture and natural resource sectors and enabling vulnerable groups may not receive the same emphasis.

Within the Royal Government of Cambodia, the Council for the Development of Cambodia (CDC) was established in late 1993 to coordinate external development assistance and investments. The CDC is chaired by the first Prime Minister and managed on a day-to-day basis by the Minister of State in charge of Reconstruction and Development. Under the CDC two executive boards have been created, the Cambodia Reconstruction and Development Board (CRDB) and the Cambodia Investment Board (CIB). The CRDB seeks to coordinate and facilitate bilateral and multilateral assistance programmes, while the CIB aims to promote and facilitate foreign and local investments. CDC coordination activities supported by UNDP and bilateral donors are augmented by Asian Development Bank (ADB) assistance for public investment programming and by World Bank assistance for public investment budgeting. While the creation of the CDC has established an institutional framework for aid coordination, it has yet to reach its full operational potential.

In May 1995 the Royal Government and UNDP took steps to further strengthen in-country aid coordination through an agreement promoting more systematic and frequent consultations between Government and donors, and among donors themselves.²⁸ The proposed mechanism operates at three levels:

1. Monitoring the implementation of the National Programme to Rehabilitate and Develop Cambodia (NPRD). Consultations here seek to ensure that senior government and donor representatives periodically meet to review the progress of NPRD, to further policy dialogues, and to resolve constraints related to NPRD implementation and donor support activities.

2. Government-donor consultations on sectoral, thematic and operational issues. Meetings at this level between the Government and donors aim to promote coordination on various sectoral priorities such as transport, irrigation, rural credit, public administration, poverty, rural development, and de-mining. Specific constraints that hamper the actual implementation of donor-supported programmes will be resolved through working groups.
3. Consultation among donors. Periodic meetings at this level among bilateral, multilateral and NGO representatives seek to facilitate informal exchange of information and views, and to identify issues requiring further consultation with the Government.

In 1995 and 1996 in-country consultations on policy and sectoral reviews will focus on transport, public administration, public investment, education, health, HIV/AIDS, agriculture and rural development, irrigation, rural credit, environment and natural resources, poverty alleviation, food for work, de-mining, telecommunications, and urban development. The effort of the Royal Government and UNDP to organize in-country coordination and sectoral review meetings has been augmented by the World Bank and ADB.

As emergency relief work gives way to rehabilitation and reconstruction the need for strategic planning and the setting of priorities becomes more apparent. Very little coordinated programming has taken place among bilateral, multilateral, and NGO donors in 1992-1995. This has led to some duplication and miscoordination, especially in the provision of technical assistance. More importantly, it has allowed the collective assistance effort to evolve reactively rather than proactively. The steps taken by UNDP to enhance opportunities for proactive aid coordination are most welcome. Likewise the policy and sectoral reviews undertaken by the multilateral financial institutions have helped to focus donor programming. Still the aid coordination effort must be led more and more by the Government, though the pace may be slower, or donor paternalism, so endemic in Cambodia, will continue.²⁹

Countervailing Forces to Coordination

The planned approach to aid coordination in Cambodia clearly includes many elements: ICORC meetings, CDC boards, UNDP in-country aid coordination meetings, World Bank and ADB policy and sectoral reviews, and informal discussions among donors. The fact that this approach has yet to yield desired results may be partly explained, as the SIDA evaluation report points out, by the dynamics of the "aid market" which contains countervailing forces of competition, conflicting interests, and lack of coordination. As aid flows increased to Cambodia, competition arose as new organizations sought to establish their respective niches. Once it became clear that

donors held different views on how the development process should unfold, on how priorities should be set, and on how sector programmes should be designed, coordination broke down. Conflicts also surfaced as agencies maneuvered for project contracts, for control over sector work, for staff in local institutions, and for donor country resources.³⁰

Bilateral, multilateral and NGO agencies compete for resources and have their own institutional survival and growth as primary concerns. As organizations they are bound by mandates, conventions, rules, funding cycles and constituencies. To a large extent approaches to emergency relief and development assistance are conditioned by the value systems and organizational structures of these divergent groups. Not surprisingly, it is difficult to find consensus among donors and implementing agencies about how best to help Cambodia achieve rehabilitation, reconstruction, and development. Theories and governing principles are evolving over time and changing paradigms are common.³¹

While the "aid market" does not necessarily promote effective assistance, it is a powerful force that affects all aid coordination efforts. On the one hand, the "aid market" in Cambodia has been able to mobilize massive resources to accomplish extensive feeding programmes, large-scale public works projects, complex de-mining operations, and a highly organized repatriation process. On the other, it has given rise to inordinate waste and poorly designed programmes, ineffective monitoring systems, corruption as a form of rent-seeking, and the co-opting of government officials through supplemental salaries. A planned approach to aid coordination must take into account the dynamics of the "aid market" and harness or circumscribe these forces in the most effective way.³²

NGO Opportunities in Aid Coordination

There are ample opportunities for the NGO community in Cambodia to become involved in aid coordination efforts. Already the Cooperation Committee for Cambodia (CCC) sits as an observer at the ICORC meetings. Steps should be taken to ensure that the CCC will enjoy the same status at the Consultative Group meetings. In-country aid coordination has also been actively encouraged by CCC representatives. The CCC has been invited to attend UNDP-sponsored donor consultations and sectoral meetings. The CCC will likewise be invited to contribute to UNDP-sponsored government-donor working groups. NGOs, too, are in a position to make important contributions to coordination efforts at provincial levels. NGOs may take the lead here to convene meetings and to institutionalize coordination mechanisms.

On the level of policy formulation, CCC has recently been asked to participate

in, and contribute to, the preparation of the Government's Five-Year Plan. NGOs could likewise explore how they could work closer with the CDC in public investment programming. NGOs could also participate meaningfully in the World Bank poverty assessment scheduled to commence in 1996. NGO contributions to policy discussions require that NGOs generate knowledge and learning from their collective experience and articulate the implications arising from this process. The writing of an inclusive, participatory NGO country strategy paper might be an important first step.

Aid Policy Framework

At the second ICORC meeting held in 1994 in Tokyo the Royal Government presented its National Programme to Rehabilitate and Develop (NPRD) Cambodia.³³ This programme outlines the government's policy framework for utilizing internal and external resources for national development. At the third ICORC meeting held in 1995 in Paris the Royal Government reviewed its policies and priorities for implementing the NPRD.³⁴ The goal of the NPRD is to achieve sustainable development with equity and social justice through economic growth, human development and managed use of natural resources.

The NPRD envisions the government as a partner of the private sector. Within this partnership the government establishes the broad strategy for national rehabilitation and development while the private sector undertakes the lead in national economic growth. The NPRD seeks to implement this vision through a strategy that pursues six interrelated objectives: 1. the rule of law; 2. economic stabilization and structural reforms; 3. human resource development; 4. rehabilitation of physical infrastructure and facilities; 5. integration of the Cambodian economy into the regional and world economies; and 6. rural development.

1. The rule of law seeks to establish the Kingdom of Cambodia as a nation in which law prevails. This entails the need to promote good governance and to create a legal and institutional framework conducive to the emergence of a liberal market economy.
2. The stabilization and structural adjustment of the economy strives to double the Gross Domestic Product (GDP) by the year 2004. This includes measures to reduce state expenditures, control inflation, stabilize domestic currency, privatize state-owned enterprises, increase tax revenues and balance the national budget.
3. Human resource development focuses on investment in people. This involves building the capacity of human resources through technical and professional training and the improvement of basic education and health services.

4. The rehabilitation of physical infrastructure and public facilities centers on capital development projects in irrigation, energy, transportation, communications and water supply. These improvements will be undertaken to support the development of agriculture, industry, tourism, commerce and private investment.
5. The closer integration of the Cambodian economy into the regional and world economies involves the opening of the country to international trade and private foreign investment.
6. Rural development and the sustainable management of natural resources constitutes the foundation of the overall plan. Priorities include provisions for food, water, de-mining, credit, shelter, access to markets and the management of a sustainable resource base.³⁵

The NPRD presents a broad framework of development that most donors are able to support in part, if not in whole. This stems from the programme's ability to incorporate elements from several different approaches to development. Most donors will find something in the NPRD that resonates with their own institutional mandate and priorities. For some, it will be stabilization and structural adjustment reforms in support of a free-market economy. For others, it will be human resource development and investment in people. For still others, it will be the emphasis on rural development and the sustainable management of natural resources. Whatever the particular donor emphasis, the NPRD has sketched the parameters of the development debate in Cambodia. It has also provided an arena for Cambodians and donors of various backgrounds and experience to experiment and work out the contradictions and trade-offs inherent in concrete models of development. It now needs to be complemented by a more detailed, operational plan for development. Perhaps the Five-Year Plan recently developed by the Ministry of Planning with support from the Asian Development Bank (ADB) will help to serve this purpose.

NGO Contributions to NPRD Implementation

Prescribed roles and organization requirements of various donor agencies will inevitably predispose them to emphasize certain aspects of the NPRD over others. This is true as well for NGO programming which tends to focus on human resource development, rural development, and the sustainable management of natural resources. By comparison, bilateral and multilateral donors are likely to emphasize stabilization and structural adjustment reforms and the rehabilitation of physical infrastructure. In the pursuit of NPRD objectives Cambodian government officials, bilateral and multilateral donors and NGOs need to engage each other in a constructive critique of their own and each other's development approaches.

For example, while NGOs recognize the importance of economic growth, they are certain to point out that adjustment measures should not neglect the social needs of vulnerable groups or ecological sustainability. The provision of education and health services is necessary to enable low-wage groups to participate fully in income generation activities. The protection of the environment is likewise crucial for sustained economic development. In a similar manner, NGOs are likely to note that infrastructure projects do not necessarily generate trickle-down benefits for the poor. They will argue that infrastructure projects must respond to the needs of small producers for increased access to land, water, credit, markets, and technology. Otherwise, they will primarily benefit well-to-do Cambodians and foreign investors.

As NGOs address practical aspects of the NPRD, they must speak as well to theoretical issues. For instance, the NPRD acknowledges the importance of the rule of law as a precondition for economic development. It envisions the State as providing the legal framework necessary for attracting foreign investment and generating economic growth. It also envisages the State as a manager of development implementing economic reform measures in support of private investment. The critical development relations are between the State and the Market represented by the private sector. The notion of a Civil Society that holds government accountable for its actions and decisions is not equally emphasized. A state responsive to the needs of its people and supportive of a vibrant market economy must encourage the active involvement of its citizens associations to help define what kind of development is best suited to its nation.

NGOs can contribute to strengthening civil society by developing capacity at the community level, by supporting broadly based and sustainable models of economic development, and by encouraging participation that does not set agendas beforehand. Providing opportunities for vulnerable groups to empower themselves as productive actors in society becomes a central task in the creation of a just and equitable society. NGOs can also serve civil society by strengthening selected government capacities. These include assistance in civil service reform, and support in judiciary reform to ensure the protection of human rights.

IMF/World Bank Stabilization and Structural Adjustment Programmes

While all donors bring their own perspectives to bear on the development of Cambodia, the stabilization and structural adjustment programmes of the IMF and World Bank have, by far, the most leverage on national economic policy. Disbursements of these loans are made conditional on the Royal Government's adherence to market-oriented policy reform. Major bilateral donors, as the principal contributors and decision-makers of the IMF and World Bank, also support the full compliance of the Government to the adjustment programmes of these institutions.

Generally, stabilization measures of the multilateral financial institutions aim to achieve macroeconomic financial balance by:

1. cutting budget deficits in countries experiencing economic crisis, through reducing public spending and/or increasing public revenue;
2. exercising monetary restraint (limiting the amount of credit and money in circulation) in order to reduce inflation;
3. improving the balance of trade of deficit countries through increasing incentives for traditional exports and developing new export activities;
4. reducing demand for imports and fighting inflation through implementing deflationary economic policies, including wage restraint;
5. ensuring that the exchange rate [is] set at a competitive level for exports. When change [is] required, it [is] more likely to involve devaluation than revaluation....³⁶

In addition to monetary and fiscal reforms, structural adjustment policies seek to restructure economies along free-market principles by promoting:

1. drastic reduction of trade barriers protecting the local economy from foreign competition;
2. deep reduction or elimination of subsidies and price controls, which "distort" internal prices for a number of goods and services;
3. restructuring of the financial system and weakening or removal of controls on the movement of capital;
4. privatization of state-owned firms;
5. elimination of control on private foreign investment;
6. reduction of the role of the state, not only in the economy but also in the provision of social services.³⁷

In October 1993, one month after the Royal Government was established, Cambodia's arrears to the International Monetary Fund (IMF) were paid up by grants from several bilateral donors. This cleared the way for the IMF to approve, a few days later, a loan of about US\$ 9 million under its Systemic Transformation Facility (STF). These loans provide temporary financial assistance to member countries facing balance-of-payments difficulties arising from severe trade and market disruptions. The

loan made to Cambodia called for the Government to implement tight fiscal and monetary policies.³⁸

In May 1994 the IMF approved a three-year loan of about US\$ 120 million for Cambodia under its Enhanced Structural Adjustment Facility (ESAF). This loan will be disbursed in six equal amounts in the 1994-1996 period. The ESAF is a concessional lending window assisting members to undertake economic reforms to strengthen balance of payments and to improve prospects for market-oriented growth. Disbursements of the ESAF loan are made conditional on reviews of the reform programme set down in the Policy Framework Paper prepared in April 1994 by Cambodian authorities in collaboration with IMF and World Bank staffs.³⁹

The Government's medium-term macroeconomic programme for 1994-1996 aims to maintain real economic growth of 7-8 per cent annually, to reduce inflation to 5 per cent during 1995 and 1996, and to strengthen the country's external position by raising foreign reserves to the equivalent of four months of imports of goods and services by the end of 1996. Continued fiscal and monetary restraint are accepted as critical for maintaining financial stability. In December 1993 a new budget law was passed to improve the transparency of budget procedures and to strengthen central financial control.⁴⁰

To liberalize Cambodia's trade system the Government in late 1993 eliminated all quantitative import restrictions, and the structure of import tariff was simplified. The exchange rate system was unified in early 1994. The Government also plans to introduce a law under which foreign investment will be freely permitted except for a limited number of items requiring approval. In the 1994-1996 period the Government intends to increase budget revenue through civil service reform, privatization of state-owned enterprises, and military downsizing. In short, the Government's medium-term plan monitored by the IMF seeks to achieve free-market reform through adherence to several structural adjustment measures.⁴¹

Soon after IMF lending had resumed, the World Bank in 1994 approved an Emergency Rehabilitation Project (ERP) for Cambodia for US\$ 63 million. This loan sought to support essential repairs and rehabilitation in infrastructure, agriculture, and social services, and to provide budgetary support. In 1995 the World Bank approved a US\$ 40 million Economic Rehabilitation Credit (ERC) for the purchase of imports and balance-of-payments support. This loan is seen as an intermediate step between the emergency credit and structural adjustment lending. While the release of funds is not tied to specific conditions, the World Bank will monitor the loan in accordance with the Government's Statement of Development Policy prepared in 1995 which details a market-oriented economic reform programme consistent with the Policy Framework Paper.

Developing Alternative Programmes of Structural Adjustment

In recent years, the structural adjustment programmes of the IMF and World Bank have been increasingly criticized for eroding the living standards of the poor. Fiscal austerity and economic liberalization, it is argued, lead to a reduction in government expenditures, a curtailment of consumer subsidies, a fall in real wages, high unemployment, and an increase in indirect taxes. Indeed, structural adjustment programmes of the IMF and World Bank are not designed on the principle of minimizing costs and maximizing benefits to the poor. Consequently, cross-country studies have found specific cases where programme measures have had poverty-worsening effects.⁴²

As an alternative to the market-oriented approaches of the multilateral financial institutions, UNICEF has called for "adjustment with a human face."⁴³ This approach advocates that society's most vulnerable groups be included as an integral part of adjustment policies, rather than being neglected outright or acknowledged by adding "safety-net" measures to existing programmes. This view contrasts with conventional consensus by insisting that economic reform should seek to improve the productivity and incomes of the poor directly, and that essential services and subsidies should be strengthened rather than discarded. It is argued that without the provision of feeder-roads, health clinics, primary schools and potable water the ability of the poor to produce is reduced and the future potential for productivity is impaired, along with social and political stability.⁴⁴

Reviewing the effects of structural adjustment on poverty alleviation one author concludes that the principal policy tasks are to formulate a long-term anti-poverty strategy and ensure that adjustment policies are consistent with that, without detracting from the imperative of adapting the economy to changing circumstances.⁴⁵ Thus:

Although the specifics vary from country to country, a comprehensive anti-poverty strategy is likely to comprise *sectoral* priorities which favour the poor, e.g. smallholder agriculture and the informal sector; *the structure of asset ownership*, e.g. of land; *factoral priorities* which favour labour intensity and employment creation; *improved access* to social and economic services, infrastructure and, above all, education; *fertility restraint*, because of the connections between poverty and family size, and between population growth and unemployment; and *special programmes* in favour of the poorest wherever they are found, including the landless and female-headed households.⁴⁶

Ultimately, it is the primary responsibility of each national government to formulate and implement a comprehensive anti-poverty strategy. Contrary to free-market

prescriptions, defending the interests of the poor against those in society with power and influence will demand extensive interventions by the state.⁴⁷

In contrast to the short- and medium-term perspectives of the IMF and World Bank, alternative approaches have come to view adjustment as part of a continuous process of structural change and economic transformation responding to long-term development objectives and trends. This view focuses attention on social and political processes and on underlying causes generating poverty and inequality. As such, it emphasizes the importance of country-specific strategies and the need for targeting selective policies. Above all, it recognizes the critical requirement for popular participation in adjustment decision-making and implementation to build support for structural reforms and national development.⁴⁸

Redefining the Role of NGOs

Caught up in the historical circumstances that have conditioned the flow of aid to Cambodia, the NGO rehabilitation and development experience with the Cambodian people has been unique in several ways. Since the overthrow of the Khmer Rouge regime in 1979, NGOs have been forced to redefine their roles at successive stages of involvement. A brief review of this history helps to shed light on the present situation.

The Emergency Period

From 1979 to 1982 the international aid community responded generously to the emergency needs of the Cambodian people for food relief. Some NGOs participated in this effort by working with the refugees at the Thai-Cambodian border. A smaller number established a presence within the country. The NGOs working inside Cambodia found themselves responding to the emergency situation in unaccustomed ways, providing material support to meet rehabilitation needs in virtually all sectors of the Cambodian economy and society. Priority attention was given to health and agriculture with NGO activities focused on the provision of physical infrastructure, water supply, agricultural inputs, industrial spare parts, transport equipment, and medical and hospital supplies. While emergency efforts were hampered by the lack of transport and communications infrastructure, the relative isolation of the country encouraged coordination between NGOs and multilateral agencies.⁴⁹

Isolation and Advocacy

The period from 1982 to 1987 was one of isolation and advocacy. In 1982 the United Nations declared the emergency over and imposed an aid embargo on the country to force an end to the Vietnamese presence in Cambodia. Inside the country NGOs continued to provide reconstruction assistance, although with less resources at their disposal than during the emergency period. Projects requiring substantive material and technical inputs from industrialized countries began to slow down. The Cambodian government also monitored the work of NGOs more closely. At the border, the Thai and resistance military forces controlled the camps and humanitarian assistance.

The disastrous effects of the isolation heightened NGO advocacy work to end to the embargo on humanitarian assistance to the Cambodian people. By 1986 the length of the political stalemate, and the consequent suffering that it entailed, forced a broad movement of NGOs to consider alternatives to merely maintaining inadequate reconstruction programmes in the country. In 1986 the NGO Forum in Europe was established to develop strategies for addressing international political issues which hindered humanitarian and reconstruction efforts. A study entitled *Punishing the Poor: The International Isolation of Kampuchea* was commissioned by the NGO Forum to document the effects of the international embargo on Cambodia. Campaigns based on the study were a major part of NGO activities begun during this period.⁵⁰

Political Settlement and Liberalization

The meeting between Prince Norodom Sihanouk and Prime Minister Hun Sen in France in December 1987 opened negotiations which led to the successful signing of the Paris Peace Accords in October 1991. In the period 1988 to 1991 the country moved toward a resolution of the political stalemate and accelerated reforms toward the liberalization of the economy and society which enhanced the overall effectiveness of NGO work. NGOs were now able to place staff in the provinces, to involve themselves in direct training of Cambodia counterparts, and to participate more meaningfully in programme planning and implementation. NGOs also began to initiate community development projects at the village level where they have traditionally centered their work. Some bilateral donors reversed their stance on the boycott and began to implement programmes through NGOs.⁵¹

Transition and Aid Infusion

In 1992 NGOs anticipated the long-awaited restoration of aid relations

between the international donor community and Cambodia with mixed feelings of promise and foreboding. Cognizant of the dynamics of large and sudden aid inflows NGO observers were quoted as saying, "Cambodia has survived the war; it has survived the Khmer Rouge regime; it has survived the embargo and the international isolation of the 1980s; but will it survive the influx of aid and aid agencies?"⁵²

As expected, the period 1992 to 1995 has been marked by political and economic transition and large aid infusions. The United Nations Transitional Authority in Cambodia (UNTAC) helped to oversee the repatriation and election process but, its cost of US\$ 1.72 billion notwithstanding, did little to enhance the reconstruction effort. That was left to bilateral, multilateral, and NGO donors. Since UN agencies and NGOs were already operating on the ground it was convenient for bilateral donors to initially channel funds through them. The number of NGOs working inside Cambodia soon mushroomed. In 1990 the Cooperation Committee for Cambodia (CCC) was formed to facilitate information exchange between NGOs and to provide a forum for NGO coordination on issues of common concern. In 1994, the NGO Forum on Cambodia moved its office to Phnom Penh to pursue its advocacy agenda from within Cambodia.

In 1994, 130 of the more than 200 NGOs in Cambodia reported to the CCC that they had spent a total US\$ 70.236 million on 297 projects for the year. This included core resources as well as contributions from bilateral and multilateral donors. Priority sectors for project spending were health (US\$ 19.7 million), vulnerable groups including women and children (US\$ 9.3 million), community development (US\$ 9.2 million), education and training (US\$ 7.7 million), animal husbandry and fisheries (US\$ 6.6 million), partnership and technical assistance (US\$ 6.2 million), agriculture, rural development and forestry (US\$ 5.6 million), and water and sanitation (US\$ 4 million).⁵³

Of interest to note, only US\$ 12.313 million (18 per cent) of NGO project spending in 1994 went specifically to projects in Phnom Penh. A total US\$ 28.597 million (41 per cent) went specifically to projects in designated provinces, US\$ 23.310 million (33 per cent) went to projects in more than one province, and US\$ 6.016 million (8 per cent) went to projects in all provinces. This underscores the special commitment of NGOs to the rural areas of Cambodia. In 1994 the provinces of Pursat, Battambang, Banteay Meanchay, Kandal, and Kompong Chhang were major recipients of NGO assistance.⁵⁴ In 1995 NGOs pledged an additional US\$ 75 million in assistance to Cambodia.⁵⁵

Strengthening the Collective Capacity of NGOs

In 1992 a study commissioned for the ministerial meeting by four NGO

groups, including the CCC and NGO Forum, emphasized the need for NGOs to develop the capacity among members to systematically analyze their collective experience and to articulate the policy implications arising out of this process.⁵⁶ The report identified four pressing tasks for NGOs:

1. Implement, facilitate, and encourage sectoral analysis, learning and sharing of information within the NGO community;
2. Develop and implement an advocacy strategy on development issues to the Cambodian government and the donor community based on the analysis generated;
3. Develop the capacity to monitor and critique the process for planning and implementing the large-scale rehabilitation and reconstruction effort; and
4. Inform and educate the broad donor community and the emerging Cambodian government as to the capabilities, roles, programmes, and accomplishments and failures of the NGO community.⁵⁷

These observations and challenges remain as relevant today as they did three years ago.

The proposals of the 1992 report focus mainly on issues of policy and coordination. In the past three years the issue of partnership has also become more critical. The NGO community increasingly acknowledges that it has to develop partnerships with Cambodian groups for advocacy on aid issues. The issue is not only one of capacity building. It is fundamentally one of defining the kind of development most suited to Cambodia. Large aid infusions by bilateral and multilateral donors often seek immediate results at the expense of nurturing Cambodian participation. At times NGOs have unwittingly exacerbated this situation by providing services for bilateral and multilateral donors that bypass local institutions. More critically, NGO meetings are normally conducted in English, without Khmer translation, cultivating a dominance of Western voices and points of view. The Khmer workshop held in July 1995 poignantly illustrates that in a familiar setting Cambodian members of local and foreign NGOs are able to express themselves clearly and forcefully. The task of strengthening civil society in Cambodia demands that local and foreign NGOs devote greater attention to the task of developing genuine partnerships and coordinated advocacy strategies.

As bilateral donors have established their own country programmes in Cambodia their reliance on NGO initiatives has receded. Bilateral assistance has become more focused and NGOs have tended to become the implementing agencies

of bilateral projects. Multilateral donors have also devoted substantial resources to policy planning and sectoral reviews. More and more these strategy papers will guide development assistance programming in Cambodia. While NGOs still command great respect for their past contributions, they could become marginalized in the near future as bilaterals and multilaterals assume greater responsibility for programme planning and policy formulation.

The NGO community in Cambodia has been given an opportunity to participate in development discussions at the highest levels. This opportunity need not be squandered. However, it demands that NGOs take the necessary steps to participate intelligently in policy debates. If NGOs are to develop an advocacy strategy for promoting models of sustainable development they must generate knowledge and share learning gained from their actual experience. This requires that NGOs rise above the inherent competitiveness which besets all development organizations to assess together the strengths and weaknesses of their respective programmes.

Monitoring Large Development Programmes

NGOs have likewise to develop the capacity to monitor large development programmes effectively and to advocate for alternatives, if necessary. This has become more apparent in the past year. In responding to a 1995 questionnaire on bilateral and multilateral development assistance NGOs voiced concern over the impact of the European Union's 30-month, US\$ 80 million Rehabilitation Programme. This effort which focuses on rural development, primary education, institutional capacity and technical assistance, human rights, and rehabilitation has been described by European Union officials as a "crash programme" since it seeks to manifest quick results in a short period of time. For NGOs such an approach is problematic for it seemingly disregards widely accepted development principles of process, participation, and long-term sustainability. In practical terms, the large scope and rush nature of European Union projects such as village credit and water management schemes risk undermining similar initiatives undertaken by other donors in the same geographical areas.⁵⁸

In a similar manner NGO working groups in Cambodia have voiced concern over development projects planned for the cross-border Mekong River Basin. The Mekong River runs through Cambodia, Laos, Myanmar, Thailand, Viet Nam and the Yunnan Province of the People's Republic of China. With a length of 4,200 kilometers it is the longest river in Southeast Asia and the tenth largest in the world. Over 50 million people in the region, including 5 million or half the population of Cambodia, rely on the Mekong for their livelihoods.

In April 1995 the Mekong River Commission (MRC) was formed and the Agreement on Cooperation for the Sustainable Development of the Mekong River Basin was signed by representatives of Cambodia, Laos, Thailand and Vietnam. China and Myanmar are expected to join the commission and sign the agreement in the future. The United Nations Development Programme (UNDP) and the Asian Development Bank (ADB) were actively involved in supporting the negotiations and drafting the agreement. Several months prior to the signing of the new agreement, the Mekong Secretariat published a report entitled *Mekong Mainstream Run-of-River Hydropower* which recommended the construction of 11 dams along the river with a total generating capacity of about 15,000 megawatts (MW) at a cost of US\$ 23.3 billion. If completed, these dams would flood 1,900 square kilometers and displace more than 70,000 people. Three of the proposed dams, the Sambor, the Strung Treng and the Tonle Sap, are located in Cambodia.

The construction of dams in Laos and Cambodia principally for the generation and sale of hydroelectric power to Thailand offers the prospect of huge profits. However, environmentalists point to the severity of potential adverse ecological consequences. Water flows would be reduced. Seasonal flooding replenishing the fertility of agricultural lands would be limited. The migration and spawning habits of fish would be interrupted. Fish stocks would decrease. Clearly, the economic costs of social disruption and ecological degradation arising from proposed Mekong River Basin development projects need to be rigorously documented.⁵⁹

Future Directions for NGOs

NGO work on development assistance is best situated and pursued within the framework of existing NGO coalitions such as the Cooperation Committee for Cambodia and the NGO Forum on Cambodia. Both of these organizations are recognized for their active involvement in aid coordination and advocacy and are in a position to speak on behalf of large numbers of NGOs. While each coalition has its own separate mandate, ample opportunities exist for serious collaboration at programme levels. It is important for both groups to continue to delineate their respective roles in relation to one another, and to identify those areas of development assistance where they can best work together or separately.

It is perhaps unrealistic to expect a strong, coordinated programme of NGO involvement in aid monitoring and advocacy to emerge before the coalitions have in place their new staff members. The NGO Forum has recently completed a search for a Country Representative. The CCC has likewise recruited an Executive Director, a position that will enlarge the present mandate of the Executive Secretary. Once these new staff persons commence their work, both organizations should be able to address their commitment to a coordinated programme of development assistance

more surely. Likewise, the CCC NGO development analyst position holds potential as a focal point for NGO work on development assistance.

Most CCC and NGO Forum members are involved in their own country programmes and are unable to spend extended periods of time on policy research, analysis and advocacy. If the NGO community as a whole is to interact effectively with bilateral and multilateral donors, and the Royal Government, on issues of aid coordination and policy, staff members of these coalitions must be able to initiate research, to facilitate advocacy, and even to act in a representational capacity. Some of the research may be accomplished through short-term consultancies. However, the commitment to develop local capacity and partnership for advocacy on aid issues suggests an institutional arrangement involving Cambodian researchers and analysts as an integral part of a long-term approach.

Once the CCC and the NGO Forum determine how best to proceed organizationally on issues of development assistance, several programme tasks await them. The following are suggestive:

Policy

1. *To develop the capacity among members to systematically analyze their collective experience and to articulate the policy implications arising from this process.*
2. *To develop sectoral reviews to complement those commissioned by bilateral and multilateral donors.*
3. *To contribute to a body of literature on community-based development alternatives in Cambodia.*
4. *To participate effectively in planning processes with the Government and donors.*
5. *To develop the capacity to monitor and critique large-scale development projects.*

Coordination

1. *To participate effectively in the Consultative Group meeting in Tokyo in 1996.*
2. *To develop closer working relationships with the Council for the Development*

of Cambodia (CDC) and the UNDP office on aid coordination.

3. *To explore ways of establishing improved mechanisms for aid coordination at provincial levels.*
4. *To participate effectively in the upcoming World Bank poverty analysis.*
5. *To contribute to the formulation of a long-term anti-poverty strategy to guide structural adjustment programming.*

Partnership

1. *To sponsor a special English-Khmer workshop on the theme of partnership to facilitate a greater understanding of cross-cultural development perspectives and approaches.*
2. *To communicate relevant development experiences to Cambodians from member home countries, particularly in the area of natural resource management.*
3. *To communicate relevant development experiences to Cambodians from similarly-placed countries of the South.*
4. *To develop networks with regional and international NGO groups on development assistance issues of mutual concern.*

Toward More Effective Development Cooperation

In recent years considerable attention has focused worldwide on the issue of foreign aid. In North America the very notion of foreign aid is perceived to be in crisis, while in Europe the consensus is less so, and in Japan, by contrast, support for overseas assistance is high. Whether foreign aid is in crisis or in transition, the present moment in development cooperation is surely one of profound rethinking, serious policy and budget review, and necessary and inevitable reform.

A special report of the Overseas Development Institute reviews current arguments and discussions on foreign aid among research institutes in the major donor countries.⁶⁰ While the report finds no broad support for the claim that foreign aid is in crisis, it suggests that the current period of assessment provides an opportunity for a redefinition and revitalization of development cooperation. In sum, the report identifies three major components that appear to be critical for building

new models of development cooperation:

1. The rationale [should embody] a common agenda of human development and security which promotes not only economic growth but also democracy, reduced military expenditures, and capacity building (among others), and focuses on issues of employment, migration, population, poverty, the environment, health, social and economic inequity, and human rights;
2. The governing framework [should delineate] a partnership approach with member rights and responsibilities and mutual accountability; and
3. The guidelines for resource allocation [should provide] separate and additional funds for new claimants and global problem-solving, with overseas development assistance reserved for the poorest countries and modelled on the principles of 'real aid': poverty-focused with accelerated graduation, unpolluted, untied, participatory, inclusive of social concerns, and based on coherent donor policies.⁶¹

The report underscores the unanimity that exists in donor policy research institutes about the need for a longer-term and broader approach both to the planning of development assistance and for its subsequent evaluation. The increased amount of relief aid in recent years is noted as a matter of concern, its popular appeal notwithstanding, for emergence assistance can be costly and wasteful compared with investing aid money in development.⁶² While acknowledging that quality of aid is difficult to assess, the report suggests several ways to improve aid effectiveness.

1. Adopting a longer-term, process-oriented approach, with greater emphasis on project implementation, including mechanisms and incentives for monitoring and evaluation;
2. Strengthening indigenous institutions and developing (and using) local expertise;
3. Increasing local participation. However, this should ultimately be the responsibility of local governments and is therefore rather an issue of institutional strengthening and capacity building;
4. Minimising aid dependency. Aid dependency is recognized as being more a result of poor quality (i.e. low investment in capacity building) than of excessive quantity. Therefore, despite the traditional reluctance to fund recurrent expenditures, it is suggested that budget support for certain costs, such as education, can have positive results especially if it is limited to a fixed time-frame;

5. Improving donor policy coherence. Often donor trade and procurement policies undermine their own assistance efforts; and
6. Reducing the transaction costs of bilateral assistance delivery.⁶³

Moving Toward an Effective Development Assistance Programme in Cambodia

From 1992 to 1995 Cambodia has been the recipient of US\$1.72 billion in UNTAC funds and US\$ 1.3 billion in emergency relief and development assistance. From the view of the donor community these are huge aid flows into a single country in a four-year period. Still it must be emphasized that the majority of these funds have not been directed specifically at development assistance. The UNTAC funds were spent primarily for peacekeeping, repatriation and resettlement. Likewise much of the external assistance disbursed by bilateral and multilateral donors has gone to emergency needs.⁶⁴ While the process of rehabilitation, reconstruction and development has been initiated, it will need to be sustained for at least a decade to come. Will the money be there to support it? While disbursements have steadily increased in the 1992-1995 period they are likely to level off in the next few years, and then begin to decline. Donors need to plan now to ensure support for long-term development assistance to Cambodia. The task is as critical now as it was four years ago. Based on current trends the collective programme needs to be more focused and process-oriented, and better coordinated and evaluated. It needs to center more on the enabling of vulnerable groups in rural communities and on promoting agricultural productivity and diversification. It needs to rebuild indigenous institutions and social services. It needs to rely on grant contributions as well as on loans. And most importantly, it needs to be less donor-dependent and more Cambodian-driven.

NOTES

1. see Joel Charny, "Kampuchea" in Joel Charny and John Spragens, Jr. eds., *Obstacles to Recovery in Vietnam and Kampuchea: U.S. Embargo of Humanitarian Aid* (Boston: Oxfam America, 1984), 74-75; Eva Mysliwiec, *Punishing the Poor: The International Isolation of Kampuchea* (Oxford: Oxfam, 1988), 72; Brent Bernander, Joel Charny, Marita Eastmond, Claes Lindahl and Joakim Ojendal, *Facing a Complex Emergency: An Evaluation of Swedish Support to Emergency Aid to Cambodia* (Stockholm: Swedish International Development Authority, March 1995), 153-154.
2. Joel Charny, "The Embargo" in Joel Charny and John Spragens, Jr. eds., *Obstacles to Recovery in Vietnam and Kampuchea: U.S. Embargo of Humanitarian Aid* (Boston: Oxfam America, 1984), 1-16; Mysliwiec, *Punishing the Poor*, 80-81, 108-110.
3. Bernander et al, *Facing a Complex Emergency*, 22 footnote 3.
4. Bilateral donors who have committed aid to Cambodia in the 1992-1995 period include Austria, Australia, Brunei, Canada, China, Denmark, Finland, France, Germany, India, Indonesia, Ireland, Italy, Japan, Laos, Malaysia, Netherlands, New Zealand, Norway, Philippines, Russia, Singapore, South Korea, Spain, Sweden, Switzerland, Thailand, United Kingdom, United States, and Vietnam.
5. Disbursements for the International Monetary Fund (IMF) do not include the release of the third payment of the Enhanced Structural Adjustment Facility expected before the end of 1995.
6. Bernander et al, *Facing a Complex Emergency*, 154.
7. Bernander et al, *Facing a Complex Emergency*, 154.
8. Presentation by Mr. Roger Guarda, United Nations Development Programme (UNDP) Resident Representative and UN Resident Coordinator in Cambodia, at the occasion of the third session of the International Conference on the Reconstruction of Cambodia, Paris, March 1995, 2.
9. These classifications are based on UNDP definitions of types of assistance. Technical assistance includes both free-standing technical cooperation and investment-related technical cooperation. From 1992 to 1995 free-standing technical cooperation in Cambodia amounted to US\$ 266 million (19 per cent of total disbursements) while investment-related technical cooperation amounted to US\$ 88.8 million (7 per cent of total disbursements). See Council for the

Development of Cambodia (CDC)/UNDP, "Development Cooperation Report (1994/1995)," Main Report, June 1995, 6.

UNDP defines free-standing technical cooperation as the provision of resources aimed at the transfer of technical and managerial skills and know-how or of technology for the purpose of building up national capacity to undertake development activities, without reference to the implementation of any specific investment project(s). Free-standing technical cooperation includes pre-investment activities, such as feasibility studies, when the investment itself has not yet been approved or funding not yet secured.

UNDP defines investment-related technical cooperation as the provision of resources, as a separately identifiable activity, directly aimed at strengthening the capacity to execute specific investment projects. Included under investment-related technical co-operation would be pre-investment type activities directly related to the implementation of an approved investment project.

UNDP defines investment project assistance as the provision of financing, in cash or in kind, for specific capital investment projects, i.e., projects that create productive capital which can generate new goods or services. Investment project assistance may have a technical co-operation component.

UNDP defines budgetary aid/balance of payments support as the provision of assistance which is not cast in terms of specific investment or technical co-operation projects but which is provided for the specific purpose of supporting the recipient's balance-of-payments position and making available foreign exchange. This category includes non-food commodity input assistance in kind and financial grants and loans to pay for commodity inputs. It also includes resources ascribed to public debt forgiveness.

UNDP defines food aid as the provision of food for human consumption for developmental purposes, including grants and loans for the purchase of food. Associated costs such as transport, storage, distribution, etc., are also included in this category, as well as donor-supplied, food-related items such as animal food and agricultural inputs related to food production, when these are part of a food aid programme.

UNDP defines emergency and relief assistance as the provision of resources aimed at immediately relieving distress and improving the well-being of populations affected by natural or man-made disasters. Food aid for humanitarian and emergency purposes is included in this category. Emergency and relief assistance is usually not related to national development efforts nor to enhancing national capacity. Although it is recorded as Official Development Assistance (ODA), its focus is on humanitarian assistance and not on development co-operation as such. See CDC/UNDP, "Development Cooperation Report (1994/1995)," 25.

10. CDC/UNDP, "Development Cooperation Report (1994/1995)," 7 Table 2.

11. CDC/UNDP, "Development Cooperation Report (1994/1995)," 7 Table 2. Note that corrections have been made in the percentage calculations.
12. CDC/UNDP, "Development Cooperation Report (1994/1995)," 7 Table 2.
13. Statement by the Asian Development Bank, Third Meeting of the International Committee on the Reconstruction of Cambodia, Paris, France, 14-15 March 1995. Agenda Item 3: Implementation of Aid and Improvement in Absorptive Capacity and Agenda Item 5: Assistance Program to Cambodia.
14. Interview with Reza Vaez-Zadeh IMF Senior Resident Representative, Phnom Penh, 25 July 1995.
15. see Cambodia Development Resource Institute (CDRI), *Guide to International Aid and Lending Institutions*, Second Edition, February 1994, 133; IMF "Economic Reviews" Number 8, Cambodia, August 1994, 4.
16. "Cambodia Rehabilitation Program: Implementation and Outlook, A World Bank Report for the 1995 ICORC Conference," The World Bank East Asia and Pacific Region Country Department I, February 1995, 24, 27 Table 2.5.
17. Personal communications with K.P.Kannan.
18. Interview with Reza Vaez-Zadeh IMF Senior Resident Representative, Phnom Penh, 25 July 1995.
19. Statement by the Asian Development Bank, Third Meeting of the International Committee on the Reconstruction of Cambodia, Paris, France, 14-15 March 1995. Agenda Item 3: Implementation of Aid and Improvement in Absorptive Capacity and Agenda Item 5: Assistance Program to Cambodia.
20. Food and Agriculture Organization (FAO), "Cambodia: Agricultural Development Options Review (Phase 1)," Volume 1, April 1994, 77.
21. Asian Development Bank, Manila/Queensland Education Consortium, Australia, "The Royal Government of Cambodia, Education Sector Review," July 1994, Volume 1, Executive Summary, 2; Volume 3, Education Investment Framework and Program, 59.
22. CDC/UNDP, "Development Cooperation Report (1994/1995)," 13.
23. Asian Development Bank, "Country Operational Strategy for the Kingdom of Cambodia: Rebuilding the Capacity for Economic Reconstruction and

- Development," May 1995, 39.
24. SweRoad in association with MariTerm and LanXang International, "Cambodia Transport Rehabilitation Study," Final Report, March 1995, for Asian Development Bank co-financed by SIDA and UNDP, 92.
 25. Norconsult International A.S., "Promoting Subregional Cooperation Among Cambodia, Lao PDR, Myanmar, Thailand, Viet Nam and Yunnan Province of the People's Republic of China," Subregional Energy Sector Study for Asian Development Bank, Final Report, November 1994, 11-2.
 26. CDC/UNDP, "Development Cooperation Report (1994/1995)," 14.
 27. This information was compiled from reports of the Cambodian Investment Board. For details on investment projects approved from August to December 1994 see *Phnom Penh Post*, January 27-February 9, 1995, 12. For a discussion of the investment projects approved from January to May 1995 see Susan Postlewaite, "CIB Approves \$374m in Five Months," *Phnom Penh Post*, June 2-15, 1995, 13. For a presentation of investments in Cambodia by sector see *The Cambodia Daily*, May 30, 1995, 6. For a discussion of Malaysian investments in Cambodia see Michael Hayes, "The Malaysian Business Connection," *Phnom Penh Post*, January 27-February 9, 1995, 13.
 28. UNDP, Press Release, "In-Country Aid Coordination in Cambodia," (not dated).
 29. Bernander et al, *Facing a Complex Emergency*, 162.
 30. Bernander et al, *Facing a Complex Emergency*, 157-158.
 31. Bernander et al, *Facing a Complex Emergency*, 158.
 32. Bernander et al, *Facing a Complex Emergency*, 157-161.
 33. The Royal Government of Cambodia, "The National Programme to Rehabilitate and Development Cambodia," February 1994.
 34. The Royal Government of Cambodia, "Implementing the National Programme to Rehabilitate and Develop Cambodia," February 1995.
 35. This section originally appeared in the Cambodia Development Resource Institute Annual Report, July 1994 - June 1995, 1-2.
 36. Cynthia Hewitt de Alcantara, "Structural Adjustment in a Changing World,"

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37. Hewitt de Alcantara, "Structural Adjustment in a Changing World," 8.
 38. International Monetary Fund, "Cambodia," IMF Economic Reviews, 8, August 1994, 4-5.
 39. International Monetary Fund, "Cambodia," 5. See also International Monetary Fund, "Policy Framework Paper," 1994-1996, Cambodia, 14 April 1994.
 40. International Monetary Fund, "Cambodia," 5-6.
 41. International Monetary Fund, "Cambodia," 6-7.
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 46. Killick, "Structural Adjustment and Poverty Alleviation," 323. Emphasis in the original.
 47. Killick, "Structural Adjustment and Poverty Alleviation," 318-320, 325.
 48. Killick, "Structural Adjustment and Poverty Alleviation," 318-319, 325, 327-328; Tarp, *Stabilization and Structural Adjustment*, 3, 143-149, 159, 165.
 49. see "Forging Cambodia's Future in Partnership," Report of the NGO Development Workshop, March 13-14, 1992, Phnom Penh, Cambodia, 6-7; Joel R. Charny, "NGOs and the Rehabilitation and Reconstruction of Cambodia," Phnom Penh, Cambodia, July 1992, 4; Eva L. Mysliwiec, "Cambodia: NGOs in Transition," A paper written for the workshop on the Social Consequences of the Peace Process in Cambodia, Geneva, 29-30 April 1993, 8-9.

50. see "Forging Cambodia's Future in Partnership," 7-8; Charny, "NGOs and the Rehabilitation and Reconstruction of Cambodia," 5; Mysliwicz, "Cambodia: NGOs in Transition," 9-10.
51. see "Forging Cambodia's Future in Partnership," 8-9; Charny, "NGOs and the Rehabilitation and Reconstruction of Cambodia," 5; Mysliwicz, "Cambodia: NGOs in Transition," 10-11.
52. Mysliwicz, "Cambodia: NGOs in Transition," 11.
53. Cooperation Committee for Cambodia, "NGO contribution to the draft Five-Year Plan document," (not dated), 2 Table 1.
54. Cooperation Committee for Cambodia, "NGO contribution to the draft Five-Year Plan document," (not dated), 3 Table 2.
55. NGO Statement to the Third Meeting of the International Committee on the Reconstruction of Cambodia (ICORC), Paris, March 14-15, 1995, 1.
56. Charny, "NGOs and the Rehabilitation of Cambodia," 23.
57. Charny, "NGOs and the Rehabilitation of Cambodia," 25.
58. For a discussion of the controversy surrounding the European Union programme see Benjamin Quenelle, "Funding Giant Faces Its Critics," *Phnom Penh Post*, September 8-21, 1995, 8. For a response from the Cooperation Committee on Cambodia (CCC) and the NGO Forum on Cambodia see *Phnom Penh Post*, September 22 - October 5, 1995, 7.
59. For information on the Mekong River Commission and development plans for the Mekong River Basin see *Watershed*, 1, 1, June 1995 and 1, 2, November 1995 - February 1996; Heng Sok Chheng, "Plans to Dam the Mekong Causing Widespread Concern," *Phnom Penh Post*, August 11-24, 1995, 10; Andrew Nette, "Damming the Mekong, Damning the Consequences," *Phnom Penh Post*, October 20 - November 2, 1995, 17; and "The Flood Gates Open: The Mekong River Commission and Cambodia," NGO Forum on Cambodia, January 1996.
60. Adrian Hewitt, ed., *Crisis or Transition in Foreign Aid*, (London: Overseas Development Institute, 1994). In separate sections of the report, individual authors examine development cooperation in Canada, Denmark, The European Union, France, Germany, Italy, Japan, the Netherlands, Norway, Sweden, the United Kingdom, and the United States.

61. Hewitt, ed., *Crisis or Transition in Foreign Aid*, 95.
62. Hewitt, ed., *Crisis or Transition in Foreign Aid*, 89.
63. Hewitt, ed., *Crisis or Transition in Foreign Aid*, 94.
64. From 1992 to 1995 the combined UNTAC and bilateral and multilateral emergency and development assistance funds disbursed to Cambodia amounted to about US\$ 3 billion. If one were to subtract the UNTAC peacekeeping and repatriation funds and the food aid/emergency and relief aid to arrive at a closer measure of development assistance, the four-year total would be about US\$ 1 billion. With the estimated population of Cambodia at 10 million, this amounts to about US\$ 25 per person per year for four years.

APPENDIX 1

Summary Presentations of Major Multilateral and Bilateral Donor Programmes in Cambodia

The summary presentations that follow are based primarily on interviews with donor representatives and/or on written documents that they provided. For a list of persons interviewed and/or from whom materials were received see Appendix 2. For a list of the Guide Questions see Appendix 3.

MULTILATERAL PROGRAMMES

International Monetary Fund

In October 1993 Cambodia's arrears of US\$ 53 million to the International Monetary Fund (IMF) were paid up by grants from Japan, France, Australia, Sweden, Denmark and the Netherlands. This cleared the way for the IMF to approve a loan to the Royal Government of Special Drawing Rights (SDR) 6.25 million (about US\$ 9 million) under its Systemic Transformation Facility (STF). STF loans provide temporary financial assistance to member countries facing balance-of-payments difficulties arising from severe trade and market disruptions. The loan made to Cambodia called for the Government to implement tight fiscal and monetary policies.

In May 1994 the IMF approved a three-year loan of SDR 84 million (about US\$ 120 million) for Cambodia under its Enhanced Structural Adjustment Facility (ESAF). The ESAF is a concessional lending window assisting members to undertake economic reforms to strengthen balance of payments and to improve prospects for market-oriented growth. ESAF loans carry an interest rate of .5 per cent and are repayable over 10 years with a grace period of five and a half years. In addition, the IMF provided a grant of US\$ 2 million to fund technical assistance to the Cambodian National Bank and Ministry of Finance.

The ESAF loan will be disbursed in six equal amounts in the 1994-1996 period provided that requirements set down in the Government's Policy Framework Paper are met. The medium-term objectives of the Government's plan are to achieve economic growth of 7-8 per cent, reduce the rate of inflation to a rate of about 5 per cent, and strengthen the official foreign reserve position. The Government also intends to liberalize trade and investment policies, privatize public enterprises, reform the civil service and downsize the military.

In February 1994 the IMF Executive Board approved an increase in Cambodia's quota from SDR 25 million to SDR 65 million. A country's quota in the IMF reflects the size of its economy and its importance in world trade. The quota determines voting power in the IMF and potential access to the various IMF lending facilities. In May 1994 the IMF reopened its resident office in Phnom Penh.

World Bank

In 1994 the World Bank approved a US\$ 63 million Emergency Rehabilitation Project (ERP) for Cambodia sourced from its soft loan facility, the International Development Association (IDA). This first World Bank credit to the country sought to support essential repairs and rehabilitation in infrastructure, agriculture, and social services, and to provide budgetary support. It was followed in 1995 by a World Bank US\$ 17 million Technical Assistance Loan to help strengthen public expenditure control, public investment budgeting, debt management, and civil service reform. In 1995 the World Bank approved, in addition, a US\$ 40 million Economic Rehabilitation Credit (ERC) for the purchase of imports and balance-of-payments support. This loan is envisioned as an intermediate step between the emergency credit and adjustment lending. The release of funds is not tied to specific policy conditions or structural reforms.

As the situation in Cambodia is seen to stabilize, the World Bank anticipates developing a programme of financial and technical assistance that focuses on institutions of macroeconomic management, agriculture and natural resources, infrastructure, and human resource development. In the short-term the World Bank intends to support capacity building in the central government, analytical efforts to increase the knowledge base, and small-scale interventions in selected areas of rehabilitation and reconstruction. In the long-term the World Bank looks to support investment projects and sustained interventions in key subsectors.

Upcoming lending activities of the World Bank in Cambodia include a Social Fund Project in 1995, a Phnom Penh Power Rehabilitation Project in 1996, an Infrastructure Rehabilitation Project in 1997, and an Agricultural Productivity and Rural Development Project in 1997. The Social Fund will finance the rehabilitation of education and health facilities, the rehabilitation of roads, bridges, water supply and sanitation facilities, and social services. The Power Rehabilitation Project will concentrate on restoring the electricity distribution system in the Phnom Penh area. The Infrastructure Rehabilitation Project will focus particularly on river transport, the railway network, and water supply facilities. The Agricultural Productivity and Rural Development Project will stress institutional capacity building, and rural development in southeast Cambodia. IDA loans are interest free to be paid back in 40 years with a 10-year grace period. The World Bank plans to provide US\$ 60-75 million in IDA

loans to Cambodia annually from 1996 through 1998.

Asian Development Bank

In November 1992 the Asian Development Bank (ADB) approved a US\$ 67.7 million Special Rehabilitation Assistance Loan to Cambodia for agriculture, transport, energy and education. Actual implementation was begun in July 1993. In 1994 ADB financed a US\$ 28.2 million loan for the Power Rehabilitation Project. In 1995 ADB approved US\$ 40 million in loans for the Capacity Building for Rural Infrastructure Rehabilitation and Basic Skills Rehabilitation projects.

In 1996 ADB plans to approve US\$ 80 million in loans to Cambodia for agriculture, transport, water supply, education and health. In 1997 ADB tentatively plans to approve US\$ 80 million in loans for physical and social sectors. Total ADB loans to Cambodia in the 1992-1997 period are thus estimated at US\$ 296 million with more than two-thirds contracted in the 1995-1997 period. ADB loan terms are for 40 years at one per cent interest with no payments required for the first 10 years.

From 1992 to 1994 ADB provided US\$ 20 million in grants to Cambodia for technical assistance in institutional strengthening, capacity building, sectoral assessments, and the preparation and design of future loan projects. In the period 1995 to 1997 ADB plans to provide technical assistance grants in amounts ranging from US\$ 8 million to US\$ 10 million annually.

The ADB programme in Cambodia focuses on strengthening the base for a market economy and developing human resources. ADB seeks to support the base for a market economy by building capacity for macroeconomic management and planning, by strengthening the judicial and legal systems, by developing the policy framework of sectors for project lending, and by improving the administrative and technical capacities of government departments responsible for implementing ADB loans. ADB aims to support human resource development by improving the public sector health and education systems, by expanding income-generating and employment opportunities for women and the poor, and by promoting self-help and group activity through NGOs.

United Nations Development Programme

The United Nations Development Programme (UNDP) established a liaison office in Cambodia in October 1990, after having previously contributed to emergency relief operations along the Thai-Cambodian border. From September 1991 to July 1994 UNDP authorized US\$ 65.5 million for rehabilitation assistance to

Cambodia with an additional US\$ 23.7 million required for the First Country Programme scheduled from October 1994 to December 1996. With cost-sharing from other donors estimated at US\$ 29.2 million, total resources allotted for UNDP programmes from 1991 through 1996 amount to US\$ 118.4 million.

UNDP assistance to Cambodia has been wide ranging focusing on rural development and reintegration, rehabilitation of essential infrastructure, sectoral surveys and the formulation of policy options, advisory services and training, and aid coordination. UNDP implements integrated rural development through the Cambodian Resettlement and Reintegration (CARERE) programme. UNDP carries out employment and income generation activities through the International Labour Organization (ILO). UNDP supports de-mining through the Cambodian Mine Action Centre (CMAC). UNDP funds sectoral surveys such as the Agricultural Development Options Review and the Irrigation Rehabilitation Study through consultants. UNDP provides advisory services and training in macroeconomic management in collaboration with ADB and IMF. UNDP promotes aid coordination through assistance to the Council for the Development of Cambodia (CDC).

UNDP's First Country Programme will continue to concentrate on rural poverty alleviation and capacity building for the management of national reform processes. The focus of poverty alleviation will be on integrated rural development, de-mining, and natural resource management. The focus of capacity building for management will be on macroeconomic policy reform and implementation, modernization of the State and governance, and resource mobilization and aid coordination.

The UNDP Resident Representative acts as the UN Resident Coordinator in Cambodia. As such UNDP promotes cooperation among UN agencies in the country such as the Food and Agriculture Organization (FAO), the ILO, United Nations Educational, Scientific and Cultural Organization (UNESCO), United Nations High Commissioner for Refugees (UNHCR), United Nations Children's Fund (UNICEF), World Food Programme (WFP), and World Health Organization (WHO).

European Union

From the signing of the Paris Peace Accords in October 1991 to year-end 1994 the European Union contributed about US\$ 54.5 million for rehabilitation, human rights, and humanitarian assistance in Cambodia. A large portion of these funds were disbursed through European NGOs. From 1995 to 1997 the European Union has committed about US\$ 80.5 million for a 30-month European Rehabilitation Programme in Cambodia. This programme focuses primarily on rural development, primary education, institutional capacity, and human rights and will be implemented mainly by technical consultants.

Rural development projects funded at US\$ 44.2 million will be implemented in the six provinces of Takeo, Prey Veng, Kompong Speu, Svay Rieng, Kompong Cham and Kompong Chhnang. Planned activities include the improvement of small and medium scale irrigation networks, the establishment of credit schemes, provision for agricultural skills training, the promotion of efficient technologies, the development of potable water resources, and the promotion of cottage industries.

Primary education projects funded at US\$ 15.6 million will center on improving the quality of teaching and materials offered to primary students. This includes the training of teachers through a correspondence course.

Institutional capacity projects funded at US\$ 7.2 million will provide expatriate technical assistance to selected ministries and government institutions. The advisers will assist in the reform and upgrading of the civil service.

Human rights projects funded at US\$ 1.9 million will support the National Assembly's Human Rights Commission, judiciary reform, the training of journalists and lawyers, and local citizens organizations.

In addition to the Programme's four areas of focus, the European Union will provide a total US\$ 11.6 million for such projects as de-mining through CMAC, rural development through CARERE, vocational training through ILO, child health and education through two NGOs, namely *Medicins du Mond* and *Enfants et Developpement*, studies related to natural resource management, a transportation plan for Siem Riep province, and the urban management of Phnom Penh.

BILATERAL PROGRAMMES

Japan

In 1991 Cambodia was the 10 largest recipient of Japanese aid. By 1994, it had become the largest. Japanese Official Development Assistance (ODA) seeks to promote democracy and market-oriented economies and to strengthen basic human rights and freedoms. Priority areas for Japanese ODA are hunger and poverty, environmental conservation, human resource development, infrastructure improvement, and support to structural adjustment.

From fiscal year 1991 to May of fiscal year 1995 grant aid from the Government of Japan to the Royal Government of Cambodia totalled US\$ 345.92 million. This consisted of US\$ 204.11 million for infrastructure and equipment, US\$ 48 million for structural adjustment support, US\$ 45.85 million for disaster relief, US\$ 31.99 million for food aid, US\$ 14.7 million for increased food production, US\$.96

million for grassroots assistance, and US\$.47 million for cultural aid. The Japan International Cooperation Agency (JICA) and the Japan Ministry of Foreign Affairs are responsible for the implementation of grant aid.

Japan's contribution to infrastructure development in and around the capital city includes:

A US\$ 23.2 million project to rehabilitate the Chroy Changwar Bridge, known as the Japan-Cambodia Friendship Bridge, over the Tonle Sap, connecting the northeastern region of the country to Phnom Penh;

A US\$ 38.5 million project to rehabilitate and upgrade electric power facilities in Phnom Penh;

A US\$ 32.7 million project to rehabilitate the port of Phnom Penh;

A US\$ 29.9 million project to rehabilitate the 46 kilometer National Road 6A northeast of Phnom Penh;

A US\$ 26.6 million project to improve the water supply facilities in Phnom Penh; and,

A US\$ 20.2 million project to strengthen the capacity of the Road Construction Center in Phnom Penh.

Japan has implemented some grant aid food projects through the United Nations World Food Programme. Likewise Japan has implemented some grant aid grassroots projects through NGOs such as JVC (Japan International Volunteer Centre).

In addition to grant aid Japanese ODA provides funds for technical cooperation, the Cambodian Mine Action Centre (CMAC), the Japan-ASEAN Joint Technical Cooperation for Resettlement and Rural Development, UNICEF vaccines, and the safeguarding and development of the historic site of Angkor.

United States

The United States Agency for International Development (USAID) bilateral programme was formally established in Cambodia in 1994. Prior to this USAID assistance was channelled primarily through NGOs and contractors. The strategic objectives of USAID's programme in Cambodia are strengthening pluralism and governance, supporting broadly based economic growth, and meeting targeted basic human needs.

The current programme focuses on the following four areas:

1. **Stabilizing population growth and protecting human health.** The US\$ 50 million NGO Co-financing Project seeks to improve the health and economic well-being of vulnerable groups such as children, orphans, war victims and widows. The project administers direct grants to 15 international NGOs and agencies and indirect grants through Private Agencies Collaborating Together (PACT) to 26 local and international NGOs. Activities center on community development, health education and sanitation, primary health care, vocational training, literacy, credit and prosthetics.
2. **Infrastructure Development.** The first phase of the US\$ 40 million Emergency Roads Repair Project rehabilitated and de-mined over 500 kilometers of rural roads in the northwest provinces, facilitating the repatriation of refugees and war victims. The second phase focuses on the southern route linking Cambodia's deep water port of Sihanoukville to Phnom Penh.
3. **Building Democracy.** The US\$ 15 million Democratic Initiatives Project aims to strengthen public and non-governmental institutions in the building of a democratic society. The project provides training and technical assistance in the legal sector, the parliament, independent media, labour law, business education, and human rights organizations.
4. **Promoting Broadly Based Economic Growth.** The US\$ 10 million Technical Support Project seeks to strengthen the institutional capacity of the government to manage and implement the transition from a centrally planned to a free-market economy. The project provides technical advisors in the areas of macroeconomic planning, fiscal and monetary policy, the management of donor resources, and development planning.

USAID project activities proposed for the future include assistance for primary education, environmental management, family health and birth spacing, rural roads and infrastructure, and NGO co-financing. Given budget cuts in the U.S. Congress these projects will not likely be funded at levels requested. Outside the scope of USAID, the U.S. Government has pledged support for de-mining activities.

France

From 1992 to 1995 France contributed about US\$ 140 million (780 million French Francs) in bilateral assistance to Cambodia. The main objectives of French cooperation in Cambodia are to promote a rule of law and to provide human resource training. Priority programmes assist the Cambodian Government in

rebuilding capacity in public administration, public health, police and military institutions, the judiciary, higher technical education, and cultural preservation.

Key areas of technical and cultural assistance are French language training, primary and secondary education, institutes of higher education, capacity building of government institutions, establishment of libraries and resource centers, infrastructure development (railways, Phnom Penh water, electricity and telephone systems), rehabilitation of rubber plantations, public health care and promotion of Cambodian culture. Planned activities include AIDS prevention, Pochentong Airport development, and Royal School of Administration strengthening.

French contributions to multilateral programmes in Cambodia include US\$ 18 million to help the Government settle its arrears with the International Monetary Fund, about US\$ 4.8 million for World Food Programme assistance in 1994 and 1995, and about 18 per cent of the total contribution for European Union programmes in the country.

Australia

Resumed in March 1992, the Australian bilateral assistance programme in Cambodia builds on rehabilitation and resettlement efforts initiated by Australian NGOs. While retaining a focus on humanitarian and poverty-related assistance, the programme seeks to build an institutional capacity for development. In April 1994 Australian annual aid to Cambodia increased from about US\$ 17.1 million to about US\$ 21.4 million as allocations to the lower Mekong region were increased.

Priority areas of Australian assistance are education, agriculture, health, and infrastructure.

In education a key project is the US\$ 2.25 million University of Phnom Penh English and Education Project to develop a four-year bachelors course in English language teaching.

In agriculture a key project is the US\$ 8.25 million Cambodia-Australia International Rice Research Institute Project to increase rice production and the productivity of rice-based farming systems through adaptive research and institutional development.

In health a key project is the US\$ 5.5 million UNICEF Expanded Programme of Immunization and Water Supply and Sanitation Project to increase immunization coverage and access to potable water.

In infrastructure a key project is the US\$ 6.75 million Australia-Cambodia Bridges Project to replace 16 medium span bridges on priority national road transport routes in Cambodia. An earlier US\$ 2.25 million Bridges Project replaced six bridges along National Route 5.

In addition to projects in these priority areas Australian aid supports projects in good governance, human rights, legal reform, de-mining, food aid, and demobilization and reintegration of the military. Through cooperation with Australian NGOs, assistance is directed at poverty alleviation in rural and urban areas. The programme also encourages commercial ties between the two countries.

Sweden

Sweden began to assist Cambodia in 1979 as one of the few Western donors to provide aid for displaced persons inside the country rather than for refugee operations in Thailand. In the early 1980s Sweden channelled support through UNHCR, WPF, and the Swedish Red Cross. In the late 1980s the emergency program was expanded with assistance provided to UNICEF, the FAO fertilizer program, and the UNDP Trust Fund for physical infrastructure. After the signing of the Paris Peace Agreement in 1991 the Swedish assistance programme moved toward rehabilitation. From 1979 to 1993/94 Swedish assistance to Cambodia totalled 480 million Swedish Kronor (SEK) or about US\$ 60 million.

From 1989/90 to 1993/94 total aid amounted to US\$ 41.625 million and was channelled primarily through United Nations agencies and multilateral financial institutions. During this period UNICEF was provided US\$ 10.375 million for efforts in health, education, water supply, and education. UNDP was granted US\$ 8.75 million for infrastructure rehabilitation, de-mining operations and community development. The World Bank and the Asian Development Bank (ADB) received US\$ 7.375 million for macroeconomic studies, investment preparation and technical assistance. UNHCR was given US\$ 5 million for the repatriation and reintegration of refugees. WPF was granted US\$ 1.75 million for food-for-work activities. And the Cambodia Development Resource Institute (CDRI) received funds for capacity building. In 1994/95 Sweden planned to disburse an additional US\$ 13.775 million in emergency relief funds.

In mid-1995 Sweden embarked upon a country programme for the period 1 July 1995 to 30 December 1996. The programme aims to contribute to sustainable social economic development, and to promote democracy and human rights in Cambodia. Primary areas of focus are rural development, primary education and de-mining; strengthening the energy sector; and institution building. During this 18-month period a total US\$ 15 million in assistance will be allocated for: the Kirirong Transmission Line (US\$ 5 million), UNICEF (US\$ 2.5 million), UNDP-CARERE (US\$ 3.375 million), de-

mining (US\$ 2.5 million), CDRI (US\$.625 million), ADB (US\$.375 million), and a consultancy fund (US\$.625 million).

Denmark

From 1992 to 1995 Denmark has committed US\$ 40.2 million and disbursed US\$ 18.5 million in assistance to Cambodia. In addition Denmark has committed US\$ 5 million to Cambodian debt relief. While Danish assistance initially centered on humanitarian assistance, it has increasingly emphasized long-term development activities. Primary areas of focus include poverty alleviation, environmental support, the development of civil society, democracy, and women's rights. The programme seeks to support an effective and accountable government administration through institution building in national ministries and line agencies.

Denmark channels assistance to Cambodia through multilateral and regional organizations and through Danish and local NGOs. Funds have been provided to UNDP for the Trust Fund on mine clearance, to UNESCO for the Media Training Institute, to the United Nations Research Institute for Social Development (UNRISD) for development studies, and to the IMF for the clearance of debt arrears. Finances have also been disbursed for fresh water fisheries and committed for upgrading ferry facilities through the Mekong River Commission.

Denmark cooperates with the Mekong River Commission Secretariat on regional projects concerning Mekong navigation and transport, water pollution, and the preparation of models for predicting flooding. Denmark also works with the Asian Institute of Technology on a regional aquaculture project for Cambodia, Vietnam, Thailand and Laos.

Assistance channelled through Danish NGOs has supported projects with local communities in resettlement and rehabilitation, agriculture, water supply, and health. Funds coursed through local NGOs have supported activities for the promotion of democracy, human rights, a free press, and the Khmer culture.

Germany

In 1992 reunited Germany began cooperation efforts with Cambodia. Since then, nearly US\$ 64.2 million in grants have been committed or pledged for Cambodian assistance. German cooperation programmes seek to safeguard peace, to preserve the natural environment, to promote self-help, and to involve the private sector. Funds for financial cooperation are channelled through the German Development Bank (*Kreditanstalt für Wiederaufbau*) while funds for technical

cooperation are directed through the German Agency for Technical Cooperation (*Deutsche Gesellschaft für Technische Zusammenarbeit*).

Current programmes of German financial cooperation in Cambodia focus on the provision of fertilizer (US\$ 8.6 million), and drugs and medical supplies (US\$ 9.4 million). Programmes of financial cooperation under consideration include the construction of a rural telecommunications network between Phnom Penh and Battambang (US\$ 10.7 million), the construction and improvement of tertiary roads between villages in Kampong Thom and Siem Riep (US\$ 5.7 million), and mother and child health care (US\$ 5 million).

Several programmes of German technical cooperation are concentrated in the province of Kampong Thom. These include rural planning (US\$ 714,000), rural self-help activities (US\$ 2.7 million), and rural development (US\$ 3.6 million). Other ongoing and planned programmes of technical cooperation are land titling (US\$ 2.9 million), institutional strengthening of public health institutions (US\$ 5 million), vocational training (US\$ 2.5 million), and forestry (US\$ 3.6 million).

Germany has funded, in addition, the conservation of the Preach Ko temple in Siem Reap (US\$ 310,000) and the restoration of the Throne Hall roof of the Royal Palace in Phnom Penh (US\$ 94,000). Germany has also funded small-scale projects (total US\$ 82,000) in several provinces ranging from the rehabilitation of schools, hospitals, and orphanages to educational programmes for women and the production of water jars for villagers.

Since 1992 Germany has made contributions to the UNHCR, the International Committee of the Red Cross (ICRC) and the Cambodian Red Cross for flood victims and refugees (US\$ 214,000). Germany has also funded a de-mining project with HALO Trust (US\$ 178,500).

United Kingdom

At the ministerial conference in 1992 the United Kingdom pledged an initial US\$ 30 million in assistance to Cambodia. By early 1995 over US\$ 33 million had been committed to specific projects and activities and US\$ 21 million had been spent. Priority areas of British Overseas Development Assistance (ODA) are economic reform, enhancing productive capacity, good government, direct poverty reduction, human development, education, health, women, and the environment.

The United Kingdom assistance programme in Cambodia focuses primarily on health and education. A key project with the Ministry of Health aims to strengthen health care systems. Specific project objectives are to increase the use of health

services, the treatment of TB, the use of contraceptives, and the life expectancies of mothers and children. Through the project the Ministry of Health will establish a health care policy, a reasonable standard of health care, a capacity for delivering essential health services, and a means for developing health systems in designated provinces.

A key project with the Ministry of Education, Youth and Sports seeks to establish and manage a good quality national system for English teaching at the secondary level. Through the project the Ministry will develop a policy framework and a supervisor system for English language training, implement an in-service system for training English teachers, design a pre-service system, provide a national curriculum for English in secondary education, expand the supply of basic teaching materials, and develop procedures for regulating private classes offering secondary-equivalent English teaching.

In addition, the United Kingdom is embarking upon an urban development project with UNDP, the Urban Sector Group, and other NGOs. The United Kingdom provides aid through NGOs in a wide range of sectors, including village water supplies, as well as support for volunteers. Through the British Partnership Scheme small amounts of assistance are given to NGOs through the Embassy in Phnom Penh. The United Kingdom has contributed US\$ 3.3 million for de-mining through the Cambodian Mine Action Centre (CMAC) and US\$ 1.5 for de-mining through international NGOs.

Netherlands

Since 1992 the Netherlands Development Cooperation Programme with Cambodia has focused on emergency/humanitarian aid and rehabilitation assistance. Disbursements in 1992 and 1993 totalled US\$ 30 million. Transfers in 1994 amounted to about US\$ 10 million. For 1995 assistance levels are projected at US\$ 5 million.

The majority of activities funded are directed at national reconciliation and the alleviation of fundamental needs. The programme has a rural emphasis and supports local communities in efforts to generate employment and income. Special emphasis is placed on capacity building and institutional development. This includes the restoration of a civic society and the protection of human rights.

Netherlands development assistance has been channelled primarily through multilateral agencies. Among the principal beneficiaries are the CARERE and employment generation programmes of UNDP/ILO, the de-mining programme of CMAC, the fertilizer supply programme of FAO, and various programmes of UNICEF. The Netherlands encourages the sustained presence of the United Nations Field

Office and public administration reform under the First UNDP-Country Programme.

The Netherlands provides funds for the rehabilitation of primary health care and pharmaceutical programmes of AZG and Medicins Sans Frontieres (MSF), and the Preah Kossamack Surgery Hospital rehabilitation programme of ANS. Other NGOs that currently receive Dutch funds are CDRI from Netherlands Organization for International Development Cooperation (NOVIB), Church World Service (CWS) from ICCO, Don Bosco, Handicap International, KHEMARA, Khmer Institute for Democracy (KID), Partnership for Development in Kampuchea (PADEK) and Redd Barna.

Special programmes include the Netherlands Fellowships Programme, the Small Embassy Projects, and the Gender and Development Fund for the Mekong region.

Canada

From 1990 to 1995 Canadian assistance to Cambodia totalled about US\$ 26.6 million. This includes aid to the Khmer refugees encamped inside the Thai-Cambodian border and support for their repatriation. In broad terms the Canadian programme seeks to contribute to humanitarian assistance and to the building of the country's human and institutional capacity.

From 1990 to 1995 Canada contributed about US\$ 19.6 to emergency and rehabilitation efforts in Cambodia. These included food aid through the World Food Programme, de-mining support to CMAC through UNDP, and relief and repatriation activities through ICRC, UNHCR, Canadian Red Cross, Red Cross Federation, and United States Border Relief Operation (UNBRO).

From 1990 to 1995 Canada contributed about US\$ 7 million to reconstruction efforts in Cambodia. A large portion of these funds were channelled through the Cambodia-Canada Development Programme (CCDP), a coalition of 13 Canadian NGOs. The CCDP aims to strengthen the management and technical capacity of Cambodian institutions primarily at district and local levels in priority sectors of health, education and agriculture. A CCDP integrated programme in the province of Pursat is implemented by three member organizations, CCDP parallel projects are developed and carried out by individual members, and CCDP field office projects are designed to respond quickly to immediate needs. The CCDP also facilitates the participation of Canadians of Khmer origin in efforts to establish links between Canadian and Cambodian communities.

Independent of the CCDP, Canada provides funds to Canadian NGOs to

undertake development activities in Cambodia. Canada also supplies funds for an institutional linkages programme between Canadian universities, colleges, professional and community groups and their partners in Cambodia. In addition, Canada provides financial incentives to Canadian companies interested in entering into long-term business cooperation agreements with partners in Cambodia.

The Canadian Government has also established the Special Project and Programme Expenditures administered by the Canadian International Development Agency (CIDA) and the Canada Fund for Local Initiatives administered by the Canadian Embassy in Phnom Penh. The International Development Research Center (IDRC) also receives financial support for work in Cambodia.

Russian Federation

In 1992-1998 the total sum of Russian grant assistance to Cambodia will amount to about US\$ 14 million.

The Russia Federation has provided Cambodia with a set of educational laboratory equipment for the University of Phnom Penh as well as equipment for the 150 kw medium-wave radio station in Phnom Penh. The above-mentioned equipment costs about US\$ 2.9 million.

The Russian Federation will also provide US\$ 11.1 million to finance the education of more than 500 Cambodian citizens in Russian higher and specialized secondary educational institutions in 1992-1998.

Belgium

Belgium has not signed a cooperation agreement with Cambodia. Decisions to fund activities are made on a project-to-project basis. Nevertheless, as part of the Mekong region, Cambodia falls within a concentrated area of Belgian development cooperation. Since 1992 Belgium has reportedly contributed approximately 400 million Belgian Francs or about US\$ 13 million to Cambodian assistance. In 1995 Belgium contributed about US\$ 3.5 million.

Belgium's ongoing projects in Cambodia include the delivery of materials to renovate Phnom Penh's electricity grid, de-mining, food aid, medical assistance, agricultural support, scholarships, and aerial photography mapping. Technical assistance in the medical sector includes the rehabilitation of health care in the province of Siem Reap, the strengthening of sanitation activities in the province of Pursat, the education of laboratory technicians in Phnom Penh, the development of

physiotherapy in various parts of Cambodia, the reorganization of medical education in Phnom Penh, and the formation of para-medical personnel in Phnom Penh. Support to the agricultural sector includes restoration and preservation of the forestal ecosystem in the region of Tonle Sap and the lower Mekong basin through the Food and Agriculture Organization (FAO).

Belgium's projects in preparation include unspecified technical assistance, integrated rural development of the Kompong Ro district of Svay Rieng province, and urban specialized health care in Phnom Penh. Project ideas proposed are employment and income generation in selected provinces, food aid, specialized health care in the Kompong Ro district of Svay Rieng, and micro-enterprise projects implemented through local NGOs.

Thailand

In 1995 Thailand contributed a total US\$ 554,782 in cash and commodity assistance to Cambodia. This includes assistance for drugs (US\$ 113,600), rice (US\$ 80,000), the Cambodian Red Cross (US\$ 1,000) and the Cambodian Volunteers for Community Development (US\$ 1,000). It also includes contributions to Sakyamoni Jedyia construction (US\$ 100,040), Kanta Bopha Hospital (US\$ 100,000), school buildings in Battambang and Siem Riep (US\$ 119,142) and Wat Subhanuvong Rattanaram (US\$ 40,000).

In addition, Thai assistance trains approximately 200 Cambodian officials and students in Thailand each year. Projects are planned in vocational training, agricultural development, and public health.

APPENDIX 2

Persons Interviewed and/or From Whom Received Materials

Claudine Chassigneux	Information Officer United Nations Development Programme Cambodia
Stefan Emblad	Executive Assistant to the Resident Coordinator United Nations Development Programme Cambodia
Judith Karl	Assistant Resident Representative United Nations Development Programme Cambodia
Reza Vaez-Zadeh	Senior Resident Representative International Monetary Fund Cambodia
Brien Parkinson	Consultant Asian Development Bank Cambodia
Rita Cauli	Technical Expert European Commission Cambodia
Masato Iso	First Secretary Embassy of Japan Cambodia
Shigemitsu Tsukamoto	Second Secretary Embassy of Japan Cambodia
Joseph Goodwin	Representative United States Agency for International Development Cambodia
Antoinette Ferrara	Special Projects Officer United States Agency for International Development Cambodia
John Wilson	First Secretary Development Cooperation Australian Embassy Cambodia
Samuel Egeri	Asia Department Swedish International Development Authority Sweden

Erik Laursen	Counsellor for Development Cooperation Royal Danish Embassy Thailand
Guido Viehauser	Embassy of the Federal Republic of Germany Cambodia
Les Hartly	Embassy of the United Kingdom Cambodia
F. van der Mark	Secretary for the Head of the Development Cooperation Section Royal Netherlands Embassy Thailand
Bunleng Men	CIDA Liaison Officer Embassy of Canada Cambodia
Vladimir Komolov	Counsellor Embassy of the Russian Federation Cambodia
Kanchana Manaspaibool	Second Secretary Embassy of Thailand Cambodia

APPENDIX 3

Guide Questions for NGO Documentation of Bilateral and Multilateral Development Assistance in Cambodia

1. What is the philosophy that underlies your development assistance to Cambodia? Is this articulated in a country paper that you could share with us?
2. Since 1992 how much money has been pledged by your government/institution for development assistance to Cambodia in the Ministerial Conference, ICORC I, ICORC II, and ICORC III.
3. How much money has been disbursed by year to date? How much has been disbursed in direct bilateral/multilateral assistance to the Royal Government? Could you tell us something about the levels where funding decisions are taken by your government/institution?
4. Could you provide us with details of your ongoing programmes and projects to date as well as those planned for the future? Could you share the programme and project documents with us in addition to the summary descriptions?
5. Have you undertaken any feasibility studies or environmental assessments for any of your projects? Could you share these documents with us?
6. Have you undertaken any assessments or evaluations of your programmes or projects? Could you share these documents with us?
7. What is the rationale of your government/institution for focusing on these particular types of programmes and projects? Is this rationale articulated in a country paper?
8. The Royal Government has articulated its development priorities in the 1995 document "Implementing the National Programme to Rehabilitate and Develop Cambodia." How do your own development programmes and projects support this vision?
9. Principles of participation, equity, poverty alleviation, gender sensitivity, and ecological sustainability have become generally accepted standards for NGO development programming? What are the principles that guide your own development assistance programming? Are these principles articulated in papers that you could share with us?

10. How closely do you coordinate with the bilateral/multilateral programmes or projects of other governments/institutions? Please explain?
11. How do you envision the continued ability of your government/institution to support development assistance in Cambodia? What are the factors that will affect continued levels of funding by your government/institution?
12. Could you introduce us to persons within your office whom we might contact for further information?