

Section 6. Trends in Development Assistance to Cambodia

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1. Historical background

1-1 Chronology

There are two forums where donors discuss and exchange views among themselves and with the Cambodian government. One is the International Committee on the Reconstruction of Cambodia (ICORC), a ministerial-level meeting. The other is the Consultative Group Meeting on Cambodia (CG), a working-level meeting. The chronology of the ICORC and CG meetings held since the establishment of UNTAC is as follows:

- | | |
|---------------------------|--------------------|
| (i) September 8-9, 1993 | 1st ICORC in Paris |
| (ii) March 10-11, 1994 | 2nd ICORC in Tokyo |
| (iii) March 1995 | 3rd ICORC in Paris |
| (iv) July 1996 | 1st CG in Tokyo |
| (v) July 1997 | 2nd CG in Paris |
| (vi) February 25-26, 1999 | 3rd CG in Tokyo |
| (vii) May 25-26, 2000 | 4th CG in Paris |

1-2 Overview of the ICORC and the CG

The first ICORC was held in September 1993 after its establishment decided on at the Ministerial Conference on the Rehabilitation of Cambodia, which was held in Tokyo, June 20-21, 1992 with the formal participation of 33 countries, 12 international agencies, and the EC Commission.

At the second ICORC in 1994, participants agreed on a policy that set forth four immediate priority areas: i) agriculture, ii) development of the physical infrastructure, iii) Basic Human Needs (BHN), and iv) development of human resources to improve Cambodia's capacity to absorb assistance. These four areas continued to serve as the basic policy for Japan and other donors until they were revised at the 3rd CG Meeting in 1999.

In 1996, the 1st CG Meeting was launched as an official forum where major donors pledge aid, confirm and agree on priority agendas, and exchange views with the Cambodian government.

Immediately after the second CG Meeting held in July 1997 in Paris, fighting erupted in and around

Phnom Penh. The aid agencies concerned had no choice but to change their aid policies and to suspend or postpone development projects, including possible withdrawal from Cambodia. The CG Meeting was not held in 1998. The international community watched political developments after the fighting and hoped for the success of the subsequent general elections in July 1998.

Japan and other donors, UN agencies, and NGOs supported the elections by, for example, extending technical and financial assistance and sending election observers. Domestic and international election observers generally declared the elections free and fair. At the end of November 1998, the present government of Cambodia was established.

In 1999, the IMF resumed the Structural Adjustment Facility (SAF), which had been suspended in 1996. International aid to Cambodia was resumed in earnest when the Consultative Group met for the first time in a year and half. At this third CG Meeting, participants agreed on seven priority areas as shown below:

- (i) Good governance
- (ii) Economic development
- (iii) Development of the physical infrastructure and the production base
- (iv) Education and human resources development
- (v) Boosting the production of agricultural produce and other food
- (vi) Improving health services
- (vii) Management of forest resources

After the third CG Meeting, the Cambodian government and the donor community held CG monitoring meetings in Phnom Penh on a quarterly basis. The idea was to monitor the reform process the donor community had prodded the Cambodian government into launching at the CG Meeting. The frequency of the monitoring meetings, attended by donor country ambassadors or representatives in Cambodia, was reduced to twice a year by the fourth CG Meeting.

In addition, sub-working groups (SWGs) were organized to discuss technical matters. The SWGs started with four groups on: i) forestry, ii) support for veterans, iii) civil service reform, and iv) fiscal reform. Later, additional sub-working groups were set up to discuss

social sectors. The fifth group consists of four sub-groups on education, healthcare, food security, and HIV. Staff from the Japanese embassy and the JICA office in Cambodia, as well as experts dispatched from Japan, participate in these SWGs.

Details of the fourth CG Meeting are given in the next section.

2. Fourth consultative group meeting on Cambodia

2-1 Introduction

The fourth CG Meeting was held in May 2000 at the World Bank's office in Paris. The CG Meeting was attended by many Cambodian ministers including Prime Minister Hun Sen (for the opening session), and the Economy and Finance Minister Keat Chon. The meeting was also represented by 17 donors (Japan, Australia, the US, Sweden, France, Germany, Canada, Denmark, the UK, the Netherlands, Norway, Belgium, Finland, New Zealand, South Korea, China, and Russia) and seven international agencies (ADB, the World Bank, the UN System, EU, IMF, EFAD, IFC), NGOs and businesses.

The official consultation was preceded by an informal meeting on May 24. At the informal meeting, discussions were held on partnerships and aid coordination in the morning and on the PRSP in the afternoon. The official consultation was then held over the following two days. On May 25, the opening session was held in the morning, followed by Session I "Macroeconomic Issues and the Reform Program", and Session II "Governance Issues". On May 26, Session III "Social Sectors - Improving Social Services for the Poor" and Session IV "External Financing Requirements and Indicative Commitments" were held, followed by the closing session and a press conference.

2-2 Informal meeting

In the working discussions on partnerships held in the first half of the informal meeting, representatives of the Cambodian government indicated Cambodia's commitment to study the introduction of sector-wide approaches and other new approaches in consultation with donors.

In the subsequent working discussions, representa-

tives of the Cambodian government and the World Bank and the IMF explained the PRSP in general and the drafting schedule in Cambodia. Donors pointed out that the schedule was too tight, that the relationship between the PRSP and the SEDP II was unclear, and that economic growth was crucial.

2-3 Plenary session

2-3-1 Opening session

In her opening remarks, Ngozi Okonjo-Iweala from the World Bank, who chaired the meeting, praised Cambodia's commitment and performance regarding reform since the previous CG Meeting. Yet she noted that further efforts should be made to solve various problems. She then explained that governance was the central theme of the fourth CG Meeting.

Then Prime Minister Hun Sen made his opening address. The Prime Minister stressed that Cambodia's achievements in its reform programs since the previous CG Meeting were the result of the country's own initiatives. Noting that Cambodia was enjoying peace and stability unprecedented in recent Cambodian history, Hun Sen said Cambodia was committed to improving governance and reducing poverty for the country's development.

2-3-2 Outline of the four sessions

(1) Session I: Macroeconomic issues and the reform program

1) Macroeconomic management

The Cambodian Minister of Economy and Finance, Keat Chon, explained the macroeconomic situation using the 1999 preliminary indicators. He concluded that macroeconomic performance was generally good. In response, the IMF, the World Bank, Japan and other donors concerned generally approved the recent reform processes and performance in line with the PRGF.

The donor community put forward agendas and corrective measures, including the development of a legal framework concerning financial and fiscal affairs, the establishment and appropriate management of the tax system, anti-corruption measures by reinforcing auditing systems and other means, efficient management of

the Public Investment Program, policies for economic growth with poverty alleviation in mind. Representatives of the Cambodian government said it would take time before the Cambodian government could reflect the advice from donors in its policies. They said that this would require both the development of human resources for reforms and a social security system designed to support civil servants who would be made redundant by downsizing.

2) Reform programs

The agendas for the structural reform programs were forestry, public administration, and demobilization.

On forestry, a representative of the Cambodian Ministry of Agriculture, Forestry, and Fisheries reported on progress in forest concession management, on the strengthening of the forestry administration by promoting the Forest Department to a directorate general level, and on the ongoing drafting process of the Forestry Law. In response, a representative of FAO, who chaired the sub-working group (SWG) on forestry suggested tightening the control of illegal logging and introducing community forestry in earnest. A representative of the ADB suggested revising, and if necessary, devising forestry-related legislation and reinforcing the management of forest concessions. The two representatives called for the cooperation and understanding of the Cambodian government and other donors in this regard.

Regarding public administration reform, Sok An, Minister in Charge of the Cabinet of the Council of Ministers, reported on progress in the registration and recruitment of civil servants and on the state of affairs regarding the structural reform of the government and decentralization. He explained that the formation of a priority group of civil servants, streamlining of administrative services, and decentralization constituted the integral part of reform. A representative of UNDP, who chaired the SWG on administrative reform, said that administrative reform should be aimed not only at streamlining public administration but also at improving its functioning. In this connection, donors showed interest in local elections slated for the 2002.

On demobilization, a representative of the World Bank, who chaired the SWG on demobilization, and the Cambodian cabinet minister in charge mentioned that a pilot project designed to accept demobilized soldiers had been launched in May. They also called on donors

to extend financial assistance to help to ensure that the reintegration of demobilized soldiers is in full progress. Japanese representatives called for the early drafting and implementation of the overall plan. Representatives of western donors said that disarmament should not be limited to demobilization but should incorporate the collection of weapons and ammunition and structural reform of the Cambodian armed forces as well.

(2) Session II: Governance issues

A draft of the Governance Action Plan (GAP) prepared by the Cambodian government was distributed at the session. The Cambodian cabinet minister in charge announced a plan to publish the formal version of this document by September. He said the eradication of corruption and judicial reform are at the top of the agenda. Representatives of the World Bank and ADB proposed the establishment of the fifth sub-working group (SWG) on good governance. Representatives of other donors called for continued efforts to solve problems concerning, among others, human rights, land disputes and a tribunal to try Khmer Rouge leaders.

(3) Session III: Social sectors

The Cambodian Minister of Economy and Finance said that the government would continue to give priority to the four ministries concerned; the Ministry of Health, the Ministry of Education, Youth and Sports, the Ministry of Agriculture, Forestry, and Fisheries, and the Ministry of Rural Development. This was in line with the policy of Prime Minister Hun Sen, who repeatedly said officially that social sectors were given preferential treatment in terms of budget. Representatives of many donors said that the Cambodian government should emphasize poverty alleviation.

2-3-3 Donor commitments

(1) Session IV: External financing requirements and indicative commitments

As was the case with past CG meetings, a list of donor commitments for the period of one year after the fourth CG Meeting was made for the record, which was then distributed only among the participants. The Cambodian government, on its part, said that Cambodia

Table 6-1 Donor Commitments Announced at the fourth CG Meeting

(Unit: million dollars)

Bilateral Donors			International agencies		
Japan	138.00	25.2%	ADB	88.00	16.0%
Australia	21.60	3.9%	World Bank	75.00	13.7%
US	20.00	3.6%	UN System	45.00	8.2%
Sweden	18.00	3.3%	EU	27.70	5.1%
France	17.90	3.3%	IMF	22.00	4.0%
Germany	17.20	3.1%	Others	11.50	2.1%
Others	46.30	8.5%			
Total	279.10	50.9%	Total	269.20	49.1%

Source: Data from materials distributed at the CG Meeting

Total of commitments by bilateral donors and international agencies:	548.30
Commitments by NGOs:	55.00
Grand total:	603.30

needed 1,574 million US dollars for the three years covered by the Public Investment Program (PIP) for 2000-02. The Cambodian government wanted to see 1,496 million out of the 1,574 million US dollars come from foreign aid, with the rest covered by the government budget. Cambodian representatives added that the Cambodian government needed about 500 million US dollars in foreign aid per year.

As shown in Table 6-1, donor commitments, excluding commitments by NGOs, totaled 548.3 million dollars, satisfying the requirements of the Cambodian government. Japan pledged 138 million yen, up 38% from 100 million yen at the previous CG meeting. The percentage of total aid to Cambodia accounted for by commitments from Japan remained flat at about 25%. The percentage for other donors' commitments was generally unchanged from the previous meeting.

Other details, including the priority areas identified by donors, are discussed in the following section.

(2) Other results

Donors and the Cambodian government agreed to continue the joint monitoring of the implementation of reforms, with the former stressing that progress in the reforms was a prerequisite to fulfilling their commitments.

In this connection, it was agreed that the monitoring meeting, which had been held three times in the previous year on a quarterly basis, would be held once a year as an interim CG meeting. The interval between the monitoring meetings was considered too short given the fact that the meeting required the participation of the

Cambodian Prime Minister and other major ministers, as well as donor country ambassadors or representatives in Cambodia. In addition, the sub-working groups turned out to be sufficient for the exchange of working-level information. The monitoring meeting was originally designed to assess efforts, progress and achievements made by Cambodia regarding the reforms that it was required to carry out, as conditions or criteria for extending assistance.

Participants also agreed to explore the possibility of holding the next CG meeting in Phnom Penh in response to Cambodia's proposal.

2-3-4 Recent developments

After the fourth CG meeting, the first interim or mid-term CG meeting was held on January 29, 2001 in Phnom Penh. At the meeting, representatives of the Cambodian government reported on the achievements and progress in relation to seven priority agendas: governance, fiscal reform, administrative reform, social development and poverty alleviation, demobilization, natural resources management, and the land issue. In response, donors asked questions and expressed their views.

At the interim meeting, representatives of donors pointed out delays in the reform process across the board. They said that behind these delays lay a lack of human resources, institutional inadequacy, the vulnerable fiscal position, and arbitrary actions by persons of power or influence, among others. In response, Prime Minister Hun Sen and other Cambodian representatives emphasized that Cambodia did all it could to carry out

reforms and disclosed the progress in the implementation of reforms. They implied that the expectations and interference of donors were becoming unreasonable.

Anyway, international assistance is vital for Cambodia, at least for the time being given Cambodia's present fiscal situation and technological level. Heated debate between the Cambodian government and the donor community is expected at subsequent CG meetings.

The fifth CG Meeting was held in Tokyo, June 12 and 13, 2001. Representatives of 17 donors and seven international agencies attended.

The fifth CG meeting recognized that for the period of one year following the fourth CG Meeting, progress was made in the implementation of the Priority Action Program (PAP¹), drafting of the Governance Action Plan (GAP), bank restructuring, computerization of the civil service payroll, forestry concession management restructuring, and the implementation of the demobilization program. The meeting also recognized delays in implementing GAP, developing the legal framework, solidifying the government's fiscal standing, controlling corruption, managing natural resources, and demobilization. Then the meeting dealt with the specific agendas of macroeconomic management and poverty alleviation, governance issues including judicial reform, management of natural resources, and aid coordination.

At the session on macroeconomic management and poverty reduction, the Cambodian Minister of Commerce announced a new scheme referred to as the Pro-Poor Trade Strategy for promoting trade, investment and industry. Specifically, this strategy was designed to devise an action plan for promoting exports, coordinate the government, the private sector and international donors concerning their functions, and build up human resources and institutional capacity. The strategy was welcomed by participants.

Representatives of donor countries pledged a total of 560 million dollars in aid, higher than the 500 million dollars that the Cambodian government had hoped for, and above the 548.3 million dollars in donor commitments at the fourth CG Meeting. This was because the

donor community highly commended the Cambodian government on its commitment to carrying out structural reform programs and the achievements it had made in this area. NGOs, on their part, pledged 55 million dollars, unchanged from the previous meeting. Japan decided to refrain from providing loan aid and to offer 118 million dollars in grant aid and technical assistance, the largest amount among the international donors.

The fifth CG meeting also confirmed that the next CG meeting would be held in Phnom Penh in 2002 as agreed at the previous meeting.

Representatives of the Cambodian government stressed, and/or planned to monitor, progress in relation to the following points:

- The annual increase in GNP for 2001 was 5.4%, slightly below the target.
- As part of the administrative reforms, the Cambodian government decided to focus on six areas: the establishment of the Priority Mission Group (PMG²), the promotion of democratization and improvement in service delivery, the promotion of administrative reform at the local level, legal and judicial reforms, the establishment of partnership arrangements, and the completion of the GAP.
- The implementation of the land law, the forestry law, the fisheries law, the water supply law, the bankruptcy law, etc. drawn up as part of the judicial reform, plus the formulation of such laws as the bank law, the criminal law, the criminal procedure law, the civil law, and the civil procedure law which were in the process of being drafted.
- Local elections in 2002.
- Funding and scheduling for the implementation of the Cambodia Veterans Assistance Program (CVAP).
- After a development cooperation partnership paradigm for Cambodia and an operational framework for development cooperation partnerships were announced at the fourth CG Meeting, the government internally established partnership focal points and a task force designed to bolster development

¹ PAP is a program introduced to improve budget disbursement as one of fiscal reform efforts. The ministry of Economy and Finance directly allocates the budget to the local operating bodies that provide social services to the people. The program also monitors conditions of disbursement in every three months. It has been introduced in the ministry of Education, Youth & Sports and the ministry of Health since the fiscal year 2000, and in the ministry of Agriculture, Forestry and Fishery, and the ministry of Rural Development since the fiscal year 2001.

² PMG is a group of selected civil servants, which is provided training opportunity and economic incentive in order to achieve higher performance in promoting public service reform. Although the program is planned to be implemented from 2002, neither the number of civil servants, nor who are subject to this program have been specified.

Table 6-2 Japan's ODA to Cambodia

(Net expenditure; Unit: \$1 million)

Year	Grant Aid			Loan Aid		Total
	Grant Aid	Technical assistance	Subtotal	Total expenditure	Net expenditure	
1994	51.39 (80)	13.12 (20)	64.52 (100)	—	— (—)	64.52 (100)
1995	134.90 (89)	17.14 (11)	152.04 (100)	—	— (—)	152.04 (100)
1996	55.40 (—)	20.12 (—)	75.52 (—)	7.38	—4.18 (—)	71.33 (100)
1997	36.11 (59)	25.52 (41)	61.63 (100)	—	— (—)	61.63 (100)
1998	58.35 (72)	23.05 (28)	81.40 (100)	—	— (—)	81.40 (100)
1999	27.62 (54)	23.25 (46)	50.87 (100)	—	— (—)	50.87 (100)
Accumulated total	451.92 (—)	141.51 (—)	593.44 (—)	11.22	—0.34 (—)	593.09 (100)

Note: Figures in the parenthesis show the percentage (%) of each form of assistance to the total ODA.

Source: Economic Cooperation Bureau of the Ministry of Foreign Affairs (1999).

cooperation partnerships as prescribed by the decree dated April 25, 2001.

- For the past two years, the government has tried to achieve macroeconomic stability. It also increased expenditures for socioeconomic sectors while tightening fiscal policies including spending cuts and efficient allocations of resources as well as boosting revenue through tax reform.
- A new social policy aims at economic growth with special emphasis on poverty reduction. Under this policy, priority is given in the budget allocation to the sectors of education, health, and agriculture and rural development to combat poverty, illiteracy and disease. In 2002, the government plans to launch a program targeting poverty, especially malnutrition.
- Reform of the army in line with the demobilization program; budget allocations to priority areas within social sectors through the demobilization program (15,000 persons are to be demobilized); and sustainable management of forest and fishery resources

3. Trends in Japan's assistance

Japan, which has contributed to Cambodia's successful peace process, regarded Cambodia as a top priority in ODA and has therefore been extending development assistance to the country itself as well.

3-1 Grant aid and technical assistance by JICA

In extending such assistance, the Japan International Cooperation Agency (JICA) recognizes that Japan needs to help Cambodia secure a firm and independent standing in the Greater Mekong Subregion as well as in ASEAN to which the country acceded at the end of April 1999. JICA also notes that Japan needs to support Cambodia's development plans in line with the new development strategy of the Development Assistance Committee (DAC). Recognizing these needs, JICA has formulated four principles and identified eight priority areas for assistance as described below, in line with the stance Japan has taken so far at CG meetings, Cambodia-Japan Policy Dialogues on ODA and other forums.

Four principles:

- The requirement is not only for specific technology transfers, but also capacity building, especially a buildup of institutional capacity and the development of human resources as the basis for development.
- Economic growth is a key to Cambodia's successful integration into the regional economy after the country joined ASEAN.
- Rebuilding and improving the infrastructure that was destroyed during more than two decades of conflict is crucial in that infrastructure helps link cities with rural areas where the incidence of poverty is high.
- Demining needs to be given a special priority considering the fact that landmines constitute a stumbling block to Cambodia's development.

Table 6-3 Loan for the Sihanoukville Port Urgent Rehabilitation Project

Project Name	Amount (million yen)	Interest Rate (%)		Repayment Period (Grace Period) (years)		Procurement Status
		Goods and Services	Consulting Services	Goods and Services	Consulting Services	General Untied
Sihanoukville Port Urgent Rehabilitation Project	4,142	1.00	0.75	30 (10)	40 (10)	

Source: Compiled by the author

Eight priority areas

- (i) Good governance
- (ii) Creating an environment conducive to economic development
- (iii) Buildup of economic and social infrastructure
- (iv) Health sector development
- (v) Education sector development
- (vi) Development of rural areas and agriculture
- (vii) Demining and support for the disabled
- (viii) Management of the environment and natural resources

3-2 Loan aid

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3-2-1 Suspension of yen loans

Japan's yen loan program to Cambodia started in 1969 when the then Overseas Economic Cooperation Fund (OECF) extended a yen loan for the construction of the Prek Thnot Dam. Located in the lower reaches of the Prek Thnot River, the multi-purpose dam for irrigation and hydroelectric power generation was aimed at boosting the productivity of agriculture, the key industry in the Kingdom of Cambodia. In 1971, the OECF provided another yen loan for the second construction phase for this project, bringing the total yen loans to 1,277 million yen. The construction continued on and off between 1970 and 1973, but was suspended due to the intensified conflict during 1973.

After Phnom Penh fell to the Khmer Rouge in 1975 and Democratic Kampuchea was established the next year, the Pol Pot regime defaulted on the yen loans. Partly due to the political turmoil, Japan did not offer a fresh yen loan.

After peace was achieved in 1991, however, Japan resumed its grant aid and technical assistance in earnest in line with the resumption of international assistance to

Cambodia. With the establishment of a transitional national government in 1993, negotiations between Japan and Cambodia over debt repayment progressed. In 1996, the issue of debt repayment was settled. At the first CG Meeting in Tokyo in July 1996, the Japanese government announced its policy of resuming the yen loan program. Then the Japanese government started preparations for the resumption.

3-2-2 Resumption of yen loans

At the third CG Meeting held in Tokyo in February 1999, following the July 1998 general elections and the establishment in November 1999 of the new administration of Prime Minister Hun Sen, the Japanese government hinted at the possibility of extending assistance for the Sihanoukville Port Urgent Rehabilitation Project in response to a request from the Cambodian government. With Cambodia admitted to ASEAN in April 1999, the Japanese government pledged a yen loan for the rehabilitation project at the ASEAN Post-Ministerial Conference in July 1999. Then the OECF signed a loan agreement with Cambodia in September of the same year for the first time in 28 years. The loan totaled 4.1 billion yen (see Table 6-3).

3-2-3 What should be the target of yen loans to Cambodia?

Yen loans should be well focused, with priority given to profitability and poverty alleviation. Specifically, they should target sectors where relative high returns are expected such as transport and power, as well as agriculture, Cambodia's key industry, rather than other sectors. Behind this idea lies the recognition that Cambodia, which has just regained political stability, cannot afford large-scale loans to cover a wide range of sectors.

Table 6-4 Selected Economic Indicators

(Unit: \$ 1 million/percent)

	1996	1997	1998	1999 (estimates)	2000 (projections)
Real GDP growth rate	7.0	1.0	1.0	4.0	5.5
Consumer price increase rate	9.0	9.1	12.6	5.0	5.0
Trade balance	▲476	▲265	▲223	▲350	▲397
Exports	295	534	579	548	608
Imports	771	799	802	898	1,005
Current account	▲493	▲254	▲261	▲386	▲448
DSR	29.5	17.8	16.5	17.7	5.3
Current reserves (Number of months of imports that could be supported by foreign reserves)	2.1	2.4	3.6	3.5	3.5

Source: Compiled by the author

3-2-4 A new approach - subregional cooperation

The Greater Mekong Subregion Program (GMS) is a subregional cooperation scheme facilitated by the Asian Development Bank (ADB). The GMS comprises Cambodia, Laos, Vietnam, Thailand, Myanmar, Yunnan Province of China. By strengthening coordination among the countries and province concerned, the GMS Program aims to achieve sustainable economic growth and improve living standards in these countries and province, as well as in the subregion as a whole. Eight sectors are covered by the program—transport, energy, communications, the environment, human resources development, tourism, trade, and investment. The GMS Program was agreed on in 1992 at a ministerial conference among the countries and province concerned.

So far, progress was made in the transport or road sector, among others. An example was the East-West corridors project linking Thailand, Laos and Vietnam. In the future, progress is expected in such sectors as energy and communications (see Figure 6-1). In the energy sector, an example is an electricity grid project that seeks economies of scale in the subregion as a whole.

In extending assistance to small economies or geographically disadvantaged countries such as landlocked ones that need access to ports, it is necessary to take advantage of the merits of each country to promote subregional cooperation. This view is critical for the development of the GMS.

3-2-5 Debt-servicing capacity

Although Cambodia is classified as a least less-developed country (LLDC), it is not a heavily indebted poor country (HIPC). As of the end of 1998, the debt-to-GNP ratio on a present value basis was about 77%, below the 80% ratio above which a country is considered a HIPC. The debt-to-exports ratio, again on a present value basis, stood at 207%, below 220%, the ratio at which a country is classified as a HIPC. The number of months Cambodia could cover its imports out of its foreign reserves is expected to stay above three months in 1999 and onward as in 1998 (see Table 6-4).

As of the end of 1998, the country's outstanding external debt totaled 2.2 billion dollars. Of the total, Russia accounts for 48% (\$1=R0.6), multilateral donors for 34%, and members of the Paris Club for 13%. Earlier in January 1995, Cambodia and Paris Club members agreed on rescheduling, and the Naples Scheme was applied, in which the debt was cut by 67%. Negotiations with Russia on rescheduling are underway. Once agreement is reached, Cambodia's debt service ratio (DSR) is expected to drop to a comfortable level of 5% and remain flat.

As the IMF program agreed on in October 1999 remains on track, it is unlikely that Cambodia will have difficulty repaying its debt, at least for the time being. However, attention should be paid to the following factors. Firstly, nearly half of Cambodia's external debt is on a ruble basis. Secondly, no agreement has been reached on rescheduling between Cambodia and Russia. Thirdly, Cambodia continues to make up for the current account deficit with aid and foreign investments. There-

fore, there is a need to monitor the progress in rescheduling negotiations concerning the ruble-based debt and to keep track of the trends in economic growth, export growth, foreign investment, and other economic indicators.

3-2-6 The Sihanoukville Port urgent rehabilitation project

The project is designed to improve the Sihanoukville Port, the only international port open to the ocean in Cambodia. More specifically, the project plans to construct a new container terminal made up of container berths and container yards to replace the rundown and outdated piers and cope with the increasing number of container cargoes. In addition, the project plans to dredge the anchorage and the shipping courses. By improving the cargo-handling capacity of the port, the project is expected to contribute to the country's economic development and play a catalytic role in promoting the development of the surrounding areas, including the construction of industrial parks.

4. Trends in development assistance from multilateral donors and donor countries

4-1 Overview

Japan has long been the top donor to Cambodia. Japan's aid, together with aid from the ADB and the World Bank, accounts for more than 50% of the total aid to Cambodia (see Table 6-1, 6-4). Japan is far ahead of the other donors in terms of the total amount of grant aid and in the number of experts dispatched to Cambodia as part of technical assistance.

In the non-economic field, the World Bank has been a leading coordinator for various agencies, as exemplified by its chairmanship at CG meetings. The United Nations Development Programme (UNDP) has been influential as a leading UN representative in Cambodia since the PKO established by UNTAC. Non-governmental organizations (NGOs) have been making significant contributions that cannot be expressed in terms of the amount of money or the number of persons involved. The activities of NGOs are described below.

4-2 Multilateral donors

4-2-1 World Bank

The World Bank has formulated a Country Assistance Strategy (CAS) for the three-year period from 2000 through 2002. Based on the CAS, the World Bank has pledged 30 million dollars in the form of a Structural Adjustment Facility (SAF). The Bank carries out projects closely associated with Japan's assistance, including the development of major road networks, financial support for tuberculosis control measures, and assistance in drafting the business law. As a coordinator for the Cambodia Veterans Assistance Program (CVAP), the Bank plays a central role in planning, aid coordination, and funding.

4-2-2 IMF

The International Monetary Fund (IMF) decided to resume its aid program to Cambodia. In October 1999, the IMF agreed with the Cambodian government on the PRGF and pledged 81 million dollars in the form of an Enhanced Structural Adjustment Facility (ESAF). Then the IMF opened an office in Phnom Penh. Now, the IMF is offering guidance concerning the drafting of the PRSP in cooperation with the World Bank. In the fiscal and financial sectors, the IMF is preparing an aid package with the Ministry of Economy and Finance.

4-2-3 ADB

As detailed in section 5. Development Plans of Cambodia, the Asian Development Bank (ADB) has been involved in the drafting of the SEDP, a five-year national development plan, and the mid-term Public Investment Program (PIP), with the Ministry of Planning being the chief counterpart of the ADB. The ADB has also been conducting a full-fledged rehabilitation project for major national roads in cooperation with Japan and the World Bank. In the education sector, the ADB has been an advocate of the sector-wide approach. The ADB's technical assistance has been diverse, covering everything from forestry and governance to the drafting of the land law.

4-2-4 The United Nations system, etc.

As a core UN agency in Cambodia, UNDP has been playing a central role not only in economic aid in the strict sense of the term, but also in assistance in the areas of administration and security within the donor community in the country. UNDP has shown outstanding involvement in long-term assistance in key sectors. Among the key UNDP activities are the Cambodia Area Regeneration and Rehabilitation (CARERE) project, a rural development project in four provinces in the north-western part of Cambodia, the acceptance of veterans as part of CARERE, administration guidance and financial support for the Cambodia Mine Action Center (CMAC), chairmanship of the SWG on administrative reform, support in the field of national statistics, including the national census, and the triangle cooperation program using financial and technical assistance from Japan.

The UN system is active in the healthcare sector, among others. UNICEF, WHO, WFP, UNAIDS, and UNFPA are engaged in the Expanded Programme for Immunization (EPI), polio eradication, mother and child healthcare, tuberculosis control, and HIV prevention. These agencies are working in cooperation with Japan.

The European Union and many other organizations are extending a variety of assistance in such sectors as environmental protection, rural development and democratization.

4-3 Bilateral donors

4-3-1 Australia

As a country that has contributed to the Cambodia's peace process and has been active in its diplomacy toward ASEAN, Australia ranks among the countries that are roughly second to Japan in terms of the amount of aid. Australia's assistance covers healthcare, rural development, communications. Australia also makes policy proposals to Cambodia and accepts Cambodian students in Australia.

4-3-2 The United States

As the US Congress does not view the present government of Cambodia as a democratic regime, the US has refrained from offering government-to-government aid. Instead, the US focuses on humanitarian assistance

through NGOs. As part of the Japan-US Common Agenda, the US is engaged in joint project formulation in healthcare, including HIV prevention, in cooperation with Japan.

4-3-3 Germany

Like other European donors, Germany suspended bilateral aid to Cambodia after the armed clash in July 1997. In 1999, Germany had policy consultations with Cambodia and then resumed aid as other donors did. Since then, Germany has been vigorously extending assistance in rural development and telecommunications. Germany drew the attention of other donors when it launched a pilot project concerning acceptance of veterans under the CVAP.

4-3-4 Other donor countries

France, which, as the former suzerain, still regards Cambodia as a French-speaking country, focuses on technical assistance in such fields as education, culture, communications and law in French. Sweden and other Scandinavian countries extend assistance in the fields of environmental protection and human rights. China, which has a latent influence on the royal family and the present government in Cambodia, pledged large-scale loans for irrigation and rural road development in 1998, attracting international attention.

4-4 NGOs

In advance of major aid organizations, some NGOs launched humanitarian assistance in Cambodia as early as the 1980s, when Cambodia was experiencing high political instability and was isolated from the international community. For this reason, the Cambodian government offers unstinting praise to such NGOs. In fact, the Cambodian government offers privileges and immunities to NGOs as a whole, as it does to international agencies.

Networks of NGOs in Cambodia are well developed. The Cooperation Committee for Cambodia (CCC) and other organizations serve as coordinating bodies among NGOs, publishing journals and organizing meetings for exchanging information. Through these organizations, representatives of NGOs participate in CG meetings and other donor meetings in Cambodia as formal members.

The activities of NGOs in Cambodia are not limited to the sectors NGOs are traditionally good at, health services, education and water supply, but also cover such sectors as demining, including the mapping and removal of mines, preventive education, and support for mine victims, and governance including election monitoring, reviewing of bills, and monitoring of illegal logging. NGOs are comparable to major donors in these activities as well.

Japanese NGOs have considerable experience in education and healthcare. For example, they have built many schools and hospitals at the grassroots level. Some Japanese NGOs are now participating in Community Empowerment Programs and Development Partner Programs, which have been recently devised by JICA as JICA-NGO joint programs. The number of such programs is small now, but it is expected to increase in such areas as demining and poverty alleviation.

5. Prospects

As was suggested by the remarks and commitments made by major donors at the fifth CG Meeting in May 2000, most donors have now begun to devise mid- to long-term plans. Behind this lies the recognition that Cambodia has gained political stability at least for the time being. Between 1997 and 1998, Cambodia was in constant political turmoil due to the armed clash and the elections, making it hard for donors to view the long-term prospects. However, the Khmer Rouge is now no longer a military threat. There are no plans to hold general elections until 2003. Unless an emergency such as a terrorist attack occurs, it is unlikely that major donors will be forced to significantly revise their policies or even to withdraw from Cambodia. Under these circumstances, donors need to improve coordination among themselves for more effective assistance.

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Figure 6-1 GMS Project Map

