

Aid for Trade Series



# Evaluating Aid for Trade on the Ground



Lessons from Cambodia

By **Sok Siphana and Cambodochine Dao,**  
(Sok Siphana & Associates)  
**Chandarot Kang and Dannet Liv,**  
(Cambodia Institute of Development Study)



International Centre for Trade  
and Sustainable Development

Issue Paper No. 22

# Evaluating Aid for Trade on the Ground

---

## Lessons from Cambodia

By Sok Siphana and Cambodochine Dao,  
(Sok Siphana & Associates)  
Chandarot Kang and Dannel Liv,  
(Cambodia Institute of Development Study)



**Published by**

International Centre for Trade and Sustainable Development (ICTSD)

International Environment House 2

7 Chemin de Balexert, 1219 Geneva, Switzerland

Tel: +41 22 917 8492

Fax: +41 22 917 8093

E-mail: [ictsd@ictsd.org](mailto:ictsd@ictsd.org)

Internet: [www.ictsd.org](http://www.ictsd.org)

Publisher and Director:

Ricardo Meléndez-Ortiz

Programmes Director:

Christophe Bellmann

Programme Officer:

Paolo Ghisu

---

**Acknowledgments**

This paper has been produced under the ICTSD Programme on Competitiveness and Sustainable Development. ICTSD wishes gratefully to acknowledge the support of its core and thematic donors, including: the UK Department for International Development (DFID), the Swedish International Development Cooperation Agency (SIDA); the Netherlands Directorate-General of Development Cooperation (DGIS); the Ministry of Foreign Affairs of Denmark, Danida; the Ministry for Foreign Affairs of Finland; the Ministry of Foreign Affairs of Norway; Australia's AusAID; the Inter American Development Bank (IADB); and Oxfam Novib.

---

For more information about ICTSD's programme on Competitiveness and Sustainable Development visit our website at [www.ictsd.org](http://www.ictsd.org)

ICTSD welcomes feedback and comments on this document. These can be forwarded to Paolo Ghisu, [pghisu \[at\] ictsd.ch](mailto:pghisu@ictsd.ch)

Citation: Siphana, Sok; Cambodochine Dao; Chandarot Kang; Dannel Liv (2011); *Evaluating Aid for Trade on the Ground: Lessons from Cambodia*; Aid for Trade Series; Issue Paper No. 22; International Centre for Trade and Sustainable Development, Geneva, Switzerland, [www.ictsd.org](http://www.ictsd.org).

Copyright ©ICTSD, 2011. Readers are encouraged to quote and reproduce this material for educational and non-profit purposes provided the source is acknowledged.

The work is licensed under the Creative Commons Attribution-Noncommercial-No Derivative Works 3.0 License. To view a copy of this license, visit <http://creativecommons.org/licenses/by-nc-nd/3.0>.

The views expressed in this publication are those of the author and do not necessarily reflect the views of ICTSD or the funding institutions.

ISSN 1995-6932

## TABLE OF CONTENTS

LIST OF ABBREVIATIONS AND ACRONYMS	iv
LIST OF TABLES, FIGURES AND BOXES	v
FOREWORD	vii
EXECUTIVE SUMMARY	ix
1. INTRODUCTION	1
1.1 Historical Background	1
1.2 Objective	4
1.3 Methodology	4
2. OVERVIEW OF AFT IN CAMBODIA	7
2.1 Aft Trends	13
3. EVALUATION OF AFT IN CAMBODIA	18
3.1 Fundamental Principles	18
3.2 Aid for Trade Effectiveness	24
3.3 Aid for Trade Coherence	28
3.4 Pillar IV: Other Relevant Issues Based On Research	35
3.5 Impact	38
4. CASE STUDY OF CAMBODIA'S RICE SECTOR	45
4.1 Overview of Cambodia's Rice Sector	45
4.2 Lessons Learned from Delivering on Aft for the Rice Sector	50
4.3 Conclusions in the Rice Sector	56
5. CONCLUSION	58
ENDNOTES	62
REFERENCES	65
ANNEX A	67

**LIST OF ABBREVIATIONS AND ACRONYMS**

ADB	Asian Development Bank
AfT	Aid for Trade
AFD	French Development Agency
CAVAC	Cambodia Agriculture Value Chain Project
CDC	Council for the Development of Cambodia
CRDB	Cambodian Rehabilitation and Development Board
CRS	Credit Reporting System
DANIDA	Danish International Development Agency
DPs	Development Partners
DTIS	Diagnostic Trade Integration Study
EIF	Enhanced Integrated Framework
EC	European Commission
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ICTSD	International Centre for Trade and Sustainable Development
IF	Integrated Framework
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IPA	International Procurement Agency
ITC	International Trade Centre
JICA	Japan International Cooperation Agency
LDC	Least Developed Country
MAFF	Ministry of Agriculture, Forestry, and Fisheries
MEF	Ministry of Economy and Finance
MoC	Ministry of Commerce
NGO	Non-Governmental Organization
NSDP	National Strategic Development Plan
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PFM	Public Financial Management
PIU	Project Implementation Unit
PRSP	Poverty Reduction Strategy Paper
RGC	Royal Government of Cambodia
SNEC	Supreme National Economic Council
SPS	Sanitary and Phytosanitary Measures
SWAp	Sector Wide Approach
TBT	Technical Barrier to Trade
TC	Technical Cooperation
TDSP	Trade Development Support Program
TIS	Trade Integration Study
TRADE	Trade-Related Technical Assistance for Development Equity
TRCB	Trade-Related Capacity Building
UK	United Kingdom
US	United States
UNDP	United Nations Development Program
USAID	United States Agency for International Development
WTO	World Trade Organization

## LIST OF FIGURES, TABLES AND BOXES

- Figure 1: ODA and AfT to Cambodia, 2002-09
- Figure 2: Total AfT to Cambodia, 2002-09
- Figure 3: Government data versus OECD data on AfT disbursements
- Figure 4: Share of AfT in ODA
- Figure 5: AfT commitments and disbursements
- Figure 6: Share of the government's contribution to AfT elements
- Figure 7: Exports and AfT disbursement, 2002-09 (USD million, current prices)
- Figure 8: Agricultural exports, 2002-09
- 
- Table 1: Key economic indicators
- Table 2: 19 Products and services with export potential
- Table 3: Commitments to increase AfT effectiveness
- Table 4: Total AfT by sectoral distribution (USD million, constant 2009 prices)
- Table 5: AfT for economic infrastructure and services (USD million, constant 2009 prices)
- Table 6: AfT for building productive capacity (USD million, constant 2009 prices)
- Table 7: Top 10 donors of AfT commitments to Cambodia (USD million, constant 2009 prices)
- Table 8: Top 10 donors of AfT disbursements to Cambodia (USD million, constant 2009 prices)
- Table 9: Additionality indicators
- Table 10: Distribution of AfT disbursements by type of implementing agency, 2008-10
- Table 11: Distribution of projects by type of implementing agency, 2008-10
- Table 12: Alignment indicators
- Table 13: Number of projects implemented with PIU
- Table 14: Environment and conservation sector profile
- Table 15: Climate change (adaptation and mitigation) sector profile
- Table 16: Concessional loans and grants - China and South Korea
- Table 17: NSDP resource requirements, 2006-13 (USD million)
- Table 18: Disbursement by terms of assistance, 2008-10
- Table 19: Disbursement by country, 2008-10
- Table 20: Top 10 Cambodian exports (USD million, current prices)
- Table 21: Correlation between export performance and AfT flows in Cambodia
- Table 22: Disbursement of AfT by category, 2002-09
- Table 23: Duration and cost of trading across borders in Cambodia
- Table 24: Disbursement of AfT to production sectors, 2002-09
- Table 25: Main agriculture statistics

Table 26: Foreign-funded irrigation projects completed in 2009

Table 27: Summary of application of methodology to Cambodia

Box 1: Indicators for assessing effectiveness of AfT flows

Box 2: Evaluation building blocks of the impact of AfT on Cambodia's rice sector

Box 3: Declaration by the government of Cambodia and DPs on enhancing aid effectiveness

Box 4: The International Procurement Agency

Box 5: Agriculture is important for sustaining growth and reducing poverty

## FOREWORD

Since the launch of the Aid for Trade (AfT) initiative, the monitoring process led by the World Trade Organization (WTO) and the Organisation for Economic Cooperation and Development (OECD) through the Creditor Reporting System has generated critical data and analysis on its implementation. Donors have identified and reported their trade-related aid projects more systematically, and partners have strengthened their ownership in designing and implementing AfT programmes. The 2010 call for “case stories”, which resulted in a unique and incredibly rich body of experiences from individual projects, has shed further light on the impact of AfT.

This paper is part of a series of studies that the International Centre for Trade and Sustainable Development (ICTSD) has undertaken to assess the effectiveness and impact of AfT at the country level. In doing so, ICTSD seeks to complement existing monitoring mechanisms by providing a comprehensive and integrated picture of the unique experiences of individual countries in enhancing their capacity to trade. As highlighted in a 2010 communication from the OECD at the WTO Committee on Trade and Development, “The Task Force defined AfT as whatever a partner country considers trade-related. To capture this, the AfT initiative has to go to the local level”. Indeed, experience so far suggests that the effectiveness of AfT in boosting trade-related performance is likely to depend crucially on a large number of country-specific factors, which can only be captured at the national level. Similarly, the need to engage with and strengthen coordination among national government agencies, local donor representatives and the private sector suggests that monitoring and evaluation needs to take place locally and feed into the processes and deliberations that inform national priorities.

As part of this research project, ICTSD has embarked on assessing the impact and effectiveness of Aid for Trade in five pilot countries - Malawi, Mauritius, Cambodia, Nepal, and Peru. In order to allow for the comparability of country studies, ICTSD and the South Asia Watch on Trade, Economics and Environment have developed a comprehensive methodological framework for conducting independent evaluation of the effectiveness of AfT at the national level. The methodology proposes a series of qualitative and quantitative indicators to measure critical aspects of the initiative, such as the additionality and predictability of funds, AfT mainstreaming, local ownership of the initiative and donors’ alignment and coordination. These objective indicators are complemented by an impact assessment of AfT projects at the macro level and in a particular sector (e.g. rice in Cambodia) or AfT category (e.g. trade policy and regulations in Malawi). While the methodology was developed for the purpose of conducting the five pilot studies, it remains a living document which can be adapted and used by interested organizations as a basis for further studies in other countries or regions.

To conduct each country study, ICTSD followed a bottom-up approach. Local independent researchers used the methodology to conduct the country-specific studies. They worked in close collaboration with policymakers, government agencies, development partners, the private sector and other local stakeholders, collecting information and conducting structured interviews with key national players in the AfT field. Before the completion of the studies, the draft reports were scrutinized through a ‘national consultation’ in each country to share the initial findings with various stakeholders, whose insights were used to finalize the studies. As a last step, the studies underwent a process of peer review by trade and development practitioners and academics at the national as well as international level to verify the findings, while also incorporating their comments and recommendations for the benefit of the studies.



This paper, prepared by Sok Siphana & Associates and the Cambodia Institute of Development Study in collaboration with ICTSD, focuses on AfT in Cambodia. Since the peace agreements in 1991, Cambodia has adopted important institutional reforms and achieved a period of sustained economic growth and poverty reduction. International trade has been one of the driving forces behind this performance, with the country seeking to integrate in regional and international markets. Indeed, the accession into the Association of Southeast Asian Nations in 1999 first, and to the WTO then in 2004, have been crucial steps for Cambodia's economic future. After the setting up of the Integrated Framework, Cambodia was the first among the least developed countries to complete a Diagnostic Trade Integration Study, which has served to organize trade and development policies as well as to identify capacity gaps at the human and institutional level. Moreover, Cambodia has pioneered a Sector Wide Approach as a tool for trade mainstreaming as well as a new mechanism for aid delivery.

This study shows that the AfT initiative have been so far effective in terms of expanding Cambodia's trade capacities and in supporting the country's economic reforms. The rice case study presented in chapter 4 is a significant example to show how AfT resources have been effectively used in support of Cambodia's trade diversification efforts. The analysis also shows that there are many challenges that Cambodia needs to tackle to further enhance the effectiveness of the AfT initiative and sustain its efforts to reduce poverty. For instance, poor human and institutional capacity risks to make progresses achieved so far not sustainable. Finally, the paper provides some concrete recommendations intended to assist Cambodia in implementing AfT programmes more effectively and the donor community at both the local and international levels to better respond to the country's development needs

This study should be of use to policymakers, negotiators, development agencies and other stakeholders involved in the AfT initiative. I hope you will find it a useful contribution to a sensitive, yet critical, discussion.



Ricardo Meléndez-Ortiz  
Directeur General, ICTSD

## EXECUTIVE SUMMARY

International trade matters a great deal to Cambodia. Trade has been the driving force behind much of the economic growth and poverty reduction that has occurred over the past decade. Emerging from a period of social and political unrest in the 1990s, Cambodia took advantage of a unique window of opportunity given the establishment of peace and political stability, which coincided with a favourable external environment, namely the rapid growth of global trade. Cambodia has achieved impressive overall economic growth in the past 10 years, albeit starting from a very low base.

Generally, during the pre-Doha round, the donor community in Cambodia would agree that development of the trade sector was not at the top of its agenda. Donor agencies attached a low priority to trade as a tool of development, which explained their inadequate and uncertain responses to trade priorities. On the government side, the critical challenges it faced during the pre-integration stage related to the country's weak human and institutional capacity.

The advent of the Enhanced Integrated Framework (EIF) and the launch of the Doha Development Agenda negotiations in 2001 to a large extent shaped the course of Cambodia's economic future. Cambodia was one of the success stories of the three pilot countries under the "restructured" Integrated Framework and the first country to complete a Diagnostic Trade Integration Study (DTIS). This DTIS not only served to organize efforts in critical areas but also identified capacity gaps at the human and institutional levels in the area of trade sector development. Cambodia acceded to the World Trade Organization (WTO) in October 2004 at record time and has never looked back.

In the post accession period, encouraged by the new paradigm in international aid and the launch of the Aid for Trade (AfT) initiative at the 6th WTO Ministerial Conference in Hong Kong in 2005, Cambodia pioneered a Sector Wide Approach (SWAp) as a tool for trade mainstreaming as well as a new mechanism for aid delivery. Its aim, though, is more ambitious, pragmatic and mindful of the limits of the revamped Integrated Framework, which carries no assurance of predictable funding. Moreover, Cambodia's past success stemmed more from its persistent internal drive to mobilize support for implementing downstream activities, as well as its pushing of the AfT process into the broader framework of donor support and programming.

In terms of official development assistance (ODA), Cambodia has benefited from a substantial inflow over the past nearly two decades. Since at least 2005, the Cambodian record of setting out policies and processes to improve the effectiveness of aid has been an impressive one:

- (i) The National Operational Guidelines and the Strategic Framework for Development Cooperation Management 2006-10 provides the policy framework to manage aid in the context of the National Strategic Development Plan;
- (ii) The Harmonization, Alignment and Results Action Plan 2006-10 prioritizes aid activities, clarifies responsibilities, and provides a basis for tracking the progress of implementing priority aid effectiveness activities; and
- (iii) The joint Cambodia Declaration on Enhancing Aid Effectiveness, signed by the government and 14 development partners in October 2006.

In 2009, the percentage ratio of ODA to real gross domestic product (GDP) increased from 10 per cent in 1993 to 14 per cent with pledges reaching USD 764 million, of which disbursement

accounted for USD 641 million. Since the launch of the AfT initiative, AfT flows to Cambodia have increased. Its share of total ODA commitments stands at 30 per cent on average per annum for both the baseline and recent period. In terms of disbursement, AfT increased from 20 per cent at baseline to 22 per cent in 2006-09. Total new AfT commitments from both bilateral and multilateral donors grew to USD 885 million during 2006-09, up USD 104 million from the 2002-05 baseline period. Similarly, the disbursement of AfT rose 52 per cent in real terms during this same period, increasing by USD 185 million to USD 543 million.

In terms of commitments, the sectoral distribution of AfT has remained relatively stable between the base period and recent period, with economic infrastructure towering over other AfT categories at around 64 per cent of total AfT, followed by building productive capacities (i.e. agriculture, forestry, industry, mining, energy and tourism), which constitutes 33 per cent on average. However, in terms of actual disbursements, building productive capacities received a greater share than economic infrastructure in the recent period. The findings show that trade-related funds in building productive capacity are gradually shifting out of agriculture and into industry. Agriculture's share declined from 83 per cent to 72 per cent over the two periods, while the share of the industry, mining and construction sectors increased from 12 per cent to 17 per cent.

The top four AfT donors in terms of commitments are Japan, the Asian Development Bank (ADB), South Korea and the World Bank, which together made up 81 per cent of total AfT during the baseline period and 74 per cent in the recent period. The other donors that make up the top 10 list are Spain, Germany, European Union institutions, the United States, the International Fund for Agricultural Development (IFAD) and the United Kingdom.

### **Evaluation of AfT in Cambodia**

The WTO AfT Task Force report (2006) states that, “[a]dditional, predictable, sustainable and effective financing is fundamental for fulfilling the Aid-for-Trade mandate”. In the Cambodian case, the share of non-AfT ODA and AfT disbursements between the baseline and recent period is fairly constant, indicating that the growth in AfT has not diverted resources from social sectors and programmes. In this respect, the disbursements of AfT are additional.

In terms of predictability, it is obvious that the disbursement of AfT has been predictable and has significantly improved from the base period, though still lagging far behind the global average of 88 per cent, a factor associated with the weak capacity of implementing agencies, especially on procurement rules.

The sustainability of AfT project outcomes is for the most part constrained by low implementation capacity. However, infrastructure investments are likely to be more sustainable as there are existing systems currently in place and others being developed to more effectively operate and maintain infrastructure.

While trade has been mainstreamed at the formal level, it does not appear to be mainstreamed in a substantive manner in line ministries. Unlike pre-WTO accession days, where trade was perceived as an overarching national agenda, the post-accession period was marked by a slowdown of expectations and less preoccupation with trade, perhaps in part due to the lack of progress in the Doha Round and in part due to the psychological effects of the global financial crisis. The general view of many government agencies is currently that trade is the responsibility of the Ministry of Commerce alone, while their own work only marginally contributes to trade development. The slow pace of implementation of the Trade Development Support Programme was symptomatic of

the weakening of ownership, though in recent months we have seen some positive signs in terms of both implementation and renewed engagement with agencies and development partners.

In terms of alignment, AfT projects are not aligned with country systems. Reasons for this include donors' preference for using their own templates/formats; and perceptions from donors that government systems are still underdeveloped and lack credibility and full accountability. One fundamental effect of this weak alignment is an undermining of ownership, which could impact on the capacity of the country to develop, implement, account for and sustain its policies.

While coordination amongst donors is better today than a decade ago, most donors stressed that coordination is still a major problem in Cambodia. Stakeholders identified the prevalence of multiple uncoordinated donor-driven projects as actually having prevented the strengthening of government effectiveness.

The impact assessment of AfT is fraught with challenges because of the lack of credible data, attribution problems and above all an absence of counterfactuals. The key channel in which AfT programmes/projects likely had a significant impact on recent export performance is through improvements in the area of trade facilitation. The impact of these investments (along with other projects to improve the trade and investment environment) appears to be taking shape.

## 1. INTRODUCTION

### 1.1 Historical Background

In the 1990s Cambodia emerged from a period of social and political unrest and entered a unique window of opportunity in its recent history, with the end of decades of conflict and the establishment of peace and political stability coinciding with a favourable external environment, namely the rapid growth of global trade. After the peace accord of 1991 and the elections in 1993, Cambodia has ushered in a new period of development, with diplomatic re-engagement with the West and international financial institutions, and re-opened market access. Geography has played an influential

part in Cambodia's growth, as it is a coastal country within the dynamic, rapidly-evolving and integrated region of East and South East Asia.

With a population of 13.4 million recorded in the 2008 population census,<sup>1</sup> Cambodia has achieved impressive overall economic growth in the past 10 years, albeit starting from a very low base. Nearly a decade of rapid growth had a significant impact on income per capita, which more than doubled from USD 288 in 2000 to USD 780 in 2009. Cambodia has established a remarkable track record of economic growth over the last ten years (9.7 per cent per annum since 1998; see Table 1).

Table 1: Key economic indicators

	1998-2005	2006	2007	2008	2009	2010	2011
GDP growth (%)	9.1	10.8	10.2	6.7	-1.0	3.0	5.0
GDP (US\$ million)	4.354	7.268	8.603	11.100	11.900	12.900	13.900
CP inflation (% end of period)	3.6	2.8	10.8	13.5	4.0	4.0	4.0
Private sector credit (% growth, end of period)	99.3	113.3	125.3	55.0	5.0	25.0	40.0
Exchange rate (riels per dollar, av.)	3.919	4.107	4.073	4.080			
Investment / GDP (%)	17.2	20.6	20.8	21.0	16.0	17.0	18.0
Revenues / GDP (%)	9.9	11.5	11.9	12.1	11.1	11.5	12.3
Expenditures / GDP (%)	14.7	14.2	14.7	14.1	15.4	15.5	15.4
of which current	8.7	8.5	8.7	8.4	9.0	9.0	8.9
Deficit / GDP (%)	2.4	0.2	0.6	0.1	2.4	2.2	1.5
of which w / o grants	4.8	2.7	2.8	2.2	4.3	4.0	3.2
Net financing / GDP	2.4	0.2	0.6	0.1	2.4	2.2	1.5
External	2.5	2.2	2.3	3.1	2.3	2.1	1.9
Domestic	-0.2	-2.0	-1.6	-3.0	0.1	0.1	-0.4
Total debt (% GDP)	61.4	42.0	35.2	29.6	25.1	25.5	25.9
Current Account / GDP (%)	-4.0	-4.7	-5.9	-10.9	-2.9	-3.6	-3.6
CA ex official transfers	-9.2	-8.1	-9.2	-15.3	-7.5	-8.2	-8.2
Official reserves (US\$ million)	621	1.097	1.616	2.164	2.050	2.100	2.200
Month of imports g & s	2.8	2.4	3.1	3.4	3.1	3.0	3.0

Source: NIS, Ministry of Economy and Finance (MEF), IMF, World Bank.

### Trade as an economic engine

International trade matters a great deal to Cambodia. It has been the driving force behind much of the economic growth and poverty reduction that has occurred over the past decade. Starting from a zero base, following a 17-year complete trade and economic embargo, Cambodia has had success in rebuilding its private sector and export base. After the peace process, the trade sector began to emerge rather timidly, competing against other post-conflict rehabilitation and development priorities. Under conditions of peace and stability Cambodia has been able to develop two major sectors, namely garments and tourism, that have driven the economy over the past 10 years, both directly through the creation of employment and indirectly through forward and backward linkages. Accessing larger markets through trade has contributed to tackling the limitations of small domestic markets. This has stimulated linkages with other productive and service sectors and its multiplier effect can be seen across a wide spectrum of the economy. The accession of Cambodia to the World Trade Organization (WTO) in 2004 consolidated these enormous opportunities for trade and investment in the economy and stimulated the export growth of the country.

### Challenges for trade development

Unfortunately, this remarkable economic growth of the past decade is narrowly based, driven by only four sectors, namely garments, tourism, construction and agriculture. Very little diversification has occurred beyond the garment sector, which accounts for almost 90 per cent of all recorded exports and around 17 per cent of GDP in 2008. By 2008 it was clear, given Cambodia's dependence on the United States (US) market for its garment exports, that it was highly vulnerable to a collapse in demand. This indeed occurred in 2008 and has continued in 2009 and 2010.

**The legacy of Cambodia's genocidal past:** From a macroeconomic perspective, the legacies of decades of war, the Khmer Rouge genocide

and the breakdown of society that these events entailed have resulted in several major development challenges. The trade sector is no exception. A number of observations of the Cambodian trade sector could be derived from this pre-integration period. Generally, the ability of Cambodia as a Least Developed Country (LDC) to participate more fully in the global economy was typically constrained by bottlenecks and limitations arising from three main areas: (1) border barriers to trade;<sup>2</sup> (2) 'behind the border' barriers;<sup>3</sup> and (3) barriers in accessing global markets.<sup>4</sup>

Generally, the donor community in Cambodia would agree that trade sector development was not previously at the top of its agenda. Donor agencies attached low priority to trade as a tool of development, thus explaining their inadequate and uncertain responses to trade priorities. As a result, there were no systematic efforts by the government and its development partners (DPs) to gather available information on existing trade-related capacity building (TRCB) instruments and expertise, nor to undertake analysis of trade policies and their impact. Technical assistance provided to line ministries to build their capacity was neither sufficient, nor integrated in the relevant institutional structure. Technical assistance tended to favour capacity substitution rather than capacity building. Salary supplements provided by donors within externally-funded projects, while having the evident advantage of motivating the small number of staff concerned, also created some distortions and dysfunctional effects within the ministry.<sup>5</sup>

For the most part, the emphasis of donors since 1993 has been on governance and government institution building, macroeconomic structural reforms, legal reforms, ending the internal strife, the removal of mines and other ordinances, and food security. To a large extent, the business community has been left to fend for itself.

**Early Aid for Trade responses to institutional strengthening and capacity building to support trade development**

The critical challenges facing the government during the pre-integration stage were probably related to weak human and institutional capacity. If Cambodia was to improve its trade performance it obviously had to overcome many of these challenges. Capacity gaps needed addressing in a wide range of areas, often simultaneously, and an unusually diverse array of stakeholders had to be engaged.

Developing new export products and markets also required a new entrepreneurial capacity that was weak in Cambodia. Even if domestic savings were mobilized for investment in the trade sector, there was a shortage of “soft” capital - that is the know-how that entrepreneurs needed if they were to succeed. How to promote the transfer or development of this know-how into the country became a concern of the government and the business community. Without the technical and financial support to upgrade the various areas of capacity gaps, Cambodia’s domestic supply response capability would remain weak and would in turn negatively affect the country’s competitiveness even within its own borders.

**Pro-poor trade strategy, the revamped Integrated Framework (IF):**<sup>6</sup> The setting up of the IF in 1997, the launch of the Doha Development Agenda in 2001 and the advent of the Enhanced Integrated Framework (EIF) in 2005 shaped to a large extent the course of Cambodia’s economic future. Its pre-integration stage could be broadly characterized by its pioneering trade mainstreaming efforts in response to the evolving development of the global trade agenda. The period was remembered for its pro-poor trade strategy formulation catalyzed by the advent of the revamped IF in 2000, the Poverty Reduction Strategy Paper (PRSP) and the emergence of TRCB initiatives. Cambodia was one of the three pilot countries under the “revamped” IF. Further, it was the first country to complete a Diagnostic Trade Integration Study (DTIS), under the leadership of the Ministry of Commerce (MoC). This DTIS not only served to organize efforts in critical areas but also identified capacity gaps at the human and

institutional level in the area of trade sector development. Cambodia has never looked back, turning the IF pilot scheme into a success story for itself, and stunning the sceptics by acceding to the WTO in record time for an LDC. The government of Cambodia applied for accession to the WTO in October 1994 and became a member on 13 October 2004.<sup>7</sup> Its exports continued to thrive unabated, and its services sector has grown, led by tourism, with an increase from 176,617 visitors in 1994 to 2.5 million visitors in 2010.<sup>8</sup>

The early efforts of the government to formulate a pro-poor trade sector strategy - initially under the umbrella and with the support of the IF - coincided closely with its PRSP efforts. The expectation then was that the full PRSP process, which would form the basis of the World Bank’s country assistance strategies, would assist Cambodia in formulating a poverty reduction strategy that included efforts to benefit from deeper integration into the global economy.

### The advent of the Aid for Trade Initiative

At the WTO Ministerial Conference in Hong Kong in December 2005, WTO members emphasized the importance of technical assistance and capacity building as necessary measures to support developing countries’ efforts to build their capacity to trade in the context of the Doha Development Round. The Hong Kong Declaration states that:

“Aid for Trade should aim to help developing countries, particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade”.

In 2006, the WTO Task Force on AfT classified AfT under the following six categories: (a) trade policy and regulations; (b) trade development; (c) trade-related infrastructure; (d) building productive capacity; (e) trade-related adjustment; and (f) other trade-related needs.<sup>9</sup>

Since 2005, the WTO and Organisation for Economic Cooperation and Development (OECD) have achieved considerable progress in monitoring AfT flows and assessing their effectiveness. For the majority of recipient countries, assessing the impact of current AfT flows and the extent to which they effectively match their development priorities remains a major challenge, not least because most countries lack the domestic capacity to monitor AfT projects. Issues related to coherence, disbursement, data availability and aid effectiveness are at the centre of this debate.

## 1.2 Objective

As a complement to the work conducted by the OECD and the WTO, ICTSD has conducted a series of independent assessments in selected developing countries on the effectiveness and impact of AfT at the country level. Cambodia was selected on the basis of its historical status as a pilot country of the revamped IF, and its recent pioneering effort to move towards a full Trade Sector Wide Approach (SWAp) as a tool for trade mainstreaming as well as a new mechanism for aid delivery. Moreover, Cambodia is also a good example of a post-conflict country where there are lessons to be learned on TRCB over a spectrum of time starting from the post-crisis period (c. 1970), to pre- and post-economic re-integration periods (c. 1993).

This review is taking place about five years after the launch of the AfT initiative at the Hong Kong Ministerial Conference. This introductory chapter began with an overview of the political and economic history of the country, followed by a section on the challenges of trade

development in the post-conflict period, which witnessed a tentative revival of trade policy and development and the emergence of the early forms of AfT. Chapter 2 provides an overview of AfT in Cambodia while Chapter 3 maps AfT projects and donors in Cambodia by category since 2005. Findings are presented according to the evaluation criteria developed by Adhikari (2011) for ICTSD. These evaluation criteria focus on issues such as additionality, predictability, sustainability, ownership, alignment, donor coordination, impact, coherence and other relevant issues such as the demand-supply gap, grant versus loan, and absorptive capacity. Chapter 4 provides a concrete case study of Cambodia's rice sector, with a focus on the impact (relevancy, efficiency, effectiveness, sustainability) of a set of specific AfT initiatives in the selected sector. Chapter 5 provides the main conclusions and presents observations and lessons learned on a wide range of issues related to the implementation of AfT in Cambodia.

## 1.3 Methodology

The study is comprised of two parts. In the first part, it assesses the effectiveness of AfT delivery in Cambodia by applying an independent methodological framework developed by ICTSD and Adhikari (2011). The methodology is based on an appraisal of 11 key aspects stemming from the guiding principles of aid effectiveness as contained in the Paris Declaration. These are: additionality, predictability, sustainability, ownership, alignment, donor coordination, coherence, grant versus loan, demand-supply gap, absorptive capacity and impact. The indicators used in the Cambodia study to measure each of these aspects are listed in Box 1.



**Box 1: Indicators for assessing effectiveness of AfT flows****Fundamental Principles****Additionality**

- Assessment of official development assistance (ODA) and AfT flows Predictability
- Reliability of AfT commitments
- Timely disbursements to agreed schedule Sustainability
- Sustainability of projects beyond period of donor funding

**Effectiveness****Ownership**

- Trade mainstreaming
- Relevance of AfT to domestic trade and development priorities
- Involvement of stakeholders Alignment
- Use of public financial management and procurement systems by donors Donor Coordination
- Synergy and coordination among donors to avoid duplication

**Coherence**

- Climate financing
- South-South funding

**Other Issues****Grant v/s Loan**

- Grant and loan components of AfT Demand-Supply Gap
- Extent to which AfT received meets government demands for resources Absorptive Capacity
- Utilization rates

**Impact**

- Impact of AfT on trade performance

*Source: Adhikari (2011), Table 1: Methodology and sources of information for conducting country case studies to gauge the effectiveness of AfT.*

The second part of the report provides an analysis of Cambodia's rice sector. The rice sector is a good case study for assessing the impact of AfT funding in Cambodia as it has received a

large volume of AfT funds. The impact of AfT in this context is evaluated with respect to four building blocks, namely relevance, efficiency, effectiveness and sustainability.

**Box 2: Evaluation building blocks of the impact of AfT on Cambodia's rice sector****Relevance**

- Importance of rice sector reform in national context

**Efficiency**

- Design and implementation of reform process including governance

**Effectiveness**

- Outputs, status of main projects

**Sustainability**

- Funding, sources of future revenue and competitiveness, environmental sustainability

To conduct this research and apply the methodology, we followed a bottom-up approach. In fact, we worked in close collaboration with government agencies, development partners, the private sector and other local stakeholders, collecting information and conducting structured interviews with key

national players in the AfT field. A first draft of the report was scrutinized and discussed through a 'national consultation' to share the initial findings with various stakeholders, whose insights were used to finalize the study and generate a debate on AfT and trade and development policies.<sup>10</sup>

## 2. OVERVIEW OF AFT IN CAMBODIA

### An improving environment for aid effectiveness

While the environment for aid effectiveness in Cambodia has improved significantly in the past decade, much remains to be done to achieve maximum effectiveness. This situation can be attributed to the following factors:<sup>11</sup>

- First, and perhaps foremost, the impact of the genocidal regime of 1975-79 has been enduring in terms of human resource deficiencies, among other lasting effects;
- Second, the inappropriate incentive system worsens the problem of inadequate capacity for the public sector;
- Third, the government has tended to accept aid uncritically, especially in the past;
- Fourth, governance in Cambodia has improved but remains weak in many areas, with serious effects on the context for effective aid;
- Fifth, government and aid spending in the agriculture and rural sectors has not reflected the very high levels of rural poverty;
- Sixth, progress on alignment with national priorities, in both aggregate and relative terms, is now significantly improved, although there is still continued scope for improvement. In regard to the second alignment objectives, however, the use of government systems, there has perhaps been more limited progress;
- Seventh, the fragmentation of aid, with many DPs supporting many projects in many sectors, which has long been the situation in Cambodia.

### Overall positive aid trends

Cambodia's development is now at a crossroads as the country moves from a post-conflict situation towards a more normal development path. Over the past nearly two decades, Cambodia continued to receive a substantial

volume of international development assistance, which was as much as the national budget until 2004. Since 1993, total aid has been around USD 600 million per annum, not including aid from partners such as China, which has been increasingly prominent in Cambodia over recent years, targeting mainly infrastructure. Japan remains the largest single source of development assistance. China has now become one of Cambodia's largest DPs, providing both loans and grants. Multi- and bilateral partners have cited Chinese aid as a major factor in the government becoming more assertive with other DPs. South Korea is another substantial partner. Moreover, Kuwait and Qatar have recently committed to providing both loans and grants to Cambodia, especially with an eye to exploiting Cambodia's ample agricultural potential.

Seen in this evolving context, many remarkable social and economic achievements are to the credit of efforts by Cambodians and their government, with significant supporting roles from their international development partners. Since at least 2005, the Cambodian record of setting out policies and processes to improve the effectiveness of aid has been an impressive one. The National Operational Guidelines and the Strategic Framework for Development Cooperation Management 2006-10 provides the policy framework to manage aid in the context of the National Strategic Development Plan (NSDP). The Harmonization, Alignment and Results Action Plan 2006-10 prioritizes aid activities, clarifies responsibilities, and provides a basis for tracking the progress of the implementation of priority aid effectiveness activities. Building on policy initiatives to strengthen aid delivery and management in Cambodia, the joint Cambodia Declaration on Enhancing Aid Effectiveness was signed by the government and 14 DPs in October 2006 (Box 3).

The resulting framework of objectives and guidance, coordinated by the Cambodian Rehabilitation and Development Board (CRDB) and endorsed by the government, is by all

accounts far stronger than the situation even three or five years ago, and unrecognizable from the situation 10 to 15 years ago. Most of Cambodia's DPs have been actively supportive of these improvements in policies and processes, and have been working individually

and collectively to make parallel improvements within their own systems in the field and at headquarters. In terms of country ownership and leadership, the government and a number of its agencies have been increasingly clear and assertive in expressing their priorities.<sup>12</sup>

### Box 3: Declaration by the government of Cambodia and DPs on enhancing aid effectiveness

The Declaration emphasizes the government's ownership and leadership over its development policies, strategies and development actions, including by developing sector plans within the framework of the NSDP. Development partners committed to support government ownership by providing coordinated support to strengthen institutional and human capacity of ministries and agencies to achieve NSDP targets. They also committed to align their support for the government's strategies, institutions and procedures. In view of supporting DPs' efforts in alignment, the government undertook to promote long-term capacity development by undertaking capacity assessments and developing comprehensive capacity development strategies and actions at the sector level. Pursuant to this Declaration, DPs intensified efforts to coordinate their support to strengthen the government's institutions, systems, and procedures and to use them to channel assistance. Commitments in the area of harmonization included: a) developing shared analyses and monitoring frameworks, common arrangements and simplified procedures for programme/project management, including reporting and auditing; b) increasing the proportion of development cooperation programmes through sectoral/thematic programmes, and other programme-based approaches; etc. The government and DPs also decided to work together on planning and monitoring the use of ODA to implement the NSDP and undertook to make necessary reforms to improve accountability and transparency.

Source: CRDB/Council for the Development of Cambodia (CDC, 2010).

### Government ownership and leadership of the development agenda

Optimizing the value of aid ultimately requires strengthening government ownership of the development agenda and improvement of country systems to the point where they command confidence, as well as the external DP community contributing its part to improve the delivery and management of aid. For that matter, the government has taken a number of major steps to strengthen its ownership and leadership over the national development agenda by establishing the enabling policy and institutional mechanisms for effective aid delivery and management. One of the significant milestones was the formulation of a national strategy, the so-called "Rectangular Strategy" in the NSDP of 2006-10, which sought to operationalize the government's political vision, as well as acting as a tool to implement

its political platform and meet Cambodia's Millennium Development Goals.

Taken together, the NSDP and the "Rectangular Strategy" present a comparatively strong framework to express Cambodian development priorities and guide development partner support. At this strategic level, the government and a number of its agencies have indeed been increasingly clear and assertive in expressing their priorities, and most DPs have been following this leadership.

The National Strategic Development Plan 2006-10 provides a sound statement regarding the crucial role of trade:

"Linking production to consumption or producers to consumers, trade is a powerful and important catalyst for socio-economic development. Promotion of

trade for Cambodian products has been among the top priorities. If market outlets are available, investments would flow to encourage and enhance production of goods and services using the country's natural advantages as has happened in the garment industry, and as could be achieved in agriculture, agro-processing, handicrafts and other areas".

### AfT and the Sector Wide Approach

**A comprehensive trade development strategy as starting point:** In the area of trade, Cambodia benefited from substantial support for trade, which has been provided both by bilateral and multilateral development partners. Building on the recommendations of the 2005 updated DTIS the government launched the Trade Integration Strategy (TIS) in December 2007, which describes a comprehensive reform programme to improve the business environment and create the conditions to help exporters strengthen their supply capacity. The TIS advocates strong cooperation among the stakeholders of the trade sector:

"...[T]he problems related to systemic institutional weaknesses and scarcity of resources can be addressed only by improving inter-ministerial coordination, strengthening dialogue with the private sector and enhancing aid effectiveness".<sup>13</sup>

Encouraged by the new paradigm in international aid, Cambodia has decided to pursue a SWAp in the development of its comprehensive trade development strategy and programme. While the focus of the programme is to improve the governance environment of the trade sector and, thus, to facilitate the effective implementation of ongoing reforms, its aim is more ambitious and pragmatic. The government's ambition is to achieve better functioning of existing coordination and consultation mechanisms, to improve resource management systems, and to facilitate the harmonization and alignment of increasing donors' operations and resources in the sector, in line with both the OECD/Development Assistance Committee guidelines, the Rome

and Paris Declarations<sup>14</sup> and the government's vision and strategies.<sup>15</sup> The pragmatism here is more on the acknowledgement of the limits of the revamped IF and lessons learned from the IF experience:

"...[T]he promises of trade mainstreaming with no assurance of predictable funding: Cambodia is recognized as an IF success story indeed, but its success stemmed from its persistent internal drive to mobilize support to implement downstream activities. Cambodia has been pushing the IF as a tool and a means to an end. It has forced the process into the broader framework for donor support and programming and yet there is no guarantee that donors will come through under the umbrella of the existing IF framework".<sup>16</sup>

**Trade Sector Wide Approach: A National Commitment to trade mainstreaming from within.** Cambodia took a *de facto* leadership role among LDCs in pioneering new approaches to maximizing the benefits of AfT, including the setting up of a Trade SWAp in collaboration with interested DPs in 2007. While the operational objective of the Trade SWAp is clearly to maximize the effectiveness of AfT offered by DPs, the broader long-term aim is to enhance and strengthen the competitiveness of Cambodia's existing export industries and promote export diversification, as noted in its vision statement:

"In the next ten years, the government will be increasingly valued for its integrity, for its capacity to articulate and implement trade policies and strategies in consultation with all trade stakeholders and for its ability to enforce trade regulations aiming at strengthening competitiveness in existing export industries and at promoting export diversification".

Enhancing AfT effectiveness to capture the peculiarities of the trade sector can be secured by following the principles of the Declaration by the Cambodian government and its DPs on Enhancing Aid Effectiveness, which is paraphrased in Table 3 (ownership,

alignment, harmonization, management for results and mutual accountability).

The Trade SWAp is structured around three pillars:

- (i) Pillar I: Crosscutting reforms (including legal reforms, trade facilitation, sanitary and phytosanitary measures (SPS) and technical barriers to trade (TBT), investment promotion, intellectual property rights);
- (ii) Pillar II: Product and services export sector development (focusing on the 19 priority products identified by the DTIS); and
- (iii) Pillar III: Capacity development for trade (both individual and institutional).

Pillar I covers issues that fall under the WTO's AfT category 1 (trade policy and regulations), including:

- Completion of the government's Work Programme for Legal Reform;
- The improvement and simplification of trade facilitation procedures;
- Finalization of the TBT and SPS systems;
- Support to producers to meet the standards and other requirements of import markets;
- Strengthening of the intellectual property regime; and
- Improvement of the investment regime, etc.

Pillar II covers issues that fall under the WTO's AfT category 2 (trade development)

and category 3 (building productive capacity), with a specific focus on strengthening supply capacity of the 19 product and service sectors identified in the 2007 Trade Integration Strategy (Table 2). Support will be provided to strengthening producer associations and government extension services, including in the area of SPS, export procedures, access to finance, investment and technology. Pillar III covers issues related to developing the capacity of the government and other trade stakeholders to design and implement national trade policies and strategies.

The Trade Integration Strategy 2007 has four main objectives:

1. Identify a set of possible product or service sectors to serve as a basis for strengthening and diversifying Cambodia's export basket. Strengthening exports may involve expanding sales into new import markets or capturing greater value added through more advanced processing; diversifying exports will require expanding existing, but smaller exports, or developing products or services not currently produced or exported;
2. Identify bottleneck, either common to all priority sectors or specific to each, that need to be removed to promote development of those sectors;
3. Link more clearly trade sector development with human development and poverty reduction (mainstreaming); and
4. Serve as a basis for formulating clear trade sector development priorities shared by the Cambodian government, its DPs, and other concerned stakeholders, to be implemented by all through a Trade SWAp.

**Table 2: 19 Products and services with export potential**

List 1: Products currently exported	Beer
	Cashew nuts
	Cassava
	Maize
	Fishery
	Footwear
	Garment
	Livestock
	Rice, including organic rice
	Rubber
	Silk, including silk handicraft
	Soybeans
List 2: Services and products not currently exported	Fruits and vegetables, including organic produce, mango, palm and soap products, and black pepper
	Wood products, including sustainable construction materials such as bamboo flooring, panelling, etc.
	Light manufacturing assembly, which might include bicycle and mopeds, light, electrical/electronics (e.g. fans, TVs), sewing machines, etc.
	Tourism, including personal and business travel, entertainment
	Labour services, including construction services, household help and farming
	Transport and transport-related services
	Business process/web-based services, which might include computer services, architecture, engineering, bookkeeping, accounting, etc.

Source: MoC (2007), *TIS Executive Summary and Action Matrix*.

Each pillar is built on the tenets of ownership, alignment, harmonization, managing for results, and mutual accountability (see Table 3). Ownership, alignment and harmonization are pursued by setting up a system to manage for results and to ensure mutual accountability of the government and DPs. The Trade SWAp provides for the process and procedures to define and manage the trade agenda, by using a framework to monitor the achievement of targeted development results. This reform programme is described in pillar “roadmaps”, which are expected to help the government and DPs improve their strategic planning of specific interventions that will incrementally support - over the next 10 years - the attainment of the government’s vision.

The three roadmaps promote a coordinated strategic approach at three different levels that necessarily complement and complete each other. The first roadmap focuses on trade policy and regulation, the second on supply-side issues and the third deals with capacity development, which is - by definition - cross-cutting. The roadmaps’ structure aims at providing a strategic perspective, while operational details are captured in specific “action plans” for each “building block”. Action plans will be developed and implemented when technical analysis is deemed sufficient and the political capital to implement reforms in that particular area is mature. Roadmaps will undergo annual reviews, which will also contribute to spelling out in more detail the building blocks’ action plans.

**Table 3: Commitments to increase AfT effectiveness**

<b>OWNERSHIP</b>
The Cambodian government exercises full ownership and leadership over its trade policies, strategies and implementation measures
The government commits to:
<ul style="list-style-type: none"> <li>• Prepare and update a Trade Integration Strategy, develop a monitoring framework and carry out an annual review of its implementation. Develop and update Trade SWAp pillar roadmaps in consultation with all stakeholders and align the national budget to support their implementation.</li> <li>• Setting up the Department of International Cooperation in the Ministry of Commerce with the mandate to serve as the secretariat to the Steering Committee on Trade Development and Trade-Related Investment.</li> </ul>
Development partners commit to:
<ul style="list-style-type: none"> <li>• Respect the government's ownership and leadership of its trade reform agenda, and to provide coordinated support to strengthen institutional and human capacity of ministries and agencies to achieve the targets set out in Trade SWAp pillars.</li> </ul>
<b>ALIGNMENT</b>
Development partners will base their overall support on the government's strategies, institutions and procedures
The government commits to:
<ul style="list-style-type: none"> <li>• Put in place and maintain the Trade SWAp to increase transparency and accountability and to enhance aid effectiveness, by setting objectives, strategic outputs and monitoring indicators, as well as identifying any relevant support required, including existing government resources and AfT.</li> <li>• Seek synergies between the Trade SWAp and the Public Financial Management Programme and the Public Administration Reform and lead efforts to promote long-term capacity development by undertaking capacity assessments and developing comprehensive capacity development strategies and actions for the trade sector.</li> </ul>
Development partners commit to:
<ul style="list-style-type: none"> <li>• Base their overall support on the priorities outlined in the Trade SWAp roadmaps for each pillar and provide coordinated support to strengthen the Trade SWAp's institutions, systems and procedures.</li> <li>• Avoid the creation of new parallel structures (Project Implementation Units (PIU)/Project Management Units) and make increasing use of Trade SWAp's institutions, systems and procedures.</li> </ul>
<b>HARMONIZATION</b>
Development partner's AfT is more harmonized, transparent and collectively effective
The government commits to:
<ul style="list-style-type: none"> <li>• Continue to work with the WTO General Council and Director General, in order to increase AfT flows to Cambodia and to improve harmonization and alignment, including within the Enhanced Integrated Framework.</li> </ul>
Development partners commit to:
<ul style="list-style-type: none"> <li>• Within each Trade SWAp pillar, develop and adopt to the maximum extent possible shared analyses and monitoring frameworks, common arrangements and simplified procedures for programme/project management, including reporting and auditing.</li> <li>• Increase the proportion of AfT channelled through the Trade SWAp and reduce the number of separate, duplicative missions and diagnostic reviews and studies.</li> </ul>



<b>MANAGING FOR RESULTS</b>
Managing resources and improving decision-making for results
The government commits to:
<ul style="list-style-type: none"> <li>Develop and implement a framework to monitor the implementation of each Trade SWAp pillar and prepare an annual progress review to be used to manage for results by reprioritizing and reallocating AfT, linking priorities to budget processes, to achieve targeted development results.</li> </ul>
Development partners commit to:
<ul style="list-style-type: none"> <li>Realigning to the maximum extent possible their programmes and projects to the reprioritized activities in the pillars' roadmaps based on annual implementation reviews.</li> </ul>
<b>MUTUAL ACCOUNTABILITY</b>
The government and its development partners are accountable for development results
The government commits to:
<ul style="list-style-type: none"> <li>Strengthening the role of all trade stakeholders in the planning and implementation of the Trade SWAp, making available information on the use of AfT to enhance transparency and accountability.</li> </ul>
Development partners commit to:
<ul style="list-style-type: none"> <li>Provide timely, transparent and comprehensive information on AfT flows to improve transparency and accountability and to promote the alignment of AfT resources with the Trade SWAp.</li> </ul>

Source: MoC. (2008). "Trade SWAp Pillar Roadmaps, TRADE project document and EIF Tier 1 project document" Ministry of Commerce, Royal Government of Cambodia.

## 2.1 AfT Trends

As recommended by the Task Force on AfT, ODA is classified as AfT when it supports the following categories:

- Technical assistance for trade policy and regulations, e.g. helping countries to develop trade strategies, negotiate trade agreements and implement their outcomes;
- Trade-related infrastructure, e.g. building roads, ports and telecommunications networks to connect domestic markets to the global economy;
- Productive capacity building, e.g. supporting the private sector to exploit its comparative advantages and diversify its exports;
- Trade development, which includes investment promotion, trade promotion, and business services;
- Trade-related adjustment, i.e. helping developing countries with the costs associated

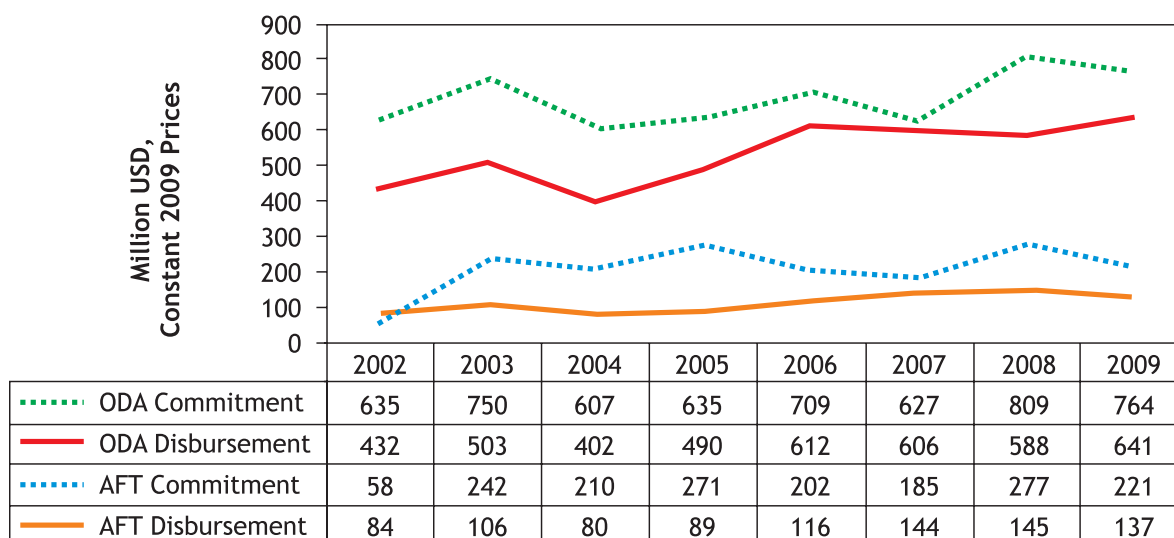
with trade liberalization, such as tariff reductions, preference erosion, or declining terms of trade; and

- Other trade-related needs, if identified as trade-related development priorities in partner countries' national development strategies.

The following sections provide an overview of the trends of AfT to Cambodia in terms of overall volumes, distribution among the different AfT categories, and donors.

**Volume of AfT to Cambodia:** is. According to government statistics, ODA to real GDP increased from 10 per cent in 1993 to 14 per cent in 2009.<sup>17</sup> In 2009, ODA pledges to Cambodia reached USD 764 million, of which USD 641 million were disbursed. AfT as a share of total ODA commitments stood at 30 per cent on average per annum for both the baseline and recent period. In terms of disbursement, AfT increased from 20 per cent at baseline to 22 per cent in 2006-09 (Figure 1).

Figure 1: ODA and AfT to Cambodia, 2002-09

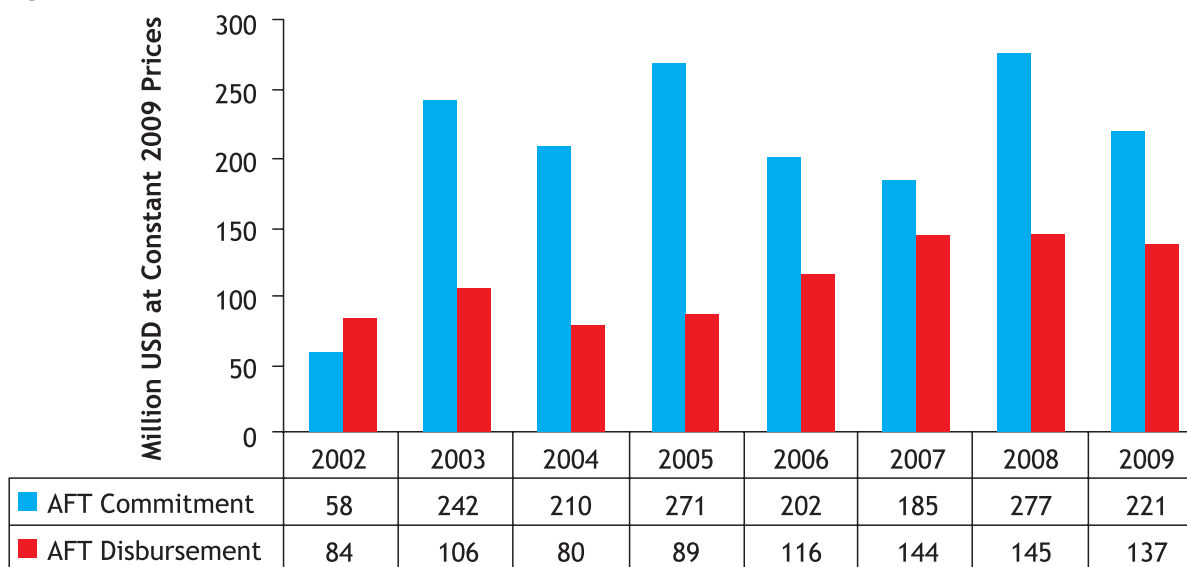


Source: OECD Credit Reporting System (CRS) database.

Since the launch of the initiative at the 2005 Hong Kong WTO Ministerial Conference, AfT flows to Cambodia have increased. Total new AfT commitments from both bilateral and multilateral donors grew to USD 885 million during the period

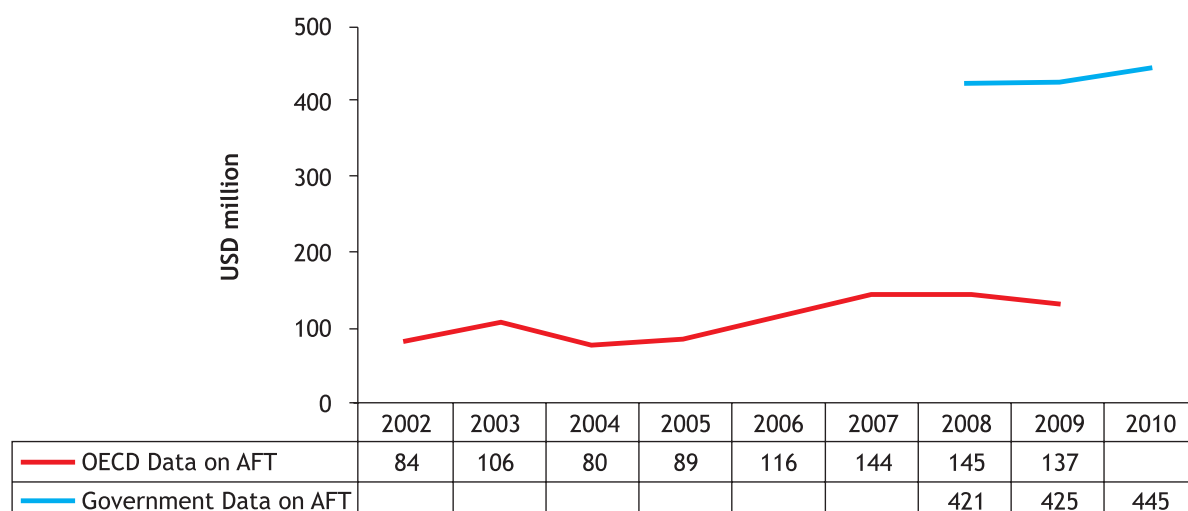
2006-09, up USD 104 million from the 2002-05 baseline period (Figure 2), a 13 per cent increase in real terms. Similarly, disbursement of AfT rose 52 per cent in real terms during the same period, increasing by USD 185 million to USD 543 million.

Figure 2: Total AfT to Cambodia, 2002-09



Source: OECD CRS database.

Figure 3: Government data versus OECD data on AfT disbursements



Source: OECD data from CRS database, government data from CRDB ODA database.

Figure 3 presents the data on AfT disbursements from two sources: the OECD CRS database and figures provided by the government of Cambodia. Data from the government is sourced from the CRDB's official ODA database, which contains data from 2008-10. The two sources do not mirror each other. In 2009, the government reports AfT funds of USD 425 million, compared to just USD 137 million by the OECD. One of the reasons behind the huge gap is that the government's database contains information about China and other emerging donors, while the OECD database does not. Indeed, in recent years, China has become one of the major donors in Cambodia, as further analyzed below.

**Sectoral distribution:** In terms of commitments, the sectoral distribution of AfT has remained relatively stable between the base period and recent period (Table 4). Economic infrastructure towers over other categories of AfT with a share of around 64 per cent of the total. The second main expenditure is for building productive capacities (i.e. agriculture, forestry, industry, mining, energy, and tourism), constituting 33 per cent on average. However, in terms of actual disbursements, building productive capacity received a greater share than economic infrastructure in the recent period. This is likely related to the long time needed to implement large infrastructure projects and, in some circumstances, to more cumbersome procedures.

Table 4: Total AfT by sectoral distribution (USD million, constant 2009 prices)

Aid for Trade	Commitments		Disbursements	
	2002-05	2006-09	2002-05	2006-09
Trade policy & regulations	16.4	25.4	2.0	22.1
Economic infrastructure	479.2	591.2	214.6	304.0
Building productive capacity	285.7	268.3	141.4	520.8
Trade-related adjustments	-	-	-	-
Total AfT	781.3	885.0	358.0	846.8

Source: OECD CRS database.

Funds committed to improving economic infrastructure reached USD 591 million between 2006 and 2009, an increase of USD 112 million (up 23 per cent) in real terms in comparison with the baseline period (2002-05). Of this amount, USD 304 million was disbursed (Table 5). Transport and storage and energy were the two sub-categories

attracting the most aid, with a combined share of 87 per cent of total disbursement in this category at baseline and 77 per cent during the recent period. Support for transport and storage grew by 17 per cent between these two periods in terms of disbursements, while aid in the energy sector increased by 62 per cent (Table 5).

**Table 5: AfT for economic infrastructure and services (USD million, constant 2009 prices)**

Sub-categories	Commitments		Disbursements	
	2002-05	2006-09	2002-05	2006-09
Transport & storage	186	376	155	181
Communications	38	9	6	13
Energy	209	110	32	52
Banking & financial services	35	77	12	40
Business & other services	12	18	9	18
Total	479	591	215	304

Source: OECD CRS database.

The predominant share of economic infrastructure in total aid for trade is not a surprise. Cambodia's physical and economic infrastructure was completely obliterated during the Khmer Rouge regime. The country's most obvious and immediate need for increasing trade and economic growth was to improve the poor quality of infrastructure and infrastructure services. The relationship between reliable and efficient infrastructure and economic growth is obvious; it reduces production and transaction costs, increases private investment and raises agricultural and industrial productivity. In addition, it increases economic opportunities by creating larger, more connected markets.

Aid pledged to building productive capacity, including targeted trade development program-

mes, declined by USD 17 million (down 6 per cent) in real terms compared to the baseline period (Table 6). However, disbursements increased 67 per cent, standing at USD 239 million in 2006-09. Given that Cambodia's main economic sector is agriculture, this sector attracted the bulk of AfT. Trade-related funds in building productive capacity are gradually shifting out of agriculture and into industry. Agriculture's share declined from 83 per cent to 72 per cent over the two periods, while that of the industry, mining and construction sectors increased from 12 per cent to 17 per cent. Disbursement of AfT into the tourism sector did not change over time, which likely reflects the relative ease with which enterprises in the tourism sector are able to attract commercial loans to finance their operation and expansion.

**Table 6: AfT for building productive capacity (USD million, constant 2009 prices)**

Sub-categories	Commitments		Disbursements	
	2002-05	2006-09	2002-05	2006-09
Agriculture, forestry and fishing	238	179	119	171
Industry, mining and construction	27	86	17	41
Trade policies & regulations	16	25	2	22
Tourism	21	3	5	5
Total	302	294	143	239

Source: OECD CRS database.

**Main AfT providers:** In Cambodia, the top four donors of AfT in terms of commitments are Japan, the Asian Development Bank (ADB), South Korea and the World Bank, which together made up 81 per cent of total AfT during the baseline period and 74 per cent in the recent period (Table 7). Other donors that make up the top 10 list are Spain, Germany, European Union (EU) institutions, the US, the International Fund for Agricultural Development (IFAD) and the United Kingdom (UK).

Looking at actual disbursements as reported in the OECD CRS, the top four donors are Japan, the World Bank, Australia, and South Korea. Together, these four donors represented 77

per cent of AfT funds in 2002-05 and 66 per cent in 2006-09 (Table 8).

In the recent period 2006-09, Japan has significantly scaled up its pledged and disbursed resources on trade-related assistance to Cambodia. Total AfT commitments from Japan increased by USD 139 million, up 71 per cent compared to baseline, while disbursement increased by USD 123 million, up 119 per cent.

South Korea, which provided zero AfT funds at baseline, ranked third on the donors list for commitments and fourth for disbursements in 2006-09. The large contribution is a reflection of the growing trade relations between South Korea and Cambodia.

**Table 7: Top 10 donors of AfT commitments to Cambodia (USD million, constant 2009 prices)**

Rank*	Donor	2002-05		2006-09	
		Cumulative	Annual average	Cumulative	Annual average
1	Japan	195.027	48.757	334.232	83.558
2	ADB	338.380	84.595	117.471	29.368
3	South Korea			109.942	27.486
4	World Bank	99.606	24.901	89.872	22.468
5	Spain	0.086	0.086	40.049	10.012
6	Germany	59.977	14.994	34.096	8.524
7	EU Institutions	8.972	4.486	24.884	24.884
8	US	6.577	6.577	19.450	4.862
9	IFAD	16.536	4.134	19.441	4.860
10	UK	0.371	0.186	16.723	5.574

Source: OECD CRS database.

Note: \*for period 2006-09.

**Table 8: Top 10 donors of AfT disbursements to Cambodia (USD million, constant 2009 prices)**

Rank*	Country	2002-05		2006-09	
		Cumulative	Annual average	Cumulative	Annual average
1	Japan	103.2	25.8	226.3	56.6
2	World Bank	132.7	33.2	56.5	14.1
3	Australia	39.2	9.8	40.3	10.1
4	South Korea	-	-	37.0	9.3
5	Germany	27.4	6.8	35.2	8.8
6	EU Institutions	1.3	0.3	28.5	7.1
7	France	34.9	8.7	25.2	6.3
8	Spain	0.1	0.0	23.8	5.9
9	US	4.8	1.2	21.2	5.3
10	Canada	1.8	0.5	10.4	2.6

Source: OECD CRS database.

Note: \*for period 2006-09.

### 3. EVALUATION OF AFT IN CAMBODIA

This chapter presents the analysis and results of applying the Adhikari (2011) AfT assessment methodology to Cambodia, which was developed for the ICTSD research project to assess the effectiveness and impact of AfT at the country level. The methodology proposes a series of qualitative and quantitative indicators to measure critical aspects of the initiative, such as additionality and the predictability of funds, trade mainstreaming, local ownership of the initiative and donors' alignment and coordination, as specified in Box 1 above. These aspects are based on the guiding principles of aid effectiveness as contained in the Paris Declaration. Moreover, the methodology proposed an overall impact analysis of AfT at the country level, which is complemented by an impact assessment of AfT projects in a particular sector or AfT category. In the case of Cambodia, the micro-level impact analysis has been conducted on the rice sector, and is presented in Chapter 4. For a detailed description of the methodology and rationale, refer to Adhikari (2011)<sup>18</sup>.

#### 3.1 Fundamental Principles

As stated in the WTO Task Force report, “[a]dditional, predictable, sustainable and effective financing is fundamental for fulfilling the Aid-for-Trade mandate”. In this section, we look at the additionality, predictability and sustainability elements one by one.

##### 3.1.1 Additionality

In this part of the study, we use data reported in the OECD Credit Reporting System to monitor the trends of AfT flows to Cambodia and to assess if they have indeed been additional. While the CRS is quite comprehensive, there are some limitations to measuring the precise amount of AfT. First, the benchmarks do not match exactly the categories under which aid flows are reported to the CRS. Second, some expenditures in the CRS are not exclusively trade-related. For instance, the CRS category

for economic infrastructure includes projects that are not primarily aimed at improving trade capacity, such as connecting poor, isolated rural communities to the power grid. Nevertheless, the CRS offers the best available data, covering around 90 per cent of total ODA activities, and provides comparable time series data across donors and partners for both commitments and disbursements.

The focus of this section is to analyze more deeply as to whether there has been real additionality of AfT to Cambodia. To do so, we will look at the trends for both commitments and disbursement in recent years (2006-09) and during the baseline period (2002-05). We should recall that commitments are the pledges or projected volume of funds made by bilateral and multilateral institutions to finance AfT and other ODA investments. The change in commitments reflects a change in the priorities of the donor institutions on the allocation of AfT and ODA. For instance, the impact of the global financial crisis in donor countries could be a reason for a slowdown in commitments and a lack of additionality. Disbursements, on the other hand, are the actual amount of funds released in a specific period, and reflect the administrative effectiveness of implementation.

Additionality not only means that AfT resources are additional to what has been received in the past, but also that such resources are not provided at the cost of other sectors. For this purpose, we have looked at the four indicators below to test the variation of commitments and disbursements, for both AfT and non-AfT ODA, to verify whether or not AfT have been additional, without reducing resources available for other sectors:<sup>19</sup>

- Indicator 1: AfT (in absolute figures) in the recent period (2006-09) is greater than AfT in the base period (2002-05);
- Indicator 2: Non-AfT ODA (in absolute figures) in the recent period (2006-09) is greater than non-AfT ODA in the base period (2002-05);

- Indicator 3: Growth rate (in percentage) of non-AfT ODA in the recent period (2006-09) is greater than or equal to the growth rate of non-AfT ODA in the base period (2002-05);
- Indicator 4: Growth rate of non-AfT ODA (in percentage) in the recent period (2006-09) in Cambodia is greater than or equal to the growth rate of non-AfT ODA at the aggregate (global) level for the entire period of 2002-09.

**Table 9: Additionality indicators****Indicator 1: AfT in the recent period and in the base period (USD million, constant 2009 prices)**

Type of Aid for Trade	Commitments		Criteria met	Disbursement		Criteria met
	2002-05	2006-09		2002-05	2006-09	
Trade infrastructure	479.2	591.2	Yes	214.6	304.0	Yes
Building productive capacity	285.7	268.3	No	141.4	216.8	Yes
Trade policy and regulations	16.4	25.4	Yes	2.0	22.1	Yes
<b>Total AfT</b>	<b>781.3</b>	<b>885.0</b>	<b>Yes</b>	<b>358.0</b>	<b>542.9</b>	<b>Yes</b>

**Indicator 2: Non-AfT ODA in the recent period and in base period (USD million, constant 2009 prices)**

Type of Aid for Trade	Commitments		Criteria met	Disbursement		Criteria met
	2002-05	2006-09		2002-05	2006-09	
Non-AfT ODA	1846.0	2023.4	Yes	1826.7	2447.1	Yes

**Indicator 3: Growth rate of non-AfT ODA in the recent period and in the base period**

	Commitments			Disbursement		
	Growth 2002-05	Growth 2006-09	Criteria met	Growth 2002-05*	Growth 2006-09	Criteria met
Non-AfT ODA	26%	10%	No	92%	34%	No

**Indicator 4: Growth rate of non-AfT ODA in the recent period and at the aggregate level for the entire period, 2002-09**

	Commitments			Disbursement		
	Growth 2006-09	Global growth 2002-09	Criteria met	Growth 2006-09	Global growth 2002-09	Criteria met
Non-AfT ODA	26%	8%	Yes	34%	10%	Yes

Source: OECD CRS database.

Note: \*disbursement data for 1998-2001 for calculating the growth rate in 2002-05 was estimated by authors as no data were available.

As presented in Table 9, AfT and non-AfT ODA commitments have increased in the recent period (indicators 1 and 2). Nevertheless, in the recent period non-AfT ODA commitments grew at a slower pace compared with the baseline period. Breaking down the data by type of AfT, we see that commitments for trade infrastructure and trade policy and regulations has increased over the two periods, but total commitments have fallen for the category of building productive capacity. The fourth indicator shows that non-AfT commitments

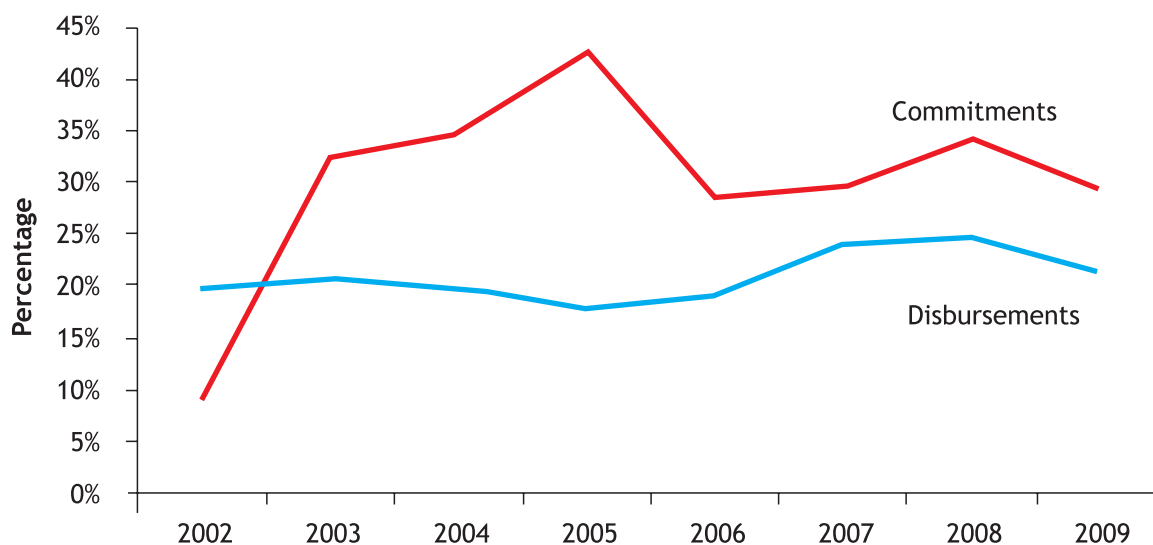
in the recent period grew faster in Cambodia than at the global level for the period (2002-09), showing that Cambodia is still an important aid recipient country. We can thus conclude that AfT commitments in Cambodia have been additional, and such additionality has not come at the cost of other ODA sectors.

Both AfT and non-AfT ODA disbursements have been additional. For instance, disbursements of AfT totalled USD 542.9 million 2006-09, whereas in the baseline period they were significantly

lower at USD 358 million. All categories of AfT saw an increase in disbursement over time. While the growth rate of non-AfT ODA disbursement slowed to 34 per cent in 2006-09 from 92 per cent, it grew faster than the global benchmark of 10 per cent for the entire period of 2002-09. It is important to point out the growth rate of non-AfT ODA in 2002-05 is high due to the low base in 1998-2001. If we

were to look at the share of non-AfT ODA and AfT disbursements between the baseline and recent period (Figure 4), however, we see that the share is fairly constant, indicating that the growth in AfT has not diverted resources from social sectors and programmes. In this respect, we can thus conclude that the disbursement of AfT is additional. This fact might indicate an improvement in institutional capacity.

Figure 4: Share of AfT in ODA



Source: OECD CRS database.

Note: Data based on constant 2009 prices.

**Conclusions on additionality:** There has been real additionality to Cambodia in terms of commitments and disbursements of AfT over the two periods, reflecting improvements in institutional capacity, and the additional AfT funds have not diverted resources from social sectors/programmes.

### 3.1.2 Predictability

Predictability is one of the fundamental issues for measuring the effectiveness of AfT flows and is “fundamental for fulfilling the aid-for-trade mandate” (WTO Task Force, 2006). Predictability is about the extent to which, in the spirit of the Paris Declaration, donors provide reliable, indicative commitments of aid over a multi-year framework, and disburse aid in a timely and predictable fashion according to agreed schedules (OECD/WTO, 2009).

By analyzing the relation between commitments and disbursements, we can gain useful insights into aid delivery. Commitments are defined as “firm, written obligations, backed by the appropriation of the necessary funds, to provide development assistance”. They represent the donors’ intentions. Disbursements are defined as the “actual financial payments and, thus, the realization of donors’ intentions and the implementation of their policies”. Commitments are often multi-year, with subsequent disbursements spread over several years. Consequently, disbursement will almost always lag commitments.<sup>20</sup>

### Disbursement of AfT pledges has improved.

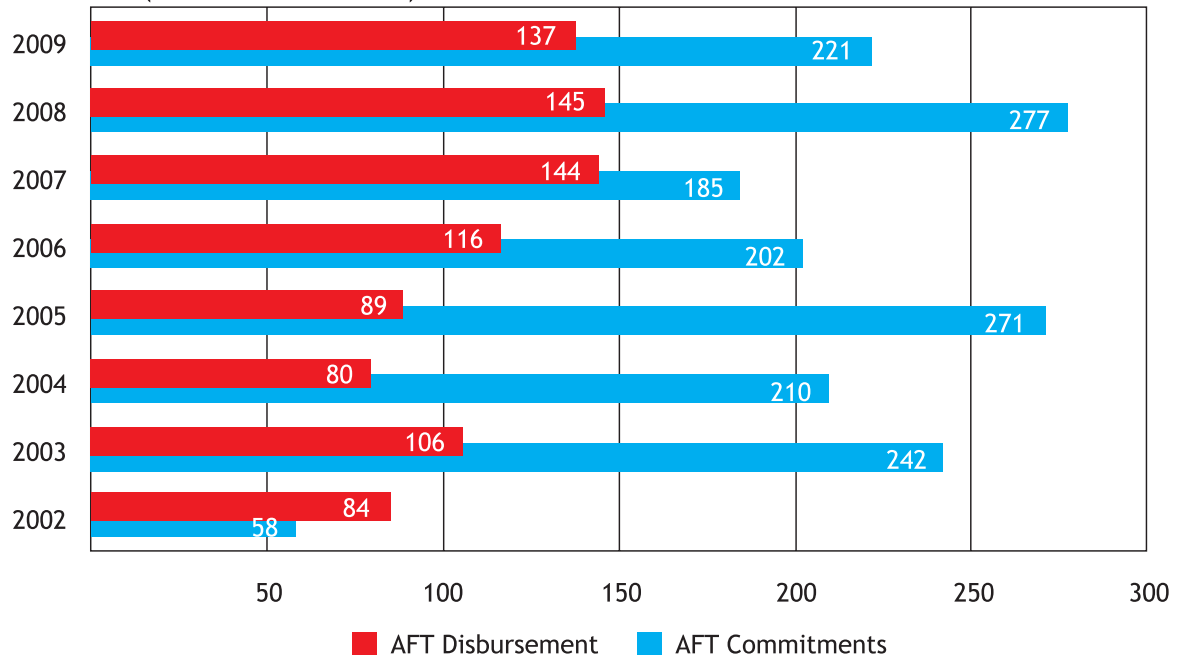
The average annual disbursement of AfT from both bilateral and multilateral donors in the recent period (2006-09) was USD 136 million, significantly higher than the USD 90 million in



2002-05 (Figure 5). The share of commitments that resulted in disbursement was 65 per cent on average during the baseline period and 63 per cent in the recent period. However, the disbursement rate at the baseline period is upwardly biased due to 2002 figures showing that disbursement exceeded commitments by

144.5 per cent, while in the other years it was only around 40 per cent. If we were to remove this outlier, it is obvious that disbursement has significantly improved from the base period. Despite improvements, the disbursement of pledges lagged far behind the global average of 88 per cent in 2007.<sup>21</sup>

**Figure 5: AfT commitments and disbursements**  
USD million (Constant 2009 Prices)



Source: OECD CRS database.

In the view of local stakeholders, donors do provide reliable, indicative commitments of aid over a multi-year framework and disburse aid in a timely and predictable fashion according to agreed schedules. Some donors feel that the disbursement rate based on the OECD CRS data is somewhat understated, reporting that the general ODA disbursement in Cambodia has been between 80-90 per cent over the last few years. According to donors, one of the main reasons for the delay in disbursements is the weak capacity of implementing agencies, especially on procurement rules. During interviews, the World Bank said they have tried to address this issue with the government by contracting the International Procurement Agent (IPA) to perform the procurement role; however, the arrangement has not performed as expected,

though transparency has improved. For more information on the IPA, see Box 4.

Another important dimension of predictability is whether Cambodia has suffered from changes in priorities by donors and whether this has affected the availability of resources. Donors admit that changes in donors' priorities do affect the availability of resources to Cambodia. For instance, the Danish International Development Agency (DANIDA), which is one of the largest donors providing AfT to Cambodia through the Trade SWAp mechanism, will leave Cambodia by 2013. DANIDA is closing its office in Cambodia because of a shift in its global development policy. Similarly, UNDP finished its Trade-Related Technical Assistance for Development and Equity (TRADE) programme recently.

**Box 4: The International Procurement Agency**

The IPA is a full service purchasing and expediting company for non-profit and governmental agencies worldwide. In procurement, the IPA takes charge of the entire procurement cycle. From the first sparks of conceptualization through to completion, project managers maintain ownership of the project and leave the administrative burden to the IPA. The IPA keeps project managers informed during every step of the process and allows time to make decisions at key stages along the way. The IPA provides quality control, arranges documentation, and assures swift, efficient delivery of goods to their final destination. The IPA includes “all-risk” insurance on every shipment.

**Conclusions on predictability: Overall, AfT has been predictable in Cambodia, though the disbursement rate still needs improvement.**

### 3.1.3 Sustainability

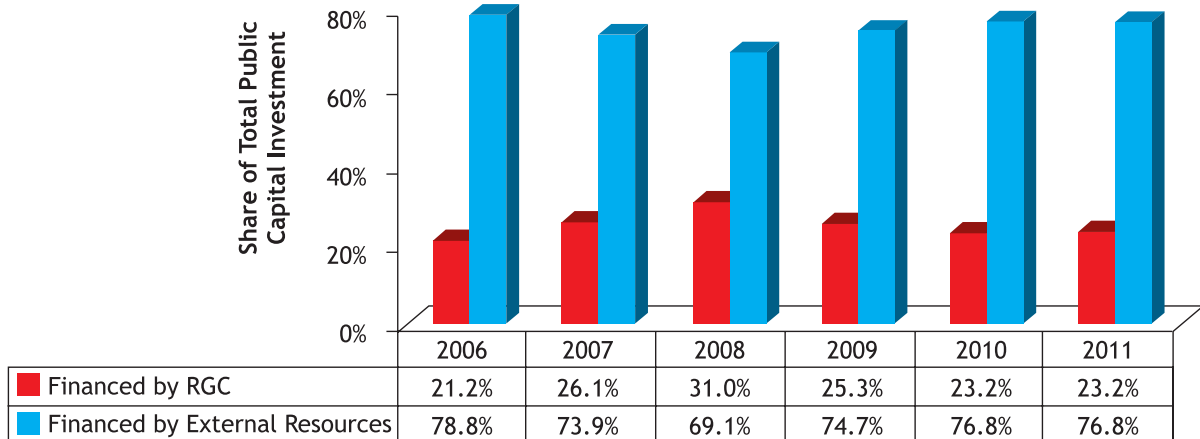
One of the major objectives of AfT is to build productive capacity and enhance the competitiveness of developing countries' enterprises. Sustainability is critical to create a lasting impact. Sustainability is about sustaining the achievements made through AfT even after funding dries up. The emphasis is on the responsibility of the partner country government to make a commitment to this process.

First, to measure sustainability is to find whether or not the government provides sufficient funding to the project after donor funding dries up. Second, to see whether or not the government has increased its funding of AfT projects, regardless of whether the donors support such initiatives or not. Third, sustainability can be evaluated through an assessment of implementing agencies. Projects implemented by local institutions, whether government or non-state actors, will likely be more sustainable than those without local counterparts.

Given the limited availability of comprehensive data on all AfT projects, we use a proxy for the first two measures mentioned above - the share of government spending on investment projects as a share of the total allocation by both donors and the government. We rely on data sourced from the Ministry of Planning in the National Strategic Development Plan on planned allocations of public capital investments.

The data presented in Figure 6 has some limitations. For one, it represents investment allocations, not actual spending. Second, it is based on allocations to ministries rather than specifically to projects. And third, it includes investment programmes funded solely by the government.

Taken with caution, the findings show that the share of the government's contribution to AfT elements (namely public investments) has remained fairly constant from 2006 to 2011, at a level between 21 per cent and 31 per cent (Figure 6). This shows that the government is investing resources in AfT projects supported by donors. Indeed, this is a first indication that AfT projects are on average sustainable.

**Figure 6: Share of the government's contribution to AfT elements**

Source: NSDP 2006-10 and NSDP Update 2009-13.

This fact was confirmed in the interviews conducted. In fact, donors said that for each project, there is always some counterpart government funding and normally the government has fulfilled this commitment. The terms and scope of the commitment is usually negotiated during project preparation. While stakeholders were unable to provide us with this data, they think that public budget allocation on capital project investments across various sectors (and of course AfT) has increased over time.

Another indicator to shed light on the sustainability of AfT is to evaluate implementing agencies. Theoretically, projects implemented by permanent local institutions, be they government or civil society, are likely to be

more sustainable than projects implemented by a foreign organization, such as a donor or a foreign non-governmental organization (NGO) or consultancy.

Table 10 shows that in 2008-10, 86 per cent of AfT disbursements were implemented by a government agency or ministry. Donors implemented around 6 per cent of the funds, foreign NGOs/consultancy 5 per cent and local private sector or civil society just 2 per cent. In terms of the number of projects (Table 11), government implemented the most with 69 per cent of total AfT projects, followed by foreign NGOs/consultancy, 8 per cent by donors and only 5 per cent by local private sector or civil society.

**Table 10: Distribution of AfT disbursements by type of implementing agency, 2008-10**

Implementing agency	AfT	Non-AfT	Total
Donor	5.76%	9.68%	7.89%
Foreign NGO / consultancy	4.83%	12.25%	8.86%
Government	86.44%	66.30%	75.48%
Local private sector or civil society	2.30%	8.60%	5.72%
No info	0.68%	3.17%	2.03%
Grand total	100.00%	100.00%	100.00%

Source: CDC/CRDB ODA disbursement website.

Note: Data as of 20 June 2011.

**Table 11: Distribution of projects by type of implementing agency, 2008-10**

Implementing agency	AfT	Non-AfT	Total
Donor	7.68%	15.11%	12.27%
Foreign NGO / consultancy	14.87%	18.83%	17.32%
Government	69.44%	45.82%	54.83%
Local private sector or civil society	4.58%	9.77%	7.79%
No info	3.43%	10.47%	7.79%
Grand total	100.00%	100.00%	100.00%

Source: CDC/CRDB ODA disbursement website.

Note: Data as of 20 June 2011.

While the majority of AfT projects in Cambodia are implemented by the government, which is a positive sign for sustainability, stakeholders believe that the low implementation capacity in Cambodia is a major risk to the sustainability of project outcomes. The absorptive capacity of government staff is low, not only in implementing aid but also in delivering on their mandate. That said, the government has highlighted capacity building for trade development as a priority. Capacity building has been provided to relevant institutions, such as basic project management and technical skills training. This is implemented according to the strategic roadmap developed under the Trade SWAp that indicates which training is needed for which institution. Moreover, the USD 1.4 million provided by the EIF is to be used exclusively for trade-related capacity building.

On the other hand, physical investments are likely to be sustainable. There are systems in place and being developed now to operate and maintain infrastructure, but with some inefficiencies due to restricted funding. The government's decentralization efforts, and giving sub-national agencies budget autonomy, will help ease this restriction. Irrigation projects, like those under the ADB's Agriculture Support Development Programme, are likely to be more sustainable with the use of farmer water user committees and organizations.

**Conclusion: There are positive signs that AfT project outcomes will be sustainable. The government continues to invest resources in AfT projects (namely public infrastructure).**

**The vast majority of AfT projects are currently implemented by government agencies or ministries. However, there is concern that the low implementation capacity of government staff might constrain sustainability.**

### 3.2 Aid for Trade Effectiveness

Evaluating the effectiveness of AfT is one of the most challenging tasks because it is not worthwhile simply repeating the exercise conducted by the OECD/WTO (2009). Here, we review the effectiveness of AfT based on the three elements drawn from the Paris Declaration:

- Ownership
- Alignment
- Donor coordination

In addition, we review the impact of AfT on export performance, which is the end goal of the AfT initiative. Macro-level impact assessments are further complemented with a micro-/project-level analysis through a case study of AfT projects in Cambodia's rice sector (Chapter 4).

#### 3.2.1 Ownership

Ownership is a critical element to address the effectiveness of AfT. Three elements of ownership are particularly important. The first concerns an evaluation of the extent to which trade is mainstreamed in the national development plan or PRSP of the partner

country, as well as in the sectoral level and local governance structure. The second relates to the relevance of AfT-funded programmes/projects to domestic trade and the development priorities of partner countries. The third element concerns the extent to which stakeholders have been involved in the process of trade policy formulation.

At the formal level, trade has been fully mainstreamed in Cambodia's national strategic development plan. The NSDP 2009-13 is formulated to be the single, overarching, guiding and reference national policy document for pursuing prioritized goals, targets and actions for the next five years. Trade development is a core component of the plan and is mentioned throughout the plan as a priority, for instance:

“As long-term measures, the Government priority is to continue to address long-term issues through improved competitiveness. In order to build resiliency against the current economic recession in advanced economies and to sustain economic growth, the Government will be looking at ways to improve its competitiveness in the regional and international arena, as well as actively look for opportunities to diversify and expand the economic base”. (RGC, 2010a: 10)

Another example of the government's efforts to formally mainstream trade is the adoption of the Trade SWAp, reflecting its growing ownership. The Trade SWAp was launched in 2007 to consolidate its ownership of AfT, strengthen the effectiveness of DPs' trade-related technical assistance and move forward the country's integration into the global economy. The Trade SWAp is helping to coordinate and manage better the AfT Cambodia receives from its DPs.

In the opinion of a commerce ministry official, trade-related technical assistance was mostly donor driven. Development partners had the greatest say over how to programme and implement Cambodia's development assistance. The Trade SWAp is a game changer, putting the government in the “driver's seat”.

The Trade SWAp provides the framework to implement Cambodia's Trade Integration Strategy formulated in 2007. To respond to the objectives and needs identified in the 2007 strategy, three “pillars” have been created. They are:

- i. Pillar 1: Reforms and cross-cutting issues for trade development;
- ii. Pillar 2: Products and services export development;
- iii. Pillar 3: Capacity building for trade development.

The pillars have created new forums and new opportunities for the government, the business sector and development partners to identify and programme development assistance needs together.

Another example of increased government ownership of AfT-funded programmes/projects and engagement to ensure its relevance is the various studies commissioned by the Supreme National Economic Council (SNEC). The SNEC has carried out studies to improve the competitiveness of Cambodian exports in regional and international markets, and to broaden and diversify the economic base. The findings of these studies has been integrated into the framework of the government's priorities outlined in the Rectangular Strategy Phase II for the fourth legislature and will be given a high priority in developing and implementing programmes and activities.

While trade has been mainstreamed at the formal level, it does not appear to be mainstreamed in a substantive manner in line ministries. This is because the general understanding of many agencies at the moment is that trade is the responsibility of the MoC alone, while their work does not contribute to trade development. Many do not fully understand the concept of trade and its impact on economic development. For instance, there currently exists no inter-ministerial strategy on upgrading the port infrastructure (which is the responsibility of

the Phnom Penh Autonomous Port Authority) to meet the plans for higher rice exports (which is the responsibility of the Ministry of Agriculture, Forestry and Fisheries (MAFF) and MoC).

There is general agreement amongst stakeholders that most trade-related activities are relevant to domestic trade as they are guided by the trade strategies and mechanisms under the Trade SWAp, which reflects all the key trade priorities adopted by the government.

Stakeholders are involved in the formulation of trade policies. At the policy level, the Sub-Steering Committee for Trade Development and Trade-Related Investment (the forum for trade policy dialogue), which is represented by trade-related ministries, plays some coordinating function in the management of AfT projects. At the technical level, strategic policies such as Trade SWAp roadmaps are developed through considerable consultations with relevant technical institutions and stakeholders, ensuring that the voice of the private sector is heard in the reform process. During interviews, it was pointed out that stakeholder involvement should start early on during the policy formulation process so that people can provide meaningful contributions. It is less desirable if DPs are asked to endorse or are consulted only when policies are already formed (and with little possibility for modification).

**Conclusions: There are some positive initiatives to formally mainstream trade, but they are not yet substantive due to constraints in implementation. It is important to continue**

**strengthening and expanding ownership to all trade-relevant institutions.**

### 3.2.2 Alignment

Aid can be effective only if it is aligned with national development strategies, institutions and procedures. This also means using the partner country's own institutions and systems, where these provide assurance that aid will be used for agreed purposes. Increasing aid effectiveness by strengthening the partner country's sustainable capacity to develop, implement and account for its policies to its citizens and parliament is equally important. Country systems and procedures typically include, but are not restricted to, national arrangements and procedures for public financial management, accounting, auditing, procurement, results frameworks and monitoring.

In evaluating the effectiveness of AfT, it is necessary to assess the extent to which donors use the Public Financial Management (PFM) and procurement systems of the partner country as well as identify the number of projects implemented by Cambodia or by the donors through the creation of parallel Project Implementation Units.

Few donor projects use the government's public financial management and procurement system. Only 13 per cent of AfT projects are managed using the government's budgeting execution system, financial reporting system and auditing system (shown in Table 12). Just 17 per cent use the government's procurement system. The use of these government systems for AfT projects is slightly higher than for all ODA projects in general.

**Table 12: Alignment indicators**

Alignment indicators	All ODA	AfT
Budgeting execution system	171 projects (11%)	64 projects (13%)
Financial reporting system	166 projects (11%)	60 projects (13%)
Auditing system	160 projects (10%)	61 projects (13%)
Government procurement system	202 projects (13%)	79 projects (17%)

Source: CDC/CRDB ODA disbursement website.

The majority of donor projects are not implemented through a PIU; however, government institutions implement most projects directly, as previously presented in Table 11. Of the 488 AfT projects for which information is available, 75 per cent of them do not use PIU, 9 per cent are fully-integrated PIU and 15 per cent are partially-integrated (see Table 13). At

the same time and as mentioned previously, 70 per cent of AfT projects are implemented by government bodies (see Figure 3.3), especially by the MAFF, the Ministry of Public Works and Transport, the Ministry of Water Resources & Meteorology, the MoC, the Ministry of Mines and Energy and the Ministry of Economy and Finance.

**Table 13: Number of projects implemented with PIU**

PIU Type	All ODA	AfT
No PIU is used	1147 projects (76%)	353 projects (75%)
Fully-integrated PIU	175 projects (12%)	43 projects (9%)
Partially-integrated PIU	193 projects (13%)	72 projects (15%)
Total	1515 projects	468 projects

Source: CDC/CRDB ODA disbursement website.

During interviews with donors, it was mentioned that few donor-funded projects use government systems, for a number of reasons. One reason is that donors have their own templates/formats that they have to adhere to in order to obtain funds for specific purposes. Another justification is that government systems are still underdeveloped and donors feel that they lack credibility and full accountability, which could compromise the use of funds. Related to this is the government's weak human resources capacity.

**Conclusions: AfT projects are not aligned with country systems, which could undermine the absorptive capacity of the country to develop, implement, account for and sustain its policies.**

### 3.2.3 Donor coordination

Donor coordination is one of the key components of aid harmonization highlighted in the Paris Declaration. Harmonization is

obviously an important issue, particularly in ensuring that donors coordinate their efforts to avoid the duplication of support, which tends to result in the lower marginal productivity of aid resources.

The Trade Development Support Programme (TDSP) is the flagship multi-donor trade-related technical assistance initiative to coordinate donors' efforts, avoid duplication and create synergy for trade-related technical assistance. The project was approved and started in 2009, and is set for completion in 2012. The Ministry of Commerce is responsible for project implementation. The TDSP is financed through the Multi-Donor Trust Fund for Trade-Related Assistance, which was created to:

- a) Increase Cambodia's capacity to formulate and implement appropriate trade policies that lead to transparency and efficiency in trade-related transactions and export competitiveness; and

b) Support the implementation of the country's Diagnostic Trade Integration Strategy in the context of the IF. The total programme budget is USD 12.6 million, of which 250,000 is contributed by the government and the rest by donors such as the World Bank, the United Nations Industrial Development Organization, the EU and DANIDA.

To date, the implementation of TDSP has not been as smooth as planned. While coordination amongst donors is better today than a decade ago, most donors stressed that coordination is still a major problem in Cambodia. Stakeholders voiced that the prevalence of multiple uncoordinated donor-driven projects has actually prevented the strengthening of government effectiveness. In their perspective, the constraints are:

- Donors have their own priorities to think about and sometimes focus too much on getting things done, adversely neglecting to coordinate with other institutions and organizations;
- Donors' capacity and way of doing business sometimes limit their ability to make effective efforts;
- Some donors are constrained by limited capacity, time and resources to coordinate effectively. Few agencies have dedicated staff specifically for doing donor coordination and operationalizing any synergy that may arise.

Some recommendations by donors on how to improve coordination between them on AfT projects are:

- Donors need to make their commitments towards coordination genuine. They need to step out and talk to other players and counterparts, and coordinate their activities;
- Donors need to always sufficiently consult with relevant responsible agencies;
- The government should drive the coordination strategy, such as through high-

level dialogue on development strategy and aid effectiveness;

- Donor coordination should be built in to the incentive (performance evaluation) system of the heads of the agencies;
- Agencies should have a staff person dedicated to donor coordination with other agencies. This person should have a direct reporting line to the head of the agency so that coordination issues get immediate attention at leadership level.

### 3.3 Aid for Trade Coherence

Seen from a historical perspective, the issue of coherence is one of the most challenging issues. The behaviour of the present technical cooperation (TC) system in Cambodia can be explained from a historical evolution where the usual influences typically found in most low-income countries are added on top of a set of Cambodia-specific challenges. Most development partners, who arrived at around the same time in 1994 in large numbers, determined the external supply-side interventions and imposed a pattern of Cambodian compliance that continues to a large extent to this day.

The TC system today is comprised of thousands of actors, both individual and organizational, in a variety of countries with their own sets of behaviours and decisions, which directly affect the workings of TC in the country. Most of the relationships amongst these actors (e.g. between DPs or between government departments) are non-hierarchical. Most activities thus depend on some sort of shared purpose and collective action to make TC interventions more effective. And yet the varied interests, incentives, styles and policies of both the government and its DPs make such collaboration difficult to achieve and to sustain. Not surprisingly, the structure of the TC system and indeed most of the development assistance provided to Cambodia has fragmented into hundreds of projects, programmes and PIUs, a pattern that has led to duplication, high



transaction costs and a lower level of aid effectiveness.<sup>22</sup> Not all of this fragmentation is dysfunctional given the need for Cambodia to deal directly with some DPs. But the diversity and lack of coordination beyond a certain point has not been productive.

Renewed efforts by the government and its DPs have recently centred on the implementation of the harmonization and alignment agenda that arose from the Paris Declaration. The government and most of its DPs are trying to introduce more collaboration and coherence into the operation of the aid system.<sup>23</sup> Specific changes include the use of SWAPs, some budget support, pooling arrangements, and specific mechanisms to encourage joint action such as a series of technical working groups.<sup>24</sup>

Both are making serious efforts towards the provisions of the Paris Declaration where possible and appropriate. Nonetheless, difficulties continue due to the fact that not only does the shared burden of coordination fall among donors but also among government agencies. The case of the agricultural and water sectors is telling.

Responsibility for the agricultural and water sector is shared by the MAFF and the Ministry of Water Resources and Meteorology. The sector remains highly fragmented with some 16 development partners financing a reported 58 projects. Efforts are being made to improve the management of the sector but progress has been slow. The challenge of coordination is made more difficult because there are two ministries involved, while DPs do not necessarily share a common agenda.

A common strategy has, however, recently been put in place, although there is some concern that the two ministries are not providing the necessary leadership in the process, reflected in difficulties in getting the technical working group to function effectively. That said, a Statement of Principles signed by the two ministries and ten development partners in 2007 provides a basis for making the harmonization and alignment agenda operational at the

sectoral level, marking the beginning of a process. Signatories have agreed that all new and existing funding will progressively be aligned to the common strategy. This will require collective action to translate sector priorities into a set of five national development programmes.

The capacity challenges facing the two ministries are similar to other parts of government. Progress is being made to develop key technical skills at headquarter and provincial levels, making up for the complete loss of skills and organizational memory during the 1970s. But staff lack experience. Poor pay results in low productivity and rent-seeking behaviour, including staff looking for opportunities to work on DP-financed activities. There is for now no harmonized and coordinated salary supplementation scheme. The lack of progress in harmonization and alignment means that reportedly almost no TC is coordinated, and there is no capacity development plan or strategy in place for the sector.

As expressed in the principles of the Paris Declaration, strong coordination between DPs and the government is one of several aspects of effective AfT formulation and implementation. The government is adopting a programme-based approach, which gives it an additional advantage to simultaneously address other objectives such as strengthening government ownership, improving approaches to capacity development, integrating core reforms, and promoting partnership-based, results-focused approaches.

**Conclusion: The challenge of aid fragmentation, and the preference for using a programme-based approach, is closely linked to the need to strengthen and use in-country systems. Cambodia is not an isolated case in experiencing difficulties in promoting more harmonized support that can coordinate among partners in order to strengthen and then use country systems. There is, therefore, a need to establish common arrangements, simplify procedures and share information among DPs, the government and ministries.<sup>25</sup>**

### 3.3.1 Aid for Trade, environment and climate financing

From the ODA database there are 27 projects related to environment and conservation, and five climate change (adaptation and mitigation) projects, of which only three funded by the US, EU/European Commission (EC) and UNDP can be categorized as AfT, as highlighted in Table 14 and Table 15. Planned disbursements from all projects total USD 39.3 million in 2010, of

which a mere USD 1.7 million is allocated to trade-related assistance (Tables 14 and 15), which reflects the limited effort made by the government to link trade to climate change adaptation and mitigation policies.<sup>26</sup> This is despite the recognition of the impact of climate change as a real and present risk - in terms of drought and flooding - in the agricultural sector. The result of this general lack of focus is that adaptation and mitigation efforts are more supply than demand driven.

**Table 14: Environment and conservation sector profile**

10 largest projects (2010 disbursements)		
Donor	Project	USD
1. Japan	Programme for improvement of capabilities to cope with national disasters caused by climate change	11,394,713
2. Japan	Forestry preservation programme	10,255,242
3. Japan	Flood protection and drainage improvement in municipality of Phnom Penh Phase II	5,991,670
4. EU/EC	Sustainable provision of ecosystem services in the Cardamom Mountains landscape	1,114,641
5. USA	Economic growth	1,026,378
6. UNDP	ENV - establishing conservation areas through landscape management in the Northern Plains	777,492
7. World Bank	LASED - capacity building for sustainable forest and land management	597,176
8. UNDP	ENV - Tonle Sap Conservation	506,196
9. Denmark	UNDP Cambodia Climate Change Alliance Trust Fund	366,000
10. UNDP	ENV - building capacity and mainstreaming sustainable land management	354,586
	<b>Total:</b>	<b>32,384,093</b>
2010 largest sub-sector disbursements		
Sub-sector	Donor	USD
Environment and conservation	Japan	27,822,968
	<b>Total of largest sub-sector disbursement:</b>	<b>27,822,968</b>
	<b>ODA of other sub-sector:</b>	<b>6,413,490</b>
	<b>Total ODA:</b>	<b>34,236,458</b>
	<b>NGO:</b>	<b>3,502,565</b>
	<b>Total</b>	<b>37,739,023</b>

Source: Cambodia ODA database (2011).

**Table 15: Climate change (adaptation and mitigation) sector profile**

5 largest projects (2010 disbursement)		
Donor	Project	USD
1. EU/EC	Integrating preparedness for effective disaster response within the CRC model for community-based disaster risk reduction	424,403
2. EU/EC	Promoting climate resilient livelihoods for small-scale farmers	393,088
3. UNDP	ENV - Cambodia Climate Change Alliance	354,516
4. UNDP	ENV - addressing climate change for poverty reduction and pro-poor growth	298,270
5. EU/EC	Reducing multi hazard induced risks and building community resilience to disaster	-
	Total:	1,470,277
2010 largest sub-sector disbursements		
Sub-sector	Donor	USD
Climate change (adaptation & mitigation)	EU/EC	817,491
	Total of largest sub-sector disbursement:	817,491
	ODA of other sub-sector:	652,786
	Total ODA:	1,470,277
	NGO:	160,041
	Total	1,630,318

Source: Cambodia ODA database (2011).

Mainstreaming climate change and environmental conservation into the national development strategy requires a coherent policy framework. There are hopeful signs of this, as reflected in increased support for the environment (NSDP Update 2009-13), in particular in helping manage adaptation to climate change. The Ministry of Environment, which convenes the National Climate Change Committee and coordinates the National Climate Change Strategy, is charged with promoting both efficiency and results, and ensuring the effective alignment of external assistance and the harmonized approach, as well as encouraging other DPs' participation.

In February 2010 the Ministry of Environment established the Cambodia Climate Change Alliance, with a mandate to support, among others, the implementation of the National Climate Change Strategy and the National Adaptation Programme of Actions. UNDP, for its part, manages a multi-donor trust fund of USD 8.9 million supported by the EU, DANIDA

and the Swedish International Development Cooperation Agency.

The Cambodia Climate Change Alliance is a turning point in the country's efforts to address climate change in a systematic way, by moving away from the past approach of stand-alone projects towards a more comprehensive programmatic approach that is inclusive of other DPs' climate change programmes. Indeed, AfT is relevant in this context. In fact, in order to adapt to climate change, Cambodia needs to mainstream climate change into development policies and mobilize additional financial resources. Co-financing between AfT and climate change financing might provide an opportunity to secure some additional funding needed to implement projects that integrate components of climate change adaptation (and mitigation) and trade competitiveness. If used in a complementary and reinforcing manner, the two financing mechanisms are likely to bring greater effectiveness to tackling climate

change and trade-related challenges, given that many climate change-related projects have clear trade-related impacts, especially in sectors like agriculture, fisheries and forestry, which are key for Cambodia (Ancharaz and Riad, 2010).

Conclusion: There is a limited effort to link trade to climate change adaptation and mitigation policies, and to build coherence between AfT, environment and climate change financing mechanisms. However, Cambodia has undertaken some positive actions in this context. Mainstreaming climate change policy strategies into AfT and donors' Country Assistance Plans is a crucial step in signalling to and engaging with the donor community Cambodia's priorities and commitment to adaptation and mitigation in the face of global climate change.

### 3.3.2 South-South funding

Economic cooperation with China, with whom Cambodia has enjoyed close political and economic ties dating back to the 1950s and 1960s, and with South Korea, is becoming increasingly important and a major contributor to the country's economic and social development. China and South Korea, as emerging donors, direct their support mainly to specific sectors/projects to develop public infrastructure, i.e., telecoms, roads, railroads, bridges, power transmission lines, hydropower dams, conventional power plants and irrigation schemes.

In reviewing Cambodia's ODA database (CDC/CRDB, 2011) there are 11 projects funded by China and 40 projects by South Korea. Eight projects from China and 10 projects from South Korea can be considered as AfT - trade infrastructure related - from the construction and rehabilitation of national and provincial roads to bridges across the Mekong and Tonle

Sap rivers, to irrigation schemes to dam and water resource developments (Table 16).

There is evidence from the government<sup>27</sup> that suggests that China and South Korea adhere to the Paris Declaration, on such issues as ownership, accountability, harmonization and alignment.<sup>28</sup> China, however, does not participate in technical working groups and donor coordination meetings and applies few aid conditionalities as compared to traditional ODA providers. South Korea participated in the Government-Development Partner Coordination Committee and the Cambodia Development Cooperation Forum, but it is still unclear what degree of leverage it has on Cambodia's development agenda.

All China-funded projects are provided through concessional loans with a grace period ranging from seven to 20 years, a fixed interest rate from 1.25 to 2 per cent per annum, and an amortization period from 13 to 20 years. However, four irrigation projects to improve agriculture infrastructure and road improvements funded by South Korea are in the form of grants. The terms of South Korean concessional loans are also more favourable compared to Chinese ones, with a fixed interest rate ranging from 0.01 to 0.50 per cent per annum.

None of the Chinese-funded projects in the project database were implemented through an embedded project implementation unit. Conversely, only two South Korean-funded projects were implemented through partially-integrated PIUs.

Information from the CDC database, coupled with what could be obtained from interviews with DPs and stakeholders, shows that South-South aid flows, whether in the form of grants or concessional loans, tend to focus on South-South cooperation, local and regional stability, with strategic economic interests as the primary driver and rationale for their investments.

Table 16: Concessional loans and grants - China and South Korea

I. CHINA (8 projects)	Start	Completion	Loan	Grant	Disb. 2008	Disb. 2009	Status
1. Construction and rehabilitation of NR 78 from O' Pong Moan, S. Treng Province to Banlung, Rattanakiri Province	11/2009	04/2013	CNY 510,770,000			CNY 102,154,000	On-going
2. Construction of Prek Kdam bridge (975 meters)	06/2007	09/2010	USD 28,783,664		USD 12,707,412	USD 4,440,168	Completed
3. Kanghot irrigation project in Battambang Province	11/2010	03/2014	USD 49,911,972				On-going
4. Construction of Greater Mekong sub-region information superhighway, Cambodia section	01/2006	12/2007	CNY 135,000,000				Completed
5. Rehabilitation of NR 8 from Ksach Kandal to Vietnam border	03/2007	06/2010	USD 71,512,717		USD 31,571,434	USD 11,031,552	Completed
6. Rehabilitation of NR 76 at junction of NR 7 Snuol to Sen Monorom, Mondolkiri Province (127 km)	02/2007	07/2010	USD 51,900,000		USD 12,975,000	USD 20,760,000	Completed
7. Rehabilitation of NR 7 from Kratie to Trapaing Krel	10/2004	12/2007	USD 60,980,000				Completed
8. Rehabilitation of NR 59 - Kamrieng - Phnom Preuk - Sampov Loun - Malai - Kaun Damrey	02/2011	03/2014	CNY 509,594,711				On-going

Source: Cambodia ODA database (2011).

Table 16: *Continued*

II. SOUTH KOREA (10 projects)	Start	Completion	Loan	Grant	Disb. 2008	Disb. 2009	Status
1. GMS Cambodia Northwestern provincial road improvement	06/2009	12/2012	USD 29,942,000				On-going
2. Improvement of NR 31 and NR 33, provincial road #117 and Kampot bypass	08/2009	02/2013	USD 35,370,000				On-going
3. Krang Ponley water resources development project	06/2006	09/2012	USD 26,700,000		USD 6,198,000	USD 1,302,476	On-going
4. Mongkol Borey dam development	03/2011	09/2014	USD 18,700,000				On-going
5. Rehabilitation of NR 3 Phase II	09/2007	07/2011	USD 36,900,000		USD 7,775,000	USD 2,877,013	On-going
6. Construction of Korean ringroad in S. Reap	01/2010	12/2013		USD 11,500,000			On-going
7. Irrigation scheme rural-based community development, Kg. Cham Province	04/2010	09/2012		USD 2,500,000			On-going
8. Provincial rural road improvement	07/2011	10/2014	USD 21,000,000				On-going
9. Pavement of S. Reap bypass road phase II	11/2007	06/2009		USD 4,302,000	USD 3,426,640	USD 1,594,000	Completed
10. Irrigation scheme in Batheay District	01/2009	12/2010		USD 2,500,000		USD 1,249,000	On-going

Source: Cambodia ODA database (2011).

**Conclusion:** Emerging donors, China and South Korea in particular, which are becoming increasingly important contributors to Cambodia's development, mainly channelled their support towards the provision of public infrastructure, but their aid cannot be considered "untied". China's financial influence is significant and appears, anecdotally, to have had some impact on the working arrangements between the government and other DPs. Unfortunately, this evaluation was unable to access comprehensive data on China and South Korea to provide further in-depth analysis.

### 3.4 Pillar IV: Other Relevant Issues Based on Research

#### 3.4.1 Demand-supply gap

According to stakeholder interviews and surveys, the general view is that many trade-related projects tend to be supply-driven (donors) rather than demand-driven (government). The revised resource framework, prepared for the NSDP Update, shows DPs how and where resources are to be aligned with national development priorities. Table 17 shows the estimated required resources - domestic and external - allocated to respective priorities by the government, including on-going regular reviews and revisions, since 2006 when the first NSDP came into operation.<sup>29</sup>

In addition to the two new areas identified in the NSDP update (vocational/technical training and mitigating vulnerability), it is noticeable that relative allocations, but not total sums, have declined in sectors such as education, health, agriculture and transportation; while relatively greater emphasis has been put on rural development, power generation/supply, governance and, as a response to climate change, the environment. This underlines the government's commitment to maintaining efforts related to governance reforms, especially in public financial management and in decentralization.<sup>30</sup>

The overall trends in development cooperation (Cambodia Aid Effectiveness Report 2010) demonstrate that aid levels directed to

Cambodia continue to rise, though according to some stakeholders interviewed there is still a gap between demand and supply. To some extent, however, now that Japan and China have increasingly been supporting the transportation sector and South Korea the information and communications sector, that gap is narrowing. This reflects a continued effort by the government to mobilize resources, as well as the continued commitment by the international community to supporting Cambodia's reforms and development priorities.

In 1992-2009, a total of USD 9.79 billion in disbursement to Cambodia was reported by DPs, which included:

1. EU countries and the EC, USD 2.27 billion or 23.2 per cent of the total;
2. Japan, USD 1.83 billion or 18.7 per cent of the total;
3. UN agencies, international financial institutions and other multilateral organizations, USD 2.82 billion or 28.8 per cent of the total (among them, ADB disbursed USD 0.98 billion; UN disbursed USD 0.80 billion; and the World Bank, USD 0.64 billion);
4. NGOs (own resources), USD 0.86 billion or 8.8 per cent; and
5. China, USD 0.51 billion, of which 85 per cent has been disbursed since 2004.

Governance and administration received the largest share of support (USD 1.6 billion), with health and HIV/AIDs programmes also receiving significant funding (USD 1.5 billion), followed by transportation (USD 1.2 billion), education (USD 1 billion) and rural development (USD 1 billion).

**Conclusion:** AfT is generally supply-driven rather than demand-driven. There is still a gap between demand and supply. To some extent, however, increased support from Japan, South Korea and China is narrowing the gap.

Table 17: NSDP resource requirements, 2006-13 (USD million)

Sector	2006 NSDP	2008 MTR Revision	2009-13 Update
<b>Social sectors</b>			
Education (basic = 60%)	550	670	700
Technical/vocational training			150
Health	600	720	700
Mitigation of vulnerability			250
Sub-total	1,150	1,390	1,800
<b>Economic sectors</b>			
Agriculture/land mgmt: other than crops	150	200	250
Seasonal crops: rice, etc...	200	370	250
Rural development	350	420	750
Manufacturing, mining & trade	80	100	250
Sub-total	780	1,090	1,500
<b>Infrastructure</b>			
Transportation (primary/secondary roads)	550	690	750
Water/sanitation (excluding rural)	150	180	250
Electricity/grid	120	160	250
Post/telecommunications	60	75	75
Sub-total	880	1,105	1,325
<b>Services/cross-sectoral programmes</b>			
Gender mainstreaming	30	40	50
Tourism	30	45	50
Environment/conservation	100	120	250
Community/social services	80	100	100
Culture/arts	30	40	50
Governance/administration	220	270	500
Sub-total	490	615	1,000
Unallocated	200		116
Grand total	3,500	4,200	5,741

Source: NSDP (2006) Table 5.2; NSDP MTR (2008) Table 4.3; NSDP Update Table 25.

### 3.4.2 Grant vs. loan

Disbursements of ODA attributable to AfT from 2008-10 amounted to USD 346 million, of which grant support accounted for 90 per cent or USD

310.2 million of total disbursements in that period (Table 18). Denmark, the EU, Germany, Japan, South Korea, Sweden and the UK were the largest sources of ODA; absent from the database, however, is China (Table 19).



**Table 18: Disbursement by terms of assistance, 2008-10**

Terms of assistance	2008 (million)		2009 (million)		2010 (million)		Total 2008-10	
	USD	%	USD	%	USD	%	USD	%
Grants	88,716,948	91%	122,485,762	95%	99,027,106	83%	310,229,816	90%
Loans	9,206,213	9%	6,695,926	5%	19,931,670	17%	35,833,809	10%
Total	97,923,161	100%	129,181,688	100%	118,958,776	100%	346,063,625	100%

Source: Cambodia ODA database (2011).

**Table 19: Disbursement by country, 2008-10**

Country/institution	Grants	%	Concessional loans	%	Total 2008-10
ADB (USD)	5,138,251	35	9,610,000	65	14,748,251
Australia (AUD)	1,176,219	100	-	-	1,176,219
Canada (CAD)	8,807,519	100	-	-	8,807,519
Denmark (USD/DKK)	52,465,369	100	-	-	52,465,369
EU/EC (EUR)	32,209,431	100	-	-	32,209,431
Finland (EUR)	2,891,560	100	-	-	2,891,560
France (EUR)	2,788,011	61	1,761,288	39	4,549,299
Germany (EUR)	13,044,122	100	-	-	13,044,122
IFAD (USD)	5,114,720	42	7,108,888	58	12,223,608
Japan (USD/JPY)	18,334,969	100	-	-	18,334,969
New Zealand (NZD)	3,397,138	100	-	-	3,397,138
S. Korea (USD)	-	-	14,331,740	100	14,331,740
Sweden (SEK)	31,968,056	100	-	-	31,968,056
UK (GBP)	31,240,812	100	-	-	31,240,812
UNDP (USD)	81,721,478	100	-	-	81,721,478
World Bank (USD)	19,932,161	87	3,021,893	13	22,954,054

Source: Cambodia ODA database (2011).

Over the same period, out of the international institutions the UN was the largest source of funds, disbursing USD 81.7 million or 23.1 per cent of total trade-related ODA, while the World Bank provided USD 22.9 million and the ADB disbursed USD 14.7 million, or 6.6 per cent and 4.2 per cent of the total, respectively.

### 3.4.3 Absorptive capacity

The absorptive capacity of the rank and file key ministry officials, who effectively manage the AfT project in all phases, varies between ministries. In ministries where government leadership is strong, a good pool of adequate human resources development results in high utilization rates of AfT projects based on the allocated budget and expenditure statements. For example, Table 3.2 above shows that from

2008 to 2010, 86 per cent of AfT disbursements were implemented by a government agency or ministry. Donors implemented around 6 per cent of the funds, foreign NGOs/consultancy 5 per cent and local private sector or civil society just 2 per cent. In terms of the number of projects, government implemented the most, with 69 per cent of total AfT projects, followed by foreign NGOs/consultancy, then 8 per cent by donors and only 5 per cent by the local private sector or civil society (Table 3.3 above).

While the majority of AfT projects in Cambodia are implemented by the government, which is a positive sign for sustainability, stakeholders believe that the low implementation capacity in Cambodia is a major risk to the sustainability of project outcomes. The absorptive capacity

of government staff is low, not only in implementing aid but also in delivering on their mandate. That said, capacity building for trade development has been identified as a priority by the government. Capacity building has been provided to relevant institutions, such as in basic project management and technical skills training. Such capacity development is implemented according to the strategic roadmap developed under the Trade SWAp that indicates which training is needed for which institution. Moreover, the USD 1.4 million and USD 1.0 million plus provided by the EIF and TDSP are to be used exclusively for trade-related capacity building.

Furthermore, in recent years, we have seen a steady return of Cambodian students from their studies abroad under various forms of scholarships. Many of them find their way back into ministries and have substantially contributed to the overall absorptive capacity of the ministries. The combination of work experience and long-term overseas exposure has led to an increase of confidence among mid-level civil servants in their dealings with donor counterparts. In fact, there has been more and more criticism from the government over DPs dispatching young and inexperienced staff to work in the country. The same effect can also be felt among civil society organizations and private sector consulting firms, whereby we have seen an increase of either more tenders awarded outright to local companies or organizations, or more components of a tender being allocated to local institutions.

**Conclusion:** The main lesson learned from the implementation of trade-related capacity building initiatives in Cambodia is that they should be holistic and encompassing enough to support the trade policy framework of the country. They should include at a minimum the following elements:

- (i) A coherent trade strategy closely integrated with the country's overall development strategy;
- (ii) Effective mechanisms for intra-governmental policy coordination, and for consultation among the three key sets of stakeholders (government, private sector and civil society); and
- (iii) A network of trade support institutions.<sup>31</sup>

### 3.5 Impact

Ultimately, the effectiveness of AfT will be in its impact on the trade performance of countries. The impact assessment of AfT is fraught with challenges because of the lack of credible data, attribution problems and above all an absence of counterfactuals. In measuring the effectiveness of an AfT intervention on export growth, we need to look not only at export figures but also take into account other factors that affect trade, such as policies, institutions, regulations, supply-side constraints, market access barriers, preferential trade schemes and other international market conditions, and international and national economic trends. These factors make it difficult to isolate the impact of ATF interventions on export performance.

This said, there are some quantitative techniques available that can help us at least partially measure the impact of AfT interventions. The methodology for this study, as suggested by the OECD and WTO (2010), is to focus on two, largely macro, levels:

- National level (e.g., links between AfT and export performance);
- Sector level (e.g., AfT and agricultural exports).

As a complement to the macro-level analysis of AfT, we will conduct micro-level analysis at the project level by looking at AfT interventions in the rice sector (Chapter 4). There we will focus on the initial expected objectives of a given set of projects.

#### **National level**

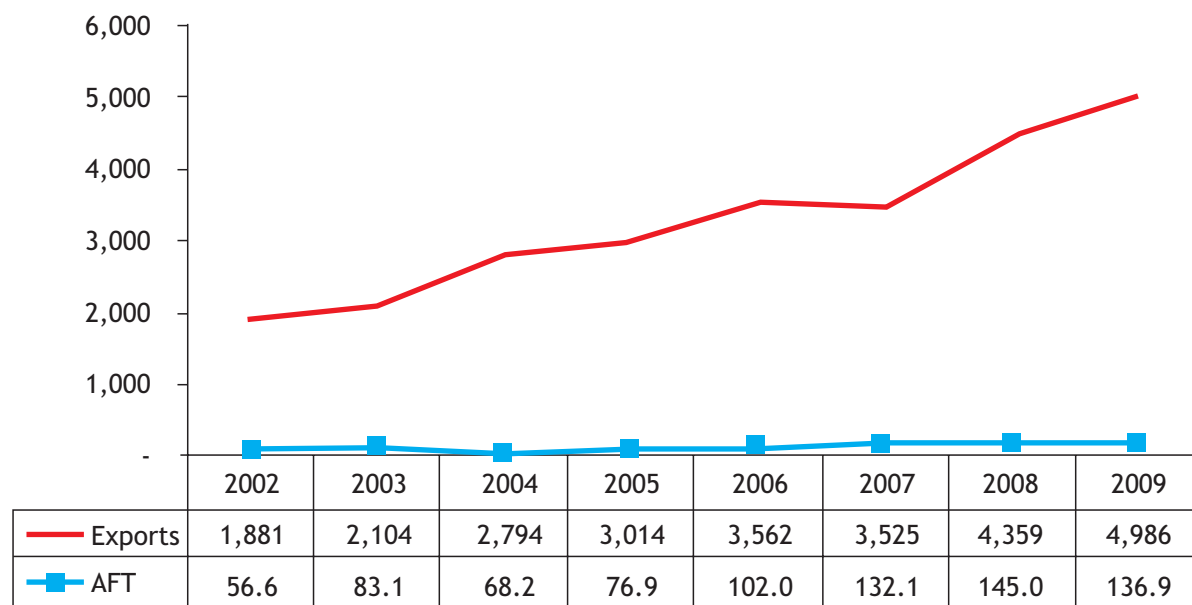
Over the period 2002-09, total exports grew by an average 15 per cent per annum. Exports

of USD 1,881 million in 2002 expanded to USD 4,986 million in 2009 (Figure 7). Textiles and garments were the driver of export growth, representing more than 65 per cent of total exports (Table 20). As of 2009, however, the data reveals a shift in the export base, with the share of garments falling to around 49 per cent while other sectors (such as pulp of wood/paper, mineral products, plastics and prepared foods) gradually grew, an indication of export diversification.

Table 20: Top 10 Cambodian exports (USD million, current prices)

ITEMS	2002	2003	2004	2005	2006	2007	2008	2009	2010
All exports	1,918.78	2,116.90	2,797.78	3,014.67	3,607.80	3,577.97	4,336.65	4,943.13	4,849.53
Textiles and textile articles	1,328.03	1,614.70	2,001.43	2,234.56	2,696.42	2,718.30	3,009.83	2,428.40	1,894.21
Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard; paper and paperboard and articles	431.87	344.91	612.99	580.66	661.49	572.44	899.20	1,982.57	131.51
Footwear, headwear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair	42.93	41.23	48.44	46.10	67.56	84.88	93.43	111.48	41.56
Vehicles, aircraft, vessels and associated transport equipment	12.37	8.70	5.90	6.34	44.23	52.41	97.44	94.33	373.51
Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof; imitation jewellery; coins	16.86	23.80	0.20	14.45	15.86	18.88	11.18	77.34	166.61
Plastics and articles thereof; rubber and articles thereof	30.39	36.10	40.32	38.19	50.43	46.40	34.22	53.27	159.70
Works of art, collectors' pieces and antiques	0.30	0.30	23.36	35.27	0.38	6.27	4.11	42.97	7.83
Mineral products	0.02	0.05	0.04	0.07	0.00	2.52	117.08	34.49	409.13
Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	4.09	2.52	4.40	8.82	9.47	10.16	9.41	25.12	291.31
Vegetable products	5.70	4.51	13.02	9.39	11.25	15.71	9.60	21.09	39.31

Source: MEF, Customs and Excise Department.

**Figure 7: Exports and AfT disbursement, 2002-09 (USD million, current prices)**

Source: MEF (exports), OECD CRS (AfT).

Looking at the graph of AfT disbursement and exports (Figure 7), it is difficult to identify any apparent link between the two variables. Both exports and AfT (at current prices) during the period 2002-09 grew at an average 15 per cent per year. To get an empirical perspective, we used a correlation analysis to explore the possible relationship between these two

variables. We find that there is a strong, positive correlation between AfT and export performance in Cambodia (Pearson correlation = 0.878). The correlation is very significant (at 0.01 level). This means that the two values appear to move together, but not necessarily that one variable causes changes in the other (Table 21).

**Table 21: Correlation between export performance and AfT flows in Cambodia**

	Disbursed AfT, 2002-09	Export values, 2002-09
Pearson correlation	1	0.878 *
Sig. (2-tailed)		0.004
N	8	8

\* Correlation is significant at the 0.01 level (2-tailed).

Source: Data from OECD CRS and MEF.

In order to know the causal relationship (that is, the impact of AfT flows on export performance) we would need to control for several factors, such as policies, institutions, regulations, supply-side constraints, market access barriers, preferential trade schemes and other international market conditions, and international and national economic trends. This is very complicated and beyond the scope of this study. Despite these limitations, we can try to explain the possible channels in which AfT intervention has contributed to export growth.

The key channel in which AfT programmes/ projects likely had a significant impact on the recent export performance is through improvements in the area of trade facilitation. A total of USD 304 million of AfT was allocated to the development of economic infrastructure, such as transport and storage, communications, energy, banking and financial services, and other business development services during the recent period (2006-09), up from USD 214.6 million in the base period (Table 22).

One of the most prominent projects in this area is the World Bank's Trade Facilitation Competitiveness Project, which installed the Automated System for Customs Data system at three main control posts. The World Bank has disbursed USD 3.9 million out of a pledged USD 10 million to date, and the government contributed USD 261,342 out of USD 630,00 for overall project implementation.

The impact of these investments (along with other projects to improve the trade and investment environment) appears to be taking shape. The World Bank's Doing Business Survey

reveals that the number of days for export procedures fell to 22 days in 2010 from 43 days in 2002, and the cost dropped to USD 732 per container from USD 736 (Table 23). The trend is similar for import procedures: the duration has been reduced to 26 days from 54 days over the same period, though the cost has increased. The reduction in bureaucracy and cost of exporting brought about through various AfT programmes/projects likely played an important role in export performance. However, the greatest impact will be on products that face lower supply-side constraints, such as textiles and garments.

**Table 22: Disbursement of AfT by category, 2002-09**

Aid for Trade categories	USD million, constant 2009 prices		% share of total AfT	
	2002-05	2006-09	2002-05	2006-09
Trade policy & regulations	2	22.1	1%	3%
Economic infrastructure & services	214.6	304	60%	36%
Building productive capacity	141.4	520.8	39%	62%
Trade-related adjustments	-	-	-	-
Total AfT	358	846.8	100%	100%

Source: OECD CRS.

**Table 22: Disbursement of AfT by category, 2002-09** **Table 23: Duration and cost of trading across borders in Cambodia**

Trading Across Borders	2002		2010	
	Duration (days)	USD cost	Duration (days)	USD cost
Export procedures	43	736	22	732
Import procedures	54	816	26	872

Source: World Bank/IFC (2010).

Donors voiced the same line of thinking as the analysis above. They commented that AfT projects have to some extent contributed to export growth through activities to improve the business and trade facilitation environment, such as through cutting lead times and automation of the customs process.

#### Sector level

At the sectoral level, it may be too early to expect any significant changes given (i) the

emphasis on using AfT for building production capacity only occurred in the recent period (2006-09); and (ii) the low production base in Cambodia. AfT for the production sectors was 39 per cent of total disbursement in the base period; this amount hit 62 per cent in the recent period, valued at USD 238 million. Of this amount, the agricultural sector was the main receiver of trade-related assistance (72 per cent of 2006-09 AfT or USD 171 million) (Table 24).

Table 24: Disbursement of AfT to production sectors, 2002-09

Production sectors	USD m, constant 2009		% share of funds	
	2002-05	2006-09	2002-05	2006-09
Total AfT for production sectors	143	238	100%	100%
Agriculture, forestry, and fishing	119	171	83%	72%
Agriculture	95	154	67%	64%
Forestry	20	8	14%	3%
Fishing	2	9	2%	4%
Industry, mining and construction	16	41	12%	17%
Industry	16	37	12%	15%
Mineral resources & mining	0	4	0%	2%
Construction	0.07	0.06	0%	0%
Tourism	5	4	4%	2%

Source: OECD CRS.

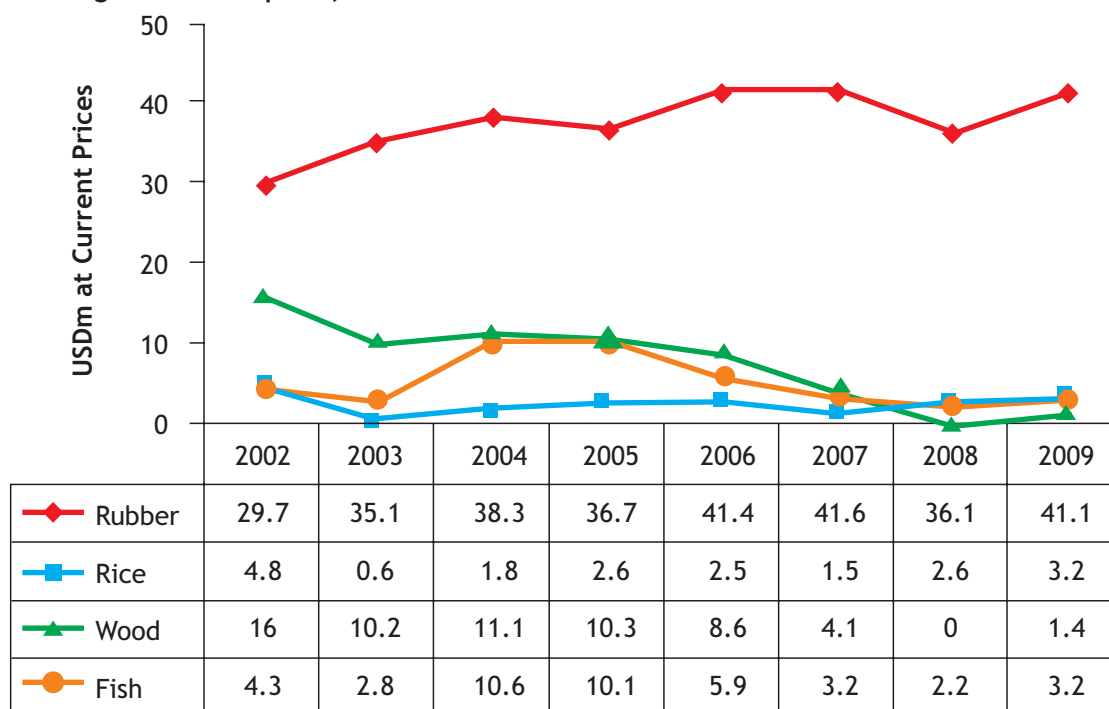
The main objective of most, if not all, agriculture-focused AfT projects/programmes is to help shift Cambodia's low-value, subsistence agriculture sector into a commercialized, diversified one that can compete in the global economy. Donors have focused on improving agricultural productivity and diversification towards higher-value products; the market environment for private, agro-based enterprise growth; and strengthening capacity for competitive agricultural commercialization. The scope of such projects included the provision of better quality inputs (seeds, fertilizers), equipment, harvesting techniques and post-harvesting techniques.

The impact of these project interventions on agricultural exports is still currently minimal. In 2002-09, agricultural products made up an average of only 2 per cent of total exports. Rubber is the main export commodity, with

export value of USD 41.1m in 2009, up from USD 20.7m in 2002. Rice follows second, with export value of USD 3.2m in 2009.

While the impact of these interventions on agricultural exports remains minimal, their impact (at least in part) on raising production capacity in the sector is clearly visible. In 2002, agriculture constituted around 33 per cent of Cambodia's GDP, with real gross value added of just KHR 5,238 billion (USD 1.3 billion). The sector employed about 70 per cent of its total workforce. Rural income continues to be derived primarily from agriculture, predominately rice production. The sector had sluggish and high variability growth in the 1990s because of its heavy dependence on rain-fed rice cultivation. The average rice yield was about 1.8 tons per hectare in the 1990s, the lowest in Southeast Asia. In 1996-2000, agriculture grew by less than 3.0 per cent yearly on average.

Figure 8: Agricultural exports, 2002-09



Source: MEF, Customs & Excise Department.

Through various interventions, the agricultural sector has seen remarkable productivity gains. During the recent period (2006-09), the sector grew 5.4 per cent yearly on average (Figure 8). Real gross value added from the sector climbed to 7,994 billion KHR in 2009 (USD 2 billion). To date, the outcomes of these trade-related assistances are:

- Enhanced access to productive assets and security of land tenure resulting from the provision of 1 million land titles to rural residents, with a further 2 million targeted;
- An increase in rice yields from 1.8 tons per hectare in 1998 to 2.8 tons per hectare in 2009;
- A near doubling of rice production from 3.5 million tons in 1998 to 7.5 million tons in 2009 due to a combination of increased yields and an expanded area under production (partly due to improved rural access). As a result, Cambodia is now self-

sufficient in rice and produces a 2 million ton exportable surplus;

- An increase in maize production from 55,000 tons in 1998 to 875,905 tons in 2009;
- An increase in cassava production from 82,000 tons in 1998 to 3.4 million tons in 2009;
- Commercial fish production rose from 122,000 tons in 1998 to 465,000 tons in 2009, while the number of cattle in the country has increased from 2.7 million in 1998 to 3.5 million in 2009;
- There have also been improvements in crop diversification and small livestock production (goats, pigs, chickens and ducks).

Cambodia is now a net exporter of two agriculture commodities (rice and rubber), which continue to have high demand on the world market and provide some optimism for the future. But its presence on the global stage is still small and there is much room for improvement.



## 4. CASE STUDY OF CAMBODIA'S RICE SECTOR

### 4.1 Overview of Cambodia's Rice Sector

#### Development of the agricultural sector as a whole

This section provides a concrete case study of Cambodia's rice sector, with a focus on the impact (relevancy, efficiency, effectiveness and sustainability) of a set of specific AfT initiatives in the sector. Recently, increased attention and investment have focused on agriculture in Cambodia. Heightened productivity and market expansion, as well as regional cooperation and integration, are bringing the agricultural sector to the frontline of the national economic development strategy.

Agriculture accounted for 29 per cent of GDP in 2007, with some 59 per cent of the population relying on the sector for their livelihood. The sector has been growing at 4.4 per cent over the past decade, driven by crops and, to a lesser extent, livestock and fisheries. Eighty per cent of farmers grow rice, of which 60 per cent of them do so for subsistence. With more than 9 out of 10 of its poor people living in rural areas, Cambodia's success in reducing poverty is arguably owed to the central role of agriculture-led growth, driven by land and productivity gains. However, critics have argued that poverty reduction could have been faster if the government and DPs had spent significantly more on agriculture and rural development. Given the social implications of the agricultural sector, if rice exports alone reached 3 million tons they could make up approximately 20 per cent of GDP.

While government revenue remains very low, at around 11.5 per cent of GDP (other LDCs collect around 16 per cent of GDP), the budget allocation for the agricultural sector has been very low. The sector received an annual increase of nearly 60 per cent, rising to USD 91.2 million or 9.2 per cent of the total in 2009. Rural development got only USD 62 million, or 6.2 per cent of the budget.<sup>32</sup> Donor spending on agriculture has also been low, at only

about USD 30-40 million out of USD 500-600 million, or 5-7 per cent of total donor spending. Though agriculture and rural development are classified as priority areas, public investment in the sectors is still very low. According to the Public Investment Programme (PIP) 2010-12, the government planned to invest only 13 per cent of the fund in agriculture.<sup>33</sup> With only around 7 per cent of cropland irrigated, the agricultural sector depends on rainfall and is thus subject to weather vulnerability.

#### Problems and issues confronting rice sector exports

Poor performance in regional trade and weak cross-border trade facilitation: Cambodia has not benefited as it should have from regional markets (only 13 per cent of its trade is intra-regional, against an average of 49 per cent) and despite some reforms the country has yet to enhance its competitiveness with East Asian and Pacific nations.<sup>34</sup> Weak private sector collective actions pre-empt the securing of large rice export contracts. Another key challenge for rice exports is the lack of capital to buy paddy surplus from farmers combined with inadequate rice storage capacity. In 2010, Cambodia's local middlemen could buy only 0.5 million tons, while 3 million tons of paddy were exported to Thailand and Vietnam for further processing and packaging.<sup>35</sup> The estimated market demand is around USD 350 million.<sup>36</sup>

**Policy Direction:** With vast flat agricultural lands and access to a number of large rivers and their tributaries, Cambodia has the potential to be a significant agricultural net exporter, at a time of rising global food prices. Mindful of the significant role of agriculture in poverty reduction, the government highlights agriculture as one of the development priorities in its Rectangular Strategy. The approach to agriculture development is through a three-pronged strategy: productivity enhancement, diversification and agricultural commercialization (from subsistence to commercial agriculture). There is also a clear

consensus among DPs around the new focus on agriculture and rural development as a top priority, with huge potential for both generating growth and reducing poverty.

Several policy papers were adopted and implemented to meet the needs for developing the sector. The National Strategy for Agriculture and Water (2006-10) was adopted in 2007 in support of the government's strategic goals,<sup>37</sup> as was NSDP 2006-10; and the Agriculture Sector Strategic Development Plan (2006-10) identified several strategic objectives for the agriculture, fisheries and forestry sectors, in particular as they relate to food security, productivity and diversification. Other policy papers involved the improvement of agricultural research and extension systems; and securing new market access for agricultural products.

#### **AfT and the development of the rice sector**

Rice is by far Cambodia's most important agricultural product and the sector employs around 2.9 million people. Rice is the major staple food and is cultivated by the large majority of small farmers. The government has chosen milled rice as a priority export item and has an ambition to turn Cambodia into a major "rice - white gold" exporting country in the international market. Paddy rice production could reach 7.3 million tons in 2010-11, after a remarkable rebound over the past decade. With an estimated domestic consumption of approximately 3.14 million tons of paddy rice, after provision for seeds and harvest loss statistical data shows a surplus of 3.32 million tons, which can be processed into milled rice for export. When rice exports reach 3 million tons, the total export value would amount to

USD 2.1 billion (approximately 20 per cent of GDP) or equivalently to about USD 600 million (approximately 5 per cent of GDP) in value added contribution to the national economy.

The Rice Export Policy came about at a time when trade diversification became a priority following the global financial crisis and the ensuing dramatic drop of demand in the garment sector. Many AfT projects and initiatives in support of Cambodia's trade diversification began around the period after the launch of the AfT initiative in December 2005, which coincided with Cambodia's accession to the WTO.

Estimates of rice exports - including informal exports - suggest that rice is by far Cambodia's most important agricultural export product. Though most exports concern paddy rice, milled rice is increasingly considered to have important potential for future exports. The diversification of Cambodia's sources of growth through increasing paddy rice production and milled rice export have acted to complement other sectoral growth, including the weakening garment sector. Tremendous potential exists for Cambodia to integrate further into Asia's regional and sub-regional markets with preferential market access to DP countries.

**Achievements in the agriculture sector:** Notable achievement by the government over the last two and a half years include: continued efforts to rehabilitate and enhance irrigation potential; some diversification into cash crops; issuance of more land titles to farmers; and further improvement of rural infrastructure. See Box 5 for selected excerpts from the keynote address by Prime Minister Hun Sen at the Third Cambodia Economic Forum in 2009.

**Box 5: Agriculture is important for sustaining growth and reducing poverty**

“Progress in agriculture has been historically impressive. There is still more room for yields improvement, compared to yields achieved in neighbouring countries, by making investment in physical infrastructure, especially irrigation systems, increasing agricultural productivity and promoting agricultural diversification. The government has given serious thoughts to the factors of production costs and output as well as capacity in purchasing, stockpiling and processing Cambodian rice... In 2008, the government provided a special credit line amounting to USD 12 million, through the Rural Development Bank, to private rice millers to collect paddy/rice to ensure domestic supply... In 2009, the government offered a budget amounting to USD 18 million to the Rural Development Bank to continue the activities... The government will convert the budget to establish an “Agricultural Support and Development Fund” to support the private sector, especially small and medium enterprises, on a number of targets including:

1. Provide short-term credit for collecting paddy/rice from farmers at appropriate price to maintain price stability and ensure food security; and
2. Provide medium-term credit to rice millers to increase capacity in stockpiling, drying and processing...

The government will continue to enforce zero tariff policy on importing agriculture materials such as seeds, fertilizers, pesticide and agricultural equipments etc... The government has worked to streamline procedures in rice exports and to gradually strengthen rice export management mechanisms while improving domestic capacity in rice purchasing, processing, distribution and export... The government is drafting legal procedures for investment projects in agriculture, especially investment projects in agricultural produce processing, such as investment projects in rice stockpiling and processing. These projects are to be considered as priority projects with high incentives within the existing investment legal framework... The government is trying to strengthen the partnership between small-holder farmers and large-farm owners, as well as agriculture enterprises, between social land concessionaires and economic land concessionaires, with the emphasis on establishing farmer associations and partnerships with companies involved in rice purchasing, processing, distribution and export”.

*Source: Selected excerpts from the keynote address by Samdech Akka Moha Sena Padei Techo Hun Sen at the Third Cambodia Economic Forum organized by the National Supreme Economic Council on 5 February 2009 in Phnom Penh.*

Significant progress has been made by the MAFF in increasing the land area for crops, the cultivated paddy area, and yield per hectare. In 2006-08, overall agricultural production increased remarkably. In 2008, the total cultivated land area was 2.61 million hectares,

producing about 7.15 million tons of paddies, resulting in an average yield of 2.74 tons per hectare and a surplus of 2.02 million tons of milled rice (see Table 25). Several major foreign-funded irrigation projects were also completed by 2009 (see Table 26).

**Table 25: Main agriculture statistics**

	Unit	2008	2009	2010	2011	2012	2013
Land under crops	'000 ha	596	645	774	930	1000	1000
Irrigated land area	'000 ha	1120	1145	1170	1195	1220	1245
Paddy: cultivated area	'000,000 ha	2.61	2.63	2.65	2.65	2.65	2.65
Yield per hectare	tons	2.74	2.77	2.8	2.83	2.87	3

*Source: NSDP Update 2009-13.*

**Table 26: Foreign-funded irrigation projects completed in 2009**

Irrigation project name/title	Donor	Dated of completion
Study on comprehensive agricultural development of Prek Thnot river basin (river basin no. 34)	Japan	2005
Stung Chinit irrigation and rural infrastructure project (3,000 ha)	ADB and AFD	2008
Bassac Dam rehabilitation project in Battambang province (20,000 ha)	Japan	2006
River basin and water use study for Northwest irrigation sector project (river basin no. 24)	ADB+AFD	2006
Rehabilitation of the Kandal Stung irrigation system in the lower Prek Thnot basin (1,950 ha)	Japan	2007
Master on water resources development in Cambodia (all 42 river basins)	Korea	2008
Integrated development in Battambang province (1,950 ha)	FAO	2008
The basin-wide basic irrigation and drainage master plan study in the Kingdom of Cambodia (river basin no. 26-29)	Japan	2009

Source: Ministry of Water Resources and Meteorology (2010).

Moreover, research and development in agricultural technologies has attained remarkable achievements, particularly in the enhancement of knowledge in agricultural technologies in the following areas:

- (1) Developing high-yielding and high-quality seeds;
- (2) Land preparation methodologies;
- (3) Effectiveness of the utilization of green manure residuals;
- (4) Land fertility management and utilization of organic fertilizer;
- (5) Identification of types of pests and the size of their damage, as well as prevention and eradication methodologies; and
- (6) Methodologies on the timing of harvesting, seed drying and seed storage.

Besides contributing to the increase in crop productivity, all of these technologies have also contributed to the diversification of cropping systems by shifting from mono-rice cropping to multiple cropping systems. This included through identifying appropriate soil types, the

timing and methods of crops planting before and after wet-season rice cropping, as well as crop rotation patterns in upland areas. Moreover, the MAFF has conserved 2,557 accessions of rice germ plasma and identified rice varieties that are resistant to flood, drought and brown planthopper in order to ensure the sustainable use of natural resources in Cambodia. In addition, the transfer of these technologies has been promoted through improved linkages between research and dissemination, in the form of human resource capacity development including short/medium training courses, field demonstrations, workshops, seminars and conferences.

Investment in agriculture by the private sector: With strong policy support from the government, the private sector in Cambodia has witnessed rapid growth. The government has encouraged foreign direct investment (FDI) in agriculture by providing incentive packages to investors. The number of agricultural and agro-industrial companies, both local and foreign, is rapidly increasing. An economic land concession sub-decree has been developed to attract large-scale investors. According to the CDC, FDI projects in agriculture cover only about 5 per cent of the total, many of

them involving contract farming and economic land concession. At present, there are 85 concessionaires exploiting a total land area of 956,690 hectares in 16 provinces.<sup>38</sup>

The CDC recently approved agricultural investment projects worth more than USD 230 million, involving rubber, palm oil and sugar production and processing.<sup>39</sup> China's Yellow Field International Ltd and Great Field International are planning to invest USD 74.6 million and USD 66.4 million respectively in growing sugar cane and other crops; Vietnam plans two rubber plantations and processing factories; a Malaysian company is investing in a palm oil plantation, while US-based Horizon Agriculture Development and Singapore and Malaysia's Mondul Agri Resources plan to invest USD 28.8 million and USD 30 million respectively to grow rubber trees.

Investment in agriculture by NGOs: Cambodia is considered a paradise for NGOs, with more than 2,000 local and international NGOs operating in the country over many areas. The NGOs in Cambodia have been playing significant roles in the process of development and poverty reduction. A lot of them focus their activities among others in rural development, rural credit, small business initiatives, technical know-how in agriculture and handicraft. The most prominent in agricultural development is the Centre for Studies and Development of Cambodian Agriculture (CEDAC), which is recognized as one of the successful examples of NGO contributions in the sector.

**Agricultural support by development partners:**

International donor agencies have supported agricultural development in Cambodia through different programmes and projects, the most prominent of which are listed below:

1. Japan International Cooperation Agency (JICA)'s "Agricultural Productivity Promotion Project in the West Tonle Sap": The project focuses mainly on the improvement of productivity and marketing of agricultural products in the West Tonle Sap region through technical support to Provincial Departments of Agriculture in Battambang, Pursat and Kampong Chhnang provinces. In the same region, JICA has been implementing another technical cooperation project since September 2009, targeting the improvement of agricultural river basin management through the capacity development of engineers in the Technical Service Centre of the Ministry of Water Resources and Meteorology.
2. AusAID's Cambodia Agricultural Value Chain Project (CAVAC) 2009-13: The AUD 26 million project aims to deliver practical benefits including improved food security, increased income and reduced vulnerability of poor farmers engaged in rice-based farming systems. The project will promote market-oriented agribusiness development research and extension, and product diversification, with an initial focus on rice, vegetables and fruit. The project initially focuses on three provinces: Kampong Thom, Takeo and Kampot. Consideration is given to expanding the programme to other provinces and value chains in future years.
3. USAID's "Helping Address Rural Vulnerabilities and Ecosystems Stability" (or HARVEST) project, part of a USD 100 million economic growth programme, aims to improve over a five-year period agricultural research and development, food security, rural infrastructure, natural resource management and climate change resilience. Permanently reducing hunger and maintaining sustainable use of natural or communal resources are the central goals of HARVEST. The project will work with public, private and civil society to strengthen food security by increasing agricultural productivity; raising the incomes of the rural poor; preparing the country to adapt to climate change; and reducing the number of Cambodians, especially women and children, suffering from malnutrition. A "focus on food" approach to rural income diversification and value-chain strengthening will help the Cambodian agricultural sector become a major contributor to stable and sustainable

economic growth for Cambodia and the region. Improved land and other resources management will conserve and maintain the economic value of Cambodia's sensitive ecosystems and rich biodiversity as well as reduce the vulnerability of agriculture and rural communities to climate change.

4. The EU's food security project package of EUR 6.9 million (about USD 10 million) is being implemented by three NGOs (Gret, ZOA and Helen Keller International) and German Technical Cooperation (GTZ). Their main activities are (1) to improve the economic and nutritional situation of 15,000 family-scale farms and to increase the resilience of farming families to distress situations through safety net mechanisms (rice banks, health insurance) in ten provinces; (2) to improve the access to irrigation and agricultural inputs of 3,500 families; (3) to build 10 rice seed stores; and (4) to improve the food security and livelihoods of vulnerable farming households in Prey Veng and Pursat provinces.
5. The ADB has supported the small and medium enterprise sector through programme loans. It is now developing a new phase of support for Private Sector Development, including trade-related elements (such as SPS).
6. The World Bank has started a new Trust Fund in collaboration with AusAID (World Bank-IFAP) worth USD 35 million and targeting the agricultural sector in general.
7. The International Finance Corporation (IFC) intends to implement in 2011 a Guarantee Fund of about USD 30 million to partnering bank(s) to facilitate access to finance for Cambodian rice millers.
8. Japanese assistance on trade and investment included JBIC's support for Special Economic Zones (Sihanoukville Port SEZ) and JICA's support to the Cambodia Investment Board and to customs' risk management.
9. The French Development Agency (AFD) intends to make available one or several

credit lines to local banks as a partial guarantee mechanism to facilitate the financing of long-term investment needs and to allow the modernization of medium-sized businesses.

10. The International Trade Centre (ITC) and the Association of Development Financing Institutions in Asia and the Pacific are consolidating their existing partnership by developing a small and medium enterprise finance programme with financing from AFD.
11. The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) has supported the rice sector in the form of a Business Process Analysis to streamline export procedures.

#### 4.2 Lessons Learned from Delivering on AfT for the Rice Sector

##### 4.2.1 Relevancy

There appears to be little doubt that the objectives of the Rice Export Policy are consistent with Cambodia's economic conditions, immediate needs, development priorities and targeted outcomes. The initiative was perceived as being in line with the National Strategic Development Plan (NSDP-2006/10) and the "Rectangular Strategy".

**AfT needs clear and strong policy direction, i.e. rice sector diversification into new markets:** The management of complex agricultural resources, necessary to capture the opportunity for growth, needs to be stimulated by good policies, strategies and governance arrangements. Positive externalities in the form of new preferential market access and foreign capital inflows are helpful. The Rice Export Policy has forcefully laid down a vision for agricultural development through a three-pronged strategy - productivity enhancement, diversification and agricultural commercialization (from subsistence to commercial agriculture).<sup>40</sup>

**Political attention facilitates constructive AfT dialogue:** The ongoing development of the rice sector provides Cambodia with

a political visibility and impetus to tackle ongoing development issues and challenges. It also offers a fresh window of opportunity to attract attention from all relevant stakeholders (ministries, stakeholders, partners and donors) to engage in constructive dialogue and joint initiatives to solve the sector's problems.

**The Rice Export Policy highlights the relevance of AfT in building or strengthening linkages and complementarities with other sectors:** For the rice sector to thrive, it needs to be complemented by development in other sectors. Taken as a whole, Cambodia has benefited from a multitude of AfT assistance in tackling the following components of linkages, without which the Rice Export Policy would not have succeeded:

- Agro-industries in rural areas, i.e. non-farm activities (e.g. rice milling, trading), should be a major source of growth;
- Foreign investors - which can bring access to global value chains, technology, and finance - to invest in contract farming should be encouraged and attracted;
- Market linkages for rice milling by-products (i.e. rice bran for animal feed, husks for energy generation);
- Public-private partnerships in processing and packaging technology and investment, and the ability to secure independent accreditation for SPS and TBT requirements;
- Securing additional sources of financing for production and exports. Cambodia's financing, which comes primarily from foreign savings, highlights the adverse impact on growth of tighter conditions in international financial markets.

**The clear country ownership, led by the Supreme National Economic Council, has paved the way for additional AfT support:** The lesson is that aid effectiveness still comes down to country ownership. Progress in the promotion of rice exports has already had a catalytic and encouraging effect on the

export of other agricultural products, such as cashew nuts, rubber and other crops. Some DPs have approached the SNEC for leadership to initiate and pave the way for sectoral policy development and the promotion of other agricultural crops. Already, the IFC plans to help the rice millers' associations produce a national rice standard, develop rice export guidelines and improve mill management.

#### 4.2.2 Efficiency

**The early days - a habitually aid dependent path:** In the past, the government was criticized for its tendency to accept aid uncritically. This initial readiness to accept all kinds of aid without much questioning of the modalities or demands for alignment or transparency is understandable for a country devastated by decades of war, with a background of limited domestic revenue and human resources. Many parts of government are still habitually dependent on aid flows and the ancillary benefits that come with them - salary supplements, vehicles, computers and equipment, etc. - and are thus reluctant to question the proffered package. Thus, for example, other studies have identified "tolerated" technical cooperation, as one price of desired aid. In the end, these lingering habits reflect a real limit on ownership, and a certain abdication of responsibility for Cambodia's development to non-Cambodians.<sup>41</sup>

The Rice Export Policy was an internally self-initiated endeavour by SNEC starting with a value chain analysis and stakeholder consultation. The presentation of the outcomes to the Prime Minister led to the decision to commission a small task force of government officials and national advisers to take the initiative to the next level, that of a national policy. The speed and forcefulness of the process has stunned and earned the respect of many DPs, and that of the private sector as well. It could be speculated that the context had a lot to do with the decision, i.e. the brutal decrease of demand in the garment sector leading to massive layoffs, the bursting of the real estate bubble and the collapse of the real estate development and construction industry, which thus urgently necessitated securing new sources of growth.

**Initial superficial coordination and harmonization of donors' activities:** Cambodia has been able to rely on a large number of DPs to support its trade development agenda, though in the rice sector early efforts are far from being coordinated and transparent. Turf mentality still prevails for most DPs. Project information and data still remain jealously guarded by each respective DP, leading to a multitude of repeated and overlapping wasteful fact-finding missions and reports. The upshot, nonetheless, is that they have produced a pool of technical analysis, which the government has built upon to develop its Rice Export Policy.<sup>42</sup>

**Early inputs:** Significant upstream achievements are credited to several DPs whose work, as compartmentalized as it may be, has provided the government with the ingredients or building blocks for realizing the Rice Export Policy, including the following:

1. UNDP's TRADE programme, for prior work on the update of the DTIS;
  2. ITC, UNCTAD and the WTO, for their export potential assessment, leading to the identification of 19 products and services, rice among them, which could potentially drive export diversification in Cambodia;
  3. The IFC and USAID, for a value chain analysis of the rice sector; and
  4. The World Bank-led Trade SWAP team, for framing the supporting discussions within each pillar and promoting synergies with other DPs in support of the sector.
- Post rice policy launch:** Analysis of recent rice-related projects suggests that more effective planning and budgeting has enhanced the efficiency with which resources are used:
- At the government level:
1. The government immediately commissioned a small team to start exploring large, long-term rice contracts with neighbouring ASEAN countries, to ensure the stability of prices and production and to drive the momentum generated from the launch of the Rice Export Policy by the Prime Minister;
  2. The government rice team was helpful in reassuring foreign rice trade missions, in terms of the government's seriousness, by providing information, and perhaps most importantly in providing linkages and direct contacts to private sector actors;
  3. The team received regular feedback from industry stakeholders and fed their analysis to policymakers for action, in terms of reforming and streamlining trade facilitation procedures (i.e. export licenses) and reducing transaction costs;
  4. The team undertook sustained efforts to engage with local and international media (TV and press) to promote awareness of the development of the rice sector as a new source of growth, and its challenges. The media campaign aims to reach out to two different audiences:
    - a. Government officials, to communicate the importance of the sector and the need to facilitate production and trade through policy or regulatory changes; and
    - b. Private sector actors, regarding various aspects of developing the sector and the need to collaborate in order to build a critical mass for entering international trade;
  5. The Ministry of Agriculture, Forestry and Fisheries took the initiative to work with rice millers to identify 10 specific types of rice for promoting as Cambodian rice;
  6. The autonomous Port of Sihanoukville unilaterally reduced its port charges for rice exports by 30 per cent;
  7. The Ministry of Economy and Finance commissioned a small team to look into the establishment of a risk sharing facility of USD 25 million, which is to be matched by four local commercial banks. The combined



USD 50 million will be put at the disposal of rice millers to purchase paddy before the next harvest. The government's Rural Development Bank already has a USD 36 million facility for rice millers to buy paddy from farmers.

On the development partner side:

1. UNDP supported the mobilization of a large trade mission of Cambodian rice traders to tour Europe and secure new contracts;
2. The IFC supported the rice association in building networks and promoting Cambodian rice at the International Rice Conference;
3. The AFD has commissioned an in-depth value chain analysis of the rice sector;
4. ESCAP contributed to a business process analysis to streamline export procedures for rice, and its outputs were used for building the capacity of rice millers and exporters.

Major DP programmes like USAID's HARVEST and AusAID's CAVAC have accelerated their missions and fine-tuned their interventions to support the rice sector.

On the private sector side:

1. Numerous rice millers have gathered to organize into associations and federations around their own geographical areas (i.e. in the North East, in the South West, etc.);
2. Rice export consortiums were formed, with clear divisions of labour among the actors (financiers, export quality control, milling facilities, etc.);
3. A flurry of FDI investors from neighbouring Thailand, Malaysia and Vietnam have entered into joint ventures with local Cambodian companies to develop large tracts of rice farming. Some delocalization of excess milling plant capacity has also taken place;
4. Commercial banks have witnessed a surge of requests for loans ranging from USD 0.5-2 million for rice facility upgrades. This has

given a large confidence boost to the banking industry, which is now considering opening new facilities to serve the rice industry;

5. Technical equipment sales and related service providers (i.e. milling equipment, drying, silos for storage, colour rice spotting machines, etc.) from major brand names have appeared in the local market;
6. A major national fair was recently organized by the Federation of SME Associations to promote the rice industry and preparation is underway to organize a Rice Forum Conference, which will attract all the rice actors as well as DPs to share technical capacity building on the rice industry (export procedures, packaging, SPS, rules of origin, etc.).

**Bringing coherence and harmonization to partners' activities:** It was suggested that DPs' technical interventions, be they short-term, long-term or *ad hoc*, some more effective than others, could nonetheless be effective provided that there is a clear coalescing or gathering point, where the multitude of these interventions could find some synergies. The test of success lies in how these various outcomes, worthy on their own, could be of effective use by the government in pursuing its development agenda, by private sector actors in pursuing their business development, and by the DPs themselves in justifying their *raison d'être*.

The Rice Export Policy and the actual delivery of rice production and concrete export opportunities will not work in a horizontal setting where a ministerial portfolio decision, i.e. in trade, would stop short when its impact would fall within the purview of another ministry, i.e. transport or agriculture. There is a clear need for flexibility for the various actors in delivering their outputs as per their operating framework; however there is also a clear need for decisive interventions should they be required, i.e. in cutting bureaucratic red tape.

**Transparency and communication:** Efforts through the media campaign, with a specific

focus on both activities planned and results achieved, have given confidence to the rice stakeholders and are imperative to sustaining a progressively more influential yet neutral broker role of SNEC in the sector.

#### 4.2.3 Effectiveness

**Early days:** As an LDC, poverty reduction in Cambodia should be expected to be a high priority for development policy and international development assistance. Aid effectiveness should ultimately be evaluated against its impact on poverty reduction or reaching the bottom quintile of the population and building the right foundations for equitable and sustainable development, not just against the principles of aid effectiveness *per se*.

The effectiveness of the implementation of the Rice Export Policy was identified initially as a significant issue. There appeared to be a misunderstanding about the roles and responsibilities of different government agencies (particularly commerce and agriculture) in relation to implementing the Action Matrices and resource allocation.

**Managing for results:** Within around six months, SNEC has assisted the government in mobilizing efforts and resources from within the government and in fine-tuning the Rice Export Policy, along with its Action Matrices, in order to ensure maximum efficiency to achieve development results. The rice stakeholders believe that SNEC, as a think tank of the Prime Minister, is strategically better placed than any other government agency to increase AfT effectiveness in the rice sector. So far, their efforts have helped the government improve ownership and promote efficiency; and to some extent support coordination and alignment among DPs. In this perspective, many DPs have readjusted their activities to align with the priorities underlined in the Action Matrices (JICA in irrigation; ESCAP in trade facilitation; AFD in trade finance; etc.).

**Alignment and synergistic use of the Trade SWAp:** Although still a work in progress, the Trade SWAp has become a reality which is

generally understood by all stakeholders involved and is increasingly used by the government and DPs to align and harmonize their interventions. The rice sector has begun to benefit indirectly from the Trade SWAp's coordinated strategic approach at three different levels of intervention. Work under Pillar I covered issues that fall under the WTO's AfT category 1 (trade policy and regulations), which encompassed:

- Completion of the government's Work Programme for Legal Reform;
- The improvement and simplification of trade facilitation procedures;
- Finalization of the TBT and SPS systems;
- Support for producers to meet the standards and other requirements of import markets;
- Strengthening of the intellectual property regime; and
- Improvement of the investment regime, etc.

This cross-cutting reform programme has started to deliver results, albeit at different paces, which are expected to help the government and DPs to improve their strategic planning of specific interventions, including in the rice sector.

The progress of work under Pillar II, covering issues that fall under the WTO's AfT category 2 (trade development), and Pillar 3 (building productive capacity), covering the strengthening of supply capacity of the 19 identified product and service sectors (i.e. support to strengthen producers' associations and government extension services, including in the area of SPS, export procedures, access to finance, investment and technology), provide further opportunities for collaboration on ongoing and related activities. With each pillar built on the tenets of ownership, alignment, harmonization, managing for results and mutual accountability, the Trade SWAp provides the process and procedures to define and manage the trade agenda, by using a framework to monitor the achievement of targeted development results.

**Capacity building:** Effectiveness is also reflected in terms of capacity building. The rice exercise has enabled the identification of capacity development needs, which are considered as AfT's "mid-stream" stumbling block. In the past, generalized training activities were likely to be ineffective in meeting priority needs as much as a waste of staff time and opportunity costs for the private rice sector (i.e. good faith efforts to deliver training on garment export procedures was of no relevance or use for rice millers).

- ESCAP's training on business process analysis to medium-sized provincial rice millers provided a clear and practical understanding of the actual process of international trade, in particular on the specificities of export procedures. Similarly, it provided direct feedback for senior policy makers to effectuate trade facilitation process reforms as a response to factual revelations from the rice actors;
- IFC's hand-holding approach with the medium-sized rice exporters, and support of their participation in international rice network meetings, generated a powerful impression and impact on their future corporate and commercial behaviour. Rice millers have upgraded their facilities and restructured their internal quality control system to emulate other successful traders.

Capacity building on market access conditions remains inadequate. Experience from the Cambodian agricultural diversification strategy, in particular the Rice Export Policy, pinpoint two challenges. The first appeared suddenly and confronted policymakers unexpectedly: as Cambodia looked for promising markets, such as the Philippines and China, it became apparent that both policymakers and private sector actors knew very little of those markets. It might be expected that the regular high-profile ASEAN and GMS summits, ministerial and technical meetings, and other regional and sub-regional meetings, which carry high costs for LDCs like Cambodia, would bring more than just lofty declarations. Institutions such as ESCAP, the

IFC, and the ADB should further engage and implement more trade projects to support Cambodia's promising export firms by helping them, first, to understand concrete export opportunities arising from numerous regional and sub-regional trade agreements,<sup>43</sup> and, second, to understand export rules, regulations and other procedural aspects of international trade. Another challenge for policymakers and their staff is related to their lack of access to regular product-specific market trends, or lack of capacity to interpret the market data they do have. In the rice export market, for example, very few Cambodian policymakers appreciate the complexity of the international rice trade and the competition, let alone the tricks of trade.<sup>44</sup>

**Harmonization:** SNEC has earned its credibility as a neutral broker in the rice sector, and it should capitalize this further, as much as in larger agricultural commodities development, to consolidate its position *vis-à-vis* other government agencies, DPs and the private sector. This process has not been easy and remains politically sensitive with key obstacles to overcome, such as a proliferation of government ministries, agencies and senior office-holders, all of which accentuate the challenges arising from overlapping and competing visions, mandates and vested interests; and the over-staffing and under-payment of the civil service.

As the first anniversary of the Rice Export Policy nears, SNEC should promote information-sharing among all parties involved by setting up and maintaining a database on ongoing and planned AfT interventions in the rice sector. This would promote synergies with and complement the ODA database hosted by the CRDB. SNEC could unveil its monitoring and evaluation findings and encourage DPs to come together to further implement the rice Action Matrices. This stocktaking exercise could be used to recognize the value of what has been accomplished and consolidate those reform gains. It could offer a possibility for DPs to design and implement a comprehensive and realistic package of goals and priorities, to achieve objectives common

with the Rice Export Policy for the next several years, by maximizing each respective DP's comparative advantages.

- **Self-discipline in division of labour:** In the AfT context, it is imperative that DPs exercise self-discipline in terms of division of labour. A DP's involvement in technical areas should be phased out in areas where it has no strong corporate expertise;
- **Scaling up:** For future interventions, DPs can scale up the quality of their engagement in AfT in areas where they have a strong comparative advantage.

**Multi-prong partnerships:** Aid effectiveness in as complex a sector as agriculture requires a constant dialogue among the key partners:

- **Foreign equity partners:** Large investments have been difficult to undertake without the partnership of foreign investors. In the rice sector, serious and credible foreign involvement in exports has begun to emerge;
- **National partners:** The recent adoption of the Rice Export Policy provides the incentive to develop a hand-in-hand partnership between the government and the rice milling industry.
- **Government-Private Sector Forum:** Cambodia can stimulate successful sector-specific or product-specific arrangements that have achieved rapid growth, such as in the garment sector. Collective action arrangements under the Government-Private Sector Forum can give the private sector a sense of security for their investments in the agricultural sector.

#### 4.2.4 Sustainability

**Irreversible “point of no return”:** The current engagement of SNEC as the so-called shepherd in the Rice Export Policy is well appreciated by stakeholders, due to its light policy structure but foremost its high political visibility, and its non-interference in implementation issues.

Observations on the dynamism of the rice sector have led many to conclude that its momentum has reached an irreversible “point of no return”. The five-year goal of achieving the “one million metric tons” mark has become more and more feasible. Already in 2011, rice exports reached over ten thousand tons on a monthly basis, and the orders are still coming in. The investment trend in the sector is bright.

There is a stronger justification and wide acceptance from other agricultural commodity developers and traders that the current engagement and *modus operandi* of SNEC as policy driver in the rice sector should be extended to other high potential export crops like cashew nuts, cassava and corn. Open and pro-active dialogue with DPs and private sector actors are ripe for follow up. The “virtuous cycle of growth and sustainability” will continue with the new energy and complementarity generated by the new crops' sub-policy modules.

**Research and policy development:** The positive spirit and early achievements in the rice sector have led to a refocusing of the work agenda of many research and higher education institutions. These include the Cambodian Development Resource Institute, the premier research institution in the country, the Cambodian Agriculture Research Development Institute, the Royal University of Law and Economics and the Royal School of Administration. This refocusing includes both research and policy development functions, and training curriculums and long-term capacity development.

#### 4.3 Conclusions in the Rice Sector

On a concluding note, the paddy production and Rice Export Policy was fairly successful in terms of both outcomes and process. In particular, it kept aid effectiveness relevant and prevented “aid effectiveness fatigue”. It has broken the vicious cycle in which insufficient investments in the agriculture, water and rural development sectors were attributed to the lack of strategies and policy, and when these were produced, tangible actions fell short due to a lack of implementation capacity.

The government and DPs are conscious of the potential benefits in the long run, but achieving quick wins has quickly reined in those sceptical that the product-based approach presented in the DTIS would fall short of their expectations. The Rice Export Policy was quite explicit in stating that:

“...The promotion of milled rice export is the first step to catalyze the export of other agricultural products such as cashew, rubber and other crops. In parallel, the success of the implementation of the Rice Export Policy will send a strong political message, with the effect of encouraging and paving the way for the export promotion of other agricultural crops”.

Source: Supreme National Economic Council (SNEC)

Improving aid effectiveness in Cambodia is not just a mechanistic or technical challenge but also a political one, determined by basic political and economic interests in the country. Political engagement and its foundations - relationships and dialogue - need equal attention with

technical and formal process issues. DPs are well placed to increase the credibility of aid effectiveness, as exemplified by their large interventions in the sector. The role of private sector actors, the influence of informal systems and culturally-ingrained patronage networks could be harnessed to contribute to, rather than limit, the success of formal policymaking. Existing state structures and capacities can be mobilized to focus on overarching development objectives, as powerful as the dramatic objective of reducing poverty.

Beyond the formulation and development of the rice policy and strategy, which meet acceptable standards of quality and feasibility, the government was able to demonstrate genuine political commitment and adequate capacity to implement what it started. The recent yet extensive rice policy and processes have raised expectations for aid effectiveness in Cambodia and produced both general and selected improvements in the sector, as well as in cross-cutting areas. The need now is to consolidate and extend gains in other complementary priority areas for the country.

## 5. CONCLUSION

Since the advent of AfT at the Hong Kong Ministerial Conference in 2005, the WTO and OECD have achieved considerable progress in monitoring AfT flows and assessing their effectiveness. The independent assessment initiated by ICTSD, about five years after the launch of AfT, is a timely complement to the work conducted by the OECD and the WTO, in terms of assessing the effectiveness and impact of AfT at the country level.

The selection of Cambodia on the basis of its historical status as a pilot country of the revamped IF, and its recent effort to move towards a full trade SWAp, presents a good perspective of the evolution of the AfT movement. Moreover, Cambodia is also a good example of a post-crisis country that offers lessons on TRCB over a spectrum of time, starting from the post-crisis period, to pre- and post- economic re-integration periods, with the WTO accession process as a pivotal element.

While the environment for aid effectiveness in Cambodia has improved significantly over the past decade, much remains to be done to achieve maximum effectiveness. It goes without saying that international trade and the supporting AfT initiative have made a great deal of difference for Cambodia, in terms of securing economic growth and reducing poverty.

During the pre-Doha round, donor agencies attached low attention to trade as a tool of development, thus explaining their inadequate and uncertain responses to trade priorities. On the government side, the critical challenges it faced during the pre-integration stage were probably those related to weak human and institutional capacity.

Two particular observations can be drawn in the case of Cambodia, the first being the political factor. Political attention facilitates constructive AfT dialogue and aid coordination and mobilization. Equally, a lack of political attention leads to a slackening of ownership. The advent of the revamped IF and the Doha

Round in 2001 shaped to a large extent the course of Cambodia's trade agenda, with a focus on trade mainstreaming and improved aid delivery mechanisms, a tangible outcome of which is Cambodia's rapid accession to the WTO. Trade, and in particular the survival of the garment export industry, was perceived as an overarching national agenda. Unlike the pre-accession period, the post-accession period was marked by a slowdown of expectations and less preoccupation, perhaps in part due to the lack of progress in the Doha Round and the weakening of demand as a result of the global financial crisis. Political attention has again been given to the rice sector, in part driven by the need to help it survive through sectoral diversification and in part by the need to overcome the negative psychological effects of the global financial crisis. The political visibility given to the rice sector, similar to the pre-WTO accession days, provides a needed impetus to tackle ongoing development issues and challenges. It also offers a fresh window of opportunity to attract attention from all relevant stakeholders (ministries, stakeholders, partners and donors) to engage in constructive dialogue and joint initiatives to solve the sector's problems.

The second lesson in aid effectiveness is related to country ownership. Progress in the promotion of rice exports has already had a catalytic and encouraging effect on the export of other agricultural products, such as cashew nuts, rubber and other crops. The country's leadership, led by SNEC, has paved the way for additional AfT support, not just in rice but also in the wider agricultural sector's policy development and promotion of other agricultural crops. In particular, this leadership has kept aid effectiveness relevant and prevented "aid effectiveness fatigue". It has broken the vicious cycle in which insufficient investment in agriculture, water and rural development were attributed to the lack of strategies and policy, and when these were produced, tangible actions fell short due to a lack of implementation capacity.

The application of the Adhikari methodology reveals that Cambodia only meets a few, though important, desired aspects that are contributing to the effectiveness of AfT. Over the last few years, AfT has been additional, increasing in volume, and not at the cost of social sector programmes. The data proves that AfT has been predictable; a view shared by stakeholders.

Nevertheless, there are various challenges that local stakeholders, primarily the government as well as donor agencies, need to tackle to enhance the effectiveness of AfT in Cambodia. For instance, sustainability, both formally and substantially, has not yet been fully achieved, due to low human and institutional capacity for implementation, as well as for understanding and fulfilling their mandates. On a positive note, there are existing mechanisms to help sustain physical investments, such as through the maintenance of roads and irrigation systems. While trade has been mainstreamed at the formal level, an indication of growing ownership and sustainability of results, it has not been substantially mainstreamed at the implementation level yet. The lack of alignment of donor-funded projects to country systems such as budgeting, auditing and procurement systems reduces the absorptive capacity for AfT and will impact the sustainability of such activities once funds dry up.

Bringing coherence to and the harmonization of partners' activities has yet to be maximized at the operational level. Seen from a historical perspective, the issue of coherence is one of the most challenging issues. The perception remains that this is a shared burden between donors and key ministries, if there is to be a coherent policy and close coordination to increase the effectiveness of AfT formulation and implementation. It was suggested that DPs' technical interventions, be they short-term, long-term or *ad hoc*, some more effective than others, could nonetheless be effective

provided that there is a clear coalescing or gathering point, where the multitude of these interventions could find some synergy. The test of success lies in how these various outcomes, worthy on their own, could be of effective use to the government in pursuing its development agenda, by the private sector in pursuing their business development, and by the DPs themselves in justifying their *raison d'être*.

Until now, AfT has not succeeded in significantly impacting the export performance of Cambodia. To some extent, it has likely eased the flow of goods with low supply capacities, such as garments and textiles, through improvements in trade facilitation and customs clearance procedures. For agricultural exports, which represent the bulk of AfT resources put towards building productive capacity in Cambodia, the impact is beginning to show visibly. In 2002-09, agricultural products made up only 2 per cent of total exports on average per year. While the impact of AfT interventions on agricultural exports is currently still minimal, its impact (at least in part) on raising productive capacity in the sector is clearly visible and remarkable.

Improving aid effectiveness in Cambodia is not just a mechanistic or technical challenge but a political one, determined by basic political and economic interests within the country. Political engagement and its foundations - relationships and dialogue - need equal attention to technical and formal process issues. DPs are well placed to enhance aid effectiveness, as exemplified by their large interventions in the sector. The role of private sector actors, the influence of informal systems and culturally-ingrained patronage networks could be harnessed to contribute to, rather than limit, the success of formal policymaking. Existing state structures and capacities can be mobilized to focus on overarching development objectives, as powerful as the dramatic national objective of reducing poverty.

Table 27: Summary of application of methodology to Cambodia

Does AfT in Cambodia exhibit...	According to data...	According to stakeholders...
1. Additionality	Yes, AfT and non-AfT ODA commitments and disbursements have been additional. Additional AfT funds have not diverted resources from social sectors/programmes.	N/A
2. Predictability	Yes, but disbursement rates below global average.	Yes, and likely that disbursement rates based on OECD CRS data is understated, and in reality is around 80-90 per cent.
3. Sustainability	Yes, government continues to co-finance AfT projects. Majority of AfT projects implemented by government. However, low implementation capacity is a constraining factor.	No
4. Ownership	N/A	Yes at the formal level, but not substantially mainstreamed to all relevant ministries. Need more awareness by stakeholders on their role in trade development.
5. Alignment	No.	No, because government systems lack creditability and do not always fit with donors' requirements.
6. Donor coordination	N/A	To some extent but needs improvement and genuine interest amongst donors.
7. Coherence	N/A	Yes, in trade policy and development, particularly in the rice sector.
8. Non-debt creating	Two-thirds are in the form of grant.	N/A
9. Demand-supply gap	N/A	AfT is generally supply-driven (donors) rather than demand-driven (government).  There is still a gap between demand and supply. To some extent, however, now that Japan and China have increasingly been supporting the transportation sector and South Korea is supporting the information and communications sector, the gap is narrowing.



Table 27: *Continued*

Does AfT in Cambodia exhibit...	According to data...	According to stakeholders...
10. Absorptive capacity	N/A	Varies according to government agencies but generally adequate.
11. Impact	It is difficult to isolate the impact of AfT interventions on export performance. AfT projects likely had a significant impact in the area of trade facilitation. To some extent, positive impact for garment and textile exports (products with low capacity constraints) but limited impact for agricultural exports. Nevertheless, some positive impact in the rice sector, with positive spill over effects in other agriculture sub-sectors.	To a limited extent.

## ENDNOTES

- 1 According to the Johannesburg Plan of Implement Population Census 2008 Final Result, National Institute of Statistics. See [www.nis.gov.kh](http://www.nis.gov.kh).
- 2 “Border barrier” issues include e.g. export procedures, customs procedures, infrastructure bottlenecks, certification services, etc.
- 3 “Behind the border” or “border-in” issues could include e.g. increasing product competitiveness, creating new products for export, developing new exporters, and improving competency to manage the export process. Among “border-in” issues, one could also consider technology-related issues such as quality, product and environmental standards, level of process technology, health and safety, “organic” production, etc.
- 4 “Barriers in accessing global markets” or “border-out” issues could include e.g. market access, export promotion, market-supporting services for existing products, etc.
- 5 Siphana (2007).
- 6 The IF came about as a result of the High Level Meeting (HLM) for LDCs organized by the WTO in Geneva in October 1997. In turn, the HLM sought to fulfill a commitment made earlier by the developed countries to deploy special efforts and help LDCs make better use of the opportunities for development opened up by globalization. The IF is the outcome of a commitment made by six multilateral agencies (the IMF, ITC, UNCTAD, UNDP, World Bank, and WTO) to coordinate their assistance in the area of trade and investment integration into the global economy among themselves and with other multilateral and bilateral donors. Following a six-month review process in 2000, the IF was revamped into a mechanism for mainstreaming trade into national economic plans and poverty reduction strategies. Siphana (2007).
- 7 Given the small domestic market, the rationale of wanting to accede to and the benefits of membership of the WTO are: (i) strengthening of domestic policies and institutions for the conduct of international trade in both goods and services, which is required before accession to WTO can be accomplished; (ii) improvements in the ease and security of market access to major export markets; and (iii) access to a dispute settlement mechanism for trade issues.
- 8 Statistics and ICT Department, Ministry of Tourism.
- 9 See WTO Document WT/AFT/1, 27 July 2006.
- 10 The national workshop took place in Phnom Penh in June 2011. See: <http://ictsd.org/i/events/dialogues/107058/>
- 11 CRDB/CDC (2008).
- 12 Ibid.
- 13 MoC (2007).
- 14 The SWAp has slowly evolved to become the new paradigm in managing and coordinating Official Development Assistance. OECD/DAC has adopted the SWAp to achieve better aid efficiency and is encouraging LDCs and donors to move towards this direction. Other donors and multilateral organizations are supporting the SWAp in various countries and sectors.

- 15 See the Government's Action Plan on Harmonization and Alignment endorsed by the Council of Minister on 19 November 2004 (and updated on 14 February 2006), and the Strategic Framework for Development Cooperation Management approved on 27 January 2006.
- 16 Siphana (2007).
- 17 RGC (2006a).
- 18 This report applied a draft Adhikari (2011) methodology. The methodology has been revised on the basis of the findings of the Cambodia study and the other country studies conducted by ICTSD, and then applied in other countries.
- 19 Adhikari (2011).
- 20 OECD/WTO (2009).
- 21 OECD/WTO (2009).
- 22 See the 2007 Cambodia Aid Effectiveness Report (CRDB/CDC, 2007) for further details on aid modalities and the way external resources are distributed across sectors.
- 23 The government has made genuine efforts to induce more collaboration and coordination. See, for example, the Strategic Framework for Development Cooperation Management (RGC, 2006b) and the Action Plan on Harmonization, Alignment and Results (RGC, 2007). These documents can both be found at: <http://www.cdc.crdb.gov.kh>
- 24 The CDC estimates, for example, that about 30.0 million out of 690.0 million currently goes to budget support.
- 25 CRDB/CDC (2010); Third Cambodia Development Cooperation Forum, June 2-3, 2010.
- 26 Ancharaz and Sultan (2010).
- 27 The Cambodian government's position is that China and South Korea's support are consistent with the general principles of Cambodia's development needs, which require resource mobilization efforts to explore all opportunities for financing the NDSP, but that the financing must be consistent with the government's own policies and priorities.
- 28 For example, South Korea-funded road construction projects allowed for the ADB safeguards policy to apply whenever there is resettlement of people affected by the projects.
- 29 CRDB/CDC (2010); Third Cambodia Development Cooperation Forum, June 2-3, 2010.
- 30 Ibid.
- 31 Siphana (2007).
- 32 According to the 2010 Aid Effectiveness Report (CRDB/CDC, 2010).
- 33 PIP (2010-12).
- 34 The World Bank/IFC (2010) "Doing Business 2010" report ranks Cambodia 22nd out of 24 East Asia and Pacific nations in the overall index and 21st out of 24 in the 'trading across frontiers' index.
- 35 Cambodia Daily, December 31, 2010, p. 1, 30.

- 36 Phnom Penh Post, January 17, 2011. See: <http://www.phnompenhpost.com/index.php/2011011746118/Business/government-doubles-rdb-miller-lending.html>
- 37 NSDP Update 2009-13 (RGC, 2010a).
- 38 MAFF, at: <http://www.elc.maff.gov.kh/overview.html>
- 39 Investing in Cambodia Magazine, at: <http://www.investincambodia.com/agriculture.htm>
- 40 Paddy Production and Rice Export Strategy (RGC, 2010b).
- 41 Evaluation of Aid Effectiveness in Cambodia (CRDB/CDC, 2008).
- 42 UNDP and ITC in the updated DTIS have identified 19 products with good export potential, the majority of which are in agriculture (rice, cashew nuts, cassava, maize, fish, livestock, rubber, silk, soybeans, fruit and vegetables - including organic, mango, palm, pepper - and wood products).
- 43 Such as ASEAN, the ASEAN FTA with China and Australia/New Zealand, the ASEAN-Japan Comprehensive Economic Partnership, the ASEAN-Korea Comprehensive Economic Cooperation and the ASEAN-India Comprehensive Economic Cooperation.
- 44 Rice case story.

## REFERENCES

- Adhikari, R. (2011). "Evaluating Aid for Trade Effectiveness on the Ground: A Methodological Framework". ICTSD/SAWTEE. South Asian Watch on Trade, Economy, and Environment and International Centre for Trade and Sustainable Development, Geneva.
- Ancharaz, V. D. and R. A. Sultan. (2010). "Aid for Trade and Climate Change Financing Mechanisms: Best Practices and Lessons Learned for LDCs and SVEs in Africa". ICTSD Issue Paper No. 10. International Centre for Trade and Sustainable Development, Geneva.
- CRDB/CDC. (2010). "The Cambodia Aid Effectiveness Report 2010". Cambodian Rehabilitation and Development Board/ Council for the Development of Cambodia.
- CRDB/CDC. (2008). "Evaluation of Aid Effectiveness in Cambodia: Independent Review". Cambodian Rehabilitation and Development Board/ Council for the Development of Cambodia.
- CRDB/CDC. (2007). "Cambodia Aid Effectiveness Report". Cambodian Rehabilitation and Development Board/ Council for the Development of Cambodia.
- MoC. (2008). "Trade SWAp Pillar Roadmaps, TRADE project document and EIF Tier 1 project document" Ministry of Commerce, Royal Government of Cambodia.
- MoC. (2007). "Trade Integration Study". Ministry of Commerce, Royal Government of Cambodia.
- MoC. (2007). "Updated DTIS". Ministry of Commerce, Royal Government of Cambodia.
- MoWM. (2010). "Irrigation development in Cambodia". Ministry of Water Resources and Meteorology, Royal Government of Cambodia.
- National Supreme Economic Council. (2009). "Conference Proceedings". Third Cambodia Economic Forum.
- OECD/WTO. (2009). "Aid for Trade at a glance 2009: Maintaining Momentum". Organisation for Economic Cooperation and Development/ World Trade Organization.
- RGC. (2010a). "National Strategic Development Plan Update (2009-13)". Royal Government of Cambodia.
- RGC. (2010b). "Paddy Production and Rice Export Strategy". Royal Government of Cambodia.
- RGC. (2009). "Public Investment Programming (2010-2012)". Royal Government of Cambodia.
- RGC. (2007). "Action Plan on Harmonization, Alignment and Results (2006-10)". Royal Government of Cambodia.
- RGC. (2006a). "National Strategic Development Plan (2006-10)". Royal Government of Cambodia.
- RGC. (2006b). "Strategic Framework for Development Cooperation Management". Royal Government of Cambodia.
- RGC. (2006c). "Action Plan on Harmonization and Alignment". Originally published in 2004; updated in 2006. Royal Government of Cambodia.
- Siphana, S. (2007). "Lessons from the Cambodian Experience in Trade Capacity Building". In Njinkeu, D. and H. Cameron (Eds). *Aid for Trade and Development*. Cambridge University Press: Cambridge, UK.

World Bank/IFC. (2010). “Doing Business 2010: Reforming through difficult times”. The World Bank, International Finance Corporation and Palgrave MacMillan, Washington D.C.

WTO. (2006). “Aid for Trade Task Force Report”. WTO document WT/AFT/1, 27 July 2006. World Trade Organization, Geneva.

#### **Websites**

<http://www.cdc.crdb.gov.kh>

<http://www.elc.maff.gov.kh/overview.html>

<http://www.investincambodia.com/agriculture.htm>

*CDC/CRDB ODA Database*

*OECD CRS Database*

## **ANNEX A: INSTITUTIONS SURVEYED**

Agence Française de Développement

Asian Development Bank

Cambodian Rehabilitation and Development Board

Council for the Development of Cambodia

Danish International Development Agency

European Union

Ministry of Agriculture, Forestry, and Fisheries

Ministry of Commerce

Ministry of Economy and Finance

Ministry of Environment

Ministry of Foreign Affairs and International Cooperation

Ministry of Industry, Mines, and Energy

Ministry of Planning

Ministry of Post and Telecommunications

Ministry of Public Works and Transport

Ministry of Tourism

Supreme National Economic Council

United Nations Development Programme

United Nations Industrial Development Organization

World Bank

## SELECTED ICTSD ISSUE PAPERS

### Agriculture Trade and Sustainable Development

Post-2013 EU Common Agricultural Policy, Trade And Development: A Review of Legislative Proposals. By Alan Matthews. Issue Paper No. 39, 2011.  
Improving the International Governance of Food Security and Trade. By Ahmad Manzoor. Issue Paper No. 38, 2011.  
Food Reserves in Developing Countries. By Christopher Gilbert. Issue Paper No. 37, 2011.  
Global Food Stamps: An Idea Worth Considering?. By Timothy Josling. Issue Paper No. 36, 2011.  
The Impact of US Biofuel Policies on Agricultural Price Levels and Volatility. By Bruce Babcock. Issue Paper No. 35, 2011.  
Risk Management in Agriculture and the Future of the EU's Common Agricultural Policy. By Stefan Tangermann. Issue Paper No. 34, 2011.  
Policy Solutions To Agricultural Market Volatility: A Synthesis. By Stefan Tangermann. Issue Paper No. 33, 2011.  
Composite Index of Market Access for the Export of Rice from the United States. By Eric Wailes. Issue Paper No. 32, 2011.  
The Role of International Trade, Technology and Structural Change in Shifting Labour Demands in South Africa. By H. Bhorat, C. van der Westhuizen and S.Goga. Issue Paper No. 17, 2010.  
Trade Integration and Labour Market Trends in India: an Unresolved Unemployment Problem. By C.P. Chandrasekhar. Issue Paper No. 16, 2010.  
Composite Index of Market Access for the Export of Rice from Thailand. By T. Dechachete. Issue Paper No. 31, 2011.  
Composite Index of Market Access for the Export of Poultry from Brazil. By H. L. Burnquist, C. C. da Costa, M. J. P. de Souza, L. M. Fassarella. Issue Paper No. 30, 2011.

### Competitiveness and Sustainable Development

Evaluating Aid for Trade on the Ground: Lessons from Malawi. By Jonathan Said, John McGrath, Catherine Grant, and Geoffrey Chapman. Issue Paper No.21, 2010.  
Evaluating Aid for Trade Effectiveness on the Ground: A Methodological Framework. By Ratnakar Adhikari. Issue Paper No.20, 2010.  
EU Climate Policies and Developing Country Trade Vulnerability. By ICTSD. Issue Paper No.19, 2011.  
The Allocation of Emission Allowances Free of Charge: Legal and Economic Considerations. By Ingrid Jegou and Luca Rubini. Issue Paper No.18, 2011.  
The Role of International Trade, Technology and Structural Change in Shifting Labour Demands in South Africa. By H. Bhorat, C. van der Westhuizen and S.Goga. Issue Paper No. 17, 2010.  
Trade Integration and Labour Market Trends in India: an Unresolved Unemployment Problem. By C.P. Chandrasekhar. Issue Paper No. 16, 2010.  
The Impact of Trade Liberalization and the Global Economic Crisis on the Productive Sectors, Employment and Incomes in Mexico. By A. Puyana. Issue Paper No. 15, 2010.  
Globalization in Chile: A Positive Sum of Winners and Losers. By V. E. Tokman. Issue Paper No. 14, 2010.

### Dispute Settlement and Legal Aspects of International Trade

Conflicting Rules and Clashing Courts. The Case of Multilateral Environmental Agreements, Free Trade Agreements and the WTO. By Pieter Jan Kuijper. Issue Paper No.10, 2010.  
Burden of Proof in WTO Dispute Settlement: Contemplating Preponderance of the Evidence. By James Headen Pfitzer and Sheila Sabune. Issue Paper No. 9, 2009.  
Suspension of Concessions in the Services Sector: Legal, Technical and Economic Problems. By Arthur E. Appleton. Issue Paper No. 7, 2009.

### Fisheries, International Trade and Sustainable Development

The Importance of Sanitary and Phytosanitary Measures to Fisheries Negotiations in Economic Partnership Agreements. By Martin Doherty. Issue Paper No. 7, 2008.  
Fisheries, Aspects of ACP-EU Interim Economic Partnership Agreements: Trade and Sustainable Development Implications. By Liam Campling. Issue Paper No. 6, 2008.  
Fisheries, International Trade and Sustainable Development. By ICTSD. Policy Discussion Paper, 2006.

### Innovation, Technology and Intellectual Property

The Influence of Preferential Trade Agreements on the Implementation of Intellectual Property Rights in Developing Countries. By Ermias Tekeste Biadgleng and Jean-Christophe Maur. Issue Paper No. 33, 2011.  
Intellectual Property Rights and International Technology Transfer to Address Climate Change: Risks, Opportunities and Policy Options. By K. E. Maskus and R. L. Okediji. Issue Paper No. 32, 2010  
Intellectual Property Training and Education: A Development Perspective. By Jeremy de Beer and Chidi Oguamanam. Issue Paper No. 31, 2010.  
An International Legal Framework for the Sharing of Pathogens: Issues and Challenges. By Frederick M. Abbott. Issue Paper No. 30, 2010.

### Trade in Services and Sustainable Development

Facilitating Temporary Labour Mobility in African Least-Developed Countries: Addressing Mode 4 Supply-Side Constraints. By Sabrina Varma. Issue Paper No.10, 2009.  
Advancing Services Export Interests of Least-Developed Countries: Towards GATS Commitments on the Temporary Movement of natural Persons for the Supply of Low-Skilled and Semi-Skilled Services. By Daniel Crosby, Issue Paper No. 9, 2009.  
Maritime Transport and Related Logistics Services in Egypt. By Ahmed F. Ghoneim, and Omneia A. Helmy. Issue Paper No. 8, 2007.

### Environmental Goods and Services Programme

Harmonising Energy Efficiency Requirements - Building Foundations for Co-operative Action. By Rod Janssen. Issue Paper No. 14, 2010  
Climate-related single-use environmental goods. By Rene Vossenaar. Issue Paper No.13, 2010.  
Technology Mapping of the Renewable Energy, Buildings, and transport Sectors: Policy Drivers and International Trade Aspects: An ICTSD Synthesis Paper. By Renee Vossenaar and Veena Jha. Issue Paper No.12, 2010.

### Trade and Sustainable Energy

International Transport, Climate Change and Trade: What are the Options for Regulating Emissions from Aviation and Shipping and what will be their Impact on Trade? By Joachim Monkelbaan. Background Paper, 2010.  
Climate Change and Trade on the Road to Copenhagen. Policy Discussion Paper, 2009.  
Trade, Climate Change and Global Competitiveness: Opportunities and Challenge for Sustainable Development in China and Beyond. By ICTSD. Selected Issue Briefs No. 3, 2008.  
Intellectual Property and Access to Clean Energy Technologies in Developing Countries: An Analysis of Solar Photovoltaic, Biofuel and Wind Technologies. By John H. Barton. Issue Paper No. 2, 2007.

### Regionalism and EPAs

Implications of Trade Policy Changes for the Competitiveness of Ecuadorian Banana Exports to the EU Market. By Giovanni Anania. Issue Paper No. 10, 2011.  
Obstacles sanitaires, phytosanitaires et techniques au commerce dans les Accords de partenariat économique entre l'Union européenne et les pays ACP. By Denise Prévost. Issue Paper No. 9, 2010.  
Questions Juridiques et Systémiques Dans les Accords de Partenariat économique : Quelle Voie Suivre à Présent ? By Cosmas Milton Obote Ochieng. Issue Paper No. 8, 2010.  
Rules of Origin in EU-ACP Economic Partnership Agreements. By Eckart Naumann. Issue Paper No. 7, 2010  
SPS and TBT in the EPAs between the EU and the ACP Countries. By Denise Prévost. Issue Paper No. 6, 2010.  
Los acuerdos comerciales y su relación con las normas laborales: Estado actual del arte. By Pablo Lazo Grandi. Issue Paper No. 5, 2010.

### Global Economic Policy and Institutions

The Microcosm of Climate Change Negotiations: What Can the World Learn from the European Union? By Håkan Nordström, Issue Paper No. 1, 2009.

These and other ICTSD resources are available at <http://www.ictsd.org>



Other Publications from ICTSD's Programme on Competitiveness and Sustainable Development include:

- Evaluating Aid for Trade on the Ground: Lessons from Malawi. Issue Paper No. 21 by Jonathan Said, John McGrath, Catherine Grant and Geoffrey Chapman, 2011.
- Evaluating Aid for Trade Effectiveness on the Ground: A Methodological Framework. Issue Paper No. 20 by Ratnakar Adhikari, 2011.
- EU Climate Policies and Developing Country Trade Vulnerability: An Overview of Carbon Leakage-Sensitive Trade Flows. Issue Paper No. 19 by ICTSD, 2011.
- The Allocation of Emission Allowances Free of Charge: Legal and Economic Considerations. Issue Paper No. 18 by I. Jegou and L. Rubini, 2011.
- The Role of International Trade, Technology and Structural Change in Shifting Labour Demands in South Africa. Issue Paper No. 17 by H. Borat, C. van der Westhuizen and S. Goga, 2010.
- Trade Integration and Labour Market Trends in India: An Unresolved Unemployment Problem. Issue Paper No. 16 by C.P. Chandrasekhar, 2010.
- The Impact of Trade Liberalization and the Global Economic Crisis on the Productive Sectors, Employment and Incomes in Mexico. Issue Paper No. 15 by A. Puyana, 2010.
- Globalization in Chile: A Positive Sum of Winners and Losers. Issue Paper No. 14 by V.E. Tokman, 2010.
- Practical Aspects of Border Carbon Adjustment Measures – Using a Trade Facilitation Perspective to Assess Trade Costs. Issue Paper No. 13 by S. Persson, 2010.
- Trade, Economic Vulnerability, Resilience and the Implications of Climate Change on Small Island and Littoral Developing Economies. Issue Paper No. 12 by Robert Read, 2010.
- The Potential Role of Non - Traditional Donor' s Aid in Africa. Issue Paper No. 11 by Peter Kragelund, 2010.
- Resilience Amidst Rising Tides: An Issue Paper on Trade, Climate Change and Competitiveness in the Tourism Sector in the Caribbean. Issue Paper No. 9 by Keron Niles, 2010.
- Aid for Trade and Climate Change Financing Mechanisms: Best Practices and Lessons Learned for LDCs and SVEs in Africa. Issue Paper No. 8 by Vinaye Dey Ancharaz, 2010.

#### About ICTSD

Founded in 1996, the International Centre for Trade and Sustainable Development (ICTSD) is an independent non-profit and non-governmental organisation based in Geneva. By empowering stakeholders in trade policy through information, networking, dialogue, well-targeted research and capacity building, the Centre aims to influence the international trade system so that it advances the goal of sustainable development.