

## VII. Donor Assistance

This chapter describes donor coordination mechanisms and discusses donor activities in relation to financial management and governance arrangements. It is structured as follows:

- 1 – Overview
- 2 – Coordination Mechanisms
- 3 – Asian Development Bank
- 4 – French Government Assistance
- 5 – The World Bank
- 6 – European Union

### 1. Overview

Foreign assistance continues to play an important role in Cambodia (Table 4). After the 1993 UNTAC-sponsored elections, Official Development Assistance (ODA) flowed to the country at the rate of \$500 million annually up to 1997. Following the July 1997 political crisis, Germany and the United States suspended their aid programs although the latter continued its humanitarian aid which accounted for about one-third of its aid package. Most donors, however, did not proceed with new projects until late 1998. The International Monetary Fund (IMF) suspended the Enhanced Structural Adjustment Facility (ESAF) and withdrew its representative in September 1997.<sup>6</sup> Cambodia receives the third highest per capita level of external assistance of the seven countries participating in RETA-5877 (Table 3).

Table 3: Official Development Assistance<sup>7</sup>

	Cambodia	People's Republic of China	Mongolia	Pakistan	Papua New Guinea	Uzbekistan	Viet Nam
Dollars per capita	36	2	99	5	78	6	13
Percentage of GNP	12.1	0.2	26.7	1.0	7.8	0.5	4.1

<sup>6</sup> Asian Development Bank. December 1999. *Country Assistance Plan (2000-2002): Cambodia*. p. 16.

<sup>7</sup> Data is for 1997 and is sourced from: World Bank. 2000. *World Development Report 2000*.

Table 4: Overall External Assistance to Cambodia<sup>8</sup>

External Source (US\$ million)	Past Three Years	1999
	(1995-1997)	Program
	Annual Average	
	Loan/Credit/TA	Loan/Credit/TA
<b>Multilateral</b>		
ADB	35.1	88.0
European Union	41.1	..
IMF	14.2	17 - 20
UN Agencies	40.3	..
World Bank	32.5	60 - 80
Others (NGO)	35.5	56.0
	<b>198.7</b>	<b>221-250</b>
<b>Bilateral</b>		
Australia	25.0	..
Canada	3.8	..
China, People's Republic	7.8	..
Denmark	10.1	..
France	43.6	20.0
Germany	11.2	..
Japan/JICA	96.2	100.0
Netherlands	6.1	..
Sweden	19.6	20.0
United Kingdom	5.6	..
United States (USAID)	39.7	..
	<b>268.7</b>	<b>220-299</b>
<b>Total</b>	<b>467.4</b>	<b>470.0</b>

## 2. Coordination Mechanisms

A large number of bilateral and multilateral donors, United Nations agencies and nongovernment organizations are active in Cambodia. Recognizing the need for effective coordination among donors, the Government established the Council for the Development of Cambodia (CDC) in 1994. The third Consultative Group (CG) meeting was held in Tokyo in February 1999. The meeting welcomed Prime Minister Hun Sen's proposal to engage the donor community in periodic dialogue on policy and hold in-country monitoring meetings on a quarterly basis.

<sup>8</sup> Asian Development Bank December 1999. Country Assistance Plan (2000-2002): Cambodia. p. 25.

The first such meeting was held in mid-June 1999. A monitoring framework with agreed targets and benchmarks is being developed.

### **3. Asian Development Bank**

Cambodia re-established relations with ADB soon after the signing of the Paris Peace Accord in October 1991. Since the resumption of ADB operations in 1992 through to the end of 1998, ADB has approved 10 loans to Cambodia for a total of about \$287 million – only one of these was a program loan. At the same time, ADB had approved 54 technical assistance (TA) grants totaling \$42.2 million.<sup>9</sup>

All of the loans approved so far are currently classified as satisfactory or highly satisfactory in terms of development objectives. All projects except for one are satisfactory in terms of implementation progress. As of 31 December 1999, audited accounts were due for eight loans of which seven had complied. For the one late complying loan, submission was delayed by less than six months.<sup>10</sup>

The drafting of the recently enacted Law on Audit and other procedures involving the establishment of an External and Internal Audit Function in Cambodia were sponsored by ADB under Technical Assistance Project TA 2566 – Developing Capacity in Audit and Inspectorate Function. The ADB will continue to assist in this area and have proposed a further TA – Capacity Building in Audit Function II.

This Law on Audit was enacted in March 2000 and the General Provisions provide for the establishment of a National Audit Authority that will be responsible for executing the external auditing function of the Government. The Law also provides for the establishment of an internal audit function in Government ministries and public enterprises.

ADB is also sponsoring further technical assistance, which will lead to improved financial management and governance within the Royal Government of Cambodia (RGC). An Aide Memoire was recently agreed to which detailed a proposed TA for Strengthening Capacity in Public Finance Management.

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<sup>9</sup> Asian Development Bank. December 1999. *Country Assistance Plan (2000-2002): Cambodia*. pp. 6-7.

<sup>10</sup> Asian Development Bank. March 2000. *Semi-Annual Report on Loan and Technical Assistance Portfolio Performance for the Period Ending 31 December 1999*. pp. 39-41.

#### **4. French Government Assistance**

In mid-1999 the Ministry of Economy and Finance (MEF) formally requested the French Government for assistance in upgrading the Cambodian Accounting Standards to International Accounting Standards. The French Government agreed to this request and it was decided to utilize existing grants to fund the study in four parts: -

- Public Sector Accounting
- Private Sector Accounting
- Revenue Mobilization through Taxation
- Computerization for Ministry of Economy and Finance

The study was carried out in late 1999 by the French consultant *Conseil National/de la Compagnie Nationale* and a set of documents was submitted to the MEF in March 2000. If implemented, the documentation will assist in upgrading the present Cambodian system to International Accounting Standards (IAS). The recommendations in the Submission were mainly aimed at the private sector and included a framework for the preparation and presentation of financial statements that was similar to those approved by the Board of the IAS Committee in April 1989 and published in July 1989.

#### **5. The World Bank**

The RGC has initiated a financial sector development program, the objectives of which are as follows:

- The design of appropriate accounting and auditing education and training programs.
- The establishment of an independent Financial Accounting and Auditing Standards Board to advise the Government on passing laws and regulations to introduce accounting, auditing and financial reporting standards consistent with IAS as promulgated by the International Federation of Accountants.
- The establishment of an Institute of Certified Public Accountants in Cambodia.

The World Bank has funded a Project<sup>11</sup> to cover certain aspects of this development program and the Consultant's Terms of Reference are as follows:

- Draft an Accounting and Auditing Law

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<sup>11</sup> Refer IDF Grant No. TF027305. Project completion date is 30 April 2001.

- Draft Reports on Accounting and Auditing Standards
- Draft a Report recommending examination, certification and licensing professional accountants and auditors
- Develop a 30-hour training module for informing government officials on the new proposed IAS for Cambodia

## **6. European Union**

The European Union has financed a new computerized system of Government Asset Recording that was formulated in 1997. The system is the focal point of asset recording and requires that assets be recorded under two categories as follows:

- State property owned and controlled by line ministries, and
- State property owned by provinces and controlled by the Ministry of the Interior.

Unfortunately, the staff responsible for operating the system have not been trained sufficiently and they are unable to open or operate the database hence no asset recording has commenced on the new system. The old system, with very few details, is still being maintained.