

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. The strategic development program of the Greater Mekong Subregion (GMS) places considerable emphasis on developing priority transport corridors to establish connectivity between countries and promote trade and investment in the subregion. Since 1992, development partners, donor agencies, and international financing institutions have provided considerable technical and financial assistance to the GMS, particularly in the development and improvement of road and transport infrastructure. With the assistance of the Asian Development Bank (ADB), the six GMS countries entered into a program of subregional economic cooperation designed to enhance economic relations among the countries. Since 1992, priority infrastructure projects with funding of about \$10 billion have either been completed or are being implemented.

2. As the lead development partner of the GMS program, ADB has extended at total of \$3.8 billion in loans to the participating countries and generated \$4.0 billion of cofinancing to support investment projects in the GMS. A total of \$208 million of grant resources has been mobilized of which ADB has provided \$94 million to finance human resource development, tourism, environment, trade, and investments. Through its development assistance in the transport corridors, ADB succeeded in encouraging a large number of development partners to increase their engagement as active stakeholders in the GMS and to help bridge the resource gap for the growing development and investment needs of the countries.

3. ADB has played a prominent role in supporting urban sector development in the GMS. In Cambodia, ADB has provided about \$869.5 million of loans to the government for the urban sector. These loans include investment support for the Provincial Towns Improvement¹, Mekong Tourism Development², and the GMS Southern Coastal Corridor³. Aside from the loan programs, ADB together with other development partners supported urban development projects, such as the water supply system and solid waste management project in Phnom Penh and the waste management treatment plan in Seam Reap through cofinancing with the Japan International Cooperation Agency (JICA). In association with the Cities Development Initiatives for Asia, ADB helped prepare the prefeasibility study for the urban environment improvement project in selected municipalities, including Battambang.

Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
ADB	Phnom Penh Water Supply and Drainage Project, part A: Water Supply	1997–1999	2.27
ADB	Phnom Penh Water Supply and Drainage Project, part A: Water Supply	1997–1999	0.44

¹ ADB. 2003. *Report and Recommendation of the President to the Board of Directors: Proposed Supplementary Loan to the Kingdom of Cambodia for the Provincial Towns Improvement Project*. Manila.

² ADB. 2002. *Report and Recommendation of the President to the Board of Directors: Proposed Loans to the Kingdom of Cambodia, Lao People's Democratic Republic, and Socialist Republic of Viet Nam for the Greater Mekong Subregion: Mekong Tourism Development Project*. Manila.

³ ADB. 2007. *Report and Recommendation of the President to the Board of Directors: Proposed Loans to the Kingdom of Cambodia and Socialist Republic of Viet Nam for the Greater Mekong Subregion: Southern Coastal Corridor Project*. Manila.

ADB	Phnom Penh Water Supply and Drainage Project, part A: Water Supply	1997–2001	1.07
ADB	Phnom Penh Water Supply and Drainage Project, part A: Water Supply	1999–2001	12.20
ADB, OPEC	Phnom Penh Water Supply and Drainage Project, part B: Drainage	1997–2003	
ADB	Access Road Improvement to Choeung Ek Genocide Memorial Infrastructure Component of the Tourism Development Project	2005–2007	8.36
ADB	Wastewater Treatment Plant in Siem Reap	2005–2010	1.91
ADB	Infrastructure Component of Tourism Development Project	2004–2007	15.60
ADB	Provincial Towns Improvement	2004–2007	20.00
ADB	Provincial Towns Improvement (Supplementary)	2004–2007	6.26

Source: Asian Development Bank.

B. Institutional Arrangements and Processes for Development Coordination

4. The World Bank is coordinating with the ADB Cambodia Resident Mission in the preparation of its country program strategy. Like ADB, the World Bank has supported the Phnom Penh Water Supply Authority. A municipal investment facility—local administration investment facility—is proposed, which would enable municipalities to receive project-specific fiscal transfers and, in the long term, to borrow funds from a special government fund at appropriate conditions. If realized, this will be a milestone for the development of decentralized municipal project management and funding. The proposed local administration investment fund, suggested as part of the decentralization and deconcentration reforms, might become an area of engagement and offer options for ADB participation. The World Bank has discontinued its operations in urban land registration since the government terminated the Land Management and Administration Project (LMAP) in 2009.

5. JICA has a long trajectory of urban infrastructure projects and technical assistance projects in, for example, urban transport, sanitation, and urban roads and bridges. The attempted 2004 public bus transport scheme for Phnom Penh is seen as an experiment “ahead of its time.” JICA is considering further funding to Phnom Penh for transport management assistance. JICA also intends to support Phnom Penh in developing one of the two wastewater treatment facilities. Due to its broad long-standing engagement in urban infrastructure, JICA may become a prime partner in ADB’s urban interventions in Cambodia.

6. The Export-Import Bank of the Republic of Korea, like JICA, intends to engage in the development of the second wastewater treatment facility for Phnom Penh to develop two facilities for the capital region. The bank may become a very relevant cofinancing partner for ADB’s urban activities.

7. The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) supported technical assistance on land titling, including urban areas as the agency continues to implement its part of the LMAP. This includes contributions by other development partners, such as Denmark. GIZ, through its support for regional economic development in Siem Reap, could be a partner for strategies for small towns connecting with the hinterland, private sector, and agricultural producers. The program (expected to be completed in 2015) is to enhance economic linkages between urban centers and their surrounding rural districts. As a small-scale replica of the well-known European Union Leader + Programme for developing regional competitiveness, the program is geared to boosting local entrepreneurship and promoting partnerships with the private sector. The German government’s volunteer program (DED), which is part of GIZ, has supported land-use planning in Battambang municipality for several years, and may soon be replicated in Kampong Chhnang.

8. Agence Française de Développement recently reduced its urban activities. Through its city-to-city program of decentralized cooperation, the municipalities of Paris and Phnom Penh have a long-standing relationship with the agency, which has produced interesting pilot initiatives, including the suggested Phnom Penh transport authority.

9. United Nations (UN)-Habitat has been engaged for years on issues of secure tenure and shelter for the urban poor and has assisted the municipality of Phnom Penh with the Urban Poor Development Fund. UN-Habitat's work has been reoriented recently toward the GMS Water and Sanitation Initiative, working in small and medium-sized towns (Kampong Cham, Kampong Thom, Pursat provinces, and Svay Rieng).

10. The United Nations Development Programme, with financing from the United Kingdom's Department for International Development, continues to support decentralization and deconcentration reforms, through which local governments (communes and quarters [administrative divisions]) are gaining experience and decision-making power in planning for capital investment and community development. Related pilot projects in Siem Reap and Battambang offer "single-window" services that mark the start of local government responsibility. The United Nations Capital Development Fund recently commenced drafting the Local Development Outlook program, comprising (i) a review of local development trends, (ii) identification of policies and regulations for local development, and (iii) recommendations for establishing an urban development policy linked with decentralization and deconcentration reforms.

C. Achievements and Issues

11. ADB's first urban development strategy for Cambodia was prepared in 1999. However, it was not used as an input to ADB country strategies because of slow progress with urban development. The 1999 strategy was too ambitious and premature given the prevailing capacity. During the early stages of a country's economic growth, financial resources are generally scarce and investments are made where the return is highest. This is usually in the capital region because the capital city has the important role of nation building. In Cambodia, this phase has passed and the government needs to embark on a more comprehensive and bolder urban development strategy for the entire country. It should support sustainable urban development and the promotion of economic corridors. ADB engagement in the urban sector is feasible from a country needs perspective.

D. Summary and Recommendations

12. Recent ADB experience in Cambodia confirms the principles of selectivity and the need for a sector focus. The rationale for complementarity between rural and urban development is strong as small towns are essential for agricultural value-chain development.