

The Aid Trap

A theory developing study of foreign aid in post-conflictual
Cambodia

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Abstract

The purpose of this theory developing study is to develop Paul Collier's (2007) theory of development traps by considering the possibility of adding a fifth trap, the aid trap. This will be conducted through in depth analyses of the impact of foreign aid in post-conflictual Cambodia. The results aim to be relevant on a boarder context in the hope to contribute to the research of other aid dependent, post-conflictual, countries. The focus of the study is to examine what impact foreign aid has had on the development of Cambodia, with a focus on grass-root level livelihood and human rights. Previous research has shown that foreign aid in developing states with weak governance often has a negative impact on the recipient country's development. Aid in modern times is often aimed at boosting economic growth and welfare which has had a tendency to stabilise incumbent regimes, allowing them to hold on to power while ignoring the needs of the people within the state.

Keywords: Cambodia, aid dependence, post-conflictual, aid trap, foreign aid, bottom billion, theory development

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1 Introduction

After the initial United Nations' (UN) administrated 1993 election in Cambodia, the country experienced a staggering economic growth and development of infrastructure.. The involvement of foreign actors during this period has been very high and the aid donated to the country has been heavily focused on economic growth and development of infrastructure. During the years from 2002 to 2010 the Cambodian government received net aid of 94.3 percent of the nations budget. The domestic revenues during this period had no chance in keeping up with the nation's expenditures, which made Cambodia extremely dependent on aid (Ear, 2013: 28). Today Cambodia is one of the worlds most corrupt countries ranking 160/177 on Transparency International's 2013 index of perceived corruption (Transparency.org, 2014). A big portion of the population lives in poverty in rural areas, where neither the economic growth nor the foreign aid seems to reach them. Lately, acute human rights violations in Cambodia consisting of land grabbing and forced evictions have come to the world's attention. In the following study the foreign aid to Cambodia will be analysed to estimate the threat foreign aid possibly poses on the development of Cambodia.

1.1 Framing of problem & main research question

This study aims to develop Paul Collier's (2007) theory of development traps by examining the possibility of adding a fifth trap to his list, the aid trap. Collier's current traps are all defined by factors that keep the world's least developed countries from developing, factors that imprison them in what Collier refers to as the "bottom billion", the poorest of the world. What may be lacking from Collier's theoretical framework is to regard foreign aid as a possible trap. Therefore, in this study I intend to explore the possibility of foreign aid to be viewed as a trap that harms the development of the post-conflictual Cambodia, with a focus on grass-root livelihood and human rights.

The main research questions of the study are the following:

- *In what way can foreign aid be considered to harm the post-conflictual development of Cambodia with a focus on grass-root level and human rights?*
- *To what extent is foreign aid to be considered as a threat to post- conflictual development and therefore to be considered as a trap for development?*

1.2 Definitions

Bottom billion is a term Collier (2007: 3, 7) uses to describe the least-developed countries where the per capita income is very low. These countries are geographically labelled as Africa +, where the plus represents countries such as North Korea, Haiti, Bolivia and Cambodia. Together all these countries hold approximately a billion people living under the poverty line.

Foreign aid has been defined by Ear (2013, 10) as “a voluntary transfer of resources from one country to another, given at least partly with the objective of benefiting the recipient country”. In this thesis foreign aid may also refer to investments of forging actors to improve development in bottom billion countries.

Aid dependence has over the years been defined in various ways by scholars and theorists. In the 1970s neoliberal economists defined it as “a condition in which overreliance on aid produces economic distortions that affect local decision-making and reduces efficiency.” (Hughes, 2009: 7). This is the definition that will be used in this thesis.

1.3 Generalizability and relevance

The common way to reach generalizability in theory developing case study is theoretical sampling. Due to primarily temporal limitations of this thesis the theoretical sampling is left out to leave room for more in-depth research of the single case. However, through a certain analytical approach, generalizability is possible through single case studies. This approach suggests that generalizability is present in any case since the basic social construction is the same in *all* cases (Teorell – Svensson, 2007: 147). Peräkylä (2004: 297), whom is a proponent of this approach, argues for the generalizability in his single case study by showing that the results are generalizable in the manner that they show what *could* be done in other cases, instead of showing what *is* done in other cases. For this theory, developing study generalizability is attempted by showing that if this case proves the necessity of the aid trap, then this necessity *could* be proven in other similar cases.

Furthermore, the relevance of this study is to be considered rather high. According to Teorell and Svensson (2007: 18) studies that are considered relevant due to their contribution to previous research within the field are referred to as cumulative. This indicates that the study both builds on and contributes to relevant research. There is a high level of relevance to be found in the research of foreign aid’s effect on post-conflictual Cambodia and the development and necessity for the aid trap. The study both builds on previous research while also aiming to make

a contribution to the field of peace and conflict studies by developing Collier's theory of development traps.

The case of Cambodia is found relevant for this study due to the subject at hand being highly observable in the case. Post-conflictual Cambodia is today a state with economic growth, growing infrastructure and a relatively stable government, although its legitimacy may be questioned. However, despite enormous amounts of foreign aid Cambodia is still a very poor country where human rights are being violated on a regular basis (Ear, 2013: 116-19, *We Will Not Be Moved*, 2013). This makes Cambodia an interesting case to study and promising for findings supporting the theory development.

1.4 Scope and limitations

A qualitative case study per se narrows the scope of the study. It is temporarily restricted to the post-conflictual era of Cambodia and thus spans the period of 1993 - when the United Nation temporarily seized control of the state – until 2014, with a main focus on the 2010s. This time span is not only chosen in accordance to the temporal limitations to the thesis but also obtains a high level of relevance for the results of the study. The nature of the post-conflictual state puts forward a rather extreme case of a developing country. A single case study benefits from using an extreme case in order to produce more confident results.

1.5 Previous research and related work

The theoretical point of departure of this thesis builds upon previous findings concluding that aid can have a hampering affect on governance and development in poor countries. These finding will function as theoretical point of departure, which will be further presented in the following section. However, this theory is already well established and will therefore not be thoroughly analysed in this thesis. Other case studies analysing the relation between governance and foreign aid have already given the theory increased empirical support.. These case studies have been conducted on countries such as Tanzania (Falck: 1997), Sub-Saharan Africa (Abuzeid, 2009), Mozambique (Appolinario, 2010), and most recent on Cambodia (Ear, 2013). Sophal Ear's book *Aid dependence in Cambodia* published 2013 has proven to be of great assistance in the development of the aid trap and will therefore be thoroughly analysed thus I believe that will help generate more confident results.

2 Theory

2.1 Theoretical points of departure

The study draws upon previous research of foreign aid initially conducted by Peter Boone (1995). Boone concludes in his research that foreign aid does not necessarily increase economic growth in the recipient country, but it does increase the size of the government. In countries with a already stable government and a good policy environment, aid has a tendency to significantly increase economic growth. However, aid directed at countries with weak and/or corrupt governments with near to non-existent transparency in economic management, aid does not have any significant positive effect on the country nor does it spur economic growth (Ear, 2013: 16-17, Boone, 1995: 2 - 5). Furthermore, Deborah Bräutigam (2000: 6, 62) supports Boone's findings in her research arguing that foreign aid can be part of the actual problem in developing countries, hampering governance reforms and allowing incumbent regimes to hold on to power without contributing to development. Stephan Knack (2001: 310-12) builds upon Boone's and Bräutigam's research when he analyses aid's impact on governance through collection of cross-country data. He concludes that higher level of aid decreases governance capacity by weakening political accountability.

2.2 Collier's traps

With the previous research on foreign aid as a point of departure, the study will aim to develop Collier's (2007) theory of development traps by exploring the possibility of adding the aid trap. In his research Collier concludes that within developing countries there are certain problematic issues that can trap them in poverty, keeping them from developing. When examining the necessity and relevance of the aid trap, Collier's traps will be used as a foundation for the formation of it. More detailed and lengthy examinations of his traps will be conducted in section 4.

3 Methodology

3.1 Qualitative case study

An intensive qualitative case study makes it possible to conduct a more in-depth study aiming to analyse different nuances of the case and thus obtain a more complete view of the study. Theory development requires in-depth description and analysis of the case, which is provided in qualitative case study research (Eisenhardt, 1989: 538). The study is conducted in a qualitative manner due to the fact that the subject at hand is more successfully studied with a qualitative method. That is, from the use of in-depth data covering different aspects and nuances of the case (Glaser – Strauss, 1967: 18). The nuances refer to the different variables that will be studied within the case, such as human rights, economic growth, poverty, aid flows, governance capacity, corruption etc. (Jacobsen, 2002: 94, 95, 106, 116, Yin, 2007: 31).

Important for successful theory development is the identification of a case that will prove most relevant and effective for the purpose (George – Bennett, 2005: 111). When developing a theory grounded in a single case, due to the very limited number of cases, it is preferable to choose an extreme case in which the phenomenon of interest is observable (Eisenhardt, 1989: 537). The case of post-conflictual Cambodia has been chosen based on these premises and is found particularly relevant for both successful execution of the research and for confident findings.

The intensive approach somewhat go hand in hand with the single case study. Due to its in-depth, intensive nature a single case study is most useful in answering research questions posing a *how* or *why* question (Yin, 2007: 23). In this theory developing study these questions will lead the study forward. The analysis focuses on *how* the aid trap will be constructed while also placing emphasis on *why* a fifth trap would be necessary.

3.2 Theory development

Traditionally methodology in qualitative research has been focused on verification and testing of already existing theories. Very little attention has been given to the generation and development of these theories (Hartman, 2001: 9). According to Merriam (1994: 152-53), the key to a theory developing qualitative study is speculations. This indicates that the researcher plays with, and speculates about, ideas concerning the data on a more abstract level throughout the research. This differs from descriptive qualitative case study where the researcher primarily observes the data and describes the phenomenon within the case. In theory development the research questions formatted at the early stage of the study are always tentative (Eisenhardt, 1989: 536). According to Eisenhardt one of the more important aspects of theory development is the simultaneous process of data collection and data analysis (ibid: 538).

One of the main methods of developing a theory from empirical data is called grounded theory methodology (Merriam, 1994: 153). This type of methodology is suitable for research that aims to generate or develop a theory that is directly derived from empirical data (Hartman, 2001: 9, Glaser, 1998: 3). The grounded theory methodology was originally developed by Glaser and Strauss (1967) and introduced in their book *Discovering Grounded Theory* first published in 1967. In grounded theory research, the framing of problem and research questions emerges from the collection and/or analysis of the data, in contrast to other research methods where the data emerges from the research question (Eisenhardt, 1989: 536). As the data collection began for this study, the current research questions were not formed. The data collection simply relied on my interests of the implications of foreign aid in post-conflictual countries. As the study proceeded and more data was collected, the idea of aid as a trap emerged and so did the research problem and questions.

This study is inspired by grounded theory methodology and is in many aspects conducted according to it. However, since this study draws upon previous research and aims to develop Collier's trap theory, its methodological starting point differs from the one of grounded theory (Alvesson - Kärreman, 2011: 23).

3.3 Theoretical sensitivity

Theoretical sensitivity is an important part of theory development, especially in grounded theory methodology (Strauss – Corbin, 1990: 41). It is generated by the researcher throughout the research process and concerns the researcher's

awareness of the collected data and ability to understand and give meaning to it. Through obtaining theoretical sensitivity the researcher can focus on the important part of the data that supports the generation of theory. It is the theoretical sensitivity that allows the researcher to control the data collection to make sure it stays relevant to the development of theory (Hartman, 2001: 97-98). Theoretical sensitivity can come from different types of sources such as literature, personal observation, interviews etc. This study is primarily based on literary sources and will therefore focus on solely that. Strauss and Corbin (1990: 42) argues that becoming familiar with the literature, both concerning theory and the empirical data, will sensitize the research to the case being studied.

The theoretical sensitivity somewhat represents the creative aspect of grounded theory and theory development (Strauss – Corbin, 1990, 44). Theory development is in itself partly a creative process since the researcher has to go further than simply observing a phenomenon or testing an existing theory. However, by active awareness of the data collection and striving towards theoretical sensitivity, the researcher can obtain a balance between the creative aspect and scientific aspect of the study, not letting either one dominate the research.

3.4 Data collection

Most case studies are characterised by an enormous amount of detailed data. This might be somewhat overwhelming but the purpose is to gain as much relevant information about the case as possible. This way one becomes more familiar and comfortable with the case, which will generate more confident findings (Eisenhardt, 1989: 540). According to Alvesson and Kärreman (2013: 23-24) the collecting of data in grounded theory methodology should initially be guided by the interests of the researcher. Thereafter the research questions are developed from the researchers' interpretation of the data. In this study a significant part of the material has been collected through online searches primarily within search engines such as Google and LUBsearch. By using key words such as Cambodia, foreign aid and human rights it has been possible to gather material consisting of both relevant websites, online news articles and academic online articles. The online searches have exclusively been based on personal interest and curiosity, which has led to the formation of the research questions.

The empirical data has been limited to analyses written in English and Swedish. Analysis of this type of data is commonly referred to as secondary analysis (Corbin – Strauss, 2008: 156). The secondary sources cover a wide span of the case and have been compared to each other. This is to make sure that the secondary analysis will be as close to the reality as possible. According to

Merriam (1994: 24) the single case study, in contrast to other types of studies, is not limited to a specific manner of collecting data. Therefore, the collected material is only limited to temporal and spatial limitations. Since this study draws upon previous research and aims to develop a theory, a significant part of the material consists of literature relevant to these theories. Colliers book *The Bottom Billion* (2007) is of great importance to the study and is therefore a centrepiece of the analysis. Furthermore, literature relevant to research of foreign aid's effect on good governance works as a foundation to the analysis..

4 The traps

In the following section two of Collier's four traps will be examined, the natural resource trap and the bad governance in small country trap. The latter will be referred to as the bad governance trap. The examination of the construction and conditions of these two traps will be most fruitful for the purpose of the study. The remaining two traps, the conflict trap and landlocked with bad neighbours trap will not be analysed, this is because these two traps does not prove very relevant nor fruitful to this study. A brief explanation to why this is will be presented below.

In Collier's (2007: 17-37) chapter about the conflict trap he shows how conflicts such as civil wars and coup d'états can trap a low-income country in poverty, and how the chances of this are much greater in a bottom billion country than in a high-income country. What makes the conflict trap inapt for this study is the fact that in the conflict trap, the source of the problem that hampers growth and development comes from within the state, from civil wars or coup d'états. This study examines instead how an outside factor, such as aid, may hamper economic growth. This makes the aid trap and conflict trap fundamentally very different which is why the conflict trap will be left out of the analysis. The landlocked with bad neighbours trap is inappropriate for this study for rather different reasons to the conflict trap. The bad neighbours trap concerns geography as the hampering factor on development of bottom billion countries. Collier (2007: 54-58) argues that a resource-scarce country that is surrounded by bad neighbours can have a very hard time developing and growing. When examining foreign aid as a possible trap, the geographical aspect is rather irrelevant. Surely, the natural resources of the recipient state are determined by its locations, which may affect the interests and motivation by the donator. However, the directly neighbouring countries do not to any larger scale affect the aid donated.

In a study with a larger scope, I am sure that the conflict trap and the bad neighbours trap could have contributed to the development of the aid trap, and maybe in future research this can be shown. However, in this study I put greater value in examining the most relevant and useful traps thoroughly, which I believe will generate more confident results.

4.1 The natural resource trap

According to Collier (2007: 44-46), in certain political environments, natural resource richness can harm democracy and governance capacity. In a healthy democratic governance environment, political parties will attract voters by trying to provide good public services and other public goods. However, natural resource revenues can provide the government with a large budget from which it can embezzle money to buy votes by providing individual and specific benefits to voters instead of public goods. It is primarily in fragile states, with a culture of corruption, wherein this will occur. State such as bottom billion countries and developing states are especially at risk.

The reason why large natural resource revenues weaken governance capacity is fairly simple, it drastically reduces the need for the state to tax, which reduces its need for accountability (Collier, 2007: 46). The lost need for accountability in resource rich states has been used as an explanation to why these states become autocracies. However, Collier (2007: 46) argues that these states can still remain democratic on the surface by maintaining the electoral process. Thereby it is not the manner of achieving power that is undermined by the loss of accountability, but instead it is the manner of using power, the political restraints, that gets undermined. To measure political restraints on power, political scientists have developed a system built upon counting how many, out of a maximum of 17, checks-and-balances can be found within the political environment. Checks-and-balances is a system wherein different parts within a government have the power to control, affect and prevent actions by other parts so that the latter can't become too powerful (Encyclopedia Britannica, 2014). In this system the different checks-and-balances are e.g. free and independent media and an independent judiciary (Collier, 2007: 47). Collier (2007: 43,47) found that when it comes to large natural resource revenues, autocracies perform better than democracies. However, according to the measuring system mentioned earlier, the democratic state would only have to have four checks-and-balances out of the 17 in order to perform just as well as an autocracy. It may not sound like a lot, but most resource rich states have approximately two out of all the 17 checks-and-balances. What is important to acknowledge is that a resource rich state with low political restraints is not likely to just add four checks-and-balances to resolve its issues (ibid: 47). However, the more checks-and-balances these countries have, i.e., the more control from different and independent branches, the less likely is the possibility for patronage and corruption.

Natural resource richness isn't bad per say. The problem with natural resource richness in the bottom billion countries is that these states are developing and therefore doesn't have the political restraint and good, stabile governance to start

of the economic growth with. Collier (2007: 51) argues that natural resources in bottom billion countries contributes to a development trap because these countries, with very limited checks-and-balances, are more prone to misuse the resources in such a manner that it harms the growth. In turn, this harms the democratisation process.

4.2 The bad governance trap

In bottom billion countries one reason for bad governance is the political leaders lack of motivation to reform. Even though these countries are very poor, the political elites in them are often among the richest people in the world, something they generally don't want to change (Collier, 2007: 66). Another reason for the bad governance in the bottom billion is the lack of educated people within these countries. A political reform requires not only political will but also the necessary knowledge and training in order to manage the technicalities of a reform. In many bottom billion countries, the few that have this necessary education will often leave the country for a better job offer somewhere else (ibid: 67).

A way to prompt a political reform and improve governance has been argued to be foreign aid donated with conditions of reform. However, governments in developing countries have discovered that they only have to promise to reform in order to get the aid, they don't actually have to do it (ibid: 67). This is further emphasised by Knack (2001: 311) who argues that conditional aid to prompt political reform is generally rather ineffective. What Collier (2007: 71) concludes from his research about the bad governance trap is that in order for a bottom billion to shift over to a functioning democracy, the initiative to change has to come from within the state.

4.3 What makes a trap?

Collier (2007) has developed his traps by analysing cases and empirical data from different countries of the bottom billion. When reviewing his research it become apparent that there is no general structure or conditions that make a certain issue a trap. However, what is evident is that Collier's traps are exactly what they are made out to be; traps. That is, something that a developing country easily can "walk" into, and which will lock them into a dysfunctional system thereby preventing the country from developing. The problems within Colliers traps are very different from each other, what they do have in common is their hampering, or trapping, effect on economic growth and development. Collier (2007: 6, 79)

explains that there are no clear lines between the traps, which means that they can easily overlap each other. Any of the bottom billion countries can be in different traps simultaneously, or sequentially. Hughes and Un (2011: 4) argue that the post-conflict era in Cambodia is actually the countries route out of the conflict trap and into an ear of economic growth. However, in the following section I will present the possibility that Cambodia has actually moved into an aid trap.

5 Post-conflict development in Cambodia

In October 1991 the four Cambodian fractions, the People's Republic of Kampuchea (later renamed Cambodians Peoples Party (CPP)), who were the ruling party, the Funcinpec, the Khmer People's National Liberation Front (KNPLF) and the Khmer Rouge met with representatives from 19 different countries to sign the Paris Peace Accords (Brinkley, 2011: 67). The agreement resulted in the first post Cold War UN peacekeeping and state building mission; the United Nations Transitional Authority in Cambodia (UNTAC), and the first UN administrated election held two years later in 1993 (Hughes – Un, 2011: 4, Ear, 2013: 2). When the UN arrived in Cambodia in May 1992 the expectations were extremely high as this mission was far more ambitious and expensive than anything the UN had undertaken before (Brinkley, 2011: 70).

UNTAC's mandate was very broad and covered everything from the military and governmental administrations to human rights. Its aim was to introduce a multi-party democracy in Cambodia alongside efforts of state building (Hughes – Un, 2011: 2). The 1993 election, monitored and administrated by UNTAC, resulted in victory for the opposing royalist Funcinpec party, who won 58 seats in the parliament whilst CPP came in second with 51 seats (Brinkley, 2011: 80, Hughes – Un, 2011: 3, Ear, 2013: 2). However, the CPP leader Hun Sen refused to admit his defeat and step down from power. Norodom Sihanouk was the previous king of Cambodia and had, during the Paris Peace Accords, been assigned ceremonial head of state during the time UNTAC was operating in the country (Brinkley, 2011: 78). When Hun Sen began threatening the Funcinpec party leader Prince Norodom Ranariddh with violence, Sihanouk stepped in and decided that he himself would serve as king, however with less power than before. Ranariddh and Hun Sen would share the power, Ranariddh as first prime minister and Hun Sen as second prime minister. They both agreed to this and Hun Sen was pleased, knowing that his second prime minister post was manly symbolic and that he himself would be in charge (Brinkley, 2011: 85).

In September 1993 UNTAC left Cambodia. Despite the unexpected outcome of the election, with Hun Sen and Norodom Ranariddh as co-ministers in a coalition government, the UN referred to UNTAC's mission in Cambodia as a success story (Brinkley, 2011: 81, Ear, 2013: 4). Since 1993, elections have been held every fifth year, in 1998, 2003, 2008 and 2013, which have all been won by the

CPP. Hun Sen's electoral success has been, according to Sullivan (2011: 57), the result of vote buying, intimidation, and violence. During these post-conflictual years, inequality rose in a manner that had the rest of the world concerned. However, during the same years, the national economy has had almost double-digit growth every year making the Cambodian economy one of the fastest growing in the world (Hughes – Un, 2011: 2, Ear, 2013: 8-9).

Any post-conflictual state is bound to have some sort of positive development because the step from war to peace is in itself a step in the right direction. In that aspect, the post-conflictual development of Cambodia has been positive. A pluralistic political system with parliamentary elections has been established and both free media and NGOs are present and working in the country (Sjöberg – Sjöholm, 2005: 7). However, Sjöberg and Sjöholm (2005: 5) conclude in their report for Sida that the post-conflictual development of Cambodia has been disappointing. On the same note, Ear (2013: 9) argues that the so-called positive development in Cambodia is only positive on the surface, covering up acute problems such as human rights violations and corruption.

UNTAC facilitated the introduction of Western donors to Cambodia and since the UN sponsored election in 1993, Cambodia has been heavily dependent on foreign donors (Hughes – Un, 2011: 2, Ear, 2013: 8). During the post-conflictual period, both foreign donors and the Cambodian government has heavily focused on, and invested in, infrastructure. This has enabled the private sector in Cambodia to flourish the last decade with increased investments and a steady growth. However, the development of the Cambodian state remains rather stagnant and it is still considered to be “fragile”. This is mainly due to the widespread corruption and authoritarianism within the government, which allows the state to not prioritise basic public services (Hughes – Un, 2011: 8-10).

5.1 Strong government – low quality

Peter Boone (1995) was the first to examine the relationship between foreign aid and governance capacity. In his study he found that aid doesn't necessarily have any positive impact on poverty or governance. However he also found that aid increases the size of government. In 1997 Boone's study motivated the World Bank economists Burnside and Dollar to conduct a study examining relationship between aid, policies and growth in 56 different countries. They found that aid may have a positive impact on growth but mainly in countries that already have a good governance. Aid directed at countries with low quality governance does not spur economic growth but simply increases the scope, or the size, of the government, not the quality of it (Ear, 2013: 16)

The post-conflictual democratisation in Cambodia is often portrayed as successful. However, what seems to make out successful democratisation is simply the presence of elections. It is easy to not set very high standards for post-conflictual countries, since any democracy is better than none, or because bad and unjust government is at least less evil than genocide and dictatorship. Ear (2013: 41) believes that since the international community did very little to nothing during the Khmer Rouge genocide, the developed world now stands embarrassed, unwilling to ask too much of Cambodia and allowing the government to “get away” with otherwise unacceptable behaviour, blaming it on the country’s terrible history. However, simply the presence of elections isn’t enough to make out a good and functioning democracy. McCargo (2005: 99-100, 107) argues that after the election in 1993, Hun Sen learned how to use the elections to legitimize his role as a leader. The elections became more a political theatre to please the observing world, rather than a tool of democracy. Cambodia is increasingly transitioning from a multi-party state to a one party state wherein Hun Sen holds a steady grip on the power (Cock, 2011: 28). Ear (2013: 85) argues that the fact that Cambodia is becoming a one party state, despite the international community’s presence and the foreign aid, proves that neither foreign aid nor elections can make a democracy. In today’s Cambodia, corruption is a normalised part of the political system and is recognised as standard procedure (Sullivan, 2011: 57-58, Ear, 2013: 11). The corruption in Cambodia costs the country approximately US\$300 to US\$500 million every year. The ones who have to pay the highest price for this are the poor, which widens the inequality gap further every year (Ear, 2013: 143-44).

In 2004 the World Food Program (WFP) reported that US\$2 million worth of rice had been diverted. The WFP representative blamed the Cambodian government and expressed that the government had to take responsibility if WFP were going to be able to continue with their work in Cambodia. After further discussions the Cambodian government finally took some responsibility, paying back US\$900’000, but without putting any government officials on trial (Brinkley, 2011: 185, Ear, 2013: 45-46, 47-48). Since no one was ever convicted for the corrupt act, it was not a prosecuted individual that had to reimburse their gains, but instead the government who did, using money from a budget largely consisting of donated aid.

6 Foreign aid to Cambodia

Today policy makers and researchers make a difference between traditional and non-traditional aid donors, the latter also referred to as new or emerging donors. Traditional aid donors mainly refer to the member nations of the Organisation for Economic Co-operation and Development (OECD), originally consisting of 18 European nations, the USA and Canada but today consists of 34 nations worldwide. When generally speaking about donors, it usually refers to these OECD nations (Hagedoorn – Beets, 2011: 2, Oecd.org, 2014). These countries continuously donate Official Development Assistance (ODA) to developing states, which is donated according to certain criteria, for example the aid's main objective must be to promote economic growth and welfare (Hagedoorn – Beets, 2011: 1).

The non-traditional donors can look very different and their type of aid can also vary, not necessary consisting of financial means but also goods, technical support, medical training or development of infrastructure (ibid: 3). Non-traditional donors differ from traditional donors in many ways. They are less prone to have conditions of political reform or improvement of governance tied to the aid. Instead the aid is often tied services from their own country and the focus of the aid is to benefit both the donating and the recipient country. The OECD has identified different types of non-traditional donors. One of these is the Providers to South-South Cooperation (SSC) whom are states that are emerging economies and are known for focusing their aid on development of infrastructure and natural resources in the recipient state. China is a non-traditional donor and is considered to be one of the main countries in the SSC category (ibid: 3-4).

In the following sections I will analyse the traditional aid and the Chinese aid to Cambodia. I chose to analyse the traditional aid as a group instead of singling out a specific traditional donor country. This is because the outlines of the traditional donors are very similar due to the restrictions set by the OECD. However, the non-traditional donors can vary a lot, making it harder to analyse them as a group. This has also been pointed out by Hagedoorn and Beets (2011: 3) who argue that the non-traditional donors have been very hard to classify due the their diversity. Therefore, I have chosen to single out China, not only because it is one of the biggest non-traditional donors (Ear, 2013: 28), but also because China has played an important part in the post-conflictual development of Cambodia.

6.1 Traditional aid

Since the signing of the Paris Peace Agreement, the traditional donors have stated numerous projects, committees and forums in Cambodia. All of which have developed project and strategies, funded by foreign aid, to reduce corruption and poverty and improve health, equality and governance quality. Since the initial involvement of traditional donors, the Cambodian government has successfully managed to more or less ignore, or at least fail, their commitments to these projects. However, this has not hindered traditional donors from donating more aid to the country (Sullivan, 2011: 53).

The traditional aid is characterised by the conditions attached to it. Initially, the traditional aid tied to the signing of the Paris Peace Accords was conditioned upon the promise of a democratic, multi-party election (ibid). It is further focused on the improvement of human rights in Cambodia (Ear, 2013: 109). Ear (2013, 10) argues that the aid experiment of Cambodia has proven that, within post-conflictual settings, foreign aid has a tendency to be contra productive, worsening governance and thereby hampering development instead of encouraging it. This is because aid changes the dynamics between good and bad governance, making the latter more appealing, easier and cheaper.

As the presence of non-traditional donors has increased, the traditional donors influence and power they exert on the aid has declined (Ear, 2013: 123-24). Sullivan (2011: 54) argues that one possible reason for the increase of conditional aid from traditional donors is the fear that too much pressure on the Cambodian government will push it closer to non-traditional donors such as China. However, the traditional aid has kept flowing into Cambodia, but it appears to avoid issues about human rights condition and instead focuses on improvement of infrastructure (Cock, 2011: 40-41). In most developing countries rarely more than 20 percent of aid goes to technical cooperation. However, in Cambodia 50 percent of all aid is taken up by technical cooperation (Ear, 2013: 30). What is problematic with this is that where the aid is needed the most, e.g. in improving human right conditions and poverty, is not where it's being directed. The traditional aid to developing countries, particularly in the southern Asian region, has been viewed as a promotion of Western values and norms and conditioned upon increased neoliberalism governance. This has been considered as imposing upon their culture and society (Hughes, 2009: 162, Sullivan, 2011: 55). This may be another reason why the traditional aid has backed down on the conditions of political reform and human rights.

From 1992 through 2010 Cambodia received more than US\$9 billion in ODA, outweighing the income from tax revenues (Sothirak: 2012: 339). This has kept

the Cambodian government from having to rely on taxation to fund expenses, which results in governance accountability becoming both unappealing and unnecessary (Hughes, 2009: 156, Ear, 2013: 17). This has resulted in the government not having to rely on its people, the voters, which has greatly harmed the governance accountability (Ear, 2013: 12). One may think that a resolution to this problem is that traditional donors direct their aid to local NGO instead of the government. This can occur when the donating government doesn't feel able to trust the recipient government e.g. due to corruption. A NGO can then function as a third party that manages the money. However, the recipient government has to give their consent, which is why this doesn't usually happen in corrupt, developing countries (ibid: 10).

6.2 Chinese aid

Lately, China has emerged as a top donor to Cambodia, in certain years claiming the spot as the single biggest donor. In 2008 China committed US\$257 million to Cambodia. The same year, traditional donors such as the EU and Japan donated US\$214 respectively US\$113 (Brinkley: 2011: 349, Ear, 2013: 28). The aid relationship between Cambodia and China is special in the way that it benefits both nations. Cambodia gets unconditional economic growth, developed infrastructure and a strong ally, whilst China gets access to Cambodian land and resources (Hughes, 2009: 162, Ear, 2013: 28). The aid from China is in general only tied to conditions that are beneficial to China. The conditions are e.g. that Cambodia supports and propels China's political interests, import products from China or allow them to use resources within Cambodia (Pheakdey, 2013, Ear, 2013: 86). Whenever Cambodia is criticised and put under pressure from NGOs or the other states to stop human rights abuses and oppression, the government turns to China for financial aid or other types of support (Ear, 2013:28, 30). In 2011, Hun Sen expressed that he viewed China as a very close friend whom responded to Cambodia's need without any complicated conditions attached to the aid (ibid: 28). On a different occasion he remarked that the aid from China released Cambodia from the pressure and conditions set by international community (Brinkley: 2011: 349). The Chinese aid allows the Cambodian government to reconsider their need of traditional aid with its conditions of development strategies, transparency and political reforms (Hughes – Un, 2011: 3, Sullivan, 2011: 56). Sullivan (2011: 67) argues that as long as Chinese aid and investment remains as a possible alternative, the conditional aid from traditional donors might become more unappealing to Cambodia. This has also been a concern of human rights activists in Cambodia who have argued that traditional donors are losing influence and therefore the power to make demands of improved human rights conditions in Cambodia (Ear, 2013: 123-24).

The involvement of China as a donor may harm the Cambodian industrial development. The Chinese companies are exploiting natural resources and land in Cambodia and exporting goods from Cambodia to China. This can make Cambodia dependent on the Chinese economic activity taking place within Cambodia (Sullivan, 2011: 64). The Chinese foreign aid policy in Cambodia has been referred to as the Chinese use of soft power. Soft power is the use of non-violent methods such as diplomacy, aid, investments etc. in order to influence the actions of another state to your own liking (ibid: 54-55). The Chinese unconditional aid has mainly been used to improve infrastructure in Cambodia (Cock, 2011: 41, Pheakdey 2013). These investments in infrastructures, such as roads and electricity, is suspected to primarily benefit China, allowing them access to Cambodian land and resources, such as oil and gas, to exploit (Sullivan, 2011: 64). Therefore, the Chinese aid mainly concerns what China can get from Cambodia, rather than vice versa.

7 The impact of aid on Cambodia's development

The involvement of foreign actor may have prevented Cambodia from falling back into old patterns of civil war and genocide, however it has not managed to establish a positive and stable peace in the country. Instead, something Ear (2013:110) refers to as a hollow democracy has evolved, wherein democratic processes exists, such as elections, but without ever progressing into effective democratic institutions. As a post-conflict country corruption is part of Cambodia's past. It started to become a major issue already in the 1960s and 1970s. Today, the aid dependence that has assumed the country has nearly worsened the corruption problem (Hughes, 2009: 157). In todays Cambodia the political will and incitement for changing, or rather extinguish, the culture of corruption is lacking (Ear, 2013: 11, 85).

From 1999 through to 2010, Cambodia experienced a rapid growth of almost 10 percent per year (Naron, 2012: 248). An explanation for this is that the business environment for the private sector in Cambodia is one of the friendliest in the region, providing tax holiday and a fairly open market environment. A tax holiday is usually used by governments to increase investments by creating a temporary reduction of tax. In Cambodia the tax holiday can start from the first year the business makes profit and last up to nine years, with the possibility of extension. This allows business to avoid the 20 percent corporate tax on profit (Ear, 2013: 55). What is problematic with this is that the growth and development that is occurring in the country, is not contributing to the welfare and therefore not developing the basic services. By not paying corporate taxes, the growth that is happening in the private sector will mainly benefit the people within that sector, not the people who need it the most. This is possible because the government doesn't priorities the basic services, partly because it doesn't have to since the aid agencies and NGOs are prioritising it (ibid: 17). Aid allows Cambodia to not prioritise basic services such as health care, education and social welfare, this is also described as aid fungibility. Aid fungibility is "the possibility for aid recipient countries to reduce investments of their own resources in the sector that receives aid and transfer them to other sectors of the budget" (ibid: 32). This entails that these basic services will not be viable without aid since the government never has to prioritise it and instead focuses on development e.g. security, the military or infrastructure. On numerous occasions the Cambodian government has expressed that Cambodia, as a post-conflictual state, should

prioritise social stability and economic growth over individual human rights and political liberty (Un, 2006: 238). The reason why the government can prioritise in such a manner is because it doesn't have to rely on taxations (Ear, 2013: 17). During the 1990s and the 2000s foreign aid dominated the governmental spending in Cambodia and between 2002 and 2010 the net aid received was on average 94.3 percent of the governments spending (ibid: 8-9). With aid covering a large part of the national budget, which otherwise would consist of tax revenues, Cambodia has no reason to strive for governance accountability.

In Cambodia, the majority of highly educated people choose to work in donor agencies or NGOs which, due to aid, are able to offer higher wages than the public sector. This means that Cambodia loses an important part of the countries resources, namely human capital, to aid agencies and other foreign actors. The salaries of civil servants in Cambodia has increased over the years and, in 2013, was estimated to a monthly wage of US\$20 to US\$40, which is remarkably less than the wages in the aid sector (Hughes, 2009: 160, Ear, 2013: 32-33). In 2008 when a vice president of an Cambodian university was asked if it was likely that university graduates took jobs as civil servants this was the given reply: "If you look at government salary, unless you plan to be corrupted, you have no future in that." (Ear, 2013: 32). This means that Cambodia loses its educated people to the aid sector, which otherwise could have, and would have, helped develop the country from within, either as entrepreneurs or government workers. Further, in a country where its most educated citizens are working for NGOs and aid agencies, these people will naturally be dependent on these donor-driven actors, just as any working person is dependent on their source of income (ibid: 33). Therefore, even if the goal of aid is to help Cambodia develop so the nation can soon stand on its own feet, a high proportion of its educated people will have an interest in Cambodia staying aid dependent.

7.1 The impact of aid on grass-root level livelihood

Nearly 80 percent of the Cambodian population, and 90 percent of the poor, live in rural areas and 55 percent of the population has agriculture as their occupation (Brinkley, 2011: 6, Hughes – Un, 2011: 11, Sothirak, 2012: 338). More than three-quarters of these rural households grow rice, which accounts for almost 25 percent of the Gross Domestic Product (GDP) in agriculture. Growing rice is what most poor people in Cambodia live on and there is a common understanding that the agricultural sector, in particularly rice production, is of great importance for the development and future survival of Cambodia (Sjöberg - Sjöholm, 2005: 5, Naron, 2012: 268, Ear, 2013: 67) However, very little of aid directed to Cambodia goes to the agriculture sector and the investment in the sector is very low. Instead

of developing the sector wherein most of the population is, the aid goes to developing technical assistance, not actually benefiting the poor (Brinkley: 2011: 198, Ear, 2013: 68, 77). This becomes apparent when looking at the agricultural sectors share in annual GDP. However good economic growth Cambodia has experienced during the post-conflictual era, this doesn't seem to have rubbed off on the agricultural sector. In 1989 the sectors share in annual GDP was 45.8 percent. In 2007 this figure had dropped to 29.7 percent, which is a remarkable decline (Naron, 2012: 268). Even the high development of infrastructure in Cambodia has been kept from the rural area and instead mainly directed to urban areas of the country. The lacking investment in infrastructure in rural areas is hampering the development of these areas. This also affects the provision of healthcare since the lack of roads makes it difficult to access the hospitals or for ambulances to reach the rural villages and households (Naron, 2012: 270).

The EU sponsored initiative Everything But Arms (EBA) was set up to boost least-developed countries' economies by eliminating duties on e.g. rice exports to Europe. The EBA is a form of aid that eliminates expenses, instead of donating money to pay for them. The purpose of the EBA was to benefit the poor by creating job opportunities (Equitable Cambodia – IDI, 2013: 1). However, many international actors jumped on this opportunity and began buying up land in Cambodia to produce and export rice at low cost (Ear, 2013: 69-70). Therefore, the EU initiative didn't have as good of an impact for the Cambodian people as one would have hoped.

7.2 The impact of aid on human rights – Land grabbing

Land grabbing and forced ejection are serious violation of human rights and major issues in the rural areas of Cambodia where thousands of people have been made homeless (Ear, 2013: 8, Equitable Cambodia - IDI, 2013: 41). A big proportion of the poor in Cambodia make their living on farming. Therefore the increasing landlessness among the poor due to land grabbing is an acute problem. In 1997 13 percent of the rural population were landless, in 1999 this number increased to 16 percent and in 2007 it reached 20 percent. This increase in landless people has been argued to be result of the corruption and bad governance in the country (Hughes – Un, 2011: 10, Sothirak, 2012: 353). The Cambodian government is allowing private investors to access large quantities of land for large-scale plantations. This land is often already inhabited or used by local communities (Equitable Cambodia - IDI, 2013: 1). Hughes and Un (2011: 9) argue that the widespread issue of land grabbing and forced ejections is partly because of collaborations between Chinese investors and the Cambodian

government. Since 1994, almost 50 percent of land concessions, more than four million hectares, that has been granted to foreign actors by the Cambodian government has goes to Chinese investors (Pheakdey, 2013). However, it is common that people are forcefully evicted due to development of infrastructure, such as roads (We Will Not Be Moved, 2013). As noted earlier, infrastructure is something both non-traditional and traditional donors heavily focus on developing (Cock, 2011: 40-41). Therefore, it is highly likely that foreign donors hold some responsibility for the people being forcefully evicted due to infrastructural development. What makes this even more possible is the considerable lack of transparency in the governmental awarding of land to foreign companies (Sullivan, 2011: 61).

When the Cambodian government past a new land law in 2001, it changed the economic interest and activity within the country. The interest in land among Cambodian and foreign investors increased drastically. This has resulted in a massive, and often violent, expropriation of poor people and farmers inhabiting the areas (Hughes – Un, 2011: 9). The land law says that people that have proof that they have occupied land for at least five years before the law was past have ownership rights to that land. However, proving this is very difficult for many poor people in the rural areas. Without any documents, these people are powerless against the big companies and investors. If an investor is interested in a plot of land they will use the fact that the people living there don't have any proof of their ownership (We Will Not Be Moved, 2013). In conflict over land ownership the court usually responds to bribes. The people inhabiting the land generally can't bribe the judges as well as the foreign companies and investors can (ibid).

More than 500,000 people have been evicted from their homes due to land grabbing and thousands of communities have been destroyed (We Will Not Be Moved, 2013). The people living in these rural areas may have been poor, but they had safety and a roof over their heads (ibid). When they have been forced away, they have often just pulled themselves out of poverty only to be thrown back into it (Equitable Cambodia - IDI, 2013: 1). At times, the evicted people have been sent to live in fields, far away from hospitals, schools and work opportunities (We Will Not Be Moved, 2013). When the people from rural areas have tried to protest against the land grabbing, they have on numerous occasions been ignored or meet with violence and at various times been arrested and imprisoned (Hughes, 2009: 164, Sullivan, 2011: 63, We Will Not Be Moved, 2013).

The EBA has been argued to be a driving force for increased land grabbing and forced evictions. The ability to export goods to the EU at a lower price has made foreign companies more interested in exploiting land in under developed countries such as Cambodia (Equitable Cambodia - IDI, 2013: 19, 33-35). However, according to local NGOs the increased interest in land by foreign actors due to the EBA has increased, rather than decreased poverty in the area and others have

reported that foreign companies that bought up land due to the EBA initiative used child labour on their plantations (Cock, 2011: 42-44, Equitable Cambodia - IDI, 2013: 3).

The EU is bound by EU law to respect human rights in all its trade relations (Equitable Cambodia - IDI, 2013: 44), However the two NGOs Equitable Cambodia and Inclusive Development International (IDI) (2013: 3, 19) argues that the EU with its EBA initiative is violating international human rights as long as it doesn't include safeguards for human rights within the trade initiative. Currently, the EBA does not include any types of safeguards to protect the poor within developing countries. Furthermore, within the EU there is no mechanism for compensating people who have been affected by EU policies or actions of European actors and companies outside the EU borders (ibid: 3).

8 Results & discussion

In this section I will discuss exactly what it is that makes aid a trap. The empirical data will be compared to Colliers traps that were presented in the *Traps* section. When comparing the natural resource trap with the impact of aid in Cambodia, certain similarities become very apparent. Collier (2007: 44-46) argues that natural resource richness in bottom billion countries can harm governance capacity by providing the government with a large budget, reducing the need to tax and thereby reducing the need for accountability. This precise thing can be seen in Cambodia, but where foreign aid plays the role of the natural resource. However, a significant difference is that when it comes to aid, it doesn't only reduce the need for the governance accountability, it also makes it aid dependent, having to rely on foreign actors. Collier (2007: 51) argues that when a resource rich bottom billion country is on the verge of transitioning to democracy from autocracy, the sort of democracy this country is likely to get is not more than a political charade. This was also detected in Cambodia where the elections became a tool to please the observing world, rather than a tool of democracy. Since the UN monitored election in 1993, Hun Sen has used the election to legitimise his role as a leader, making Cambodia into a one party state (McCargo, 2005: 99-100, 107, Cock, 2011: 28).

Furthermore, Collier (2007: 51) argues that natural resource richness isn't bad per se. However, in a bottom billion country that is developing, the necessary political restraint and good governance isn't well enough established. The same can be argued for aid. Due to the nature of a post-conflictual country, like Cambodia, the political restraint on the government will not be sufficiently established to make good use of the aid to the extent that it benefits the entire nation. To measure political restraint Collier uses a system of counting checks-and-balances. This is something I have not come across during my research on aid dependence in Cambodia. However, when reading about its possible effects for the natural resource trap, it becomes apparent that it could have a similarly positive effect on aid dependence. A problem in Cambodia is the lost need for accountability and tax revenues, partly due to corruption and unofficial taxes, which have been facilitated by the reliance on aid. If Cambodia had to focus on developing more checks-and-balances, the domestic, rather than international, pressure to deliver and perform well might make accountability a more valuable quality to obtain for political parties.

In Collier's (2007: 66) bad governance trap he argues for two main reasons for bad governance in bottom billion countries, which makes it a trap. The fact that the political leaders in bottom billion countries often lack motivation to reform and, secondly, the lack of educated people to conduct the political reform. He further argues that the few who obtain the necessary education in these countries often seek better jobs abroad (Collier, 2007: 67). Both these issues can be found in the case of Cambodia, however not solely due to bad governance, but due to foreign aid. Firstly, political leaders in Cambodia surely lack motivation to reform. Due to the flow of aid from non-traditional donors such as China, the government can more or less ignore outside pressure to reform. Additionally, due to aid the government's need for taxation decreases which further increases its ability to ignore pressure and demands from within the society. Secondly, Cambodia loses much of its educated people to the aid sector, which both keeps the country aid dependent and hampers the development of the country "from within" the country.

In this thesis I chose to put emphasis on the impact of aid on both grass-root level livelihood and on human rights. There are many human rights violations taking place in Cambodia and reviewing all would exceed the scope of this thesis. Therefore, I focused on primarily one human right violation, land grabbing with consequences of forced eviction. Focusing on the part of the data that supports the generation of theory will make sure the data stays relevant to the development of theory (Hartman, 2001: 97-98) and therefore to the methodology of the thesis. This is why this human right violation was singled out, thus it gives support to the development of the aid trap and is therefore most relevant to the study. Furthermore, by focusing on grass-root level livelihood the impact that aid can have on the poor within a bottom billion country becomes very apparent. It is not only the development that is harmed by the aid, the poorest pays a very high price for it as well.

9 Conclusion

To conclude this thesis I will return to the questions which this study initially aimed to answer: “In what way can foreign aid be considered to harm the post-conflictual development of Cambodia with a focus on grass-root level and human rights?” and “To what extent is foreign aid to be considered as a threat to post-conflictual development and therefore to be considered as a trap for development?”. After analysing the impact aid has on the development of Cambodia and what consequences it brings to the population on a grass-root level and on human rights, I conclude that aid, whether from traditional or non-traditional donors, can hamper the development and bring devastating consequences for the grass-root population in a country like Cambodia. This is because even if the outlines of Chinese and traditional aid is very different in concern of conditions on reforms etc., (Sullivan, 2011: 58-59) the way Cambodia deals with the aid is actually very similar.

I found in this study that it is not the aid itself that is problematic, but when directed at a developing state with serious problems of governance and limited political restraint, it can become a trap that keeps these states from developing. Through the analysis conducted in this study on the affect aid brings to not only state-level development but, more importantly, to human rights and grass-root level development, it becomes apparent that the aid trap is a very real danger to developing states. Considering aid as trap is of great importance in order for the international community to recognise it as a danger to, not only development, but also human rights and security.

Collier (2007: 12) argues that growth has to begin from within the bottom billion societies. This is a very accurate argument when it comes to escaping the aid trap. The international community has to focus on building the nation from within, supporting local initiatives, minimise corruption and improve basic civil services such as education and health care.

9.1 Further research

Further research on aid dependency and the aid trap is needed which is also pointed out by Ear (2013:142) who argues that more case studies is needed to shed light on the dangers of aid dependency. I believe that future research within

this area has to focus more on the implications aid has on human rights and poverty, and not solely on its effects on economic growth and development.

10 Reference list

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