

CAMBODIA EVALUATION OF AID EFFECTIVENESS

INDEPENDENT REVIEW TEAM

FINAL REPORT

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BACKGROUND AND PURPOSE OF THE INDEPENDENT REVIEW

This Independent Review is part of an Evaluation of Aid Effectiveness in Cambodia, currently being carried out by the Cambodian Rehabilitation and Development Board of the Council for the Development of Cambodia (CRDB). The objective of the month-long Independent Review phase is to serve as an integral part of the overall Evaluation. In line with its Terms of Reference,

“...it will provide a balanced, constructive and impartial perspective on the implementation of the commitments that are included in the Cambodian Declaration on Aid Effectiveness (CDAE) and in the Harmonization, Alignment, and Results (H-A-R) Action Plan, as well as commenting more broadly on other aspects of the aid-development relationship. The independent review will ask why certain commitments and activities have (or have not) been successful, it will assess trends/direction in implementation and identify explanatory factors underlying progress and challenges. This will contribute to the Evaluation that will inform future activities and capacity development priorities.”

The Report is targeted primarily to an audience of decision-makers in Cambodia and in development partner agencies. It is not a research study - its analysis and recommendations are set at a high, summative level, reflecting the considered collective judgment of the Team members selected for the task, grounded in the evidence base available to them.

The Report aims to:

- a. Assess achievements and challenges against **the individual commitments** making up the Cambodia Declaration and the Harmonization-Alignment-Results (H-A-R) Action Plan. The structure of issues dealt with in the report follows these commitments;
- b. Present its results in **clear and non-technocratic** language (ultimately in Khmer as well as English) and lead to recommendations that are as specific, targeted and realizable by those to whom they are addressed;
- c. **Keep in perspective** that aid reform work should not be allowed to become an end in itself. It is a guide to improving the enabling and supporting contributions of development cooperation to development results for Cambodians;
- d. **Focus** on a manageable number of priority achievements and challenges that have emerged in implementation to date, while recognizing that all five pillars of the Cambodia Declaration - ownership, alignment, harmonization, managing for results and mutual accountability - and the commitments falling under them, are important and mutually-reinforcing;
- e. Apply the accepted **methodologies and standards** for development evaluation as far as possible, adapting them as necessary to this Review task. (See Annex B for some further detail on the methodology applied.)
- f. Recognize **its particular role and limits**: the distinctive mandate of the Review Team is to inject a fresh, balanced, constructive and impartial perspective to the evaluation, based on its members' combined expertise in evaluation methodology,

aid effectiveness and development policies, new aid modalities, and knowledge and experience of Cambodia and its region. The limits on the Review include the short time (two weeks) for data-gathering on the range of issues involved, and the inability to obtain direct inputs and “ground-truthing” from provincial, district, commune and community levels outside Phnom Penh.

- g. **Acknowledge and repay in some measure** the vital contributions of all our respondents who have been generous with their time, information and candor. We particularly thank the Secretary General of the CRDB, H.E. Chhieng Yanara, for entrusting us with this challenging assignment and the genuine independence to pursue it, and all his colleagues for their creative and unstinting support in our work.

Phnom Penh and Ottawa, October-November, 2008

LIST OF ACRONYMS

| | |
|---------|--|
| AusAID | - Australian Agency for International Development |
| ADB | - Asian Development Bank |
| CARD | - Council for Agriculture and Rural Development |
| CDC | - Council for Development of Cambodia |
| CDCF | - Cambodia Development Cooperation Forum |
| CG | - Consultative Group |
| CIDA | - Canadian International Development Agency |
| CMDG | - Cambodia Millennium Development Goals |
| COM | - Council of Ministers |
| CRDB | - Cambodian Rehabilitation and Development Board/Council for the Development of Cambodia |
| H-A-R | - Harmonization-Alignment-Results (Action Plan) |
| IRT | - Independent Review Team (for this Review) |
| DFID | - Department for International Development |
| EDP | - External Development Partner |
| GDCC | - Government Development Partners Coordination Committee |
| MAFF | - Ministry of Agriculture, Forestry and Fisheries |
| MBPI | - Merit Based Performance Incentive |
| MDTF | - Multi-External Development Partner Trust Funds |
| MEF | - Ministry of Economy and Finance |
| MFA | - Ministry of Foreign Affairs |
| MOC | - Ministry of Commerce |
| MOEYS | - Ministry of Education, Youth and Sport |
| MOI | - Ministry of Interior |
| MOIME | - Ministry of Industry, Mines and Energy |
| MOLMUPC | - Ministry of Land Management, Urban Planning and Construction |
| MOP | - Ministry of Planning |
| MWRM | - Ministry of Water Resources and Meteorology |
| NOG | - National Operating Guidelines |
| NSDP | - National Strategic Development Plan |
| PBA | - Program-Based Approach |
| PFM | - Public Financial Management |
| PIP | - Public Investment Programme |
| PIU | - Project Implementation Unit |
| PMG | - Priority Mission Group |
| PROC | - People's Republic of China |
| RGC | - Royal Government of Cambodia |
| SFDCM | - Strategic Framework for Development Cooperation Management |
| SWAp | - Sector-Wide Approach |
| TWG | - Technical Working Group |
| WB | - World Bank |

EXECUTIVE SUMMARY

Achievements

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 Cambodia Declaration and the H-A-R Action Plan have been used to apply and adapt insights and lessons at home and international standards across a broad front. Most of Cambodia's development partners have been actively supportive of RGC initiatives, to greater or lesser degrees.

In terms of country ownership and leadership, the RGC and a number of its agencies have been increasingly clear and assertive in expressing their priorities. In aid coordination, the CRDB has raised the profile of Government initiative, and set out quite comprehensive guidance to be followed by the Government and development partners, while also strengthening the vital flow of information as a basis.

The progress in acting on this growing sense of ownership, and using these new policies and processes to bring about the necessary changes in behavior on both sides of the aid relationship is substantial but so far quite uneven. With a view to advancing development results and capacity development in Cambodia, the concrete achievements by most Cambodian government agencies and development partners to make aid more effective have been gradual and modest. This assessment highlights the need for some important course-corrections in the remaining two years of the current strategy.

There are important examples of good, even very good, practice on which to build. We would include the progress made with critical system changes in public financial management, starting in the Ministry of Economy and Finance and now poised to start being extended throughout government. Instances of good progress at the sectoral and sub-national levels are also identified, but Cambodia generally shares with many other countries the challenge of moving the aid effectiveness agenda out from the centre of a few key agencies at the heart of Government. Improving consultative processes and working with national stakeholders have begun to show some evidence of progress, but it is limited, beyond some formal openings for input and more intensive engagement at some technical levels.

In every case of achievements identified, the main credit for progress is attributed, as driving factors for progress, to some combination of strong leadership in the relevant parts of the RGC and to the ability to attract, motivate and retain a critical mass of competent and committed staff. There are convincing examples of strong capacity development in some of these cases.

In the shared area of mutual accountability, Cambodia's structures and practices for joint planning, programming, review and monitoring with its development partners are reasonably clear and well-developed, relative to those of many other countries, and some clear directions for further strengthening are available.

Challenges

Elaborate policies and processes have raised aid effectiveness expectations and produced both general and selected improvements. The need now is to focus on consolidating and extending gains in priority areas for Cambodia. Difficulties and unrealized commitments on the part of both the RGC and its development partners often interact with each other, so that managing and improving performance is a mutual challenge and responsibility. We have found a large measure of common ground within many parts of both the RGC and the development partner community about the areas where forward movement is most needed.

Some important commitments of the RGC are progressing slowly or are stalled:

- a. Firming up the formal basis for stronger country ownership and leadership (e.g. in monitoring, reporting and reviewing progress on the National Strategic Development Plan (NSDP); developing sector and provincial plans; aligning the NSDP, the Public Investment Program (PIP) and the budget; improving consultative processes, working with national stakeholders; and enhancing country ownership and leadership in aid coordination at the sectoral level.
- b. Widening the basis for greater alignment, harmonization and managing for results by strengthening national systems. More progress is needed in reforming financial management and strengthening public sector capacity more widely; reporting aid in the national budget; leading efforts to articulate capacity needs; and continuing to strengthen reforms that permit harmonisation around and alignment with national systems; and operationalize the framework for monitoring and evaluating the NSDP.

In turn, the development partners have been moving slowly and unevenly to act on their commitments. A majority of the further steps they should take would not require prior action by the RGC:

- a. Not all development partners are respecting RGC ownership (e.g., by basing their support on the priorities in the NSDP, which are not tightly constraining). The commitment to coordinating support for capacity development related to NSDP implementation is largely dependent on RGC leadership.
- b. Only a few development partners can show substantial progress in taking action on the alignment and harmonization of their aid in areas that do not need to await RGC action. Examples would be in reducing the number of separate missions and diagnostic reviews; working to establish common procedures for programme management, reporting and monitoring; and strengthening delegated cooperation. On the other hand, citing their prevalent concerns about the quality and integrity of national systems, action by development partners to use those systems has been cautious and targeted (e.g. in selecting and using national systems that comply with global standards, including Cambodian Public Financial Management (PFM) and procurement systems, and increasing the amount of aid provided through Program-Based Approaches (PBAs).

- c. The development partners' commitment to using the strengthened NSDP monitoring and evaluation framework to realign their support is so far limited because that framework is not yet properly developed.

Challenges in meeting some commitments apply jointly to the RGC and its development partners.

- a. In practice, both the RGC and its development partners see a need to better define and nuance the target the commitment to reducing the number of parallel Project Implementation Units (PIUs) in Cambodia.
- b. Actions on the mutual accountability commitments of both the RGC and the development partners are not yet satisfactory to either. We suggest a number of improvements and new approaches to mutual accountability for aid.

Explanations and implications

Just as the greatest share of credit for progress achieved is attributable to RGC action and two crucial success factors – focused leadership and staff capacity – shortfalls in one or other of these two central success factors are widely seen to explain slow progress and lagging performance in other areas. This is the case both across government and in particular sectors. Key obstacles include: a proliferation of Government ministries, agencies and senior office-holders, accentuating the challenges presented by overlapping and competing visions, mandates, and vested interests; and the over-staffing and under-payment of the civil service. These issues set serious limits on the possibilities for improving aid, among their many other important implications for Cambodia.

Making progress in solving these problems is not just a technical challenge but a political one, determined by basic political and economic interests in Cambodia. Current ways of doing things in the country – especially the influence of informal systems and patronage networks - limit the extent to which formal policy, structures and state capacities can be mobilized to focus on stated development objectives. Only the Government and people of Cambodia are going to be able to resolve these challenges - development partners can do little more than play a supportive role, while trying to ensure that they do not compound the problems.

At the same time, these political challenges in Cambodia do also set limits on how far, how fast and where the RGC and its development partners can move ahead together with further implementation of the Cambodia Declaration and the H-A-R Action Plan, particularly in some key areas of alignment to country systems.

As is the case for the Cambodian authorities, further political engagement, political decisions and actions are also needed by development partners to implement their own commitments to improve aid. Our review of the evidence in Cambodia bears out a majority, but not all, of the wider international findings that most external development partners have yet to prepare their publics and adapt their legislation and regulations as necessary to achieve more effective aid.

One other central finding that merits highlighting here is that many, if not most, of the obstacles to more effective aid management on the Cambodian side are symptoms of broader capacity weaknesses, ranging all the way from shortages of individual skills to the institutional patterns, mandates and cultures that make up the enabling environment for equitable and sustainable development.

Helping develop these capacities should not only be an essential priority for the RGC but it is, even more than in the past, becoming the prime rationale for continuing aid in this country, given the potential financial resources available from other sources. We point to the urgent need for the RGC to complete and implement its planned comprehensive strategy for capacity development and for development partners to support it as a central target.

The Report outlines other key activities and changes that could make a difference in building on achievements and meeting some of the key challenges, taking into account good practices, obstacles and risks, and with a particular view to ultimate development results and building national capacities. These suggested ways ahead form the basis for our Recommendations.

Summary of Key Recommendations

Note: Except where specified, these recommendations - detailed in Section IV of the Report - call for joint action by the RGC and development partners. In each case the Independent Review has suggested which organizations might best take the lead and supporting responsibilities. In the view of the IRT, every recommendation here needs to be started and implemented as soon as practicable, but they are presented in an order that suggests some logical sequencing, and broad timeframes for expected results.

1. Immediate steps to consolidate gains and maintain momentum

- a. Improve the mechanisms and climate for productive dialogue on aid.
- b. Agree on realistic expectations, priorities and sequences for further joint action.
- c. Take steps to keep aid effectiveness relevant and prevent “aid effectiveness fatigue.” Reduce project fragmentation

2. Medium-term measures to deepen the effectiveness of aid and development

- a. Steps by development partners to build aid effectiveness into organizational culture and work practices.
- b. RGC to link the National Strategic Development Plan/ Rectangular Strategy and the Budget, development partners to improve their projections and reporting.
- c. Ensure that public financial management reform is successfully extended Government-wide.

- d. Extend the use of Program-Based Approaches wherever systems justify.
- e. Support effective roles in aid management for the legislature and civil society.

3. Longer-term actions to maximize development effectiveness

- a. Make capacity development the central focus of development cooperation in Cambodia.
- b. Make mutual accountability real and balanced, through accountability to Cambodians.

On a concluding note, we would stress again that improving aid effectiveness in Cambodia, as in other countries, is not just a mechanistic or technical challenge. Political engagement and its foundations—relationships and dialogue—need equal attention with technical and formal process issues. These are not just “soft” issues.

Second, in the spirit of partnership, it is critical to build and maintain balanced agendas for the collaboration. This should include joint monitoring of areas of fully shared work for development in Cambodia, and also allow scope for the both the Government and its development partners to raise and pursue other proposals where there is less agreement.

In spite of substantial further challenges, The Independent Review Team is convinced that Cambodia is well-placed to build on its achievements and show international leadership in aid reform in several areas. For the same reason, their performance in this particular country is now also a key global test for development partners

I. THE CAMBODIAN CONTEXT: KEY FACTORS AFFECTING AID EFFECTIVENESS REFORMS

A. Overall Development Trends

With a population of 13.4 million counted in the 2008 population census, Cambodia has achieved impressive overall economic growth in the past 10 years, albeit starting from a very low base. In particular, double-digit growth has been recorded in the last four consecutive years, doubling GDP to \$9 billion within six years. Per capita GDP was \$590 in 2007. Private investment (foreign direct investment) in terms of registered fixed assets skyrocketed in 2005, mainly in real estate development, and has remained high at \$2.5 billion in the past two years.¹ Foreign reserves have reached an unprecedented level of \$2 billion or about 4 months of imports, while bank deposits tripled between 2005 and 2008.

At the same time, Cambodia has continued to receive a substantial volume of international development assistance, which had been as much as the national budget until 2004. Since 1993, the total aid has been around \$600 million per annum, not including the aid of partners such as China, which have been increasingly prominent in Cambodia over recent years.

At the political level, meanwhile, recent elections have recently led to a smooth transition to a fourth mandate of parliament and government reflecting a new level of stability and maturity in Cambodia's political system.

Seen in their historical context, these are remarkable achievements and are to the credit of Cambodians and their Government. Their international development partners have played significant supporting roles.

Cambodia now faces the challenge of spreading its rapid overall economic growth more broadly, as to date it has been urban centric and driven mainly by a couple of sectors (garment manufacturing and tourism). Despite the average 9.4% growth in GDP over the past 10 years, the poverty rate - 35% in 2004, with an early estimate of 32% in 2007-remains high and has been declining by only around one percentage point per annum. Cambodia's poverty is concentrated in rural areas, which are home to 85% of the population and 91 percent of the poor. The last official poverty rate still ranks Cambodia among the few poorest countries in Asia. Moreover, 20% (or 2.7 million) of the population is food poor or food insecure, as it has been for many years. Studies at the community level have revealed that some households managed to move out of poverty while others remained stuck or even fell back into poverty for various reasons, and these people have generally been beyond of the reach of policy.

In the light of this profile, poverty reduction 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

¹ Implemented foreign direct investment was \$870 million in 2007, a sharp increase from some \$200 in 2001.

quintile of the population and building the right foundations for equitable and sustainable development, not just against the principles of aid effectiveness *per se*.

B. The Operating Environment for Aid Effectiveness Thus Far

The operating environment for aid effectiveness in Cambodia has improved significantly in the past decade, but has still been far from ideal. It is important to understand the factors that have thus far limited aid from reaching its maximum effectiveness as a basis for assessing the likely future context and how to make it more favourable.

First, and perhaps foremost, *the impact of the genocidal regime of 1975-1979 has been enduring in terms of human resource deficiencies, among other lasting effects*. As the regime targeted killing the educated population, it left very few people with higher formal education or training to help run the country. Now the pool of highly educated people in their 40s or above, who are badly needed for senior positions, is very limited. In government, such senior, competent officials have often been overloaded with too many responsibilities, some of which involved having to deal with an influx of aid in 1990s and 2000s. In general, this human resource constraint has limited the possibilities of local counterparts taking the lead in designing, implementing and coordinating aid programmes or projects.

The impact of the loss of almost a whole generation of the educated population also directly affects the next generation, in that very few were there in the 1980s and 1990s to serve as capable teachers or mentors for the younger generation. Coupled with hardship and the limited capacity of the education systems in these two decades, very few could advance their education to now be in a position to work effectively with foreign counterparts attached to development aid programs or projects. This in general limits the supply of skills which can be expected in other countries which were spared such a targeted mass killing of the educated labour force.

Second, *the inappropriate incentive system worsens the problem of inadequate capacity for the public sector*. Seriously low pay prevents capable officials from committing fully to their work unless they have other incentives or other adequate sources of income. The best estimate by an authoritatively-placed Government source is that only some 20-30 percent of staff members in most line ministries are fully-engaged in their government jobs. The majority need to be engaged in something else to make their living.

Due to the very low salary for civil servants, a large number of the limited pool of capable government employees have also been attracted to opportunities outside the government or to donor projects, which pay far more than the government does. There are reported to be somewhere between 900 and 3,700 NGOs operating in the country, many of which pay five to 20 times the average government salary. In addition, there are numerous official donor agencies, programmes and projects that pay even higher salaries than NGOs do. Moreover, the private sector has been expanding in the past few years and has in turn drawn away staff from NGOs and donor agencies or projects. While all of this may not necessarily be bad for Cambodia as a whole, it obviously limits the supply of

capable government officers to carry out the necessary state functions in development, and be able to work with development partners to make aid effective. The prevalence of informal networks and patronage relationships within and beyond the public sector greatly compounds the difficulties of being able to get the most capable people in the right places.

Various parts of government and development partners have made efforts over years to alleviate these basic capacity problems, but finding solutions has so far proved very difficult, and sometimes contentious. Due to low government salaries, development projects are generally encouraged or required to pay salary supplements to government officials to be engaged, which leads to another set of problems. Many development partners pay salary supplements, while some do not, creating skewed incentives for government counterparts. The levels of salary supplements, especially in the past, were not uniform and in some cases overlapped particular staff. This makes for major gaps between government employees who work on donor-supported projects and those who do not. In many cases, salary supplements provided a motive for ministries to accept or compete for projects without sufficiently questioning their relevance, priority, viability or terms and conditions.

Government and donor efforts to raise salaries have been slow to respond to urgent needs. It was well recognized that to support many reforms the incentives for reform implementers have to be reasonable. The proposed Merit Based Pay Initiative (MBPI) was delayed by a few years except for the pilot implementation at the Ministry of Economy and Finance (MEF), which was central to implementing the backbone Public Financial Reform (PFM), a well designed, well-phased, 10 year programme assisted by 11 development partners. Now it remains to be seen how fast a new hybrid MBPI approach will be up and running in key ministries and then implemented by all government agencies. There are also questions around the adequacy of the performance incentives provided by MBPI, and through the designation of Priority Mission Groups (PMG) and Special Operating Agencies (SOA). As outlined below, the pilot MEF is a special case, where different incentives are at work.

It is worth noting that inappropriate salary levels also undermine efforts to retain staff who have benefitted from development of their own capacities under aid programs or projects. While government complains about the lack of capacity, individuals with the requisite capacity tend to work elsewhere to make their living or for better pay, except those who are attracted to high ranking or key positions of influence and prestige. Without these latter incentives, which have been employed successfully by the Ministry of Economy and Finance, it would be very difficult for government to retain staff whose capacity has been developed by aid or by other means. Finding incentives to retain capacity remains a major issue to be addressed.

Third, the RGC has tended to accept aid uncritically, especially in the past. With a background of limited domestic revenue and the desperate need for development resources for a country devastated by a three-decade war, there was initially an understandable readiness to accept all kinds of aid without much questioning of the

modality, or demands for alignment or transparency. This situation has begun to shift recently as the national budget has increased significantly and substantial revenues from natural oil and gas are expected, alongside substantial funds provided or committed by non-traditional development partners. While the actual aggregate need for aid has thus been reduced, there still appear to be holdovers. 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.

Fourth, governance in Cambodia has improved but remains weak in many areas, with serious effects on the context for effective aid. While the ways of arriving at assessments of governance are almost always sensitive and controversial, the overall appraisal is indisputable. Some of the key obstacles are suggested by a consistent picture from different global indicators. In one 2007 index, Cambodia ranked very low on all six dimensions of governance (voice and accountability, political stability and absence of violence; government effectiveness; regulatory quality; rule of law; and control of corruption). The study showed improvement only in political stability.² In spite of some improvement from a previous survey, the World Bank’s “Doing Business” (2007) still ranked Cambodia 143rd out of 175 countries in terms of the ease of doing business. While methodologies and data sources can be debated, it is significant that Transparency International placed Cambodia 166th of 180 countries surveyed in terms of its perceived corruption level on the TI Corruption Perceptions Index (2007). Moreover, the score dropped to 1.8 out of 10, from 2.1 in 2006 and 2.3 in 2005, suggesting that corruption has been getting worse in recent years. As just one part of its much wider implications for the country, weak governance is not conducive to effective design and implementation of development assistance.

Fifth, Government and aid spending in the agriculture and rural sector have not reflected the very high levels of rural poverty. While it cannot be said that aid has been misaligned with Government spending priorities in the agricultural and rural sector, by comparative standards both have been strikingly at odds with important development priorities, in contrast with allocations and progress in the education and health sectors. While government revenue remains very low, around 11.5% of GDP, as compared to other least developed countries collecting around 16% of GDP, the budget allocation for the agricultural sector has been very low. Three ministries (Ministry of Agriculture, Forestry and Fisheries, Ministry of Rural Development and Ministry of Water Resource and Meteorology), which have most to do with the agriculture and rural sector, together received only 3% and 3.5% respectively of total recurrent government expenditure in 2006 and 2007, while 85% of the population (and even more of the poor) are found in the rural areas, 60%-70% depend on agriculture and the bottom 20% remain hungry or food poor. Donor spending on agriculture has also been low, only about \$30-\$40 million out of

² “Governance Matters VI: Governance Indicators for 1996-2006” by Kaufmann, Kraay and Mastruzzi (2007)

\$500-600 million, or 5-7% of total donor spending. Poverty reduction could have been faster if the government and development partners had spent significantly more on agriculture and rural development.³ The good news is this priority need has been increasingly recognized recently—including in the new Rectangular Strategy of the Government—at a time of rising food global prices, when Cambodia has great potential to produce and export food crops.

C. A Fast-Changing Context

We see clearly that the context for aid is changing in Cambodia in many respects:

1. Domestic revenue has been rising, from its very low base, by 29% per annum;
2. A more credible national budget is in place since the first phase of PFM reform was implemented;
3. The private sector is booming;
4. Substantial revenues can be foreseen from minerals (especially oil and gas);
5. Emergent development partners are providing and/or pledging substantial amounts of funds; and
6. There is clearly more experience/assertiveness by leaders in government circles.

In short, the development landscape in Cambodia has changed and is changing and Cambodia is gradually on the way to being able to phase out its reliance on aid. Government budget expenditure in 2007 reached \$1,200 million, compared to \$510 million in 2000. This means international aid provided by traditional development partners as a proportion of the national budget has declined, although it still accounts for more than 50% of total government revenue. Since domestic revenue still accounts for less than 12% of GDP as compared with 16% in the neighbouring countries, it could be raised considerably, in tandem with the high increases in GDP.

China has now become one of Cambodia's largest development partners, providing both loans and grant. Chinese aid has been cited as a major support for government to become more assertive with other development partners, in the expectation that the alternative options may make the latter more responsive to the demands of the RGC. Korea is another substantial partner. What is more, Kuwait and Qatar have recently committed to providing both loans and grants to Cambodia, especially with an eye to exploit Cambodia's ample agricultural potential. While the eventual size, modalities and implications of these programs are not yet clear, they obviously change the landscape for aid provided in the framework of the Cambodia Declaration and the H-A-R Action Plan.

³ It should also be noted that some US 82 Million was directed to the sector from the proceeds of IMF debt relief to Cambodia.

II. GOVERNMENT AND DEVELOPMENT PARTNERS' POLICIES, PROCESSES AND ACTIONS FOR GREATER AID EFFECTIVENESS

A. Government Ownership and Leadership of the Development Agenda

Achievements

RGC 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.

National strategy. One of the significant milestones was the formulation of one national strategy in the NSDP of 2006-2010 which seeks to operationalize the Government's political vision, the Rectangular Strategy. The aim is for annual national budgets to be aligned to the NSDP as well as the three-year rolling Public Investment Program. The NSDP opens up the possibilities for significant steps forward in terms of aligning sector strategies and planning cycles to a long-term national development framework as well as in steering development partners to align and harmonize their efforts.

The National Operational Guidelines and the Strategic Framework for Development Cooperation Management 2006-2010 are designed to provide the policy framework to manage aid in the context of the NSDP. The Harmonization, Alignment and Results (H-A-R) Action Plan 2006-2010 aims to prioritize aid activities, clarify responsibilities, and provide a basis for tracking the progress of implementation of priority aid effectiveness activities. Building on the 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.

Public investment management is a shared responsibility of CDC, MEF, the Ministry of Planning (MoP), the Ministry of Foreign Affairs (MFA), and the line ministries. CDC through the CRDB is the lead government body for external development partner coordination and aid effectiveness.

Sector strategic measures. In order to improve and standardize arrangements for sector level policy dialogue and aid coordination, representatives of government agencies and development partners were organized into 17 sector/thematic TWGs in September 2004 (there are now 19 TWGs). Some TWGs include representatives from NGOs and the private sector.

Consultative and coordinating arrangements. A high level Government Development Partner Coordination Committee (GDCC) was created in 2004 to provide policy guidance to the TWGs and set priorities on development cooperation. The GDCC is also tasked to coordinate the TWGs and resolve issues/problems that cannot be solved at the TWG level. The GDCC now meets semi-annually. A GDCC Secretariat has been established at CRDB.

The Cambodia Development Cooperation Forum (CDCF) was established in 2007, taking over from the Consultative Group (CG) meetings that had begun in 1992 under the auspices of the World Bank. CDCF provides for higher-level government-development partner dialogue on Cambodia's socio-economic development and the management of development cooperation.

RGC has had active and enthusiastic engagement with the global agenda on aid effectiveness and development results, and has produced numerous studies, policy papers, and reports to strengthen aid delivery and management.⁴ It has promoted the use of sector-wide and other program-based and approaches, in collaboration with interested development partners. Progress in these directions has been supported by the RGC's considerable efforts to address systemic issues in public sector management, notably the Public Financial Management Reform Program and Public Administration Reform.

Challenges.

Strengthening Country Systems. The structural limitations and weak capacity within the public financial and administrative systems remain formidable challenges to RGC. Inasmuch as the external development partner community can and should do its part to improve the delivery and management of aid – which is still only partly the case - 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. Beyond the formulation of a development strategy that meets acceptable standard of quality and feasibility, the country must be able to demonstrate genuine political commitment and adequate capacity to implement the strategy.

Linking strategies. A major area that needs to be strengthened is the linkage between planning (NSDP/PIP) and national budget. Planning and budgeting processes are poorly synchronized and more coherent and operational plans are needed to press forward with the development agenda and at the same time provide more authoritative guidance to development partners. Sector strategic plans are unevenly translated into budgeted/costed operational plans. Provincial plans are likewise weakly linked to NSDP.

The NSDP is still seen to be at a fairly general level and lacks useful elaboration of sectoral and thematic plans and strategies - it provides more indicative than specific budget priorities. It has not yet been supported by a balanced elaboration of sector strategies. During the NSDP preparation, the health and education sectors notably had well-developed strategies, but there were sectors which did not have any strategies at the time when the NSDP was being prepared, and some still do not, although others show encouraging progress, including fisheries and agriculture.

Despite the recent progress in the implementation of reforms in public financial management, the budget still remains an ineffective policy instrument. Although aid allocation for 2006 is generally aligned to NSDP priorities, disbursement is less aligned.

⁴ See CRDB Website for full lists of publications and resources.

There is a universal perception that the PIP lacks credibility and influence on actual patterns of public investment.

Recent progress in the implementation of the PFM system must be reinforced by improvement of resource mobilization to ensure aggregate fiscal sustainability. In addition, fiduciary risk to public funds needs to be reduced by increasing financial accountability. Public expenditure policy and management must likewise be rationalized. At the same time, further substantial progress in civil service reform must be achieved in order for PFM to take root, and for the Government to muster the necessary capacity. In terms of the aid effectiveness agenda, these improvements will encourage greater confidence and use of RGC systems by development partners.

All agree that the monitoring and evaluation framework for NSDP is weak, and that there is insufficient integration between those who generate data and those who should utilize it. Within MoP, there is poor coordination between the National Institute of Statistics (NIS), which coordinates the country's national statistical system, and the General Directorate for Planning (GD-P), which chairs the NSDP Secretariat and leads the planning and strategy formulation process. Mirroring this government-wide challenge, within most ministries there is reported to be similarly poor coordination between units that supply data and those that demand them. In executing planning, budgeting, and implementation functions, the planning unit in each ministry tends to liaise more closely with MoP than its finance unit, which liaises more closely with MEF.

The key institutional arrangements and different ministerial responsibilities to carry out NSDP functions are poorly integrated and weakly connected:

- a. forecasting revenues and setting spending limits (MEF responsible);
- b. setting strategic medium-term targets and operational programming (MoP);
- c. sector-level strategy and policy formulation, implementation, and monitoring and evaluation (relevant ministries and government bodies);
- d. alignment of aid (CRDB) and domestic revenues to RGC priorities (MEF); and
- e. monitoring implementation and ensuring achievement of development outcomes (RGC and development partners).

Consultation and participation. At the formulation stage, engagement in the NSDP was reportedly uneven across central government agencies and weak at sub-national levels. Some ministries did not engage substantially, NGOs and private sector representatives were not fully involved in preparation of the NSDP, with consultations with civil society coming only at the latter stages.

In public policy more broadly, systems for consultation and participation remain weak as do checks and balances to help ensure the efficiency, effectiveness, and accountability of the public sector. Most draft legislation originates from the executive branch or the Council of Ministers and both the National Assembly and Senate play a limited role in drafting or amending legislation, and have limited expertise and time to study and review the bills. Nor has the Assembly been able to provide effective oversight of public financial management, or fully exercised its Constitutional authority to review and

approve the budget and all loans entered into by the RGC. Thus, strengthening the legislative arm of government has evidently not yet become a high priority for the RGC and development partners have given relatively limited support. The legislative branch has also received very little support from a small number of development partners compared to the executive branch.

The public administrative system has been highly centralized and sub-national units of government have little autonomy. Local authorities and citizens have inadequate opportunities to participate in policy formulation and resource allocation decisions especially that directly affect their lives. To address these issues, the Government is moving ahead with ambitious plans and activities under its Decentralization and Deconcentration (D&D) Program. There has been remarkable progress in decentralization reform, thanks to concerted efforts by both the RGC and development partners. With the Organic Law carefully designed and adopted recently, sufficient support to implement the law is crucially important. There is a good level of donor funding in this regard but uneven capacity on the government side to carry out the reform.

Power and authority should now be devolved efficiently to subnational governments. The division of responsibilities among the different levels of government should be made very clear. Operational concerns such as what functions and which sectors to devolve can be very sensitive and tricky. Expenditure assignment to subnational governments must from hereon be matched with revenue assignment. This will involve the diffusion of power and authority over the generation and management of financial resources to local governments. This may involve: (a) self-financing, (b) expansion of local revenues (tax and non-tax), (c) inter-governmental transfers, and (d) the authorization of local government borrowing.

Poor tax collection effort and weak revenue mobilization are serious concerns of local government units in Cambodia, as in many other developing countries which are implementing decentralization. The common issues encountered by local governments are (i) limited tax base and economic activity; (ii) weak administrative capacity for efficient tax collection and effective revenue mobilization effort; (iii) lack or absence of strategic, coherent, and effective development program to promote sustainable growth; (iv) poor governance and strong patronage system; and (v) frequent and arbitrary central government and interference.

At this stage, it seems fair to say that the progress with work in D&D has not yet approached the point where it gives local authorities and citizens a firm platform for effective across-the-board participation in aid planning and management, as well as development and governance more broadly. On the other hand, they are reportedly participating effectively in the development of the D&D program itself, which is reported to be relatively well-coordinated by the ministries concerned with the support of a number of development partners.

The breadth, ambition, and reported progress of the multi-front public administration reform agenda outlined suggest several major findings and questions. First, there is no apparent inconsistency between key priorities for public sector reforms needed for national development, such as PFM and PAR, and greater aid effectiveness. They appear to be mutually-reinforcing, and aid provided often serves both purposes, and helps equip more people for the necessary tasks in both areas. On the other hand, the evidence suggests that there is a need to build ownership and mobilize support of reform initiatives beyond the small and select groups of government executives advocating for and managing the change program – much of the dialogue and reform activity have so far been confined to a limited few, including development partners.

It is very likely that some reform initiatives are not well communicated to as many Cambodians as possible, in part due to the fact that much of the design and planning work is carried out in English. In order for reforms to take root, they must be adequately grasped both conceptually and operationally by stakeholders. Critical masses of reform champions and change agents need to be added to the current pools that already appear to be overstretched. Under present circumstances, too many reforms appear to be attempted at once and over a short period– beyond what can be realistically achieved.

Capacities. There is a weak connection between political commitments to written plans and how resources are subsequently allocated and utilized. It is widely recognized, as noted above in the discussion of Context, that low salaries and lack of technical expertise weaken the performance and integrity of the public sector in general. This also leads to weak capacities for aid effectiveness reforms, with exceptions in areas where these underlying constraints can be alleviated or overcome – the field of fisheries appears to be a positive example.

At the sectoral level, the TWGs are the fora in which RGC ownership and strategic leadership are supposed to be exercised. The differing capacities to deliver are reflected in the uneven performance of TWGs. Commendably candid assessments and our own evidence have confirmed that approximately one-third of the TWGs are judged to be working well, another third making gradual progress, and a final third still not close to being effective, with one or two actually dormant or deadlocked at present. The health and education TWGs are seen as performing better than the rest, while the TWG on public administration reform has been inoperative since 2007. In a few cases, there have been breakdowns of communication, goodwill, and trust in TWGs between the RGC and DP participants. Some of the apparent success factors in TWGs have been identified to us as long experience of cooperation in a sector, strong ministry leadership, ministry staff with solid qualifications and motivation, lively development partner interest and willingness to provide support, and lesser involvement of highly contentious political issues, powerful financial interests, or jurisdictional rivalries.⁵ The setting up of a

⁵ Each is chaired by a senior official from the appropriate RGC ministry or agency concerned, with a secretariat within the ministry [often/ generally/ sometimes supported by external development partners]. One or two development partner representatives are selected to serve as facilitators, to ensure communication with external development partners and coordinate their inputs. In 2007, following a review

network and training of TWG secretariats and aid effectiveness focal points have provided for a useful platform for awareness, better understanding, and some sharing of the rationale of and tools for improving aid delivery and management

The use of Joint Monitoring Indicators. Throughout this three-tiered system, Joint Monitoring Indicators are worked out and used by the RGC and external development partner representatives as the agreed basis for assessing their joint and respective performance against objectives set by the respective bodies, either on an agreed joint basis, and/or with a small number of preferred indicators on each “side.”

As in other aspects of cooperation, experience with using the Indicators has been quite mixed. At the more technical TWG level, the setting and monitoring of agreed JMIs seems generally to operate satisfactorily, with performance reported up to the GDCC level and an expectation that it can help manage political issues that may arise. With the rising political content of JMIs at the GDCC and CDCF levels, the selection, use and discussion of JMIs has sometimes been more contentious, with the RGC making clear its concern that the JMIs should not become a mechanism for conditionalities to be imposed by development partners.

Balancing and accommodating both shared and divergent concerns.

If the agenda is balanced in these fora, the value of the central cooperative relationship to both sides remains clear, and if the process can be managed in a climate of confidence so that both sets of partners can “disagree without being disagreeable,” this can be a means of preserving and ultimately expanding common ground. In the final political analysis, the RGC is clearly not going to accept unilateral conditionalities on the provision of aid, and its development partners will continue to provide aid in circumstances they find unacceptable. Although there have been instances where aid has been declined on the RGC side, and interrupted by some development partners, both have generally been able to work and progress within these boundaries of cooperation and disagreement to date.

The constructive proposals now being discussed for process improvements should help to maintain and expand the space for productive dialogue. These include: clearer definition of what are key political issues for all parties; and full preparation to ensure that all issues and senior participants are fully conversant with the issues related to development cooperation and that the areas for progress are informally explored, while avoiding making the final meetings into set-piece exchanges. Featuring examples of successful and improving cooperation at these senior levels should also be an important vehicle and incentive for spreading good practice.

Most of the same considerations that are raised above with reference to the quality of dialogue at the TWG level also apply, and even more importantly, at the level of the senior forums. The ultimate test of the dialogue and of the underlying relationship will always be how well they can contain and manage serious difficulties when they arise.

of the Groups and the GDCC, the CRDB issued a five-page “Guideline on the Role and Functioning of the Technical Working Groups” also aimed at strengthening the linkages between the levels.

B. Alignment of Aid to Development Priorities and Use of Country Systems

Achievements

Available quantitative measures. It is in the areas of alignment that most of the Paris Declaration Monitoring Survey indicators are concentrated. The reported results for 2005 and 2007 provide estimates of progress and comparative performance against these selected indicators of alignment (see Annex A for the complete summary of results of the Paris Declaration Monitoring Indicators for Cambodia):⁶

- a. About 79% of aid was reported on budget as of 2005. This increased to 85% in 2007. Target by 2010 is 90%. Direct-to-ministry or recipient project agreements however are still practiced – which dilutes efforts to align aid with RGC priorities.⁷
- b. “Coordinated technical cooperation” stood at 36% and 35% in 2005 and 2007, respectively (with a target of 50% by 2010).
- c. Only 10% and 12% of DPs reportedly used Cambodia’s PFM system in 2005 and 2007, respectively.
- d. There were 6% and 16% of DPs that were reported to have used national procurement systems in 2005 and 2007.
- e. There were 49 and 121 Project Implementation Units (PIUs) reported in 2005 and 2007, respectively. Target by 2010 is 16.
- f. In-year predictability of aid flows was 69% in 2005, which improved to 96% in 2007 (surpassing the target of 84% by 2010). Multi-year predictability remains more problematic.
- g. Untied aid was estimated at 86% and 99% in 2005 (meeting the 2010 target of more than 86%).

It should be noted that these survey results, while a welcome attempt to move toward a clearer and firmer evidence base, do not necessarily reflect the full state of affairs in alignment or other areas, and sometimes raise serious questions about the interpretation of the individual indicators or the plausibility of data used and inferences drawn. A prime example would be the result showing a massive increase in the number of PIUs in Cambodia, which are anyway defined quite differently by different respondents, especially as to what constitute “parallel” PIUs, which are the target for time-bound reductions under the Paris indicator. Moreover, as will be seen below, in practice both the RGC and development partners contest the validity of these blanket targets for reducing PIUs.

The overall profile of alignment and examples. The alignment of development partners’ programs to Cambodian priorities has so far been relatively easy to claim within the very broad framework of the NSDP, although some donors are still criticized as paying them little regard.

⁶ AER 2008

⁷ Moreover, NGOs are estimated to account for between 30% to 50% of technical assistance expenditure in Cambodia, the bulk of which is delivered to and through local institutions.

A number of DPs have continued to strengthen their measures for aligning aid and also for strengthening RGC systems. In one of the most direct forms of alignment, substantial budget support (some US \$30 million) began to be made available in 2007 at the national level by the World Bank and Japan through the Poverty Reduction and Growth Operation, and these donors were joined by the UK's DFID in 2008.⁸ Barring any major setbacks, this modality will probably be maintained, and grow, over the coming years, with some donors planning for a continuing share of their total allocations in this form

In line with aid effectiveness principles and the express preferences of the RGC, the gradually expanding use of PBAs more generally reflects efforts by Ministries and development partners to improve aligning to country priorities and systems. These arrangements of different types, of which fourteen were reported to us as existing or actively planned, are discussed further in the Harmonisation section of this report. For DPs so inclined, the use of PBAs appears to be a valuable instrument to move beyond the very broad level of alignment to the strategic priorities in the NSDP. They lead to a more substantial level of alignment from the design stage, to follow country priorities more closely, especially in sectors or sub-sectors with well-elaborated development strategies.

There is substantial evidence that DPs have been going further in aligning aid to the national sector programs. On the other hand, only a few agencies appear to have developed and provided incentives and staff capacity to engage in more aligned approaches. AusAID is one example of an agency that has issued guidelines to help country offices to make risk assessments for using the country systems. In addition, for newly-developed projects, using country systems has reportedly become the "default" option, and country staff are required to justify contrary recommendations.

The push for alignment of aid and use of RGC systems have been complemented and enhanced by parallel efforts to harmonize among donors and with national systems at various levels. These have included: (i) delegated cooperation arrangements such as the DFID-DANIDA Natural Resource Management and Livelihoods Programme; (ii) multi-donor trust funds (MDTF) and other forms of pooled financing; and (iii) common ADB and WB manuals and Standard Operating Procedures for financial management and procurement.

In the fisheries sector, DFID/DANIDA/NZAID jointly financed the development of an accounting software ("Conical Hat") for external development partner-funded projects. Since early 2007, the software has been used in 31 projects of DFID/DANIDA/NZAID, eight Wetland Alliance Programme, one FAO project, and one IWMI project. The software is being formally adopted in the Fisheries Department and future roll-out in the entire Ministry is being considered – which can be a major help in strengthening its financial accounting system.

⁸ Several partners (mainly UNDP, UK./DFID and SIDA) began providing budget support to sub-national levels of government through the Seila Program from early in the decade.

Challenges

The alignment of development partners' programs to Cambodian priorities – so far relatively easy to claim within the very broad framework of the NSDP - is increasingly going to be tested, as the RGC becomes more assertive about its overall priorities (e.g. in the new Rectangular Strategy) and sectoral priorities are more clearly defined.

Lack of confidence in country systems and self-imposed constraints. The provision of aid through RGC systems remains limited. The gradual approach in aligning to country systems in Cambodia – building up carefully-specified arrangements in particular areas - reflects the fact that it is a challenging task for government agencies and their development partners in this country. All must have serious concerns about the fiduciary risks involved, and while their agencies have some differences in their risk-management approaches, none of these systems or aid relationships could withstand major instances of the diversion of aid resources.⁹ Systems alignment has not progressed as desired under the aid reform agenda either because DPs are yet to be fully convinced that the systems, procedures, and capacity of RGC are adequate to ensure efficient, effective, and accountable use of aid resources or because DPs' own policies and internal rules prevent them from using RGC systems. In short, many DPs remain reluctant to use government systems, at least without great selectivity.

To respond to the challenges of minimizing fiduciary risks, some donors have resorted to aid delivery methods that are perceived to provide them with means of risk mitigation. Albeit with high transaction costs, some DPs and their Cambodian partner-agencies have found it reasonable to rely heavily on PIUs as a way of working around risks and (real and perceived) weaknesses in RGC capacity. DPs' lack of confidence in government systems also partly explains the extensive practice by some DPs of directly engaging NGOs to implement projects, so that NGOs may account for as much as 50% of the technical assistance expenditure in Cambodia.

Various types of PBA can provide donors a practical framework in which to give more weight to capacity development objectives, and adopt more flexible risk management, even if they cannot yet go as far as providing budget support. By engaging in a partnership platform with the RGC and other DPs, a common joint assessment of the country system capacity can identify gaps and provide a basis for devising a shared responsive strategy to address such gaps. While attractive in principle, this path of strengthening country systems for the long-run is neither smooth nor easy for the RGC or its DPs. On the RGC side, for instance, a lack of capacity to coordinate various players around a common framework can complicate and slow progress. The proliferation of

⁹ A group of high profile cases of mis-procurement identified by World Bank inspectors several years ago resulted in controversial stoppages and slowdowns, some lingering antagonism in several sectors, and putting in place alternative arrangements, particularly full reliance on an international procurement agent. This solution was accepted by the RGC as necessary to move ahead, but has proved slow and inefficient for all, as well as failing to help build up the Cambodian systems.

PIUs, in particular can likewise be attributed in good part to the resistance in some government agencies to disband or reduce PIUs - reflecting vested interests within government. These can easily mesh with the risk-avoidance preferences of development partners.

Projects and capacity development. Project-based approaches still remain very important for both multilateral and bilateral development partners, even when they are also engaged in PBAs/SWAPs and have quite well-developed risk management systems for assessing and using country systems. Donors' internal procedures and corporate requirements may be a constraint on the ideal of government ownership and use of government systems.

The case is also made by some that the continued use of project-based approaches and of PIUs in some sectors has actually shown more effective delivery of assistance, and that "aid effectiveness orthodoxy" should not lead to merely re-labeling activities or undermine innovative and genuine efforts to better pursue development objectives.

Although the use of project approaches has demonstrated reasonable degrees of effectiveness in achieving project-defined objectives and short-term outcomes, there appears to be a fairly-broad consensus that they have not created major impacts in attaining long-term development goals, in helping address systemic problems in the public administrative system, and especially in contributing to further capacity development.

Reporting and predictability. Poor aid predictability has compounded the RGC's own challenges in integrating aid into its planning and budgeting processes. It is reported that gaps between commitments and disbursements in individual years are being reduced, but the planned disbursements of some multi-year pledges are indicative only and/or not clearly specified by year. In addition, many DPs still commit only on a year-to-year basis, limited in committing predictable multi-year funding by their national systems, and their financial cycles do not necessarily match each other or that of RGC. In spite of challenges with their own information systems, reporting by donors for the Cambodia ODA database has reportedly improved the availability of accurate and timely data, although there are still some gaps. Not surprisingly, given the development partners' own disparate systems, there no consistent basis for the reporting on aid effectiveness.

The People's Republic of China, which has provided a rapid increase of aid flows to Cambodia in the last four years, and other "non-traditional" sources now providing or pledging substantial aid, such as Korea and Middle Eastern countries, are not yet directly engaged with the aid effectiveness agenda, as defined under the Cambodia Declaration and H-A-R Action Plan.¹⁰

¹⁰ As one possible indication of the current Chinese position, while the responsible Chinese representative could not meet with the Independent Review Team as requested because of scheduling difficulties, he did express the view that the aid effectiveness evaluation project is "very important and helpful," and that aid effectiveness is steadily improving on the Chinese side, while there is "a long way to go for the Cambodian Government to improve the circumstance of administration and to protect the rights of foreign enterprises." Message from the Embassy of China, 25 September, 2008.

On balance, the overall effects of this non-engagement to date by these development partners are probably negative. These aid relationships presumably respond directly to the priorities of the Cambodian government at the high political level where they are managed, and they have been praised by top Cambodian leaders as being less complex and onerous than the relationships being managed under the aid effectiveness framework.

On the other hand, while these donors do bring some different approaches and appear to be focused on some distinct activities, mainly in infrastructure, it would still be beneficial for all for them to be directly involved in the strengthened web of communication and mutual learning among development partners and the RGC. This would allow them to share any lessons they might have on simplifying cooperation, and to benefit from the experience of others, while also greatly increasing transparency and standards of good practice for all. The possible benefits of an alternative, parallel model of cooperation would only apply if it is apparent how that model works. Otherwise it could merely tend to undermine the commitment of the RGC and its other development partners to actually deliver on their challenging mutual commitments to good practice under the Cambodia Declaration.

C. Donor Harmonization

Achievements

Harmonisation has remained a focused area of aid effectiveness efforts at the country level over the past three years. Such focus is well grounded in the formal joint commitments by the RGC and its DPs. In the CDAE and the H-A-R Action Plan alike, there is a strong call for harmonisation progress, measured in terms of a greater portion of PBAs in the overall aid budget, an increase in common project/program management arrangements, a reduction in duplicative missions and an increase in shared country analysis. Both the RGC and its development partners have set a broad spectrum of policies and processes in place to promote wider and deeper harmonisation progress in aid delivery.

Harmonisation as a Policy Mandate. At the apex of the policy structure on aid management in Cambodia, the Strategic Framework for Development Cooperation Management sets the institutional guidance for harmonisation efforts. In this document, the RGC sets out its approach to dealing with development partners' "piece-meal," fragmented and uncoordinated aid management practices at the sector level, including in capacity development. It strongly urges the DPs to move away from the traditional project stand-alone approach to apply PBAs, as well as prioritise harmonisation and the simplification of aid procedures. In addition, it also lays down a set of measures to be taken by CRDB and related RGC agencies to ensure the country's leadership in the type of reforms that can facilitate greater external development partner harmonisation around national systems.

Platforms for harmonization. Harmonization efforts have worked in tandem with the development of the partnership platforms (CDCF, GDCC, and the TWGs) to support continued strengthening of aid coordination functions at both national and sectoral level. The formalisation of these partnership platforms has been generally welcomed by RGC's DPs. This system provides a foundation and channels for well-prepared external development partner institutions to plan and implement coordinated aid schemes. In addition, it also serves to attract more active participation from those development partners traditionally taking a more skeptical or reserved approach to harmonisation and aid effectiveness agenda. Over time, some of these partnership platforms have become quite mature in process management and instrumental in promoting harmonisation progress. At the sectoral level, the formulation of new PBAs, harmonised approaches to the application of the MBPI, experiments in new forms of delegated cooperation, and other arrangements for development partners' joint program management would be very difficult without these TWG frameworks.

Increased coordination and harmonisation among external development partners. In parallel, and partly responsive to a strengthened RGC-DP partnership, there is a growing, albeit uneven trend of DP coordination. Inter-agency coordination is usually constructed either on a thematic or institutional-linkage basis. The thematic linkage emerges as DPs active in the same sector or sub-sector gather to consolidate their positions on common sectoral issues in a separate external development partner platform in support of the TWG structure. Such forms of external development partner partnerships, such as in health or agriculture sectors, are often found in sectors where there is an active and engaged development partner facilitator and a shared demand to lessen the administrative burdens on the RGC counterpart to deal with multiple, and possibly competing views from DPs.

The institutional form of linkage, on the other hand, works for particular external development partner clusters sharing common institutional agendas such as the IFIs, the UN family or the EU member states. For the multilateral institutions, similarities in their operational funding modalities, coupled with some shared constraints in channeling funds through other DPs or doing budget support with the RGC have made harmonisation initiatives among themselves a more appealing and practical option. Thus, several processes have been put in place to enable the harmonised support to the RGC loan project management procedures, particularly the Standard Operating Procedures in the case of the WB and ADB. Likewise, the UN Country Team has worked to organize their harmonisation agenda around the UN Development Assistance Framework (UNDAF) with an annual joint monitoring cycle with the Government.¹¹ These rationalization measures among multilateral agencies sometimes tend to be over-estimated internally as major achievements, given the bureaucratic and “turf” hurdles they must overcome, but they do yield some significant benefits in somewhat simplifying and lightening demands on a partner country like Cambodia.

¹¹ UNDP, UNICEF and UNFPA, in particular, have also jointly endorsed “Harmonised Approaches to Cash Transfers.”

The EU development partners, including the European Commission, have strengthened their harmonisation efforts on a somewhat different foundation. While diverse in terms of the size, scope, sector focus, and strategic priorities of their aid programs, they are being drawn closer together to work in a more coherent and coordinated manner by incentives coming both from a sustained political push from Brussels and Member State capitals, as well as a growing expectation and shared commitment at the field level. Through a strengthened partnership platform in Cambodia to synergize efforts around the aid effectiveness agenda, the momentum for change has been building up, enabling concrete initial steps forward, even if they are so far mainly primarily process-based (see Box 1).

**Box 1. Intensified EU coordination –
Emerging Platform for Further Harmonisation Progress?**

Since 2006, EU bilateral external development partners have set up and operationalised a platform for information exchange and coordination on development and aid effectiveness initiatives.

Key progress obtained in the harmonisation front within the group includes:

- a. The maintenance of monthly meetings among EU Development Counselors
- b. A regular update and sharing of mission schedules
- c. The agreement to nominate one EU lead actor for one sector or sub-sector, who will represent other EU external development partners in the partnership structure with the RGC
- d. The convention of technical meetings to discuss and consolidate EU positions on thematic issues (where necessary)

Currently, this platform is being used to promote discussion on the Division of Labour issue.

Strengthened coordination and harmonisation within the RGC. Cross-agency coordination on the Government's part to encourage harmonisation work has also improved, although the level of progress still falls short of what is needed. Through CRDB's intensified efforts in networking, coordinating and supporting the work of different TWGs (via workshops, trainings, capacity and technical supports to their secretariats), the basis for closer intra-RGC collaboration on aid effectiveness and harmonisation has gradually expanded. There is evidence that more line agencies have started to accumulate better knowledge of the aid effectiveness agenda and greater interest in using it to advance their own mandates. Coupled with improved capacity in aid coordination, a good number of line ministries have come to take stronger ownership of the aid effectiveness agenda at the sectoral level, and readier willingness to challenge DPs to live up to their harmonisation commitments, especially in seeking greater use of PBAs.

Challenges

Despite an impressive network of policies and processes described above, aid harmonisation in Cambodia remains faced with significant challenges. Most of these challenges are rooted in the fact that aid in the country is still highly fragmented and dispersed, as documented in successive Cambodian Aid Effectiveness Reports. In key sectors where there is a high density of development partners and large numbers of projects, mostly on a relatively small scale, such as health and education, aid

fragmentation poses a serious concern for the government's capacity to lead and coordinate resources effectively.

As one examines the real progress in implementing the harmonisation agenda in Cambodia against the commitments in the framework of the CDAE and H-A-R Action Plan, a mixed and uneven picture emerges.

Quantitative performance. If purely judged on the basis of Paris Declaration Monitoring Indicators, Cambodia would present a very unimpressive picture on harmonisation progress. In terms of using common arrangements and procedures, the two surveys showed the country making some limited progress in attaining a higher proportion of aid delivered through PBAs, recording an increase from 24% in 2005 to 28% in 2007. This progress looks quite modest against the target of achieving 66% of ODA resources delivered in the form of PBAs by 2010. On the other hand, it appears far more promising than the area of joint missions and joint country analytical work, where the Surveys report a marked backward trend. The joint mission ratio was reported as sliding from 26% to 12% between 2005 and 2007 (against the 2010 target of 40%), while the shared country analytical work was reported to have slipped dramatically, from 58% to only 17% during the same period (against the 2010 target of 66%).

The erratic nature of such quantitative findings must raise some concerns around the validity of the reporting in the Survey exercise as well as the reliability of its results. On the other hand, it does leave hanging important questions about the direction that aid harmonisation is actually taking in the country. When one takes a more holistic view, moving beyond the formal quantitative indicators in these areas, the overall picture does appear more promising, although a somewhat unbalanced level of progress is recorded for different areas in harmonisation.

Program-Based Approaches. The development and greater use of PBAs for aid delivery at the sector level is probably the most notable progress achieved on the harmonisation front in Cambodia. Through almost every discussion with RGC and DP officials, the development of PBAs is a central theme. Progress reports from different TWGs reaffirm this trend by referring to PBA initiatives either under implementation or design stage as clear indicators of harmonisation progress. Among 19 sectoral and thematic TWGs, whose tasks include, among others, the development of sector SWAPs, SWIMs or PBAs, some 14 TWGs have demonstrated progress in this regard. (See Table 1 below) Apart from sectors traditionally perceived as relatively advanced on PBAs development as PFM, Education, Health, HIV-AIDS, Land Management and Mine Action, other sectors are gearing up, including Agriculture and Water, Legal and Judiciary Reform, Fisheries, and Forestry, among others. It must be noted that some of these approaches have involved only limited shares of aid, but some are now very substantial.

Table 1. Existing or Planned PBAs by Sector/TWG in Cambodia

| | Sector/ TWG | List of PBAs | Lead RGC agency | Facilitating EDPs /Supporting EDPs to PBAs |
|----|------------------------------------|---|-------------------------------------|--|
| 1 | Agriculture and Water | a. NDP 1: Institutional Capacity Building and Management Support Program b. NDP 3: Cambodia Agriculture and Agri-Business Support Program c. NDP 4: Water Resources, Irrigation Management and Land Program d. NDP 5: Cambodia Agriculture and Water Resources Research, Education and Extension Program | MARD; MWRM | France (AFD) and FAO/ AFD IFAD, AusAID, CIDA, GTZ, JICA, FAO |
| 2 | Food Security and Nutrition | e. NDP 2 under the Strategy for Agriculture and Water: Food Security Support Program f. National Nutrition Strategy g. Establishment of Nutrition Surveillance System h. Initiative on Soaring Food Prices | MOP; CARD | WFP/FAO |
| 3 | Fisheries | Natural Resource Management and Livelihoods Programme (NRMLP 2006-2010) with a Fisheries Component | DOFis/MAFF | United Kingdom (DFID)/ DFID, DANIDA and NZAID |
| 4 | Forestry and Environment | Natural Resource Management and Livelihoods Programme (NRMLP 2006-2010) with a Forestry and Environment Component | Forestry Administration/M AFF; MOEn | Denmark (DANIDA) / DFID, DANIDA and NZAID |
| 5 | Health | Health Sector Support Program 1 Health Sector Support Program 2 | MOH | WHO/GTZ, AFD, WHO |
| 6 | Education | Education Sector Support Program Education Support Program | MOEYS | UNICEF/ ADB, EC, Sida, Japan, Belgium |
| 7 | Public Financial Management | Public Financial Management Program | MEF | WB and IMF/ |
| 8 | Mine Action | Clearing for Results | COM | UNDP/UNDP |
| 9 | Land Management | Land Administration, Management and Distribution Program (LMAP) SEILA | MOLMUPC | Germany (Embassy) |
| 10 | Harmonisation and Partnership | Multi-Donor Support Program for CRDB | CEDB/CDC | UNDP and United Kingdom (DFID) |
| 11 | HIV-AIDS | | National AIDS Authority | WHO |
| 12 | Planning and Poverty Reduction | MOP Strategic Plan (MPSP) | MOP | WB |
| 13 | Decentralisation & Deconcentration | Natural Resource Management and Livelihoods Programme (NRMLP 2006-2010) with a D&D Component | MOI | SIDA |
| 14 | Private Sector Development | | MEF, MOC, MOIME | WB |

While each sector seems to have developed its PBAs in its unique way, three common prerequisites appear standard for them to really come into being: a strong RGC country ownership of the sector policy framework; a clear RGC commitment to lead the coordination process; and a genuine interest by two or more DPs to assist the RGC in this endeavour, as well as their willingness to try working towards some new common implementation models other than the stand-alone project approach. Additional conditions, such as the RGC government capacity (at both management and operational levels) to genuinely lead the process, and the level of maturity of the RGC-DP partnerships, among other factors, will decide the pace with which PBAs are likely to be set up and start operating.

It should be noted that the emergence of PBAs does not necessarily produce an immediate reduction in transaction costs. On the contrary, there exists a general acknowledgement of an increase in the amount of time and resources spent on coordination work during the PBA design process. However, in sectors where TWGs prove effective in operationalising the PBA concept, such up-front costs are still seen to be justified as a necessary investment for potentially more satisfactory results.

Among development partners, the benefits seen by advocates lie in greater coherence in sector support as well as prevention of development partner practices likely to further undermine the already limited government capacity. There is a more skeptical view on the value of such investments where the partnership process for possible PBAs is less conducive to the PBAs-related expected results, or where the costs are seen to outweigh visible benefits. Unsurprisingly, these views are often shared by those development partners that demonstrate a lesser degree of either institutional willingness or freedom to apply PBAs.

On the side of the RGC, there is a growing appreciation and support for expanding greater use of PBA practices. The merits of PBAs, as seen by RGC agencies, range from providing the opportunity for the government to steer the activity, to opening up a process where the RGC has potential to jointly define and address, with DPs' support, areas where systematic capacity development is required. Despite the clearly-expressed overall preference by RGC agencies for PBAs to be applied more extensively, a simultaneous sense of acceptance prevails that a variety of financing instruments will continue to exist. This attitude seems to restrain most RGC agencies from pushing more aggressively for their preference.

Joint Missions and Joint CAWs. As noted earlier, the remarkable and somewhat implausible divergence in the results of the two rounds of the Paris Declaration monitoring exercise in 2006 and 2008 with regard to joint missions and joint CAWs leaves considerable room for questioning their validity¹² and thus their usefulness in informing policy discussions to address the issue. Moreover, despite the seemingly

¹² A severe constraint of the survey process is identified with the absence of an effective validation mechanism, leaving data quality largely reliant on the goodwill and credibility of external development partner self-reporting.

alarming slippage reported in quantitative performance in both areas of joint missions and joint CAWs, discussions with government and external development partner officials on the ground reveal little sense of concern with respect to any deterioration of performance in Cambodia in these areas. Perhaps this lack of concern is explained by the fact that the overall numbers of missions have apparently been reduced. Nevertheless, there appear certain differences in the degree of significance the RGC and its DPs attach to these issues. With exceptions reported in certain areas such as Fisheries or Gender, joint missions and country analytical work do not seem to hold any great priority for line ministries. DPs, on the other hand, do see these issues as a potential foundation for furthering achievable harmonisation progress.

EU external development partners, for example, have started sharing their mission schedules. Some TWGs have also developed the mission reporting function as part of their websites. There is little indication, however, that such facilities have yet been well utilised for the purpose of mission coordination. There is also little evidence of serious efforts to move beyond these simple information sharing mechanism into real mission coordinating practice. And even if there is such an effort, no clearly-structured approach has seemed to be put in place to handle the task satisfactorily. As a result, a joint mission does not necessarily mean a guarantee for reducing transaction costs for external development partners, especially when no delegated mechanism is set up to share and commonly use the findings of the mission. In one extreme example, the RGC reportedly had to receive a joint mission on Avian Influenza with 45 members from multiple development agencies.

Likewise, joint country analytical work appears to be treated with differing degrees of priority between and among the RGC agencies as well as their DPs. There is some evidence of good practice, including the often-cited case of the WB, ADB, DFID and the UN engaging in a common country context analysis for their Country Assistance Strategies, or the Cambodian Gender Assessment exercise coordinated within the TWG on Gender. Otherwise, little progress is recorded in this area.

While not suggesting that Cambodia and its development partners should be slavishly pursuing the Paris Survey's numerical targets for joint missions and country analytical work, the Independent Review Team does see the minimal progress so far on these relatively-easy commitments to harmonization as a worrisome indication of the limited willingness or ability of development partners to follow through. While it is true that this process would be encouraged by the introduction of more PBAs, that is not an essential condition for progress on these fronts.

Delegated Cooperation. Delegated Cooperation is a practice whereby one or more DPs rely on other DPs to lead and manage, on their behalf, the delivery of the pooled fund of aid money, thus becoming a “silent” partner in supporting the RGC counterpart agencies. While this practice has been popular for a number of bilateral development partners trusting their funds through a multilateral partner, commitments to harmonisation and aid effectiveness have widened the scope for such practices, particularly among bilateral development partners who share interests in supporting a programme in common.

Although it is not specifically mentioned in the H-A-R Action Plan, the CDAE dedicates a commitment to delegated cooperation, asking Cambodia's DPs to expand the scope of its application. In the 2007 Aid Effectiveness Report, the RGC said:¹³

The Government's position is that these delegated cooperation arrangements can represent significant efficiencies in aid delivery and that they are therefore to be encouraged.

Based on data recorded for the number of delegated cooperation arrangements undertaken in the past two years, little can be said on overall trends, but in 2007 there were 23 instances noted of partners leading a co-funded project and there were 32 instances of partners delegating funds to another.¹⁴ It has been made clear, however, that progress is quite asymmetrical across sectors, even among those similar in the level of aid fragmentation. DPs working in the education sector, in particular, have considerable potential to advance in terms of up-scaling these partnerships. Working around PBAs, as they seek to expand in aid practices across various sectors, could become a useful channel to facilitate new arrangements for delegated cooperation.

Harmonised approaches on environmental impact assessment or other cross-cutting issues. Despite formally representing half of the joint results to be monitored under the H-A-R Action Plan, harmonisation commitments with respect to such issues as environmental impact assessment or other cross-cutting issues such as gender appear to be relatively sidelined in the implementation process. The only exception to this broad finding is perhaps in the area of gender issues, where the TWG on Gender reports encouraging, but far from satisfactory, progress with donor harmonisation.

Making further harmonisation progress on these cross-cutting issues is by no means a small challenge. These commitments are absent in the formal aid effectiveness framework of the CDAE, despite the commitments in the H-A-R Action Plan. In only one of the IRT's meetings with RGC or DPs did they raise these subjects as a substantial topic. While such a picture may be explained by the lack of platforms or a limited scope for shared interests in these issues, it clearly poses a serious question on the strategic setting of harmonisation priorities in Cambodia, now and in the years to come.

Division of Labour

Division of labour is a relatively novel item on the harmonisation and aid effectiveness agenda in Cambodia. Not only new, it is a difficult and politically sensitive zone even at the global level. Against this background, there is little wonder that this dimension of harmonisation was captured in neither the CDAE nor the H-A-R Action Plan in 2006. Nevertheless, the ample challenge to address a high level of aid fragmentation in Cambodia means this problem can hardly be solved successfully unless some serious steps are undertaken on a greater division of labour.

¹³ Cambodia Aid Effectiveness Report, June 2007

¹⁴ AER 2008, p.19

In Accra in September 2008, partner countries, including Cambodia and its external development partners, have committed that the country will “lead in determining the optimal roles of external development partners in supporting their development efforts at national, regional and sectoral levels”. Likewise, external development partners have committed to “respect developing countries’ priorities, ensuring that new arrangements on the division of labour will not result in individual developing countries receiving less aid.”¹⁵

It would unquestionably be a difficult and uncomfortable task for the RGC to play the expected leading role in this area. Nonetheless, there is already some gathering momentum. First, as mentioned earlier, the high degree of aid fragmentation remains an increasing concern for both RGC and its DPs. Second, several development partners have already begun their discussions on these issues. The EU group, in particular, seems keen on initiating the dialogue as the starting point, given their strong collective political commitment on this agenda as reflected in the EU Code of Conduct approved by Development Ministers of EU members in May 2007.

D. Managing for Development Results

Managing for development results is still a relatively novel concept in Cambodia. Nevertheless, the country’s pro-active embrace of the aid effectiveness agenda has provided greater opportunities for translating this fourth Paris Declaration principle into practice.

Achievements

NSDP Monitoring Frameworks. At the national level, a number of major Joint Monitoring Indicators have already been developed, refined and usefully applied against results derived from the NSDP. More systematically, in line with the commitments made in the CDAE and the H-A-R Action Plan, work is planned to develop and operationalize a full NSDP monitoring framework as part of the MoP Strategic Plan (MPSP) expected to be supported in the form of a PBA. While initial consultations have been started to gain stakeholders’ feedback and considerable preliminary work done, finalization of the framework has proved challenging as some marked differences of expectations arose during the negotiation for the MPSP, including in the TWG-PRP, which serves as the dialogue platform for NSDP-related issues. DPs’ support behind the country planning framework, including NSDP monitoring, would thus require some further strengthening and preparation in MoP to develop the PBA and manage this partnership. It remains to be seen whether the current mid-term review of the NSDP implementation can be used to facilitate a solution to this current deadlock.

There are no specific commitments in the CDAE and the H-A-R Action Plan regarding the monitoring framework at the sub-national/sectoral level. Nevertheless, this is clearly

¹⁵ Accra Agenda of Action, p.3

the basis for higher-level monitoring and the process of developing PBAs or Joint Monitoring Indicators (JMIs) through TWGs has, in a good number of cases, paved the way for strengthening the monitoring and evaluation (M&E) system at the sectoral level. In Fisheries Administration, for instance, a specialized unit has been set up as the focal point to take forward the monitoring and evaluation task within the sector. In several other sectors, JMIs have been developed, and their implementation has been regularly reported to the GDCC.

The development of sector planning frameworks has also helped external development partners to target better their supporting resources to results. There is emerging evidence of DPs taking a pro-active approach in realigning their programs to ensure compliance with country priorities. AusAID, for example, has reported realigning the design of an on-going preparatory project to the National Development Program 3 endorsed in the Agriculture and Water sector.

Monitoring development cooperation activities. There are initial efforts by central aid management agencies to strengthen the national reporting and monitoring systems for development resources, although they are far from being fully embraced at sub-national levels. MEF and CRDB, for example, have issued the SOP and NOG based on best international practices to guide monitoring and reporting procedures for aid-funded activities under loan and grant categories. While these instruments are helpful in setting a general framework for monitoring development resources and stimulating external development partner alignment to the country reporting systems¹⁶, further work is needed to make them fully understood by local agencies and operationalisable at the sector level. To this extent, simple steps such as translating the NOG into the Khmer language would help in disseminating the tool and familiarizing sector ministries or line agencies with its use.

CRDB-led efforts to develop the country-managed ODA Database as the strategic aid management tool has strengthened RGC's capacity to monitor external development resources (see more on this under Mutual Accountability section).

Challenges

Having a strong system in place to monitor and evaluate effectively the NSDP implementation is crucial to undertaking the result commitments under the CDAE and the H-A-R Action Plan. Nevertheless, there are several key constraints that need to be addressed if such commitments are to be implemented successfully.

Intra-government coordination. Weak coordination among RGC agencies has been a key challenge to ensuring a concerted effort in linking resources with results at the national and sector levels. At the national level, weak coordination during and among the preparatory stages of key policy documents, i.e., PIP, MTEF, Budget and the AER remains a key impediment in bringing greater synergy and proper sequencing among

¹⁶ Several development agencies, including WB, ADB, DFID and AFD, have committed to use these procedural guidelines for projects that they finance.

these instruments. In addition, fragmentation in data collection and use, with two parallel systems operating under MOP (PIP and Statistical systems run by DOP and NIS), not to mention the ODA database managed by CRDB, presents another difficulty in shaping common ground for effective policy analysis and formulation.

These weaknesses are, however, surface symptoms of a deeper institutional complexity – underpinned by political interests - where different central RGC bodies are assigned to take the lead in different, yet closely-connected and sometimes intersecting responsibilities, but without effective mechanisms to achieve the necessary coordination. For example, CRDB is tasked with coordinating external resources from DPs, including both loans and grants, whereas the MEF’s mandates include supervising all national loans, and synthesizing the overall national budget. On the other hand, preparing the PIP, which is supposed to entail the list of priority investment projects funded with public resources, is a task of the MOP, which also takes leads in the formulation of NSDP and its monitoring framework.

In both theoretical and practical terms, this arrangement has undermined the coordination needed to install a national system in support of the result-resource linking framework. The replication of such parallel structures at the sectoral and provincial levels has also spread such weaknesses across the system, albeit to different degrees, and continues to challenge the development of a functionally coherent M&E system for NSDP implementation. Our recommendation for top-level RGC action to mandate coordination and/or rationalize the key ministries concerned may point to the only realistic ways to break these longstanding deadlocks.

Information Database Systems. Scattered and uncoordinated external development partner support to institution building in monitoring and evaluation has resulted in a somewhat piece-meal information systems. There is a range of different information database systems, all separately developed and operated within individual ministries. Given the fact that few of these systems are designed to interface with the others, particularly in support of the budgeting exercise, efforts to make them work together have not gone much further than creating simple links across these systems, such as the case between the Cambodia ODA database and the websites of the TWGs on Agriculture and Water, or the AMIS system in the education sector. On the other hand, as a result of differences in the way the data is collected, validated and maintained among these systems, both overlaps and inconsistencies have been recorded, especially with regard to externally-funded resources. In addition, duplicative requests to external development partners to report to these separate systems have been reported to trigger “development partner fatigue” by imposing unnecessary transaction costs.

Whilst there are too many systems in operation at the same time, very few of them have developed a result-tracking capacity, although the ODA data base does have this feature if the will and means to use it can be generated. Information collected in these systems is, on the whole, primarily input-based, and thus remains limited for the purposes of reporting on development outcomes, informing policy dialogues and supporting decision-making processes on linking resources and results. These limitations reflect the broader

set of institutional constraints the country is facing in developing a result-based management system at both national and sectoral level. Unless there are some substantial changes in the way these institutional challenges are tackled, with strong political support at the highest level, weaknesses of this type will remain a constant reality.

Monitoring aid effectiveness progress. Significant efforts have been made to improve the country's capacity to monitor progress on aid effectiveness. A major step in this direction is the customisation of the ODA Database to track progress on the monitorable Paris Declaration indicators at project and aggregate level. An analytical report using data reported under this system was, for the first time, produced by CRDB as an input to the CDCF 2007, demonstrating the RGC commitment to routinize aid effectiveness monitoring as part of the government aid management function.

The CRDB is confident that it has made considerable progress in putting in place an effective "data audit" system to validate DP-inputted data, to increase the credibility and value of the analysis exercise. Nevertheless, we have noted several instances where strengthening the quality of donor data remains a challenge, and there are likely to be similar concerns on the RGC side.

More generally, while the monitoring elements are generally receiving a good deal of attention, we note relatively little activity on evaluation, and particularly on joint evaluation, which might have especially useful functions in deepening a shared understanding of achievement and ways ahead. The potential value of such evaluations is particularly underlined by the limited and skewed coverage of the main monitoring international monitoring indicators, their inherent flaws and underlying data quality issues.

Delegation to country offices. Most DPs report that the Paris Declaration process has facilitated greater delegation of aid management responsibilities to the local offices. Only a few bilateral external development partners have reported that they face challenges in terms of inadequate human resources to respond effectively to the intensifying process of aid coordination in the country. This is more encouraging than the general international picture. In light of implementing the aid effectiveness commitments, some of these development partners have responded to these challenges by resorting to new arrangements such as delegated cooperation, and thus, being more selective and focused in their interventions. By being more strategically prioritised, small-scale external development partners are more likely to choose to invest their limited resources on fewer intervention areas where they have demonstrated comparative advantages relative to other external development partners in terms of professional inputs and technical expertise.

E. Mutual Accountability

Enhancing mutual accountability is a critical aid effectiveness commitment underlying both the CDAE and H-A-R Action Plan. At the foundation of this commitment is the requirement for greater transparency on aid and expenditure information. Technically, this is translated into the demand for CRDB to strengthen its aid information management system, so as to ensure greater public access to the information on the use of externally-funded development resources. On the other hand, it also requires external development partners to be increasingly transparent about their aid activities by reporting in a timely and regular fashion to such a country-managed system. Promoting mutual accountability, by CDAE commitments, also implies opening up more space for different stakeholders' participation in the planning and delivery of aid-funded resources to the country.

Achievements

Making aid transparent. With the principal aim of promoting an evidence-based development management system that can effectively support the processes of tracking external funding for the NSDP and national budgeting, the Cambodia ODA Database has been up and running for approximately four years. The introduction of this information tool has considerably helped strengthening the transparency of aid resources committed to the country. With intensive efforts by CRDB in training and supporting external development partner agencies, ODA information covering the 1999-2010 period have been inputted on-line to this RGC-managed system. The process has broadly been considered a productive one, resulting in CRDB's actual use of the information updated to produce the first Aid Effectiveness Report for the 2007 CDCF. Beyond setting a precedent, and a transparency benchmark for subsequent CDCF fora, this experience has paved the way for routinizing the external development partners' practice of reporting to the RGC. The ODA Database has become a strategic management tool that effectively promotes mutual accountability among other aid effectiveness principles.

Increasing participation beyond the executive branch of Government and development partners. Cambodia's embrace of the global aid effectiveness agenda has begun to widen the window of opportunity for the participation of stakeholders such as parliamentarians and civil society. This opportunity is reflected in the RGC commitment to enhance "the role of all stakeholders in the planning and implementation of development cooperation programs."¹⁷ In the H-A-R Action Plan as the framework for a more operationalised level of the aid effectiveness commitments, there is no specific reference to these groups. Both because of developments in Cambodia and the evolving international norms reflected in the Accra Agenda for Action, the expectations must be that this wider participation will in future go beyond the rather cautious and limited approach adopted to date.

Civil society. Gradually building on their conventional role as mainly service providers, Cambodian civil society groups, particularly the NGOs, have taken a more active

¹⁷ Cambodian Declaration on Aid Effectiveness

participation in the policy-making process. Cambodian NGOs have maintained their representative presence in the key development fora, both national and sectoral, such as the CG meetings, now the CDCF, the thrice-yearly meetings of GDCC, and 15 out of 19 thematic TWGs. The NGO Forum has facilitated the generation of “one voice” for both local and international NGOs active in Cambodia, especially in the formulation of key national development policies such as the NSDP, the annual review of JMIs, or the Organic Law. Increased participation of civil society in the policy planning process has borne some initial fruits. One early cited contribution of the NGO community in this respect is their critique of poor external development partner coordination in the production of different policy strategic planning documents. This critique reportedly contributed to the ultimate merging of the previous three parallel processes - all supported by different development agencies through separate RGC bodies - into the NSDP for 2006-2010 from.

Exercise of Parliamentary Roles. Capacity enhancement in the legislative branch, still at a relatively limited level, has started to come into play, with the National Assembly slowly but surely striving to take a more active and engaged role in the annual budgeting exercise. In January 2007, a Strategic Framework and Action Plan for parliamentary strengthening itself was approved by the National Assembly and the Senate. As this overarching strategy is implemented, larger roles are expected for parliamentarians in sharpening the mutual accountability agenda for aid effectiveness in Cambodia. How far and how fast this progress can be maintained or accelerated, however, will depend primarily on the scope opened up by both RGC and, to some extent, its DPs, through their respective readiness to report to the legislature on their plans and activities. The strengthening of the capacity of the Parliament in legislative and oversight competencies over recent years has been supported by small-scale, yet focused, strategic and coordinated supports from DPs active in the sector, notably CIDA and UNDP.

Challenges

Transparency: By Government and development partners. The key challenges around the transparency and predictability of Government expenditure and revenues in the Budget and Medium Term Expenditure Frameworks, have been extensively discussed. The stronger these RGC frameworks are made, the more credible and compelling will be the pressure for development partners to do their part in providing better information and predictability on their part of the resource picture.

The conduct of the data inputting exercise in early 2007, despite initial achievements, also revealed significant gaps, especially with regard to external development partners implementing their commitment of transparency. The 2007 Aid Effectiveness Report provided a list of quite fundamental weaknesses in this area. In the intervening year, however, CRDB has noted considerable improvements on most of these issues, including its capacity to validate information received, and these improvements are corroborated by others. On this basis, the Independent Review Team is inclined to see the transparency of DPs’ information on aid as much improved, opening up more potential for real accountability.

External development partners' accountability and incentives for change. DPs' staff members tend to be mainly controlled by the accountability frameworks of their home administrations and in bilateral agencies to parliaments, and ultimately tax payers, in the funding countries. Thus, their most immediate accountability priorities lie with responding to and complying with institutional agendas, result frameworks and regulations other than those of their country partners. This reality poses substantial challenges for translating into practice the commitment to mutual accountability, especially development partners' accountability to Cambodian partners.

An incentive system designed to promote compliance can be an effective tool, although it does not automatically guarantee the expected results. On the other hand, in the absence of such a system, non-compliant behaviours are tolerated and sustained. To this extent, understanding non-compliant behaviours on a systemic level could contribute to the evaluation, and if needed, the redesign of the institutional incentive structure. Pending a more thorough study on this issue at the global level, the IRT has made an attempt to approach this issue seen from the perspective in Cambodia.

The issue of non-compliant development partner behaviours came up repeatedly during the discussions with government RGC officials, casting some light on the mixture of institutional and individual patterns of behaviour that generate such negative impacts. According to one senior RGC government informant, a development agency a few years ago cancelled a project because the ministry refused to use part of the loan money to finance the use of a costly system managed by that development agency. In another case, a traditionally good partnership relation between one ministry and a particular development agency was said to have been ruined as the newly-arrived partner representative was seen as arrogant and disrespectful, with inadequate communication and conflict management skills. Several similar cases of this kind were cited. Without being able to dissect such complaints in detail, our team can conclude at least that these strong and lingering perceptions of bad practice represent a substantive challenge to be resolved. Not surprisingly, some similar perceptions are also mirrored from the development partners' perspectives as well.

When asked about "compliant external development partner behaviours" and the institutional support behind them, some emerging commonalities seem to come up in both RGC's and external development partners' perspectives (see Box 2).

Box 2. Suggested characteristics for institutional incentives conducive to compliant development partner behaviours

- a. Having aid effectiveness embedded into the operational structure of the whole institution, especially via the integration of aid effectiveness principles into the TOR and performance assessment of development partner staff.
- b. Setting up aid effectiveness focal point(s) in the institution, empowered and skilled in promoting and mainstreaming the agenda throughout the system
- c. Developing a transparent and open working environment where good practices on aid effectiveness are promoted and widely disseminated.
- d. Emphasizing results, and as such, encouraging a greater degree of flexibility, innovative and risk-taking approaches over strict rule compliance.
- e. Protecting the integrity of the development agenda from commercial or political interests.

As development agencies take aid effectiveness principles more seriously, there is evidence of increasing adoption of one or more of these elements. Encouragingly, even where complete formalized incentive systems are not yet in place, helpful initiatives can emerge and spread. For example, in the Japan for International Cooperation Agency (JICA) country office, a networking initiative has been promoted whereby an e-mailing list is set up to connect all professional JICA development workers on the ground (including advisors and consultants), and responsible parties in JICA Regional and headquarter offices to share information and discuss opinions on aid effectiveness practices and initiatives. Similarly, UNDP has an aid effectiveness network, and other agencies are taking analogous initiatives.

Civil Society – between nominal and effective participation. Very often, increased participation of civil society has been perceived to fall short of the influence expected from such participation. At the sector level, NGOs’ presence and voice tend to be strong only in sectors where policy contestability is technical, rather than political. In addition, there remains a perception within the NGO community that “[g]overnment officials in Cambodia are still not used to accepting civil society inputs into planning, and are sometimes dismissive of NGO opinion.”¹⁸ On the other side of the table, Government sometimes contests the legitimacy of NGO views and/or their independence from development partners who often contribute to their financing. At the moment, a Law on NGOs and Associations is being drafted – a task that has been underway over some years. Depending on how this is done, it may either carry benefits or dangers.

It must be recognized that Cambodian civil society is at this stage fragmented, unregulated and unprotected. At the same time, NGOs include a large and in some cases

¹⁸ The PRSP and CSOs’ Participation in Cambodia, NGO Forum on Cambodia, May 2006.

powerful set of actors and channels of development assistance, with commensurate expertise, rights and responsibilities in the country. The Independent Review Team see a potential over coming years for a much healthier engagement of civil society in Cambodian public policy and development, including aid programs. It was encouraged by the initiative for a rigorous accreditation system being implemented by NGOs themselves, as well as the interest by Cambodian NGOs in organizing regular accountability sessions by external development partners.

III. CONCLUSIONS: THE PAST AND FUTURE RELEVANCE OF AID REFORMS IN CAMBODIA

Our overall findings and conclusions

Extensive policies and processes have raised expectations for aid effectiveness in Cambodia and produced both general and selected improvements. The need now is to focus on consolidating and extending gains in priority areas for this country. The energy and focus being directed to creating platforms and procedures to make aid more effective need to be balanced by more action on the part of those who must make it happen. Thorough, in many ways exemplary, as the preparation, design and launching of reform has been in Cambodia to date, it is now in danger of drowning in its own process. There seems almost a danger that the preparation is becoming an excuse for the limited action.

The current evaluation in Cambodia, and this review as part of it, are primarily focused on achievements and challenges for this country, based on evidence and analyses here. At the same time, the agreed global Accra Agenda for Action on the Paris Declaration provides a checklist of global progress and obstacles and sharpened commitments on the part of both external development partners and partner countries. The seven–page text of the Accra Agenda for Action is an easy-to-use, up-to-date reference point on the international picture, which generally supports the specific analyses, conclusions, and recommendations for Cambodia.

Achievements

Particularly considering the very difficult post-conflict starting point in Cambodia, the country has made remarkable progress in better tracking, coordinating and harnessing international aid efforts. Organized work for improvement, led by the CRDB under its strengthening mandates from the RGC, began before the formal agreements on the Paris and Cambodia Declarations on Aid Effectiveness. Growing support was given by a number of external development partners. The landmarks of the Declarations (and H-A-R Action Plan) have been well-used over the past three years to set in place a comprehensive set of policies, processes and guidance to adapt and apply global standards and lessons to the Cambodian setting and experience, and to encourage external development partner agencies to fulfill their own global commitments in their Cambodian activities. The similar mid-points in both the international and Cambodian five year cycles have been well chosen for stock-taking and course corrections as needed.

Since at least 2005, the Cambodian record of setting out **policies and processes** to improve the effectiveness of aid has been an impressive one, applying and adapting insights and lessons here and international standards to the Cambodian setting across a broad front of necessary measures. The resulting framework of objectives and guidance, coordinated by the CRDB and endorsed by the RGC, is by all accounts far stronger than the situation even three or five years ago, and unrecognizably so from the situation 10 to 15 years ago. Most of Cambodia’s development partners 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 at field and headquarters levels.

In terms of enhancing **country ownership and leadership** in aid coordination, the CRDB has raised the profile of Government initiative, and set out quite comprehensive policies and processes to be followed by the Government and development partners, while also strengthening the vital flow of information as a basis for better leadership and coordination. Reflecting the diffuse character and degrees of independence of both Ministries and development partners, the CRDB has to date effectively played a strong facilitating role in coordination rather than a coercive or directive one.

In moving to action – actually using these new policies and processes to make the necessary changes in behavior on both sides to make aid more effective – the overall record is also quite substantial, but so far extremely uneven. There are important examples of good, even very good, practice. For example, the key Ministry of Economy and Finance has worked effectively with development partners in building its capacities and piloting critical system changes in Public Financial Management in its own work, and in preparing a major effort now poised to start extending this reform throughout government. A number of line Ministries have substantially strengthened their capacities, set out credible and usable sectoral and thematic strategies, and pushed forward implementation, in some cases working with provincial and local levels. In general, however, Cambodia now shares a common challenge with many other countries, as highlighted in the global evaluation leading up to the Accra review, of successfully moving the aid effectiveness agenda out from the centre of a few key agencies at the heart of Government, to become a working reality in all the ministries and communities here it must ultimately be implemented.

Overall, progress in developing sector and provincial plans has been highly uneven, with some sectors well-advanced, and others struggling at an early stage of the process. In their different ways and degrees, the field of health, education, fisheries, trade and private sector development, and mine action have been frequently cited as areas of strong performance, alongside the functions of the Ministry of Economy and Finance and its public financial management reforms, and the aid management and coordination functions of the CRDB. In some, but not all, of these cases, part of the progress is widely attributed to longer experience, development partner support and to productive results from the relevant Technical Working Groups which assemble the Ministries and development partners directly concerned to coordinate, align and harmonize their actions.

In every one of these positive cases, however, the main credit for progress is attributed to some combination of strong leadership in the relevant parts of the RGC, committed to the development objectives in the area concerned, and the ability to attract, motivate and retain a critical mass of competent and committed staff. There are convincing examples of strong capacity development in some of these areas – such as in MEF, CRDB and Fisheries - and in some cases this achievement is reflected in the phasing down, or much more selective use, of expatriate advisors and experts.

Improving consultative processes and working with national stakeholders have begun to show some action, but it is limited, beyond some formal openings for input, and the inclusion of a small number of civil society representatives in the Cambodian Development Cooperation Forum, and the active participation of some civil society representatives on individual Technical Working Groups for a number of sectors and themes.

Challenges

It is quite clear that difficulties and unrealized commitments on both sides often interact with each other, as would be expected in any partnership relationship, so that managing and improving performance is a mutual challenge and responsibility. In spite of some real differences of priority and some particular disputes that have arisen, we have found a large measure of realism within many parts of both the RGC and the development partner community about the need to try to move ahead where possible, without trying to “paper over” the differences.

Some important commitments of the RGC are progressing slowly or are stalled, in terms of:

- a. Firming up the formal basis for stronger country ownership and leadership (e.g. in monitoring, reporting and reviewing progress on the NSDP; developing sector and provincial plans; aligning the NSDP, the Public Investment Program and the budget; improving consultative processes, working with national stakeholders; and enhancing country ownership and leadership in aid coordination at the sectoral level.
- b. Widening the basis for greater alignment, harmonization and managing for results by strengthening national systems (e.g. in reforming financial management and strengthening public sector capacity more widely; reporting aid in the national budget; leading efforts to articulate capacity needs; and continuing to strengthen reforms that permit harmonisation around (and alignment with) national systems; and operationalize the framework for monitoring and evaluating the NSDP.)

In turn, the development partners have been moving slowly and unevenly to act on their commitments, some of which, but not all, are hinged on RGC action:

- a. With respect to strengthening ownership, not all development partners are respecting RGC ownership: (e.g. in basing their support on the NSDP; adopting and implementing their own action plans for CDAE/H-A-R reforms; or coordinating support for capacity development related to NSDP implementation).¹⁹
- b. Only a few development partners can show substantial progress in taking action on the alignment and harmonization of their aid (e.g. in reducing the number of separate missions and diagnostic reviews; working to establish common

¹⁹ Another commitment, for development partners to adopt and implement their own action plans for CDAE/H-A-R reforms, appears to have been largely forgotten by all concerned. This amnesia might have benefits if it meant that there was more scope for Cambodia to maintain effective leadership in implementing the reform agenda.

- procedures for programme management, reporting and monitoring; and strengthening delegated cooperation.) Citing their prevalent concerns about the quality and integrity of national systems, action by development partners to use those systems has been cautious and targeted (e.g. in selecting and using national systems that comply with global standards, including Cambodian PFM and procurement systems, increasing aid through Program-Based Approaches, as the Cambodia Declaration adds, “with due respect to complementarity of aid modalities”).
- c. Based on the evidence of both RGC and external development partners, concern about the limited action taken on the commitment to reducing the number of parallel Project Implementation Units seems primarily to arise around reporting under the Paris Declaration Monitoring Survey –in practice, both sides see a need to better define and nuance this target in the light of Cambodian realities.
 - d. We assess actions taken and requirements on the mutual accountability commitments of both the RGC and the development partners in a separate section. We suggest that, rather than being seen as a semi-adversarial process, a new approach to mutual accountability - through a shared, transparent accountability to Cambodians - should become the foundation for future cooperation.

Implications

Just as the greatest share of credit for progress achieved to is attributed to RGC action and two crucial success factors, shortfalls in one or other of these two central “success factors” – focused leadership and staff capacity – are widely seen to explain slow progress and lagging performance in other areas, both across government and in particular sectors

The independent review team was presented with compelling evidence that making wider progress in solving these problems is not just a technical challenge but primarily a political one – and Cambodia is not alone in this.²⁰ Governance analysis, and the discussions that took place in our interviews with national and expatriate officials, indicates that Cambodian society continues to be ordered around close-knit webs of political and material interests. The current ways of “getting things done” in Cambodia now limit the extent to which formal policy, national structures and state capacities can be mobilized to achieve stated development objectives. More deeply still, the livelihood opportunities and status of Cambodians – including civil servants - are frequently determined by informal systems of patronage. If the formal and informal systems become incompatible, the informal structure of interests and incentives at work is usually more influential.²¹

²⁰ See especially Para. 27 of the Accra Agenda for Action as well as sharpened commitments in Para. 24 and elsewhere. Here it is worth stressing that, to one degree or another, there is a similar need for political engagement to carry forward further improvements in aid relationships within most aid-receiving and aid-providing countries, as evidenced by the findings and main conclusions of the Phase One Evaluation of the Paris Declaration.

²¹ It is clearly beyond the scope, or capacity, of the Independent Review Team to try to provide any original analysis of the kind of “political economy” at work. A frequently-cited and respected source which brings together a great deal of relevant analysis is Pak Kimchoeun, Hornf Vuthy, Eng Netra, Ann Sovatha, Kim

One related obstacle that undermines the establishment of a functioning development partnership is the fragmentation and proliferation of Government ministries and agencies. Having to coordinate between a large number of senior office-holders across different ministries can be both inefficient and problematic given the overlapping and competing responsibilities, power-bases, visions and mandates. We have seen several major instances where this problem is clearly impeding forward movement in some critical areas, including land management.

Similarly, the over-staffing and under-payment of the civil service is only partly a result of the relatively recent transition from a post-conflict society – it also serves political and material objectives rooted in norms and practices that pre-date the period of conflict. Partial remedies have gradually been introduced - both by Government and by development partners – but these have addressed the symptoms of these practices rather than the underlying causes. These have mainly included salary supplementation schemes in aid projects and priority government programs, gradually becoming more harmonized and merit-based.

Most interviewees we met were aware that, while this approach has been essential in the past, it has had unintended consequences that now lock parts of the Cambodian public service into a dependency on aid projects. In this way aid can become an additional source of patronage, exacerbating the original problem rather than becoming part of the solution. Efforts to rationalise the payments of salary supplements are urgently required and must be implemented based on the longer-term vision of the Cambodian public service and its own objectives for public service reform. This is perhaps the area where understanding and respecting national ownership is most important for ensuring a partnership-based approach to developing capacity, strengthening national systems and creating an eventual exit strategy for aid.

In this light, the challenges that were routinely cited to us as impeding further action on improving aid effectiveness – “insufficient political will”, “limited government capacity”, “corruption and unreliable national systems” and “inadequate public sector salaries” - are in our view part of a much larger and deeper set of challenges that, in the final analysis, only the Government and people of Cambodia are going to be able to resolve. How these issues are resolved will determine the future trajectory of Cambodia’s society and economy - the role of Cambodia’s external development partners must therefore be in engaging with national counterparts, focusing on capacity development in the broadest sense, “doing no harm,” and facilitating and supporting the transition.

Thus at this stage of the development partnership, and specifically in the joint effort to make aid more effective, there are limits on how far, how fast and where the RGC and its development partners can move ahead together with the Cambodia Declaration and the Harmonization Alignment and Results Action Plan in the face of the governance

Sedara, Jenny Knowles, and David Craig. *Accountability and Neo-Patrimonialism in Cambodia: A Critical Literature Review*. Phnom Penh, Cambodia: Cambodia Development Resource Institute, March 2007. We have not seen the basic validity of this analysis convincingly contradicted.

constraints. The Rectangular Strategy (phase II) provides an indication of where the Government intends to prioritise its activity in the next five years and, given that this document may have more political resonance than the NSDP, it may give more guidance for a meaningful partnership and common areas and objectives for engagement.

Viewed from a global perspective, it should be stressed at the same time that real political involvement, political decisions and political actions are also needed for external development partners to implement their commitments. To say that these are “political declarations” should no longer be understood as suggesting that they are merely rhetorical goals. The general international examples of the kinds of political decisions required of development partners all apply for some development partners in Cambodia today:

Most external development partners have yet to prepare their publics and adapt their legislation and regulations as necessary. These political decisions are needed to allow for:

- a. Putting less emphasis on visibility for their national or institutional efforts and tying aid to their own suppliers. In Cambodia, the concern for visibility was identified to us as a substantial distortion at this stage, while “aid tying” was not;
- b. Accepting and managing justifiable risks in relying on country and other external development partner systems, as the “default option,” rather than insisting on applying their own. Even with widely shared and documented concerns about some Cambodian systems, relatively few development partners have been prepared to “push the envelope” in relying on Cambodian or even each others’ systems;
- c. Agreeing to delegate greater decision-making power to in-country staff and, where applicable, ensuring that their own different agencies and ministries work together. These were not identified to us as important constraints in Cambodia;
- d. Assuring more transparent, timely and accurate information and predictable aid flows. Even with some improvements, this remains a serious shortcoming for most development partners, especially on predictability; and
- e. Finding ways to be accountable to partner countries and resolve or manage political disputes with partner governments without undermining long-term relationships. This is evidently a shared responsibility, but one where constructive initiative by development partners could make a key contribution.²²

²² International picture based on the Synthesis Report: Evaluation of the Implementation of the Paris Declaration, Copenhagen, 2008. p.xii.

IV. RECOMMENDATIONS: KEY ACTIVITIES AND CHANGES THAT COULD MAKE A DIFFERENCE

1. Improve the mechanisms and climate for productive dialogue on aid.

- a. The RGC and development partners need to work together in the Technical Working Groups and the more senior forums to apply good practices for dialogue and overcome obstacles, including the measures in points b. to f. below.
- b. Plan & invest in communication, understanding and mutual trust.
- c. Give serious weight to competencies in cooperation when choosing representatives for aid relationships.
- d. Provide incentives for this work, and allow the time.
- e. Work to manage specific obstacles: Development Partner staff rotation (e.g., training, serious orientation, overlapping transitions); communication (e.g., Khmer interpretation in all forums); agency pressures for results (e.g. possible multi-donor recommendations to HQs to work with targets for results that are realistic in the Cambodian context.)
- f. Revitalize the three-level joint structures, e.g., with shared and balanced agendas and indicators of performance (e.g. agendas should be able to include both fully joint items, and some that may not be shared but are priorities respectively for the RGC or its development partners.)

[Responsibilities: Lead action by GDCC and CDCF participants and other Ministers and heads of development agencies, supported by CRDB, Technical Working Group chairs, and development partner facilitators.]

Rationale: The three-level joint structures that have been worked out since 2004 for cooperation on effective aid between the RGC and its external development partners have a certain coherent logic, and are more carefully conceived and organized than in many countries, even many with longer experience. There has recently been concern, and agreement, by the Government and its external development partners that the GDCC meetings in particular have become less useful, and proposals to reinvigorate them have been put forward by both sides and are being productively discussed. They include such questions as the appropriate level and preparation of participants, and the requirements for advance notice of agenda items (some are selected by the Government and some by the development partner Group in coordination). These discussions appear promising and merit support.

The TWGs that have become deadlocked or inactive have failed to build up either a shared momentum or the resilience to withstand the pressures arising from powerful economic interests in a sector, controversial developments, or different visions tied to institutional competition. Some of these latter problems can be so challenging that work in the respective TWGs may not be possible for a period, even a long one, but keeping the structure on the books may still make sense up to 2010, while looking for opportunities to re-start or improve the existing TWGs as necessary. Similarly, it has also

been observed that some TWGs may be too narrowly sectoral, without the ability to bring together different ministries involved, yet others are doing this well, and attempts can be made to share and apply good practice. Weaknesses in some of the TWG mechanisms have affected the effectiveness of the GDCC as the coordinating and synthesizing forum, and the top-level CDCF. In order to fulfill their mandate, the performance gaps between the stronger and weaker TWGs need to be narrowed or closed, while leaving open the possibility that if some TWGs are found persistently unproductive, they should be either suspended or terminated.

The quality of dialogue. Building up communication, understanding and mutual trust - while they are hard to define and almost impossible to measure - are vital to building productive relationships and good habits of cooperation and thus the ability to manage more easily the differences that will inevitably arise. This in turn depends on the selection of representatives with an understanding and aptitude for cooperation and understanding, support and incentives for this work, and the time it takes from their respective institutions (especially, but not only, from external development partner agencies). Participants in what appear to be the most productive TWGs display most of these traits.

For this kind of relationship-based work in international development cooperation here there are also at least three additional, and inter-related hurdles built-in: the frequent rotation of external development partner representatives in country; the challenges of communication when nationals are dealing in a second language all the time, with uneven language skills; and the tendency for external development partners to program and press for results from aid activities in much shorter time frames than their national counterparts are willing and/or able to implement. To build more productive dialogue and cooperation, these elements need to be more explicitly considered, discussed and handled together. There are no magic solutions for them, but a serious first step is to understand the pressures and look together for ways to manage them better. Ownership is not just a slogan: every external development partner representative needs the humility to keep constantly in mind that they will move on in a relatively short time, while their Cambodian counterparts will remain to carry on with the long-term tasks of development in ways that must work for this country.

One important practical issue that arises is that a number of individual Technical Working Groups, and/or participants in program-based approaches, have worked out specific “partnership principles” to govern these Groups or PBAs.²³ In one case that has been brought to our attention some have criticized this as one of several excessive demands, but we have seen no evidence of major difficulties in other cases. It appears that the parties see a need for more specific understandings to govern work together in a specific sectoral or thematic area, or under new Program-Based Approaches frequently involving multi-million dollar commitments.

²³ Others work directly under the umbrella principles in the Cambodia Declaration.

2. Agree on realistic expectations, priorities and sequences for further joint action.

- a. Agree on the need to choose and not to expect simultaneous or equal progress on all elements of the Cambodia Declaration and H-A-R Action Plan.
- b. Focus on priorities in Cambodia, not Paris for 2010. We believe that most of the areas suggested in this report reflect some key areas where there would be a good consensus;
- c. Move forward with other measures (e.g. reliance on country systems and further program-based approaches) as and where they can be agreed upon and implemented. Enough of these measures are now working in particular areas in Cambodia to justify confidence that with sufficient preparation they can be extended to others.

[Responsibilities: Proposals by CRDB, lead action by GDCC and CDCF participants and other Ministers and heads of development agencies, supported by CRDB, Technical Working Group chairs, and development partner facilitators.]

Rationale: It is our assessment that the groundwork of policy guidance for aid coordination in Cambodia is comprehensive and robust, if still demanding for many government ministries and development partner agencies to master. The basic structure of partnership processes and mechanisms also makes sense, and it would be wise to invest some further time and effort in strengthening their performance and usefulness, applying and spreading good practice, rather than launching any premature plans for radical overhauls.

With all of this, however, we find that this evaluation is the appropriate opportunity for the RGC and its external partners to accept and explicitly recognize that, given the circumstances of development cooperation in Cambodia, it will not be realistic or even desirable to expect simultaneous or equal progress across the broad front of objectives set out in the Paris or even the Cambodia Declaration. More specifically, while the Surveys of 12 global Monitoring Indicators on the Paris Declaration have their usefulness, they have also been found internationally and here to narrow and over-simplify the measures of progress, and sometimes to focus attention and action on less important or questionable priorities.

A country like Cambodia in particular, which has invested such commendable effort, with generally good support from its development partners, to internalize the agenda for better aid and realize its benefits for the country should now be in a position to “adapt and apply the agenda” in order to target and achieve the most important changes needed.

We find that the current evaluation and review - drawing on the extensive work, experience and analysis of the RGC and its development partners – suggests a strong need to explicitly accept the need to focus in order to achieve, or very substantially advance, a manageable number of major priority goals by 2010. As well as focusing, there is ample evidence of a need for setting sequences for these key priority actions, if

they are going to be achieved. We also find that there may already be a fair degree of underlying consensus between RGC and its partners on what the priority areas for medium-term action should be, and some appropriate sequencing strategies, reflected in our other recommendations. The other commitments, and particularly further progress in greater reliance on country systems and the extension of further program-based approaches, can and should be kept in view and implemented as and when there is agreement that circumstances permit. We have seen enough evidence of such implementation in a number of central and sectoral programs to justify confidence that this can be achieved more widely.

3. Take steps to keep aid effectiveness relevant and prevent “aid effectiveness fatigue”.

- a. Development partners – particularly EU Member-States at this stage - are well-placed to increase the credibility of aid effectiveness work by proposing further initiatives to extend their use of delegated cooperation and other measures to improve the division of labour and reduce the fragmentation of projects. The RGC has indicated its support for such moves.
- b. The RGC and development partners need to apply the lessons of best aid practice in effective aid in some fields in Cambodia to major priority areas such as the Decentralization and Deconcentration program and the strong new national focus on development in agriculture and water.
- c. The RGC needs to focus on consolidating gains to date from aid effectiveness reforms and spreading them more widely. It is urgent to streamline, lighten and clarify processes, and help more Cambodians to understand and use key lessons (in line ministries, at provincial and local levels, as well as in the National Assembly and civil society).
- d. Development partner agencies need to do more to ensure that their staff members, with their frequent turnover, arrive well-prepared to contribute from the outset to aid effectiveness reforms underway and maintain momentum.

[Responsibilities: Lead action by CRDB, Technical Working Group chairs, and development partner facilitators.]

Rationale: While appreciating the work that has been done to prepare more effective aid, we have heard numerous Cambodians and their development partners refer to impatience and frustrations arising in trying to implement the agenda. Expectations have been raised, new investments of time, effort and resources in new processes have been demanded, while apparent results have been found to be patchy, and some tensions and difficult misunderstandings over expectations have needed to be managed.

Further demonstrable successes are needed in priority areas to maintain and reinforce the aid effectiveness agenda. This is the rationale for proposing further initiatives for delegated cooperation and division of labour, especially among EU Members, with their strengthened mandate in this area.

There is consensus between the RGC and development partners around the new focus on agriculture and rural development as a top priority, with huge potential for both generating growth and reducing poverty. The Strategy for Agriculture and Water and subsequent programmes have now been produced to meet the needs for developing the sector. However, the funding response by both the RGC and traditional donors has been very slow, although it has gradually increased from a very low base. Now that strategies, programmes and plans are in place, the most challenging condition for adding more funds is implementation capacity. In the new approach under PFM, the relevant line ministries, especially MAFF, MOWRAM and MRD, should have adequate capacity to design projects and programmes to receive more funding from the national budget.

It is time to break the vicious cycle in which insufficient investment in the agriculture, water and rural development sector has been attributed the lack of strategies and policy, but when the latter are produced, inaction is blamed on a lack of implementation capacity. As examples of good practices that could be applied, MBPI should be set up as fast as possible for these ministries by the RGC, and development partners should align their support in addressing the capacity concern in these priority ministries. Both the RGC and development partners should first add more funding or the means to get started, especially to build on existing agricultural extension and statistical collection that have good capacity built by donors but lack the funding to sustain or scale up.

As examples of possible good practice in the area of Deconcentration and Decentralization, technical cooperation for realistic capacity development should be scaled up by using more of the local advisors who have accumulated experience in the previous D&D programmes (Seila and PLG). Another major area is to increase funding for local authorities and speed up adoption of a legal framework and capacities that allow them to collect their own tax revenues.

In light of the dangers of aid effectiveness fatigue, the current stock-taking should be used to recognize the value of what has been accomplished and consolidate those reform gains, prepare for realistic goals and priorities over the next two years, and ensure that aid reform work is kept in perspective. It should not be allowed to become an end in itself - far from being the central key to Cambodia's development, it is a guide to improving the enabling and supporting contributions of development cooperation. Thus a central objective improving aid reform work here now must be a determination to streamline, lighten and clarify processes, eliminating steps wherever possible, rather than adding any further ones. The reasons for making changes, the ways to move ahead, and the results being achieved need to be made understandable to wider groups of Cambodians, including at the line ministry, provincial and local levels, as well as to the National Assembly and civil society.

4. Development partners to build aid effectiveness into their organizational culture and everyday work practices.

- a. Experience in Cambodia shows the need for further changes, from the headquarters of external development partners - with the necessary political backing- to take aid effectiveness seriously in practice. As examples, they need to:
- b. Reflect aid effectiveness requirements in recruitment, TORs and performance assessment for staff, advisors and consultants
- c. Reinforce the primacy of the development mission in aid programs
- d. Hold managers to account for progress in aid effectiveness
- e. Give clear guidance on country capacity assessment for risk-management and alignment with country systems

[Lead action by heads of development agencies, with support from Cambodian experience by CRDB, aid missions, Technical Working Group chairs, and development partner facilitators.]

Rationale: As documented in the analysis of mutual accountability in the Report, the most immediate accountability priorities of many development partner agencies – to their home institutions, result frameworks and regulations – still often prevail over complying with country ownership and other aid effectiveness principles. To this extent, the aid effectiveness agenda will not be successfully implemented at the country level without some fundamental and systemic changes in the incentive structure in external development partner headquarters to promote behaviours of external development partner organisations and staff in line with aid effectiveness principles. This call has been re-emphasised under the Accra Agenda of Action where political leadership in external development partner agencies commit to change their organisational and staff incentives to promote such compliant behaviour. In Box 2, and elsewhere in the mutual accountability section, we have pointed to some of the good practices in Cambodia reflecting where some development agencies are evidently taking aid effectiveness principles more seriously and following through.

5. RGC to clearly link the National Strategic Development Plan/ Rectangular Strategy and the Budget, development partners to improve their projections and reporting.

- a. RGC needs to act at very high level, either to coordinate or rationalize the ministries/agencies concerned to align the NSDP/Rectangular Strategy, the public investment program and the budget.
- b. We suggest that a stronger Medium Term Expenditure Framework could now help clarify the allocations of both domestic and aid resources, and that the RGC should consider the option of leading a Joint Assistance Strategy (JAS).
- c. All development partners need to provide better reporting and projections on their aid flows to fit into the Government’s resource picture.

- d. RGC (with the support of the GDCC) needs to work out how to fill the NSDP monitoring gap. They could also sponsor joint evaluations for deeper analysis of progress.

[Responsibilities: Lead action by RGC, at a very high level. Coordinated action by the Ministry of Planning, the CRDB, and the Ministry of Economy and Finance on better reporting of activities and expenditure, matched by development partners.]

Rationale: Taken together, the NSDP and the “Rectangular Strategy”—a political vision of priorities adopted for each new Government—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 development partners have been following this leadership.

To make Cambodian ownership and leadership truly effective, however, the RGC will need to do more to implement its commitments to align the NSDP, the Public Investment Program and the budget, which also needs to reflect accurately external development finance on the resource side. The Public Investment Programme has been improved to become more than the “shopping list” that it was, but its link to the Budget still needs to be tightened. Such a strengthening would require greater coordination and/or rationalization between the Ministry of Planning, the CRDB, and the Ministry of Economy and Finance. This problem is so longstanding, and important, that we are convinced that very high level political intervention is needed, and overdue, to remove the obstacles. If the RGC still wishes the Plan to be credible to Cambodians and to steer development partners effectively, the link to the Budget—as the authoritative annual mechanism for allocating state expenditures—is critical.

The instrument of the Medium-Term Expenditure Framework is not being used in Cambodia for its potential function of providing a rolling 3 year projection for Government spending, which would yield the additional benefit of giving concrete guidance on Government priorities to external development partners and encouraging them to deliver longer term projections or commitments for their own support. At present, the Government apparently views this approach as being more usable in certain key sectors where strong strategies are in place, rather than across government.

So far, actions on the arrangements for monitoring, reporting and review of the Strategy have not been on track to meet the commitments in those areas. The necessary analytical and coordinating capacities have not been available, either within the Ministry of Planning, which has principal responsibility, or in its dealings with its fellow ministries and others. Whatever the ultimate reasons for the limited cooperation so far on strengthening the needed capacities in the Ministry of Planning—where the Review Team could mainly only document the symptoms and suggest some broad possible remedies—the fact remains that monitoring and reviewing the NSDP is an important commitment under the Cambodia Declaration aimed at strengthening national ownership

and alignment. The current Mid-Term Review will presumably have to serve as at least a broad guide on the priorities and progress at a broad strategic level.

The development partners, for their part, need to do a more timely and accurate job of projecting and reporting the flows and uses of their aid flows. Last year's reports on flows required several corrections and updatings, causing considerable delay. Apparently, this reporting performance has subsequently improved, but more can and should be done to generate a coherent overall picture of the flows and uses of aid. With the role of CRDB, Cambodia has the potential to be a role model in providing this picture as a base for planning, understanding and accountability, both to Cambodia and to home constituencies of donors. The need for longer-term commitments or projections of aid remains difficult to meet for many donors, but remains vital to improve as far as possible. The multi-year aid projections now being compiled by CRDB should begin to make it more possible for the Government to anticipate better the ODA share of its revenues.

A possible further step for the Government to align development assistance contributions better might be to initiate and lead a Joint Assistance Strategy (JAS) similar to those which are now in use in a number of countries. Part of the groundwork in Cambodia has already been laid by cooperation among the major multilateral external development partners on background country analysis. The RGC, building on its existing institutional framework for aid coordination, would be able to lead such a JAS more effectively than many other countries.²⁴ It could also be used to generate wide national participation, in line with the requirements for ownership. It would still of course have to be more tightly linked with a strategic framework for development, like the NSDP, and with the budget. A disadvantage is that it might be seen as another layer of planning, but if there is a concern with further asserting ownership and alignment with Cambodian priorities, this could be a powerful new tool, either in the near or medium term.

6. Ensure that public financial management reform is successfully extended government-wide.

- a. Public financial management reform is critical to Cambodia's development in order for the State to carry out its essential functions effectively and accountably, and thus it is also a key requirement for effective international aid through the state sector.
- b. Platform 2 of PFM Reform, now being undertaken to reach out across government with the kinds of major change and upgrading already implemented within the MEF, is a huge, long-term challenge, and it could fail or bog down.
- c. It will need enormous political, technical, staff supplementation and other support from RGC and development partners to succeed.
- d. Devoting the sustained attention and resources required to implement this priority may mean that some other desirable initiatives must wait. Possible examples

²⁴ The representative of one important bilateral donor volunteered to the IRT that his government would prefer to support and find its place in such a Cambodian assistance strategy rather than generating its own.

might be in launching ambitious new Program-Based Approaches, which in any event will be much easier with better financial management systems in place.

[Responsibilities: Led by MEF with consistent, strong, and long-term engagement and support by highest levels of RGC, other central agencies and line ministries, and all development partners, with activity coordinated through the CRDB and PFM TWG.]

Rationale: Work to improve Public Financial Management is not primarily concerned with the improvement of aid effectiveness. It is a major and indispensable contribution to a country's development on all fronts. The process has now achieved a substantial foundation and far-reaching plans for further stages in Cambodia through strong cooperation between the RGC through the Ministry of Economy and Finance, and a well-coordinated group of development partners, in which early pioneers were later joined by others. The demanding process has been led by a Technical Working Group chaired by the Ministry, with the World Bank facilitating the DPs' participation.

The multi-year program has now accomplished its first stage – mainly establishing the systems solidly at the centre, in the Ministry of Economy and Finance. The second phase, now being launched, of extending the improvements to line ministries, will be the most difficult and critical. It is expected to take up to ten years to realize the changes and benefits. This major Government wide program is clearly a top priority for the RGC and very substantial support will be needed from the Ministry of Economy and Finance and other parts of Government, as well as from development partners, for the political, technical, staff supplementation and other measures to make this vital set of changes a success.

The result at the end of the day should be a transformation in the efficiency and effectiveness of government spending in different areas to achieve the objectives of the NSDP. Meanwhile, it is already yielding benefits for improved aid effectiveness, for example through the central system changes and the piloting of program-based budgets in eight ministries.

7. Extend the use of Program-Based Approaches wherever Cambodian systems can support them.

- a. These approaches are already are taking several creative forms in Cambodia – it needs to be better understood on all sides that PBA does not just or mainly mean “budget support.”
- b. They can serve several vital objectives at once, to improve effectiveness and cooperation, and develop Cambodian capacity.
- c. The limited, but growing, progress with PBAs and their results justifies focusing efforts on this front in the next few years.

[Responsibilities: Initiative by Technical Working Group chairs, and development partner facilitators. Action by Ministers and heads of development agencies, supported by CRDB]

Rationale: The Report has noted the still-modest, but widening use of a range of different types of PBA in Cambodia in recent years, in line with the relevant commitments and the RGC's growing appreciation and support. In their varied forms, PBAs are giving development partners a practical framework to advance the principles of aid effectiveness, even those who cannot yet go as far as providing budget support.

PBAs are promoting greater development partner coordination and harmonisation, and also facilitating the division of labour and delegated cooperation among donors. Especially in sectors or sub-sectors with well-elaborated development strategies, these partnership platforms with the RGC and other DPs encourage alignment with country priorities and systems from the design stage. They also allow for a common joint assessment of the country system capacity, identify gaps and provide a basis for a shared strategy to address such gaps.

We have noted a number of common prerequisites that have been required for undertaking these approaches, and that they have been set up with careful preparation and often with specific "partnership principles" being negotiated between the ministries and development partners concerned to govern the arrangements. We have examined one major instance of criticism about slow progress and heavy requirements, but are not convinced that the demands have been excessive in the circumstances.

8. Support effective roles in aid management for the legislature and civil society.

- a. The involvement of CSOs in the formal processes of development and aid dialogue, from TWGs to the CDCF, now partial and uneven, could and should be expanded on a basis of greater mutual responsibility on all sides.
- b. Official development partners should offer to participate and provide full information in a regular, coordinated civil society forum on their respective programs and cooperation, with reciprocal engagement by NGOs, domestic and international.
- c. Official development partners should be prepared to provide sustained support for capacity development among civil society organizations and networks, and they should actively explore setting up multi-donor pooled arrangements for civil society support in Cambodia, of the kinds already in place in other countries.
- d. If development partners, the executive branch of the Government, and NGOs give greater emphasis to full reporting and engagement of the legislative branch in their development activities it will provide a more solid basis for transparency and wider accountability.

[Responsibilities: Lead action by leaders in the National Assembly and Senate supported by CRDB, with the backing of GDCC and CDCF participants and

other Ministers and heads of development agencies, Technical Working Group chairs, and development partner facilitators.]

For several major reasons, we suggest that it is time for expanded engagement and support of legislative and civil society roles, on a basis of greater mutual responsibility on all sides:

- a. More confident ownership and leadership of development and aid by the RGC;
- b. Greater political stability, and a gradual strengthening of the capacities of the legislature;
- c. Civil society carrying out huge roles in service delivery, growing in strength, and aware of its rights and responsibilities;
- d. External development partners supporting and helping channel resources through many of these organizations, and also being challenged by civil society to be accountable to Cambodians for their development work in the country.

In these respects, Cambodia is also in tune with some of the broader trends in other countries, as evidenced so recently at the Accra High Level Forum.

If external development partners and the executive branch of the RGC give greater emphasis to fully informing and engaging the legislative branch in their development activities it will provide a more solid basis for transparency and wider accountability. Some of the work of the legislative branch itself, with support from some development partners, has already begun to create a stronger basis for these potential roles.

Cambodian civil society organizations – so numerous and diverse that it is hard even to get an agreed estimate of their numbers - cover a huge range from major national and sectoral service delivery organizations, to thoughtful and expert advocacy organizations (and some less thoughtful and expert) all the way to a large and growing number of grassroots and community organizations expressing community engagement alongside the growing roles of local government. All of this underlines both the contributions of CSOs and their own responsibilities to be transparent and accountable.

Development partners have supported and helped channel development resources through many of these organizations, and are also challenged by civil society to be accountable to Cambodians for their development work in the country. For example, some events arranged in recent years by civil society groups to invite external development partners to publicly present and respond to questions about their activities represent a healthy innovation that the CSOs should continue and expand. Similarly the now partial and uneven involvement of CSOs in the formal processes of development and aid dialogue, from TWGs to the CDCF, could and should be expanded, promoting mutual responsibility on all sides.

9. Make capacity development the central target of development cooperation in Cambodia.

- a. Technical cooperation makes up one-third of aid in Cambodia, it is mainly not succeeding in helping develop capacity, and yet that purpose is becoming the prime rationale for continuing aid in this country, given the potential financial resources from other sources.
- b. A comprehensive strategy for capacity development is needed, and a promising combined approach is now coming forward from the CAR and CRDB, based on extensive reflection and research.
- c. This new strategy can and should build in: longer-term solutions to the challenges of civil service pay and other incentives; more “South-South” and “triangular” cooperation; support for independent institutions; and the strategic use of scholarships and other instruments

[Responsibilities: Lead action by CAR, supported by CRDB. Backing by GDCC and CDCF participants and other Ministers and heads of development agencies. Follow-up as well through Technical Working Group chairs and development partner facilitators.]

Rationale: With technical cooperation accounting for some one-third of all development assistance expenditure in Cambodia, and a growing sense of concern about continuing dependence and the lack of convincing indigenous capacity development, there has been a rising tide of determination to bring basic changes, including from the top levels of Government. As the Accra High Level Forum recognized, Cambodia shares this pressing problem with many other countries.

Many analysts and thoughtful practitioners in both government and external development partner agencies have been working on this challenge in this country. In the past year CRDB and CAR completed far-reaching analyses of the challenges of capacity development in Cambodia and relevant best practices, going far beyond technical cooperation to the whole range of structures, practices and norms that are part of developmental capacity. This is leading toward a new RGC guideline on technical cooperation and capacity development, stressing that capacity development is actually a much larger, longer-term process of which more effective technical cooperation is one part.

In our view, this work contains a compelling reflection of the challenges in Cambodia, some promising directions for progress, and some applicable insights from experience in other countries. The proposed actions for the RGC and its partners make up a roadmap that could not only help master these issues in this country, but help make Cambodia a world leader in doing so.

Our own limited observations include examples of excessive and inappropriate long-term dependence on expatriate advisors, institutions that are incapable of carrying out their prescribed mandates, and yet some excellent Cambodian talent and skills that are not

being properly used. We do not under-estimate the complexity or difficulty of the challenges, but we are convinced that the RGC should now use the base outlined above to challenge itself, and its development partners, to push ahead with a clear, far-reaching strategy to put capacity development, in its broadest sense, at the heart of Cambodia’s development effort.

The approach should be concerted, experimental where necessary, and build on existing and emerging examples of good practices and lessons. It should not neglect such parts of the solution as greater “South-South” and “triangular” cooperation; long-term support for independent institutions in Cambodia, such as think-tanks; and strategic use of scholarships and other instruments for helping build policy, organizational and technical capacities. Better capacity development is in our view a top priority for better development cooperation, and better development, for Cambodia.

10. Make mutual accountability real and balanced, through accountability to Cambodians.

- a. The existing commitments in this area (in the table below) should be made effective through the development partners and RGC emphasizing transparency and accountability on resource use via the legislature (in line with the Constitution) to Cambodian citizens and civil society. This could make a decisive breakthrough for aid effectiveness and productive development cooperation by 2010, with many additional benefits.
- b. By relying on the legislative platform, the growing pressures on both development partners and Government for better information and accountability would be legitimately and publicly channeled. Both would have incentives to comply in the pressure to provide and explain their respective sides of the resource picture, through these transparent processes.
- c. This change would work together with, and reinforce improvements in the different cooperation forums CDCF & GDCC, and the Technical Working Groups.

| RGC commitment | Development partner commitment |
|--|--|
| Undertaking the necessary reforms to enhance transparency and accountability in the use of available development cooperation resources | Providing timely, transparent, and comprehensive information on aid flows |
| Strengthening the role of all stakeholders in planning and implementing development programs | Making the planning and delivery of their assistance more transparent and accountable |
| Supporting common reviews at national and sector/thematic level to assess the impact of NSDP | Supporting common reviews at national and sector/thematic level to assess the impact of NSDP |

| RGC commitment | Development partner commitment |
|-----------------------|---------------------------------------|
| implementation | implementation |

[Responsibilities: CRDB tasked by the Government as a top priority to work on this set of goals with other key parts of the RGC and with development partners (probably through the Partnership and Harmonisation Technical Working Group) and with the GDCC and the CDCF as appropriate.]

Partners have common interests and different ones. By their statements and actions, both sides acknowledge some important differences of perspective on some fundamental issues, but at the same time enough common purposes and interests to continue working together for development of Cambodia. This sometimes goes beyond “agreeing to disagree” – it sets limits on working together in some areas, and on implementing some of the measures of CDAE and H-A-R Action Plan.

It is clear that there are some important limits to how far, how fast and where the RGC and its development partners can now move ahead together with further implementation, particularly in moves to use country systems, even though substantial progress has been made in introducing and operating program-based approaches in a number of areas. Substantial setbacks in the ability to use country procurement systems have not yet been able to be reversed.

At the same time, we find that there are certain basic reciprocal commitments in the broad area of mutual accountability that could now be advanced substantially. In the process they should bring major improvements to the entire cooperation relationship. Global assessments on the implementation of the Paris Declaration were based on three main requirements for mutual accountability:

- the availability and use of information,
- mechanisms for monitoring performance, and
- the existence of adequate incentives for compliance - the most difficult challenge.

In our view, the commitments of both the RGC and its development partners under the Cambodia Declaration (in the above table) provide a balanced, fair and feasible base to meet the first two requirements, and greatly strengthen the base for the third requirement. Realizing these commitments merits focused attention.

The Accra mid-term review of the Paris Declaration stressed that achieving mutual accountability for development cooperation is not a one-sided matter of partner countries having to account to external development partners, which would simply be unbalanced and politically unacceptable. Instead, it was understood and accepted that the most important route to mutually accountability is through transparency and public accountability, from both Governments and external development partners, primarily to the legislature and citizens of the country concerned.

The relevant commitments in sections 24-26 of the Accra Agenda of Action have sharpened the focus on this more productive approach to mutual accountability. We find that there are compelling reasons for both development partners and the RGC to give high priority to implementing these commitments over the next two years. We have noted that they are consistent with the Constitution of the Kingdom of Cambodia and particularly the constitutional roles ascribed to the National Assembly in Article 90. We also find that there is a growing level of informed interest at provincial and local levels, and in a widening group of Cambodian civil society organizations, with both the willingness and ability to contribute effectively to their country's development.²⁵

²⁵ The growing trend toward NGO certification according to standards of good practice and their internal governance is a further positive development.

Annex A. Paris Declaration Monitoring Indicators for Cambodia

| No. | Indicator | 2005 Baseline (2006 survey) | 2007 Status (2008 survey) | 2010 Target |
|-----|---|--------------------------------|------------------------------|-------------|
| 1 | Implementation of national plans and frameworks | C | C | B or A |
| 2 | Quality of PFM systems (CPIA rating) | 2.5 | 3.0 | 3.5 |
| 3 | Aid reported on budget | 79% | 85% | 90% |
| 4 | Coordinated technical cooperation | 36% | 35% | 50% |
| 5a | Use of country PFM systems | 10% | 12% | tbc |
| 5b | Use of country procurement systems | 6% | 16% | tbc |
| 6 | Parallel PIUs | 49 | 121 | 16 |
| 7 | In-year predictability of aid flows | 69% | 96% | 85% |
| 8 | Untied aid | 86% | 99% | > 86% |
| 9 | Use of programme-based approaches | 24% | 28% | 66% |
| 10a | Coordinated missions | 26% | 12% | 50% |
| 10b | Coordinated country analytical work | 58% | 17% | 70% |
| 11 | Sound performance assessment framework | C | C | B or A |
| 12 | Reviews of mutual accountability | Yes | Yes | Yes |

Source: AER 2008

Annex B. The Review methodology in brief

The independent review methodology (guided by an assessment matrix) has included the following elements:

- d. an inception stage with validation of the proposed approach through an informal inception workshop;
- e. extensive document review, including responses by Technical Working Groups (TWGs) and development partner agencies to a survey questionnaire sent out by CRDB;
- f. semi-structured interviews, individual and in focus groups, with some 50 Government officials, representatives of development partners, civil society groups and independent researchers;
- g. supporting quantitative analysis;
- h. triangulation of findings from different information sources, including across different respondent groups, sectors, etc. and different sub-Teams;
- i. cross reference to relevant international standards, and particularly the new Accra Agenda for Action; and
- j. feedback and validation through circulation of a draft Report to all respondents and key Phnom Penh stakeholders, with the opportunity for discussion in a feedback workshop.

Criteria for Assessment

In arriving at its overall assessment of notable achievements and challenges in implementing the Cambodia Declaration and the HAR Action Plan and the relevance of the aid effectiveness agenda for Cambodia, the Team applied several major standards, in accordance with its terms of reference:

- Concrete evidence, as reported, of measures and changes in behavior, good practices and obstacles, and explanatory factors in relation to the individual RGC and development partner commitments in the Declaration;
- Appraisal of the preceding conditions in different areas, the governing context, and an appreciation of the time required to achieve different kinds of change;
- Evidence of linkages to the development of national capacities in Cambodia and, wherever possible, to development results as targeted in the National Strategic Development Plan; and
- Evidence of relevant experience, good practices and obstacles encountered elsewhere.

The Team's inception report is available from CRDB for further detail.

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PERSONS CONSULTED

List of Persons Met/Interviewed

A. Royal Government of Cambodia

| Name | Position | Office/Organization |
|------------------------|--|---|
| 1. Sok Saravuth | Manager (Head, TWG Secretariat on Public Financial Management) | Public Financial Management Reform Committee, Reform Committee Secretariat, Ministry of Economy and Finance |
| 2. Tuon Thavrak | Director General (Head, TWG on Planning and Poverty Reduction) | General Directorate of Planning, Ministry of Planning |
| 3. Sam Sereyrath | Director (Head, TWG Secretariat on Education) | Department of Planning Ministry of Education, Youth, and Sport |
| 4. Lim Sothea | Deputy Director General (Deputy Head, TWG Secretariat on Education) | Ministry of Education, Youth, and Sport |
| 5. Sar Sovann | Deputy Director General (Deputy Chair of TWG on Land) | Ministry of Land |
| 6. Rong Chhorng | Secretary General National Chief of Personnel Section | National Committee for Population and Development Extraordinary Chambers in the Courts of Cambodia |
| 7. Suy Mong Leang | General Secretary | Council for Legal and Judicial Reform |
| 8. Buon Somony | Head of Administration and Finance Team | Council for Legal and Judicial Reform, Office of the Council of Ministers |
| 9. Chhong Hout | Head of Project, Legal Reform | Council for Legal and Judicial Reform, Office of the Council of Ministers |
| 10. Chhe Ly | Deputy Head of Judicial Reform | Council for Legal and Judicial Reform, Office of the Council of Ministers |
| 11. Pey Bumchea | Deputy Director, PMU | Council for Legal and Judicial Reform, Office of the Council of Ministers |
| 12. Kong Phallack | Deputy Chief of Legal Reform Project | Council for Legal and Judicial Reform, Office of the Council of Ministers |
| 13. Hong Sokol | Deputy Chief of Administration and Finance Project | Council for Legal and Judicial Reform, Office of the Council of Ministers |
| 14. Khol Dara | Deputy Chief of HR and Arbitration Team | Council for Legal and Judicial Reform, Office of the Council of Ministers |
| 15. Phan Pisey Noleala | Officer of PMU | Council for Legal and Judicial Reform, Office of the Council of Ministers |
| 16. Hang Chuon Naron | Secretary General | Supreme National Economic Council Ministry of Economy and |

| Name | Position | Office/Organization |
|-----------------|------------------|--|
| | | Finance |
| 17. Nao Thuok | Director | Fisheries Administration, Ministry of Agriculture, Forestry, and Fisheries |
| 18. Ty Sokun | Director | Forestry Administration, Ministry of Agriculture, Forestry, and Fisheries |
| 19. Sok Srun | Secretary of TWG | Forestry Administration, Ministry of Agriculture, Forestry, and Fisheries |
| 20. Eamg Savet | | Forestry Administration, Ministry of Agriculture, Forestry, and Fisheries |
| 21. Chea Sokhon | | Forestry Administration, Ministry of Agriculture, Forestry, and Fisheries |

B. External Development Partners

| Name | Position | Office/Organization |
|----------------------|---|---|
| 1. Dylan Gerald | Programme Manager | Aid Coordination Portfolio, Governance Cluster, United Nations Development Programme |
| 2. Marjolaine Nicod | Aid Effectiveness Adviser | Department for International Development |
| 3. Peter F. Murphy | Senior Public Sector Management Specialist | World Bank |
| 4. Tim Conway | Senior Poverty Specialist | World Bank |
| 5. Eric Beugnot | Director | Agence Francaise of Development |
| 6. Jacob K. Jepsen | Counselor | Royal Danish Embassy |
| 7. Mao Moni Ratana | Senior Program Officer | Royal Danish Embassy |
| 8. R. Natarajan | Consultant (Ministry of Planning) | |
| 9. Hildegard Lingnau | Senior Advisor (Ministry of Planning) | CIM (Germany) |
| 10. Hayashi Eiichiro | Aid Coordination Adviser | Japan International Cooperation Agency |
| 11. Misa Tamura | Aid Coordination Adviser | Japan International Cooperation Agency |
| 12. Nhean Tola | Program Officer (Planning Section) | Japan International Cooperation Agency |
| 13. Erin Soto | Mission Director | United States Agency for International Development |
| 14. Scott Drennan | Director | Program Office, United States Agency for International Development |
| 15. Angela Hogg | Deputy Director | Program Office, United States Agency for International Development |
| 16. Arthi Patel | First Secretary | Development Cooperation, Australian Agency for International Development |

| Name | Position | Office/Organization |
|------------------------|---|---|
| 17. Katherine Mitchell | Second Secretary | Development Cooperation, Australian Agency for International Development |
| 18. Peter Lindenmayer | First Secretary | Development Cooperation, Australian Agency for International Development |
| 19. Belinda Mericourt | Senior Program Manager | Australian Agency for International Development |
| 20. Hans van Zoggel | Management and Operations Consultant | Project Support Democratic Development through Decentralization and Deconcentration, Ministry of Interior |
| 21. Michelle Labeeu | Head of Cooperation Section | European Union |
| 22. Stephanie Bertrand | Chargee de Mission Cooperation Multilaterale | French Embassy |
| 23. Dominique Frelson | Conseiller de Cooperation et D' Action Culturelle | French Embassy |
| 24. Daniel Haas | Counsellor | Development Cooperation Embassy of the Federal Republic of Germany |
| 25. Srey Chanthy | Senior Agriculture and Land Analyst | Rural Livelihoods Development Portfolio, Canadian Cooperation Office (A CIDA Project) |
| 26. Linda Wishart | Counsellor, Head of Aid | Embassy of Canada |
| 27. Bunleng Men | Field Project Manager | Cambodia Canada Legislative Support Project |
| 28. Sodeth Ly | Program Officer | IMF Office |
| 29. Eric Sidgurich | Senior Country Economist | Asian Development Bank |

C. Other Stakeholders

| Name | Position | Office/Organization |
|------------------|------------------------|---|
| 1. Larry Strange | Executive Director | Cambodia Development Research Institute |
| 2. Ung Sim Lee | Director of Operations | Cambodia Development Research Institute |