



Kingdom of Cambodia

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ROYAL GOVERNMENT OF CAMBODIA

**BUILDING PARTNERSHIPS FOR DEVELOPMENT
AN UPDATE**

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TABLE OF CONTENT

| | <i>Page</i> |
|--|-------------|
| I. BUILDING PARTNERSHIPS FOR DEVELOPMENT: PRINCIPLES AND STRATEGIC IMPLEMENTATION CONSIDERATIONS | 1 |
| II. PROGRESS SINCE THE LAST CG MEETING | 3 |
| III. BUILDING PARTNERSHIPS: SOME EXAMPLES | 8 |
| IV. THE WAY FORWARD | 15 |

I. BUILDING PARTNERSHIPS FOR DEVELOPMENT: PRINCIPLES AND STRATEGIC IMPLEMENTATION CONSIDERATIONS

1. The RGC's overall objective of building development cooperation partnerships is to further support Cambodia's sustainable socio-economic development with equity to reduce poverty by effectively promoting and supporting the emerging partnership model of development cooperation, based on Cambodian leadership, ownership, and accountability, thus contributing to increased effectiveness of development resources, to increased resource mobilization, and to a sharper focus of development cooperation on human development, poverty reduction, and participatory decentralized development.

2. The principles for building these development cooperation partnerships that have been outlined in the RGC's working paper on "A New Development Cooperation Partnership Paradigm for Cambodia" would continue to guide Government's actions. These principles are:

Principles for Building Partnerships

- **A Common Vision and Shared Objectives** - firmly rooted and based on national and sectoral development objectives, with consensus reached on a mutually agreed set of policy directions, implementation strategies, results and expected outcomes.

- *A Common Vision and Shared Objectives.*
- *Agreed Governance and Accountability Structures.*
- *Harmonized Strategic Management and Operational Capacities.*
- *Learning and Adaptation Capacities.*
- *Building and Maintaining Trust.*

- **Agreed Governance and Accountability Structures** - well-articulated roles and responsibilities forming a "shared accountability" where partners would be collectively accountable for the success and operation of the arrangement, operating within well-defined decision making processes and rules where transparency in decision making, operations and access to information are particularly critical.

- **Harmonized Strategic Management and Operational Capacities** - the simplification, streamlining and harmonization of operational policies and capacity development practices particularly in the areas of financial management, program/project planning, procurement, audit and evaluation, staffing, information and communications systems, with credible reporting and monitoring that should lead to the development of common or joint program/project evaluation and audit reviews.

- **Learning and Adaptation Capacities** – Partnerships will be built cautiously and with sufficient flexibility in the arrangements to ensure that each can generate learning and innovation, experiences that can be adapted and replicated across sectors.

- **Building and Maintaining Trust** - Each partner must value the reliability and worth of the arrangement. Having trust means having confidence in one another that each partner will do what they say they will do, and mean what they say. Agreed mechanisms to support accountability, transparency of decision making, information and reporting, audit and evaluation are essential to sustain trust. There must be certain agreed codes of conduct and specific partnership rules of engagement where mutual decisions can be made openly, with clear mechanisms for problem identification and dispute resolution.

3. At the CG Meeting in June 2001, in a paper that provided an update on the progress that had been made, the Royal Government also identified the following strategic implementation considerations in developing effective cooperation partnerships with our development partners.

• **Ownership, Commitment and Shared Resources.**

Development partnerships are seen as governing modalities of managed relationships that facilitate the achievement of sectoral and thematic outcomes through coordinated and more formally integrated activities involving multiple projects, sub-programs and supporting activities. It is recognized that within Government there are gaps in the management capacities and that efforts to build capacities for national execution need to be dealt with openly and in a transparent manner.

• **Flexible Partnership Modalities.** The choice of development partnerships models or approaches would depend on what can best serve the interests of Cambodia. At present, two distinct type of partnerships are envisaged: national partnerships, such as between the State, civil society and private sector; and those partnerships that involve donor countries, international agencies, private sector investors and NGOs

• **Starting Gradually, Getting Priorities Right and Using Pilots.** The priority and sequencing for pilots that are linked to national development goals and priorities has already been established. The pilot initiatives need to be managed strategically to ensure that lessons learned can be captured and disseminated, and that national capacities are developed and sustained.

• **Identifying and Differentiating Partner Roles.** It is envisaged that the composition of partners will depend on the purpose of the partnership. In development partnerships involving external donors and NGOs, the Lead Partner should, in all instances, be a national organization (this could be a central or local level of government, possibly a national NGO or private sector organization). The role of the External Lead Partner would also vary, depending on comparative advantages and strengths of the partners and the requirements of the partnership. The External Lead Partners should act as a catalyst, facilitator, technical and resource advisor. The role and responsibilities of the External Lead Partner or facilitator are more than just providing resources, it requires building trust, having expertise on the ground to interact with and build the confidence of the sectoral ministry(ies) and other donors, and a willingness to be flexible in both the timing and use of whatever resources are available. It is therefore critical and crucial that donors organize and mobilize themselves to optimize the comparative advantages of individual donors. In particular, the major lending agencies should forge stronger relationships with UN agencies and some bilateral agencies.

• **Developing National (in-country) Coordination Capacities.** The Strategic Management Framework for development partnership must have capacity development as the centerpiece and should focus on national execution of all technical interventions in

Strategic Implementation Considerations

- *Ownership, Commitment and Shared Resources.*
- *Flexible Partnership Modalities.*
- *Starting Gradually, Getting Priorities Right and Using Pilots.*
- *Identifying and Differentiating Partner Roles.*
- *Developing National (in-country) Coordination Capacities.*
- *Strengthening External Donor Capacities for Aid Management & Coordination.*
- *Implications for Good Governance and Administration Reform.*

order to boost national capacity and competencies at local and central levels of the Government as well as the civil society and the private sector.

- **Strengthening External Donor Capacities for Aid Management & Coordination.** There is room for strengthening external donor coordination at the country level. Internal donor policies, practices and procedures also need to be closely examined to ensure that they are supportive of Government's policy thrusts for national ownership, leadership and overall coordination, specifically in the context of developing collaborative partnerships.
- **Implications for Good Governance and Administration Reform.** Reforms in governance and public administration are a major part of the solution to a number of existing aid management/coordination problems and issues. Performance and existing capacity constraints within the civil service need be addressed by both civil service reforms and reforms in services delivery. This will require *enlightened management* on the part of both the Royal Government and its external partners on how very limited public sector human resources can best be managed in the short-term, and realistically developed over the longer term.

II. PROGRESS SINCE THE LAST CG MEETING

4. Significant progress has been made since the May 2000 Informal Working Session on Partnerships at the 2000 CG Meeting. The Prime Minister has appointed CDC/CRDB as the RGC's Partnership Focal Point within the Government. An Inter-Ministerial Steering Committee to Strengthen Development Cooperation Partnerships was formally established in 2001. Key central agencies and those sectoral ministries that were at an advanced stage of discussions on sectoral development partnerships, (such as Health, Education, Rural Development, Agriculture, Women's Affairs, and others) are represented on the Steering Committee. The membership of the Inter-Ministerial Steering Committee, headed by the 1st Vice-chairman of CDC, consists of key officials in-charge of Partnership arrangements (either Minister or Secretary/Under-Secretary of State). The Secretary General of the CDC/CRDB also serves as the Secretary General of the Inter-Ministerial Steering Committee. The objective is to ensure that key officials are seriously involved in policy decisions and operational actions for capacity development, integration/enhancement of information and monitoring systems, and for assessing progress and identifying issues during the transition to fully functioning development partnerships, covering dimensions such as procedural harmonization, ownership, and capacity indicators.

5. As the *Partnerships Focal Point*, CDC/CRDB is responsible for coordinating the resource mobilization activities of the Government, and to provide support to ministries/agencies to enable them to effectively manage the process of establishing partnership arrangements with their national and external partners. However, the *Lead Responsibility* for sectoral partnerships will remain firmly in the hands of each sectoral ministry/agency. The CDC/CRDB is also responsible for expanding the development management information networks within Government to ensure that there is a functioning government-wide system to monitor the implementation of development programs, and for coordinating with sectoral ministries on issues related to resource mobilization. These tasks, that by their very nature require consensus building, have involved and will continue to

involve a lot of work and discussions. Under this institutional framework, the central agencies such as the Ministry of Planning (MoP) and the Ministry of Economy and Finance (MEF) would act as functional service providers in their areas of specialization. The Ministry of Foreign Affairs and International Cooperation (MFAIC) will facilitate diplomatic channels for ODA funds from bilateral donors. The role of the Council for State Reform in these Partnership arrangements is to lead and manage the various policy reform efforts of the Government.

6. The Inter-Ministerial Steering Committee to Strengthen Development Partnerships is supported by a Secretariat, located in CDC/CRDB. In addition, Partnership Working Groups in four ministries, Health, education, Agriculture, and Women and Veteran Affairs have been established. The process of building *national partnerships within the Government* has begun and RGC is determined to move ahead in forging relationships with all of its national development partners.

7. The RGC is aware that existing regulations governing the role and responsibilities of some ministries/agencies overlap, that sometimes pose additional challenges in coordination within the administrative structure of the Government as well as in building effective partnerships. The Administrative Reforms currently underway will be addressing these issues.

Partnership With Private Sector

8. The RGC considers the private sector, both domestic and foreign, as the “engine of growth”. It now serves as an important source of know-how, skills training, investment, and as a source of tax revenues. The RGC recognizes that improving the business climate and creating an enabling environment for private sector development are key prerequisites for fostering growth, creating jobs, reducing poverty and achieving sustainable economic development. Challenges for the development of private sector include: weaknesses in the legal system, costs of and access to finance, inadequate market information on consumer trends, shortages of skilled labor, inadequate infrastructure that restrict access to markets and raw materials, the quality of the ports, the high cost of essential services namely electricity, water supply, and telecommunications service. In response, the RGC has accorded a high priority to creating conditions that will foster investor confidence.

9. To remove the critical bottlenecks impeding the development of the private sector as well as to provide inputs in the processes of administrative and regulatory reforms, a Government-Private Sector Forum was established in December 1999. It has been meeting once every six months and is supported by seven *Business-Government Sectoral Working Groups*, which meet monthly to identify and recommend actions to resolve sector-specific problems. Each of the seven sectoral working groups is run by a committee consisting of members from the business community and from the government. The seven sectoral working groups include: Agriculture and Agro-industry; Tourism; Manufacturing and Distribution; Legislation, Taxation and Governance; Services Sector including Banking and Finance; Energy and Infrastructure; and Processing for Exports. It is in these specific areas

that the *Partnership with the Private Sector* will achieve its most significant gains as we expand the level of participation of all stakeholders.

Partnership With The Civil Society

10. The adoption of the Commune Administration and Election Laws in 2001 and the successful election of 1,621 Commune/Sangkat (C/S) Councils in February 2002 represents a bold step forwards in the Royal Government of Cambodia's efforts to promote more responsive public service delivery and to enhance the participation of the Cambodian people in local socio-economic development to alleviate poverty. The election of the Commune Councils has deepened the foundations of democracy and will accelerate the governance reform process through decentralization. The RGC is aware of the immense challenges it faces in formulating and refining the policy and regulatory framework, mobilizing sufficient domestic and external financial resources, developing broad awareness of the concepts and principles underlying democratic local governance and building the capacity of both the Commune Councils and government institutions to effectively carry out their responsibilities and mandates. The Royal Government, however, is confident that the momentum it has already achieved will enable it to meet the challenges. Nevertheless, achieving sustainable gains will require time and will depend in large part on the level of partnerships that are build between the various jurisdictional levels within the government; between government and the donor community; and between government, international and national partners, the local Councils, and especially the civil society.

11. In the first year of the Commune/Sangkat (C/S) Councils mandate, training, capacity building and awareness raising are recognized as top priorities. These efforts will be focused not only on the councils themselves but also on the citizens to whom they are accountable, the civil servants charged with providing support to the councils and in fact the entire local development community with whom the councils must interact. The planning and budgeting process is particularly critical as it will lay the foundation for participation, democratic and transparent decision-making on the use of local public funds, accountability of the councils to their electorates, and the mobilization of financial and human resources for gender sensitive socio-economic development of the commune. As an element of the regulatory framework, under each C/S Council a Planning and Budgeting Committee (PBC) will be formed, consisting of C/S counselors, civil society representatives and one man and one woman from each village. Under the chairmanship of the Commune Chief, the PBC will ensure that broad interactions take place between the commune and communities in the identification of local priorities and will provide assistance in the mobilization of human and financial resources for turning plans into action.

12. The Royal Government is encouraged by the partnerships with NGOs that are developing at provincial level, through the initial capacity building programs, and see this as an important step towards longer-term collaboration. The Commune Councils will need ongoing support beyond formal training sessions, and provinces have been encouraged to establish forums for dialogue with NGOs to promote and guide partnership arrangements. The District Planning Integration process, officially adopted by the Ministry of Planning and reflected in the decentralized regulatory framework, is a particularly strategic feature for

negotiating partnerships through the alignment of public sector, NGO and C/S plans focused to respond to expressed local priorities.

13. The Royal Government has established a Commune/Sangkat Fund to finance both the administrative and development budgets of the C/S Councils. The C/S Fund is planned to be financed from both the national budget and contributions from Cambodia's external development partners, where the combined resources will be subject to a common financial control system. In the 2002 national budget, one percent of domestic revenues, equivalent to some US\$ five million, have been allocated to the C/S Fund, and an additional US\$ 1.4 have been provided through UNDP by Sweden and the United Kingdom. While the Government remains committed to increasing the percentage of domestic revenues allocated to the C/S Fund, given its limited budgetary resources, the donor contributions will remain essential to further the democratization process at the grassroots level and to institutionalize the processes of participatory decentralized development. The C/S Fund, as a joint financing vehicle, can serve as an important mechanism for developing effective Government-Donor-Civil Society partnerships in this high priority area.

Government-Donor Partnerships

14. Forging effective partnerships with our external development partners is the other challenge that the RGC would now like to seriously embark upon and we would need the support of all our external partners to face this challenge. For the RGC, the starting point for building these mutually beneficial partnerships are the OECD/DAC guidelines and criteria for building partnerships and capacity development activities that were agreed to by all donor agencies and countries at the OECD/DAC Conference in 1999. A systematic implementation of these guidelines and criteria, with established benchmarks, will help the Government not only in effectively managing its development programs but also taking ownership of its development process. The Government and our external development partners need to develop mechanisms that provide for a systematic assessment of the capabilities of the lead agencies, facilitators and proponents as well as for checks and balances between donors who participate in Partnership arrangements under the SWAP and those who intend to continue on with the traditional project-based assistance. The Government would also welcome progress by our external development partners in simplifying and harmonizing their internal rules and procedures to minimize the extra-ordinary burden on the limited capacities within our implementing agencies, and equally importantly, the harmonization of the varied capacity building practices of our external partners.

15. Over the last decade, significant progress has been made at various international forums to strengthen development cooperation efforts of the international community. These have included UN General assembly Resolutions, the OECD/DAC as well as joint initiatives of the World Bank, OECD/DAC, and the UNDP. In all of these arenas the international community has placed a special emphasis on the ownership of the development process by the recipient countries. In practice, however, there appears to be a disconnect between donor countries policies at the national headquarters and the approaches adopted by those responsible for the delivery of the donor supported programs on the ground. This

inconsistency between the policies of the national governments of some donor countries and the practices on the ground are problematic for all developing countries that have limited domestic capacity, especially Cambodia.

16. Under the CG mechanism, a number of Government-Donor Working Groups exist that follow up progress on the implementation of various policy and reform issues. These include Government-donor Working Groups on: (i) Administrative Reforms, (ii) Demobilization, (iii) Fiscal reforms, (iv) Natural Resources Management, including land, (v) Governance, and (vi) Social development. From RGC's perspective these Working Groups have made an important contribution in moving forward the implementation of the reforms. *The RGC would like to propose that an additional Government-Donor Working Group should be established, under the CG mechanism, as soon as possible that will examine issues related to Government-donor Partnerships, make recommendations to strengthen the partnerships, and to follow up and periodically report on progress made.* Such a group should function along the line of other Government-Donor Working Groups dealing with the reform issues.

17. The UN system agencies in Cambodia have developed a United Nations Development Assistance Framework (UNDAF) for Cambodia. It is RGC's understanding that the UNDAF serves as the umbrella for the country cooperation frameworks and country programs of all UN agencies. *The Royal Government would like to propose that instead of the current practice of separate annual and mid-term reviews of individual UN agency's country programs, the official reporting of the findings and recommendations of the annual and mid-term reviews of individual agencies be conducted through one coordinated UN system and Government review, in which all UN System agencies and Government ministries/agencies participate at the same time.* Such an approach will ensure that the individual agency's programs conform to the UNDAF objectives, but more importantly, it will minimize the burden on the Government by reducing the number of program review sessions. It will also, increase coordination between UN system agencies as well as between the various ministries and agencies of the Government.

Partnerships Among Donors

18. The coordination among our bi-lateral and multi-lateral partners could be improved. Partnership mechanisms among our external partners to arrive at some agreement on the nature of the participation, in at least the major areas, would minimized situations where the Government is called upon to be the arbitrator. From the Government's perspective the role of the individual bi-lateral donors or multi-lateral institutions in partnership arrangement should be based on an assessment of the capacities on the ground and the comparative advantages of the donor or multi-lateral institution rather than on donors internal priorities and procedures. The capacity of a partner depends on much more than simply resources, it requires building up trust, having expertise on the ground, which can then build the confidence of the sectoral ministries and among other donors, and a willingness to be flexible in both the timing and use of whatever resources are available. It is therefore critical and crucial that Donors organize and mobilize themselves to optimize the comparative advantages of individual Donors. In particular, the major lending agencies should forge

stronger relationships with UN agencies and some bilateral agencies (which traditionally have a stronger in-country presence)

III. BUILDING PARTNERSHIPS: SOME EXAMPLES

19. There are many examples where the Royal Government has successfully begun to build partnerships with its many national and external development partners. At present, these partnerships are at various stages of the programming cycle. In the case of the Seila Program, the partnership arrangements cover all aspect of the programming cycle through joint planning, programming, budgeting/financing, and management of the Program implementation. The RGC now would like to extend these partnership arrangements to include the monitoring of the implementation of Seila Program. In the Education and Health sectors, the partnership arrangements are not as advanced. So far, we have succeeded in building partnerships to carryout joint planning and programming for these sectors. We now have an Education Strategic Plan (ESP) and a detailed Education sector Support Program (ESSP). A joint Health sector review has been completed and a strategic plan for the Health Sector for the 2003-2007 is being finalized. It is the Royal Government's hope that the spirit of partnership will continue to prevail and guide the work in these two critical sectors as we begin to look at the budgeting/financing and implementation issues. A more detailed discussion of these three examples is presented below.

Seila Program

20. Seila Program has been designed as an aid mobilization and coordination framework to support the Royal Government's decentralization and deconcentration reform efforts and as such developing and maintaining strong partnerships with the donor community are essential to its success. The Seila Task Force (STF), and its Secretariat housed in the Council for the Development of Cambodia, devote considerable attention to both individual and collective dialogue with donors, through the Seila Forum to: (i) develop a common shared vision of Seila; (ii) establish mutual commitments among partners; (iii) monitor the program's financing requirements and strategy; (iv) reach consensus on the design/re-design of Seila to ensure that it remains consistent with the evolving reforms; (v) develop a common program evaluation framework; and (vi) develop a unified strategic performance-reporting format. At least two meetings between the STF and the Seila partners are organized each year: one at the beginning of the annual programming and planning process to establish consensus on strategic direction and clarify indicative resource commitments and one at the end of the process to review the draft annual work plan and budget prior to approval.

21. Central to the design of the Seila Program is the strengthening of the concepts, systems and structures necessary for promoting broad partnerships around the reform efforts to promote the deconcentration and decentralization of responsibilities and resources to provincial administrations and Commune Councils. For planning and budgeting, the Government programming framework includes all three jurisdictional levels: national, provincial and communes. With a focus on the sub-national level, the primary roles within Government and civil society around which partnerships are promoted through Seila are:

National-policy formulation and national programming; Provincial-deconcentrated management and provincial programming; District-extension of services; Commune-local management and commune programming; Village-participation. The \$ 95 million, second phase of the Royal Government's Seila Program, 2001-2005, will serve 17 provinces and 1,200 communes.

22. *Partnerships at the National Level:* Seila Program promotes both inter- and intra-governmental partnerships as well as partnerships between government and the donor community in support to the reforms. The Seila Task Force, chaired by the Minister of Economy and Finance with senior officials from 7 Ministries and the Council for Administrative Reform (CAR), oversees the annual programming of resources mobilized under Seila, ensures that annual work plans and budgets are consistent with the reforms, authorizes the annual allocation of resources to 7 Ministries and 17 provinces, and reviews performance to ensure that policy lessons are formulated and forwarded to the relevant policy making bodies of the Royal Government; primarily the NCSC, the CAR and the Council of Ministers. Since the establishment of the NCSC, technical and financial resources mobilized under Seila for national level support to decentralization have been almost exclusively directed to the work of the NCSC Sub-committees and core Ministries to assist in the formulation of the regulatory framework and the design and implementation of national training programs for C/S Councils. Through the programming of resources, the development of work plans to support national level efforts and strategic workshops, considerable attention is focused on ensuring that effective dialogue is maintained between Ministries and between the national and provincial authorities to promote consensus between the policy makers and those responsible for much of the policy implementation.

23. *Partnerships at the Province Level:* The devolution of greater authority to the provinces is both fundamental to the success of decentralization and inherent to the deconcentration reform process. This implies an enhanced role for the provinces in promoting partnerships to support the reforms and similar to the national level includes inter- and intra-governmental partnerships as well as partnerships with agency programs. Provincial governors have been delegated considerable authority by the NCSC for managing the implementation of the regulatory frameworks and thus must ensure both effective coordination and partnerships between line departments and effective partnerships between the central Government and the newly elected local governments. In partnership between the NCSC and the STF, the provincial management structures under the Governor that are required to support these efforts are being established and/or realigned consistent with the institutional roles defined under the reforms. The existing Provincial Rural Development Committee (PRDC), chaired by the Governor, continues as a forum for horizontal dialogue within the provincial administration with increased focus on the reforms. The existing PRDC Executive Committee (ExCom), also chaired by the Governor and including the Directors of core Provincial Departments, continue to manage execution of the reforms at provincial level through annual work plans and budgets which in 17 provinces are financed primarily through resources mobilized under Seila. To promote partnerships in support to the reforms between the provincial administration and the international and national agencies at provincial level, Local Development Forums have been established with increased focus on the decentralization reforms and support to C/S Councils. With the top priority given to training of

C/S Councils in 2002, only 3 months after the local elections, partnerships with over 50 agencies in Seila-supported provinces have been secured at province level resulting in the participation of 120 IO/NGO staff in the training programs for C/S Councils.

24. *Partnerships at the District Level:* While not a level for budgeting purposes, the Districts have an increasingly strategic role as the lowest level of the State in the provision of enhanced public services to the C/S Councils and the local population. Under the partnership framework, the district is considered as the appropriate level for aligning provincial and local plans to maximize the use and predictability of limited resources. The District Planning Integration process, piloted under Seila since 1998, has now been formally adopted by the Ministry of Planning and the NCSC in the planning regulations that apply to both the province and commune. On an annual basis in September/October, a workshop is organized in each district to align commune development plans with provincial development plans and national programs. Attended by authorities from each commune/sangkat, representatives from provincial departments and all agencies operating within the district, priorities and programs are reviewed and discussed and agreements reached on the allocation of resources and activities for the following year. In 2001 alone, over 10,000 agreements were secured for support to locally identified priorities through these workshops enhancing the partnership between government, agencies and commune authorities.

25. *Partnerships at the Commune Level:* As a newly elected, local government, C/S Councils will be expected to promote local partnerships with a range of service providers, private sector, civil society associations and communities. Under the C/S Council, a Planning and Budgeting Committee, with a man and a woman as members, will be established to promote partnership between villages and the Council in the formulation of the commune development plan and budget and subsequent involvement in implementation of activities. Local information strategies and structuring relationships with local associations in the commune as well as with government and non-government service providers must be incorporated into capacity building efforts for both C/S Councils and those providing core support services.

26. All of the technical and financial resources mobilized under Seila are annually programmed through the structures and mechanisms described above with an increasing knowledge of the overall domestic and external resources available at various levels. The resources are then systematically transferred to institutions responsible for implementation. In strengthening the concepts, systems and structures at all levels, the partnership framework promoted by Seila is being mainstreamed within governance resulting in improved horizontal and vertical relationships, a more balanced approach in resource allocations across institutions and territories and more efficient use of the limited resources available to support both governance and development objectives necessary for poverty reduction.

Education

27. Over the past 12 months, MOEYS and its development partners have taken a number of significant steps to gradually operationalize partnership arrangements for education sector

development. Operational arrangements for education partnerships have taken a tighter, more formal nature, with the formulation of the Education Strategic Plan (ESP) in March 2001 and subsequently, the more detailed Education Sector Support Program (ESSP) was reviewed by Government/MOEYS, donors and NGOs through a joint process, incorporating task forces and review groups made up of partner representatives in late June 2001. This process culminated in a high level Education Round Table, which broadly endorsed the specific program components, financing arrangements and ESSP work plan. This process has provided a foundation for a shared understanding and agreement on program priorities, financial planning and management arrangements and key capacity building requirements.

28. As part of this operationalization, partners have recognized the need to strengthen individual and mutual capacities to be effective education partners. Within Government, there has been an initiative to establish an education finance monitoring committee (EFMC) between MOEYS and MOEF, to provide policy oversight and guidance on financial planning, management and monitoring within the sector. Within MOEYS, the high level policy and planning group (PPG) has been reinforced through the establishment of a technical and capacity building coordination group (TOBOG) and financial planning coordination group (FPCG). Selective technical assistance has been provided to facilitate the planning and operations of these groups.

29. The donor and NGO community have also taken steps to strengthen partnership capability. The education sector working group (ESWG) has been reorganized and some technical assistance is being provided to facilitate its functioning, especially for ESSP annual review planning and regular sector performance monitoring. At the same time, the NGO community has established a formal NGO education partnership (NEP) to facilitate policy and strategic dialogue with Government and donors on education sector development.

30. MOEYS has also recognized the need to broaden partner consultations, including the private sector, civil society and other groups. As part of ESSP review processes in 2001, MOEYS hosted a Governor's Education Forum, designed to familiarize Governors and National Assembly representatives with proposed reforms. This information exchange has been extended to civil society and community groups through provincial forums and radio and newspaper information programs in late 2001 and early 2002. Senior MOEYS policy makers have also made specific presentations and progress reports to the media, National Assembly, Council of Ministers and the international community to communicate development in the sector.

31. A central thrust of the education reforms is the priority for capacity building for decentralization of the financing and management of the education reforms, through Government's own systems rather than parallel ones. Partners have responded positively in a number of ways, including the introduction of mixed budget support and investment modalities consistent with ESSP priority programs. Donor and NGO support for capacity building at central, provincial, district and cluster/community levels has also been mobilized, within an agreed ESSP capacity building framework and action plan formulated in late 2001/early 2002.

32. Partners recognize that effective sector development and systematic planning requires predictability in resources availability for the sector. As a first step, partners jointly prepared and reviewed an education medium term expenditure plan (MTEP) as part of the ESSP 2001 review and appraisal process. In consultation with MOEF, the MTEP has been further elaborated into detailed forward financial projections for priority programs, within both the recurrent and capital budget frameworks. Budget implementation will be a central concern for partners in the ESSP 2002 review.

33. In particular, partners recognize that strengthening sector and program performance monitoring is critical to enable education partnerships to move forward. As part of this process, MOEYS with donor support, is currently finalizing a capacity building plan for monitoring and evaluation to be incorporated in a revised ESSP framework by mid 2002. As part of this joint monitoring process, a common policy action matrix was jointly agreed by partners in early 2002, as a basis for policy monitoring on an annual basis. This matrix has been supplemented by the formulation of a set of sector and program performance targets and indicators that will be the basis of the education sector performance review in September 2002.

34. Another key milestone in the education partnership process is the gradual harmonization of individual donor program review missions with the annual ESSP review process. A number of donors have already taken steps to harmonize these arrangements for 2002. This will provide an opportunity to incorporate specific program and project review findings and lessons learned into the broader sector performance review process. In addition, specific reviews of donor and NGO financed pilot innovations and institutional support programs will be incorporated into a capacity building performance report as part of ESSP 2002 review.

35. Partners also recognize that education sector development needs to respond to and enable broader institutional and financial reforms. A number of planned initiatives include active partner involvement in the MOEF led financial reform initiative, significant inputs into the public expenditure review (PER) exercises in mid/late 2002 and an education decentralization study, linked to broader MOI led reforms. As part of ESSP implementation, priority programs include introduction of selective staff performance incentives within the broader national public administration reform (NPAR) framework. All these initiatives are designed to form effective partnerships with other Government ministries, provincial authorities, commune councils and civil society groups.

36. Partners also are cognizant that medium-term policy and strategic successes need to be incorporated into longer-term sector planning. Partners are therefore collaborating effectively on integrating ESP and ESSP into long-term Education For All (EFA) action plans up to 2015. Partners also recognize that education sector developments need to be effectively integrated into broader socioeconomic development plans (SEDP) and poverty reduction strategic plans (PRSP). As a first step, partners are collaborating on the implementation of a poverty impact monitoring study for education, which will feed into the ESSP performance report to be presented as part of the ESSP 2002 review.

Health Sector

37. Development of sector-wide management capacity in the Ministry of Health is the reason for - as well as an outcome of - strengthening partnerships in the health sector. The plans for sector-wide management in the health sector dates back to 1999 when the Ministry of Health and its partners explored several options and compared the advantages and disadvantages of sector-wide approaches in health. The reasons for moving towards sector-wide approaches included the need to improve efficiency, to promote partnerships and collaboration, and to enhance government leadership in managing the resources available in the sector. In mid-2000, the Ministry of Health formally adopted the sector-wide management approach.

38. In late 2000 and early 2001, a team of senior MOH professional staff and four independent consultants conducted a comprehensive review of the health sector (Joint Health Sector Review — JSR) that examined trends in health policy and regulation, health service delivery priorities, issues with sector financing and the impact on consumer behavior and equity of health service use among the poor. The review was a key milestone in partnership development as it was co-financed by the Ministry, ADB, DFID and WHO working in close consultation with GTZ, UNICEF and the World Bank. The findings were shared and peer reviewed among all other partners active in the health sector. The JSR is now considered to be a principal evidence base for all health sector strategic planning exercises in Cambodia, including those conducted by individual donors and international agencies programming their medium-term inputs.

39. In August 2001, the Ministry mobilized a team of professional staff to work full-time - as independent consultants - in the design of the strategic plan. The costs of their activities are jointly financed by the government, WHO, UNICEF, UNFPA and GTZ. WHO also provides a long-term resident adviser — with funds from UNDP and UNFPA - to the Ministry for sector-wide management development whose inputs are complemented by several short-term consultants financed through DFID.

40. Within the period of November 2001 — January 2002, the Ministry conducted several participatory workshops to review and analyze the findings of the joint sector review in deciding on priorities and strategic options. Some of these meetings were internal, as they were arranged to get the views and perspectives of those working at the periphery. Some were participated by NGOs and external agencies but integrated with government staff including those working at health facilities.

41. Within MOH, several working groups have been set up to work on priority areas of health service delivery, quality improvement, human resource development, behavioral change, financing and institutional development. The activities of these working groups are financed by WHO, UNICEF and GTZ and in-country TA was also mobilized from the same partners including USAID-funded NGOs and MEDICAM to facilitate the various design activities. Throughout the design process, as and when needed, financial and technical assistance for related activities such as consultative workshops continue to be provided by different donors and organizations.

42. External partner agencies are updated regularly on the developments of the design process through the CoCom (the MOH Coordinating Committee of health sector partners), and through a separate meeting among donors and international organisations currently coordinated by WHO.

43. The Ministry has also tabled the need for a medium-term expenditure framework (MTEF) that will identify the costs of, and resources available for various activities in the strategic plan. At the MOH International Relations Unit — a database has been created to record the inputs of various external agencies by program activities and location within the country. The MTEF will be a crucial tool in enabling the government and partners to jointly plan and negotiate on resource allocation decisions.

44. Likewise, the sector performance indicators and the Monitoring and Evaluation framework will provide an additional basis for coordinated planning and management of the health sector program for the next five years.

45. Concurrently, ADB, World Bank and DFID have also developed their new country program of support that pools both loan and grant funds into a joint project planned for 2003-2007. The design of various elements of this project has been matched by strategic approaches tabled through the Ministry's sector-wide plan.

46. The current environment has been extremely conducive towards sharing of information and promoting dialogue. The partnerships are strong between the Ministry and external agencies at mid-level technical as well as among senior management and decision-makers. The leadership of the Ministry has exhibited strong ownership that effectively persuades donors and international organization to take note of and support the notion of developing a common vision for the sector. Many agencies have mobilized technical and financial assistance and many more have come into the circle to pick up the remaining gaps and shortfalls.

47. Likewise, the design process has also opened a lot of doors within the Ministry. Strong partnerships have emerged between various technical departments that used to function vertically and many activities have been conducted to enable the participation of field level personnel — right down to the health centre level — in designing the various strategies. Efforts are also being made to bring in the views of other Ministries, especially the Ministry of Economy and Finance, and the Ministry of Planning. The strategic plan for 2003-2007 will connect to the government's Poverty Reduction Strategy in tabling a pro-poor policy for the health sector. It would be important to keep the current process of partnership alive throughout the period of implementation, monitoring and evaluation as well.

IV. THE WAY FORWARD

48. The Royal Government of Cambodia is committed to building partnerships for development with all its national and external partners. The RGC would like to note that although much progress has been made in building partnerships for development since 1997, some examples of which have been outlined in the preceding section, a situation remains in which a significant proportion of ODA still bypasses the national budgeting process because of direct funding by donor agencies to project implementers. This situation has resulted in inadequate Government ownership of many development projects, in insufficient coordination by donor agencies regarding sectoral issues and capacity building; and in a proliferation of different procurement, disbursement, auditing, and progress monitoring procedures among agencies. It has also resulted in capacity depletion and has adversely affected Government's institution building efforts. The RGC intends to show its political will to assume ownership of its development agenda and provide leadership of the process to achieve this goal. The Government and the external partners need to engage in an open consultation process to agree on a national development agenda for their support, particularly, in the area of poverty reduction. Once common objectives have been established, donors will need to adjust their own strategies and activities to the Royal Government's priorities. Capacity building must be dealt with through an integrated approach that also involves civil society and the private sector. This is an area where true partnerships could lead to major efficiency gains.

49. The process of building partnerships with our national partners is well underway and a lot still needs to be done. Institutional structures have been set up to strengthen coordination within the Government. Ministries and agencies are also taking actions to strengthen coordination between the center, provincial and sub-provincial levels. A *Government-Private Sector Meeting* is held once every six months to address impediments to private sector growth, supported by seven *Business-Government Sectoral Working Groups*, which meet monthly to address sector-specific problems on an ongoing basis. Each sectoral working group is run by a committee including members from the business community and the government. Through a participatory decentralized development strategy that the Government has adopted, the civil society is being increasingly involved in the development process and a broad awareness and advocacy campaign is planned to be launched to create a national platform for dialogue on development partnership issues with all national partners.

50. To strengthen partnerships with our external partners, the RGC is proposing the immediate adoption of the following two mechanisms that will enable us to jointly examine the issues and to develop appropriate approaches for building meaningful and effective partnerships:

- i. the establishment of a *Government-Donor Working Group* under the CG mechanism that will take the responsibility for examining issues and recommending measures to improve the current situation; and

- ii. instead of separate annual and mid-term reviews of individual UN agency's country programs, the Government would like to see the official reporting of the findings and recommendations of the annual and mid-term reviews of individual UN agencies at one joint UN system and Government reporting/review session, in which all UN System agencies and Government ministries/agencies will participate at the same time. Such a joint review has many advantages, in addition to the reduced burden on the Government, it will help in minimizing duplication, and even more importantly, the joint review will ensure that information about who is doing what is shared both within the Government as well as the UN System agencies.

51. Based on OECD/DAC guidelines and the principles adopted by the RGC for building partnerships for development, the Royal Government is firmly committed to enable the full participation of all Partners (donors, NGOs, the private corporate sector and the civil society) in the integrated planning and programming of development in each sector. To move ahead, it would be necessary to define at the operational level the various elements of the partnership arrangements. As a starting point, the Royal Government would like to propose that we begin by focusing at the following four elements:

- i. Identification, planning and formulation of development programs.
- ii. Prioritization of development programs based on national development priorities.
- iii. Resource mobilization for the prioritized development programs and negotiations on financing arrangements for the prioritized development programs.
- iv. Management of the implementation of the development programs.

52. With respect to the first element "identification, planning and formulation of development programs", the Royal Government would like to see a strong level of interaction, participation, and consensus building effort between the external partners and relevant government institutions. The second element "prioritization of development programs based on national development priorities" will remain the domain of the Government to ensure the ownership of its development efforts. The third element "resource mobilization for the prioritized development programs and negotiations on financing arrangements for the prioritized development programs" is an area where close collaboration between the Royal Government and its external partners will continue to be a high priority. The Royal Government is well aware of the internal constraints that some donors are operating under, at the present time, in terms of their participation in Sector Wide Programs (SWAPs). In the short term, therefore, the modalities of participation of individual donors in sectoral programs, either as a partner in the program or as a supporter of a project under the umbrella of the approved sector program, will be kept flexible. The last element "management of the implementation of the development programs" remains a challenge for both the external partners and the Government. The urgent need for simplification and harmonization of donor internal rules and procedures, and the harmonization of various capacity building practices of our external partners cannot be overemphasized. It is the Royal Government's hope that the establishment of the proposed *Government-Donor Working Group* under the CG mechanism will begin to tackle these critical issues as soon as possible.

53. While it may be difficult or near impossible to reach a full harmonization of the rules and procedures, with so many donors involved, there are several steps that can be taken in the short term, which could increase the national ownership of the development cooperation activities, lessen the burden on implementing agencies, and minimize the unintended adverse effects of some donor practices, notably those related to capacity building. Some of these areas include:

- **A harmonized approach for capacity development:** The existing gaps and limitations of capacity within the administrative structures of the Government as well as the implications of these constraints for effectively managing and enforcing reforms are now well recognized. While the current practices of donors of providing salary incentives within the context of the implementation of individual programs/projects may expedite the implementation of these programs/projects, these practices have been detrimental in building sustainable institutional capacities. There is an urgent need for the donor community to seriously examine and to provide support to measures for capacity development that recognize the systemic problems of shortages of trained manpower resulting from the Khmer Rouge atrocities and the low wages within the administrative structures of the Government. An alternative approach that donors can consider is the Government's "Priority mission Group" concept. In order for this initiative to be effective, it cannot be implemented on a piece meal basis. To consolidate the process of empowering local communities and to further the process of democratization and decentralization of the delivery of public services, this initiative must be implemented simultaneously at the central, provincial, and sub-provincial levels. It will be a slow process that will require patience and substantial long-term donor community support. Given the limited Government resources, ideally, the financing of this initiative should be through budgetary support in the form of grants. The mechanisms for the implementation of this initiative will need to be responsive to donor concerns about transparency and accountability. It is an important area where a joint effort of the Government and the donor community in the planning and implementation of the initiative can make an important contribution to moving forward the development of Cambodia.
- **Joint missions:** As a rule national counterparts should always participate in donor missions to ensure that the mission members are provided relevant information on the specifics of the Cambodian situation, but more importantly to ensure that the process will be followed up.
- **Joint Program formulation:** There have been many attempts and successes in formulating programs and projects jointly by the Government and some donors. The process could be further strengthened and successful experiences institutionalized through a collaborative effort.
- **Long-term commitments by donors:** Many donors have begun to make long term commitments to support specific programs and projects. This is encouraging because such long-term commitments enable the RGC to plan for its development activities in a more systematic manner. It is also an approach that RGC hopes all its development partners will adopt.

- **Flexible program/project design:** The RGC would like to see a flexible approach adopted in the design of development programs/projects. The approach should put emphasis on process and results rather than to serve as blue print for implementation. It should include mechanisms that ensure periodic reviews and well-defined processes to realign program/project activities necessary for achieving program/project results in response to changing conditions.