

The survey sought to measure objective evidence of progress against 13 key indicators on harmonisation and alignment (see Foreword). A four-point scaling system was used for all of the “Yes/No” questions:

1. “Yes without reservations” represented here as: **YES!**
2. “Yes with reservations”: represented here as: YES
3. “No with reservations” represented here as: NO
4. “No without reservations” represented here as: **NO!**

Specific technical criteria were suggested to guide responses (See Annexes). Respondents were also invited to provide a brief explanation when they expressed reservations (Categories 2 and 3 above). The qualitative information they provided has informed this chapter.

The government of Cambodia is heading up the partnership working group, established in December 2002, to address issues of partnership, co-ordination and harmonisation. To date, the working group has produced three significant reports on improving aid co-ordination. The group is also leading the process of restructuring the consultative groups: the government and donors have agreed to establish 17 joint technical working groups that will be chaired by the government and assisted by a lead (as well as an alternate) donor co-ordinator. In 2002, the National Assembly adopted the Second Socio-Economic Development Plan (SEDP-II). The National Poverty Reduction Strategy (NPRS) – the government’s full poverty-reduction strategy paper (PRSP) prepared with stakeholder participation – was finalised in February 2003. Greater prioritisation and a streamlining of quantitative indicators at the sector level are required for progress to continue. In response to the government’s concerns about the high transaction costs associated with multiple donor requirements, missions, and procedures, some recent harmonisation initiatives have also been introduced. The World Bank and the Asian Development Bank (ADB) are collaborating to produce joint operational procedures and a joint financial management manual designed for local government staff; the government, United Kingdom, ADB, United Nations (UN) and the World Bank are collaborating to prepare new assistance strategies; and the UN system in Cambodia has agreed to use the NPRS as the basis for its country-level planning rather than produce its own UN Common Country Assessment.

OWNERSHIP

A CLEAR AGENDA ON HARMONISATION

The Royal Government of Cambodia (RGC) has completed the preparation of its harmonisation and alignment action plan, in close collaboration with donors and with assistance from the UN Development Programme (UNDP) and the World Bank. The plan was approved by the RGC at its Cabinet meeting on 19 November 2004. A partnership agreement, which aims at facilitating the implementation of the plan, was signed on 2 December 2004 (see Box 4.1). The plan was presented at the consultative group meeting on 6-7 December 2004.

The government currently has one major results-focussed document (the Cambodia Millennium Development Goals) and two major planning documents (the SEDP-II and the NPRS). While these documents are generally complementary, they are not yet fully evolved as harmonisation blueprints and need to be co-ordinated within themselves. The NPRS also needs to specifically identify actions and results in sectors and sub-sectors. For the period covering 2006-2010, the RGC has decided to develop a single national strategic development plan.

**FIGURE 4.1
INDICATOR 1****Are donors supportive of the government's harmonisation agenda?**

According to the results of the 2004 Survey on Harmonisation and Alignment, 63% of donors indicated that they are supporting the government's agenda (see Figure 4.1 – Indicator 1).

FORMAL GOVERNMENT-LED FRAMEWORK FOR DIALOGUE AND CO-ORDINATION

The Council for the Development of Cambodia (CDC) was established to co-ordinate all external investment. Since the government took the lead with donor co-ordination, an inter-ministerial steering committee to strengthen development partnerships has been established and the overseas development assistance management information system has been

BOX 4.1

Declaration by the Royal Government of Cambodia and Development Partners on Harmonisation and Alignment – 2 December 2004

In December 2004, the government and 12 donors signed a declaration expressing their commitment to the Rome Declaration on Harmonisation and expressing their willingness to support the following:

- The alignment of donor programmes to government strategies such as the NRSP and SEDP-II and agreement to support the government to produce a National Strategic Development Plan (NSDP 2006-10).
- Work towards sector approaches where appropriate, with harmonised resources, the provision of technical assistance, and channels of delivery around one strategy. These will involve the strengthening of the role of civil society.
- Work to improve government systems, such as procurement and financial management.
- Harmonisation, streamlining and simplification of donor requirements.
- Production of a partnership report every six months.
- Increased delegated co-operation.
- A focus on results, rather than inputs.
- Work to have all analytical work undertaken with the relevant sector working groups, thus avoiding duplication and building government capacity.
- Provision of comprehensive information on aid flows to the government in a timely manner to allow integration into the budget cycle, in the context of a medium-term expenditure framework.
- Promote harmonised approaches across the wider region, e.g. through the Mekong River Commission and the Association of Southeast Asian Nations (ASEAN).

The declaration concludes with a commitment to implement the government's national action plan on harmonisation and alignment and to monitor progress in implementing the plan twice a year, through the consultative group. Both the government and donors commit to reforms to foster greater transparency and accountability.

strengthened and expanded. However, one bilateral donor noted that: “Despite the considerable co-ordination efforts by the CDC, there is still a long way to go in Cambodia with the development of the government’s harmonisation agenda.”

Another bilateral donor noted that, while it subscribes to the NPRS, “it was written by the World Bank without the participation of Cambodian nationals” (see Box 4.2).

Some improvements in donor co-ordination are reported to have been achieved since the government has taken the lead. In addition to the establishment of the inter-ministerial steering committee in 2001, a government-donor partnership working group was established in late 2002 in response to a government proposal at the consultative group meeting in June 2002.

While a donor harmonisation process exists, meetings tend to be called by the donors themselves rather than the government. The process is somewhat informal at present (see Table 4.1 – Indicator 2), with donors reporting that the government is yet to establish a formalised process of consultation and harmonisation (though the government has formally identified the CDC as its contact point). The lack of a formal process is attributed to the failure to form a government following the July 2003 elections.

Is government co-ordinating aid?		
Is there a formalised process for dialogue?	YES	
Is government proactive?	YES	
Is government in the driving seat?	YES!	
Do donors’ rules support harmonisation?	YES	
		57%
% of donors who take part in co-ordination		

**TABLE 4.1
INDICATOR 2**

Building government ownership in Cambodia – a case study from the PRSP Monitoring and Synthesis Project

BOX 4.2

Cambodia completed its full PRSP in December 2002. A Joint Staff Assessment was completed on 23 January 2003 and it went to the Boards in February 2003. One of the main issues for governmental ownership of the PRS process in Asia is the tensions between the Ministry of Planning (MoP) and the Ministry of Economy and Finance (MEF) (often linked to control of separate development and recurrent budgets). This issue is evident in Cambodia where the poverty-reduction strategy (PRS) was formulated by an inter-ministerial group under the chair of the Ministry of Planning. Initially, the MEF was not centrally engaged with the PRS process which was partly due to the inter-ministerial approach of the PRS process being somewhat at odds with their usual way of budgeting. The MEF tends not to include the MoP in its work, although it is now showing more interest in the PRS process and is engaging with the inter-ministerial group. The engagement of all the key central ministries is particularly important for linking the PRS with the budget. Although the medium-term expenditure framework tries to link the budget and the PRS process, at present it is not doing so. According to the NGO Forum in Cambodia, the PRS process has been notable for its inclusion of government officials in the process of preparing sectoral matrices. However, the NGO Forum also notes that those working on sectoral plans in line ministries were generally different than those in line ministry PRS teams. Outside the sectoral ministries, there has been minimal engagement in the PRS process by politicians. The National Assembly did not attend the first public event on the PRS despite having been invited and the PRS was not debated in the National Assembly. This is in direct contrast to the experience with the pre-existing national plan, the Social and Economic Development Plan, which was debated in the National Assembly.

CAPACITY DEVELOPMENT

Indicator 3 invited respondents to identify areas where additional efforts in capacity development might be required (see Table 4.2 – Indicator 3). Weaknesses have been identified in public financial management, budget formulation, execution, reporting and review, and aid co-ordination; each weakness is being addressed, but the level of support does not seem to be high enough. A technical co-operation project to strengthen the government's overall capacity in a number of areas, including the formulation and implementation of fiscal and monetary policies and the management of

public finances, is due to end in 2004. A new public financial management programme was launched by the RGC on 5 December 2004, and a number of donors have indicated a willingness to support it. A number of measures have been set out and implemented to strengthen the economic and public financial management while establishing good governance systems, including: (i) macroeconomic policy framework management; (ii) improving the budget system and public procurement; (iii) modernising the tax system; (iv) improving the public accounting system; (v) developing the audit system and inspection; (vi) privatising public enterprises; and (vii) strengthening state property management.

TABLE 4.2
INDICATOR 3

Capacity development		
▶ Have weaknesses been identified?		
In public financial management	YES!	
In budget planning and execution	YES!	
In co-ordination of aid	YES!	
▶ Are weaknesses being addressed?		
In public financial management	YES!	
In budget planning and execution	YES!	
In co-ordination of aid	YES!	
▶ Is the level of support appropriate?		
In public financial management	YES	
In budget planning and execution	YES	
In co-ordination of aid	YES	

ALIGNMENT

RELIANCE ON PARTNERS' NATIONAL DEVELOPMENT STRATEGIES

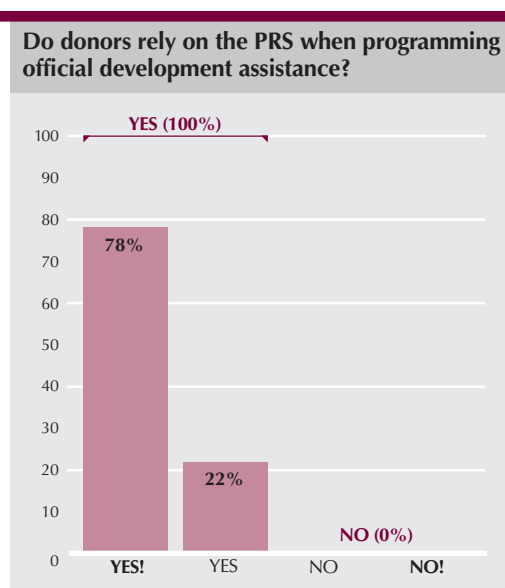
In 2002 the National Assembly adopted the SEDP-II and the NPRS, the government's first full PRSP prepared with stakeholder participation, was finalised in February 2003.

Both donors and the government recognise that although the national development strategies are clearly set out, they are not fully operational (see Figure 4.2 – Indicator 4). Donors state that greater prioritisation and a streamlining of quantitative indicators at the sector level is required. A medium-term expenditure framework (MTEF) has been established in some key sectors, though its linkage to budget execution remains limited.

One donor's comment, which is representative of many others, is "... since the NPRS does not clearly prioritise among sectors or reforms in need of support, the strategy offers too little guidance for programming purposes."

The first NPRS annual progress report, which documented the progress in implementing the NPRS in 2002–03, was approved by the Council of Ministers on 6 August 2004. Its coverage is limited to key priority areas (e.g. rural and agricultural development, education, health, and road infrastructure). It also attempts to reconcile the MDGs and the NPRS for 2005.

FIGURE 4.2
INDICATOR 4



Is budget support predictable and aligned?					TABLE 4.3 INDICATOR 5
Are budget support donors making:	YES!	YES	NO	NO!	
► multi-annual commitments?	World Bank	Sweden ADB		Germany New Zealand United Nations	
► timely commitments?		ADB United Nations	Sweden World Bank		
► timely disbursements?	United Nations		Sweden ADB World Bank	Germany	

BUDGET SUPPORT

Experimentation of the use of budget support as a delivery mechanism has been limited to date. In some instances, support is delivered outside government systems. For example, UNICEF believes that the government systems provide insufficient safeguards. In most cases where budget support was delivered, disbursements were contingent on performance indicators such as the timing of policy reforms, rather than being aligned with the government budget cycle (see Table 4.3 – Indicator 5).

PROJECT SUPPORT

Indicator 6 measures the degree to which donors rely on partners' systems when providing project support (see Figure 4.3 – Indicator 6). Cambodian government systems are relied on less often by donors than those of most other partner countries surveyed.

The government is reported to have limited reliable procurement procedures and most donors consequently use their own procurement systems. The ADB is assisting the government with the harmonisation of local competitive bidding for use on both ADB and World Bank projects. At present, only one of the World Bank's 17 projects uses national procurement systems and procedures.

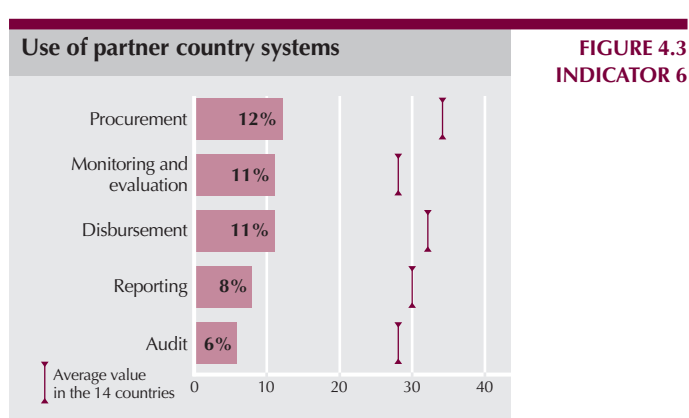


FIGURE 4.3
INDICATOR 6

In 1996, the ADB assisted the government in drafting a project accounting manual, which was adopted by the government for use for all ADB-financed projects. This manual details the ADB procedures and approvals for disbursements and is being harmonised so that it can be used by the World Bank as well.

To date, there is no clear structure within the Ministry of Economy and Finance (MEF) for reporting on loans, projects and technical assistance financing. The technical assistance provided by ADB on harmonisation will attempt to put a tracking mechanism in place, whereby the MEF will be able to monitor contract awards and disbursements.

There is no mechanism within line ministries to undertake monitoring and evaluation. Under some donor-financed projects, responsibility for monitoring and evaluation is located within the project implementation units – with limited success. UNICEF is using government systems

for the monitoring of sectoral performance, *e.g.* net enrolment rates and immunisation coverage, and is also providing capacity building for monitoring through the DevInfo application.

Under Cambodian legislation, line ministries are required to establish an internal audit function; however, most are still to do so, with the MEF and Ministry of Education being two exceptions. Government audit systems are generally recognised to be weak.

SECTOR SUPPORT

Health sector

A clear health sector policy exists which includes a MTEF, although donors consider it to be insufficiently comprehensive. There is a mechanism for donor co-ordination, with 82% of donors participating in it. A sector performance-management system (PMS) also exists and is currently being improved to make it more comprehensive. The consensus view of the donor community is that financial management needs strengthening in order to further advance the harmonisation agenda.

Education sector

The education sector is supported by 50% of donors. A clear government sector policy is in place, and relied upon by 67% of donors active in the sector. Another donor (the Food and Agricultural Organization [FAO]) comments that the government's policies and strategies are insufficiently clear for the donors to be able to rely upon them. The survey shows that 78% of donors participate in the formalised sector donor co-ordination process.

Water sector

A water sector policy is under preparation, but it is yet to be implemented. Donor co-ordination processes are currently also under development. There is no sector PMS and both donors and the government believe that, in the water sector, little progress is being made towards harmonisation at this time.

Transport sector

A transport/road sector policy has been drafted, but it is yet to be adopted by the government. Japan is leading a donor co-ordination process, but the only other donor participating is the ADB. Both the government and donors recognise there is little existence of any PMS and no MTEF. The donor view is that little progress is being made towards harmonisation in the transport sector.

Rural development

The government recognises agriculture and rural development as two of its four priority sectors for government spending; however, neither the Ministry of Agriculture, Forestry and Fisheries, nor the Ministry of Rural Development has a MTEF and the FAO comments that "there is no coherence between the official priority given to this sector and the government's commitment and public investment for the sector." The survey shows that 73% of donors regularly participate in sector co-ordination meetings, and Australia is currently engaged in formalising the donor co-ordination process. The donor view is that there is currently no agreed process for moving towards harmonised systems in place.

Other sectors

Other sectors enjoying donor support include the financial sector (particularly, the development of legal frameworks and the banking reform), power, decentralisation, local governance, democracy, public administration reform and de-mining. The government draws attention to the development of formalised donor co-ordination processes in local governance, land management and public financial management. It was noted that the Ministry of Women and Veteran Affairs has recently implemented an MTEF.

Alignment with sector programmes					
	Health	Education	Water	Transport	Agriculture
► Are sector systems in place?					
Is government leading in the sector?	YES!	YES!	YES!	NO	YES
Does a clear sector policy exist?	YES!	YES!	YES	NO	NO
Is a sector medium-term expenditure framework (MTEF) in place?	YES	YES	NO!	NO!	NO!
Is there sector co-ordination?	YES!	YES!	NO	N/A	YES
Is a sector monitoring system in place?	YES	YES	NO!	NO!	NO!
Are systems being harmonised?	YES	YES	NO!	NO!	NO!
► Are donors supporting the sector systems?					
Are the systems aligned with government policies?	YES!	YES!	YES!	YES	YES!
Are funds integrated into the MTEF?	NO	NO	NO	NO	YES!
Are donors using the government monitoring system?	NO	NO	NO	NO	NO

TABLE 4.4
INDICATOR 8

HARMONISATION

The government is committed to the harmonisation agenda and is taking the lead on the partnership working group. It has prepared a full NPRS with stakeholder participation but greater prioritisation and a streamlining of indicators at sectoral levels is still required. There has been increased collaboration between donors and many major donors have been collaborating to produce joint operational procedures. However, despite considerable efforts by the CDC, there is still much to be done to develop the government's harmonisation agenda. While a process exists, the initiative is often taken by the donors rather than the government.

According to the aid harmonisation Web site, since 1999 (the first full year of peace in 30 years in Cambodia), seven sector-specific harmonisation working groups have been formed:

- Forestry/Natural Resources.
- Demobilisation (which stopped meeting once its programme became operational).
- Public Administration.
- Fiscal Reform.
- Social Sectors (containing a number of sectoral subgroups).
- Governance.
- Government-Donor Partnership Working Group.

The site notes that:

The implementation of common arrangements requires capacity at national and decentralised areas as well as internal government co-operation to develop and communicate the priorities around which donors can align. The indications are that progress is being made, but that there is considerable progress still to be made.

The volume of donor missions to the country may be indicative of the level of assessment and diagnostic work that the donors consider necessary prior to any further development and implementation of common arrangements. This inevitably creates additional burdens for the country offices, as well as competing priorities. It also impacts on government capacity.

**TABLE 4.5
INDICATOR 7**

Are donors streamlining conditionality?	
Direct budget support	YES!
Health sector	NO!
Education sector	NO!
Water sector	NO!
Transport/road sector	NO!
Rural development agriculture	NO!

STREAMLINING CONDITIONALITY

Indicator 7 looks at the extent to which donors have streamlined conditionality when providing development assistance in a number of specific areas (e.g. budget support, sector level). The survey shows that concerning budget support, the International Monetary Fund (IMF) and the World Bank have established a common document concerning conditionality. There appear to be no such arrangements with regard to support for specific sectors (see Table 4.5).

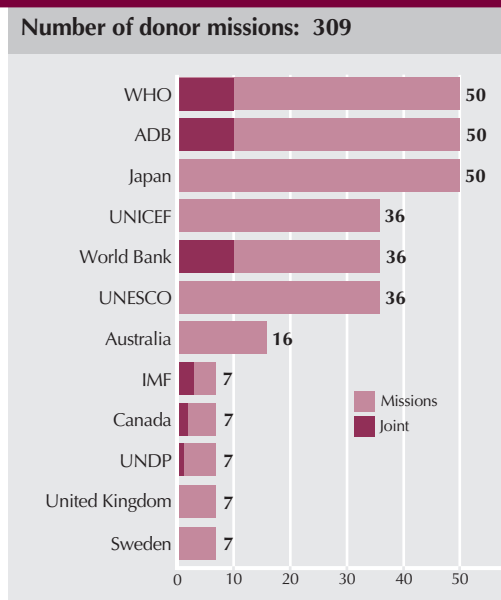
**TABLE 4.6
INDICATOR 9**

Who is delegating co-operation?			
YES!	YES	NO	NO!
United Kingdom ADB United Nations World Bank		IMF	Australia Canada Denmark France Germany Japan New Zealand Sweden United States

DELEGATED CO-OPERATION

Indicator 9 shows that 29% of donors in Cambodia claim to be party to an agreement to perform tasks on behalf of other donors (see Table 4.6). The FAO for example is implementing technical assistance projects financed by other donors.

**FIGURE 4.4
INDICATOR 10**



DONOR FIELD MISSIONS

More than 300 missions were reported in 2003 (See Figure 4.4 – Indicator 10). Seven organisations (the World Health Organization [WHO], ADB, Japan, UNICEF, World Bank, UNESCO, and Australia) accounted for 89% of the total number of missions. Around 10% of all missions were undertaken jointly.

STREAMLINING DIAGNOSTIC REVIEWS

In 2003, the ADB, World Bank and IMF, with significant contributions from the UK Department for International Development (DFID), International Labour Organization (ILO), Swedish International Development Cooperation Agency (Sida), UNDP and WHO, finalised a joint integrated fiduciary assessment and public expenditure review (IFAPER). Five other reviews were undertaken jointly between 2001 and 2003 (see Table 4.7).

DISCLOSING INFORMATION

A critical dimension of the harmonisation and alignment agenda is donors' ability to share information on aid flows (Indicator 12 – Table not presented) and analytic work (see Table 4.8 – Indicator 13).

The government and donors have agreed on procedures for notifying disbursements in the health and education sectors and for budget support. The CDC requests that donor information includes the actual and further year's planned disbursements.

Donors use a variety of methods for sharing analytical work. For example, they use the country analytic Web site (Canada), the UN Cambodia homepage (the FAO and UNDP) or otherwise circulate information by e-mail/hard copy through established in-country networks (Australia, New Zealand, United Kingdom).

Are diagnostic reviews being streamlined?		TABLE 4.7 INDICATOR 11
Diagnostic reviews (2001-03)	Was it undertaken jointly?	
CFAA	YES	
PER	YES	
CPAR		NO
HIPC Tracking Assessment	YES	
EACFM	YES	
Gender Assessment	YES	

Who is sharing country analytic work?				TABLE 4.8 INDICATOR 13
YES!	YES	NO	NO!	
Denmark	Australia	Japan	France	
ADB	New Zealand	Sweden	Germany	
IMF	United Kingdom		Sweden	
World Bank	United Nations			

ACRONYMS

ADB	Asian Development Bank
CDC	Council for the Development of Cambodia
CFAA	Country financial accountability assessment
CPAR	Country procurement assessment report
EACFM	Ex ante assessment of country financial management (European Commission)
DFID	Department for International Development (United Kingdom)
FAO	Food and Agricultural Organization
HIPC	Heavily indebted poor countries
ILO	International Labour Organization
IMF	International Monetary Fund
MDG	Millennium Development Goal
MEF	Ministry of Economy and Finance
MTEF	Medium-term expenditure framework
NPRS	National poverty reduction strategy
PER	Public expenditure review
PMS	Performance-management system
PRS	Poverty reduction strategy
PRSP	Poverty reduction strategy paper
RGC	Royal Government of Cambodia
SEDP-II	Second Socio-Economic Development Plan (Cambodia)
Sida	Swedish International Development Cooperation Agency
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WHO	World Health Organization