

# 8 CAMBODIA

## INTRODUCTION

CAMBODIA HAS A POPULATION OF APPROXIMATELY 14 MILLION. In 2007, GDP per capita was USD 595 and most recent estimates of poverty (2004) placed 19% of the population below the dollar-per-day poverty line. Revised poverty estimates are currently being analysed and, as a result of sustained high levels of economic growth of approximately 10% p.a. in recent years, are expected to confirm a significant decline in poverty. The country has already met Millennium Development Goal (MDG) 6 on combating HIV/AIDS, malaria and other diseases and, according to national data sources, is on track to meet goal 2 on universal primary education.

In 2006, net official development assistance (ODA) provided to Cambodia by members of the OECD's Development Assistance Committee (OECD-DAC) amounted to USD 529 million. Aid from other donors adds around another USD 180 million per year to the country's aid receipts. Japan, China, the Asian Development Bank, the World Bank and the USA are the top donors. Aid accounts for approximately 8% of Cambodian GNI and about half of the national budget. For the 2008 Survey, 24 donors responded (compared to 18 in 2006 Baseline Survey), with their aid constituting around 89% of aid provided by members of the OECD-DAC.

DIMENSIONS	2007	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Limited credibility of the budget	Provide clearer link between strategic priorities and the budget process
Alignment	Moderate	Weak country systems	Consolidate public financial management reform programme
Harmonisation	Low	Limited use of programme-based approaches	Address aid fragmentation through increased use of programme-based approaches
Managing for results	Moderate	Need for better access to reliable data	Implement government statistical master plan; improve sharing of aid data by donors
Mutual accountability	High	Strengthen dialogue mechanisms and joint indicators	Ensure participation of wide range of stakeholders in mutual assessments; improve quality of dialogue

## OVERVIEW

Box 8.1:  
Challenges and  
priority actions

As the country report notes, the survey process has provided a valuable opportunity to strengthen national systems and partnerships for aid management, and made excellent use of the Cambodia ODA Database. The country report does, however, raise some important issues about the process. First, data consistency across development partners is reported to be erratic. Second, the 2008 Survey results may not be directly comparable with those of the 2006 Baseline Survey because the more recent survey includes a broader range of development assistance and reflects some changes to the survey's methodological guidance. Third, the survey methodology, which adopts a 'point of delivery' approach, may misrepresent the aid effectiveness efforts of some donors who delegate significant amounts of their ODA to other donors. ■

## OWNERSHIP

**OWNERSHIP IS CRITICAL TO ACHIEVING DEVELOPMENT RESULTS** and is central to the Paris Declaration on Aid Effectiveness. Aid is most effective when it supports a country-owned approach to development; aid is less effective when countries feel that aid policies and approaches are driven by donors that provide assistance. In the context of the Paris Declaration, ownership specifically concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

Ownership has many dimensions. Indicator 1 – assessed as part of the World Bank's review on *Results-Based National Development Strategies: Assessments and Challenges Ahead* – provides an entry point to the issue. The World Bank assesses the operational value of a country's development strategy and policy against three criteria, all of which are essential features of any serious effort to harness domestic and external resources for development purposes: the existence of an authoritative, country-wide development policy which clearly identifies priorities and is well costed.

The World Bank rates the operational value of a country's development strategy against a five-point scale running from A (highest score) to E (lowest score). The Paris Declaration 2010 target is to raise, to at least 75%, the proportion of partner countries having operational development strategies – *i.e.* meriting a rating of A or B.

The 2006 Baseline Survey indicates that in the first round of monitoring, Cambodia received a rating of C. This put it in a category with 62% of participating countries, indicating some progress was being made but more was required. In particular, as the 2006 country chapter noted, full implementation of the public financial management (PFM) reform programme was a priority that is expected to enhance the credibility of the budget. The World Bank's most recent Aid Effectiveness Review profile for Cambodia is the basis for the Indicator 1 assessment and again gives Cambodia a C rating for the extent to which it has an operational development strategy. However, Cambodia has made much progress in PFM and related sector reforms since the World Bank AER analysis was undertaken.

The long-term vision for Cambodia is set out in the Rectangular Strategy for Growth, Employment, Equity and Efficiency, and is operationalised in the medium-term National Strategic Development Plan (NSDP). The NSDP provides a clear and focused framework for the country's socio-economic development. It aims to guide Cambodia's efforts to reduce poverty, to meet country-specific MDGs, and assist in the monitoring of progress. It also provides indicative resource requirements.

### INDICATOR 1

Do countries have operational development strategies?

The NSDP highlights the key components of Cambodia's development effort, leaving sectoral and sub-national plans to fill in the details. Sectoral and thematic approaches exist for education, health, HIV/AIDS, fisheries, nutrition, legal and judicial reform, and decentralisation. Further sectoral and sub-national plans are being formulated, including for agriculture and water, rural water supply and sanitation, planning functions, and trade.

The World Bank's AER noted that aligning the national budget, the Public Investment Programme and the Medium-Term Expenditure Framework to medium-term strategic priorities remains a key implementation challenge. Some progress is being made. The effective implementation of the PFM reform programme is expected to deliver further progress on linking strategic priorities with budget processes. If such expectations are met, Cambodia may well be able to meet its Paris Declaration 2010 target of a B rating for ownership.

Looking at ownership more widely, beyond the specific assessment of the country's development strategy, the government is exercising more effective leadership in the co-ordination of development assistance, as the country report itself demonstrates. Regular Consultative Group meetings have been held in Phnom Penh since June 2002, co-chaired by the Council for the Development of Cambodia and the World Bank. From 2007, the Consultative Group has been chaired by the Council for the Development of Cambodia and, reflecting increased government leadership, has been renamed the Cambodia Development Co-operation Forum.

Civil society and private sector participation in drafting the NSDP and World Bank AER reports was limited. The National Assembly was involved in the formulation of the NSDP and approved the resulting plan. The National Assembly has the authority to invite ministries to report on progress; it is not clear whether such invitations have been made. The intention is that the Cambodia Development Co-operation Forum will provide an opportunity for dialogue amongst government, donors and civil society. ■

## ALIGNMENT

**FOR AID TO BE EFFECTIVE**, it must be aligned with national development strategies, institutions and procedures. The Paris Declaration envisions donors basing their support fully on country partner aims and objectives. Indicators 2 through 8 of the Paris Declaration assess various dimensions of alignment, demonstrating – to the extent that comparison between ratings given in the first and second rounds of monitoring are valid – that progress towards the Paris Declaration 2010 targets in Cambodia has been inconsistent. Good progress is being made on the reliability of country systems, on budget realism, and on in-year predictability. However, there is little progress or even a slippage against the 2010 targets in relation to other issues including reducing the stock of parallel project implementation units (PIUs).

## BUILDING RELIABLE COUNTRY SYSTEMS

Indicator 2 covers two aspects of country systems: PFM and procurement. In each case, the focus is on the degree to which these systems adhere to broadly accepted good practices – or to which there is in place a reform programme to promote improved practices. If countries have reliable systems, donors will be encouraged to use such systems for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

### INDICATOR 2a

How reliable are country public financial management systems?

Indicator 2a of the Paris Declaration assesses the degree to which partner countries either have PFM systems that are in line with broadly accepted good practices or have credible reform programmes in place to establish reliable PFM systems. The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong) with half-point increments. To score highly, a country needs to meet all three of the following criteria: a comprehensive and credible budget linked to policy priorities; effective financial management systems to ensure that the budget is implemented as intended in a controlled and predictable way; and, timely and accurate accounting and fiscal reporting, including timely and audited public accounts. The 2010 target is that each country will move up at least one measure (*i.e.* 0.5 points) on the CPIA scale for measuring the quality of PFM systems.

In the previous round of monitoring, based on 2005 Country Policy and Institutional Assessment scores, Cambodia received a rating of 2.5 for its PFM systems, a score that was revised upwards to 3.0 in 2006. This is marginally below the average score of 3.2 for all International Development Association (IDA) countries. Cambodia obtained a score of 3.0 for the 2007 rating, which is a 0.5 improvement in scale on 2005 on their quality of PFM systems. The global Paris Declaration 2010 target is for half of partner countries to register at least a half-point increase in the rating they receive for the reliability of their PFM systems. After the baseline survey and the progress recorded in 2006, a target of 3.5 was therefore considered to be appropriate. With continued good progress the Royal government is confident that this target will be met before 2010.

The implementation of the PFM reform programme continues, led by the Ministry of Economy and Finance and with the active participation of 13 donors including the World Bank. The programme has four platforms: budget credibility; financial accountability; policy-based budgeting; and, accountability for performance. Good progress has been made on enhancing budget credibility and work has now begun in earnest on financial accountability. As the programme moves forward it should enable Cambodia to meet its 2010 target, although attention will be required to ensure that the multiple components of the reform agenda link up – and are, themselves, linked to the reform of country systems for public administration.

#### INDICATOR 2b

How reliable are country procurement systems?

At the time of the 2006 Baseline Survey, no mechanism was in place to systematically assess and quantify the quality of procurement systems in partner countries. Thus, it was impossible to set country-level targets on progress towards Indicator 2b. Nevertheless, Cambodia has – as part of its PFM reform programme – been taking important steps to improve the reliability of its procurement systems, establishing operating procedures that are in line with international standards, increasing the capacity and transparency of the procurement system, and clarifying the legal framework for procurement.

## ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Comprehensive and transparent reporting on aid, and how it is used, is an important means of ensuring that donors align aid flows with national development priorities. The degree to which development assistance to the government sector is fully and accurately reflected in the budget provides a useful indication of the degree to which serious effort is made to connect aid programmes with country policies and processes. It also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens. This assumes that the budget process aligns resources with national priorities, bearing in mind that the Indicator takes no account of aid that is not directed to the government sector.

Indicator 3 is a proxy for alignment. It measures the percentage of aid disbursed by donors to the government sector that is included in the annual budgets for the same fiscal year. The indicator is a joint measure of two components: the degree to which donors report aid flows comprehensively to partner countries; and the degree to which partner countries accurately record aid.

## INDICATOR 3

TABLE 8.1:  
Are government budget estimates comprehensive and realistic?

	Government budget estimates of aid flows for 2007	Aid disbursed by donors for government sector in 2007	Aid disbursed by donors for government sector in 2007 (funding source)**	2005 (for reference)	2007*	
	(USD m) a	(USD m) b	(USD m)		c = a / b	c = b / a
Asian Development Bank	63	70	68	--	--	--
Australia	31	18	24	--	--	--
Belgium	5	8	8	--	--	--
Canada	8	2	5	--	--	--
China	77	92	92	--	--	--
Denmark	11	25	17	--	--	--
European Commission	33	12	24	--	--	--
Finland	1	2	4	--	--	--
France	21	14	15	--	--	--
GAVI Alliance	0	3	3	--	--	--
Germany	18	26	29	--	--	--
Global Fund	0	21	21	--	--	--
International Monetary Fund	0	1	1	--	--	--
Japan	95	104	104	--	--	--
Korea	10	31	31	--	--	--
Netherlands	0	0	0	--	--	--
New Zealand	2	1	4	--	--	--
Spain	2	0	1	--	--	--
Sweden	17	1	14	--	--	--
Switzerland	0	0	0	--	--	--
United Kingdom	21	4	23	--	--	--
United Nations	53	75	38	--	--	--
United States	0	38	37	--	--	--
World Bank	53	61	49	--	--	--
Average donor ratio	--	--	--	--	--	--
<b>Total</b>	<b>522</b>	<b>612</b>	<b>612</b>	<b>79%</b>	<b>85%</b>	

\* Ratio is  $c=a/b$  except where government budget estimates are greater than disbursements ( $c=b/a$ ).

\*\*Note: Differences between implementing source and funding source: In Cambodia, many donors (Australia, Canada, New Zealand, Sweden, UK and others) are making efforts to channel funds through other donor implementing parties. Delegated cooperation is very advanced in Cambodia, which the current Survey methodology does not measure.

The final figure highlights any discrepancy between the government's budget estimates and actual disbursements by donors. The discrepancy (or gap) can be in either direction: budget estimates can be higher or lower than disbursements by donors. In order to have a single measure of discrepancy under 100%, the ratio is inverted when budget estimates are higher than donor disbursements. The 2010 target is to halve the proportion of aid flows to the government sector that is not currently reported on government budget(s), ultimately arriving at a point where at least 85% of aid is reported on the budget. The Indicator is, in effect, a measure of budget realism. The 2008 Survey captures information on disbursement at the point of delivery rather than at the source of funding. This is based on the objective of understanding the effectiveness of aid at the point of implementation, rather than general efforts of donors providing aid in the country. The current methodology has its limitations as it understates the efforts made by donors who are active in delegated co-operation by channelling resources through a third implementing donor or trust funds.

In the 2006 Baseline Survey an encouraging 79% of aid disbursed was reported as being recorded on budget. This led to the country's Paris Declaration 2010 target being set at 90%; a halving of the proportion of aid flows to the government sector that are not reported on the government's budget. The 2008 Survey reports that 85% of disbursed aid is recorded in the budget.

At this rate of progress, it should be possible for Cambodia to meet the Paris Declaration 2010 target. The PFM reform programme is likely to enhance budget realism by strengthening the country's PFM systems. Further progress will be made by donors continuing to record their disbursements and their projections – ideally for a three-year horizon – on the country's ODA database. From the government's side, the three ministries involved in planning, budgeting and recording aid should collaborate more closely in order to establish and strengthen a comprehensive and coherent system for aid management, and to ensure, for example, that technical co-operation is recorded on budget.

#### CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

#### INDICATOR 4

Capacity constraints significantly undermine the ability of partner countries to capture, co-ordinate and utilise aid flows more effectively. Under the Paris Declaration, donors committed to providing technical co-operation in a manner that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Likewise, there is greater recognition that successful capacity building is endogenous – *i.e.* is led by the partner country. To this end, the partner country defines clear objectives to ensure that existing capacities are used effectively and that external support is harmonised within this framework.

Indicator 4 focuses on the extent to which donor technical co-operation – an important input into capacity development – is moving towards this country-led model. It measures the degree of alignment between donor technical co-operation and the partner country's capacity development needs and strategies. The Paris Declaration 2010 target is that 50% of technical co-operation flows are implemented through co-ordinated programmes that are consistent with national development strategies.

The 2006 Baseline Survey reported that 36% of donor technical co-operation to Cambodia was provided in a co-ordinated manner, and suggested that this figure would likely rise with increased use of programme-based approaches (PBAs). Data for the 2008 Survey provide little encouragement, showing a slippage to 35%. However, the Cambodian government and its development partners take the view that the Indicator may not be a useful or operational proxy for effective capacity development. More specifically, it is possible that the slippage is due to a tightening of the definition of what constitutes co-ordinated technical co-operation.

Much remains to be done if Cambodia is to meet the 2010 target of 50% of technical co-operation being provided in a co-ordinated manner. The government is clearly committed to making progress in this regard, as demonstrated by its intention to introduce guidelines on technical co-operation. To accelerate progress, government and donors need to collaborate more effectively to ensure that capacity needs are assessed before support programmes are designed. They should also improve the management and monitoring of technical co-operation.

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	2005 (for reference) c = a / b	2007*
Asian Development Bank	2	14	13%	11%
Australia	3	22	0%	15%
Belgium	7	7	0%	100%
Canada	1	4	0%	26%
China	0	0	--	0%
Denmark	6	6	34%	100%
European Commission	0	18	55%	3%
Finland	0	3	--	0%
France	0	1	34%	4%
GAVI Alliance	0	0	--	--
Germany	4	15	31%	24%
Global Fund	0	0	--	--
IMF	1	1	100%	100%
Japan	7	36	17%	19%
Korea	0	6	--	0%
Netherlands	0	0	--	0%
New Zealand	1	1	0%	53%
Spain	0	1	--	0%
Sweden	0	5	9%	0%
Switzerland	0	1	--	0%
United Kingdom	1	3	60%	23%
United Nations	39	63	57%	62%
United States	0	0	77%	0%
World Bank	7	16	26%	41%
<b>Total</b>	<b>78</b>	<b>225</b>	<b>36%</b>	<b>35%</b>

TABLE 8.2:  
How much technical  
co-operation is co-ordinated  
with country programmes?

## USING COUNTRY SYSTEMS

## INDICATOR 5

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the partner's long-term capacity to develop, implement and account for its policies – to both its citizens and its parliament. The Paris Declaration encourages donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. In this respect, Indicator 5 is directly linked to Indicator 2 on the quality of PFM and procurement systems, and measures the use of both.

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding to the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting, and auditing) as a percent of total aid disbursed to the government sector. The 2010 target is relative to Indicator 2a on the quality of PFM systems.

The 2006 Baseline Survey reported that only 10% of aid to the government sector made use of the country's PFM systems, largely due to the weakness of such systems. Indeed, with a rating of 2.5 for its PFM systems, no target was set for Indicator 5a. The current round of monitoring reveals that 14% of aid now uses the country's PFM systems. This perhaps reflects the improvement in systems recorded by the World Bank's 2005 and 2006 CPIA ratings – 2.5 and 3.0, respectively – for PFM. Audit systems remain the least-used of the country's PFM systems with only 13% of aid to the government making use of them.

TABLE 8.3:  
How much aid for  
the government sector  
uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management (PFM)					Procurement		
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	2005	2007	Procurement systems (USD m) e	2005	2007
					(for reference)	avg (b,c,d) / a		(for reference)	e / a
Asian Development Bank	70	1	1	1	9%	2%	1	0%	2%
Australia	18	0	0	0	0%	0%	0	0%	0%
Belgium	8	0	0	0	0%	0%	8	24%	100%
Canada	2	0	0	0	0%	0%	0	0%	0%
China	92	0	0	0	--	0%	0	--	0%
Denmark	25	25	25	23	0%	97%	25	0%	100%
European Commission	12	6	6	6	21%	47%	0	31%	0%
Finland	2	0	0	0	--	0%	0	--	0%
France	14	4	4	2	0%	23%	7	0%	53%
GAVI Alliance	3	0	0	3	33%	33%	0	0%	0%
Germany	26	0	0	0	0%	0%	6	0%	24%
Global Fund	21	0	0	0	67%	0%	0	0%	0%
IMF	1	0	0	0	0%	0%	0	0%	0%
Japan	104	20	20	20	8%	19%	20	3%	19%
Korea	31	0	0	0	--	0%	0	--	0%
Netherlands	0	0	0	0	--	--	0	--	--
New Zealand	1	0	0	0	0%	0%	0	0%	0%
Spain	0	0	0	0	--	0%	0	--	0%
Sweden	1	0	0	0	0%	0%	0	0%	0%
Switzerland	0	0	0	0	--	--	0	--	--
United Kingdom	4	0	0	0	0%	0%	0	0%	0%
United Nations	75	15	14	8	12%	17%	17	20%	23%
United States	38	0	0	0	0%	0%	0	0%	0%
World Bank	61	16	16	16	4%	27%	16	11%	27%
<b>Total</b>	<b>612</b>	<b>87</b>	<b>85</b>	<b>79</b>	<b>10%</b>	<b>14%</b>	<b>101</b>	<b>6%</b>	<b>16%</b>

No formal target has yet been set for the use of Cambodia's PFM systems. The upward trajectory should, however, continue as the PFM reform programme strengthens the country's systems, as PBAs become more common, as the use of pooled funds increases, and as budget support comes on stream.

Indicator 5b measures the volume of aid, as a percent of total aid disbursed to the government sector, that uses partner country procurement systems. The 2010 target is relative to Indicator 2b; thus, targets are indicated only for those countries that established scores for Indicator 2b in the context of the 2006 Baseline Survey.

No target has been set yet for use of the country's procurement systems because those systems did not meet the minimum threshold for reliability at the time of the previous round of monitoring. At present, 16% of aid makes use of the country's procurement systems, a substantial increase on the 6% recorded in the previous survey. However, a significant portion of this improvement may be explained by changes in the methodology of assessment.

#### AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

When providing development assistance, some donors establish specific project implementation units (PIUs), *i.e.* dedicated management units designed to support development projects or programmes. A PIU is said to be "parallel" when it is created at the behest of the donor and operates outside existing country institutional and administrative structures.

In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, PIUs often tend to undermine national capacity building efforts, distort salaries and weaken accountability for development.

To make aid more effective, the Paris Declaration encourages donors to "avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes." Indicator 6 is a count of the number of parallel PIUs being used in partner countries. The 2010 target is to reduce by two-thirds the stock of parallel PIUs in each partner country.

	2005 (for reference)	2007 (units)
Asian Development Bank	0	28
Australia	2	9
Belgium	6	1
Canada	1	2
China	--	0
Denmark	0	0
European Commission	0	2
Finland	--	0
France	18	15
GAVI Alliance	0	0
Germany	0	2
Global Fund	0	1
IMF	0	0
Japan	0	0
Korea	--	11
Netherlands	--	0
New Zealand	0	0
Spain	--	11
Sweden	0	0
Switzerland	--	1
United Kingdom	3	1
United Nations	19	37
United States	0	0
World Bank	0	0
<b>Total</b>	<b>49</b>	<b>121</b>

#### INDICATOR 6

TABLE 8.4:  
How many PIUs are parallel  
to country structures?

The 2006 Baseline Survey, while noting that there was probably significant donor under-recording of parallel PIUs, also reported that Cambodia had 49 parallel PIUs. The baseline survey set the 2010 target – a two-thirds reduction in the stock of PIUs – at 19. The most recent round of monitoring records a total stock of 121 parallel PIUs, a substantial shift in the wrong direction. However, as the country report notes, there are serious questions about the robustness of this Indicator in practice, and much of this apparent slippage might be explained by changes in definition and measurement.

Looking ahead, there are some grounds for optimism. The ODA Database provides better recording and information about the parallel PIUs in place, thus increasing transparency. In addition, the government and donors have had constructive discussions about how best to integrate parallel PIUs, although agreed actions are yet to be identified.

### PROVIDING MORE PREDICTABLE AID

#### INDICATOR 7

TABLE 8.5:  
Are disbursements  
on schedule and recorded  
by government?

For many countries, development assistance constitutes a vital source of revenue and resources. Being able to predict aid disbursements – in terms of both how much aid will be delivered and when – is an important factor in the ability of countries to manage public finances and undertake realistic planning for development. It is particularly crucial to enabling partner countries to implement medium- to long-term development plans and to optimise the allocation of resources within and across sectors. In this regard, the Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable fashion according to agreed schedules.

	Disbursements recorded by government in 2007 (USD m) a	Aid scheduled by donors for disbursement in 2007 (USD m) b	Aid disbursed by donors for government sector in 2007 (USD m) for reference only c	2005 (for reference)		2007*	
						c = a / b	c = b / a
Asian Development Bank	68	75	70	--	91%		
Australia	24	22	18	--		92%	
Belgium	8	7	8	--		81%	
Canada	5	10	2	--	56%		
China	92	92	92	--		99%	
Denmark	17	10	25	--		57%	
European Commission	24	39	12	--	60%		
Finland	4	2	2	--		46%	
France	15	24	14	--	63%		
GAVI Alliance	3	3	3	--		88%	
Germany	29	22	26	--		75%	
Global Fund	21	15	21	--		70%	
International Monetary Fund	1	0	1	--		0%	
Japan	104	112	104	--	93%		
Korea	31	12	31	--		38%	
Netherlands	0	0	0	--	--		
New Zealand	4	2	1	--		45%	
Spain	1	0	0	--		15%	
Sweden	14	20	1	--	72%		
Switzerland	0	0	0	--	--		
United Kingdom	23	23	4	--	97%		
United Nations	38	37	75	--		97%	
United States	37	0	38	--		0%	
World Bank	49	63	61	--	78%		
Average donor ratio	--	--	--	--		64%	
<b>Total</b>	<b>612</b>	<b>586</b>	<b>612</b>	<b>69%</b>		<b>96%</b>	

\* Ratio is c=a/b except where disbursements recorded by government are greater than aid scheduled for disbursement (c=b/a).

Indicator 7 examines in-year predictability of aid to the government sector, measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in the national accounting system as actually disbursed. Indicator 7 assesses predictability from two angles. The first angle is the combined ability of donors and government to disburse aid on schedule. The second is the ability of donors and government to record comprehensively disbursements made by donors to the government sector. Indicator 7 is designed to encourage progress in relation to both angles, with the aim of gradually closing the predictability gap – by one-half – by 2010. The ultimate goal is to improve not only the predictability of actual disbursements, but also the accuracy of how disbursements are recorded in government systems – an important feature of ownership, accountability and transparency.

The 2006 Baseline Survey recorded in-year predictability of aid in Cambodia at a level of 69%, with a substantial gap both between scheduled and actual disbursements, and between actual and recorded disbursements. With a global Paris Declaration 2010 target of closing the predictability gap by half, the target for Cambodia is set at 85%.

The 2008 Survey reports very impressive progress with in-year predictability reaching 96%. It should be noted that only 64% of the average donor's scheduled aid disbursements are recorded by government. Nonetheless, the rapid increase in the total ratio demonstrates that – with a concerted effort – substantial progress can be made in a short space of time. Multi-year predictability is also being enhanced by the introduction of a multi-year financing framework, an initiative that is being used by some, but not all, donors.

## UNTYING AID

Aid is said to be “tied” when it is provided on the condition that the recipient country will use it to purchase goods and services from suppliers based in the donor country. Experience shows that aid with such conditions attached increases the costs of goods and services provided to partner countries; it also increases the administrative burdens on both donors and partners. By contrast, untied aid helps build a country's capacity to provide goods and services.

Country figures for untying aid are based on voluntary self-reporting by donors that are members of the OECD-DAC. The 2010 target is to continue progress towards untying aid over time.

The 2006 Baseline Survey reported that 86% of aid to Cambodia was untied based on a sample of donors covering 61% of aid provided by members of the OECD DAC. The average level of untying for the countries that participated in 2006 Baseline Survey was 75%. The Paris Declaration 2010 target is for continued progress over time with untying.

The most recent data collected by the OECD-DAC show that 99% of its members' aid to Cambodia is untied. However, the Cambodian government's own calculations for the 2008 Survey – which are based on a tighter definition of “untied aid” and include donors that are not DAC members – suggest that a much smaller percentage of aid (around 50%) is effectively untied. ■

## INDICATOR 8

How much aid is untied?

## HARMONISATION

DECADES OF DEVELOPMENT EXPERIENCE show that poor co-ordination of aid increases the cost for both donors and partner countries, and significantly reduces the value-added of aid. Harmonisation of aid delivery procedures and adoption of common arrangements help reduce duplication of effort and lower the steep transaction costs of managing aid. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and share analysis.

There is considerable room for progress on harmonisation in Cambodia. Progress on using common arrangements is slow, while the percentage of missions and analytical work conducted jointly is actually decreasing. All donors – rather than only some – need to make a concerted effort to drive progress along this dimension of aid effectiveness.

### USING COMMON ARRANGEMENTS

#### INDICATOR 9

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A sound mechanism for aid co-ordination can be described as one that builds on shared objectives and that reconciles, in a constructive manner, the various interests of stakeholders.

TABLE 8.6:  
How much aid is  
programme based?

Indicator 9 assesses the degree to which donors work together by measuring the proportion of total ODA disbursed within PBAs. In practice, there are many different modalities for implementing PBAs, which operate at various levels. At one level, the partner country

	Programme based approaches (PBAs)			Total aid disbursed (USD m) d	2005 (for reference)	2007
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c = a + b			
Asian Development Bank	0	21	21	70	13%	31%
Australia	0	3	3	23	1%	15%
Belgium	0	8	8	8	0%	100%
Canada	0	1	1	4	0%	26%
China	0	0	0	92	--	0%
Denmark	0	23	23	25	29%	92%
European Commission	6	0	6	25	27%	24%
Finland	0	0	0	3	--	0%
France	0	2	2	20	0%	10%
GAVI Alliance	0	2	2	3	0%	59%
Germany	0	7	7	34	18%	22%
Global Fund	0	0	0	21	100%	0%
International Monetary Fund	0	1	1	1	100%	100%
Japan	19	16	34	112	34%	31%
Korea	0	1	1	31	--	2%
Netherlands	0	0	0	0	--	0%
New Zealand	0	1	1	1	0%	53%
Spain	0	0	0	1	--	0%
Sweden	0	0	0	5	7%	0%
Switzerland	0	0	0	4	--	0%
United Kingdom	0	1	1	5	78%	20%
United Nations	0	46	46	97	39%	47%
United States	0	0	0	58	0%	0%
World Bank	15	29	45	67	16%	67%
<b>Total</b>	<b>40</b>	<b>162</b>	<b>202</b>	<b>711</b>	<b>24%</b>	<b>28%</b>

is responsible for defining clear, country-owned programmes (*e.g.* sector policy) and establishing a single budget framework that captures all resources (both domestic and external). At the second level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that 66% of aid flows are provided in the context of PBAs.

The 2006 Baseline Survey reported that 24% of aid to Cambodia made use of PBAs, with most of this accounted for by sector-wide approaches (SWAs). The current round of monitoring sets that figure at 28%, a rate of increase that would leave Cambodia far short of the 2010 target of 66% of aid using PBAs. Only seven PBAs, used for USD 162 million of aid, were identified once general budget support was excluded. These were for the areas of education, health, public financial management, decentralisation, mine action, land management and aid management.

Cambodia's government and donors need to better incorporate project support in the seven sectors in which PBAs have been established, in order to increase the amount of aid channelled via these approaches and to advance on the 2010 target. The share of aid going to PBAs will rise as budget support, increases and as programmatic approaches are developed for agriculture and water, trade, and the Ministry of Planning.

## CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

One of the most frequent complaints of partner countries is that donors make too many demands in relation to their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – *i.e.* that the burden of such work is shared.

Indicator 10 measures the extent to which donors are merging their missions (Indicator 10a) and analytical work (Indicator 10b) at the country level – either with country partner authorities or amongst the donor community (or both). It calculates the proportion of missions to the country undertaken jointly (*i.e.* by more than one donor) and the share of country-analysis exercises undertaken on a joint or co-ordinated basis. The 2010 target is that 40% of donor missions to the field are conducted jointly and that 66% of country analytical work is carried out jointly.

Data for the 2008 Survey shows a welcome decrease in the total number of missions, but also a slippage relative to the 2005 estimate, with only 12% of missions being conducted jointly. Some of this slippage is likely due to a tightening of the definition of a “joint” mission. However, it is clear that Cambodia hosts a large number of missions.

### INDICATOR 10a

Increased co-ordination of missions will continue to be a challenge as long as there is no robust system for donors to record and plan missions, and to share information. The government has developed a facility for recording project-related missions as they occur, but few donors have thus far made use of the facility. Joint missions occur naturally when co-funded projects or PBAs have been established; thus, there is likely to be a greater proportion of joint missions in the future. Nevertheless, meeting the immediate 2010 target of 40% will be a major challenge.

**TABLE 8.7:**  
How many donor missions are co-ordinated?

	Co-ordinated donor missions* (missions)	Total donor missions (missions)	2005 (for reference)	2007 c = a / b
	a	b		
Asian Development Bank	9	105	8%	9%
Australia	0	14	0%	0%
Belgium	0	0	0%	--
Canada	1	13	18%	8%
China	0	0	--	--
Denmark	1	2	67%	50%
European Commission	0	4	40%	0%
Finland	0	0	--	--
France	0	12	8%	0%
GAVI Alliance	1	1	--	100%
Germany	0	10	13%	0%
Global Fund	0	1	0%	0%
IMF	16	20	88%	80%
Japan	0	53	4%	0%
Korea	0	25	--	0%
Netherlands	0	0	--	--
New Zealand	2	2	25%	100%
Spain	0	0	--	--
Sweden	0	2	46%	0%
Switzerland	0	0	--	--
United Kingdom	10	17	71%	59%
United Nations	18	38	26%	47%
United States	0	12	100%	0%
World Bank	9	27	47%	33%
<b>Total</b>	<b>44</b>	<b>358</b>	<b>26%</b>	<b>12%</b>

\* The total of co-ordinated missions has been adjusted to avoid double-counting. A discount factor of 35% is applied.

#### INDICATOR 10b

Country analytical work encompasses the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies in support of sound development assistance. It typically includes country or sector studies and strategies, country evaluations, discussion papers, etc. The Paris Declaration recognises that donors have a responsibility to ensure that the analytic work they commission is undertaken jointly, as much as possible. Doing country analytical work jointly has a number of benefits. It helps curb transaction costs for partner authorities, avoid unnecessary duplicative work and foster common understanding between donors. Donors need to draw on the analytical work of partner countries and, as appropriate, work with government and other donors. Indicator 10b measures the proportion of country analytic work that is undertaken jointly. This Indicator shows a significant decrease from the 64% reported in the 2006 Baseline Survey to 17% in the latest round of monitoring. Thus, meeting the 2010 target of 66% of analytical work being undertaken in a co-ordinated manner will be very challenging.

	Co-ordinated donor analytical work* (analyses) a	Total donor analytical work (analyses) b	2005 (for reference)	2007
				c = a / b
Asian Development Bank	2	41	67%	5%
Australia	5	9	54%	56%
Belgium	0	0	--	--
Canada	2	2	0%	100%
China	0	0	--	--
Denmark	0	0	67%	--
European Commission	0	1	50%	0%
Finland	0	0	--	--
France	0	2	75%	0%
GAVI Alliance	0	0	--	--
Germany	0	0	20%	--
Global Fund	0	4	--	0%
IMF	0	1	0%	0%
Japan	0	0	100%	--
Korea	0	12	--	0%
Netherlands	0	0	--	--
New Zealand	0	5	100%	0%
Spain	0	0	--	--
Sweden	0	0	45%	--
Switzerland	0	0	--	--
United Kingdom	4	9	100%	44%
United Nations	9	21	71%	43%
United States	0	7	100%	0%
World Bank	4	4	82%	100%
<b>Total</b>	<b>20</b>	<b>118</b>	<b>64%</b>	<b>17%</b>

\* The total of co-ordinated analytical work has been adjusted to avoid double-counting. A discount factor of 25% is applied.

**TABLE 8.8:**  
How much country analysis  
is co-ordinated?

## MANAGING FOR RESULTS

THE PARIS DECLARATION CALLS ON donors and partner countries to make a joint commitment to managing for development results – *i.e.* to manage resources according to desired results. This implies defining desired results and measuring progress toward them, as well as using information on results to improve decision making and performance. It also implies strengthening capacity to undertake such management and helping to increase the demand for a focus on results (*i.e.* adopt a results-based monitoring framework).

Indicator 11 utilises data collected as part of the World Bank's review on *Results-Based National Development Strategies: Assessments and Challenges Ahead*. The review focuses on three particular aspects of a robust results-based monitoring framework: the quality of the information generated; stakeholder access to the information; and the extent to which such information is utilised within a country-level monitoring and evaluation system.

The assessments are expressed in scores running from A (high) to E (low), with B representing a “largely developed results-based monitoring framework.” The 2010 target is to reduce by one-third the proportion of countries lacking transparent and monitorable results-based monitoring frameworks (*i.e.* reduce by one-third the number of countries not attaining at least a B rating).

**INDICATOR 11**  
Do countries have  
results-based monitoring  
frameworks?

At the time of the previous round of monitoring, a transparent and monitorable performance assessment framework – the key building block for results-oriented reporting and assessment – had not been established in Cambodia. As a result, the World Bank’s review gave the country a rating of C, thereby placing Cambodia in the same category as 59% of countries participating in the 2006 Baseline Survey. The Aid Effectiveness Review (AER), produced in late 2006 but using information mainly related to 2005, notes there is a need to improve the quality and availability of development information and statistics, and to make further progress on establishing a monitoring framework for the NSDP.

The Paris Declaration 2010 target is that all countries move up one grade, implying a target of a B rating for Cambodia. The current round of monitoring again gives the country a C, indicating that little progress has been made. It should be noted that the information reviewed by the World Bank during the AER exercise is chiefly based on the situation in 2005; thus, this rating is not wholly surprising. However, there are some grounds for optimism in the establishment of indicators, annual progress reports and mid-term review as part of the NSDP, and in the development of a statistical master plan. ■

## MUTUAL ACCOUNTABILITY

### INDICATOR 12

Do countries have reviews of mutual accountability?

THE PARIS DECLARATION RECOGNISES that for aid to be truly effective, stronger and more balanced accountability mechanisms are required at all levels. In particular, aid is more effective when both donors and partner country governments are accountable – to their respective publics and to each other – for the use of resources and management to achieve development results. The Paris Declaration calls for donors and partner countries to jointly assess (through existing country-level mechanisms) mutual progress in implementing agreed commitments on aid effectiveness, including commitments made under the Paris Declaration.

Indicator 12 is concerned with the specific question of whether there is a country-level mechanism for mutual assessment of progress on the partnership commitments arising from the Rome or Paris Declarations, or from local harmonisation and alignment plans. The 2010 target is for all partner countries to have in place such mechanisms.

At the time of the first survey in 2006, Cambodia’s Harmonisation, Alignment and Results Action Plan provided a basis for mutual assessment. In 2007, this mechanism became institutionalised in the Cambodia Development Co-operation Forum. With a number of tools and processes in place, and with stronger government leadership, mutual assessments of progress on aid effectiveness would seem to be firmly established. However, continued strengthening of dialogue mechanisms and joint monitoring indicators, including with civil society, have been identified as a priority for both government and donors. ■

## PROGRESS SINCE 2005 AND PRIORITIES FOR 2010

THE 2008 SURVEY PROCESS demonstrates a strong commitment to jointly implementing the Paris Declaration and jointly monitoring progress through enhanced country-based systems. The government and its development partners need to maintain their efforts to make progress towards the 2010 targets, to implement agreed policy frameworks and to ensure that the aid effectiveness agenda delivers at a sectoral level. A planned evaluation of Aid Effectiveness in Cambodia, due to be conducted in the latter part of 2008, is expected to provide a deeper understanding of future priorities and challenges. It will also guide implementation leading to 2010.

More specifically, there is a need to improve information on the delivery and management of development assistance, something that could be achieved if all donors were to put in place adequate information systems. With regards to PFM, there is a need to link the reform agenda with that of the public administration. Donors and government need to collaborate more effectively to ensure that technical co-operation is co-ordinated in support of capacity development needs. ■

**SUMMARY**  
TABLE 8.9

	INDICATORS	2005 REFERENCE	2007	2010 TARGET
1	Operational development strategies	C	C	B or A
2a	Reliable public financial management (PFM) systems	2,5	3,0	3,0
2b	Reliable procurement systems	Not available	Not available	Not applicable
3	Aid flows are aligned on national priorities	79%	85%	90%
4	Strengthen capacity by co-ordinated support	36%	35%	50%
5a	Use of country PFM systems	10%	14%	No target
5b	Use of country procurement systems	6%	16%	Not applicable
6	Strengthen capacity by avoiding parallel PIUs	56	121	19
7	Aid is more predictable	69%	96%	84%
8	Aid is untied	86%	94%	More than 86%
9	Use of common arrangements or procedures	24%	28%	66%
10a	Joint missions	26%	12%	40%
10b	Joint country analytic work	64%	17%	66%
11	Results-based monitoring frameworks	C	C	B or A
12	Mutual accountability	Yes	Yes	Yes

## CONTRIBUTORS

National Co-ordinator: Chhieng Yanara  
 Donor Focal Points: Marjolaine Nicod (UK)  
 Dylan Gelard (UNDP)

## ACRONYMS

GNI	gross national income
IDA	International Development Association
MDGs	Millennium Development Goals
NSDP	National Strategic Development Plan
ODA	official development assistance
PBA	programme-based approach
PFM	public financial management
PIU	project implementation unit