Kingdom of Cambodia
Nation Religion King

Session IV: Increasing Aid Effectiveness

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Mr. Co-Chairs
Your Royal Highness, Excellencies, Ladies and Gentlemen

1. It is an honour and pleasure for me to make a brief presentation on issues concerning aid effectiveness in Cambodia. My presentation consists of two parts. First, I would like to present an overview of the progress we have made since the last CG meeting. Secondly, I would like to share with you my understanding of the challenges we face to improve aid effectiveness, and strategies we need to adopt to move forward.

2. Looking at the past, as you know, based on a proposal made by the Royal Government at the last CG meeting a Government-Donor Partnership Working Group was established in 2002. I would like to thank my two Co-Vice Chairs, the UN Resident Coordinator and the Minister from the Embassy of Japan, and all our development partners who have participated in the Working Group, for their support without which it would not have been possible to achieve the significant progress we have made. In its deliberations the Partnership Working Group had agreed to begin its work by focusing on problems/issues for which feasible solutions already exist and that can be agreed to and implemented immediately. As you may be aware, the Working Group began its work by commissioning three studies to collect and analyse the necessary background information and outline feasible solutions to tackle the harmonization issues. And I would like to thank UNDP and Japan for their technical and financial support. The studies that have been carried out under the umbrella of this Working Group have provided us factual information and analysis that will enable us to tackle the real issues based on *facts rather than perceptions.*

3. The study on the capacity building practices provides important insights. This study collected data on the capacity building practices of donors in five areas: training; operational support; monetary incentives, including salary supplements; and the employment of national and international personnel. In total 147 projects and 77 NGOs provided the requested data. The total expenditure on these projects in 2002 represented around half of the total ODA disbursements in 2002. I would like to illustrate some:

First, these data show that the largest expenditure was incurred to employ international personnel to support the implementation of the programs (740 on the reported projects).

Second, the programs/projects employ a large number of qualified and experienced national personnel (6,400 national staff on the reported projects), and they enjoyed long-term employment relationship.

Third, the study also provides factual information on a variety of measures including salary supplements that are currently employed by donors to provide monetary incentives.

The findings and recommendations of this study are now being reviewed by the PAR Working Group at the Council for Administrative Reforms to: (i) arrive at a set of recommendations on which there is consensus, and (ii) to develop an action plan for their implementation.

4. The Study on "Practices and Lessons Learned in the Management of Development Cooperation" provides insights into Cambodia's experiences in implementing sector and cross-sector programs. The "National Operational Guidelines for Development Cooperation" that are now at the final stages of completion in collaboration with our development partners will lay the foundation for strengthening government systems and procedures.

5. In short, the findings and recommendations of these studies present both opportunities and challenges for the Royal Government as well as the development partners. They offer opportunities to improve ODA effectiveness through strengthened partnerships to achieve more harmonized practices in program planning, formulation, financing, and the management of the implementation of development cooperation activities. The challenge now is to find ways to quickly move forward with the implementation of recommendations on which there is agreement between the Royal Government and the development partners.

6. The joint proposal of the Royal Government and the development partners on the establishment of Joint Government-Donor technical working group has been endorsed by the Prime Minister. This restructuring of the Working Groups under the CG mechanism, represents a fundamental change in the institutional set up for planning, managing and monitoring progress on the implementation of development assistance provide further opportunity for increasing aid effectiveness. These fundamental changes in approach to ODA planning and management, and the strong commitment of our development partners that I have witnessed in the process of the preparation of the Action Plan on Harmonization and Alignment make me feel confident that we are moving in the right direction to improve the effectiveness of ODA.

7. The RGC through the Partnership Working Group has also been busy in supporting both the work of the OECD/DAC on examining harmonization and alignment issues in Cambodia's context. You are all aware of the work we have done in completing the OECD/

DAC questionnaire. As you know, the OECD/DAC Secretariat has established a Task Team to monitor progress on the implementation of the Rome agenda. The Task Team has developed an "aid effectiveness pyramid" as the framework for monitoring progress on the implementation of the Rome and Marrakech commitments. This pyramid covers three broad areas:

- **Ownership** by recipient countries to establish their development agenda.
- **Alignment** of donor's development assistance with recipient country's development priorities.
- **Harmonization** of donors practices to streamline and harmonize their policies, and procedures.

AID EFFECTIVENESS PYRAMID

8. The Task Team carried out a survey early this year on the status of harmonization and alignment practices in 14 countries including Cambodia. This survey consisted of a comprehensive three part questionnaire. In Cambodia, after extensive discussions within the Government, among donors, and between Government and donors the questionnaire was completed not only on time but also Cambodia was reported to be the first country to return the completed questionnaire to OECD/DAC.

9. OECD/DAC has just completed the first draft of the summary report presenting an overview of the survey results for the 14 countries. I would like to present to you the results of the survey that highlight the differences between the 14 countries in two areas:

(i) the use of partner country systems and procedures to manage aid, and

(ii) the volume of donor country missions.

10. On the use of partner country systems, the survey asked donors to indicate the share of their project portfolios where donors relied on partner country's administrative systems in areas of procurement, disbursement and accounting, reporting, monitoring and evaluation, and audit. In all of these areas, the averages for the 14 countries show that around one-third or less of the ODA was channelled through country systems. These averages, of course, mask significant disparities between countries. The report, however,

does provide country specific information on procurement as an illustration. I would to highlight that in terms of the "use of partner country systems and procedures to manage aid" Cambodia is reported to have the second lowest rate among the 14 countries — 12 percent of donor portfolios in the case of Cambodia as compared to 70 percent in the case of Morocco.

Are Donors using country's systems?

11. In terms of the number of donor missions in 2003, Cambodia is reported to have had the highest number of donor missions — more than 400 — the same number as Vietnam. 8 organizations (USAID, FAO, WHO, AsDB, Japan, UNICEF, World Bank and UNESCO) accounted for 86% of the total number of missions. The survey results show that less than 10 percent of these missions are joint missions.

12. *Looking ahead*, although we have made progress, the OECD/DAC survey results highlight some of the challenges that we still face to further improve aid effectiveness. Achieving success will require a strong commitment and a collective will from both Government and development partners to tackle the difficult issues. In dealing with the challenges for aid effectiveness in Cambodia's context, since early this year, the Partnership Working Group has been working on preparing Cambodia's Action Plan on the implementation of the Rome Declaration commitments. I am pleased to report that the Action Plan on Harmonization and Alignment was approved by the Cabinet on 19 November 2004, and the Royal Government and 12 development partners of Cambodia signed a Declaration on 2 December 2004 to support the implementation of this Action Plan. This Action Plan will serve as a framework under which the Government and Development Partners could work in a more harmonised manner. I would like to thank the UNDP, the World Bank, Japan, and Australia for their assistance in facilitating the preparation of the RGC's Action Plan on Harmonization and Alignment. An important element of this Action Plan is Royal Government's commitment to prepare a single National Strategic Development Plan for the years 2006-2010 that will serve as the framework for alignment of all ODA supported activities. The Royal Government

recognizes that to encourage a greater use of government systems and procedures by the development partners it needs to significantly strengthen its systems and procedures.

Number of donor missions?

13. The Royal Government is also aware of the challenges that some of our development partners face as we begin the process of implementing the Action Plan on Harmonize and Alignment to improve aid effectiveness. Let me illustrate one example. The Rome Declaration was made in February 2003, nearly two years ago. It is my understanding that after the Rome Declaration, the *policy groups* within the headquarters of many development partners have developed an Action Plan to implement the Rome Declaration commitments. In some cases, however, these Action Plans have not been fully adopted by the *operations side* at the headquarters and consequently there have been delays in issuing instructions to the field offices on how to proceed with the implementation of the Rome Declaration at the country level.

14. There is an urgent need for the headquarters of some development partners to speed up this process to enable their country offices in Cambodia to effectively participate in the implementation of Cambodia's Action Plan on Harmonization and Alignment that has been prepared through a collaborative effort between the Government and the development partner's representatives in Cambodia.

15. There are many challenges that the Government and representatives of our development partners in Cambodia need to begin to tackle together. Let me share some examples with you.

- How to build capacity of ministries and agencies to empower them to plan and deliver their services effectively and efficiently to citizens.
- How to strengthen national systems and procedures to encourage a greater use of these systems and procedure by our development partners to discourage the creation of parallel implementation systems and structures?

- How to increase delegated cooperation arrangements?
- How to minimize the number of donor missions and increase the number of joint donor missions?
- How to ensure alignment of ODA supported activities with national priorities?
- How to reduce excessive reliance on the use of international experts?
- How to attract and retain qualified national personnel in the civil service in light of the fiscal realities over the short- and term that limit options to increase current low salaries to an acceptable level?
- How to make ODA supported activities more transparent and accountable for the benefit of the citizens of Cambodia?

17. Based on the progress we have made over the last two years to strengthen aid coordination and management, in particular the agreement to establish 17 Joint Technical Working Groups lead by a Government representative, the high level decision-making Government-Donor Coordination Committee that will be monitoring progress quarterly, and the Action Plan on Harmonization and Alignment; I am confident that we are prepared to meet these challenges. Over the next year, to improve aid effectiveness the Royal Government will be placing special emphasis on:

- Preparing a single National Strategic development Plan for the years 2006-2010.
- Implementing the action plan on harmonization and alignment as follow up to the Rome Declaration.
- Preparing National ODA Management and Utilization Policy.
- Promoting sector and/or thematic/program based approaches for ODA programming.
- Strengthening partnerships between public sector institutions, NGOs and civil society at the sub-national levels.
- Strengthening partnerships with the private sector.

18. To conclude, let me thank my colleagues in the Royal Government and representatives of development partners for their collaboration and support and I am confident that with your continuing support we will be able to move forward together to improve ODA effectiveness in Cambodia.

Thank you.

CG MEETING
6-7 DECEMBER 2004

AGENDA 4: INCREASING AID EFFECTIVENESS

PROGRESS AND WAY FORWARD

Presentation by Mr. Chhieng Yanara

THE PRESENTATION

- **Progress since last CG meeting**
- **LOOK AT THE FUTURE (Challenges and Strategy for Aid Effectiveness)**

LOOKING AT THE PAST

- **Significant Progress since the establishment of PWG at last CG meeting.**
- **Support from Development partners (UN Res. Rep. and Japan) and all development partners.**
- **Three Studies: Factual information and analysis to tackle with the real issues.**
  - **Study on Capacity provides important insights: training, operational support, money incentives, employment of intern. and national personnel**
    - **147 projects and 77 NGOs: represent ½ of total ODA disbursement in 2002.**
    - **More than 1/3 of expenditure for capacity building.**
    - **Largest expenditure for international TA.**
    - **Large number of nat. personnel (6,400) and Long-term employment relationship.**
    - **Variety of measures, including supplement salary.**
    - **Findings and Recommendations being reviewed by CAR**
  - **<u>Study on Practices and lessons learned</u> provide Cambodia's experiences in implementation of sector programs.**
  - **<u>National Operational Guidelines</u> being finalized and lay the foundation for strengthening government systems & procedures.**
  - **Opportunities of ODA effectiveness.**
  - **Challenges: ways to implement the recommendations.**
  - **Restructuring of 17 JTWGs**
    - **Fundamental changes in institutional set-up for planning, managing and monitoring to improve aid effectiveness.**
    - **Fundamental changes in approach to planning and management.**
    - **Move in the right direction.**

Differences between 14 Countries

- Cambodia: first country to return the completed questionnaire to OECD.
- OECD / DAC report.
- Two areas:
  - Use of partner countries systems and procedures (procurement, disbursement accounting, reporting, monitoring and evaluation)
  - Number of donor missions in partner countries.
- Are donors using country systems?

Challenges for Aid Effectiveness

- <u>Government Challenges</u>
  - Strong Commitment and will.
  - Need to strengthen government procedures and Systems.
- Action plan on Harmonization and Alignment
  - Approve by CM on 19 Nov. 2004.
  - Declaration signed with 12 partners an 02 Dec 04.
- Action plan: Framework to work in more hamonized manner.
- Single Nat. Strategic Dev. plan for alignment of all ODA activities.
- Strengthen government systems and procedures.
- <u>Donor Challenges</u>
  - Head Quarters
  - Head Quarters-Country Office relation

Tackle with the challenges

- Capacity building of ministries and agencies.
- Strengthen national systems and procedures to discourage the creation of parallel implementation systems and structures.
- Increase Delegated cooperation arrangements and minimize the number of donor missions and increase the number of joint donor missions.
- Align ODA supported activities with national priorities.
- Reduce excessive reliance on the use of international experts.
- Attract and retain qualified national personnel in the civil service.
- ODA supported activities more transparent and accountable.

Priorities for next year

- Single National Strategic development Plan for the years 2006-2010.
- Implement the action plan on harmonization and alignment.
- Prepare National ODA Management and Utilization Policy.
- Promote Sector and/or thematic/program based approaches for ODA programming.
- Strengthen partnerships between public sector institutions, NGOs and civil Society at the sub-national levels and strengthen partnerships with the private sector.

Thank you