



**Kingdom of Cambodia**

Nation - Religion - King

ជាតិ ព្រះមហាក្សត្រ ព្រះពុទ្ធិសាសនា

**Royal Government of Cambodia**

# **BUILDING PARTNERSHIPS FOR DEVELOPMENT AN UPDATE**

*Prepared for the 7th Consultative Group Meeting for Cambodia*

*6 - 7 December 2004*

*Phnom Penh, Cambodia*

**Council for the Development of Cambodia  
Cambodian Rehabilitation and Development Board**



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## **1. INTRODUCTION**

1. The purpose of this report is to present a succinct update on progress that has been made by the Royal Government of Cambodia in building and strengthening partnerships with its national and international development partners. As stated in the Rectangular Strategy strengthening partnerships with all development partners -- the donor community, the private sector and civil society -- is a top priority of the Royal Government. The basic principles that will continue to guide Royal Government's actions to build and strengthen partnerships with the donor community are embodied in the Resolutions of the General Assembly of the United Nations, the work of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD/DAC), as well as the initiatives of the World Bank and the United Nations system. Government-Private Sector Forum will continue to be further strengthened to enhance its effectiveness as a mechanism of partnership between the public and private sectors. The Royal Government will continue to further strengthen cooperation between the State and the civil society based on rule of law to enhance democracy, freedom, social order and primacy of law. The Royal Government would like to see the civil society become an effective partner of the Government in nation building. To this end, the Royal Government will continue to encourage the activities of the Non-Governmental Organizations and other duly-registered associations working to serve and benefit the people and the nation. The Royal Government welcomes the participation of the NGOs in the process of socio-economic rehabilitation and development and the promotion of democracy and respect for human rights. The Royal Government will speed up the drafting, adoption and implementation of the Law on Non-Governmental Organizations, after broad consultations with all relevant institutions and organizations.

2. This report begins by highlighting the key features of Cambodia's *New Development Cooperation Partnership Paradigm* that it presented to the development partners at the 4th CG Meeting held in 2000 and subsequent developments. This paradigm will continue to guide Royal Government's actions as we move forward. The next section presents a summary of progress that has been made both in the international arena and within Cambodia to strengthen partnerships in order to improve aid effectiveness and to achieve Cambodia's Millennium Development Goals. The final section outlines Royal Government's planned initiatives to further strengthen the partnerships over the next year.

## **2. THE DEVELOPMENT COOPERATION PARADIGM OF CAMBODIA: KEY FEATURES**

3. At the 4th Consultative Group Meeting held in May 2000 in Paris, the Royal Government had presented its overall vision for a *New Development Cooperation Partnership Paradigm for Cambodia*. It was discussed, accepted in principle and supported by all donor representatives present at that meeting. This strategic vision was offered as ideas on the nature, structure and implementation options for building partnerships to support the achievement of Cambodia's national development goals through more collaborative arrangements. It represented a synthesis of information from various donor sources, international organizations, and documentation on experiences and lessons learned in other developing countries. The key features of this Development Cooperation Partnership Paradigm for Cambodia are being reproduced here to keep in focus Cambodia's vision on building partnerships to improve aid effectiveness in order to achieve Cambodia's Millennium Development Goals.

4. The strategic issues that were being faced in development cooperation management at the time of the preparation of the "New Paradigm" in the year 2000 were articulated as follows<sup>1</sup>:

- The *National Ownership* of many donor-funded projects and programs is not as strong as it should be, and indeed many initiatives are being "donor driven". The Royal Government may not be taking enough Leadership in developing and setting the overall policy agenda for development, or for coordination of development cooperation. While the Royal Government has set out a broad development agenda geared towards poverty alleviation, there is some disagreement on specific sectoral and thematic development priorities and approaches, and even some duplication of policy thrusts and the setting up of implementation mechanisms.
- There exist *large financial flows outside of the National Budget mechanism* (especially for capital investments). The degree to which such flows support national, sectoral and thematic development objectives is sometimes unclear, as well as, the degree to which such flows of assistance sometimes duplicate one another.
- Systems of *Governance and Accountability* for national and cooperative development (strategic planning, financial management, etc.) are not up to a standard that would engender national and international confidence. In some cases Donor and NGO accountability for projects and programs (including evaluations and audits) are perceived as being weak.
- *Undue attention is still given to inputs, processes and outputs* in development and in aid management and coordination, with not enough focus on performance management and the measurement of Outcomes and Impacts. At the sectoral

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<sup>1</sup> "A New Development Cooperation Partnership Paradigm for Cambodia", Draft Discussion Paper, Prepared for the Consultative Group Meeting, 24-26 May 2000 by the Council for the Development of Cambodia, p.3. A copy of this report is posted on CDC/CRDB website WWW. CDC-CRDB.GOV.KH.

- and sub-sectoral levels, there is disagreement among the various actors and partners as to what the outcomes should be and how they should be measured.
- The *Non-Transparency* of many donor activities (such as conducting of studies, preparation of papers, donor-sponsored missions, etc.) without adequate consultation among Donors or between the Donor Community and Government, or within Government itself.
  - As cross-sectoral and thematic issues become more pronounced, there are *increasing pressures for more inclusive and participatory approaches* to development and development cooperation. There is increasing complexity in the relationships among national players (Government, civil society, private sector), in the relationships between national organizations and the International Donor Community, and in the relationships among Donor Agencies themselves.
5. In addition to the above issues, a number of pressing *Operational, Capacity-Related and Implementation Issues* were also identified that needed to be addressed. These were:
- The *Institutional and Capacity Limitations* within the Government and national organizations remain severe, which result in many cases of donor teams taking responsibility for service delivery. Insufficient attention has been given to sustainable comprehensive and long term capacity development at the systems-wide level, at the institutional and organizational levels, and at the individual level. This existing "piece-meal approach" to projects and programs is skewing overall development priorities.
  - Where there has been *Capacity Development*, it has often been done on a "piece-meal" basis, further diluting Government's long term capability to develop and sustain an efficient and effective public administration and civil service. In many cases, Government has a relatively small role in the selection of personnel for most technical assistance projects.
  - As qualified public sector personnel are drawn away to staff donor funded projects and programs (usually with higher pay and incentives), capacity gaps in the public sector are increasingly being met by expensive foreign experts and advisors -- an expensive and unsustainable form of *Capacity Substitution* or replacement.
  - An element of "*ad-hoc*" and "*quick-fix*" approaches to some complex development problems, where initiatives are launched without adequate strategic management, consultation or study. These are sometimes driven by pressures on the part of donors to 'commit and disburse' funds, or to tie aid delivery to their own budgetary cycles.
  - The existence of *Multiple and Duplicative Systems* and methodologies in such areas as reporting, audit and evaluation, project and program management and related areas impose an extreme burden on Government's management staff (as well as on Donor Agencies). There is a *proliferation of committees, working groups, structures and coordination mechanisms*, some of which duplicate one another, and all of which impose excessive demands on the time of Government and donor staff alike.
  - The existence of such systems, combined with numerous donor sponsored project management and implementation units, has resulted in *Capacity Depletion* not only within public sector institutions, but more importantly, also in private sector

labor market, and indeed introduced inequities and imbalances in public sector human resources management.

- For those systems that do exist, there is generally *poor exchange of information* in terms of quality and lack of timely (complete) data on external assistance (this points as well to possible lack of discipline on the part of some donors in reporting and providing information, despite relatively simplified systems for data and information resources management).

6. It was acknowledged that both Government and its development partners were facing an increasingly complex and interdependent set of issues that can only be tackled by more cooperative, integrated and inclusive dialogue and focused approaches. The proposed vision presented some ideas on the nature, structuring and implementation of partnerships that might support the achievement of national development outcomes through more collaborative arrangements, and thereby address some of the issues and questions highlighted above. These ideas were meant to be neither complete nor fixed, but were offered as a reasonable starting point for more meaningful discussions, consultations, negotiations and the launching of efficient and agreed processes leading to the launching of formal partnership arrangements.

7. It was highlighted that consideration and implementation of a meaningful development cooperation partnership concept for Cambodia implies *a major shift from the way things are currently done*, into one that allows for and addresses the capacity gaps, constraints and burdens. Partnerships cannot simply serve as a new word to rationalize “*business as usual*”. The implementation of a new development partnership concept implies major long-term transformational change on the part of all the Partners - the Royal Government in combination with civil society and the private sector, and the International Donor Community – and especially changes in the way in which internal and external relationships are managed. The Government accepts that there are different views as to what a development partnership might be and what models or approaches might work.

## **2.1 PRINCIPLES FOR BUILDING EFFECTIVE DEVELOPMENT COOPERATION PARTNERSHIPS**

8. It was also recognized that a successful transition to a new partnership concept must be based on a mutually understood and accepted definition of the concept, and a general understanding and acceptance of its implementation considerations. The purpose of offering for discussion the “New Paradigm” was to engage the external development partners, NGOs, and national stakeholders in a meaningful dialogue to move Cambodia forward to a new paradigm for development cooperation and aid coordination, through enhanced partnerships. The new paradigm had as its foundation the principles that were and are being advocated by OECD/DAC and in other international fora to improve the effectiveness of development cooperation programs. These principles for building effective development cooperation partnerships include:

### ***Principles for Building Partnerships***

- 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.

- **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.
- **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 would lead to the development of common or joint program/project evaluation and audit reviews.
- **Learning and Adaptation Capacities** – Partnerships should 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.

## **2.2 STRATEGIC IMPLEMENTATION CONSIDERATIONS**

9. Further elaboration on the strategic implementation considerations that should be taken into account in developing effective cooperation partnerships with the development partners were provided at the 5<sup>th</sup> CG Meeting. These strategic implementation considerations included:

- **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 the Government there are gaps in the management

### ***Strategic Implementation Considerations***

- Ownership, Commitment and Shared Resources.
- Flexible Partnership Modalities.
- 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.



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
- **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 partner and the requirements of the partnership. The External Lead Partner 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.
- **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 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 Donor Capacities for Aid Management & Coordination.** There is room for strengthening donor-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 Administrative 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.

### **3. PROGRESS IN BUILDING PARTNERSHIPS FOR EFFECTIVE DEVELOPMENT COOPERATION MANAGEMENT**

10. Since the launch of the new partnership paradigm in 2000, significant progress has been made by the Royal Government to streamline and strengthen the aid coordination functions within the Government and to build partnerships with national and international partners. At the same time, the international community has made significant advances in addressing issues concerning harmonization of donor practices and improving aid effectiveness.

11. Since the last CG Meeting for Cambodia held in June 2002 there have been significant developments in both the international arena and within Cambodia to address the aid effectiveness issues. Some examples of major initiatives of the international Community that have been of particular interest for Cambodia, and the in-country actions taken by the Royal Government to streamline and strengthen aid coordination functions, build partnerships with the private sector, civil society and NGOs, and the international development partners and are summarized below.

#### **3.1 DEVELOPMENTS IN THE INTERNATIONAL ARENA**

12. In the international community there is now a general consensus that in order to improve aid effectiveness a greater emphasis need to be given to enhancing the ownership of the development process by the recipient countries. The OECD/DAC, the World Bank and the United Nations Development Group have also been collaborating on several joint initiatives to bring greater coherence to ODA supported programs. In November 2002, the Task Force on Harmonization of Donor Practices established by the OECD/DAC completed and published "Good Practices Papers" as guidelines for the management of development cooperation activities by donors. The Royal Government considers the "Good Practices Papers" prepared by the OECD/DAC Task Force on Donor Practices as an important contribution in a move forward on harmonizing donors practices and aligning donor supported activities to recipient country development priorities to improve aid effectiveness. These papers set out guidelines on good donor practices in the following areas:

- The Framework for Donor Co-ordination.
- Country Analytic Work and Preparation of Projects & Programs.
- Measuring Performance in Public Financial Management.
- Reporting and Monitoring.
- Financial Reporting & Auditing.
- Delegated Co-operation.

13. These papers were endorsed at a High Level Forum on Harmonization held in Rome in February 2003. At this meeting the heads of multilateral and bilateral development institutions and representatives of the IMF, other multilateral institutions, and partner countries issued a Declaration that included a comprehensive set of commitments by the development partners to improve harmonization and alignment of

ODA supported activities to improve aid effectiveness in order to achieve the Millennium Development Goals. It is now commonly referred to as the Rome Declaration. The Rome Declaration is a commitment by development partners to implement the following activities to enhance harmonization and alignment of ODA supported activities<sup>2</sup>:

- Ensuring that development assistance is delivered in accordance with partner country priorities, including poverty reduction strategies and similar approaches, and that harmonization efforts are adapted to the country context.
- Reviewing and identifying ways to amend, as appropriate, our individual institutions' and countries' policies, procedures, and practices to facilitate harmonisation. In addition, we will work to reduce donor missions, reviews, and reporting, streamline conditionalities, and simplify and harmonise documentation.
- Implementing progressively — building on experiences so far and the messages from the regional workshops — the good practice standards or principles in development assistance delivery and management, taking into account specific country circumstances. We will disseminate the good practices (synthesized in Annex A) to our managers and staff at headquarters and in country offices and to other in-country development partners.
- Intensifying donor efforts to work through delegated cooperation at the country level and increasing the flexibility of country-based staff to manage country programs and projects more effectively and efficiently.
- Developing, at all levels within our organisations, incentives that foster management and staff recognition of the benefits of harmonisation in the interest of increased aid effectiveness.
- Providing support for country analytical work in ways that will strengthen governments' ability to assume a greater leadership role and take ownership of development results. In particular, we will work with partner governments to forge stronger partnerships and will collaborate to improve the policy relevance, quality, delivery, and efficiency of country analytic work.
- Expanding or mainstreaming country-led efforts (whether begun in particular sectors, thematic areas, or individual projects) to streamline donor procedures and practices, including enhancing demand-driven technical cooperation. The list of countries presently involved includes Ethiopia, Jamaica, Vietnam, Bangladesh, Bolivia, Cambodia, Honduras, Kenya, Kyrgyz Republic, Morocco, Niger, Nicaragua, Pacific Islands, Philippines, Senegal, and Zambia.
- Providing budget, sector, or balance of payments support where it is consistent with the mandate of the donor, and when appropriate policy and fiduciary arrangements are in place. Good practice principles or standards — including alignment with national budget cycles and national poverty reduction strategy reviews — should be used in delivering such assistance.
- Promoting harmonized approaches in global and regional programs.

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<sup>2</sup> OECD, DAC Task Force on Donor Practices, "Statements from the High Level Forum on Harmonization Held in Rome on 24-25 February 2003", 17 March 2003, p-5, (REF:DCD/DAC/TFDP(2003)1).

14. As the next steps, the Rome Declaration encouraged partner/recipient countries to design country-based action plans for harmonization, agreed with the donor community that set out clear and monitorable proposals to harmonize development assistance using the proposals of the DAC/OECD Task Force and the MDB technical working groups as reference points. In turn, the bilateral and multilateral agencies agreed to take actions to support harmonization at the country level.

15. On behalf of the Royal Government of Cambodia, the Council for the Development of Cambodia (CDC) has actively participated in the work on the preparation of the Good Practices Papers by the OECD/DAC Task Force on Donor Practices established by the OECD/DAC Working Party on aid effectiveness and donor practices. OECD/DAC has now formed a Task Team to monitor progress on harmonization and alignment issues. OECD/DAC has also set up a facility to provide support to in-country efforts on harmonization and alignment issues.

16. Following the Rome meeting, Cambodia was selected as one of the 14 pilot countries to implement the Rome Declaration at the country level. Early in 2004, the Task Team carried out a survey of progress made on harmonization and alignment in the 14 pilot countries. In Cambodia, the process of completing the three part survey questionnaire involved extensive consultations within Government institutions, among donors, and between Government and donors. The major findings of the survey for Cambodia were as follows:

- "Both donors and GOC (RGC) see the national development strategies as being clearly stated, however they are not fully operationalized. It is reported that greater prioritization and a streamlining of quantitative indicators at sector level is required".
- "Experimentation of budget support as a delivery mechanism has been limited to date. ... In most cases where budget support was delivered, disbursements were contingent on performance indicators such as the timing of policy reforms, rather than in alignment with GCO budget cycle".
- Do donor projects use country systems? The results of the donor responses in terms of percent of donors using country systems in the following areas is as follows: audit - 1 percent; M&E - 11 percent; reporting - 6 percent; disbursements - 12 percent; and procurement - 14 percent.
- "While approximately 400 donor missions were sent to Cambodia in 2003, less than 10 percent were taken jointly." 8 organizations (USAID, FAO, WHO, AsDB, Japan, UNICEF, World Bank, and UNESCO) accounted for 86 percent of the total number of missions.
- Only four organizations, AsDB, DFID, WB, and UN reported agreement on delegated cooperation arrangements. Delegated cooperation has been defined as an arrangement by which one donor acts on behalf of another donor.
- "Key challenges that remain in Cambodia include the implementation of recommendations on coordination and harmonization with full government ownership and donor buy-in".

17. There is now also a growing awareness and recognition among development partners that sector and/or program based approaches for ODA programming can not only bring a greater coherence to ODA programming by providing a framework for

alignment of donor programs with Government's priorities, but more importantly, the sector/thematic program also provides a framework for harmonizing donor practices. Over the last few years, a series of resolutions have been adopted by the Council and European Parliament that are aimed at the re-orientation of aid instruments, where appropriate, towards increased use of budget support and sector-wide approaches. To operationalize these resolutions, in February 2003, the European Commission issued detailed "Guidelines for European Commission Support to Sector Programmes". The Royal Government is encouraged by this recent EU initiative. Also, the OECD/DAC "Working Party on Aid Effectiveness and Donor Practices" is at present finalizing a "Good Practices Paper on Providing Harmonized Support to Sector Approaches". To examine and promote the concept of Program Based Approach (PBA) Japan organized a regional workshop on "Program Based Approaches (PBA)" in June 2004 that was held in Tokyo.

### **3.2 IN-COUNTRY INITIATIVES**

18. Since the launch of Cambodia's New Development Cooperation Paradigm, the Royal Government has put in place institutional mechanisms and management systems to support aid coordination and management through the Council for the Development of Cambodia. However, in spite of major improvements, the current situation as reflected in the findings of the just completed OECD/DAC survey for Cambodia continues to present challenges to which solutions must be found to improve aid effectiveness. The current situation is a good illustration of inadequate Government ownership of many projects; "piece-meal" efforts, and insufficient coordination and support by donor agencies for Royal Government's sectoral/thematic programs; the uncoordinated approaches for capacity development; proliferation of different procurement, disbursements, auditing, and progress monitoring and reporting procedures among agencies; and the use of donor-supported project management units staffed either by expatriates or by nationals who are paid significantly higher salaries than those with comparable qualifications employed in the public sector.

19. Some of the major initiatives of the Royal Government to strengthen its capacity to manage development assistance and to build partnerships with national and international development partners are described below.

#### **Streamline and Strengthen Aid Coordination**

20. Soon after the launch of the New Development Cooperation Partnership Paradigm for Cambodia, the Prime Minister appointed CDC/CRDB to be the RGC's Partnership Focal Point within the Government. As the Partnerships' Focal Point, CDC/CRDB is responsible for coordinating and mobilizing resources for public investments, and to provide support to ministries/agencies to enable them to effectively manage the process of establishing partnership arrangements with Cambodia's national and external partners. However, the *Lead Responsibility* for building sectoral partnerships remains firmly in the hands of each sectoral ministry/agency. The CDC/CRDB is also responsible for expanding the aid management information systems within the 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.

21. An Inter-Ministerial Steering Committee to Strengthen Development Cooperation Partnerships was established in 2001. The purpose was 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. It is headed by the 1<sup>st</sup> Vice-chairman of CDC. The membership of this Committee includes key officials in-charge of partnership arrangements at the Secretary/Under-Secretary of State level. The Secretary General of the CDC/CRDB also serves as the Secretary General of the Inter-Ministerial Steering Committee. The Committee is supported by a Secretariat, composed of the staff of CDC/CRDB. In addition, Partnership Working Groups in four ministries, Health, Education, Agriculture, and Women and Veteran Affairs have been established. These Groups are being provided technical support by CDC/CRDB to strengthen their aid management systems.

22. Several Working Groups under the CG mechanism to monitor progress on specific policy issues have been in operation since 1999. After extensive discussions over the last year, the Royal Government and the development partners have agreed to restructure these working groups. At the Pre-CG Meeting held on 10 September 2004, Samdech Hun Sen, the Prime Minister endorsed the proposal to create 17 Joint Technical Working Groups at the sectoral/thematic level. To ensure coordination among the 17 joint technical working groups, he also endorsed the proposal to:

- i. Create a "Government-Donor Coordination Committee (GDCC)" to provide policy guidance, to set priorities, and to propose measures to solve problems raised by joint technical working groups. The GDCC is Chaired by Senior Minister, Minister of Economy and Finance and the 1<sup>st</sup> Vice-chairman of CDC.
- ii. The Government-Donor Coordination Committee will be assisted by a Secretariat. This Secretariat is located at the Cambodian Rehabilitation and Development Board (CRDB) at CDC.

23. Since the mid 1990s, a UNDP Support Program located in the Cambodian Rehabilitation and Development Board of the Council for the Development of Cambodia (CDC/CRDB) has been providing policy advisory services and support for capacity development of the CDC/CRDB and to strengthen aid management systems both in CDC/CRDB and in selected ministries. This Program is scheduled to be completed at the end of 2005. Given the expanded scope of the aid coordination, harmonization and alignment issues resulting from recent developments in the international arena and in the country, the Royal Government would begin discussions with development partners in early 2005 to develop a multi-donor Support Program for CDC/CRDB to be financed through a pooled resources arrangement.

## **Government-Private Sector Partnership**

24. The Royal Government recognizes that improving the business climate and creating an enabling environment for private sector development are key pre-requisites for fostering growth, creating jobs, reducing poverty and achieving sustainable economic development. 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. To further strengthen the key institutional mechanisms to support the implementation of the Rectangular Strategy, at the last Government-Private Sector Forum held on 20 August 2004, Samdech Hun Sen, the Prime Minister announced the formation of a Steering Committee for Private Sector Development. This Committee is chaired by the Sr. Minister and Minister of Economy and Finance, with the Sr. Minister and Minister of Commerce as Deputy Chairman, and the Governor of the National Bank of Cambodia and the Ministers of MIME, MAFF, MPWT and MOT as Members, and the Secretary General of CDC, as its Secretary. The Steering Committee is responsible for carrying out the following tasks:

- i. Act as the "Etat major" of the Head of the Royal Government in leading, implementing, and monitoring the implementation of the Rectangular Strategy on Private Sector Development.
- ii. Propose and implement measures to improve investment climate.
- iii. Propose and implement measures for trade facilitation
- iv. Propose and implement measures to promote Small and Medium Enterprises.
- v. Propose and implement other measures to promote private sector development.

25. The Steering Committee is supported by the following three Sub-committees: (i) Sub-committee on Investment Climate and Private Participation in Infrastructure (PPI) chaired by Sr. Minister, Minister of Economy and Finance; (ii) Sub-committee on Trade Facilitation chaired by Sr. Minister, Minister of Commerce; and (iii) Sub-committee on SMEs chaired by Minister of Industry, Mines and Energy. The Steering Committee and its three Sub-committees will work closely with the development partners who want to assist Cambodia in developing the private sector, including the WB, ADB, IMF, UNDP, JICA, AUSAID, GTZ, AFD and others, based on a SWAP arrangement for private sector development.

## **Partnerships with Civil Society and NGOs**

26. The process of building partnerships with the civil society and the NGOs is now well underway. 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 represent a bold step to move forward Royal Government's efforts to promote more responsive public service delivery and to enhance the participation of the citizens 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 Royal Government is aware of the immense challenges it faces in formulating and refining the policy and regulatory frameworks, 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.

27. 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 need ongoing support beyond formal training, and the provinces need to establish and strengthen 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.

### **Government-Donor Partnerships**

28. At the last CG Meeting, the Royal Government presented a proposal to establish a Government-Donor Partnership Working Group. This proposal was overwhelmingly endorsed and subsequently the Government-Donor Partnership Working Group was established. In its deliberations the Working Group 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. It was a pragmatic approach that assigned a high priority to picking the readily accessible “low hanging fruits”. Thus, the Working Group began its work by commissioning three studies to collect and analyze the necessary background information and outline feasible solutions to tackle the harmonization issues. The three studies focus on: (i) the capacity building practices of Cambodia's development partners, (ii) practices and lessons learned in the management of development cooperation; and (iii) preparation of national operational guidelines for development cooperation. The first two studies have been completed. Also, the first draft of the third study has been prepared.

29. The first study on the “Capacity Building Practices of Cambodia's Development Partners” was financed and supported by UNDP. The methodology used to carryout the study included personal interviews with donor and government representatives, as well as collection of quantitative data through a questionnaire from multilateral and bilateral partners and NGOs. The survey questionnaire covered five areas that are related to



building the individual and institutional capacity and the employment of national and international personnel to support the implementation of the programs and/or to fill capacity gaps. These five areas include: training, operational support, monetary incentives including salary supplements, and the employment of national and international personnel. The study findings are now being discussed by the Council for Administrative Reform with development partners to arrive at a set of recommendations on which there is consensus, and to develop an action plan for their implementation.

30. The study on, "Practices and Lessons Learned in the Management of Development Cooperation: Case Studies in Cambodia", was financed and supported by Japan. This study examined four cases of good practices that included:

*Sector-focused aid coordination:*

- i. Education -- Sector Wide Approach (SWAp)
- ii. Health -- Sector Wide Management (SWIM) and Tuberculosis Sub-Sector (TB)

*Cross-cutting-issue focused aid coordination:*

- iii. Local Governance -- SEILA
- iv. Public Finance – Technical Cooperation Assistance Program (TCAP).

31. The preparation of the national operational guidelines for the grants component of the ODA, the third study, is financed and supported by UNDP. The guidelines are being prepared in close collaboration with key Government agencies and the development partners under the umbrella of a Sub-Group of the Government-Donor Partnership Working Group (GDPWG). These guidelines cover each stage of the program/project cycle: identification, formulation, implementation, monitoring, review and evaluation of projects. The guidelines take into account the OECD/DAC's Good Practice papers on harmonizing donor practices for effective aid delivery, UN General Assembly Resolutions, and lessons learned in the management of development cooperation activities in Cambodia. This work on preparing operational guidelines on the grant side has been closely coordinated with the work on the preparation of the Standard Operating Procedures for loan projects. In terms of process, after the guidelines have been endorsed by the Sub-Group of the GDPWG, by the end of 2004, they will be presented for discussion and approval by the Government-Donor Partnership Working Group. After approval by the GDPWG, CDC will submit the guidelines to the Council of Ministers for approval.

32. 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 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.

33. The Government-Donor 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, and in discussions on the restructuring of the Working

Groups under the CG mechanism. As mentioned earlier, several Working Groups under the CG mechanism have existed to monitor progress on specific policy issues since 1999. Before the recent agreement on the restructuring of these working groups, the membership of most these working groups had included donor representatives only. Some of them have operated in an ad hoc manner without an overall framework for their operations. Over the past year, extensive discussions have taken place on how to restructure the working groups in order to enhance aid effectiveness and to bring a greater coherence to ODA supported activities. The Secretary General of CDC/CRDB, as the Chairman of the Government-Donor Partnership Working Group, submitted a proposal to the development partners on the basic principles for restructuring the working groups in October 2003. After extensive discussions an agreement on the basic principles to restructure the working groups was recently reached. These basic principles for restructuring the working groups that were endorsed by Samdech Hun Sen, the Prime Minister at the Pre-CG Meeting held on 10 September 2004 are:

**First**, to strengthen the ownership and leadership of the Royal Government, the joint technical working groups shall be lead by the responsible ministry or agency and will include members from other concerned ministries and the development partners. The appointment of the chairperson of the working group shall be made by the Minister of the ministry/agency that will lead the working group. Based on the experiences of some working groups, the newly appointed chairperson of the working group must have the political will and commitment and willingness to devote his/her time to lead the working group. The development partners will nominate a donor coordinator and an alternate coordinator to ensure donor-donor coordination and continuity of the operations of each working group.

**Second**, each working group must prepare its Terms of References (TORs) that clearly defines its roles and responsibilities. However, to ensure consistency across working groups the TORs of each working group will include the following basic generic elements:

- i. Each Working Group shall jointly prepare detailed strategies or policies for the sector that is being dealt with by the Group, if they have not been developed so far, ensuring that these strategies or policies are consistent with the Rectangular Strategy. For Working Groups that have already developed the strategies or policies, they should be revised if necessary.
- ii. After the strategies or policies have been prepared, each Working Group shall develop an Action Plan and identify priorities and modalities of support for the implementation of the Action Plan. The Action Plan shall be considered to be a joint document of the Royal Government and the donor community for monitoring progress by the Working Group.
- iii. Each Working Group shall be responsible for mobilizing resources needed for the implementation of the agreed Action Plan. If the resources are not enough, both the Government and the donors shall work together to re-prioritize their activities in line with the available resources.
- iv. Each Working Group shall jointly monitor progress against benchmarks that have been set forth to increase aid effectiveness and to achieve the strategic objectives laid out in the Rectangular Strategy and Cambodia's Millennium Development Goals.

34. Based on these basic principles, the Royal Government and the development partners have agreed to establish seventeen Joint Technical Working Groups at the sectoral/thematic level. At the Pre-CG Meeting held on 10 September 2004, Samdech Hun Sen, the Prime Minister also identified the following urgent tasks that each joint technical working group should complete before the 7th Consultative Group Meeting in December 2004.

**First**, both parties coordinate to finalize the list of members and TORs of the Joint Technical Working Group, as soon as possible.

**Second**, each joint technical working group has to appraise the progress in the nine priority areas for joint monitoring that were agreed to at the 6<sup>th</sup> Consultative Group meeting held in June 2002 as well as identify any outstanding issues and challenges. The reports of the technical working groups will be consolidated into one document that will be presented at the Consultative Group meeting to be held in December 2004.

**Third**, each technical working group has to develop its action plan and benchmarks for consideration and adoption at the Consultative Group Meeting to be held in December 2004.

35. As part of the restructuring of the working groups, the TORs of the existing Government-Donor Partnership Working Group is being reviewed and revised. A key role of the restructured Partnership Working Group will be to coordinate and facilitate the implementation of the Royal Government's Action Plan on Harmonization and Alignment to implement the Rome Declaration's commitment. As the focal point on harmonization and alignment issues it will continue to provide guidance on overall policy on these issues as well as dealing with implementation/operational issues. The execution of the overall policy and agreed implementation mechanisms will be carried out by the restructured sector/thematic technical working groups.

36. On issues concerning harmonization and alignment of donor activities to improve aid effectiveness, the Government-Donor Partnership Working Group has made important inputs in the work of the OECD/DAC Task Team that is monitoring progress on the implementation of the Rome Declaration's commitments. The OECD/DAC Task Team carried out a survey on the status of harmonization and alignment practices in 14 countries including Cambodia. This survey consisted of a comprehensive three part questionnaire. 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 questionnaires to OECD/DAC.

37. The Royal Government also initiated work on the preparation of RGC Action Plan to implement the Rome Declaration's commitment, a recommended next step in the Rome Declaration. The formulation of Royal Government's Action Plan to move forward on the implementation of Rome Declaration's commitments to harmonize the practices of the development partners has been a high priority of the Royal Government. With assistance from the UNDP and the World Bank significant progress has been made over the last year. The first workshop to examine the harmonization and alignment issues was held in January 2004, to sensitize Government and donor representatives to the

harmonization and alignment issues. Following this workshop, the Royal Government prepared a zero draft of the action plan on harmonization and alignment that was discussed and reviewed by representatives of government institutions and development partners at a second workshop held in June 2004 in Siem Reap. The revised draft incorporating the feedback from the second workshop was discussed and reviewed by an inter-ministerial group at a workshop held in Sihanoukville in August 2004. The draft incorporating changes recommended at the inter-ministerial workshop were discussed and approved at the fourth and final workshop held at CDC on October 26 and 27. This workshop was attended by both Government and donor representatives. The final Royal Government's Action Plan on Harmonization and Alignment that incorporates the outcome of the discussions at the fourth workshop and has been endorsed by the Council of Ministers is presented as Annex I.

38. The Royal Government is encouraged by the fact that in the case of externally financed programs and projects funded through loans the development partners have begun to tackle the harmonization issues. The Government and the Asian Development Bank have been collaborating to prepare a Manual on Standard Operating Procedures, and a Financial Management Manual. These manuals will be used to train government staff managing these projects. A joint integrated fiduciary assessment by the ADB, World Bank, IMF, and DFID was completed in 2003. In short, in the case of externally financed programs and projects funded through loans, significant progress has been made over the last two years in moving towards the harmonization of IFIs program/project planning and implementation management practices.

39. More recently, the ADB, World Bank, UN system, and DFID have begun to carryout joint planning to prepare their new country assistance strategies. This joint effort is an important learning experience for the these organizations that will not only reduce transaction costs but will also set an example of better donor-donor coordination.

### **Sector and /or Issues Based Programs**

40. Over the last few years, sector wide programs have been developed in the Education Sector (SWAp) and Health Sector (SWiM) by building partnerships to carryout joint planning and programming for these sectors. So far, the joint work in the education sector has progressed more than in the health sector. A significant number of donors are participating as partners in the planning, reviews and financing under the SWAp in the education sector. An Education Strategic Plan (ESP) 2001-2005 and a detailed Education Sector Support Program (ESSP) 2001-2005 were completed in 2001. The first joint review and appraisal of the ESP/ESSP were carried out in June 2001. Since then joint ESSP reviews in collaboration with development partners have been carried out each year. In September 2004, a revised ESP and ESSP for 2004-08 was reviewed and endorsed by development partners. The ESSP 2004-08 outlines how ESP 2004-08 priorities will be managed, monitored and implemented through specific programs. The SWAp in the education sector has made two important contributions. First, it has made available to the Ministry of Education a mechanism for aligning donor assistance with the education sector needs. Second, it has reduced the transaction costs to the MOEYS of coordinating with each donor agency bilaterally. On the financing side, however, donor

funding through direct budget support in 2003 accounted for only 18 percent of total donor assistance to the education sector, most of which is comprised of loans from multilateral financial institutions.

41. In the case of the health sector-wide management (SWiM) program the discussions with development partners begun in 1999 and a Joint Health Sector Review was held in December 2000. A Health Sector Strategy (HSP) and a Health Sector Support Program (HSSP) for 2003-2007 were subsequently prepared. The implementation of the 5-year HSSP began only in January 2003. It has served as a way for three major donors, ADB, DFID and the World Bank, to coordinate their financial inputs to the health sector. The majority of donor assistance to the health sector under the SWiM arrangement is being provided in the form of project-type support. As compared to the SWAp in the education sector, the SWiM approach in the case of the health sector has not so far produced a significant reduction in the administrative burden on the Government of coordinating with each donor bilaterally.

42. The Royal Government's SEILA Program was initiated in 1996 to formulate, test and continuously strengthen decentralized and de-concentrated systems for planning, financing and implementation of local development at the provincial and commune levels. Beginning with 5 provinces and a small number of pilot communes in 1996, by the end of 2001 and prior to the commune elections, coverage had expanded to half of the provinces and to more than one-third of the rural communes in the country. In 2003 the SEILA program coverage was extended to cover all provinces and communes. Adopting a partnership approach with the donor community at national level and an integrated, annual programming framework with international agencies and NGOs at the provincial level, a high volume of additional, parallel resources have been mobilized and programmed each year to support development activities at the provincial and commune levels. External evaluations of the SEILA program have reaffirmed the socio-economic benefits that have resulted from civil works projects implemented by the private sector at the commune level as well as the growing capacity of the provinces, districts and communes to manage the decentralized systems. The partnership arrangements now cover all aspects of the programming cycle through joint planning, programming, budgeting/financing, and management of the program implementation. Progress is also being made to extend this partnership arrangement further to include the harmonization of monitoring and reporting procedures.

43. In addition to the sector wide programs and the SEILA program, over the last two years a number of donors have also begun to jointly finance a specific project or program. One recent example is the multi-donor funded Land Management and Administration Project. This project was based on a multi-donor appraisal mission, involving the World Bank, the Governments of Germany and Finland and the ADB. Work is now underway to develop a SWAP for Land Management and Administration.

44. Enhancing public financial management is crucial for strengthening good governance. The Royal Government and the development partners have recently completed the formulation of a SWAp for Public Financial Management (PFM). This Program that is being jointly financed by 10 donors provides a framework for coherent

and focused efforts to achieve the goals of the Royal Government's public finance management reform program. The Royal Government's PFM reform program is built upon four sequenced and prioritized platforms: (i) a more credible budget; (ii) effective financial accountability; (iii) the RGC policy agenda becomes fully affordable and prioritized; and (iv) RGC managers become fully accountable for program performance. The Royal Government is also working at developing a SWAp for Private Sector Development.

## **4. THE WAY FORWARD**

### **4.1 ACTION PLAN ON HARMONIZATION AND ALIGNMENT TO IMPLEMENT THE ROME DECLARATION'S COMMITMENTS**

45. In moving ahead with the implementation of the Action Plan, the Royal Government recognizes that there are serious challenges ahead. The most serious of these challenges is the divide between agreed global policies on harmonization and alignment by the authorities at the national or headquarters of the development partner, and the follow up actions needed to change the practices and behavior of donor operations at the country level. In the case of a number of bi-lateral partners, the authorities in the capitals have now prepared their Action Plans for harmonization and alignment in line with OECD/DAC principles. It is however, not clear whether or not the authorities at the capital or headquarters have fully examined the operational implications of the policies that they have agreed to, and where necessary, taken actions to amend the rules and regulations that govern the planning and management of their ODA resources. Early this year, on behalf of the Royal Government, the Cambodian Rehabilitation and Development Board of the Council for the Development of Cambodia (CDC/CRDB)) had asked the OECD/DAC Task Team to not only share these Action Plans with partner countries but also to closely monitor and periodically report to partner countries on:

- whether or not the Action Plan prepared at the capital of a member country or the headquarter of a multi lateral organization has been shared with their country field offices;
- whether or not the capital of a member country or the HQ of multilateral organization has provided clear direction or instructions to their country field offices to implement their national or HQ action plan; and
- what authority has been delegated to country field offices to implement the action plan in the partner country context.

46. In terms of the management of the implementation of the Action Plan, the Royal Government would like: (i) the Government-Donor Partnership Working Group to continue to provide the overall policy direction; and (ii) the newly restructured sectoral/thematic Joint Technical Working Groups to take the responsibility for the day to day operational management of the implementation of the activities in the Action Plan and for monitoring progress in their areas.

47. As mentioned earlier, since the mid 1990s, the current UNDP Support Program located in the Cambodian Rehabilitation and Development Board of the Council for the Development of Cambodia (CDC/CRDB) is scheduled to be completed at the end of 2005. Given the expanded scope of the aid coordination, harmonization and alignment issues resulting from recent developments in the international arena and in the country, in particular the need to build capacity of CDC/CRDB and the line ministries and agencies to implement the Action Plan on Harmonization, provide support to the Secretariat of the GDCC, and the Partnership Working Group; the Royal Government would begin

discussions with development partners in early 2005 to develop a multi-donor Support Program for CDC/CRDB to be financed through a pooled resources arrangement.

48. The Royal Government recognizes that achieving full harmonization is a long-term process and in some areas may be difficult in the short-term. It has, therefore, adopted a gradual approach with an immediate focus on areas where some concrete steps can be taken in the short-term that would 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 development.

#### **4.2 PREPARATION OF THE NATIONAL ODA MANAGEMENT AND UTILIZATION POLICY**

49. Over the next year, the Royal Government will prepare its National ODA Management and Utilization Policy. This work will be carried out under the umbrella of the Government-Donor Partnership Working Group. Some background for the preparation of the policy framework has already been carried out with UNDP support.

#### **4.3 SECTOR AND/OR THEMATIC/PROGRAM BASED APPROACHES FOR ODA PROGRAMMING**

50. The Royal Government would like to emphasize the important role that sector/thematic programs can play not only in better aligning ODA supported activities with Cambodia's national development priorities to achieve its Millennium Development Goals, but more importantly, in providing a framework for harmonizing donor practices around jointly agreed priorities and actions. Cambodia's experiences with its sectoral/thematic programs show that sector-wide and/or broad issue based programs are not only more effective in aligning donor assistance with national priorities but that they also provide a practical framework for harmonizing donor practices as well as in enhancing Government ownership of the development process -- as compared to stand alone projects that are delivered without an overall framework. In addition to the existing sector programs in the Education and Health sectors, and the SEILA program that have been operating for some time now, as well as the newly formulated Public Finance Management Program, and on-going work in the areas of Private Sector Development and Land Management -- the Royal Government would welcome its development partner's support to prepare sector wide programs in other key sectors as well, such as, agriculture, rural development, and infrastructure.

51. The Royal Government's National Poverty Reduction Strategy was launched in March 2003. Moving ahead with the implementation of this strategic framework, the challenge has been on how to clearly define the entry points for programming the agreed upon poverty reduction action plan. The experiences in the implementation of poverty reduction strategies in other parts of the world, in particular Africa, have not been very encouraging. Learning from these experiences as well as on basic conceptual grounds, the Royal Government believes that well defined sectoral and cross-sectoral programs



that fully incorporate the action plan of the poverty reduction strategy are the most effective entry points for programming poverty reduction initiatives in Cambodia.

#### **4.4 STRENGTHENING PARTNERSHIPS BETWEEN PUBLIC SECTOR INSTITUTIONS, NGOS AND CIVIL SOCIETY AT THE SUB-NATIONAL LEVELS**

52. The Royal Government believes that the civil society and NGOs have played and should continue to play an important role in monitoring the implementation of poverty reduction initiatives. Cambodian NGOs are a part of the civil society as well as international NGOs who represent the international civil society. NGOs can contribute much to poverty reduction plans based on their development experiences and are in a strong position to convey the needs and concerns of vulnerable groups to policy makers. The Royal Government would like to encourage a greater participation of the trade unions, ethnic associations and farmers' association in the monitoring of the implementation of the poverty reduction initiatives. To better target poverty reduction initiatives the participation of the poor and vulnerable groups in the monitoring of the poverty reduction efforts also needs to be strengthened. There is also a need to strengthen the capacity of the Parliament in order for it to make concrete inputs.

#### **4.5 STRENGTHENING PARTNERSHIPS WITH THE PRIVATE SECTOR**

53. For the Royal Government improving the business climate and creating an enabling environment for private sector development are key pre-requisites for fostering growth, creating jobs, reducing poverty and achieving sustainable economic development. It will continue to remove bottlenecks that impede the development of the private sector in partnership with its private sector partners. The Royal Government hopes that the measures put in place to further strengthen the key institutional mechanisms to support the implementation of the Rectangular Strategy, at the last Government-Private Sector Forum held on 20 August 2004, will produce the desired results. The Royal Government encourages its private sector partners to continue to raise their concerns as well as present their suggestions to create an environment that will enable the private sector to develop, contribute to diversifying the economic structure of the economy and sustained economic growth, and the alleviation of poverty.

## ANNEX I

### RGC's ACTION PLAN FOR HARMONIZATION AND ALIGNMENT: 2004-2008

Section A: Ownership and Leadership					
Results	Actions Needed	Responsible RGC Institutions	Lead Donor	Milestones	Timing
<b>1. RGC leads the process and prepares a single Strategic National Development Framework for the next planning cycle (2006-2010)</b>					
a) RGC prepares and adopts a single National Strategic Development Plan (2006-2010).	(i) SEDP and NRSP are consolidated into one strategy document, aligned with CMDGs: <ul style="list-style-type: none"> <li>Formalize institutional mechanism for formulating NSDP (TWG/Planning and Poverty reduction)</li> <li>MoP requests all line Ministries &amp; Institutions to formulate individual Strategic Plan</li> <li>Sector ministries/agencies prepare Sectoral Strategic Plans</li> <li>Sectoral Strategic Plans consolidated into a NSDP</li> <li>Consultations on NSDP with all stakeholders</li> <li>NSDP Revised, if necessary</li> <li>Consolidated NSDP submitted for adoption by RGC and for approval by the legislatures</li> </ul>	MoP, SNEC with line Ministries and Institutions  MOP and line ministries  Ministries and TWGs  MOP  MOP  MOP  MOP	WB,ADB, UN, and DFID  TWGs  TWGs  TWG/Planning and Poverty Reduction  TWG/Planning and Poverty Reduction  TWG/Planning and Poverty Reduction  ....	TWG on Planning & Poverty Reduction established and starts developing NSDP.  Technical meetings in MOP held to discuss NSDP preparation process and guidelines for the preparation of NSDP issued.  Sector Strategic Plans prepared.  Technical workshop(s) First draft of NSDP prepared  National Workshop(s)  Revised NSDP completed.  NSDP approved by RGC and Parliament.	December 2004  January 2005  May 2005  June-August 2005  September 2005  October, 2005  November-December 2005

**Section A: Ownership and Leadership**

Results	Actions Needed	Responsible RGC Institutions	Lead Donor	Milestones	Timing
<b>1. RGC leads the process and prepares a single Strategic National Development Framework for the next planning cycle (2006-2010)</b>					
	(ii) Implement the National Strategic Development Plan through national sector programs in the form of SWAp, SWiM and Program Based Approach.  (iii) Expand the application of SWApS, SWiMs, and PBAs modalities in appropriate sectors, e.g. <ul style="list-style-type: none"> <li>• Agriculture</li> <li>• Infrastructure: sub-SWAPs in transport/energy/water</li> <li>• Land Management</li> <li>• Decentralisation</li> </ul>	Concerned sector ministries.  Line ministries and CDC	Concerned donors through Technical Working Group.  TWGs	Preparation of national sector programs in at least 2 sectors.  National Sector Programs in other areas developed.	June 2005  2005 - 2006
<b>b) RGC uses a single national development framework for planning linked to resource allocation, including ODA.</b>	(i) Use the new TWG on Planning and Poverty Reduction as mechanism for coordination for planning and monitoring the implementation of the NSDP.	MEF, MoP and CDC	TWG/Planning and Poverty Reduction	Process for coordination for planning and monitoring of NSDP established.	Early 2005
	(ii) Build a common understanding of relationship between the NSDP and other planning and budgeting mechanism.	MEF and MOP	TWG/Planning and Poverty Reduction	Workshops to disseminate information on NSDP and other planning & budget mechanisms.	Throughout 2005
	(iii) Reflect the priorities of the NSDP in the budgeting process.	MEF	TWG/PFM	MEF & MOP explore options and take appropriate actions.	Beginning 2006
	(iv) Incorporate sector priorities in the preparation of MTEF.	MEF with concerned Ministries	TWG/PFM	Sector priorities incorporated in the MTEF.	2006

Section A: Ownership and Leadership					
Results	Actions Needed	Responsible RGC Institutions	Lead Donor	Milestones	Timing
<b>2. RGC assumes leadership role in the coordination of development assistance</b>					
a) Cambodia's Action Plan for Harmonization and Alignment—2004-2008, outlining RGC's priorities on harmonization and alignment, is prepared and agreed with development partners.	(i) RGC's Action Plan on Harmonization and Alignment prepared and approved.	CDC and ministries	All donors	Government approves National Action Plan.	November 2004
	(ii) Secure agreement between RGC and interested donors on a Partnership Agreement.			Partnership Agreement signed. Inform the CG meeting on the H & A Action Plan and Partnership Agreement	November 2004 December 2004
b) RGC has one ODA coordinating body.	(i) Strengthen CDC's leading role within the RGC on ODA coordination and resource mobilization.	CDC	TWG/Partnerships	Endorsement of the GDCC.	Dec 2004
	(ii) Strengthen CDC's focal point for ODA planning.	CDC	TWG/Partnerships	CDC leads all discussions for ODA planning.	Jan 2005 onwards
	(iii) CDC leads the coordination process to implement Cambodia's Action Plan on Harmonization and Alignment.	CDC	TWG/Partnerships	Endorsement of CDC lead role to implement H/A Action Plan.	Dec 2004
c) RGC's ODA Management Policy prepared and agreed with donors.	(i) Formulate basic principles of ODA Management.	CDC and concerned Ministries	TWG/Partnerships	Discussion and agreement with donors on principles of ODA management. Adoption and implementation of basic principles of ODA management.	November 2005 Dec 2005

<b>Section A: Ownership and Leadership</b>					
<b>Results</b>	<b>Actions Needed</b>	<b>Responsible RGC Institutions</b>	<b>Lead Donor</b>	<b>Milestones</b>	<b>Timing</b>
<b>2. RGC assumes leadership role in the coordination of development assistance</b>					
d) Joint planning and monitoring of the implementation of RGC's development priorities, involving donors and stakeholders, as outlined in its strategic development framework(s) and its Rectangular Strategy.	(i) Restructuring of the Working Groups finalized leading to joint planning and monitoring on the implementation of RGC's development priorities outlined in its strategic development framework(s) and the Rectangular Strategy.	CDC and line ministries	Donors	Inform CG	December 2004
e) RGC has the information it needs to lead and coordinate development assistance.	(i) Donors provide full information about their activities to RGC.	CDC	TWG/Partnerships	Agreement on modality and content of information provided by donors.	June 2005
	(ii) Donors provide periodic progress reports on on-going harmonization and alignment efforts to RGC.	CDC	TWGs	Periodic reports, on quarterly basis, provided.	Start Jan 2005
<b>3. As one of the fourteen pilot countries, Cambodia plays an active role in the implementation of the Rome Declaration on Harmonization and Alignment (2003).</b>					
a) RGC provides regular progress reports on implementation of Cambodia's Action Plan on Harmonization and Alignment.	(i) RGC reports progress at the Second High Level Forum on Harmonization and Alignment (HLF2).	CDC	....	Progress report presented at HLF 2.	Early 2005
	(ii) Government prepares periodic reports on the implementation of the Rome Declaration.	CDC	TWG/Partnerships	Reports prepared and presented to GDCC.	on-going
	(iii) RGC participates in Regional Workshop on Harmonization and Alignment.	CDC	....	....	On-going

Section B: Capacity Development					
Results	Actions Needed	Responsible RGC Institutions	Lead Donor	Milestones	Timing
<b>1. RGC's capacity strengthened to effectively perform development coordination and management functions</b>					
a) The capacity of CDC, coordinating agencies and sector ministries strengthened to effectively perform development coordination and management functions.	(i) Assessment of the capacity development needs of the relevant government agencies to effectively perform development coordination and management functions completed within the context of the preparation of sector plans (SWAPs).	Relevant government agencies	TWGs	Each sector plan (SWAP) includes capacity development needs assessment and strategy for filling the critical gaps.	December 2005
	(ii) Secure commitments from ministries and development partners to support the identified capacity development needs secured.	Relevant government agencies	TWGs	Adequate commitment (financial) secured.	December 2005
	(iii) Develop and implement training and institutional strengthening programs based on the results of the capacity assessment.	Relevant government agencies	TWGs	Indicators developed by TWGs measuring increased capacity within government agencies.  Decrease in % ODA spent on TA.	December 2005  on-going
	(iv) to avoid institutional duplication and confusion, assess inter- ministerial mandates and relationships.	CAR	TWG/PAR	Each TWG flags institutional issues and informs the TWG/PAR.	on-going

Section B: Capacity Development					
Results	Actions Needed	Responsible RGC Institutions	Lead Donor	Milestones	Timing
<b>1. RGC's capacity strengthened to effectively perform development coordination and management functions</b>					
	(vi) TWGs provide timely feedback on all sector capacity development proposals to ensure that the TA to be provided is based on demand-driven needs at the sector/program level	Concerned ministries	TWGs	Process designed and disseminated	June 2005
b) Agreement on principle and practices of donor support for allowances and salary supplements to Government employees.	(i) Finalize strategies to deal with incentives issues, including salary supplements, finalized.	CAR and concerned Ministries	TWG/PAR	Agreement on strategy.	
	(ii) Review the findings of the study on "Capacity Building Practices of Cambodia's Development Partners" and develop an action plan to implement agreed recommendations between the Government and donors.	CAR and concerned Ministries	TWG/PAR	TWGs develop Action Plans in their areas.	December 2005
	(iii) Develop guidelines for remuneration of local consultants and Cambodian nationals employed on donor supported programs/projects, based on market principles.	CAR and concerned Ministries	TWG/PAR	Survey on 'market rates' for national consultants and project staff. (see CAR Labour Survey)  Guidelines agreed and disseminated.	December 2005  June 2006

Section C: Alignment					
Results	Actions Needed	Responsible RGC Institutions	Lead Donor	Milestones	Timing
<b>1. RGC and donors adopt the consolidated Strategic Development Plan of the RGC as the common framework for planning ODA.</b>					
Donor activities are aligned with government strategies and policies.	(i) Increased donor efforts to align their country assistance strategies with the RGC's national development priorities, strategies, approaches and processes, and the Rectangular Strategy.	CDC and concerned ministries	TWGs	All new donor country strategy documents are aligned to the RGC Strategic Development Plans and to the NSDP (2006-2010).	on-going
<b>2. Donor practices are harmonized around the generic elements of the program/project cycle</b>					
a) Government introduces national operational guidelines for development cooperation activities covering all component of the program/project cycle.	(i) RGC prepares in collaboration with development partners national operational guidelines for development cooperation activities on the grant side that embody international standards, and adopts these guidelines.	CDC	UNDP	National Operational Guidelines prepared, agreed and discussed with partners, and adopted by government and partners.	Now to June 2005
	(ii) Donors, government and national institutions use National Operational Guidelines in the planning and management of the implementation of their programs/projects.	CDC, MEF and concerned Ministries	All donors	National operational guidelines used in planning, designing and implementation of projects/ programs.	Loan projects (June 04); Grant projects (Dec 05)
b) Development assistance is increasingly delivered in accordance with RGC's priorities.	(i) Donors support is linked to the government's strategic development plan, and implementation through the MTEF.	MoP, MEF	All donors		From now on



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Section C: Alignment					
Results	Actions Needed	Responsible RGC Institutions	Lead Donor	Milestones	Timing
3 Donors increasingly use Government's systems, procedures and practices, where appropriate					
a ) Development partners seek to reduce the proportion of ODA that bypasses the National Budget and RGC commits to integrate ODA into budget .	(i) Donors provide full information to RGC on ODA flows (including contributions to NGOs) in a timely fashion, to enable integration into budget cycle	CDC and concerned Ministries	TWG/Partnerships	Data to CDC for previous year provided by March each year by all donors	on-going
b) Medium Term Expenditure Framework (MTEF) is strengthened and expanded.	(i) Donors increase the share of aid commitments provided through multi-year funding arrangements	MoP, MEF	TWG/PFM	Where sector-wide MTEF exist, increasing number of donors commit to multi-year financing	on-going
	(ii) RGC commitment to accommodate direct budget support through implementation of PFM.	MEF	TWG/PFM		on-going
	iii) Identify new areas where the direct budget support modality may be a viable option for disbursing ODA funds.	MEF and concerned ministries	TWG/PFM	New areas identified.	on-going
c) Allocation and utilization of ODA resources are transparent and accountable.	(i) Review and Upgrade Government procurement and financial Management.	MEF	TWG/PFM	Government procurement and financial system improved.	on-going
	(ii) Standardize reporting formats for sector programs.	MEF, CDC	TWG/Partnerships	Reporting format agreed and implemented – utilized for sector programs.	December 2005
	(iii) The National Audit Authority's role and auditing capacity are strengthened.	NAA	PWG/PFM	As NAA capacity builds, then an increased proportion of ODA is audited by NAA	on-going
	(iv) All donors give CDC permission to freely disseminate information on ODA.	CDC	TWG/Partnerships	Agreement with all donors secured	December 2004
	(v) All detailed ODA data is available on CDC website.	CDC	TWG/Partnerships	Functioning ODA database website. All donors provide data on ODA disbursements for 2005 to website.	December 2005 March 2006

Section D: Harmonization and Streamlining					
Results	Actions Needed	Responsible RGC Institutions	Lead Donor	Milestones	Timing
<b>1. Donor-Donor harmonization is strengthened to reduce transaction costs and to maximize ODA benefits for Cambodia</b>					
a) Decrease burden on the Government in the formulation of Donors' strategies and plans.	(i) Donors prepare joint country assistance strategies.  (ii) Donors deliver their assistance through SWAPs, SWiMs and PBAs.	CDC, MEF and concerned Ministries  Sector ministries	TWGs  TWGs	Fewer stand alone donor country strategies.  At least two more SWAPs prepared.  SWAPs in other areas formulated.	on-going  June 2005  December 2006
b) Donor field offices have sufficient authority to enable the implementation of country-based harmonization initiatives.	(i) Donors HQ's take action to decentralize authority to their Cambodia country offices to provide maximum flexibility in implementing the harmonization action plan.  (ii) Donor country Offices take actions to tackle HQ constraints where these occur.	CDC  CDC	Donor HQs, and country offices  Donor country offices	HQ's delegate the authority to country offices needed to implement Cambodia's Action Plan on Harmonization and Alignment.  Information on donor country office constraints to harmonize shared at GDCC meetings.	January-December 2005.  on-going
c) Donors further harmonize their practices at the implementation stages of sector programs.	(i) Existing and new TWGs work on sector harmonization action plan appropriate to their circumstances, including addressing salary supplementation issues.	CDC, CAR, and MEF	TWG/PAR/PFM	Harmonization Action Plan for the sector prepared and agreed between RGC and donors, including salary supplementation issue.	December 2005
	(ii) Donors integrate PIUs/PMUs into RGC's institutional structures.	Concerned ministries	TWGs	PIUs/PMUs integrated into Government structures by 2007	2005
d) Donors commit to eliminating duplication of activities.	(i) All new activities to be peer reviewed by TWGs to avoid duplication/gaps, and maximize synergies.	CDC and concerned ministries	TWGs	TWG report on steps taken to reduce duplication.	2005

Section D: Harmonization and Streamlining					
Results	Actions Needed	Responsible RGC Institutions	Lead Donor	Milestones	Timing
f) Donors undertake fewer missions, and increase the proportion of joint missions especially for analytical work, sector review, evaluation and monitoring.	(i) TWGs prepare a calendar of planned donor missions in their area.	CDC and line ministries	TWGs	Reduced number of donor missions.	2005
g) Donors decrease the burden on government of project management	(i) TWGs use SMART indicators to reduce the burden of project management.	CDC and line ministries	TWGs	Indicators prepared.	2005
	(ii) Increased number of delegated cooperation/lead agency arrangements.	CDC and line ministries	TWGs	Non resident donors deliver their assistance through delegated cooperation arrangements	2005
	(iii) Increased donor commitment to multi-year resourcing, linked to government multi-year budgeting system.	MEF	TWGs		2005
	(iv) Increased number of joint donor missions.	CDC	TWGS	Increase proportion of joint missions by 10% pa, decrease individual missions by 10 p.a.	2005