

**Practices and Lessons Learned in the
Management of Development Cooperation:
Case Studies in Cambodia**

**Government-Donor Partnership Working Group
Sub-Working Group No.3**

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Foreword

At the 4th CG Meeting in May 2000, the Royal Government of Cambodia (RGC) had launched “A New Development Cooperation Partnership Paradigm for Cambodia”. The purpose was to engage our external partners, NGOs, and national stakeholders in a meaningful dialogue to move Cambodia forward to a new paradigm for development cooperation through enhanced partnerships. This new paradigm has as its foundation the principles that are being advocated by OECD/DAC and in other international arena to improve the effectiveness of development cooperation programs.

Since then, the Royal Government and its development partners have made significant progress in translating the new paradigm into practice. In addition to the Working Groups, under the CG mechanism that have been established since 1999, the RGC and its external partners agreed at the 6th CG Meeting held in 2002 to establish a Government-Donor Partnership Working Group. The mandate of this Working Group is to examine issues related to Government-Donor Partnerships and make recommendations to strengthen the partnerships, and to report on progress made at both the CG and the Post-CG Meetings. As part of its initial efforts, this Working Group decided in early 2003 to commission three studies to collect and analyze the necessary background information to begin to tackle the harmonization issues. Sub-Working Groups (SWG) consisting of Government and development partner's representatives were formed to facilitate and guide the work of the study teams on each of the following three studies:

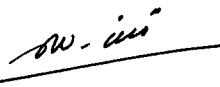
- i. Capacity building practices of development partners.
- ii. Practices and lessons learned in the management of development cooperation.
- iii. National guidelines for development cooperation.

It is my pleasure to present a report of the study on *Practices and Lessons Learned in the Management of Development Cooperation—Case Studies in Cambodia*. The study was carried out by a Japanese Team under the overall supervision of Dr. Char Meng Chuor (Ministry of Health) and Mr. Sam Sereyrath (Ministry of Education, Youth and Sport), the Co-chairs of the SWG. The SWG held three meetings in July, October and November 2003 to articulate the scope of the study and discuss the contents of the draft reports. The concerned Government ministries and agencies as well as all members of the Partnership Working Group were invited for the SWG meetings and asked to provide feedback at each stage of the preparation of this Report. Finally, the report was reviewed and approved at a meeting of the Government-Donor Partnership Working Group held on 23 January 2004 at the Council for the Development of Cambodia (CDC).

I believe this Report is an important resource to further advance the new paradigm for development cooperation in Cambodia. Based on in-depth case studies of good practices in Cambodia, it has identified relevant and effective approaches to enhance development cooperation in the context of Cambodia as well as presented specific recommendations and actions. I am convinced that the recommendations offer solid basis for further discussions on developing an "action plan" that both the RGC and its development partners can agree on to move forward to further strengthen government-donor partnerships.

Last, but not least, on behalf of all the members of the Partnership Working Group and in my capacity as the Chairman, I would like to express my sincere gratitude to the Government of Japan, in particular H.E. Mr. Katsuhiko Shinohara, Minister of the Embassy of Japan and H.E. Mr. Juro Chikara-ishi, Resident Representative of JICA Cambodia Office, who provided generous support for the preparation of this report. My thanks are also extended to all government and donors agencies, especially the members of the SWG, namely Canada, France, Japan, UNDP, UNFPA, UNICEF, and WHO, who have shared their valuable time and have facilitated and guided the work on this study.

Phnom Penh, 05 February 2004



Chhieng Yanara

Chairman, Government-Donor Partnership Working Group
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Abbreviations

ADB	Asian Development Bank
ADESS	Agricultural Development Support to Seila
AIDMIS	AID Management Information System
AuF	Francophone Universities Agency
AusAID	Australian Government's overseas aid program
BMC	Budget Management Center
BTC	Belgian Technical Cooperation
C/S	Commune/Sangkat
CAAEP	Cambodia-Australia Agricultural Extension Project
CARERE	Cambodia Area Rehabilitation and Regeneration Project
CAU	Contracts Administration Unit
CBRD	Community Based Rural Development
CCSP	Commune Council Support Project
CDC	Council for the Development of Cambodia
CENAT	National Center for Tuberculosis and Leprosy Control
CSF	Commune/Sangkat Fund
CG	Consultative Group (meeting)
CIDA	Canadian International Development Agency
CRDB	Cambodian Rehabilitation and Development Board
CoCom	Coordination Committee for Health
DAE	Department of Agricultural Extension
DDF	Decentralized Development Fund
DFID	UK Department for International Development
DFT	District Facilitation Team
DIW	District Integration Workshop
DOTS	Directly Observed Treatment, Short-course
Danida	Danish International Development Agency
EC	European Commission
EFA	Education for All
EFMC	Education Finance Management Committee
EFPPMU	Economic and Financial Policy Planning and Monitoring Unit
ESDP	Education Sector Development Program
ESP	Education Strategic Plan
ESSP	Education Sector Support Program
ESWG	Education Sector Working Group
EU	European Union
ExCom	Executive Committee
FU	Financial Unit
GFATM	Global Fund for AIDS, Tuberculosis and Malaria
GTZ	German Technical Cooperation
HSP	Health Sector Strategic Plan
HSR III	Health Sector Reform Project, Phase III
HSSP	Health Sector Support Project
ICC	Interagency Coordination Committee
IFAD	International Fund for Agricultural Development
IFAPER	Integrated Fiduciary Assessment and Public Expenditure Review
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
KfW	German Development Bank
LAU	Local Administration Unit
MAFF	Ministry of Agriculture, Forest and Fisheries
MEF	Ministry of Economy and Finance
MOC	Ministry of Commerce
MOEYS	Ministry of Education, Youth and Sport
MOFIC	Ministry of Foreign Affairs and International Cooperation
MOH	Ministry of Health
MOI	Ministry of Interior
MOP	Ministry of Planning

MOWVA	Ministry of Women and Veteran's Affairs
MRD	Ministry of Rural Development
MTEF	Medium Term Expenditure Framework
NBC	National Bank of Cambodia
NCSC	National Committee to Support the Commune
NEP	NGO Education Partnership
NGO	Non-Governmental Organization
NIS	National Institute of Statistics
NORAD	Norwegian Agency for Development Cooperation
NPRS	National Poverty Reduction Strategy
NREM	Natural Resource and Environmental Management
NTP	National Tuberculosis Control Program
PAP	Priority Action Program
PAT	Permanent Advisory Team
PFT	Provincial Facilitation Team
PIF	Provincial Investment Fund
PIP	Public Investment Program
PLG	Partnership for Local Governance
PMMO	Project Management and Monitoring Office (of the Planning Department, MOEYS)
PRDC	Provincial Rural Development Committee
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PWG	Government-Donor Partnership Working Group
RILG	Rural Investment and Local Governance
RIT	Research Institute of Tuberculosis (Japan)
SAC	Structural Adjustment Credit
SHS I, II	Strengthening Health Systems Phase I, II
SOI	Statement of Intent
STF	Seila Task Force
SWAp	Sector-Wide Approach
SWiM	Sector-Wide Management
Sida	Swedish International Development Cooperation Agency
TA	Technical Assistance
TAG	Technical Advisory Group (for Tuberculosis)
TB	Tuberculosis
TBCTA	TB Coalition for Technical Assistance
TCAP	Technical Cooperation Assistance Program
TPR	Tripartite Project Review
TSU	Technical Support Unit
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNTAC	United Nations Transitional Authority in Cambodia
USAID	US Agency for International Development
WB	World Bank
WFP	World Food Program
WHO	World Health Organization

Executive Summary

Cambodia's quest for a new paradigm of development cooperation has been gathering speed in recent years. The Royal Government of Cambodia (RGC) presented an overall vision of the new partnership paradigm at the Consultative Group (CG) meeting in May 2000, proposing a "paradigm shift" in the current thinking and practices from "Donorship" to "National Ownership."

There are some compelling reasons why the new partnership paradigm is needed at this time.

First, the experience of development cooperation (or lack thereof) since late 1980s points to the need for much improved partnership arrangements. In the past, development cooperation in Cambodia was generally donor-driven, paid insufficient attention to Cambodian ownership, and created heavy dependence on foreign aid. This was in part due to historical circumstances. The first post-conflict government was established after the UN organized general elections in 1993 and had to operate in a fragile political environment where former conflicting parties formed a coalition government while the civil war against Khmer Rouge continued along the Thai border. The government therefore was not fully prepared to take leadership of development cooperation at a time when donors were sending hundreds of mission to Cambodia. Second, the ambitious state reform programs launched in 1999, building on the long-awaited peace and more stable political environment, require new partnerships that include the broad participation of stakeholders. It is recognized that development cooperation with external partners must be better managed for these programs to be successful and if this new inflow of assistance is to be used effectively and efficiently. Finally, a National Poverty Reduction Strategy (NPRS) has been developed through broad participation of stakeholders, but its implementation remains a challenge. New partnership arrangements need to be advanced further to implement the NPRS effectively as envisaged.

To move forward, the government and donors established the Government-Donor Partnership Working Group (PWG) under the CG mechanism in late 2002 for strengthening government-donor partnerships in Cambodia. The current study is intended to assist this endeavor. It aims to examine some good practices of aid coordination in Cambodia, analyzing their mechanisms and achievements, and drawing useful lessons from them.

Four cases of good practices have been selected for this purpose (see Table 1 for a brief overview of each case studied).

Sector-focused aid coordination:

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

Cross-cutting-issue focused aid coordination:

3. Local Governance -- SEILA
4. Public Finance -- Technical Cooperation Assistance Program (TCAP).

The study aims to offer recommendations on the following aspects, based on the four case studies:

- A. General approaches to aid coordination; and
- B. Specific recommendations for action.

Table 1. Overview of the four cases studied

1. Education (SWAp): The Ministry of Education, Youth and Sport (MOEYS) introduced a sector-wide program, named SWAp, to implement national education reforms in 1999. The SWAp was started to ensure that all donor-funded projects would support a single sector policy and expenditure program developed under government leadership, and that a common approach to planning, implementation and monitoring and evaluation would be adopted. Through SWAp, the MOEYS developed an Education Strategic Plan (ESP) and a rolling Education Sector Support Program (ESSP) with broad participation of stakeholders. The MOEYS, donors and NGOs jointly reviewed education sector performance in 2002 and 2003.

2. Health (SWiM and TB Sub-Sector): The Ministry of Health (MOH) introduced a sector-wide program for health in early-1999, named Sector Wide Management (SWiM). The government and its external partners jointly developed a Health Sector Strategic Plan 2003-2007 (HSP), a rolling Medium Term Expenditure Framework (MTEF), and a 5-year Implementation Plan of HSP. The first joint sector program review was held in April 2003. The National Tuberculosis Control Program (NTP) is one of the four health sub-sector programs under the overall national health system in Cambodia. A National Health Strategic Plan for Tuberculosis Control 2001-2005 was jointly developed in broad consultation with stakeholders.

3. Local Governance (Seila): Seila started in 1996 as a national program with core funding from four donors. Seila's objectives are to foster local development and poverty alleviation, build capacity of provincial and commune authorities for managing sustainable development, and generate lessons for national policies of deconcentration and decentralization. Seila has developed unique decentralized systems for planning, programming, financing, implementation, monitoring and reporting for both provincial and commune levels, including organizations, management instruments and processes. Since 1996, Seila has gradually increased the number of provinces it supports, and now covers all provinces and municipalities and communes in Cambodia.

4. Public Finance (TCAP): TCAP is a technical assistance program covering economic and public financial policy, developed under the lead of the IMF and in cooperation with four other donors in 2000. The Program's objectives are to strengthen the institutional and human resource capacities of six key Departments and agencies in the government. Under the program, the government has prepared a number of policy papers, research papers and legal documents for economic and fiscal policy reforms, and offered training activities for government officials. The program is scheduled to be completed by the first quarter of 2004.

A. General approaches to aid coordination

The overall finding from the current study is that one size does not fit all. Aid coordination arrangements are diverse among the cases studied, reflecting the fact that they have evolved over time to meet local needs and conditions in the respective sectors or cross-cutting issues. However, certain key approaches during this process have been crucial to their success. These are (1) a broadly inclusive, participatory process, and (2) learning by doing.

The four cases studied suggest the critical importance of the right process of developing aid coordination for a sector or issue. In Health and Education, a broadly inclusive, participatory process of aid coordination has created room for discussion and negotiation between the government and donors and among donors themselves, and helped formulate a shared vision for sector programs. Seila also practiced a broadly inclusive approach to planning local governance and development in which all stakeholders were encouraged to participate. TCAP initiated the first program approach to planning and coordinating technical assistance for public finance reform, in which a number of donors participate under a common, comprehensive framework.

The effectiveness of a learning-by-doing approach was most clearly demonstrated by the Seila program, but the other cases have also used this approach to some extent. Seila started in 1996 by piloting small scale activities to develop concepts, instruments, and capacity for local governance and development. Its aid coordination mechanisms at the national and provincial levels have evolved through a similar process. This approach helped to identify what worked and what didn't in Cambodia's context. In Education and Health, learning by doing has been practiced in the process of

program planning, implementation and monitoring, in which program plan and activities have been adapted flexibly to reflect lessons learned in the process.

It is thus critical to recognize that there is no single aid coordination arrangement that can be applied to all sectors or all cross-cutting issues, even in the same country. In other words, imposing an arrangement without adequately addressing local needs and conditions unique to the sector or the cross-cutting issue and without broad participation of stakeholders involves high risk of failure, particularly if the initiative is driven by donors. However, an open, participatory process that involves the government, donors, and other stakeholders in developing a shared vision of sector priorities and agreed rules for cooperation can lay a solid foundation for successful coordination, and a flexible attitude towards constantly adapting plans based on what has worked can ensure continued effectiveness.

The current study has also distilled some other key factors concerning institutional arrangements and the specific steps in aid coordination that have contributed to the achievements of the cases studied (see Table 2 and Chapter 4 for details). These factors can also provide a useful guide when other sectors or cross-cutting issues consider developing new arrangements for aid coordination.

Table 2. General approaches to aid coordination recommended for other sectors or cross-cutting issues

Overall approaches

- Start with and continue a broadly inclusive, participatory process.
- Learning-by-doing approach is effective in accommodating the needs and conditions unique to the sector or the cross-cutting issue.

Institutional arrangements for aid coordination

- Formal mechanisms are needed for coordination and consensus building.
- Institutional arrangements for aid coordination should be flexible to accommodate local needs, in particular the implementation arrangements of respective ministries and agencies.
- Informal networks can serve an important, complementary role to formal institutions.

Process of aid coordination

Preparation and planning stage

- Establish an open, transparent, neutral (unbiased) process of aid coordination.
- Start a sector program with the formulation of a common vision through intensive dialogues among stakeholders.
- Widely disseminate and sensitize sector program concepts at the early stage.
- Sharing information about donor assistance has a direct impact on aid effectiveness.

Implementation stage

- Assistance modalities should be kept flexible to seek out and enhance complementarities among donors and reflect the reality on the ground.

Monitoring, evaluation and review stage

- Joint sector program reviews are a good start to aid coordination at the monitoring and evaluation stage.

B. Specific recommendations for action

In addition to the more general recommendations concerning approach, institutional arrangements, and the process of aid coordination discussed above, this study has generated some specific recommendations, both for other sectors and cross-cutting issues which wish to implement better aid coordination, and for how to further improve aid coordination in the four cases studied. Although the government and its partners have made progress in advancing the new partnerships paradigm in the cases studied, there are some key issues that need to be addressed if the new partnerships are to advance further. Those key issues are discussed below and some recommendations for the government and development partners are proposed (see Table 4-2 in Chapter 4 for the list of key issues and recommendations).

(i) Recommendations for other sectors and cross-cutting issues

Develop comprehensive policies and strategies for all relevant sectors or cross-cutting issues

In Education and Health, the government has made significant progress in the development of sector-wide policy and strategy. This has helped the government and development partners forge a shared vision of sector development that has improved aid coordination, and the comprehensive scope of those programs has enhanced the government's ownership and capacity to manage both specific programs and aid coordination. The outputs of the sector programs have also contributed to providing essential information to the NPRS. Similar steps could be taken in other sectors in which sector policy and strategy are weak and coordination of donor assistance is urgently needed. The initial step for the government might be to identify some priority sectors consistent with the Socio-Economic Development Plan (SEDP) II and the NPRS. Immediate candidates could be, for example, agriculture and road transport, which are critical for development in Cambodia. Donors and NGOs could assist the government in undertaking this initiative, for example, by providing technical assistance for analytical work, and support for workshops and seminars.

Enhance complementarity among donors by combining strengths

External assistance is much more effective when donors divide up the work according to what they can do best. For instance, Seila's core components are funded by one set of donors who have the ability to provide funding through trust fund arrangements, and these core components then manage and supervise various local investment projects funded by other donors. In TCAP, some donors provide funds for operational costs, whereas the other donors finance and supervise technical assistance through co-financing arrangements. In Health, TB Sub-Sector Program has developed and applied a common TB treatment strategy (called DOTS) for Health Centers nationwide through complementary assistance schemes among donor-funded projects. In all the cases, the strengths of each donor's preferred aid arrangements have been combined effectively while minimizing individual weaknesses, in order to achieve desired program objectives and outcomes that could not have been achieved without such cooperation. It is therefore recommended that the government continue the current policy of accepting diverse assistance schemes and aid modalities. It is also recommended that donors actively seek out complementarities among themselves through dialogues and information sharing within the respective sectors or cross-cutting issues.

Improve information systems for aid management

One of the critical issues that has emerged from this study is the difficulty facing the government in collecting information about external assistance. This has been a major obstacle to governmental management and coordination of external assistance, and therefore should be addressed as a matter of first priority. The information on past and present donor assistance will help ministries analyze trends in the amount and the area focus of assistance and coordinate ministerial activities in day-to-day management. The information on future assistance is required for the planning of future activities in each ministry and agency which receive donor assistance, in particular for the preparation of Public Investment Programme (PIP) and Medium Term Expenditure Framework (MTEF). MOEYS has made a major progress in developing a fairly comprehensive database of external assistance (AID Management Information System) with assistance from CDC. It also collected comprehensive assistance data for annual joint sector reviews in 2003. However, the compilation of future assistance information remains as a challenge because actual amount of donor assistance has not always been consistent with the amount pledged and donors feel that the pledged amount should be read as working figures which are subject to change, although they make their best effort to provide accurate information. It is therefore recommended that MOEYS' good practice be replicated in the other sectors receiving external assistance, under the leadership of respective ministries and agencies. The initial step for the government is to compile a comprehensive record of past and current assistance. Subsequently, the government is recommended to explore ways to compile comprehensive data on projected assistance, in close consultation and collaboration with external partners. External partners

might want to consider supporting this government initiative and ensuring full cooperation in the provision of assistance information at the request of the government ministries and agencies.

Develop the Government's capacity for public financial management

This recommendation applies both to developing aid coordination in new areas, and to further improving aid coordination in the four cases studied. Although the development of sector policy and strategy in Education and Health is a significant achievement, the government's current limited capacity for public financial management has proved a major challenge to their implementation. For instance, although the introduction of Priority Action Program (PAP) is an important step forward in improving budget disbursement for education and health spending units, the changes made at the policy level have not been fully matched by capacity development at all levels of ministries concerned, including the sub-national level, leading to delays in disbursement and the lack of adequate monitoring. In Health, capacity gaps in public financial management in such areas as accounting and financial management at spending units (hospitals and health clinics) constrain effective implementation of the health sector policy and strategy. In Seila, the disbursement of Commune/Sangkat Funds has been considerably delayed since the government's treasury system replaced the private banking system as the channel for disbursement, following the commune elections in 2002. The capacity issue is also a major concern among many development partners in using the government system to disburse their funds.

Therefore, capacity development of public financial management should be carried out as a matter of urgency. Strengthening public financial management (including provinces and spending units) is a major undertaking and requires systematic, coordinated efforts between the government and development partners. Although MOEYS and MOH are already undertaking some capacity development activities, the impact would likely be greater if it is coordinated with MEF and Seila (at provinces and communes). One way to develop new partnerships in this area might be to build on the experience of TCAP as discussed below.

Address the issue of low pay and salary supplements in the civil service

This recommendation also applies both to developing aid coordination in new areas, and to further improving aid coordination in the four cases studied. It is the general consensus that low pay in the civil service has been a major obstacle to implementing the programs studied. Salary supplements have been provided under many donor-funded projects and programs as a temporary remedial measure for the last ten years, even though it has been recognized that salary supplements cause a number of problems in the civil service in terms of accountability, transparency and fairness. As Cambodia has finally entered into an era of sustainable development after a long period of emergency relief and rehabilitation, now is the time to take action to address the problem of low pay through partnerships between the government and donors.

The government has already made important progress with the preparation of the Strategy to Reform Civil Service (SRCS) and a series of recent studies under the initiative of the Council for Administrative Reform (CAR). The average pay levels of civil servants have been raised gradually in the last few years, but further efforts are needed to bring about a fundamental change in the system of incentives facing civil servants. Any recommendations to address the low pay problem and seek an appropriate form of aid coordination require detailed studies, and are therefore beyond the scope of this report. However, the current study points to the urgent need for the government to seek feasible options to address low pay problems, and for donors and NGOs to cooperate with the government in pursuing this initiative and provide technical support where needed. In considering the options, it should be borne in mind that timely disbursement of salaries to the provincial and district levels must be ensured. At the same time, the efforts of the government to broaden its revenue base need to be continued in order to afford enhanced civil service pay in the future.

Reorient technical assistance (TA) to focus on capacity building

This recommendation also applies to developing aid coordination in new areas, and to further improving aid coordination in the four cases studied. In Education, Health and TCAP, the government officials who worked with the respective programs reported that technical assistance often does not develop the capacity of government counterparts, even though the Terms of References of technical advisors usually includes capacity building. Some advisors' primary work has resulted in merely producing official documents as their own outputs without transferring skills to their counterparts. This has been partly a reflection of the overwhelming workload that donor agencies expect technical advisors to accomplish. In Education, the issue of technical assistance is further compounded by the presence of a large number of technical advisors who are not well coordinated, as discussed below.

In order to meet the urgent need to reorient the focus of TA, it is recommended that the government consider developing clear official guidelines for the use of TA personnel, which could be agreed upon with its development partners. It is important that those guidelines articulate monitoring mechanisms of TA practices at the ministerial and/or higher levels. Donors who support government activities through the provision of TA might want to consider supporting the development of those TA guidelines and make sure that transferring skills to government officials, not doing the government's work on its behalf, be the main purpose of technical advisors.

Enhance collaboration among working groups under the CG mechanisms to raise collective concerns and address cross-sectoral problems

This recommendation is concerned with the ways in which cross-sector problems are addressed in partnerships. The delay in PAP disbursements has become a major issue between the government and its development partners. As a result, some donors have had difficulty implementing their programs without the government's matching funds. This is a cross-sectoral problem as MOEYS, MOH and MEF are involved. However, progress has been made in resolving the issue because officials at MOEYS, MOH, and MEF have taken a lead in addressing the problem and development partners have actively supported them. In order to expedite the process, the Fiscal Reform Working Group and Social Development Working Group established the PAP Taskforce and assisted all concerned ministries in identifying the causes of the problem and articulating effective measures to address them. The collaboration of the two Working Groups presents a good example of dynamic partnerships in which working groups under the CG mechanisms work collectively to address cross-sectoral problems.

The roles of existing working groups under the CG mechanisms are being reviewed by the government and its partners. In the review process, the government is recommended to consider developing effective working groups to address cross-sectoral issues such as PAP. It is important to ensure that the process of the review be open, transparent and broadly participatory. Donors might want to participate in the government initiative of the review and consider providing technical inputs when requested.

(ii) Recommendations for the four cases reviewed in this study

The key issues and recommendations specific to the respective cases are summarized in Table 4-2 in Chapter 4. The following priority issues are highlighted below (see Table 4-1 for the list of all key issues and recommendations).

Education SWAP—Better coordination of technical assistance for capacity development of MOEYS officials is needed.

MOEYS and its development partners have recognized that the number of technical advisors has increased to the extent that MOEYS can not fully grasp the overall picture of assistance and therefore the technical advisors need to be better coordinated. Avoiding overlaps of assistance is one issue, but more serious is the role of technical advisors to the ministry. It was reported that advisors' work has

often focused on providing advice to high-level officials and drafting official MOEYS documents, whereas limited emphasis has been put on developing the capacity of the officials who are actually supposed to prepare the official documents. Although the advisors may have needed to play this role in the past, many officials interviewed strongly felt that the advisors' task should not be to do the work, but to build the capacity of government officials to do the work. MOEYS officials appreciated the contribution of technical assistance in the past, but also stressed that MOEYS and donor partners should make concerted efforts to develop capacity of officials who engage in day-to-day management, in particular of their program/project management as well as report writing skills.

As the first step to providing clarity on the status of technical assistance for MOEYS, ESWG is conducting studies on technical assistance in the education sector. It is recommended that, building on the findings of the studies, MOEYS and development partners discuss and agree on the scope of further work to facilitate better coordination of the use and provision of technical assistance. One action which could be taken immediately is to develop an informal network among technical advisors, which has proved effective in TCAP and Health TB sub-sector.

Health SWIM—More assistance is needed for capacity development to implement various activities under Health Sector Strategic Plan (HSP).

Although the MOH has made a major progress in developing the HSP with support of its partners, the HSP's implementation remains a major challenge. The need for capacity development to implement the HSP, particularly to plan and monitor program activities, is expanding rapidly at the sub-national levels, as MOH has devolved these functions to provincial and operational district offices, and they are set to devolve further down to hospitals and health centers in 2004. There are also indications that accounting and financial management capacity at local offices needs to be strengthened. Some external partners are already providing technical assistance, and yet the unmet need for capacity building seems to be large. It is critical that the capacity of civil servants keep up with the progress of activities planned under HSP.

It is therefore recommended that the MOH identify the capacity development required for the implementation of HSP for all provinces, and that interested donors then consider providing technical support to fill the gaps identified by MOH -- making sure that their assistance is complementary to ongoing projects.

Local Governance SEILA--Aid coordination at the sub-national level needs to be enhanced further.

Partnerships and aid coordination at the sub-national level are increasingly important as the government expands decentralization and deconcentration policies, and as external assistance is directed to the poor in rural Cambodia under the NPRS. Seila provides a good practice in which provincial level coordination on local development is carried out through District Integration Workshops (DIWs) in all provinces, which coordinate development activities of line departments, commune councils, and projects funded by donors and NGOs to ensure consistency among them.

Building on the experience of Seila DIWs and others, the government might want to review the existing arrangements for aid coordination and consider ways to enhance aid coordination capacity at the sub-national level. A key prerequisite is the adoption of an Organic Law defining the roles and responsibilities of the provincial and district administration, as part of deconcentration policies. It is recommended that donors and NGOs working in provinces participate in the government's coordination activities and provide technical support for the preparation of the Organic Law. In addition, the capacity of local officials, including commune councilors and clerks, needs to be further strengthened to manage local governance under the new Law.

Public Finance TCAP—Building on TCAP accomplishments, a comprehensive program approach to capacity building is needed for the strengthening of public financial management.

Through TCAP, the MEF has gained experience and capacity in coordinating a wide range of technical assistance activities in public finance reform. At the beginning of the program, institutional arrangements for fund management turned out to be inefficient and caused some delays in disbursement and procurement. However, the problem has been addressed by making the position of Program Manager into full-time to work for project management. Also, the IFAPER by the ADB and World Bank has recently developed a comprehensive action plan in which strengthening public financial management is a key component. As pointed out earlier, the need for strengthening public financial management is urgent in Education, Health and other line ministries, both at the national and the provincial levels. It is recommended that the government pursue the development of a comprehensive program for capacity development of public financial management, building on the accomplishments of TCAP. This program could include the implementation of capacity building at the sub-national levels, in close collaboration with Education, Health and other priority line ministries, and potentially with Seila. Active participation of all development partners providing assistance in this area will be critical.

Part I.

Synthesis of Case Studies

Chapter 1. Introduction

1. Background

Cambodia's quest for a new paradigm of development cooperation partnerships has been gathering speed in recent years. The Royal Government of Cambodia presented an overall vision of the new partnership paradigm at the Consultative Group (CG) meeting in May 2000, proposing a "paradigm shift" in the current thinking and practices from "Donorship" to "National Ownership."¹ Further, the government declared its commitment to moving from *Control* to *Leadership*, from mere *Coordination* to *Collaboration*, and from *Dependency* to *Sustainability*, building on the existing aid coordination and management mechanisms in Cambodia.

The new paradigm comprises five principles to guide actions of the government: (1) a common vision and shared objectives; (2) agreed governance and accountability structures; (3) harmonized strategic management and operational capacities; (4) learning and adaptation capacities; and (5) building and maintaining trust. The government further articulated the new paradigm in 2001, identifying seven strategic considerations for implementing development partnerships in Cambodia (see Box 1-1 for details on the principles and strategic implementation considerations).²

To move forward, the government and donors established the Government-Donor Partnership Working Group (PWG) under the CG mechanism in late 2002. This Working Group examines issues and makes recommendations to strengthen partnerships and reports progress at CG meetings. The Secretary-General of the Cambodia Rehabilitation and Development Board (CRDB) at the Council for the Development of Cambodia (CDC), who is also the Secretary-General of the Inter-Ministerial Steering Committee, serves as the government representative and chairperson of the PWG. The UNDP Representative and the Minister at the Embassy of Japan to Cambodia were designated as co-vice chairs of the PWG.

There are some compelling reasons why a new partnership paradigm needs to be developed and translated into concerted action in Cambodia.

First, the experience of development cooperation (or lack thereof) since late 1980s points to the need for much improved partnership arrangements in Cambodia. In general, development cooperation in Cambodia has been donor-driven, and has paid insufficient attention to Cambodian ownership.³ When Cambodia started economic liberalization in late 1980s, multi and bilateral donors used NGOs as substitutes for Cambodian institutions to channel increasing humanitarian assistance to Cambodia. One long-time expert of Cambodia's development noted that "this served to shift control of reconstruction process and agenda out of Cambodian hands to the donors and aid agencies, and virtually excluded many Cambodians from participation in the process."⁴

After the UN organized general elections in 1993, Cambodia experienced an influx of foreign assistance for its transition to democracy and a market economy until mid 1997. This was the beginning of Cambodia's heavy dependence on foreign aid, which is still continuing. One expert

¹ Council for the Development of Cambodia (2000). p.1.

² Council for the Development of Cambodia (2002b). p.2.

³ Based on a detailed study of technical assistance in Cambodia, Godfrey, M. et al. (2000) reports that "Most (technical assistance projects studied) are donor driven in both identification and design. Government has some role in day-to-day operations, but not usually in the selection of foreign advisors or in financial matters." p.15. A 2002 UNDP study on Partnership in Cambodia also reported that "The situation in Cambodia would normally be described as a classic case of donor-driven, and to a certain extent, inefficient, and overlapping use of resources." These observations are reflected in the Government's declaration of the need to move from "Donorship" to "Ownership," as described in Council for the Development of Cambodia (2000).

⁴ Mysliwiec, E. (2003).

observer described this post-UNTAC period as “development anarchy,” noting “a marked tendency of newly arrived agencies, and most donors, to either assume that Cambodia was without established institutional structures, or to explicitly reject such structures as had been put in place by the State of Cambodia (SOC) as somehow illegitimate or invalid.”⁵ The new government established under the 1993 Constitution operated in a fragile political environment where former conflicting parties formed a coalition government while the civil war against Khmer Rouge continued along the Thai border. As a result, the government was not fully prepared to take leadership of development cooperation at a time when donors were sending hundreds of missions to Cambodia to develop their projects. Real commitment to coordination among donors did not take root, and many donors have missed opportunities to tap in local knowledge, experiences and institutions that Cambodians in fact had had in the pre-UNTAC period.⁶ “Lack of capacity” became donors’ common reference in development dialogues. All these have at least partly contributed to the persistence of unequal development partnerships in Cambodia.

The second reason for the need of a new partnership paradigm is associated with the state reform programs launched recently. Building on the long-awaited peace and more stable political environment, the new coalition government embarked on a series of ambitious state reform programs in 1999. The programs span a broad range of issues, including cross-cutting themes (public finance, civil administration and deconcentration, decentralization, demobilization, legal and judicial reform, anti-corruption, and gender) and sector reforms (e.g., education, health, land, forestry, and fishery).⁷ It is recognized that such ambitious reforms require new partnership arrangements with broad participation of stakeholders, including central and local governments, civil society, businesses, and foreign donors. In particular, development cooperation with external partners must be managed better to use limited aid resources effectively and efficiently. It is also well recognized that management of development cooperation has been putting enormous strain on the government’s administration as the volume of foreign assistance has been increasing in recent years.⁸ To address these issues, the government has taken an important step forward by creating a number of Reform Councils to coordinate and facilitate reforms since 1999. Donors have responded to the government’s initiative by creating Donor Working Groups as counterparts for respective Reform Councils. These new mechanisms serve as important mechanisms for state reform and development cooperation under the CG process.

Finally, but not the least important, the recent development of the National Poverty Reduction Strategy (NPRS) now provides a viable example for development cooperation in the future.⁹ The government has demonstrated commitment to NPRS development, and many stakeholders including many donors have supported this initiative. This presents a new example of development cooperation in which the government takes the initiative and foreign donors support it. The implementation of the NPRS should further strengthen this new dynamic of development cooperation partnerships initiated in the PRSP process. Notably, the NPRS was developed with broad participation of Cambodian stakeholders who had rarely been consulted or heard their voices in the national planning processes in the past. If this practice can be replicated in the implementation phase of NPRS, it will help build *national partnerships* among the state, civil society and the private sector, and make the nation’s development efforts more effective.

⁵ Curtis (1998), p.72.

⁶ Mysliwiec (2003), *ibid*.

⁷ Council for Administrative Reform (2001).

⁸ Total disbursements of development assistance increased from \$400 million in 1999 to \$472 million (provisional) in 2001, according to Council for the Development of Cambodia (2002a).

⁹ Council for Social Development (2002).

Box 1-1. Cambodia's New Paradigm for Development Cooperation Partnerships

Cambodia's New Paradigm consists of 5 principles and 7 strategic implementation considerations in developing effective cooperation partnerships with development partners.

Principles:

1. ***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.
2. ***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.
3. ***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 communication systems, with credible reporting and monitoring that should lead to the development of common or joint program/project evaluation and audit reviews.
4. ***Learning and adaptation capacities*** – Partnerships will be built cautiously and with sufficient flexibility in the arrangements to ensure that each can generate learning and innovation, experiences that can be adapted and replicated across sectors.
5. ***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.

Strategic Implementation Considerations:

1. ***Ownership, commitment and shared resources*** – Development partnerships are seen as governing modalities of managed relationships that facilitate the achievement of sectoral and thematic outcomes through coordinated and more formally integrated activities involving multiple projects, sub-programs and supporting activities. It is recognized that within Government there are gaps in the management of capacities and that efforts to build capacities for national execution need to be dealt with openly and in a transparent manner.
2. ***Flexible partnership modalities*** – The choice of development partnership models or approaches would depend on what can best serve the interests of Cambodia. At present, two distinct types 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.
3. ***Starting gradually, getting priorities right and using pilots*** – The priority and sequencing for pilots that are linked to national development goals and priorities has already been established. The pilot initiatives need to be managed strategically to ensure that lessons learned can be captured and disseminated, and that national capacities are developed and sustained.
4. ***Identifying and differentiating partner roles*** – It is envisaged that the composition of partners will depend on the purpose of the partnership. In development partnerships involving external donors and NGOs, the Lead Partner should, in all instances, be a national organization (this could be a central or local level of government, possibly a national NGO or private sector organization). The role of the External Lead Partner would also vary, depending on comparative advantages and strengths of the partners and the requirements of the partnership. The External Lead Partners should act as a catalyst, facilitator, technical and resource advisor. The role and responsibilities of the External Lead Partner or facilitator are more than just providing resources, it requires building trust, having expertise on the ground to interact with and build the confidence of the sectoral ministries and other donors, and a willingness to be flexible in both the timing and use of whatever resources are available. It is therefore critical and crucial that donors organize and mobilize themselves to optimize the comparative advantages of individual donors. In particular, the major lending agencies should forge stronger relationships with UN agencies and some bilateral agencies.
5. ***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.

6. ***Strengthening external donor capacities for aid management and coordination*** – there is room for strengthening external donor coordination at the country level. Internal donor policies, practices and procedures also need to be closely examined to ensure that they are supportive of government’s policy thrusts for national ownership, leadership and overall coordination, specifically in the context of developing collaborative partnerships.
7. ***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 and coordination problems and issues. Performance and existing capacity constraints within the civil service need to 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.

Source: Council for the Development of Cambodia (2002b).

2. Objectives, Scope and Methodology of the Study

The current study is intended to assist Cambodia and its external partners in strengthening further the new paradigm of development cooperation partnerships. This is one of the three studies for this purpose carried out under the Government-Donor Partnership Working Group (PWG) as part of Cambodia CG mechanism.¹⁰

The term “development cooperation” is a broad concept in itself. The current study will focus on “managerial aspects of aid coordination.” By emphasizing “management” we will look at development cooperation from the perspective of the institutions and processes under which the government formulates, reviews, and implements programs and projects jointly with external partners. With “aid coordination,” our main focus will be on the programs and projects in which two or more donors are involved to mobilize aid resources and develop and support programs jointly so as to maximize the development effectiveness of aid resources.

It should be emphasized that the government and its external partners have been already making commendable efforts to enhance aid coordination in a number of programs and projects. Our study will look at some sectors that have already made notable progress, such as Education and Health. Similarly, important progress in aid coordination has been made in cross-cutting reform themes, such as public finance and local governance. It is expected that in-depth case studies of those good practices would enable us to draw useful lessons that will help strengthen aid coordination management and enhance development partnerships in Cambodia.

Objectives

The objectives of the current study are twofold:

- to identify, examine, and draw lessons from existing practices of the government and external partners in jointly formulating, reviewing and implementing programs and projects; and
- to make recommendations on (i) approaches and methods that can be adopted for other sectors and cross-cutting issues, and (ii) issues for which feasible solutions can be agreed to and implemented in the short to medium term.

Scope

The current study will review the processes and achievements in two categories of aid coordination management: (1) sector-focused aid coordination; and (2) cross-cutting issue focused aid coordination.

¹⁰ The titles of the other two studies being undertaken under PWG are “Analysis of the Capacity Building Practices of Cambodia’s Development Partners,” and “National Operational Guidelines for Development Cooperation.”

Two case studies have been selected for each category:

Sector-focused aid coordination

1. Education – Sector-Wide Approach (SWAp)
2. Health–Sector-Wide management (SWiM) and the Tuberculosis Sub-Sector Program

Cross-cutting issue focused aid coordination

3. Local Governance—Seila Program¹¹
4. Public Finance–Technical Cooperation Assistance Program (TCAP)

The four cases were selected on the basis of interviews and discussions with key stakeholders during the scoping mission in February-March 2003. Those stakeholders included a number of public officials, donor agency representatives and technical advisors who provided their views on the cases to be studied. The main criteria for the selection included: (1) the extent to which positive developments on aid coordination management were observed; (2) the involvement of two or more donor agencies in a program; and (3) a reasonable implementation period from which meaningful lessons could be drawn from experience.

In the four cases studied, the government and many partners have taken “program-based approaches,” in which they have developed partnership arrangements to manage and coordinate reform programs jointly in the respective sectors and cross-cutting issues. Although their basic concepts and principles may have been originally adopted from elsewhere, the program-based approaches under the case studies have evolved to adapt to the reality in Cambodia.¹²

For each case, the study will examine both the institutions involved in aid coordination, and how aid coordination is managed throughout the program cycle, particularly preparation/planning, implementation, and monitoring/evaluation/review. The study will assess the achievements of aid coordination methods or approaches according to the following criteria:

- **Local ownership**—the extent to which the government takes the lead and makes decisions in initiating, planning, controlling, managing, and reviewing government programs and activities assisted by donors¹³;
- **Local capacity to manage aid coordination**—this includes capacity both at the individual and institutional levels. Individual capacity means that public officials have the skills and experience needed for managing aid coordination effectively. Institutional capacity is the extent to which formal and informal rules and regulations provide incentives for individuals and organizations to manage aid coordination effectively and efficiently. The latter is particularly associated closely with sustainability, which is discussed below.
- **Overlap of assistance**—the extent to which aid coordination mechanisms have contributed to aligning donor-funded projects and as a result, reducing their overlaps for the same activity (e.g., training of a group of officials on the same subject);

¹¹ “Seila” is a Khmer word meaning “a foundation stone.”

¹² The term, program-based approaches, is adopted from Riddell (2002). In Riddell (2002), program-based approaches are used as a general term to cover a wide range of development modalities, ranging from sector-wide approaches through to direct budget support, which all emphasize local ownership of development agenda as their core principle. Nevertheless, Riddell (2002) also reports that there are notable differences among development agencies about the definitions, policies and perspectives of the program-based approaches.

¹³ The definition of local ownership needs to make clear whose “ownership” we are looking at -- government, civil society, private sector, or someone else. In the current report, the definition of local ownership is concerned with government ownership of program and aid coordination, and puts less emphasis on civil society such as NGOs. This is not to imply that civil society and NGOs are less important than the government; however, given their critical roles in Cambodia, a meaningful understanding of the impact of aid coordination on civil society and NGOs would require a separate study. See Riddell (2002) for contrasting views on the definition of local ownership among main donor agencies.

- ***Transaction costs to the government***—the extent to which the time and money (and opportunity cost) that public officials have to spend on managing donor-funded programs or projects has been reduced; and
- ***Sustainability***—the extent to which the government has integrated and institutionalized program and aid coordination management, and can continue this work effectively and efficiently without substantial external assistance. Sustainability is closely linked with capacity development, particularly institutional capacity.

Finally, the current study will pay special attention to some issues that are closely linked to the other two studies--Capacity Development and National Guidelines--carried out under the PWG. The first issue is salary supplements for government officials, which is a subject of the Capacity Development study. Many donor-funded projects in Cambodia provide salary supplements. This has been almost inevitable as an average salary of government officials is far below the subsistence level. Although the grave negative impact of salary supplements on the functioning of the civil service has been recognized, donors have found it difficult to secure reliable government counterparts without the provision of salary supplements. The current study will look at how salary supplements are managed in the cases studied. The second issue is harmonization of aid procedures, which is the subject of the National Guidelines study. This study will report on harmonization efforts that have been undertaken in the cases studied.

Methodology

The set of research instruments employed to carry out this study are: (1) desk reviews of key documents on Cambodia and the literature on development cooperation; (2) interviews with key stakeholders, including senior public officials (decision makers and managers), donor representatives, and technical advisors (both Cambodians and foreigners); and (3) data analysis where relevant and available. Building on the preliminary study in February-March 2003, the first field study was carried out in June-July 2003 in Cambodia. This was followed by the second field study in October-November 2003 in which thematic workshops were held for government officials at the operational level and a field visit to Prey Veng Province was carried out.

Structure of the Report

The remainder of this report is organized as follows. Chapters 2 to 5 of Part I are a synthesis of the four case studies. Chapter 2 will examine mechanisms of aid coordination management from a comparative perspective. The four programs are compared in each program cycle from the viewpoints of institutional arrangements and the implementation processes of aid coordination management. Then Chapter 3 will report the achievements of each program. Chapter 4 draws lessons learned from the four case studies and offers some recommendations for action, and Chapter 5 offers some concluding remarks, looking at the future. Part II provides detailed descriptions of the findings from the four case studies: Chapter 6 on Education, Chapter 7 on Health, Chapter 8 on Local Governance, and Chapter 9 on Public Finance.

Chapter 2. Mechanisms of Aid Coordination

This chapter examines mechanisms of aid coordination management used in the four cases studied, namely Education (SWAp), Health (SWiM and TB Sub-sector Program), Local Governance (Seila), and Public Finance (TCAP). After a brief overview of the four programs, institutional arrangements to manage aid coordination are reviewed to discuss the nature and characteristics of the respective cases. This chapter then looks at the process of aid coordination management at each stage of the program cycle: preparation and planning (including policy and strategy formulation), implementation, and monitoring and evaluation.

1. Overview of Programs

The Programs studied have a relatively short history (3-5 years), with the exception of the Seila Program (7 years) and the Tuberculosis Sub-Sector (10 years) (see Table 2-1 for a summary of the programs). All the programs are ongoing as of 2003, although TCAP is scheduled to be completed in 2003. The Health and Education Sectors have been major recipients of external assistance totaling more than \$100 million, or more than 20% of total external assistance, in 2001.¹⁴ More than 10 donors are involved in the Education SWAp and Health SWiM programs, and the numbers appear to be increasing. It should be noted that NGOs are not included in the number of donors in Table 2-1, due to the unavailability of data, although NGO funds are included in the amount of external assistance for Health and Seila. As NGO assistance has accounted for more than 10% of external assistance in the past (with the exception of public finance), the need for aid coordination is even greater than these figures indicate.

Table 2-1. Summary of the Programs

Sector/Issue	Program	Started in/ Current status	Amount of external assistance (a)		Number of donors involved (b)	
			2001: \$39M	2003(est.): \$45M	2001: 10	2003(est.): 13
Education Sector	Sector-Wide Approach (SWAp)	1999/Ongoing	2001: \$71M	2001: \$66M	1999: 17	2001: 19
Health Sector	Sector-Wide Management (SWiM)	1998/Ongoing	n.a.	n.a.	1993: 1	2003: 5 (c)
	Tuberculosis Sub-Sector Program (TB)	1993/Ongoing	2001: \$15M	2003: \$23M	1996: 5	2003: 10
Local Governance	Seila Program	1996/Ongoing	2000-2003: \$6.4M		2000: 5	2003: 6
Public Finance	Technical Cooperation Assistance Program (TCAP)	2000/To be completed in 2003				

(a) The total amount of external assistance for Education SWAp includes only donor assistance, whereas the figures for Health SWiM and Local Governance Seila include funds from both donors and NGOs. External assistance to the Health Sector TB is included in the total assistance for SWiM. Public Finance TCAP does not have NGO partners.

(b) "The number of donors" includes both bilateral and multilateral donor agencies, but excludes NGOs due to lack of disaggregated data.

(c) This number includes only donors that provided assistance directly to TB sub-sector program (as reported in the Tuberculosis Report 2001).

Sources: Chapters 6-9 of the current report.

¹⁴ Council for the Development of Cambodia (2002a). *ibid.*

A brief overview of each program is provided below as a background.

Education SWAp

The Ministry of Education, Youth and Sport (MOEYS) introduced the concept of a sector-wide approach for national education reforms in 1999.¹⁵ This reflected unsatisfactory progress prior to 1999 during which donor assistance had been substantial (total \$244 million in 1994-99), and yet had made only a limited impact.¹⁶ This disappointing performance was attributed to the lack of an integrated policy framework and the proliferation of discreet and ill-coordinated donor-funded projects. The SWAp was started to ensure that all external assistance projects would support a single sector policy and expenditure program developed under government leadership, and that a common approach to planning, implementation and monitoring evaluation would be adopted. The MOEYS has been developing a SWAp process in which a wide range of stakeholders could participate, including an Education Strategic Plan (ESP) and a rolling Education Sector Support Program (ESSP). A number of aid modalities, including budget support and project-support, have been accepted to ensure the participation of a broad range of donors. The MOEYS, donors and NGOs jointly reviewed the performance of the education sector in 2002 and 2003.

Health SWiM

The Ministry of Health proposed introducing a program in the health sector in early-1999 through the Health Sector Reform Project (HSR III). This program was later renamed Sector Wide Management (SWiM). The concept of SWiM is similar to that of a sector-wide approach, but a key difference is that SWiM explicitly does not require budget support through the pooling of funds for the implementation of projects. Conducting a series of consultative processes in which a wide range of stakeholders participated, the government and its external partners jointly developed a Health Sector Strategic Plan 2003-2007 (HSP) and a rolling Medium Term Expenditure Framework (MTEF) in August 2002. The HSP was recently developed further into a 5-year Implementation Plan. The first joint sector review was held in April 2003.

Health TB Sub-Sector

The National Tuberculosis Control Program (NTP) is one of the four health sub-sector programs under the overall national health system in Cambodia. The National Center for Tuberculosis and Leprosy Control (CENAT) has been managing this Program since 1980. The NTP supports TB control activities with the provision of technical advice, supplies, training and outreach activities. The CENAT recently developed the “National Health Strategic Plan for Tuberculosis Control 2001-2005,” a new 5-year policy and strategy for TB control, in broad consultation with stakeholders. The government and all development partners have endorsed this Plan under which subsequent planning and implementation of activities have been carried out. All donor assistance continues to be provided through project support, but is well coordinated under the agreed Plan.

Local Governance Seila

Seila started in 1996 as a national program with core support from four donors. Seila’s overall goal is to institute decentralized systems and strategies for poverty alleviation and good governance. Its specific objectives are to foster local development and poverty alleviation, build the capacity of provincial and commune authorities for managing sustainable development, and to generate lessons for development of national policies for deconcentration and decentralization. Seila developed unique decentralized systems for planning, programming, financing, implementation, monitoring and reporting for both provincial and commune levels. These Seila systems include components such as

¹⁵ In this Report, the term, SWAp, is used to indicate the specific name of the Program adopted in the education sector in Cambodia, whereas the term, sector-wide approaches, is used as a general term.

¹⁶ Table 6-1, Chapter 6.

organizations, management instruments and processes that can be applied in any local administration and governments in Cambodia. The election of Commune/Sangkat (C/S) Councils in February 2002 established the first elected administrative bodies at the sub-national level, and the government at the national and provincial levels assumed responsibility for support to all C/S Councils in the country. Seila has developed two funds, the Provincial Investment Fund and Commune/Sangkat Fund, which are financed by national budget and external assistance, to deliver infrastructure and services to provinces and communes, respectively. Since 1996, Seila has gradually increased the number of provinces it supports, and expanded to cover all 24 provinces/municipalities and all 1,621 C/S Councils in 2003.

Public Finance TCAP

TCAP is a comprehensive technical assistance program covering economic and public financial policy. It was developed under the lead of IMF and jointly with four other donors in 2000. The Program's objectives are to strengthen the institutional and human resource capacities of six key Departments and agencies: Tax, Customs, Budget and Treasury at MEF, the National Bank of Cambodia and the National Institute of Statistics. Program activities include the provision of advisors and experts for policy formulation, organization of seminars, workshops and study tours for capacity building, and the provision of materials and equipment for implementation. Under the Program, the government has prepared a number of policy papers, research papers and legal documents for economic and fiscal policy reforms that are supported by a Poverty Reduction and Growth Facility (PRGF) of IMF and a Structural Adjustment Credit (SAC) of the World Bank. For human resource development, the program organized a series of seminars, trainings and study tours. The program is scheduled to be completed by the the first quarter of 2004.

2. Institutional arrangements for aid coordination

Institutional arrangements are a critical component to managing programs and coordinating external assistance. Table 2-2 summarizes the institutional arrangements of the cases studied. There appear to be five key arrangements that have played critical roles in managing programs and coordinating external assistance: (i) overall coordination among all stakeholders; (ii) coordination within the government; (iii) coordination among donor agencies; (iv) coordination among NGOs; and (v) a core team or secretariat that implements programs and coordinates external assistance. These institutional arrangements are discussed in turn.

(i) Overall coordination among all stakeholders

All cases studied have an institution that is mandated to facilitate information sharing, dialogue and coordination, and/or make collective decisions for all stakeholders involved, including the government, donors and NGOs. This could be either an institution that already existed before the program (CoCom for Health SWiM and ICC for Health TB Sub-Sector), or a newly created one (the Government/Donor/NGO Consultative Meeting in Education, the National Seila Forum and District Integration Workshop in Seila, and the Tripartite Review Meeting in TCAP). A common feature of those institutions is that they serve as a forum where all stakeholders meet regularly to exchange views and opinions, and make collective decisions about the program. The frequency and intensity of the meetings appear to vary, depending on what roles and responsibilities are assigned to the institution.

(ii) Coordination within the government

Sector programs cut across jurisdictions among different departments within a ministry or even among different ministries and agencies. This necessitates a mechanism to coordinate among different departments and/or agencies concerned. For instance, the MOEYS created four special task forces to

lead education sector reform and ESP/ESSP development.¹⁷ In Health TB Sub-Sector Program, the National Committee against Tuberculosis was established in 1995 in order to ensure the involvement of all key sectors in addressing TB problems. In the case of Seila, the Seila Task Force consisting of various concerned ministries oversees and supervises the entire Seila program at the national level, the Provincial Rural Development Committee (PRDC) oversees and coordinates various program activities at the provincial levels, and the Executive Committee (ExCom) under the PRDC manages the implementation of those programs. Under TCAP, a Steering Committee consisting of concerned ministries, departments, and agencies has been established to articulate the strategic direction of the program and ensure that program objectives are achieved.

(iii) Coordination among donors

Of the cases studied, the Education and Health sectors have formally established coordination institutions among donor agencies with Terms of References agreed upon among participating donors. This perhaps reflects the extent of the needs, as Education and Health cover the whole sectors and the involvement of external partners is large both in terms of the amount of assistance and the number of donors. The Education Sector Working Group (ESWG) for donor coordination is particularly notable as it plays a critical role in coordinating donor assistance, promoting a common, integrated program approach, and exchanging information about program implementation. Seila's aid coordination is carried out through Seila National Forum at the national level and District Integration Workshops at the provincial and commune levels, in which donors and NGOs are invited to participate. Under TCAP, the Fiscal Reform Working Group, co-chaired by the Senior Minister of Economy and Finance and the IMF Resident Representative, serves as a coordination institution among all donors assisting public finance reform. In the cases of the TB Sub-Sector and TCAP, informal mechanisms of donor coordination have emerged as a response to the needs of participating donors.¹⁸ In these cases foreign advisors voluntarily took the initiative to organize themselves to coordinate program activities among participating donors.

(iv) Coordination among NGOs

NGOs provide a substantial amount of assistance to Cambodia each year. Under Education SWAp, the NGO Education Partnership (NEP) was established to coordinate NGOs involved in the education sector. In the health sector, MEDICAM, a pre-existing NGO umbrella organization, participates in SWiM and TB Sub-Sector. In Seila, Local Development Forums have been established in some provinces to promote NGO coordination. TCAP does not involve any NGOs, so no coordination mechanism has been necessary.

(v) Core team or secretariat

The coordinating functions discussed above require a core team or a secretariat that provide administrative support for them. All programs studied have these administrative units which are built into the government's organizational structure, and typically consist of a national coordinator and/or manager and foreign advisors funded by donors. They are engaged in the day-to-day management of the program, for instance, providing secretariat services to the various meetings and coordinating with participating donors and NGOs. It was reported that foreign advisors tended to take the lead in coordination at the initial stage of programs. This may have undermined local ownership, but was perhaps inevitable as the concepts of sector-wide programs were new to government officials in Cambodia. In Education SWAp, however, it was reported that foreign advisors' coordinating roles had

¹⁷ The four task forces are Policy/Planning Group (PPG), Institutional Reform/Development (IRD), Education Sector Financial Planning (ESFP) and Sector Monitoring and Evaluation (SME), established in January 2000.

¹⁸ A "formal" institution implies that a meeting or a committee is established and managed by written documents such as Terms of Reference in which principles and rules agreed among participants are stipulated. By contrast, an "informal" institution does not have such written principles or rules, and yet participants agree to maintain and manage it on a voluntary basis.

been handed over to local counterparts over time as the capacity of MOEYS had been enhanced in the SWAp process.

Table 2-2. Summary of Institutional Arrangements

Sector/ Issue	Institutions for Coordination				
	Overall	Within government	Among donors	Among NGOs	Core team or secretariat
Education SWAp	Government/ Donor/NGO Consultative Meeting	Regular function at MOEYS; Four task forces for education sector reform	Education Sector Working Group (under Social Sector WG)	NGO Education Partnership (NEP)	Planning Department at MOEYS; Donor Coordination Advisor
Health SWiM	Coordination Committee for Health (CoCom)	Regular function at MOH	Health Sector Partners Meeting	MEDICAM	Core team for HSP; SWiM Development Advisor
Health TB Sub-sector	Inter-agency Coordinating Committee for TB Control (ICC)	National Committee Against Tuberculosis	Allies of project advisors at CENAT (informal)	MEDICAM	CENAT
Local Governance Seila	National Seila Forum; District Integration Workshop	Seila Task Force (STF); Provincial Rural Development Committee (PRDC), Executive Committee (ExCom)		Local Development Forum (some provinces)	STF Secretariat
Public Finance TCAP	Tripartite Review Meeting	Steering Committee (departments and agencies concerned)	Fiscal Reform Working Group; Network of resident advisors (informal)	n.a.	National Program Coordinator and Manager, EFPPMU

3. Process of aid coordination

The process of aid coordination can be broken down into three stages, similar to a program cycle: (i) preparation and planning, (ii) implementation, and (iii) monitoring, evaluation and review. The modality and intensity of aid coordination vary considerably, depending on the stages studied. Table 2-3 summarizes key activities at each stage for the cases studied.

(i) Preparation and planning

In all the cases studied, the government undertook preparation of programs with the support of donors and with broad participation of stakeholders involved. Some key points are highlighted below.

In Education SWAp, Health SWiM and the Health TB Sub-Sector, the government developed a sector (or sub-sector) policy and strategy with joint efforts of stakeholders, including external partners. This was an important step toward enhanced aid coordination. The following activities were critical for the preparation of the plan and strategy:

- Formulating a shared vision about sector-wide approaches among donor partners: This was not an easy process and took a lot of time and resources. In Education, MOEYS initially

could not get the agreement of all donors on the initial Statement of Intent (SOI) regarding partnership arrangements, as five out of fourteen invited donors, i.e., USAID, French Cooperation, GTZ, JICA, and EU, kept their endorsement pending. However, MOEYS clarified and adjusted the objectives and scope of SWAp later in a way that all external partners could agree on, and the process was able to continue with full participation. In Health, a stakeholder analysis was carried out first to collect views on sector-wide approach of government and donors. This resulted in MOH's decision to change the program's name from SWAp to SWiM to reflect a slightly different approach that all stakeholders could agree on, and as a result MOH was able to move forward with formalizing this understanding.

- Carrying out joint analytical work: Joint analytical work with broad participation of stakeholders provided critical input to the formulation of shared views about the sector. For example, MOH conducted a Joint Health Sector Review in 2000 (analytical work) to identify key issues to be addressed and to set out possible options for future discussions. This helped formulate shared views about the issues and problems to be addressed among stakeholders.
- Raising awareness and understanding about SWAp: MOEYS held a series of awareness raising activities about the SWAp concept among stakeholders including public officials, donor agency and NGO staff, which were funded by donors. MOH also organized study tours for public officials to some developing countries that have been undertaking SWAp. These were important, because many government officials and some donor and NGO staff were not familiar with sector wide approaches.

Both Seila and TCAP programs were prepared through joint appraisals by the government and all participating donors. In TCAP, a series of analytical works by IMF preceded the joint appraisal of the program. In Seila, a set of evaluation studies provided critical information to joint appraisal of the program.

(ii) Implementation

Financing modalities

Financing modality of donor assistance is a key issue at the implementation stage because it affects government ownership, capacity, and the administrative burden on the government.

In the cases studied, a large part of donor funding is provided through project support, and the government and some donors are making efforts to implement projects in closely coordinated ways. For instance, some projects or components under a program are co-financed or cost-shared using trust fund arrangements. MOH recently launched a Health Sector Support Project (HSSP), which is co-financed by ADB, World Bank and DFID, to implement the SWiM process. Seila's core component is cost-shared by Sida, DFID and UNDP with the use of trust fund arrangements. TCAP also has a component cost-shared by UNDP, DFID and Netherlands, and the other components are co-financed by IMF and ADB.

There are also some other examples of close collaboration among different projects in the health sector, in particular among national programs receiving substantial donor assistance.¹⁹ Implementing different activities in a harmonized way and conducting joint activities under a common policy framework are among the various collaboration schemes utilized. For example, in the TB sub-sector, many activities have been supported in a coordinated way by a number of donors including JICA, World Bank, WHO, and NGOs. One of the collaborative activities was the dissemination of the National TB Prevalence Survey (2001), which was supported by JICA and the World Bank.

Among the cases studied, Education SWAp is the only case in which a ministry receives direct budget support from donor agencies (ADB and EU). This budget support consists of 18 percent of total

¹⁹ There are four national programs under MOH, namely (1) Malaria, Dengue and Filariasis; (2) HIV/AIDS; (3) Tuberculosis; and (4) Maternal Health.

external assistance in the education sector in 2003, providing non-wage recurrent costs under the government's Priority Action Programs (PAPs).²⁰ The funds pass through the recurrent budget of the government via the treasury system of the government.

Some donor representatives and experts interviewed argued that budget support should play a more important role, but many donors were concerned with the potential fiduciary risks in the case of Cambodia because of the government's weak capacity for managing public finance. Indeed, a recent joint study by World Bank and ADB reported that the government's capacity to manage public finance remains weak and that there is wide scope for improvement.²¹ Also, a donor representative pointed out that too high a concentration of external assistance in direct budget support might cause a major decline in the national budget and a subsequent drop in service delivery if donor funding had to be suspended for whatever reasons. In addition, a recent problem of the delay in PAP disbursements in Education suggests that enhancing the performance of PAPs would require substantial reforms in the treasury system of the government as well as enhancement of fiduciary management ability of line ministries at both national and sub-national levels. Implementing these measures will require substantial time and resources. Under the circumstances, it is likely that project-type support will continue to be the main financing modality, and that budget support will be used by only some donors where necessary and appropriate, at least in the short to medium term.

Aid procedures during implementation

Donor assistance has been provided largely through project-type support under the cases studied. This implies that aid procedures during implementation (such as procurement, disbursement, financial management, accounting, auditing and reporting) differ between projects, depending on the policies and procedures set out by supporting donors. Under project-type support, the government typically needs to maintain two accounting and reporting systems to satisfy both government and donor requirements for each project, which imposes substantial transaction costs to the government. Few examples of harmonizing aid procedures at implementation have been found in the cases studied, except for the trust funds arrangements in the components of TCAP and Seila discussed above. In these cases, participating donors have adopted a common procedure for the use of the trust funds (UNDP national execution modality) agreed between the government and participating donors, thereby reducing transaction costs to the government to some extent.

Salary Supplements

Salary supplements for government officials pose a major challenge to the government and its development partners in Cambodia. The problems arising from salary supplements in Cambodia have been long known, but few coordinated actions have been taken to address them. The low pay in the civil service coupled with the practice of uncoordinated salary supplements in donor projects distorts incentives in the civil service in a number of ways. First is accountability. Civil servants who work for donor projects are expected to be accountable to donors; therefore their regular work in the government is often compromised, and the government loses access to already scarce public sector talent. Second is the inequality between civil servants who receive salary supplements and those who do not. The amount the former group had received totaled nearly six million US dollars annually, whereas the rest of the civil servants receive none.²² It is not uncommon that junior officials with salary supplements receive higher pay than senior officials with greater responsibilities. Third, the selection of officials who work for donor funded projects is usually not transparent, demoralizing those who have not been selected. Fourth, competition over competent personnel for donor projects puts

²⁰ The PAPs are the government's innovative budgeting scheme introduced to the education and health sectors in 2000. It was piloted in ten provinces in 2000, and now covers the whole nation in the education sector. See Chapter 6 for more details.

²¹ World Bank and Asian Development Bank (2003).

²² Six million dollars quoted here is an estimate reported in Godfrey et. al. (2000), p.44.

pressure on donors to pay even higher salary supplements in order to secure counterparts for their own projects, further exacerbating the situation.

One other major consequence of salary supplements is its adverse effect on sustainability of civil service reform to address low pay problems. A World Bank study on the experience of supporting civil service reforms concluded that the use of salary supplements in donor activities as an interim solution for low pay problem “does not provide enduring answers to fundamental problems of civil service incentives; indeed, they ultimately undermine the likelihood of devising ultimate solutions.”²³ The study further noted that “the insidious aspect of this problem is that in many circumstances the offenders are the donors.”²⁴

The estimation of salary supplements, or more broadly the provision of financial incentives to government officials, is often a difficult task, as they are in many cases hidden under different activities within project budgets. The available evidences suggest, however, that donors’ projects provide financial incentives in a variety of forms, called per diems, allowances, fees and so on, which are associated with specific activities under donor-funded projects, such as research, field visits, travel, training, translation, and participation in workshops and seminars.²⁵ There are also cases in which donors provide salary supplements for government officials at project implementation units who take leave of absence during the project implementation period.

A comprehensive mapping of salary supplements practices in Cambodia is beyond the scope of this study, and shall be undertaken in the capacity development study under the Government-Donor Partnership Working Group. However, some concrete examples were found in the cases studied. In the Health SWiM, salary supplements were provided for the Core Team during the period of the Health Sector Strategic Plan (HSP) development. The Team members took leave of absence from their MOH positions during that period, and received salary supplements for their work from WHO, UNICEF and GTZ. The Seila staff consists of seconded government officials from line ministries, all of whom are paid salary supplements. Seila programs are managed by 30 officials at the national level (Seila Task Force Secretariat) and around 1,480 officials at the provincial and district levels. The provincial and district level staffs receive salary supplements of \$80 and \$40 per month, respectively. It was reported that salary supplements provide incentives for them to do their work properly and deliver outputs as intended. Under TCAP, the cost-sharing contributions are pooled and used for salary supplements as well as many other activities such as trainings, seminars and workshops, study tours and administration costs. The government officials who work as national experts for TCAP receive salary supplements of \$180 per month, which is the UN standard in Cambodia.

(iii) Monitoring, evaluation, review

Aid coordination has been actively taking place at the monitoring, evaluation and review stage for all the cases studied. Joint sector or program reviews by the government and donors are carried out in Education SWAp, Health SWiM, Seila core component, and TCAP. In addition, donors supervise projects or sub-components of a program on a regular basis and their reports are shared with other participating donors.

There are signs that aid coordination may proceed further at the monitoring and evaluation and review stage. For instance, GTZ indicated that in the future its project review in the health sector will be integrated into the annual joint health sector review under SWiM. UNFPA intends to take similar action for its review.

²³ Nunberg, B. and Nellis, J. (1995). p.42.

²⁴ Nunberg and Nellis (1995), p.29.

²⁵ Godfrey et. al. (2000), p.42.

Table 2-3. Process of aid coordination

Sector/ Issue	Program	Preparation, planning	Implementation	Monitoring, Evaluation, Review
Education	SWAp	<ul style="list-style-type: none"> - Commitment to partnership by SOI - Awareness/training activities on SWAp - Formulation of sector policy and strategy assisted by donors 	<ul style="list-style-type: none"> - Project-type support is the main financing modality (58% in total inputs in 2003), followed by direct budget support (18%) and other forms (24%). - Provision of financial incentives such as per diem and travel allowance is found. 	<ul style="list-style-type: none"> - Joint sector reviews - Supervision of projects by respective donors (project-type support)
Health	SWiM	<ul style="list-style-type: none"> - Stakeholder analysis to find out views of government and donors on SWAp - Study tours on SWAp experiences - Joint analytical work (health sector review 2000) - Formulation of sector strategic plan, MTEF, etc. assisted by donors 	<ul style="list-style-type: none"> - Project-type support is the main financing modality; Some projects are co-financed. - Many cases of coordination of activities between different projects are found. - Provision of financial incentives is found. 	<ul style="list-style-type: none"> - Joint annual sector reviews - Supervision of projects by respective donors (project-type support)
	TB Sub-Sector	<ul style="list-style-type: none"> - Formulation of policies, strategies and plans assisted by donors. - Coordination of project activities funded by different donors 	<ul style="list-style-type: none"> - Project-type support is the main financing modality. - Intensive collaboration among activities of donor projects (such as policy formulation, training, survey and workshops) is found. 	<ul style="list-style-type: none"> - Supervision of projects by respective donors (project-type support)
Local Governance	Seila	<u>Core component</u> <ul style="list-style-type: none"> - Joint evaluation of the program (2000) - Joint appraisal of a new program 	<ul style="list-style-type: none"> - Project-type support is the main financing modality; Cost-sharing with trust fund arrangements is used. - Salary supplements are provided for Seila staff (mainly seconded from government ministries and agencies). 	<ul style="list-style-type: none"> - Joint monitoring by Permanent Advisory Team and Tripartite Project Review
		<u>Supplementary component</u> <ul style="list-style-type: none"> - Seila Forum to discuss about donors' support for Seila program or its components 	<ul style="list-style-type: none"> - Project-type support is the main financing modality. - A variety of financial and fund flow arrangements are found, depending on the nature of programs/projects by partner donors. 	<ul style="list-style-type: none"> - Seila's annual work plan and progress reports - Supervision of projects by respective donors (project-type support)
Public Finance	TCAP	<ul style="list-style-type: none"> - Formulation of the program with critical inputs from joint analytical work led by IMF 	<ul style="list-style-type: none"> - A combination of the cost-sharing among donors using trust fund arrangements and the co-financing for specific components is used. - Salary supplements are provided to national experts. 	<ul style="list-style-type: none"> - Joint reviews (Annual Tripartite Review Meetings) - Supervision by respective donors on specific components

Chapter 3. Achievements of Aid Coordination

This chapter examines the achievements of aid coordination from the aspects of (1) local ownership, (2) capacity development, (3) overlaps of assistance, (4) transaction costs to the government, and (5) sustainability. A working hypothesis here is that improved aid coordination has a positive impact on the five aspects above and, as a result, on overall development outcomes and objectives. Thus, assessing what has been achieved in the cases studied will be useful in drawing lessons and making recommendations for action toward improving aid coordination management in Cambodia, which is the subject of Chapter 4.

The information analyzed here and in the next chapter has been gathered from a review of the literature and field interviews. The latter collected the views and opinions of informed senior government officials (e.g., secretary of state, secretary general) and government officials at the operational level (e.g., director, deputy director, division chief), donor representatives and technical advisors (see Annex 1 for the list of interviewees). The interviews were semi-structured in that a guiding questionnaire was used for the interviews, but flexibility was allowed to identify and elaborate related issues that interviewees felt important. The information gathered was intended to be qualitative and informants were selected purposely.

1. Local ownership

“Local ownership” in the current study is defined as “the extent to which the government takes leadership and make decisions for initiating, planning, managing, and reviewing government programs and activities assisted by donors.” Table 3-1 summarizes the main findings.

Table 3-1. Local Ownership

Sector/ Issue	Program	Indicative evidence
Education	SWAp	<ul style="list-style-type: none"> • <u>High level commitment by top senior officials</u> – Increased active participation was observed in donor meetings and in policy discussions. • <u>Willingness to direct donors to country needs</u> – Senior officials have been increasingly insisting on adjusting donors’ development assistance plans to meet country needs, and been increasingly willing to supervise advisors. • <u>Enhanced confidence and leadership</u>—Top leaders themselves acknowledge problems and direct Ministry staff to address them.
Health	SWiM	<ul style="list-style-type: none"> • <u>High level commitment by top senior officials</u>—HSP development was governed and led by top senior officials. • <u>Broad and active participation of officials in HSP development</u>— All MOH departments fully participated in the joint working process of HSP.
	TB Sub-Sector	<ul style="list-style-type: none"> • <u>Full commitment by the director and core staff of NTP</u>—Director and core staff of NTP have demonstrated leadership and commitment to developing the National Health Policies and Strategies for TB Control in Cambodia (2001-05).
Local Governance	Seila	<ul style="list-style-type: none"> • <u>Government’s strong commitment to expand the program</u>—The government has taken the initiative to expand the geographical coverage over time; Seila now covers the entire nation. • <u>Financial commitment to the program</u>—National budget allocated to the program has increased steadily over time. • <u>Authority to manage external fund</u>—Authority to sign partnership arrangements with donors has been transferred from a donor agency to representatives of the government.
Public Finance	TCAP	<ul style="list-style-type: none"> • <u>Pro-active attitudes of program manager and national expert team</u>—Program manager and national expert team have been playing a critical role in program management, and taking the initiative to coordinate various departments and donor agencies involved.

The introduction of program approaches with sector-wide scope has enhanced government commitment to reforms in both the education and health sectors. Key informants agreed that top senior officials—the levels of minister, secretaries of state, undersecretaries of state, and director generals—participated in donor meetings regularly and were actively involved in policy discussions in Education SWAp and Health SWiM. This clearly indicates that MOEYS and MOH are committed to the sector-wide programs introduced a few years ago. Another indication of ownership is that HSP was developed by participation of all departments at MOH and many officials at the operational level.

Some changes of attitude also demonstrate enhanced confidence and leadership. For example, an observer noted that, when the delay in PAP disbursements became clear, MOEYS officials acknowledged the problem and took action to address it, although this problem has not been fully resolved yet. Also, MOEYS increasingly insists the donors align their assistance to the ministry’s plan and strategy, and is now willing to direct and supervise foreign advisors with confidence. In TCAP, the Program Manager and the national expert team have been playing a critical role in program management, and taking the initiative to coordinate the various departments and donor agencies involved.

The government’s increased financial commitment is a direct indication of ownership enhancement. The share and amount of the national budget allocated to the education and health sector has expanded considerably in the last few years. Also, the government has steadily increased the allocation of national budget to Seila Program since its establishment in 1996. Starting from five provinces in 1996, Seila has been expanded to cover all provinces and municipalities in 2003.

A shift of managerial authority over donor funds to the government may also indicate enhancement of local ownership. For example, in Seila Program, the authority to sign partnership agreements with donors was transferred from a donor agency to the representatives of the government.

2. Capacity development

“Capacity” can refer to both individual and institutional capacity; however, this section focuses on the former. “Individual capacity” means that public officials have the skills and experience needed to manage programs and coordinate external assistance effectively and efficiently. Table 3-2 summarizes our main findings.

Table 3-2. Capacity Development

Sector/ Issue	Program	Indicative evidence
Education	SWAp	<ul style="list-style-type: none"> • <u>Positive changes in attitude toward ESSP joint review</u> – MOEYS took stronger leadership in working group sessions for ESSP Joint Review in 2003 than in 2002. • <u>Leading the drafting of documents in English</u> – A recent report, National Plan for EFA 2015, was drafted by MOEYS officials with minimal assistance of foreign advisors.
Health	SWiM	<ul style="list-style-type: none"> • <u>Enhanced capacity to lead discussions</u>—Some of working group sessions for 2003 Joint Sector Review were led by Cambodian officials.
	TB Sub-Sector	<ul style="list-style-type: none"> • <u>Enhanced capacity to coordinate donor agencies</u>—The director of NTP gained coordination skills through a joint working process to develop joint policy and strategy documents.
Local Governance	Seila	<ul style="list-style-type: none"> • <u>Enhanced capacity to manage program and aid coordination</u>—The number of foreign advisors at STF Secretariat was reduced over time (from 40 in 1996-2000 to 6 in 2001) and the number of Cambodian officials increased from less than 5 to 30, while the geographical coverage expanded during the same period; Both the amount of donor funding and the number of donors willing to channel funds through Seila have increased over time; The capacity for aid

		coordination at the provincial level have been enhanced through the establishment and operation of the District Integration Workshops (DIWs).
Public Finance	TCAP	<ul style="list-style-type: none"> • <u>Enhanced capacity to manage program</u>—The capacity of program manager and national expert team was enhanced through work under the TCAP.

As Table 3-2 shows, there are some clear indications that individual capacity has been enhanced in all the cases studied. In Education and Health, for example, preparation of a sector policy and strategy documents with donors provided an excellent opportunity for the government officials who participated to gain skills and experience. The types of the skills gained were: (1) leading discussions of working groups meetings in which foreign advisors also participated, (2) negotiating with donors, and (3) drafting reports in English. TCAP manager also gained skills to manage donor-funded program through the experience at each program cycle.

Seila's experience, which is longer than the other cases, presents clearer indications of capacity enhancement. According to available data, the number of foreign advisors worked for Seila Task Force Secretariat (national level) decreased significantly from 40 in 1996-2000 to 6 in 2001, while the number of Cambodian officials increased from less than 5 to 30 during the same period. This localization of the program was undertaken during a time in which Seila's geographical coverage expanded from 5 to 12 provinces. Seila is now managed by around 1,480 Cambodian officials at the provincial and district levels, in addition to the STF Secretariat staff at the national level. Furthermore, an increasing number of donors are willing to pledge funds for Seila to deliver services and infrastructure to local communities. This clearly indicates that Cambodian officials at Seila have significantly improved the effectiveness and efficiency of their work.

The above evidence clearly supports the advantage of in-country, on-the-job training over conventional class-room teaching in enhancing the capacity of government officials. In all the cases studied, officials were fully engaged in their work at their own ministries or government agencies attached during the course of program activities. It is also important to note that these were high profile programs to which top leaders at the ministries had made a strong commitment. This presumably created a strong incentive for officials to develop their capacity in order to be able to deliver the outcomes top leaders desired.

3. Overlaps of assistance

Better aid coordination is expected to reduce overlaps of external assistance in the cases studied. Our findings are summarized in Table 3-3.

Development of a comprehensive database of donor assistance. The availability of accurate information about donor assistance is one of the prerequisites for reducing overlaps. Unfortunately Cambodia's performance in this regard has been far from satisfactory and, as many have already pointed out, there is a large scope for improvement. The good news is that important progress is already being made. In the process of ESP/ESSP, the MOEYS has developed a comprehensive list of donor interventions and a Common Policy Implementation Matrix. It has also begun developing and using the fairly comprehensive database (AID Management Information System) with support from CDC to monitor assistance trends, both in the past and the future. These have enabled MOEYS and donor partners to make informed decision about planning and monitoring donor assistance, and have decreased redundancy. MOH is also in the process of compiling a comprehensive database of donor assistance in the health sector with technical assistance from the CDC.

Increased information sharing among donors. As we discussed in Chapter 2, all the programs studied held formal or informal meetings among donor representatives and/or technical advisors. The ESWG in Education, Health Sector Partners Meetings in Health, and Seila Forum were formally established and are functional. Informal meetings of advisors in Health TB Sub-Sector were reportedly helpful in avoiding overlaps. TCAP has eliminated overlaps through consultation and information sharing at the planning and implementation stages of the program. Its monthly technical meetings with

participation of all department representatives and advisors helped to exchange information and coordinate activities. Also, the Fiscal Reform Working Group meetings contributed to information sharing and reducing overlaps with larger groups of donors assisting public finance reform. All of these good practices clearly indicate that enhancing information sharing among donors helps adjust their interventions to make them complementary and reduce overlaps.

Table 3-3. Overlap of assistance

Sector/ Issue	Program	Indicative evidence
Education	SWAp	<ul style="list-style-type: none"> • <u>Improved information about donor assistance</u> – A comprehensive list of donor interventions and a Common Policy Implementation Matrix was developed to discuss planning and monitoring of donor assistance. The MOEYS also developed an AID Management Information System to monitor assistance in the past and future.
Health	SWiM	<ul style="list-style-type: none"> • <u>Reduced overlaps of external assistance through coordination meetings</u>—Health Sector Partners Meetings serve as a coordinating body among donors. At the Meetings, new projects are reviewed to adjust their activities to avoid overlaps of assistance.
	TB Sub-Sector	<ul style="list-style-type: none"> • <u>Improved information sharing among donors</u>—ICC and other informal meetings helped information sharing of donor activities, and reduced overlaps of activities. • <u>Better alignment of donor projects to sub-sector priorities under a common policy and strategy</u>—Sub-sector priorities under the National Health Strategic Plan for Tuberculosis Control 2001-2005 guided formulation of new projects by CIDA/WHO, GFATM, and TBCTA.
Local Governance	Seila	<ul style="list-style-type: none"> • <u>Improved information sharing of donor assistance</u>—Seila Forum provides an opportunity to share information about donor assistance projects at the national level.
Public Finance	TCAP	<ul style="list-style-type: none"> • <u>Overlaps of external assistance eliminated</u>—Diagnostic and technical assistance missions and information sharing during implementation helped to eliminate overlaps and keep consistency among activities. • <u>Improved information sharing</u>—Monthly technical meetings with participation of all department representatives and advisors helped to exchange information and coordinate activities. The Fiscal Reform Working Group also contributed to information sharing and reducing overlaps with larger groups of donors assisting public finance reform.

4. Transaction costs to the government

“Transaction costs to the government” are defined in this study as the time and money (and opportunity costs) that public officials have to spend on managing donor-funded programs or projects. Our case studies have found some evidences of reducing transaction costs in Education SWAp and Local Governance Seila, but in the other cases it is not clear whether transaction costs have been reduced as a result of the introduction of those programs.

Education SWAp made a notable progress in reducing transaction costs of the government by setting up a unique process of negotiation and institutional arrangements to build consensus among donors. This enabled public officials to spend less time managing aid, and more time on substantive work, including planning, implementation and monitoring and evaluation. MOEYS discusses issues with the representative of ESWG at Consultative Meetings rather than with each donor bilaterally, so donors are expected to formulate a consensus before the ESWG representative meets with the ministry at Consultative Meetings. The NEP also coordinates NGOs to formulate a consensus before

Consultative Meetings. This has reduced the transaction costs to the government significantly and enabled officials to spend more time for their regular assigned duties.

It should however be noted that the reduction of transaction costs to the government has not been without cost. Many donor informants reported that the transaction costs of donors have increased significantly as donors have had to spend more time and resources for negotiation with other donors. In a sense, the coordination mechanism created under Education SWAp has shifted part of the transaction costs from the government to donors. This has obvious implications for the operation of the country offices of donor agencies, and points to the need for discussion about ways to address the increased transaction costs to donors.

Seila has developed the Provincial Investment Fund (PIF) and the Commune/Sangkat Fund (CSF), which are financed by national budget and external assistance, to deliver infrastructure and services at the local level. It has also created a common local planning, implementation and monitoring and evaluation system for provincial authorities and commune councils to manage those funds. These Seila systems have been adopted by all provinces and communes in Cambodia by 2003. This implies that all provinces and communes can use a common system for managing PIF and CSF through which funding from participating donors are channeled. Transaction costs to provincial authorities and commune councils would have been higher if they have had to manage donor funds separately.

5. Sustainability

The ultimate concern is whether and to what extent aid coordination has enhanced the impact of program activities and whether this impact can be sustained over time. It is, however, difficult to distinguish the contribution of aid coordination from that of various other factors. Therefore, our study focuses on the “sustainability” of aid coordination activities themselves, i.e., the extent to which the government has institutionalized mechanisms of aid coordination management in its system and can continue the work effectively and efficiently without donor assistance. The assumption is that if aid coordination activities are sustained, then it is more likely that the impact of the program will be sustained over time.

Table 3-4 summarizes the main findings about sustainability. It is perhaps premature to assess the sustainability of the programs studied because they have only been operating for a few years, with the exception of the Seila Program which has been running for eight years now. However, some preliminary assessments could be made for each case studied.

In Education and Health, the development of sector policy and strategy (ESP/ESSP in Education and HSP in Health) and the joint sector review processes have contributed to enhancing the institutional capacity of MOEYS and MOH to manage sector-wide program activities and aid coordination under the programs. In addition, human resource capacity at both ministries has also been enhanced, as was discussed in Section 2 in this chapter. Thus both ministries have made a good start towards better sustainability. However, they also face several challenges that need to be addressed, as is discussed in detail in Chapter 4. Those challenges include, but are not limited to, the strengthening of capacity for public financial management and for planning at the national and local levels (Education), and the strengthening of systems to collect donor assistance information, the capacity to implement HSP at the national and local levels, and the coordination with national programs (Health). Whether or not the activities and aid coordination initiated under the programs would be sustained depends critically on the extent to which those challenges are addressed in the short to medium term.

In the case of the Seila program, there is clear evidence that indicate that the mechanisms for aid coordination are sustainable. As was already mentioned, the government has steadily increased its budget allocation to the program over time and has expanded the geographic coverage of Seila to the whole country. In addition, the localization of the STF Secretariat has been carefully planned and implemented by reducing the number of foreign advisors and increasing Cambodian staff. Furthermore, the authority to manage donor funds has been handed over from foreign to Cambodian

hands. Finally, recognizing the value of the local management system that Seila has developed, an increasing number of donors have decided to channel their donor funds through the Seila program. All the above evidence clearly indicates that Seila's aid coordination mechanisms are sustainable and that aid coordination has helped enhance Seila's sustainability significantly in the last eight years.

In TCAP, the MEF (particularly concerned staff) has gained experience in managing a program approach to capacity building and aid coordination through TCAP. There is evidence that staff capacity has been enhanced, as was reviewed in Section 2 in this chapter. However, the sustainability of achievements under TCAP will depend on government ownership and perseverance in implementing actions started under TCAP. The implementation of some actions would take time and require enduring commitment by the authorities. Sustainability will also depend on further technical assistance. This poses a challenge to sustainability, and leads to one of the recommendations discussed in the next chapter.

Table 3-4. Sustainability

Sector/ Issue	Program	Indicative evidence
Education	SWAp	<ul style="list-style-type: none"> • <u>Enhanced institutional capacity at the ministry</u>—ESP/ESSP development and joint review process helped MOEYS develop capacity to lead and manage education sector reforms with confidence. However, some key issues need to be addressed to better manage the program and projects, in particular the strengthening of capacity for public financial management and for planning at the central and local levels.
Health	SWiM	<ul style="list-style-type: none"> • <u>Enhanced institutional capacity at the ministry</u>—HSP development and a joint sector review helped MOH enhance its capacity to manage the sector-wide program for Health. However, some key challenges lie ahead to further enhance sustainability of the aid coordination systems initiated under HSP, including the strengthening of systems to collect donor assistance information, the capacity to implement HSP at the national and local levels, and the coordination with national programs.
	TB Sub-Sector	<ul style="list-style-type: none"> • <u>A sub-sector policy and strategy developed jointly</u>—A common policy and strategy framework for the TB sub-sector is in place as a result of collaboration among broad stakeholders involved.
Local Governance	Seila	<ul style="list-style-type: none"> • <u>Enhanced sustainability of the program</u>—Evidence includes: (i) increased government commitment to program expansion; (ii) increased national budget allocated to the program; (iii) localization of STF Secretariat by reducing the number of foreign advisors and increasing Cambodian staff; and (iv) increased donor funding provided to the program.
Public Finance	TCAP	<ul style="list-style-type: none"> • MEF, particularly concerned staff, has enhanced capacity to manage program and aid coordination through TCAP. However, the sustainability of achievements under TCAP will depend on government ownership and perseverance in implementing actions started under TCAP. The implementation of some actions would take time and require enduring commitment by the authorities. Sustainability will also depend on further technical assistance.

Chapter 4. Lessons from Aid Coordination

This chapter summarizes the lessons that have emerged from the cases studied, and offers recommendations on (1) general approaches to aid coordination that can be adopted for other sectors or cross-cutting issues, and (2) some specific actions, both for other sectors and cross-cutting issues which wish to implement better aid coordination, and for how to further improve aid coordination in the four cases studied. The recommendations on general approach are distilled from key factors that have contributed to the achievements of the cases studied. Some recommendations for specific actions are offered to address some key issues and challenges which were identified and analyzed in the four cases studied, if new partnerships and aid coordination are to advance further.

1. General Approaches to Aid Coordination

This study has identified key contributing factors to the achievements of the cases studied (see Table 4-1). These are concerned with (i) key approaches to aid coordination, (ii) institutional arrangements for aid coordination, and (iii) the process of aid coordination. These factors can provide a useful guide when other sectors or cross-cutting issues consider developing new arrangements for aid coordination.

Table 4-1. Contributing Factors to Achievements

Sector/Issue	Program	Contributing factors to achievements
Education	SWAp	<ul style="list-style-type: none"> • A flexible approach towards the terms and process of establishing partnership encourages broader and more active participation. • Wide dissemination of program concepts among stakeholders should take place before actual partnership negotiations start so that everyone starts with a common understanding. • A fair and unbiased process is crucial for encouraging donor participation and frank discussion. • Achieving consensus among donors prior to consultation with the government results in more coherent recommendations and reduced transaction costs to the government. • An effective coordinator can make the process work more smoothly.
Health	SWiM	<ul style="list-style-type: none"> • Developing agreement on the general principles of partnership at an early stage facilitates later progress. • Strong commitment of high-level officials contributes to efficient decision making processes. • Establishing an effective collaborative framework and sufficiently consultative process is indispensable for the success of strategy development. • Personal ties can help complement formal coordination arrangements.
	TB Sub-Sector	<ul style="list-style-type: none"> • Strategy development is more effective if government officials and donors work together to develop plan documents. • Multiple informal channels of information sharing can complement formal coordination mechanisms, under the right conditions. • A combination of assistance schemes of different donors can increase the efficiency of program implementation.
Local Governance	Seila	<ul style="list-style-type: none"> • Fostering a genuine partnership approach may require a considerable investment of time, effort, and resources. • Flexibility to accommodate a broad range of assistance modalities allows partnerships with a much greater number of donor agencies. • Effective forums for dialogue throughout the program cycle enhance partnership among the parties concerned. • Manageable numbers and clear definition of roles of participating donors helps reduce management costs.
Public Finance	TCAP	<ul style="list-style-type: none"> • A broad, comprehensive framework helps enhance coherence and complementarity among donor assistance. • Institutional arrangements should be flexible to accommodate local needs. • Informal networks can supplement formal mechanisms of coordination among donors.

(i) Key approaches to aid coordination

The overall finding from the current study is that one size does not fit all. Our review of mechanisms in Chapter 2 made clear that aid coordination arrangements are diverse among the cases studied. This reflects the fact that aid coordination arrangements have evolved over time to meet local needs and conditions in the respective sectors or cross-cutting issues. However, certain key approaches during this process have been crucial to their success. These are (1) a broadly inclusive, participatory process, and (2) learning by doing.

Start with and continue a broadly inclusive and participatory process.

The four cases studied suggest the critical importance of getting the right process of developing aid coordination for a sector or a cross-cutting issue. The experience of Education and Health, in particular, highlights the importance of inclusive and participatory approaches to aid coordination management. The ministries made clear at the early stage that they had no intention to exclude any interested donors and NGOs and instead encouraged them to participate in the sector-wide process. In Education, this development was a response to the failure of the initial Statement of Intent (SOI) to obtain unanimous endorsement from participating donors. The lesson learned was that more attention should have been paid to obtaining consensus through intensive dialogues with broad participation of stakeholders prior to requesting endorsement of SOI. The ministry's subsequent efforts to ensure a broadly inclusive, participatory process have created room for discussion and negotiation between the government and donors and among donors themselves. In retrospect, this prepared the ground for the development of a shared vision about sector-wide programs. Seila also took an inclusive approach to local governance and local development in which all stakeholders, including concerned central line ministries, provincial offices of line ministries, and all levels of local administration, were encouraged to participate. TCAP initiated a new program approach for planning and coordinating technical assistance for economic and public finance reform in which a number of donors participate under a common, comprehensive framework for the first time in Cambodia.

A learning-by-doing approach is effective in accommodating the needs and conditions unique to the sector or the cross-cutting issue.

The effectiveness of a learning-by-doing approach was most explicitly demonstrated under the Seila program, but the other cases have also taken this approach to some extent. Seila started in 1996 by piloting small scale activities to develop concepts, instruments, and capacity for local governance and development. Its aid coordination mechanisms at the national and provincial levels have evolved through the process of learning by doing. This approach helped to identify what worked and what did not in Cambodia. In Education and Health, learning-by-doing has been practiced in the process of program planning, implementation and monitoring, and program plans and activities have been adapted flexibly to reflect lessons learned in the process.

The two approaches discussed above point underscore the point that there is no single aid coordination arrangement that can be applied to all sectors or all cross-cutting issues, even in the same country. In other words, imposing an arrangement without adequately addressing local needs and conditions unique to the sector or the cross-cutting issue and without broad participation of stakeholders involves high risk of failure, particularly if it is driven by donors and Cambodian ownership is weak or absent. However, an open, participatory process that involves the government, donors, and other stakeholders in developing a shared vision of sector priorities and agreed rules for cooperation can lay a solid foundation for successful coordination, and a flexible attitude towards constantly adapting plans based on what has worked can ensure continued effectiveness.

(ii) Institutional arrangements for aid coordination

Formal mechanisms are needed for coordination and consensus building.

A key factor for successful aid coordination is the presence of sound formal mechanisms of coordination. Chapter 2 examined five types of institutional arrangements for coordination used in the cases studied: (a) overall coordination among the government, donors and NGOs, (b) coordination within the government, (c) coordination among donors, (d) coordination among NGOs, and (e) core task force or secretariat. In Education SWAp and Health SWiM, formal institutions were established or designated to handle all of the above functions. Of particular interest are donor coordination bodies -- ESWG in Education SWAp and Health Sector Partners Meetings in Health SWiM. Their presence reportedly helped greatly to build consensus among donors by creating opportunities to exchange views, share information, discuss and negotiate issues. This in turn helped reduce transaction costs of the government, since it no longer had to negotiate with each donor bilaterally.

Institutional arrangements for aid coordination should be flexible to accommodate local needs, in particular the implementation arrangements of respective ministries and agencies.

The presence of sound institutional arrangements for aid coordination is clearly a factor for success, but this alone does not appear to be sufficient. Institutional arrangements need to be flexible to accommodate local needs. For example, Seila has created Seila Forum in 2002 to enhance an effective RGC-donor partnership development at the national level, responding to the increasing needs of aid coordination among Seila partners and broader stakeholders in local governance. There are also a variety of partnership arrangements with Seila, as Seila accommodates a wide range of sector or area-specific projects and programs, responding to the preferences and comparative advantages different donors who accept Seila's reform framework.

It is also important to take into account the differences in implementation arrangements for service delivery among ministries and agencies when institutional arrangements for aid coordination are developed. For example, implementation arrangements for service delivery in Education and Health are considerably top down and centralized, which contrasts with decentralized service delivery systems in Seila. Responding to the above differences, institutional arrangements for aid coordination have been developed in a very different way between Education/Health and Seila. This is one of the reasons why institutional arrangements are necessarily diverse.

Informal networks can serve an important, complementary role.

While formal institutional arrangements are important, they may need to be complemented by informal networks among the people involved. It was stressed by many interviewees that strong personal networks among donor representatives and advisors helped to disseminate information and coordinate activities. In Health SWiM, personal networks reportedly helped disseminate critical information that was not always shared through formal communication channels. The cases of TB Sub-Sector and TCAP also indicate that personal networks among advisors served as a complementary, effective coordinating mechanism, even though not formally institutionalized. However, informal networks cannot completely substitute for adequate formal coordination institutions.

(iii) Process of aid coordination

Preparation and planning

Establish an open, transparent, neutral (unbiased) process of donor coordination.

Our study revealed that "process" is as important as institutional arrangements for successful aid coordination management. For example, many interviewees commented that the ESWG meetings in Education SWAp were open, transparent, and neutral (unbiased). This helped create a cooperative

atmosphere among participants, and contributed to promoting frank discussions and information sharing and leading to more effective cooperation.

Start a sector program with the formulation of a common vision through intensive dialogue among stakeholders.

The government and development partners often have different views on the program to be developed in a sector or a cross-cutting issue. The views on the program may also vary within government ministries/agencies or among donor agencies. As we studied in Chapter 2, this was clearly the cases in Education and Health where both ministries needed to formulate a common vision of the program at the early stage of program preparation. A contributing factor to the achievement was commendable efforts of the government and development partners to undertake intensive, constructive dialogues among stakeholders, through which the differences of views and opinions were identified and solutions were sought to address them. As mentioned above, this was carried out through an open, transparent, and participatory process. The successful formulation of a common vision has paved the ground for subsequent development of the program in those sectors.

Widely disseminate and sensitize sector program concepts at an early stage.

The experience of Education SWAp and Health SWiM suggests that a lot of effort should be made to disseminate the concept of sector-wide programs to broad stakeholders during the early stages of preparation. For example, as was reviewed in Chapter 2, MOEYS held a series of awareness raising and training workshops about sector-wide program concepts for stakeholders, including public officials, donor agency and NGO staff. MOH also organized study tours for public officials to some developing countries that have been undertaking sector-wide programs. Since many government officials (and some donor and NGO staff) were not familiar with the concept of sector-wide programs, this was crucial to laying the basis for subsequent discussion, participation, and ownership.

Sharing information about donor assistance has a direct impact on aid effectiveness.

Information sharing is a critical factor for successful aid coordination management. Chapter 3 reported that information sharing has improved significantly with the introduction of SWAp in Education, and in Health to a lesser extent. It was also reported that institutionalization of information sharing among donors appears to have had an impact on the reduction of overlaps of assistance in the cases studied. Information sharing should be institutionalized as part of formal meetings with government and donors. Also the information system for aid management could be developed and managed at all ministries and agencies receiving foreign assistance, which is discussed in details in Section 2 of this chapter.

Implementation

Assistance modalities should be kept flexible to seek out and enhance complementarities among donors and reflect the reality on the ground.

In the cases studied, most donors provide assistance through project-type support at present. Some components or projects under a program may be cost-shared or co-financed using trust fund arrangements. Direct budget support to the ministry is found in only one case (Education SWAp). Some donors feel that direct budget support should play a more important role, but many donors are concerned about transparency and accountability of fund management, since the government capacity to manage public finance remains very weak, as reviewed in Chapter 2. Reflecting this reality on the ground, the MOEYS has decided to accept diverse assistance modalities in Education SWAp, and the MOH decided to carry forward Health SWiM without direct budget support. In both cases, the government's policy that ensures flexibility in assistance modalities enabled donors to seek and enhance complementarities by combining the strengths of different donors. That policy also helped develop partnership arrangements with the participation of all interested donors and thus maximize the resources available for development.

Monitoring, evaluation, review

Joint sector program reviews are a good start of coordination at the monitoring and evaluation stage.

Joint sector or program reviews are a natural extension of aid coordination at the preparation and planning stage. Chapter 2 reported that joint sector or program reviews by the government, donors and NGOs are carried out in Education SWAp, Health SWiM, Seila core component, and TCAP. Also, donors supervise projects or sub-components of a program jointly on a regular basis and their reports are shared with other participating donors (TCAP).

2. Specific Recommendations for Action

In addition to the more general recommendations concerning approaches, institutional arrangements, and the process of aid coordination discussed above, this study has generated some specific recommendations, both for other sectors and cross-cutting issues which wish to implement better aid coordination, and for how to further improve aid coordination in the four cases studied. Although the government and its partners have made progress in advancing the new partnerships paradigm in the cases studied, there are some key issues that need to be addressed if the new partnerships are to advance further. Those key issues are discussed below and some recommendations for the government and development partners are proposed. Table 4-2 lists all recommended actions for the government and donors to address several key issues.

(i) Recommendations for other sectors and cross-cutting issues

Develop comprehensive policies and strategies for all relevant sectors or cross-cutting issues

In Education and Health, the government has made significant progress in the development of sector-wide policy and strategy. As was assessed in Chapter 3, policy and strategy development has helped the government and development partners forge a shared vision of sector development that has improved aid coordination, and the comprehensive scope of those programs has enhanced the government's ownership and capacity to manage both specific programs and aid coordination. The development of SWAp and SWiM has also contributed to providing detailed sector-level information to the recently completed NPRS.

The achievements in Education and Health suggest that similar steps could be taken in other sectors in which sector policy and strategy are weak and coordination of donor assistance is urgently needed. The initial step for the government might be to identify some priority sectors consistent with the Socio-Economic Development Plan (SEDP) II and the NPRS. Immediate candidates could be, for example, agriculture and road transport, which are critical for development in Cambodia.²⁶ Donors and NGOs could assist the government in undertaking this initiative, for example, by providing technical assistance for analytical work, and support for workshops and seminars.

²⁶ The first NPRS progress report indicates the urgent need for donor coordination framework in agriculture and road transport, reporting that: "Lack of a coordinated government-donor framework for agricultural investment reduces the effectiveness of donors. (p.25)" for agriculture; and "The major shortcoming in the (road transport) sector is that there is no systematic, unified planning and budgeting process. Due to the lack of a coherent sector planning framework, as well as the dispersion of resources into several different funds, there is a lack of coherent budgeting process in the sector, inadequate attention to technical criteria, and a lack of transparency in investment (and procurement) decisions. (p.33)" for road transport. See Supreme National Economic Council and Council for Social Development (2003) for more details.

Enhance complementarity among donors by combining their strengths

External assistance is much more effective when donors divide up the work according to what they can do best. Chapter 2 in this report revealed that there are a number of examples in which the government and some donors make efforts to combine their strengths of assistance schemes to enhance an overall impact of their assistance. For instance, Seila's core components are funded by one set of donors who have the ability to provide funding through trust fund arrangements, and these core components then manage and supervise various local investment projects funded by other donors. In TCAP, some donors provide funds for operational costs, whereas the other donors finance and supervise technical assistance through co-financing arrangements. In Health, TB Sub-Sector Program has developed and applied a common TB treatment strategy (called DOTS) for Health Centers nationwide through complementary assistance schemes among donor-funded projects. In all the cases, the strengths of aid schemes of each donor have been combined effectively while recognizing their weaknesses, in order to achieve desired program objectives and outcomes that could not have been achieved without such cooperation.

It is therefore recommended that the government continue the current policy of accepting diverse assistance schemes and aid modalities. It is also recommended that donors actively seek out complementarities among themselves through dialogue and information sharing within the respective sectors or cross-cutting issues.

Improve information system for aid management

One of the critical issues that has emerged from our study is the difficulty facing the government in collecting information about external assistance. This has been a major obstacle for the government to manage and coordinate external assistance, and therefore should be addressed as a matter of first priority. The information on past and present donor assistance will help ministries analyze trends in the amount and area focus of assistance and coordinate ministerial activities in day-to-day management. The information on future assistance is required for the planning of future activities in each ministry and agency which receive donor assistance, in particular for the preparation of Public Investment Programme (PIP) and Medium Term Expenditure Framework (MTEF). As we saw in Chapter 3, MOEYS has made major progress in developing a fairly comprehensive database of external assistance (AID Management Information System) with assistance from the CDC. It has also collected comprehensive assistance data for annual joint sector reviews in 2003.

A challenge remains in the compilation of future assistance information because the actual amounts of donor assistance have not always been consistent with the amounts pledged, as some government officials noted. However, donors expressed the view that they have been making the best effort possible to provide accurate data on future assistance, and therefore pledged amounts should be interpreted as working figures which are subject to change.

It is therefore recommended that MOEYS' good practice be replicated in the other sectors receiving external assistance, under the leadership of respective ministries and agencies. The initial step for the government is to compile a comprehensive record of past and current assistance. Subsequently, the government is recommended to explore ways to compile comprehensive data on projected future assistance, in consultation and collaboration with its development partners. External partners might want to consider supporting this government initiative and ensuring full cooperation in the provision of assistance information at the request of the government ministries and agencies.

Develop the Government's capacity for public financial management

This recommendation applies both to developing aid coordination in new areas, and to further improving aid coordination in the four cases studied. Although the development of sector policy and strategy in Education and Health is a significant achievement, the government's current limited

capacity for public financial management has proved a major challenge to their implementation. For instance, although the introduction of Priority Action Program (PAP) is an important step forward in improving budget disbursement for spending units in Health and Education, the changes made at the policy level have not been fully matched by capacity development at all levels of ministries concerned, including the sub-national level, leading to delays in disbursement and the lack of adequate monitoring (see Chapter 2 for more details). In Health, capacity gaps in public financial management in such areas as accounting and financial management at spending units (hospitals and health clinics) also constrain effective implementation of the health sector policy and strategy. In Seila, the disbursement of Commune/Sangkat Funds has been considerably delayed since the government's treasury system replaced the private banking systems as the channel for disbursement, following the commune elections in 2002. The capacity issue is also a major concern among many development partners in using the government system to disburse their funds.

Therefore, capacity development of public financial management should be carried out as a matter of urgency. Strengthening public financial management (including provinces and spending units) is a major undertaking and requires systematic, coordinated efforts between the government and development partners. Although MOEYS and MOH have been already undertaking some capacity development activities, the impact would likely be greater if it is coordinated with MEF and potentially with Seila (at provinces and communes). One way to develop new partnerships in this area might be to build on the achievements of TCAP as discussed below.

Address the issue of low pay and salary supplements in the civil service

This recommendation also applies both to developing aid coordination in new areas and to further improving aid coordination in the four cases studied. It is a general consensus that low pay in the civil service has been a major obstacle to implementing the programs studied. Salary supplements have been provided under many donor-funded projects and programs as a temporary remedial measure for the last ten years, even though it has been recognized that salary supplements cause a number of problems in the civil service in terms of accountability, transparency and fairness (see Chapter 2 for more details). As Cambodia has already entered into an era of sustainable development after a long period of emergency relief and rehabilitation, now is the time to take action to address low pay problems through partnerships between the government and donors.

The government has already made important progress with the preparation of the Strategy to Reform Civil Service (SRCS) and a series of recent studies under the initiative of the Council for Administrative Reform (CAR). The average pay levels of civil servants have been raised gradually in the last few years, but further efforts are needed to bring about a fundamental change in the system of incentives facing civil servants. Any recommendations to address the low pay problem and seek an appropriate form of aid coordination require detailed studies, and are therefore beyond the scope of this report. However, the current study points to the urgent need for the government to seek feasible options to address low pay problems, and for donors and NGOs to cooperate with the government in pursuing this initiative and provide technical support where needed. In considering the options, it should be borne in mind that timely disbursement of salaries to the provincial and district levels must be ensured. At the same time, the efforts of the government to broaden its revenue base need to be continued in order to be able to afford enhanced civil service pay in the future.

Reorient technical assistance (TA) to focus on capacity building

This recommendation also applies to developing aid coordination in new areas, and to further improving aid coordination in the four cases studied. In Education, Health and TCAP, the government officials who worked with the respective programs reported that technical assistance often does not develop the capacity of government counterparts, even though the Terms of References of technical advisors usually includes capacity building. Some advisors' primary work has resulted in merely producing official documents as their own outputs without transferring skills to their counterparts. This has been partly a reflection of the overwhelming workload that donor agencies expect technical

advisors to accomplish. In Education, the issue of technical assistance is further compounded by the presence of a large number of technical advisors who are not well coordinated, as discussed below.

A number of interesting suggestions for improvement have been provided to the study team over the course of interviews of government officials. For instance, the officials involved in TCAP have generally appreciated the work of technical advisors, but they suggested that recipients' views should be considered in the design of future technical assistance. The main points that emerged from interviews are as follows:

- *Learn about Cambodia before arrival:* It would be ideal if resident advisors learn about Cambodia before their arrival so that they could start work immediately from the beginning of their assignments.
- *Improve communication during rotation of advisors:* When foreign advisors change, they often provide advice which contradicts that of the previous advisor; therefore advisors should communicate better to ensure continuity and consistency of program activities.
- *Acknowledge contribution of government officials properly:* Although some advice provided by foreign advisors is based on suggestions from government officials, the contributions of the latter are often not acknowledged properly. Foreign advisors might want to consider reporting their outputs jointly with national officers to senior management of ministries.
- *Put capacity building first:* TA programs should pay much more attention to capacity building of government officials.
- *Give options in the selection of advisors:* It would be better if donors nominate two or more candidates for an advisor's position and allow the government to select the most suitable person for the position.

In order to meet the urgent need to reorient the focus of TA, it is recommended that the government consider developing clear official guidelines for the use of TA personnel, which could be agreed upon with its development partners. It is important that those guidelines articulate monitoring mechanisms of TA practices at the ministerial and/or higher levels. Donors who support government activities through the provision of TA might want to consider supporting the development of those TA guidelines and make sure that transferring skills to government officials, not doing the government's work on its behalf, be the main purpose of technical advisors.

Enhance collaboration among working groups under the CG mechanisms to raise collective concerns and address cross-sectoral problems

This recommendation is concerned with the ways in which cross-sector problems are addressed in partnerships. The delay in PAP disbursements has become a major issue between the government and its development partners. As a result, some donors have had difficulty implementing their programs without the government's matching funds. This is a cross-sectoral problem as MOEYS, MOH and MEF are involved. However, progress has been made in resolving the issue because officials at MOEYS, MOH, and MEF have taken a lead in addressing the problem and development partners have actively supported them. In order to expedite the process, the Fiscal Reform Working Group and Social Development Working Group established the PAP Taskforce and assisted all concerned ministries in identifying the causes of the problem and articulating effective measures to address them. The collaboration of the two Working Groups presents a good example of dynamic partnerships in which working groups under the CG mechanisms work collectively to address cross-sectoral problems.

The roles of existing working groups under the CG mechanisms are being reviewed by the government and its partners. In the review process, the government is recommended to consider developing effective working groups to address cross-sectoral issues such as PAP. It is important to ensure that the process of the review be open, transparent and broadly participatory. Donors might want to participate in the government initiative of the review and consider providing technical inputs when requested.

(ii) Recommendations for the four cases reviewed in this study

The key issues and recommendations specific to the respective cases are summarized in Table 4-2. In the following, a priority issue for each case is highlighted. Chapters 6-9 discuss all key issues in greater detail.

Education SWAP—Better coordination is needed of technical assistance for capacity development of MOEYS officials.

MOEYS and development partners have recognized that the number of technical advisors has increased to the extent that MOEYS can not fully grasp the overall picture of assistance and therefore the technical advisors need to be better coordinated. According to a recent survey, the volume of technical advisors assigned to the education sector was estimated as 958 person-months (581 for central departments and 377 for provincial departments; 506 international advisors and 452 national advisors) in 2003.²⁷ This implies that around 80 advisors are working full time in this sector.

Avoiding overlaps of assistance is one issue, but more serious is the role of technical advisors to the ministry. It was reported that advisors' work has often focused on providing advice to high-level officials and drafting official documents of MOEYS, whereas limited emphasis has been put on developing the capacity of the officials who are actually supposed to prepare the official documents. Although the advisors may have needed to play this role in the past, many officials interviewed strongly felt that the advisors' task should not be to do the work, but to build the capacity of government officials to do the work. MOEYS officials appreciated technical assistance in the past, but also stressed that MOEYS and donor partners should make concerted efforts to develop capacity of officials who engage in day-to-day management, in particular of their program/project management as well as report writing skills.

As the first step to providing clarity on the status of technical assistance for MOEYS, ESWG is conducting quantitative and qualitative surveys on technical assistance in the education sector.²⁸ It is recommended that, building on the findings of the surveys, MOEYS and development partners discuss and agree on the scope of further work to facilitate better coordination of the provision and use of technical assistance. One action which could be taken immediately is to develop an informal network among technical advisors. As was found in Section 1 in this Chapter, informal networks among advisors have proved useful in TCAP and Health TB sub-sector.

Health SWIM—More assistance is needed for capacity development to implement Health Sector Strategic Plan (HSP).

Although the MOH has made major progress in developing the HSP with support of its partners, the HSP's implementation remains a major challenge. It is critical that the capacity of civil servants keep up with the progress of activities planned under HSP. For instance, the need for capacity development to implement the HSP, particularly to plan and monitor program activities, is increasing rapidly at the sub-national levels, as MOH has devolved these functions to provincial and operational district offices, and they are set to devolve further down to hospitals and health centers in 2004. There are also indications that accounting and financial management capacity at local offices needs to be strengthened. Technical staffs such as midwives are in short supply. Some external partners are already providing technical assistance, and yet the unmet need for capacity building seems to be large.

It is therefore recommended that the MOH identify the capacity development required for the implementation of HSP for all provinces, and that interested donors then consider providing technical

²⁷ Education Sector Working Group of Cambodia (2003).

²⁸ Education Sector Working Group of Cambodia (2003) is the quantitative survey. A qualitative survey is in progress.

support to fill the gaps identified by MOH. It is important to make sure that new projects are aligned under the capacity development needs for HSP, and are complementary to ongoing projects.

Local Governance SEILA—Aid coordination at the sub-national level needs to be enhanced further.

Partnerships and aid coordination at the sub-national level are increasingly important as the government implements decentralization and deconcentration policies, and as external assistance will be increasingly directed to the poor in rural Cambodia under the NPRS.

Seila demonstrates a good practice in which provincial level coordination on local development is carried out through District Integration Workshops (DIWs) in all provinces in Cambodia. The DIWs coordinate development activities of line departments, commune councils, and projects funded by donors and NGOs to ensure consistency among them. However, it was reported that the activities of line departments often do not meet Communes' requests, and that NGOs' participation in the DIWs is limited in some areas. Therefore, further effort is needed to enhance the DIWs function of aid coordination and to involve a wider range of stakeholders in the development at the provincial level.

While Seila's DIWs present a good practice of aid coordination at the provincial level, there appears to be a number of other mechanisms of coordination (meetings, forums, etc.) which are independently organized by line departments and other organizations, such as Provincial Coordination Committee (ProCoCom) in Health. There may be a need to review those existing arrangements and consider options to further enhance aid coordination capacity at the provincial level.

Before the existing arrangements are reviewed, however, the roles and functions of provincial and district authorities need to be clearly defined. This would require the adoption of an Organic Law defining the roles and responsibilities of the provincial and district administration, as part of de-concentration policies.

Building on the achievements of Seila DIWs and others, the government might want to review the existing arrangements for aid coordination and consider ways to enhance aid coordination capacity at the sub-national level. Donors and NGOs working in province are recommended to participate in the government's coordination activities and provide technical support for the preparation of the Organic Law.

In addition, commune councils need further support for capacity building, especially to enhance capacity for accounting and financial management. According to the LAU staff interviewed at Prey Veng Province, the capacity of commune councils varies depending on the communes, but their basic knowledge of local administration and management is generally very low. Commune councilors need more time and support for gaining experience, skills, and knowledge to manage commune council activities by themselves. Also, the FU staff interviewed reported that the capacity of commune clerks was extremely low and they needed more training.

Public Finance TCAP—Building on TCAP achievements, a comprehensive program approach to capacity building is needed for the strengthening of public financial management.

TCAP has brought a new program approach to economic and public finance reform in Cambodia. Through TCAP, the MEF has gained experience and capacity in coordinating a wide range of technical assistance activities in public finance reform. At the beginning of the program, institutional arrangements for fund management turned out to be inefficient and caused some delays in disbursement and procurement. However, the problem has been addressed by making the position of Program Manager into full-time to work for project management. TCAP has produced a number of substantial outputs which have had a significant impact on institutional reforms and capacity development in this area, and laid a solid foundation for future activities.

However, it is well recognized that a lot more need to be done. The IFAPER by the ADB and World Bank has recently developed a comprehensive action plan in which strengthening public financial management is a key component. As pointed out in the previous chapters, the need for strengthening public financial management is urgent in Education, Health and other line ministries, and also in the provinces. Enhancing the performance of new initiatives such as PAPs requires continuing efforts to match capacity development with the changes brought by these new initiatives.

It is therefore recommended that the government pursue the development of a comprehensive program for capacity development of public financial management, building on the achievements of TCAP. This program could include the implementation of capacity building at the sub-national levels, in close collaboration with Education, Health and other priority line ministries, and potentially with Seila. Active participation of all development partners providing assistance in this area will be critical.

Table 4-2. Specific Recommendations for Action

Key issues	Government Action	Donor Action
(i) Recommendations for other sectors and cross-cutting issues		
Develop comprehensive policies and strategies for all relevant sectors or cross-cutting issues	<ul style="list-style-type: none"> Identify priority sectors based on national priorities under SEDPII and NPRS. MOEYS and MOH share experience of sector programs with other ministries in the priority sectors. Make high level commitment to introducing sector programs in the selected priority sectors. 	<ul style="list-style-type: none"> Interested donors provide comments and advice on the selection of the priority sectors to be selected, as requested by the government. Provide technical support for analytical work, workshops and seminars for the preparation of new programs in the selected sectors.
Enhance complementarity among donors by combining their strengths	<ul style="list-style-type: none"> Continue the current pragmatic policy that assures diversity of assistance schemes and modalities among donors. Urge donors to seek and enhance their complementarities more actively. 	<ul style="list-style-type: none"> Donors actively seek and enhance complementarities of aid schemes or modalities through dialogue information sharing within the respective sectors or cross-cutting issues.
Improve information system for aid management	<ul style="list-style-type: none"> Learn from the experience of MOEYS and develop databases of donor assistance for priority sectors with advice and support of CDC. The initial step is to develop the database of the past and present assistance, after which the government could explore ways to compile comprehensive data on future assistance in the short to medium term. 	<ul style="list-style-type: none"> Donors provide technical support for the initiatives of concerned ministries to develop database of donor assistance. Donors ensure full cooperation in the provision of assistance information at the request of the ministries and agencies.
Develop the Government's capacity for public financial management	<ul style="list-style-type: none"> Consider developing a new comprehensive program for capacity development of public financial management, building on the experience of TCAP and involving all the donors interested in supporting public finance reform. It is important that the new program includes training for provincial departments and district offices of line ministries, and is interlinked with capacity development activities in those ministries. 	<ul style="list-style-type: none"> Provide technical support for the government to prepare and implement a new program of capacity development for public financial management. Consider technical and financial support for the new program by ensuring complementarity of participating donor agencies.
Address the issue of low pay and salary supplements in the civil service	<ul style="list-style-type: none"> Explore feasible options to address low pay and salary supplements problems in partnership with donors and NGOs. 	<ul style="list-style-type: none"> Donors and NGOs cooperate with the government in pursuing initiatives, and provide technical support for the government where needed.
Reorient technical assistance (TA) to focus on capacity building	<ul style="list-style-type: none"> Develop official guidelines for the use of TA personnel, which could be agreed upon with its development partners. 	<ul style="list-style-type: none"> Support the development of the official TA guidelines and make sure that transferring skills to government officials, not doing the government's

		work on its behalf, be the main purpose of technical advisors.
Enhance collaboration among working groups under the CG mechanisms to raise collective concerns and address cross-sectoral problems	<ul style="list-style-type: none"> Consider developing effective working groups to address cross-sectoral issues such as PAP. 	<ul style="list-style-type: none"> Participate in the government initiative of the review and consider providing technical inputs when requested.
(ii) Recommendations for the four cases reviewed in this study		
Education SWAp		
Further enhance coordination of technical assistance for capacity development of MOEYS officials	<ul style="list-style-type: none"> MOEYS lead dialogues with concerned development partners about future actions to better coordinate the use and supply of technical assistance, building on the findings on the recent TA Survey. 	<ul style="list-style-type: none"> Donors discuss the issues at ESWG and identify options to address them. Donors engage in dialogues with MOEYS to reach agreements on future actions to take. Technical advisors seek the development of informal networks among themselves.
Develop a more consistent information system of donor assistance	<ul style="list-style-type: none"> MOEYS continues to improve the AID Management Information System. MOEYS shares outputs of the AID MIS with donor agencies regularly to foster donors' cooperation in providing information. 	<ul style="list-style-type: none"> Donors ensure the provision of information on their assistance at the request of MOEYS. Donors provide technical assistance to MOEYS when the need arises.
Ensure timely disbursement of PAP budget	<ul style="list-style-type: none"> In close collaboration with MEF, MOEYS as a member of PAP Taskforce carry out a further study to identify the causes of the PAP delay. MOEYS and MEF implement practical measures to address the problem. 	<ul style="list-style-type: none"> Donors assist the process of identifying and implementing practical measures through technical assistance.
Strengthen the capacity to manage PAP expenditure at provincial departments, district offices, and spending units such as schools	<ul style="list-style-type: none"> MOEYS provides training to relevant personnel, e.g., finance officials, school directors, accountants, about PAP monitoring and reporting. MOEYS ensures monitoring mechanisms of PAP management built upon the above capacity development efforts. 	<ul style="list-style-type: none"> Donors enhance support for capacity development conducted by MOEYS, building on the experience of, and in close coordination with ongoing donor assistance.
Health SWIM		
Establish a system to collect information on donor assistance	<ul style="list-style-type: none"> MOH further strengthen AID Management Information System already in place. MOH share donor assistance information with all participating donors and NGOs on the regular basis. 	<ul style="list-style-type: none"> Donors ensure timely provision of assistance information at the request of MOH. Donors provide technical support for capacity building of International Relations Office for the management of AID MIS.
Revisit the roles of CoCom and the Health Sector Partners Meeting	<ul style="list-style-type: none"> MOH addresses the issue at CoCom as to what roles and functions are expected for the Health Sector Partners Meeting in partnership arrangements. 	<ul style="list-style-type: none"> Donors review and update the TOR of the Health Sector Partners Meeting, taking into account the roles of CoCom and expectations of MOH.

Operationalize the HSP and 5-Year Implementation Plan into practice for better health service delivery	<ul style="list-style-type: none"> MOH identifies capacity gaps in administrative skills (e.g., planning, monitoring and evaluation, financial management) and technical skills (e.g., nurses, midwife) that cannot be addressed in the ongoing projects (e.g. HSSP, UNICEF's provincial support and JICA's human resources development project). 	<ul style="list-style-type: none"> Donors provide technical support to fill the gaps identified by MOH, and make them complementary to the ongoing projects.
Enhance coordination with national programs to collect information of donor assistance.	<ul style="list-style-type: none"> MOH promote data collection of external assistance to national programs through further development of AID MIS. 	<ul style="list-style-type: none"> Donors ensure timely provision of assistance data at the request of MOH.
Local Governance SEILA		
Further improve provincial level coordination of local development, particularly among activities of line departments, commune councils, and projects funded by donors and NGOs.	<ul style="list-style-type: none"> Review existing arrangements for aid coordination and consider options to enhance aid coordination at the sub-national level, building on the experience of Seila's District Integration Workshops and other activities. 	<ul style="list-style-type: none"> Donors and NGOs working in province participate in the government's coordination activities and provide technical support where needed.
Clarify the roles and responsibilities of provincial and district administration and re-defining the roles of Seila under the new local governance structure.	<ul style="list-style-type: none"> The government prepares and adopts an Organic Law to define the role of the province and district administration, based on Seila's experience. Seila re-examine and establish its roles in the new local governance structure. 	<ul style="list-style-type: none"> Donors provide technical assistance for the preparation of an Organic Law.
Public Finance TCAP		
Build on TCAP's accomplishments	<ul style="list-style-type: none"> Consider developing a new comprehensive program for capacity development of public financial management, building on the experience of TCAP and involving all the donors interested in supporting public finance reform. It is important that the new program includes training for provincial departments and district offices of line ministries, and is interlinked with capacity development activities in those ministries. Provide training for concerned departments to implement Manuals for Tax Collection and Standardized Accounting Procedures for Treasury Management developed under TCAP, and further improve the above Manuals and Procedures, learning from the training experience. 	<ul style="list-style-type: none"> Provide technical support for the government to prepare and implement a new program of capacity development for public financial management. Consider technical and financial support for the new program by ensuring complementarity of participating donor agencies. Provide technical support for training activities and further refinements of the Manuals and Procedures developed under TCAP.

Chapter 5. Concluding Remarks

The purpose of this report is to assist RGC's efforts to bring about a paradigm shift in the thinking and practices of development cooperation in Cambodia, from a decade-long, dominant *Donorship* to a new *National Ownership*. It is based on four case studies of programs which represent good practices of the paradigm shift envisaged by the government. General recommendations on approaches to aid coordination have been drawn from key factors that have contributed to achievements in the respective cases; in addition, specific recommendations for action are offered, both for other sectors and cross-cutting issues which wish to implement better coordination, and for how to further improve aid coordination in the four cases studied.

Looking at the future, the recommendations proposed under this report need to be implemented if they are to have any tangible impact on development in Cambodia. The Government-Donor Partnership Working Group (PWG) is currently mandated to examine issues, make recommendations to strengthen partnerships, and report progress at the CG meetings. Thus, the PWG is perhaps suitable for monitoring and reporting the implementation of recommendations in this report. However, it is important to recognize that the authority to implement recommendations rests with the concerned government ministries and agencies, not with the PWG. For instance, our specific recommendations for action to other sectors need to be further articulated and implemented by the line ministries or agencies in charge of the respective sectors. The implementation arrangements are even more complex when the recommendations are concerned with cross-cutting issues in such areas as public financial management, because many ministries and agencies are involved.

This points to the critical importance of strong commitment and leadership from top political levels for the implementation of the recommendations proposed in this report. The government has demonstrated high level commitment and leadership for the four cases studied. It has identified Education and Health as priority sectors for poverty reduction in Cambodia, and has been increasing national budget allocation steadily to those sectors in the last few years. The top leaders in those ministries cited strong commitment at higher political levels as the most critical prerequisite for successful program development and aid coordination in those sectors. In cross-cutting issues studied, high level commitment to Seila and TCAP has given strong backing for program development and enhancement of aid coordination in local governance and public finance, respectively. If similar commitment can be made to other bringing about similar changes in other priority sectors and cross-cutting issues, substantial progress can be made. Now is the time to further advance the new paradigm of development cooperation in Cambodia.

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Part II.

Case Studies

Chapter 6. Education: Sector-Wide Approach (SWAp)

The Sector-Wide Approach (SWAp) program in the education sector aims to ensure that external funding to the sector supports a single sector policy and expenditure program, under government leadership and adopting common approaches to planning and implementation. The concept of SWAp was introduced to the education sector in the context of the national reforms initiated by the Ministry of Education, Youth and Sport (MOEYS) around 1999. MOEYS, in collaboration with its partners, has so far formulated a sector strategy and conducted joint sector reviews under the SWAp.

1. Historical background and recent trends in donor assistance

Emergency relief and reconstruction period (1994-1999)

In the 1990s, Cambodia underwent a period of emergency relief and reconstruction during which it was heavily dependent on external assistance. The level of external assistance to education consistently surpassed the government's own education budget throughout 1994-1999 (Table 6-1). During 1994-1996, external assistance to the education sector increased rapidly from \$29 million to \$44 million. The assistance during this period concentrated on technical/vocational education and higher education (around 40 per cent), while support for basic education was limited. However, since the mid-1990s, donor support has gradually shifted towards basic education. The major donors that have contributed to this shift include EU, Sida (through UNICEF) and ADB. The political crisis in 1997 had a negative impact on donor assistance, which declined by nearly 40 percent from \$53 million in 1997 to \$34 million in 1999, but still exceeded the government's spending on education.

Table 6-1. Annual education sector spending (budget in US\$)

Year	MOEYS	Development Partners	Total
1994	\$25,500,000	\$29,175,546	\$54,675,546
1995	\$32,000,000	\$35,320,553	\$67,320,553
1996	\$35,750,000	\$43,590,227	\$79,340,227
1997	\$25,181,000	\$53,206,829	\$78,387,829
1998	\$25,711,000	\$48,385,805	\$74,096,805
1999	\$32,825,000	\$34,120,714	\$66,945,714
Grand Total	\$176,967,000	\$243,799,673	\$420,766,673

Source: MOEYS website (http://www.moeys.gov.kh/dev_partner_profile/dev_partner_pro.htm)

Note: The development partners include bilateral and multilateral agencies, and NGOs. The figures provided above are intended for indicative purposes only.

The Education Investment Plan 1995-2000, developed with the financial support of ADB, was an early attempt to coordinate donor assistance to the education sector. However, the plan achieved only a limited success, as described in the government's own assessment in 2000²⁹. This report acknowledged the sector's disappointing performance despite substantial donor assistance over the past decade, and addressed the need for more sustainable and policy-led reform. The limited impact of aid to education during the 1990s was also attributed to the proliferation of discreet and unconnected donor projects, which aggravated policy fragmentation.

Sector Program Approach since 1999

With the recognition of the need for a different approach to address those problems, the Sector-Wide Approach (SWAp) was envisaged in the education sector. The government's new paradigm that

²⁹ Education for All (EFA): The Year 2000 Assessment: Country Report.

advocated a shift from “donorship to government-led ownership and partnership” presented at the CG meeting in 2000 also drove the MOEYS and its partners towards the SWAp process in the education sector. An additional factor that drove them to take a practical step towards SWAp was an alliance of like-minded donor agencies, and substantial technical backup by an ADB TA team.

Donor funding to the education sector for the period between 2001 and 2007 is estimated at US\$ 321 million, with US\$ 39 million (actually spent) in 2001, US\$ 45 million (actually spent) in 2002, US\$ 45 million (estimated) in 2003, and US\$ 193 million (projected) for 2004-07. Funding by the two largest donors, ADB and World Bank, accounts for 38% of the total expected amount in 2003. Other large donors include UNICEF, JICA, EC and WFP.

Table 6-2. Total education sector inputs by donor (US\$)

Donor	2001 Actual amount	2002 Actual amount	2003 Expected amount	2004-07 projected amount	2001-07 Total expenditure
ADB	7,300,000	14,211,000	9,315,000	52,800,000	83,626,000
AuF (France)		570,000	911,287	2,721,660	4,202,947
AusAID	1,883,916	2,040,747	1,617,304	4,047,186	9,589,153
BTC (Belgium)			500,000	8,250,000	8,750,000
DFID			479,019	4,311,174	4,790,193
EC	2,387,540	1,336,465	5,177,500	19,822,500	28,724,005
France	2,597,918	2,500,000	2,000,000	8,000,000	15,097,918
JICA	3,263,270	5,513,572	4,830,076	18,808,000	32,414,918
Sida*		0	0	10,000,000	10,000,000
UNESCO	426,000	484,000	1,479,000	3,298,000	5,687,000
UNICEF	4,449,073	6,436,746	6,549,778	15,100,000	32,535,597
WFP	3,385,801	3,883,480	3,844,500	12,840,000	23,953,781
USAID	158,000	108,000	500,000	6,000,000	6,766,000
WB	12,827,698	7,474,444	7,451,327	27,273,243	55,026,712
Total	38,679,216	44,558,454	44,654,791	193,271,763	321,164,224

* Sida channels its funding through UNICEF. Sida's portion is included in the amount of UNICEF's support on the table.
Source: Education Sector Donor Report (2002) and Cambodia Education Sector Donor Report (2003).

2. Mechanisms of aid coordination

Aid coordination is a key component of the SWAp process (though it does not fully represent SWAp). This section therefore attempts to present mechanisms of aid coordination in the context of the education SWAp.

To begin with, definitions of SWAp used by those concerned with the education SWAp process to date shall be discussed. Definitions of SWAp vary, but the following definition was adopted in the Education Sector Donor Report 2002.³⁰

All significant funding in the sector supports a single sector policy and expenditure program, under Government leadership, adopting common approaches across the sector, and progressing towards relying on government procedures to disburse and account for all funds.

The definition of SWAp was revisited in the donor report for 2003³¹ with the recognition that, “...the concept of, and more importantly the practice of implementing SWAp is not and cannot be uniformly prescribed. Rather the approach evolves over time and the pace and depth of the transition towards a ‘pure’ SWAp is dependent upon highly context specific factors.”

³⁰ This definition was originally taken from Overseas Development Institute (2000).

³¹ Cambodia Education Sector Donor Report (2003).

The SWAp process

Key milestones of the SWAp process to date are highlighted in the table below. The SWAp process can be divided into three stages: commitment to partnership, sector policy and strategy formulation, and joint sector review.

Table 6-3. Key milestones of SWAp process

Mid-1999	Discussion of SWAp in the context of education sector reform	Stage 1: Commitment to partnership
March 2000	Statement of Intent for a new form of government/donor/NGO partnership signed (by some donors and NGOs).	
Mid/late 2000	MOEYS hosts government, donor and NGO seminars on international experience in sector wide approach to education reform	
February 2001	Formal agreement on education partnership principles by MOEYS/Donor/NGO Consultative Group, alongside revitalization of donor Education Sector Working Group	
March-April 2001	Education Strategic Plan (ESP) 2001-05 developed by MOEYS and approved by Government/Donor/NGO Consultative Group	Stage 2: Sector policy and strategy formulation
June 2001	Joint review and appraisal of ESP 2001-05 and Education Sector Support Program (ESSP) 2001-2005	
September 2002	2002 ESSP Joint Review – revised ESSP (2002-2006), the Donor Report, poverty impact, sector performance prepared as part of the ESSP Review	Stage 3: Joint sector reviews
Late 2002	Formulation of preliminary PRSP and Medium Term Expenditure Framework (MTEF), drawing on the policy and strategic directions set out in the revised ESSP 2002-06	
May 2003	2003 ESSP Joint Review – revised ESSP (2003-2007), the Donor Report, sector performance (the whole sector as well as provincial sector performance) and departmental achievement reports prepared; a special meeting of the Education Finance Management Committee (EFMC) convened to address critical financial issues	

Commitment to partnership

Prior to 1999, interactions among donor agencies remained at the level of consultation and information sharing, mostly through personal communications and ad hoc groupings or gatherings. There was no agreed framework to bring donors to work in partnership with the government.

As the first step in formalizing a new partnership for the development of education in Cambodia, donors and NGOs signed a Statement of Intent (SOI) in March 2000. ADB was reportedly the primary agency that facilitated this process with the aim of initiating a SWAp in the education sector. The SOI could not receive endorsement by all invited organizations, however. Nine of the agencies invited to sign did so, but five donors (USAID, French Cooperation, GTZ, JICA and EU) kept their endorsement pending. The reasons for not signing may have differed among the donors, but some interviewees speculated that they might include concerns about the constraints the SOI might impose on future assistance, e.g. conditions that conflict with donor countries' own foreign assistance procedures and policies. In addition, the partial support to the SOI implies that the process to carry forward its endorsement may not necessarily have paid full attention to obtaining consensus from all those concerned.

To address these concerns, the government made clear that it was taking an inclusive approach to SWAp and had no intention of excluding any donors from the SWAp process. The Minister of Economic and Finance, for example, made a statement at a ministerial meeting in October 2000 that excluding any donor agency from the SWAp process would not benefit the country.³² In addition, the Minister of Education encouraged donor agencies which intended to assist Cambodia through project-

³² Statement of the Minister of Economy and Finance, Ministerial Meeting, 2000.

type support to participate in the SWAp process at the Government/Donor/NGO Consultative Meeting (the ‘Consultative Meeting’ hereinafter) in November 2000.³³

Later in February 2001, the Consultative Meeting approved a document “Principles and Practices for Partnerships,” which clarified the objectives and scope of SWAp and the ways in which partners would engage and cooperate. Its adoption did not take the form of a written endorsement by all the donors, but it helped establish common understanding of SWAp and nurture the spirit of partnership and cooperation of donors in the sector. In this way, the “Principles and Practices for Partnership” laid the groundwork for the establishment of the Donor Education Sector Working Group (ESWG) during the subsequent stages of partnership development.

Sector policy and strategy formulation

MOEYS took another step to formalize the education reform planning and implementation process in early 2001. The Education Strategic Plan (ESP) 2001-05 was developed with technical and financial support of the ADB, and in consultation with donors and NGOs, and was approved in April 2001.

The ESP summarizes the phasing of priority education policy and strategy reforms for the next five years. The process leading to the final ESP document also involved internal consultations within MOEYS through four policy task forces,³⁴ as well as with MEF and MOP. In conjunction with the ESP document, the Education Sector Support Program (ESSP) 2001-05 was developed to consolidate the priority recurrent and capital programs identified by MOEYS for implementing and achieving the medium-term policy and strategy objectives defined in the ESP. The ESSP development process involved 14 different working groups within MOEYS. The process of consultation with internal and external stakeholders throughout the ESP/ESSP development was coordinated by the Planning Department of MOEYS.

Box 6-1: Key features of ESSP

- Embodies priority recurrent and capital programs for the next five years that reflect medium-term policy and strategy objectives defined in ESP
- Focuses on the long-term goal of achieving Education for All (EFA) by 2015
- The rolling nature of ESSP development and implementation makes the planning process forward-looking
- Collaborative and consultative processes for planning, management and monitoring of ESSP policies, strategies and programs.

Source: Based on a review of ESSP documents by the author

The joint review and appraisal of the ESP/ESSP 2001-05 took place in June 2001. It involved working group sessions with each of the three coordination teams and five appraisal teams. The process of integrating outputs of all the teams was as follows: (1) each appraisal team held group sessions; (2) outputs from the appraisal teams sessions were assembled by two coordination teams (the Sector Management Coordination Team and the Program Development Coordination Team); and (3) the assembled results were integrated by the Appraisal and Review Coordination Team. Each team typically involved a mixture of officials from MOEYS and other Ministries and external partners. An overall coordinating committee of senior policy staff from the Ministry, donors and the NGOs was

³³ Reported by a donor advisor who participated in the meeting.

³⁴ Four taskforces including Policy/Planning Group (PPG), Institutional Reform/Development (IRD), Education Sector Financial Planning (ESFP) and Sector Monitoring and Evaluation (SME) were established within MOEYS to lead the education sector reform in January 2000.

responsible for final negotiation of the appraisal. This process was supported by a Secretariat located in the Planning Department and financed and staffed by a number of donors.

An Education Round Table session was organized to conclude the appraisal process during the last part of the joint review. Senior members of the government and representatives of the donors and NGOs presented their responses to the ESSP. The appraisal results were incorporated into the final version of the ESSP 2001-2005 document, and reflected in the subsequent detailed implementation planning of MOEYS for 2002.

Joint sector reviews

Since the 2001 ESSP appraisal, MOEYS in collaboration with its partners has undertaken two joint ESSP Reviews, one in September 2002 and one in May 2003. Currently the ESSP is being revised based on the last ESSP Review, under which a new budget is being negotiated for approval. The ESG and the Consultative Meetings have fed critical inputs into the preparation process of the joint ESSP Reviews. A donor coordination advisor has also played a critical role in liaising between different stakeholders and forums.

Similarly to the 2001 appraisal, the joint reviews of ESSP in 2002 and 2003 involved a series of team working exercises involving various stakeholders. The team organization under the 2003 ESSP Review is summarized in Table 6-4.

Table 6-4. ESSP Review 2003: Team Organization

Teams	Participating bodies
1 Appraisal and Review Coordination Team	MOEYS (including two Secretaries of State), EC, UNICEF, NEP
2 Sector Management Coordination Team	MOEYS, UNICEF, EC, World Bank, World Education
2.1 Financial Planning and Management Team	MOEYS, MEF, MOP, EC, World Bank, Sida, UNICEF, UNESCO
2.2 Capacity Building, Monitoring and Decentralisation Team	MOEYS, MOI, UNICEF, JICA, VSO, SCF Norway, World Education
3 Program Development Coordination Team	MOEYS, WFP, EC, World Bank, ADB, French Cooperation
3.1 Education Services in Remote Areas and Special Education Needs Team	MOEYS, WFP, UNICEF, Sida, CARE, Disability Action Council
3.2 Quality of Primary Education Team	MOEYS, Sida/SAT, UNICEF, KAPE, CARE
3.3 Secondary Education Policy and Strategy Team	MOEYS, World Bank, ADB, French Cooperation, Innerchange, NEP
3.4 TVET Policy and Strategy Team	MOEYS, ADB, UNESCO, NEP, VSO, Public/Private Employers Representatives
3.5 HE Policy and Strategy Team	MOEYS, AuF, French Cooperation, UNESCO, Maryknoll, Public/Private Employers Representatives

Source: Education Sector Joint Review Report 2003.

In addition to the review team meetings, a special meeting of the Education Finance Management Committee (EFMC)³⁵ was convened to address critical financial issues, in particular the core policy matrix, education sector financial performance and Priority Action Programs (PAPs) implementation. The PAPs issue is revisited in a later section in connection with the discussion of direct budget support to the education sector.

³⁵ EFMC is co-chaired by Secretaries of State, MOEYS and MEF. In response to recommendations made at the ESSP 2002 Joint Review, EFMC (which had once phased out) was re-organized to address the above-mentioned critical financial issues of the education sector concerned with both MOEYS and MEF.

Institutional arrangements for aid coordination

The institutions that played important roles in the process of Education SWAp include a mixture of (1) joint working frameworks; (2) aid coordination tools; and (3) intra-donor coordination. Table 6-5 summarizes the institutions involved in the SWAp process.

Table 6-5. Institutions that played important roles in the process of Education SWAp

Categories	Institutions	Descriptions
Joint working frameworks	Education Sector Working Group (ESWG)	Principal formal mechanism for discussion and information exchange, as well as coordination of joint planning and appraisal activities among donors
	Government/Donor/NGO Consultative Meeting	High-level forum for senior officials of the Ministry and donor/NGO representatives
	NGO Education Partnership (NEP)	Forum for education NGOs and MOEYS
Aid coordination tools	Common Policy Implementation Matrix	Framework for policy based strategic negotiation, planning and monitoring
Intra-donor coordination	Donor Coordination Advisor	Coordinator to liaise between donors and MOEYS, and based at ESWG

Education Sector Working Group (ESWG)

The ESWG was established as a sub-group of the Social Sector Working Group in the spirit of *Partnership Principles* in 2001. The Terms of Reference formally adopted in late 2001 spelled out the aims of ESWG including:

- Advancement of education in Cambodia
- Establishment of linkages with the Government especially through MOEYS
- Monitoring education reform and development in Cambodia
- Co-ordination of donors working in the education sector in Cambodia.

The ESWG has played a role in coordinating donor assistance in the education sector, and in promoting a common and integrated program approach. It has served as the principal formal mechanism for donors to discuss policy, strategy and implementation issues related to the ESP/ESSP. It has also served as a forum for donors to exchange information on plans and status of implementation of their programs in the education sector. The working group has been chaired by the Representative of UNESCO, which also provides secretarial services and works closely with the donor coordination advisor. The ESWG meets approximately once a month with typically 20 members attending each meeting.

Government/Donor/NGO Consultative Meeting

The Government/Donor/NGO Consultative Meeting has been organized on a regular basis since the Appraisal of ESP/ESSP in 2001. Chaired by the Minister, it is attended by senior officials including Secretary of States, Director Generals and other senior officials at MOEYS, donor representatives and NGO representatives. The Planning Department serves as the secretariat for the Consultative Meeting. It meets regularly once every two months to share information on the implementation status of ESSP, formally ratify major policy documents and statements, and agree on strategic directions for the sector. The Chairpersons of the ESWG and NEP (discussed below) present the collective views of their respective constituencies.

The Common Policy Implementation Matrix

The Common Policy Implementation Matrix was initially developed as part of an agreement between the government and ADB as a budget support component in its policy adjustment loan program. The donors subsequently accepted the Ministry's request to jointly expand the matrix to cover the whole sector. It provides a framework for policy-based strategic negotiation, planning and monitoring covering the whole sector. It serves as a critical reference point against which funding agreements between agencies and the government are negotiated in the medium term. A matching Indicators Matrix was also developed and now provides national level indicators against which to measure expected outcomes.

NGO Education Partnership (NEP)

The NGO Education Partnership (NEP), established in 2001, promotes the discussion and exchange of ideas between education NGOs and MOEYS. The NEP has successfully facilitated a more coordinated approach to the work of NGOs within the context of the ESSP and the sector wide approach. It provides support for the development of the education sector in a variety of ways, including inputs to specific initiatives and mechanisms (e.g. the EFA National Plan, ESSP Reviews, the ESWG, the CG and the Consultative Meeting), and operational research. The ESWG recognises and appreciates the critical role played by NEP within the education partnership approach in Cambodia.

Donor Coordination Advisor

The donor coordination advisor has been serving over the past few years to underpin the process of aid coordination during critical times, in particular during the preparation of the ESSP Reviews. The primary objectives of this position are to strengthen the capacity of the donor community to provide timely, well-coordinated and professional responses to the ESP/ESSP and to facilitate discussion among donors on education policy, strategy and program priorities and targets. The advisor has been based in the UNICEF Education Section, works extensively with the Planning Department at MOEYS and provides advice to the chairperson of the ESWG.

Donor financing modalities

The modalities of donor financing to the education sector can be divided into (1) direct project support; (2) direct budget support; (3) off-budget support to the Ministry; (4) indirect support through NGOs; and (5) direct agency support. Definitions of each modality are summarized in Box 6-2. Of the total financial inputs to the education sector committed by donors in 2003, US\$ 25 million or 57% is provided in the form of direct project support and US\$ 8 million or 18% is in direct budget support.

Table 6-6. Inputs to the sector by funding modality (US\$)

Financing modality	2001 Actual amount	2002 Actual amount	2003 expected	2004-07 projected
Direct Project Support	30,187,471	23,702,486	25,322,471	107,459,956
Direct Budget Support	146,775	9,924,000	8,000,000	32,000,000
Off-Budget Support to Ministry	2,807,808	3,209,550	3,407,000	12,840,000
Indirect Support through NGO	4,415,673	4,132,000	3,876,533	16,427,467
Agency Direct Support	1,121,489	3,590,418	4,088,737	14,544,160
Total	38,679,216	44,558,454	44,694,741	183,271,583

Source: Education Sector Donor Report (2002) and Cambodia Education Sector Donor Report (2003).

Box 6-2. Donor financing modalities

Direct Project Support: This refers to traditional project support where the assistance is accounted for in the development budget of the MOEYS and included in the PIP. Usually this type of support has separate donor defined disbursement, accounting, auditing and reporting procedures and is often associated with a discrete project implementation unit. Commonly the MOEYS needs to maintain two accounting reporting systems to satisfy both government and donor requirements.

Direct Budget Support: This refers to direct payments from the agency to the Treasury usually on the basis of a letter or statement of policy outlining the activities and outcomes which determine the release of annual or semi-annual tranches. Funds pass through the recurrent budget of the Government, though not specifically through the MOEYS. Disbursement, accounting, auditing and reporting is normally done through the government system of financial management.

Off-budget support to the Ministry: Donor agencies may provide funds and resources direct to a Ministry through a separate bank account system, often co-signed by a MOEYS official and a donor representative. Such accounts may not be included in either recurrent or development budgets, and are usually accounted for only by the donor.

Indirect support through NGOs: This refers to support to the sector which is provided via other organizations such as non-government organizations. Funds are paid to those agencies and accounted for by those agencies directly to the donor. The Ministry may not be aware of the existence or extent of this support and it may be provided low down in the system e.g. directly to individual schools or institutions in the sector. It is usually not included in the budget of the Government.

Agency direct support: This refers to funds held by the donor agency and expended by it directly. This is a common modality for scholarships (either in country or abroad), small or specific consultancies (such as lending program identification) or small and discrete supply of assistance such as equipment. These funds do not appear in the government budget and are accounted for only by the donor agency. The MOEYS will often be unaware of the level of financing.

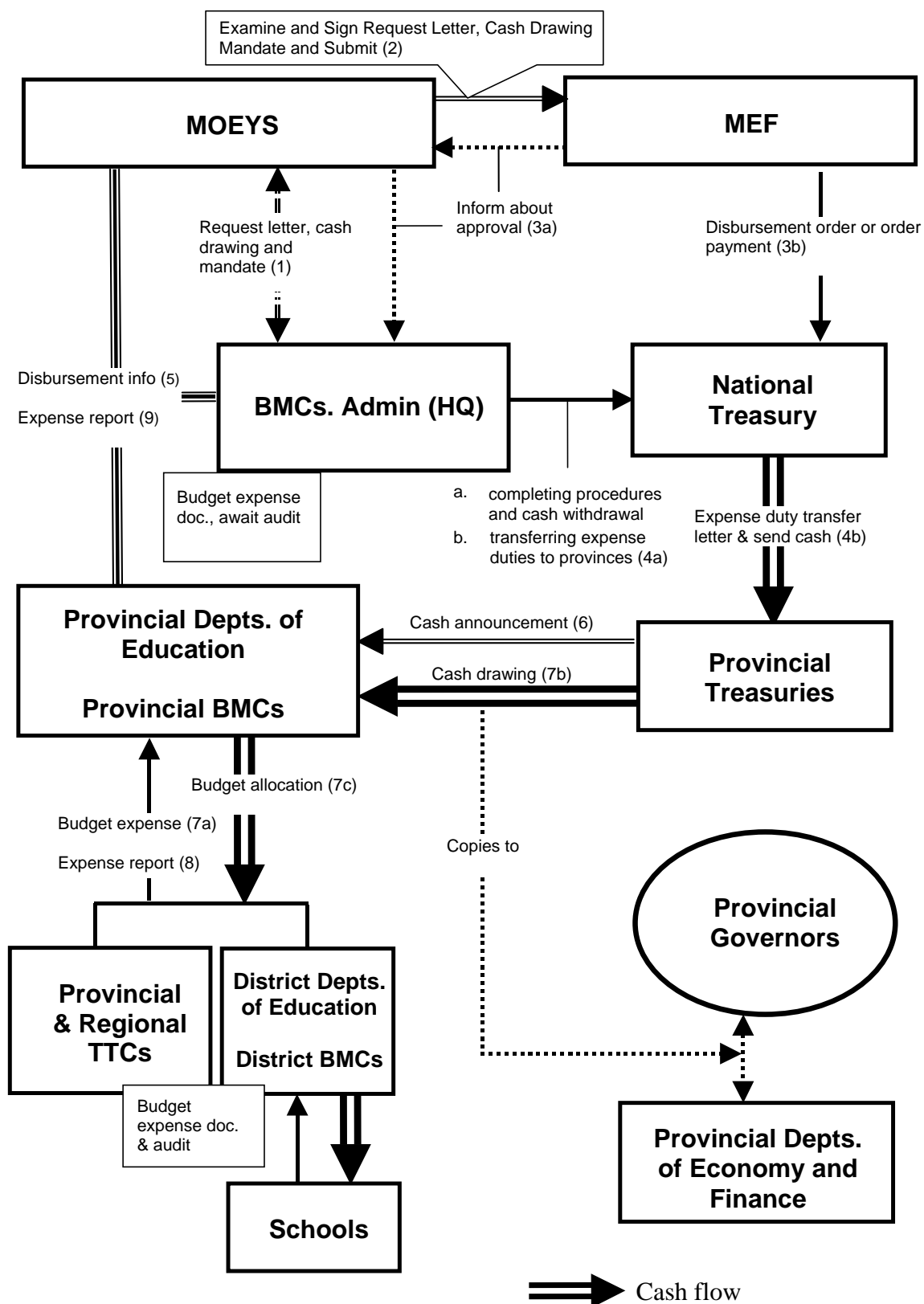
Source: Cambodia Education Sector Donor Report (2003).

The direct budget support portion up to 2002 is solely attributable to the ADB Education Sector Development Program (ESDP) policy loan. The 2003 portion consists of US\$ 5 million from the ADB and US\$ 3 million expected from EU, both of which are loans. The direct budget support provides funding for non-wage recurrent costs in the education Priority Action Program (PAP) framework of the government.

The PAP is the government's innovative budgeting scheme introduced to the education and health sectors in 2000. The PAP was intended to ensure that: (a) specific activities gain access to their full budget allocation by removing PAP funding from the discretionary cash allotment system; (b) introducing budget management centers (BMCs) at provincial and district levels, which manage their own budgets in accordance with pre-approved plans; (c) replacing pre-audit of spending actions by post-audit; and (d) creating dedicated accounts in provincial treasuries offices which are not subject to treasury discretions about cash release.³⁶ The PAP was piloted in 10 provinces in 2000, followed by a nation-wide operation in Education from 2001 onward.

³⁶ Royal Government of Cambodia (2002). *National Poverty Reduction Strategy 2003-2005*, p.140.

Chart 6-1. Flows of the Priority Action Program (PAP) Funds



Source: Education Sector Support Program 2002/06, MOEYS

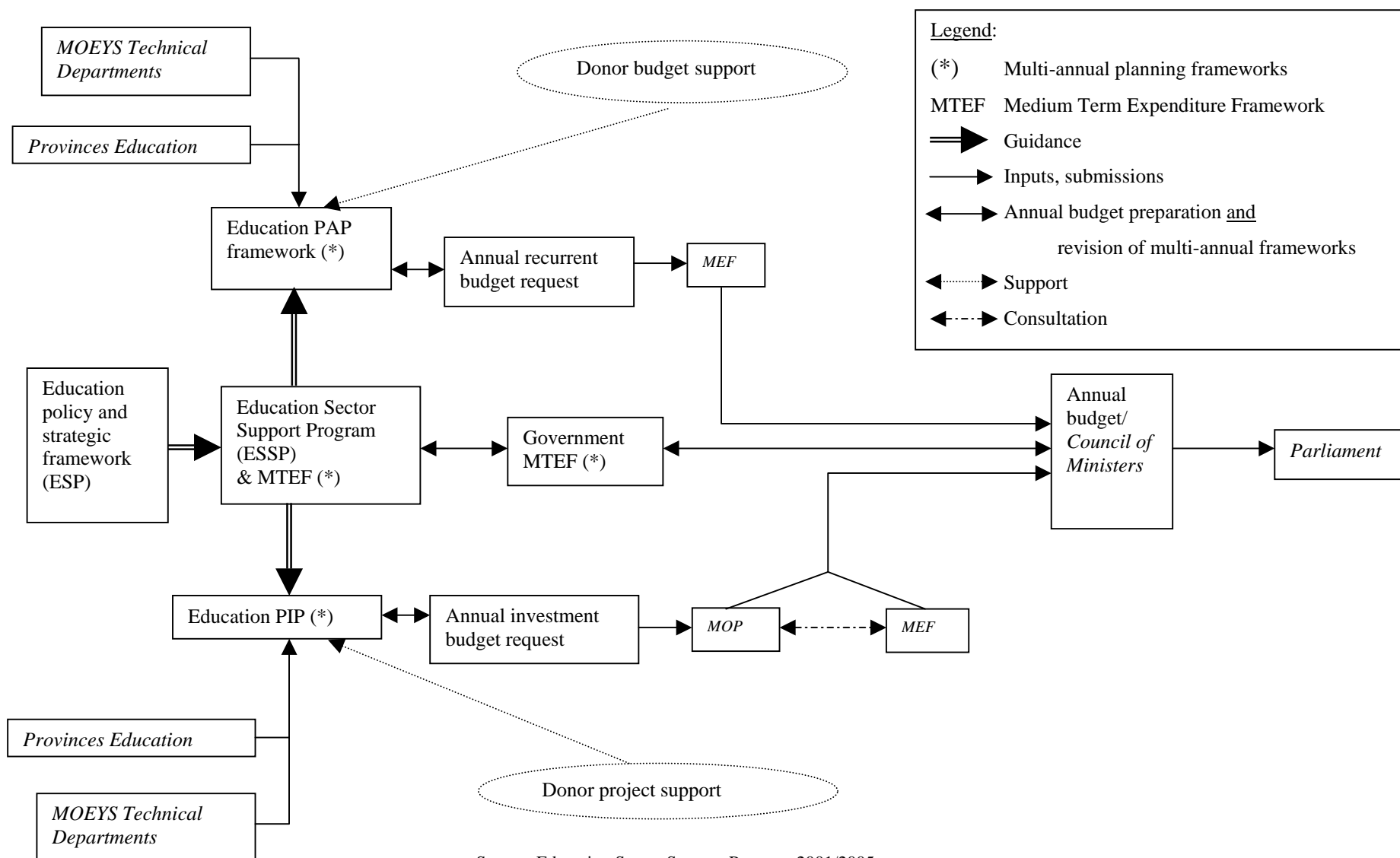
The current system for distribution of the PAP funds to provinces involves transfers of money from the National Treasury to Provincial Treasuries and then on to the Provincial Budget Management Centers (BMCs). The money received at the provincial BMCs is then sent to institutions directly or to schools via district BMCs (Chart 6-1). All PAP funds are sent and received in cash. So far, the Ministry has experienced difficulties in securing the release of funds for PAP implementation. At the time of the Joint ESSP Review 2003, only 50 % (59% for provincial BMCs and 34% for central BMCs) of the total PAP 2002 cash had been released from the National and Provincial Treasuries.

A significant portion of the direct project support funds comes from the ADB, AusAID, French Cooperation, JICA, UNICEF/Sida and the World Bank. The majority of the projects are resourced in the form of grants, and the rest are supported through loans. Disbursement, accounting, auditing and reporting procedures differ between projects depending on donors' policies. This type of assistance is included in the education Public Investment Program (PIP) (Chart 6-2). Future financing plans of donors are reflected in the three year rolling education medium term expenditure plan (MTEP) that is to be integrated with the government's MTEF³⁷.

Salary supplements, or more broadly the provision of financial incentives, to government officials under donor-funded projects are another issue of concern in the implementation of programs/projects. While concrete data is difficult to obtain, anecdotal evidences seem to suggest that donors' and NGOs' projects provide financial incentives for MOEYS officials in a variety of forms, including per diems, travel allowances, etc., which are associated with specific activities under donor-funded projects, such as research, field visits and training. There are also cases in which government officials assigned to work for a Project Implementation Unit take a leave of absence during the project implementation period and receive salary supplements. A comprehensive mapping of salary supplement practices is beyond the scope of this study and this topic shall be discussed in the context of another study on capacity development under the Government Donor Partnerships Working Group.

³⁷ MTEF is a multi-year public expenditure planning tool to program future priorities in accordance with available government resources (both domestic and external sources). It links medium term plans with the annual budget and aims at shifting budget planning to a policy-led approach, through target and results-based program budgeting.

Chart 6-2. Summary of ESSP Sector Wide Planning Mechanisms



Source: Education Sector Support Program 2001/2005.

3. Achievements of aid coordination

Ownership

To what extent has a shift from donorship to partnership, and eventually to ownership, has been achieved since SWAp was launched in education sector? It is difficult to assess this shift in an objective, quantitative manner, but many of the observers interviewed in the course of this study felt that government ownership had definitely been enhanced. The new arrangements for aid coordination and the new opportunities for collaborative work with donors have resulted in a high level of commitment from MOEYS. Several donor representatives told the study team that the Minister, Secretaries of State and Director Generals have all been present at the regular Consultative Meetings and are actively involved in determining major policy directions.

The fact that MOEYS now has a mechanism for directing donors to align assistance with the sector's needs has also encouraged MOEYS to take a more active role. Several donor representatives reported with appreciation that they are increasingly having consultations with MOEYS officials over their development assistance plans. Technical advisors based at MOEYS also noted that their work is increasingly supervised by MOEYS. Other informants felt that the government's increased sense of ownership was apparent in the way that MOEYS now addresses problems facing the education sector. For example, in response to the delayed PAP disbursements, the Minister of Education officially acknowledged the issue at the ESSP Joint Review 2003, and committed to address the problem in collaboration with MEF.

Capacity

A number of donor advisors share the view that the process of working with donors to coordinate aid has in itself improved the capacity of MOEYS officials. For example, according to those participating in the ESSP Joint Reviews over the past two years, government officials participated more actively during the 2003 review than they did in 2002, and even led group sessions. Some government officials also made the same point. A senior official of MOEYS, during an interview by the study team, said that the SWAp process to date has succeeded in building leadership of MOEYS. In particular, he stressed that the series of workshops on SWAp at an early stage had significantly helped MOEYS to deepen its understanding and eventually build confidence in taking it up as a Ministry's approach. This improved confidence, in turn, has led to the strong leadership demonstrated by MOEYS at later stages of SWAp.

Another example of increased government capacity has to do with how documents are drafted. In the past, a number of official documents of MOEYS were reportedly drafted in English first with significant assistance by foreign advisors, then translated into Khmer. However, both government officials and donor representatives stated that the recent drafting of the National Plan for EFA 2015 was conducted primarily by government officials with limited assistance from foreign advisors.

A number of donor-funded technical advisors have been assigned to the education sector, especially since the beginning of the SWAp process. There is no doubt that their assistance has contributed to the above-mentioned progress of the reforms as well as capacity development of MOEYS to manage its programs/projects. However, several MOEYS officials working at the operational level felt that technical advisors' roles should have much sharper focus on the transfer of skills to MOEYS officials than is currently the practice. They observed that in many cases donor advisors spend a large portion of time carrying out the tasks of officials. It was also reported that the work of technical advisors does not always build on the earlier work done by his or her predecessors and often lacked connection with other foreign assistance. These issues concerned with technical assistance will be further discussed in the later section as part of the challenge in providing more effective and efficient support of capacity development.

Despite the issues raised above, MOEYS officials in general appreciated donor assistance in the past, and also recognize the need for technical assistance to develop the capacity of MOEYS officials in implementing new initiatives such as SWAp. Some MOEYS officials at the central level interviewed told the study team frankly that they face difficulty in fully understanding the financial management procedures, in particular of PAP, not only because the procedures are new, but also because the procedures have often changed over a relatively short period of time. The need for capacity development is much more pronounced at the sub-national levels, including provincial departments, district offices and schools, a finding that was reinforced during in a field visit to Prey Veng Province. The report of the Planning Department submitted to the ESSP 2003 Review perhaps summarizes the current situation most succinctly, noting that: “As far as sector planning, financial planning, education budgeting are concerned we depend mostly on technical consultants and donors because the DoP does not yet have the capacity to handle these tasks so that it can become independent.”³⁸ Further development of capacity in this respect is therefore needed.

Overlap of donor assistance

Aid coordination is expected to reduce overlaps of donor assistance, align assistance with sector policies and strategies, and subsequently maximize the impact of aid within limited aid resources. Some progress in this regard has been observed in the SWAp process so far.

The first step in aligning donor assistance with a common policy framework is having comprehensive and detailed information about what donor assistance projects there actually are. Cambodia’s education sector has made significant progress in this regard. A comprehensive listing of donor interventions and the Common Policy Implementation Matrix were provided as part of ESSP review documents. Since then, the combination of information on donor interventions and the policy matrix has been used as a basis for discussions and negotiation about the planning and monitoring of donor assistance.

Transaction costs to the government

Aid coordination also aims to reduce the transaction costs to MOEYS of coordinating each donor agency bilaterally. ESWG has played a positive role in this respect by serving as a forum for donor agencies. A consensus is forged at ESWG and then reported to the Consultative Meeting by the chair of ESWG. The existence of the two collaborative frameworks and the liaising arrangement between the two forums has enabled MOEYS to avoid discussing its policy matters with each of the donor agencies one at a time, saving resources and allowing MOEYS officials to spend more time on their primary duties, such as policy development and implementation, rather than donor coordination. In addition, with the view to reduce the transaction costs of MOEYS, some donors have partly integrated their project/program reviews into the sector review process. UNICEF/Sida, the World Bank and the EC undertook review missions during the 2003 ESSP Review and some other funding agencies sent advisory staff from HQ to participate in the review.

On the other hand, many donor representatives pointed out that the increased number of consultation steps, such as attending the ESWG meeting before direct consultation with the government, has significantly increased transaction costs to the donors. While this cost increase is usually not appreciated by those managing donors’ resources, it could be interpreted as a shift of some of the administrative burden from MOEYS to the donors.

To what extent the aid coordination effort in the education sector has contributed to improvement of the sector performance is of great interest to many. Indicators to measure sector performances have been presented in the ESSP and reviewed in a course of the ESSP reviews and, according to the Education Sector Performance Report 2003, some indicators (e.g. enrollment rates, quality of teaching

³⁸ Department of Planning, *Departmental Achievement Report*, presented for 2003 ESSP Joint Review, May 2003.

services, etc.) showed improved trends over the past years. However, it is difficult to determine to what extent the aid coordination effort so far has contributed to the identified improvement.

Sustainability

The ultimate goal of aid coordination management, in terms of sustainability, is to reach a state in which MOEYS has sufficient institutional capacity to efficiently manage sector programs/projects by itself, without substantial donor funds or technical assistance. The development of ESP/ESSP and initiation of its review process, characterized as annual Joint ESSP Review, appears to indicate progress in institutional capacity development.

Despite recent progress, there are some key issues to be addressed in the organizational capacity of MOEYS to better manage sector programs and projects. In particular, the weak financial management capacity of the government is seen as a cause of the delay in the PAP release and a constraint in financial monitoring and reporting at all the levels. These issues will be discussed in the next section.

4. Lessons learned from aid coordination

Contributing factors to achievements

A flexible approach towards the terms and process of establishing partnership encourages broader and more active participation.

The government made an initial attempt in March 2000 to establish a written partnership framework between MOEYS and a group of donor agencies and NGOs. The SOI was signed by only nine out of 14 participating agencies. The failure in obtaining unanimous endorsement of the SOI could be a negative lesson learned by the government and the donor community in Cambodia. More attention to obtaining consensus from those concerned prior to requesting formal endorsement might have prevented the initial lukewarm response by donors. However, the subsequent actions of the government rectified the situation. Responding to the concerns by the donors that did not sign the SOI, the government demonstrated its intention to take an inclusive, rather than exclusive, approach to donor assistance in the SWAp process. Senior officials emphasized on several occasions the importance of involving all the donors in the SWAp process. The flexible approach of MOEYS in partnership development resulted in active participation and cooperation of all the major donors in the SWAp process to date.

Wide dissemination of program concepts among stakeholders should take place before actual partnership negotiations start.

Several workshops on SWAp were organized in 2000, mainly funded by UNICEF/Sida. They targeted MOEYS officials and donor/NGO representatives to deepen their understanding of the SWAp concept. A senior official at the MOEYS admitted during the interview that a significant portion of MOEYS staff had a negative view of SWAp at its initial stage. However, as their understanding of SWAp deepened, they changed their views and gained confidence to move forward. The successful experience of MOEYS clearly indicates that disseminating the concept of SWAp widely at an early stage helps build confidence and trust among stakeholders and helps build government confidence to lead the SWAp process forward.

A fair and unbiased process is crucial for encouraging donor participation and frank discussion.

Most of interviewees from donor agencies expressed their appreciation on the way in which ESWG meetings were managed. Several emphasized that the fair and unbiased working and decision-making process of ESWG was a key to the success of consensus building among donors. In fact, some donor representatives said that the fair working base established a cooperative atmosphere at ESWG and

contributed to promoting honest and frank information sharing among donor representatives. Some of the reasons that ESWG was able to do this, according to interviewees, were that: (1) UNESCO's limited influence in the education sector in Cambodia meant they were seen as neutral in their role as chair of ESWG; and (2) the chairperson's personal management style avoided the perception of biases and ensured fairness to all participants.

Achieving consensus among donors prior to consultation with the government results in more coherent recommendations and reduced transaction costs to the government.

Following the "Principles and Practices for Partnerships" endorsed by MOEYS and donor agencies in 2001, the donor community has made significant efforts to build consensus among themselves prior to consultation with MOEYS. ESWG serves as a forum to build such consensus among donors and its chairperson represents all the donors at Consultative Meetings with MOEYS and NGOs. This arrangement has mitigated one of the common problems in Cambodia in which donors pull the government in different directions by sending conflicting messages. This also helped build donor agencies' ownership of consensus-based decisions made at ESWG meeting. Furthermore, this arrangement reduced the cost of coordinating donors and NGOs separately, for MOEYS if not necessarily for the donors.

An effective coordinator can make the process work more smoothly.

The "people" factor is also critical. Many stakeholders involved agree that the donor coordination advisor has played a significant role in facilitating communication between donors and MOEYS. Funded by UNICEF/Sida, the donor coordination advisor has taken on a significant portion of administrative tasks at ESWG meetings and worked together with the chairperson of ESWG to efficiently coordinate with MOEYS. The position of the coordination advisor has also reduced the administrative burden to the donors for aid coordination activities.

Future Challenges

Developing a more consistent information system

Significant progress has been made in sharing information, in particular on the current status of financial inputs by donors, among MOEYS and donors since the introduction of SWAp. There are two data sources: (i) a comprehensive list of donor assistance with information on financial figures and activities, which was developed as part of the donor report for ESSP 2003 and prepared by the donor coordination advisor; and (ii) AID Management Information System (AIDMIS) compiled by the Project Management and Monitoring Office (PMMO) of the Planning Department of MOEYS, with support of UNICEF/Sida and UNDP/CDC.³⁹ The AIDMIS is prepared based on the questionnaires filled by donor agencies on the regular basis. Both data sources enabled MOEYS and donors to easily identify ongoing activities conducted by each donor agency in the education sector, although a remaining challenge is the discrepancy in numbers between the two data sources, as indicated in the donor report for ESSP 2003 and discussed at ESWG in June 2003.⁴⁰

The Director of the Planning Department at MOEYS estimated that the AIDMIS covers only around 80% of the current total donor assistance in Education, partly due to the limited capacity of PMMO. A more serious issue, however, is the fact that not all the donors responded to the questionnaire sent by the MOEYS, which has created information gaps in the AIDMIS. It was reported that donors were more likely to respond to the request of the donor coordination advisor than that of the PMMO. It is therefore recommended that MOEYS further strengthen this already well-established AIDMIS as

³⁹ The AIDMIS has been established in four ministries including MOEYS with the support of the Council for the Development of Cambodia (CDC).

⁴⁰ Cambodia Education Sector Donor Report, presented for the 2003 ESSP Joint Review, May 2003

recommended at ESWG in June 2003. The primary information gaps are in the current status of donor assistance. Consistent data on future projections of donor assistance should then be made available as the next step, particularly in view of feeding information to MTEF. Donors should ensure full cooperation to provide assistance information upon the request of MOEYS, and provide technical support for further development of AIDMIS. An incentive to achieve full cooperation of donors might be that MOEYS could publish the information on the regular basis to all the stakeholders involved in the SWAp process.

Better coordination of technical assistance for capacity development of MOEYS officials

While there is no doubt that MOEYS needs continued technical assistance, MOEYS and development partners have come to recognize that the number of technical advisors has increased to the extent that MOEYS cannot fully grasp the overall picture of assistance and therefore needs to coordinate them. There are some cases in which the activities of different technical advisors were overlapping in the past. This could have been avoided if the Ministry and donors had had better grasp of activities of all technical advisors. In addition, there are cases in which advisors' work has focused primarily on providing policy advice to high-level officials and drafting official documents of MOEYS, whereas little emphasis has been put on developing the capacity of the officials who are actually responsible for preparing the Ministry's documents. Although advisors may have needed to play these roles in the past, many officials interviewed strongly felt that advisors' task is not to do the work, but to build officials' capacity to do the work. They stressed that MOEYS and donor partners should make concerted efforts to develop the capacity of officials who engage in day-to-day management, in particular of their program/project management as well as report writing skills.

As the first step to clarifying the status of technical assistance for MOEYS, ESWG conducted a quantitative survey of technical assistance support to the education sector in June 2003.⁴¹ The report revealed that the volume of the technical advisors assigned to the education sector in 2003 was estimated as 958 person-months (581 for central departments and 377 for provincial departments; 506 international and 452 national). It follows that around 80 technical advisors are working full-time in the education sector. In addition, ESWG is currently conducting a qualitative survey on the roles of technical assistance. It will be completed in November 2003. Building on the findings of the survey, MOEYS and development partners are expected to discuss and agree on the scope of further work to facilitate better coordination of the supply and use of technical assistance.

Strengthening the financial management system, in particular related to reform measures such as PAP

The delay in the government's release of the PAP funds has been a problem that hinders the effective conduct of the sector program through the direct budget support by ADB's policy adjustment loan program. The release rate of the PAP 2002 fund⁴² remained at around 80% and the PAP 2003 fund has not been released at all as of September 2003. In addition, the monitoring and reporting on the PAP expenditures has not been adequately conducted at spending units such as schools. In other words, the central departments of MOEYS are unable to obtain the overall picture of the PAP expenditures in the whole education sector. Several informants stressed the risk of further increasing the direct budget support without adequately addressing the problem of weak financial management system, and expressed a concern that the budget support program that is resourced by a loan may not be paid off. Key challenges in the connection are described below.

⁴¹ Quantitative Survey of Technical Advisory Support to the Education Sector 2003 – 2007, Education Sector Working Group, June 2003.

⁴² The "PAP disbursement rate" reported by MOEYS is based on the release rate of PAP funds from provincial treasuries to provincial BMCs.

(1) Ensuring timely disbursement of PAP budget

The delay in the PAP release and the ineffective PAP execution appears to have been caused by several factors. The problem is attributable partly to the PAP planning process at the central level, and partly to the treasury operations and cash management. It was also reported that there are liquidity constraints in the treasury which affects the timely disbursement of the PAP funds and causes fragmentation of its payments to BMCs. In fact, schools in Prey Veng reported that they received the PAP 2002 allocations divided in more than 10 installments over the period of one year.

In response, ESWG requested that MOEYS and MEF jointly take effective measures to address the PAP execution problem. As part of MOEYS's efforts, the EFMC was established to address problems around PAP disbursements. The Minister of Education also acknowledged the problem at the ESSP 2003 Joint Review and committed to address it in collaboration with MEF. The most recent inter-ministerial initiative to address this issue is the establishment of the PAP Taskforce including MEF, MOEYS and MOH. It was initiated in September 2003 with the objective of identifying the cause of the ineffective PAP execution and thereby proposing practical measures to address it. MOEYS in collaboration with other ministries and with technical support of donors needs to urgently move forward, according to the steps suggested by the taskforce.

(2) Strengthening the capacity to manage PAP expenditure at provincial departments, district offices, and spending units such as schools.

Obvious capacity gaps exist in the area of monitoring and reporting on the PAP expenditures. Among 185 districts, there are only 144 district education offices that have so far established BMCs. In addition, as indicated by the IFAPER report in 2003⁴³, the rapid scaling up of PAP has brought to light significant capacity gaps in the BMCs in areas such as budget preparation, costing, accounting records and reports, financial control procedures, and control systems⁴⁴. Several officials of MOEYS indicated the fact that more than 80% of administrative staff at provincial and district education offices are teachers by training and have no formal training in administration. The lack of relevant background and training makes it more difficult for them to get used to the PAP management. The study team was also informed during a field trip in Prey Veng that a number of school directors have had difficulty in handling the PAP reporting procedures. School directors as well as BMC staff attended training programs on PAP management, but a common view shared by officials at different levels was that the training was not enough for them to gain adequate skills to handle PAP. It is therefore suggested that donors continue to provide technical assistance to build capacity in this area.

Searching for complementarities of assistance modalities

Donor funding through direct budget support accounts for 18% of total donor assistance to the education sector in 2003. The Indicator Matrix adopted as part of the donor report for ESSP 2002 provides a target as "50% of total donor support for the education sector is provided through direct budget support by 2005".⁴⁵ However, the donor report for ESSP 2003 recognizes as, "Whilst the figures provided this year for the medium term clearly indicate that this target will not be achieved, it is suggested that this target should be reviewed in the context of the need to consider an optimal mix of modalities..."

⁴³ ADB and World Bank, Integrated Fiduciary Assessment and Public Expenditure Review (IFAPER), Cambodia, May 2003.

⁴⁴ PAP budget allocated to MOEYS was: 10 billion Riels (PAP 2000; US\$ 2.5 million), 25 billion Riels (PAP 2001; US\$ 6.3 million), 75 billion Riels (PAP 2002; US\$ 18.8 million), and 91 billion Riels (PAP 2003; US\$ 22.8 million).

⁴⁵ "Institutional Development, Capacity Building and Financial Disbursement," Education Sector Donor Report (2002)

This could suggest that a target setting driven by donors and without sufficient assessment cannot mobilize support by other stakeholders. Currently, budget support by ADB is targeted to the recurrent budget through PAP. The direct impact of the budget support, e.g. improvement of enrollment rate, has been reported in various occasions, but its effectiveness in institutional development in a sustainable way has yet to be seen.

UNICEF/Sida has been operating a technical assistance project to address the capacity gaps in PAP management at the provincial levels. The Education Quality Improvement Project (EQIP) financed by World Bank has also supported a participatory planning process at school clusters in three provinces and proved to be effective in complementing the PAP implementation. These are examples of good practices in which the advantages of different donor assistance modalities have been combined to address capacity and investment gaps identified in the sector.

Further enhancing capacity of donor agencies

Both MOEYS and ESWG recognize that the capacity of donors in understanding and engaging in the SWAp process has improved since its introduction. Nevertheless, a critical issue in this respect is the capacity of donors in dealing with the growing number of tasks required for aid coordination. Some donor advisors felt overwhelmed by the volume of administrative tasks resulting from the increased number of steps before consultation with MOEYS. A lesson from the experience of MOEYS and donors, as earlier mentioned, is that the reduction of the government's costs for donor coordination are achieved in part by increasing the donors' transaction costs. The study team received the impression that most of the donors do not appreciate the increase in their administrative burden; however, in consideration of the primary purpose of reducing MOEYS's cost, donors may have to accept the increased costs as well as to consider increasing their capacity to contribute to aid coordination.

The donor report for ESSP 2003 suggests several ways to enhance donor capacity, including complementary ad hoc workshops, seminars and discussion sessions on technical and strategic issues targeting donors.⁴⁶ In the past, a number of initiatives have been undertaken, including a workshop on budget support in 2002. It is expected that donors will obtain further understanding on strategic issues in this way; for example, through technical briefings by MOEYS technical advisors. The donor report also recognizes that a vast amount of information on aid management exists and it is difficult to know what will be potentially useful. In this respect, the report suggests that donors consider the establishment of a small document or information center, incorporating key information on the ESP/ESSP, donor policies/strategies and wider education and aid management information.

⁴⁶ Cambodia Education Sector Donor Report, presented for the 2003 ESSP Joint Review, May 2003

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Chapter 7. Health: The Sector-Wide Management (SWiM) Program and the Tuberculosis Sub-Sector Program

I. Sector-Wide Management (SWiM)

The Sector-Wide Management (SWiM) program represents a way for the government, donors and NGOs to work together in partnership to build a common vision for the health sector in Cambodia. The SWiM process was initiated in 1998 as part of the health sector reform program. The Ministry of Health (MOH), in collaboration with its partners, has so far formulated a sector strategy and conducted joint sector reviews through the SWiM.

1. Historical background and recent trends in donor assistance

External assistance to the health sector in the 1990s

The health sector in Cambodia has received support from a wide range of donors since the earliest days of reconstruction. In the 1980s and early-1990s, donor assistance was mostly in the form of health service delivery. Over the last decade, the focus of assistance has gradually shifted from delivering services by donor agencies themselves to strengthening the government's capacity to manage service delivery.

The Strengthening Health Systems Phase I (SHS I; 1992-1994), financed by ODA (presently DFID), UNDP and WHO, was the first attempt to bring a set of donor agencies together to jointly support the strengthening of MOH's organizational capacity. Phase I was followed by two additional phases, SHS II (1995-1997) and the Health Sector Reform Project (HSR III; 1998-2001), with additional financial inputs by NORAD and the Netherlands (HSR III only). Phase II and the Phase III built consecutively on each previous phase, providing continuity and building the basis for a longer-term development and reform program.

In 1997, ADB and the World Bank initiated loan programs in the context of health system reform, for approximately \$30 million and \$20 million respectively over 5 years. The current Health Sector Support Project (HSSP) is intended to be a direct follow-on to these projects.

Sector Program Approach since 1998

A number of individual projects tackled important sector weaknesses in 1990s, such as insufficient health infrastructure and inadequate technical and managerial skills of Ministry staff. However, major sector-wide problems were not adequately addressed. In particular, it was apparent that increasing salaries, improving the distribution of staff, regulating private sector health services, and improved and guaranteed long-term funding for the health sector in general required a sector-wide approach.

MOH and part of the donor community initiated the Sector-Wide Approach (SWAp) process in recognition of this need for a new and broader approach. The introduction of the SWAp process was led by WHO advisors and grew fairly smoothly out of HSR III⁴⁷. The Minister of Health expressed his personal support to the approach in February 1998, and this support was officially confirmed by MOH in early 1999.

According to CDC data, external funding for the health sector in 1999 amounted to US\$71 million (CR 268 billion). The data shows a declining trend in the total amount after 1999. In 2001, external

⁴⁷ One of the five outputs under HSR III was "Sector-wide approach to health development and investment adopted".

funding totaled US\$66 million, including of US\$21 million by multilateral agencies (of which US\$14 million was loans and credits by the World Bank and the ADB) and US\$31 million by bilateral agencies. External sources provide around two-thirds of public funding in health sector.

Table 7-1. Sources of external funding (\$US thousands)

Funding agency	1999	2000	2001	2002 est.
WHO	2,062	1,866	1,866	
UNFPA	2,756	2,614	2,547	2,813
UNESCO	30	4	7	6
UNDP	85	51	139	
UNICEF	969	882	996	4,160
UN Agencies	5,902	5,417	5,555	6,979
World Bank	6,134	5,722	6,688	N/A
ADB	6,608	8,239	7,665	N/A
European Union	2,191	1,582	1,316	1,761
Multilateral	20,835	20,960	21,224	8,740
Germany	2,869		2,150	2,400
Australia	3,665	3,367	2,188	1,367
Canada		49	181	259
Belgium	1,575	1,217	1,033	
Korea	180	94	94	95
Holland	1,122	753		
Thailand		180	180	90
Norway		474	451	
France	3,785	5,662	7,630	6,490
UK	5,967	5,955	2,461	1,799
USAID	9,000	7,368	11,014	17,000
Japan	3,842	4,629	3,286	2,088
Bilaterals	32,005	29,748	30,668	31,588
NGOs	18,035	17,002	14,283	N/A
Total	70,875	67,710	66,175	

Source: Council for the Development of Cambodia 2002 [Public expenditure review of the Cambodia health sector, 2002: Annex 1].

Note: The table above is for indicative purposes only since there may be some information gaps.

2. Mechanisms to manage aid coordination

The SWAp/SWiM process

In March 1999, MOH developed a document entitled “Step by step to a SWAp: action plan for 1999 and 2000” out of HSR III, with technical support from donor advisors. The document provided background information to support the introduction of the SWAp process and a preliminary timetable for moving toward a SWAp.

Table 7-2. Timetable for development of SWAp

Proposed steps		Target date
Step 1	Reconfirmation of MOH interest	Before mid-April 1999
Step 2	SWAp preparation activities and options identification	April – August 1999
Step 3	Consultation and options appraisal period	September – December 1999
Step 4	MOH produces SWAp policy paper	December 1999
Step 5	SWAp lead group formed	January 2000
Step 6	Sector partnership agreement	Quarters 1 & 2 2000
Step 7	Common management systems developed	January – December 2000
Step 8	Implementation of sector partnership agreement	January 2001

Source: Adapted from “Step by Step to SWAp: Action Plan for 1999 and 2000” by the author

The Box 7-1 describes the benefits of SWAp as envisaged by MOH at the early stage.

Box 7-1. What are the benefits of a SWAp?

The potential benefits of adopting a sector wide approach are:

- A coherent sector policy and budget based on a new partnership which examines the impact and value of money from the combined donor, government and community resources
- Improved Ministry of Health capacity to lead and manage health services and resources
- More flexible funding arrangements to ensure essential expenditures are covered
- Greater sustainability through government ownership of donor funded activities
- An effective avenue for donors to make a smooth exit from projects by reducing technical assistance but continuing financial support
- An effective means for donors to fund recurrent costs where all sides agree it is necessary and possible
- Enable reforms backed up by financial resources

Source: Step by Step to SWAp: Action Plan for 1999 and 2000.

The definition of SWAp provided in the Step by Step document was:

A new way of working for donors and recipient governments in which they together, in partnership, take a sector-wide approach to planning and financing health services, based on a set of policies that they all accept, a single combined budget for the sector and where appropriate systems for common management of resources.

The key milestones in the process of SWAp/SWiM are highlighted in Table 7-3. The process to date can be divided into three stages: preliminary arrangements followed by a shift from SWAp to SWiM; joint sector review and subsequent sector strategy formulation; and the Joint Annual Health Sector Review in 2003.

Table 7-3. Key milestones of SWAp/SWiM process

May 1999 – May 2000	Preliminary arrangements for SWAp (a stakeholder analysis to find out views of donors and government towards a SWAp; and study tours to Ghana and Bangladesh to review SWAp experiences)	Stage 1: Shift from SWAp to SWiM
July 2000	Sector-wide Master Plan and MTEF proposed by the Minister of Health (shift from SWAp to SWiM)	
December 2000	Joint Health Sector Review to identify key issues to be addressed and to set out possible options for future discussion	Stage 2: Sector strategy formulation as a joint initiative
Mid-2002	Health Sector Strategic Plan (HSP) 2003 -2007 and the 5-year Implementation Plan developed by MOH	
April 2003	Joint Annual Health Sector Review 2003 organized	Stage 3: Joint Annual Health Sector Review

Shift from SWAp to SWiM

In 1999, MOH conducted a stakeholder analysis to identify the positions of the major donors with regard to SWAp. Results of the analysis indicated that each donor had different views and positions on their support for SWAp. Relative positions of donors identified in the study could be classified into the following three categories.

- Cannot participate in SWAp (CIDA, EC and USAID)
- Support concept but unlikely to participate under the current timeframe established by MOH (AusAID, French Cooperation, JICA, UNFPA and UNICEF)
- Support and will participate (DFID, UNDP and WHO)

The reasons for taking these positions may have differed among the donors, but some informants speculated that they might include the reluctance of some donors to support the common fund approach generally associated with 'SWAp'. In response, the government made a series of attempts to identify an approach that would be more acceptable to all the key donors and consequently adopted a slightly modified scheme. In July 2000, the Minister of Health advocated that Sector-wide Management (SWiM) take the place of the previously proposed SWAp. He also proposed developing a Sector-wide Master Plan and a Medium Term Expenditure Framework (MTEF) under the SWiM. A SWiM Committee and a SWiM Technical Group to carry forward the SWiM process were established in this connection. The principle of SWiM is in line with that of SWAp, but the key difference between them is that SWiM does not include the common fund concept. The SWiM was thereby defined in such a way that MOH, donors and NGOs could all work together to build a common vision for the whole sector.

Sector strategy formulation as a joint initiative

The first joint initiative following the inception of SWiM was the Joint Health Sector Review in 2000. Within the context of the sector review, a workshop was organized by MOH in December 2000 with the financial support of ADB, DFID, WHO and the World Bank and attended by all the major donors. The Review identified a number of critical issues in the health sector and addressed possible options for future discussion and measures for sector strategy formulation.

The development of a sector strategy was subsequently initiated based on the findings of the joint sector review. The process leading to the Health Sector Strategic Plan (HSP) 2003-2007 document involved intensive work by a Core Team consisting of four MOH staff, technical assistance by a set of TAs, and support from the donor community through a series of Health Sector Partners Meetings as well as coordination by the SWiM Advisor. Six technical working groups were formed, each made up of a mixture of government officials and donor technical advisors. The group members worked closely with the Core Team to formulate detailed strategies in the six priority areas proposed in HSP. Senior officials, including the Minister, committed themselves to the overall supervision of the whole process.

The joint working process produced the following outputs.

- Health Sector Strategic Plan 2003-2007
- Medium Term Expenditure Framework
- Framework for Monitoring and Evaluation
- Framework for Annual Operational Plans
- 5-year Implementation Framework 2003-2007
- The Ministry of Health Planning Manual

The HSP, the first sector-wide policy and strategy for Cambodia, was launched and endorsed by the Prime Minister in August 2002. The plan provides a common strategic framework for the work of all the stakeholders in the health sector over the next five years.

Box 7-2. Six priority areas proposed in HSP

- Health service delivery
- Institutional development
- Quality improvement
- Human resource development
- Health financing
- Behavioral change

Source: Health Sector Strategic Plan 2003-2007

Following the launch of HSP, MOH developed a major sector-wide initiative, the Health Sector Support Project (HSSP) for 2003-2007 supported by ADB, DFID and World Bank, including counterpart funds from the government. The project was designed with the objectives of (1) developing affordable quality health services with emphasis on primary health care and first referral services in rural areas; (2) increasing the utilization of health services by the poor; (3) mitigating the

effects of infectious diseases and of malnutrition; and (4) improving the health sector's capacity and performance. The capacity improvement component of the project particularly aims at strengthening the capacity of MOH to undertake health sector reforms in accordance with HSP, including the capacity for evidence-based planning, health service management and financing, and monitoring and evaluation. The project started its implementation in January 2003.

Joint Annual Health Sector Review

The Annual Sector Performance Review was conducted in April 2003 jointly by the government and its partners with the objective of reviewing progress in health sector development, identifying key achievements, issues and constraints in the six key areas of HSP, and identifying indicators and priorities for its implementation for 2003-2004. Central, provincial and operational district government officials, donors and NGOs, as well as commune councils representing consumer groups attended the Review. The report of the Review established benchmarks to track progress in key areas of HSP, and to be utilized for the National Poverty Reduction Strategy as well as for the monitoring and reporting process of the Government/Donor Consultative Group in Social Development. The MOH is communicating with its partners for the preparation of the 2004 Joint Annual Health Sector Review, building on the discussions about its process, timing and contents at the CoCom Meeting in August 2003.

Institutional arrangements

The following key institutions played important roles in the process of the Health SWiM.

Coordination Committee for Health (CoCom)

CoCom, chaired by the Ministry of Health, has existed since 1991. CoCom is a forum for MOH and development agencies to discuss future policy development and planning for Cambodia's health services as well as coordination of current and future activities of all donors, NGOs and others working in the health sector. Permanent members include the MOH senior staff, donor agencies and MEDICAM (see below). CoCom meetings have been held on monthly basis and played a critical role in sharing information surrounding progress of SWiM among MOH and its partners.

Health Sector Partners Meeting

The Health Sector Partners Meeting was set up under the umbrella of Social Development Working Group (SDWG) with the objective of facilitating communication among donor agencies, in particular for coordinating donors' inputs around HSP development. The first meeting was organized in April 2001. The meeting is held on monthly or bi-monthly basis, and works closely with the SWiM Development Advisor, who in turn coordinates with the Core Team and the working groups for HSP. The meeting is occasionally attended by MOH officials as required. The partners met and worked together intensively during the period devoted for development of HSP, but the meeting phased out upon completion of the HSP in late-2002. The meetings resumed prior to the Joint Health Sector Review 2003, and have continued to take place on regular basis. According to some informants, the current role of the Health Sector Partners Meeting is less clear, in particular compared with the past when the Meeting took place with the specific objective of HSP development.

Core Team for HSP development

A Core Team, consisting of four MOH officials, was formed to facilitate the SWiM process, and in particular to develop HSP. The Core Team liaised with different stakeholders including MOH, donors and the six working groups for HSP, and reported directly to the Director General for Health and the Director General for Administration and Finance. The Core Team members took leaves of absence from their MOH positions and worked full-time for this assignment. The payment for their work was

co-financed by WHO, UNICEF and GTZ. Their work was supported by technical advisors contracted by WHO and DFID, including the SWiM Development Advisor.

SWiM Development Advisor

The SWiM Development Advisor was recruited in late 2001 with the financial support of UNDP and UNFPA through WHO. The primary objective was to provide technical advice to MOH on the development and coordination of all the SWiM preparatory and implementation activities. The Advisor, based in MOH, assisted the Core Team to coordinate preparation of HSP, the 5-year Implementation Framework and MTEF, and facilitated communication among MOH, the Core Team and the donor community in the joint working framework of SWiM.

MEDICAM

MEDICAM was founded in 1989 and officially recognized as an umbrella organization which represents NGOs active in the health sector in Cambodia in 1991. Within the context of SWiM and the HSP development, it has facilitated a coordinated approach to the work of NGOs. It has provided support to the development of the health sector in a variety of ways, including inputs to specific initiatives and mechanisms (e.g. technical working groups for HSP, Joint Annual Health Sector Review, CoCom), and initiatives to organize new working groups involving various stakeholders according to local needs.

Donor financing modalities

The 5-year HSSP started its implementation in January 2003. The project 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 project aims at improvement of health service delivery, support to priority public health programs, and strengthening of institutional capacity. Having an implementation body located within the Planning Department of MOH, HSSP is the primary body to carry forward the SWiM process and coordinate all the donor-funded activities.

In accordance with the principle of the SWiM, MOH has not received direct budget support characterized by direct payment of donor funds to the government Treasury. The majority of donor assistance to the health sector is provided in the form of project-type support (a list of major project-type assistance is provided in the Table 7-4).

Aid coordination within the framework of project-type assistance includes: (1) co-financing by more than two agencies or financing through a different agency, and (2) coordination of activities implemented by different donor-funded projects. The HSSP is an outstanding example of the former type of coordination within the context of SWiM. Other examples, including those initiated even before the SWiM inception, are provided in Box 7-3.

Box 7-3. Examples of co-financing for project-type assistance

- Three sector reform projects (SHS I, SHS II and HSR III; 1992-2002) funded by DFID, WHO, UNDP, NORAD and the Netherlands;
- DFID's support for reproductive health with UNFPA and malaria with WHO;
- USAID's support for reproductive and child health through NGOs;
- CIDA's support through WHO for strengthening infrastructure to promote DOTS expansion in tuberculosis control;
- JICA's support for expansion of immunization program through UNICEF.

There are many examples of coordination of activities implemented by different donor-funded projects in the health sector, in particular among national programs⁴⁸ receiving substantial donor assistance. Implementing different activities in a harmonized way as well as organizing and conducting joint activities are among various coordination schemes. For example, in the tuberculosis sub-sector, a number of activities have been supported in a coordinated way by a multitude of agencies including JICA, WHO, World Bank and NGOs. This topic will be developed further in the following section on aid coordination in the tuberculosis sub-sector.

Salary supplements from external funds and provision of financial incentives to the government staff is one of the key issues in aid coordination. Various donors and NGOs have provided financial incentives such as per diem payments typically associated with project activities. On some occasions, government staff have taken leave of absence to work for donor-funded activities with salary payments independent from the government's rules and regulations. As earlier mentioned, the Core Team members took leaves of absence from their MOH positions and were paid for their work by WHO, UNICEF and GTZ. DFID is currently in the process of assessing the applicability of the performance-based salary incentive scheme proposed under HSSP. A comprehensive mapping of salary supplement practices is beyond the scope of this study and this topic shall be discussed in the context of another study on capacity development under the Government Donor Partnerships Working Group.

⁴⁸ There are four national programs under MOH, namely (1) Malaria, Dengue and Filariasis; (2) HIV/AIDS; (3) Tuberculosis; and (4) Maternal Health.

Table 7-4. Major Project-type Assistance to the Health Sector in Recent Years

Organization	Project Name	Period	Major Activities	Funding (US\$ million)
ADB	Basic Health Services Project	1997–2002	(1) Construction and rehabilitation of health facilities, (2) drugs and medical equipment, (3) health sector reform pilot (contracting), and (4) capacity building of district managers, supervisory systems	25.0.
	Basic Skills Project	1997–2000	HRD	5.3
	JSF Grant	2001–2002	Increased capacity of National AIDS Authority	0.6
	Regional HIV/AIDS (JFPR)	2002–2004	Behavioral change communication and condom promotion in Cambodia, Lao PDR, and Viet Nam	2.0
	Health Sector Support Project (co-financed by ADB, WB and DFID)	2003-2007	(1) Improved delivery of health services, (2) Support to priority public health programs, and (3) strengthening of institutional capacity.	20.0
AusAID	Health Promotion and PHC Project	1997–2001	(1) Capacity building for the National Health Promotion Center, (2) strengthening capacity of Kompong Cham Regional Training Center, (3) construction and rehabilitation of health facilities and HRD in three ODs of Kompong Cham, and (4) Support to Expanded PI program	6.9
Belgian Cooperation (with Medecines Sans Frontieres and UNICEF)	New Deal	1999–2002	Alternative mechanisms of health service delivery and financing	0.2
CIDA	Counterpart Funding Program	2001–2005	Funding of NGO proposals for capacity building at OD and provincial level.	2.6
	HIV Care and Prevention	2001–2003	HIV prevention (through World Vision) focusing on the Route 1 area.	0.3
DFID	Health Sector Reform Project (SHS I, SHS II and HSR III; co-financed by DFID, WHO, UNDP, NORAD)	1992–2002	Strengthening capacity of MOH to develop and manage health sector reform initiatives; implementation of district based health care systems, alternative services delivery models including approaches with the private sector; development and evaluation of health financing models, support to moving towards a sector wide approach	7.0
	HIV/AIDS Program (To Be approved)	2002–2007	Multi-sectoral support aimed at strengthening Cambodia's Response to HIV/AIDS	22.0
	Support social marketing of condoms.	2001–2006	Increased access to affordable, quality condoms particularly by people whose behavior the vulnerable population.	8.4
	Reproductive health with UNFPA	1998–2001	Strengthened capacity for planning and implementing reproductive health components to services; increasing access to modern contraception; improved STD services; improved access and utilization of maternal services.	2.7
	Malaria with WHO	1990–2000	Reduction in the mortality and morbidity from malaria through: the improved treatment of malaria; strengthening laboratory services; improving drug supply; increasing use of insecticide treated nets.	3.5
	Health Sector Support Project (co-financed by ADB, WB and DFID)	2003-2007	(1) Improved delivery of health services, (2) Support to priority public health programs, and (3) strengthening of institutional capacity.	22.2 (10.4 through ADB, and 1.8 through WB-IDA)
European Community	Infectious disease control	1999–2002	HIV/STD control in Phnom Penh	4.5
	UNFPA regional YRH Program	1996–2001	Youth Reproductive Health: HIV/AIDS and STI prevention	6.8 regionally
	Regional Malaria Control	1998–2001	Support for National Malaria Control Program	4.2 for Cambodia
Global Fund to fight AIDS, TB and Malaria	Country Coordinated Proposal	2002–2004	Treatment and prevention of HIV/AIDS, malaria and tuberculosis	16.0 (additional resources expected)

				in 2003)
GTZ	Country Program	2000–2003	(1) Institutional strengthening of NIPH, (2) health system development in Kampong Thom and in Kampot, (3) HRD support at MOH and Regional Training Center in Kampot, and (4) midwifery training.	3.6
JICA	MCH Program	1995-2000, 2002–2005	Support to the National Maternal Child Center Hospital in Phnom Penh, including construction, supplies, equipment, and training.	5.0
	Support for TB Control Program	1999–2004	(1) TB control in Phnom Penh, (2) central-level capacity building for the National TB Program, (3) IEC and teaching material, (4) epidemiological research, and (5) HIV testing for TB patients.	7.0
	EPI support	2001	Provision of vaccines and basic medical equipment through UNICEF.	2.6
	Human Resource Development of Co-medicals	2003-2008	Improving the capacity of co-medicals trained at public health institutions	
KfW	EPI Support	1995–2005	Core funds to government for purchase of essential drugs.	17.2
NORAD	Health Sector Reform Project (SHS I, SHS II and HSR III; co-financed by DFID, WHO, UNDP, NORAD)	1992–2002	Strengthening capacity of MOH to develop and manage health sector reform initiatives; implementation of district based health care systems, alternative services delivery models including approaches with the private sector; development and evaluation of health financing models, support to moving towards a sector wide approach	1.6
Packard Foundation	Support to Reproductive and Child Health Alliance	2001–2006	Family planning, HIV/AIDS, STD in four provinces.	2.6
UNDP	Health Sector Reform Project (SHS I, SHS II and HSR III; co-financed by DFID, WHO, UNDP, NORAD)	1992–2002	Strengthening capacity of MOH to develop and manage health sector reform initiatives; implementation of district based health care systems, alternative services delivery models including approaches with the private sector; development and evaluation of health financing models, support to moving towards a sector wide approach	5.4
UNFPA	Second Country Program in Reproductive Health	2001–2005	(1) Reproductive health: midwifery training, capacity building of NMCH program managers, (2) contraceptive supply security, (3) advocacy for gender-sensitive policies, plans, and strategies, and (4) HIV/AIDS.	
UNICEF	Master Plan of Operations	2001–2005	(1) Support to MOH for policy and guideline development for children's rights in five provinces, (2) HIV/AIDS, (3) health and nutrition, (4) essential drug procurement, and (5) reproductive health.	
USAID	Various	2003–2005	(1) HIV/AIDS/STI, (2) reproductive and child health (through NGOs), and (3) health system development in selected ODs.	45.0 projected
WHO	Health Sector Reform Project (SHS I, SHS II and HSR III; co-financed by DFID, WHO, UNDP, NORAD)	1992–2002	Strengthening capacity of MOH to develop and manage health sector reform initiatives; implementation of district based health care systems, alternative services delivery models including approaches with the private sector; development and evaluation of health financing models, support to moving towards a sector wide approach	1.9
	Country Program	2001–2005	(1) Strengthening health sector policies, systems, and partnerships; (2) improved access and quality of health services; (3) environmental health/tobacco control; and (4) National Malaria and Dengue Control.	33.5 projected
World Bank	Disease Control and Health Development	1997–2002	(1) National program support for prevention of TB, malaria, HIV/AIDS; and (2) health service strengthening through construction of health facilities and health personnel training.	30.4
	Health Sector Support Project (co-financed by ADB, WB and DFID)	2003-2007	(1) Improved delivery of health services, (2) Support to priority public health programs, and (3) strengthening of institutional capacity.	27.0

Source: Asian Development Bank (2002), Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Kingdom of Cambodia for the Health Sector Support Project (RRP: CAM32430): Appendix 2. The information has been updated and modified by the author; however, the list may not be exhaustive.

3. Achievements of aid coordination

Ownership

The overall process of the HSP development was governed and led by the senior officials of MOH including the Minister, Secretary of States and Director Generals. Several key informants suggested that the commitment of the senior officials facilitated the process of organizational decision making, and consequently contributed to the efficiency of the HSP development work.

A number of informants indicated that the joint working process involving donors and all the departments of MOH was the key element for success, and that the joint working process was instrumental in making MOH officials better understand HSP as well as to equip them with readiness to implement HSP as their own strategic plan. Currently, there is an initiative to increase ownership of the strategic plan at provincial and operational district offices, especially in six provinces supported by UNICEF. The study team observed during the field study in Prey Veng that the Ministry of Health Planning Manual⁴⁹, which was developed in conjunction with the HSP, has been increasingly used for decentralized and costed planning at provincial and operational district offices. The MOH plans to have referral hospitals and health centers develop costed annual plans from 2004 onward. It is certainly a good indication of the decentralized ownership of the strategic plan and it needs to be further enhanced.

Capacity

The capacity of MOH officials, especially in understanding the sector strategy and leading joint working process with donors, may depend on individual expertise and familiarity with topics of discussion. During the 2003 Joint Review, each of the six technical working group sessions went forward with different degrees of involvement and leadership of MOH officials. While donor participants mainly facilitated and led some of the working groups, government officials demonstrated their capacity in leading discussions in some other groups. While it may be too early to draw conclusions about the capacity of MOH officials, the series of the joint working activities (represented by the Joint Sector Review) have been perceived by many as a capacity building process for MOH officials.

Overlaps of donor assistance

The Health Sector Partners Meeting has primarily served as a forum for discussing issues around the HSP among donors. However, it also provided opportunities for donors to share information and consult with other partners on their future plans and status of program implementation. For example, the EU recently brought its plan to provide assistance for MOH to the Health Sector Partners Meeting and consulted all the donors for potential areas that could require support. The framework of Health Sector Partners Meeting has thus played a role in helping the donor community adjust activities among themselves, in order to avoid overlaps of assistance.

Transaction costs to the government

The administrative burden on the government of coordinating with each donor individually is an important issue of aid coordination. To date, limited evidence has been reported about the effectiveness of SWiM in this respect. However, there is a potential to achieve a reduction in the administrative burden of MOH if the current aid coordination mechanisms (including joint planning and reviews) continue. In fact, GTZ indicated that its project review will be integrated into the annual joint health sector review from 2004 onward. UNFPA also intends to take a similar approach for its

⁴⁹ The Ministry of Health Planning Manual was initially developed in 1999. The Manual was renovated and published in March 2003. The latter version of the Manual is designed to guide development of costed work plans.

project review. Some informants believe that this kind of the arrangement could potentially reduce administrative costs to MOH, by reducing reporting requirements to MOH imposed by different projects, and reducing the administrative resources required to organize separate review workshops. However, there is still a need to elaborate the modality of integrating the project reviews into the sector review.

These efforts at improving aid coordination may well contribute to the improvement of the health sector's performance in a long run. In fact, this is one of the reasons many donor representatives are so interested in improving aid coordination. However, HSP is still in its early implementation stage, so it is still too early to discuss its achievements in the health sector.

Sustainability

The development of the HSP, MTEF, 5-year implementation plan and initiation of its review process could be counted as a progress in terms of the institutional capacity building of MOH and a step towards the development of a sustainable government system for coordinating aid in the health sector. Most government officials and donor representatives interviewed regarded HSP as the basis to enhance sector-wide management capacity of MOH and the umbrella framework for health sector activities through the NPRS.

However, some key challenges lie ahead to enhance sustainability of aid coordination systems initiated under HSP, including the strengthening of the system to collect donor assistance information, the capacity to implement HSP, and the coordination with national programs in health, which are discussed in detail in the next section. Addressing these challenges will help strengthen institutional capacity of MOH to manage the sector program and enhance the sustainability of aid coordination systems at MOH. As part of MOH's effort, the Health Sector Support Project (HSSP) funded jointly by World Bank, ADB and DFID started recently to strengthen the system within MOH, alongside implementation of HSP and building sustainable health system.

4. Lessons learned from aid coordination

Contributing factors to achievements

Developing agreement on the general principles of partnership at an early stage facilitates later progress.

At the introductory stage of SWAp, MOH recognized that several donors had difficulty fully supporting the principles of SWAp, specifically single combined budgeting. In response, MOH made it clear that it had no intention of excluding any donor from partnership and took up the SWiM approach instead of the earlier proposed SWAp. Most of the donor representatives interviewed in the present study expressed their support to the principles of SWiM and the SWiM process has seen active participation and cooperation by all the major donors.

Strong commitment of high-level officials contributes to efficient decision making processes.

The HSP development process involved several key steps that required critical decision making at the organizational level. A prolonged process is normally required before making such organizational decisions in Cambodia's context. However, an informant indicated that the strong commitment to the HSP development work by the senior officials, including the Minister, Secretary of States and Director Generals, contributed to efficient decision making processes and smooth implementation of the work.

Establishing an effective collaborative framework and a sufficiently consultative process is indispensable for the success of strategy development.

A number of interviewees agreed that the working framework (which involved inputs from the Health Sector Partners Meeting, the Core Team and the SWiM Development Advisor) was indispensable for the successful development of HSP. In particular, they stressed that the process, which took around one year and involved consultations with various stakeholders, was key to later achievements. This experience implies that establishing an effective collaborative working framework and a sufficiently consultative process are a key to successfully developing sector-wide strategy.

Personal ties can help complement formal coordination structures.

While acknowledging the significant value of formal coordination frameworks such as the Health Sector Partners Meeting, a number of people interviewed by the study team mentioned the importance of personal ties between individuals representing donors in carrying forward aid coordination. Their experience with the SWiM process suggests that formal meetings and circulation of notes by e-mail generally serves the purpose of information sharing among donors, but that personal connections between individuals also carry critical information not shared through formal channels and of great interest to donors.

Future challenges

Establishing a system to collect donor information

The foremost among all the challenges facing MOH, is establishment of a sustainable and reliable system within MOH to collect and disseminate donor related information on current status and future plans of donor assistance. Reliable information on donor funding is particularly required for feeding MOH's investment figures to PIP and MTEF, as well as for development of costed plans at the central and provincial levels. The International Relations Office of MOH in collaboration with the Council for Development of Cambodia (CDC) has been working on building the AID Management Information System (AIDMIS), but it has not yet produced satisfactory outputs. Several obstacles to such a system have been identified, such as the complexity of categorizing donor assistance by funding and implementation schemes. While acknowledging the need to improve communication within the Ministry, an MOH official pointed out the importance of further cooperation of donors, especially in information sharing around donor activities and funding. A government official of MOH stressed that the information on donors' inputs to each province is critical to carry forward the decentralized planning process under the current health sector reform. These challenges need to be addressed, potentially by technical assistance from donors to develop the data management capacity of the International Relations Office, in particular to carry forward future aid coordination. The education sector has been largely successful in strengthening the AIDMIS and its process may possibly be applied to the health sector.

Revising the roles of CoCom and the Health Sector Partners Meeting

The existence of two coordinating frameworks, namely CoCom and the Health Sector Partners Meeting has undoubtedly contributed to advancement of the SWiM process to date. However, the Health Sector Partners Meeting has lost its direction and entered a transition period, particularly since the completion of the HSP development in August 2002. The roles of the Health Sector Partners Meeting alongside CoCom may therefore well have to be revised in order to identify the best arrangement that enables MOH and partners to maximize the effectiveness of donors' assistance as well as to minimize the transaction cost that is required for MOH in coordination with donors. It may be helpful for MOH and partners to review coordination frameworks and how they work in other sectors, e.g. the education sector, in order to obtain ideas for better coordination.

Putting the plan into practice for better health service delivery

Although the MOH has made a major progress in developing the HSP with support of its partners, the HSP's implementation remains as a major challenge. In particular, the need for capacity development at the sub-national level seems to be large, although it is not necessarily clear what kind of skills are in short supply. There are some indications, however. For example, our field study in Prey Veng has revealed obvious capacity gaps in such areas as accounting and financial management at local offices, which may constrain effective implementation of the strategy. MOH officials working at the operational level also stressed that technical staff, in particular of midwives working in the government system, is far from sufficient to achieve better health service delivery under the HSP. Therefore, there is an urgent need for MOH to identify capacity gaps in administrative and technical skills in the government's health system that are required for the implementation of HSP.

Some external partners are already providing technical assistance for capacity development in the health sector.⁵⁰ The ongoing projects alone, however, will not be sufficient to meet the vast need for capacity development. Additional resource mobilization will be needed to achieve the sector targets set out in the HSP. It is important to make sure that new projects are aligned under the HSP and the resulting capacity development needs.

Enhancing coordination of donor assistance with national programs

The coordination of donor assistance with national programs (or vertical programs) should be discussed from two different aspects: (i) information sharing on donor assistance to national programs; and (ii) coordination of financial incentives provided at the health center level.

(i) Officials at the central departments of MOH reported that they have faced difficulties in obtaining information on donor assistance provided for national programs, especially inputs to each province. This has made it difficult for them to develop budget/expenditure plans and to estimate overall resources available. Thus, there is a clear need to consolidate the information system within MOH, such as the AIDMIS, that includes assistance information provided for the national programs.

(ii) It was reported that different per diem schedules between different national programs set by each donor and NGO have distorted incentives for staff at health centers and resulted in allocation of personnel that do not reflect true local needs. This problem was also reported by MOH officials at the operational level who attended the thematic workshop organized by the study team. Several donor staff also indicated that this per diem issue is one of the major challenges to be addressed through aid coordination. However, the findings from our field study in Prey Veng were somehow inconsistent with the above arguments. As far as the officials interviewed at the local offices and health centers were concerned, the different per diem schedules were not perceived as a big issue. There may be a need for a study to find out where truth is and identify what measures are needed to address this issue through aid coordination and in a broader context of the health sector reform.

Local presence of committed donor representatives and staff

The importance of personal ties among individuals representing donors was earlier mentioned. In turn, the presence of donor representatives and staff committed to the SWiM process and based in country will be critical to continue this level of personal communication. Several donor representatives

⁵⁰ The HSSP financed by World Bank, ADB and DFID started its implementation in 2003, aiming at improving service delivery and strengthening the system within MOH in line with the scope of HSP. WHO will continue to provide assistance mainly in capacity development of officials at the operational level in MOH. UNICEF will continue to provide assistance in administrative capacity development of the provincial and OD offices, in particular of planning, monitoring and evaluation. JICA has started a project to develop technical capacity of co-medicals at public health institutes. Other donors and NGOs also provide assistance with different focuses.

stressed the importance of this during interviews. The availability of local committed donor representatives is an issue facing all donors who wish to improve aid coordination.

Addressing problems resulting from the low salary payment

The low salary issue is seen by many as the root cause of many other problems in the civil service. Several MOH officials interviewed reported that the low salary problem causes a number of other problems, including the lack of staff motivation, weak commitment to their assignments, and brain drain, particularly of those trained by donor support. The low pay issue is particularly problematic in the health sector because the income opportunity of professional staff such as medical doctors and nurses outside the civil service is high. Another problem associated with low pay is the distribution of technical staff to remote areas. In Prey Veng, which is one of the poorest provinces in Cambodia, professional staff are in short supply, particularly in remote areas.

While government-wide pay reform is underway through the initiative of the Council for Administrative Reform, the MOH is taking some interim measures. For instance, the MOH has initiated the “contract-in” that targets 11 operational districts as part of the HSSP supported by World Bank, ADB and DFID. The contracting-in is intended to contract health service delivery to local NGOs, aiming to improve the performance of underserved areas. It was also suggested that the MOH might want to consider creating incentive schemes for technical staff to work in remote areas (e.g. incentive payments through PAP, which has been introduced in the education sector). Coordinated support for realistic, effective measures such as these will be critical until national administrative reforms start to take effect.

Address the problem of PAP and ADD disbursement jointly with MEF and MOEYS

The PAP and ADD disbursement was raised as a key issue to be addressed in the Joint Annual Health Sector Review in April 2003 and the thematic workshops organized by the study team in November, 2003. For instance, in 2002 the amount of PAP release totaled 92 percent of allocated budgets, but the monthly distribution of the release was uneven and concentrated in the last quarter of 2002. The amount of PAP release in the first semester 2003 was reportedly less than 50 percent of allocated budget. The MOH has been making efforts to address this problem through working with MEF. As a recent initiative, the MOH formulated a PAP Taskforce jointly with MOEYS and MEF in September 2003. As was discussed in Chapter 6 (Education), in order to expedite this process, the Financial Reform Working Group and Social Development Working Group assisted the formulation of the Taskforce to support the efforts of the ministries. The collaboration of the two Working Groups may present a good practice of new partnerships, which should be actively sought in the future.

II. Tuberculosis Sub-Sector

The National Tuberculosis Control Program (NTP) was established in 1980 and operates under the responsibility of the National Center for Tuberculosis and Leprosy Control (CENAT) and within the overall national health system. NTP, which is one of the four national programs under MOH, supports tuberculosis (TB) control activities through technical advice, provision of equipment and supplies, training of staff and outreach activities.

1. Historical background and recent trends in donor assistance

Historical background

Over the last decade, MOH has undertaken health sector reform with the overall strategy of improving equity and accessibility to essential health services. TB treatment has been addressed within this context. Institutional frameworks for TB control established during 1990s include the NTP Work Plan 1993-1997 and the Tuberculosis Plan 1997-2000. The National Committee for TB control, headed by the Prime Minister, was established in 1995 and is viewed as an indication of the government's political commitment to TB control.

The key milestone in the history of NTP is the introduction of the Directly Observed Treatment, Short-course (DOTS) strategy in 1994. The DOTS, recognized as one of the most cost-effective health interventions by WHO, replaced previous longer-duration treatment strategies. NTP successfully extended the DOTS strategy country-wide within five years after its introduction.

Since 2000, the progress of NTP has accelerated with increased donor assistance. Major achievements in the recent years are listed below.

- 2000 – 2001: A Drug Resistance Survey was conducted by NTP with the support of JICA TB Control Project, Research Institute of Tuberculosis (RIT/Japan) and WHO.
- April 2001: The Inter-Agency Coordination Committee (ICC) was set up to serve as an official forum for information exchange and discussion among NTP and its partners.
- June 2001: The second TAG Meeting was held in Beijing, with the focus on country needs, financial gaps and assisted partnerships.
- July-Nov 2001: The National Health Policies and Strategies for TB control in Cambodia (2001-2005) and the National Health Strategic Plan for TB Control (2001-2005) were developed in collaboration between the NTP and its partners.
- April-Dec 2002: The National TB Prevalence Survey was conducted with the support of JICA TB Control Project, the Disease Control and Health Development Project (World Bank) and WHO.
- August 2002: The National Framework for TB/HIV was established with the support of USAID (Center for Disease Control, US), JICA and WHO, and endorsed by MOH.
- January 2003: The National Survey on HIV prevalence among TB cases was conducted with the primary support of JICA.

Trends in donor assistance

External technical collaboration has been led by WHO and JICA. WHO has assigned a TB specialist to the NTP since 1993 and collaborated closely with the NTP, especially since the inception of DOTS in 1994. JICA has been supporting laboratory activities in CENAT since 1993 by means of the placement of technical advisors and the provision of laboratory equipment. A Japanese grant has also been provided to rebuild the CENAT technical and administrative center in Phnom Penh. In addition, JICA started a 5-year technical assistance program in August 1999 with technical support from RIT/Japan.

The current principal financial partners are JICA and World Bank, additional support is provided by USAID and CIDA, and WFP contributes food to a nutritional support scheme for TB patients. In addition, Cambodia has submitted an application to the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM).

The government contribution to the NTP budget is relatively small (12% of existing resources), making NTP heavily dependent on continuing external support. Though disbursement figures are not available, budget figures and gaps are estimated in the WHO Report 2003. With the estimated donor funding of US\$ 3.6 million and the NTP budget of US\$ 0.5 million, a funding gap of US\$ 0.8 million has been identified for 2003.

Table 7-5. Budget Estimates, Existing Funding, and Budget Gaps for 2003, US\$ millions

		Funding Required	Expected Resource Availability					Funding Gap
			Government (Central)	Government (Peripheral)	Insurance	Grants	Loans	
NTP budget								
	Drugs	1.2	-	-	-	1.2	-	-
	Diagnostic supplies	0.2	-	-	-	0.1	0.1	-
	Basic NTP activities	1.0	-	-	-	0.4	0.6	-
	Treatment observation	-	-	-	-	-	-	-
	Activities to increase case detection	0.3	-	-	-	0.2	0.1	-
	Equipment / vehicles	0.7	-	-	-	0.5	-	0.2
	Dedicated facilities	0.7	0.2	-	-	0.3	-	0.2
	Dedicated staff	0.8	0.3	-	-	-	-	0.5
	Total NTP budget	4.9	0.5	-	-	2.7	0.9	0.8
Infrastructure costs								
	Shared staff / Shared facilities	5.0 ^a	5.0 ^a	-	-	-	-	-
Total TB Control Costs *		9.9 ^a	5.5 ^a	-	-	2.7	0.9	0.8

Source: WHO Report 2003, Global Tuberculosis Control: Surveillance, Planning, Financing.

- Indicates zero

* Includes NTP budget and infrastructure costs

^a WHO estimates, data not provided by the NTP

2. Mechanisms to manage aid coordination

A number of efforts have been made to improve the coordination of aid for TB control in Cambodia. They include: partnership meetings for technical discussions and political dialogue; joint initiatives to develop strategies and policies; implementation of different activities in a harmonized manner; and co-financing for common activities such as training, surveys and workshops.

Institutional frameworks and working arrangements that have played significant roles in aid coordination of the TB sub-sector are described below.

National Committee Against Tuberculosis

A multi-sectoral partnership chaired by the Prime Minister, the National Committee Against Tuberculosis, was established in 1995 in recognition of the need to include all key sectors to address TB problems. The Committee recognized that national resources are inadequate for complete TB control and acknowledged the need for coordinated international partnerships. It has served as a base to effectively manage partnership relations for TB control despite the severe constraints on staff capacity and competing demands.

Interagency Coordinating Committee (ICC) for TB control

A technical committee, the Interagency Coordinating Committee (ICC) for TB control, was established in April 2001. The committee gained a more formal institutional framework after the second meeting of the Technical Advisory Group (TAG) for Tuberculosis in Beijing, June 2001. ICC holds quarterly meetings and serves to coordinate among all the stakeholders in the TB sub-sector. The main terms of reference of the committee are to provide technical advice on program management and to assist the program in coordination as well as resources mobilization. So far, ICC has been functioning as the official forum for discussion and information exchange among NTP and donors.

Working Group for development of the policy and the strategic plan

During the process of developing the *National Health Policies and Strategies for TB Control (2001-2005)* and the *National Strategic Plan for Tuberculosis Control (2001-2005)*, a Working Group was set up under the supervision of the Director General for Health Services of MOH, with members from CENAT and the Department of Communicable Diseases Control. Technical assistance was provided by JICA, World Bank, WHO, MEDICAM and USAID to draft the documents. All the main partners, both within and outside the government, participated in the development of the document.

Alliance of project advisors based in CENAT

Though not a formal institution, an alliance of project advisors (mainly from JICA, the World Bank and WHO) has played a significant role in the coordination of donor assistance to NTP. Based in CENAT, they have met with the NTP director and other staff frequently and served as a focal point for the partners of NTP. In particular, during the process of developing the policy and the strategic plan in 2001, the advisors of the JICA TB Control Project and the World Bank Project worked closely and intensively with the Working Group of NTP and provided technical advice in consultation with other partners.

3. Achievements of aid coordination

Ownership

The process leading to the establishment of ICC was led by the government with the commitment of the Director of NTP. In response to the recommendation made at the 2nd TAG Meeting in Beijing in 2001, the ICC was further consolidated. ICC has served as the formal partnership framework for TB control under the leadership of the director of NTP.

Development partners of NTP reported that the Working Group, comprising the director and other core staff of NTP, were fully committed to the work of developing the *National Health Policies and Strategies for TB control in Cambodia (2001-2005)* and the *National Health Strategic Plan for TB Control (2001-2005)*, and have demonstrated leadership and ownership in the process.

Capacity

Certainly, the capacity of the NTP staff has been strengthened over the past few years, as demonstrated by the improved performance of the TB sub-sector. In terms of the capacity to lead aid coordination, some development partners observed that the director of NTP has gained skill in coordinating donor agencies over the past years, especially through the process of developing joint policy and strategy documents. However, the capacity of the administrative staff, in particular the ability to better respond to donors' and NGOs' requirements (e.g. writing progress reports) is still in the process of improvement through technical assistance from donor advisors. The majority of the administrative staff within MOH, including NTP, has technical backgrounds such as nursing and are not formally trained in administration. This suggests that further intensive capacity development of the administrative staff is required.

Aid effectiveness

ICC and other informal meetings have served as forums to share information among NTP staff and donors. Donor agencies have consequently become better informed of other donors' plans and activities. The director of NTP and some development partners expressed their appreciation of the improved information flow that has enabled donors to coordinate with other agencies and avoid overlaps.

The policy and strategic plan documents in 2001 resulted from intensive joint working efforts involving the Working Group of NTP and project advisors based in CENAT as well as other partners. These documents have provided guidelines to match donor support more closely with sub-sector priorities. In fact, since 2001, CIDA/WHO, GFATM, TB Coalition for Technical Assistance (TBCTA) have initiated new project activities explicitly based on priorities identified in the strategic plan.

Sustainability

Institutional development of NTP has been achieved by means of various approaches. In the context of aid coordination, the policy and strategic plan documents were developed by NTP with technical support of the advisors of JICA and World Bank as well as participation of a wide range of other development partners. These documents were the first of their kind in the TB sub-sector in Cambodia, and provide a base for further coordination in planning and implementation of donor assistance.

4. Lessons learned from aid coordination

Contributing factors to achievements

Strategy development is more effective if government officials and donors work together to develop plan documents.

In contrast to the two national work plans developed in 1990s, the sub-sector strategic plan 2001-2005 has been used as a practical tool to direct NTP and donor assistance under the leadership of the NTP director. Factors for the success may vary, but (according to several interviewees) might include the effective working process taken during the development of the documents. In practice, the JICA Project Leader and the World Bank advisor closely worked with the NTP director and staff, provided timely technical support and efficiently liaised with other partners. A policy and strategic plan that is understandable by the NTP staff, applicable in practice, and acceptable by donor agencies was thus developed.

Multiple informal channels of information sharing can complement formal coordination mechanisms, under the right conditions.

ICC has served as a forum for dialogue and information sharing among partners in the TB sub-sector. On the other hand, informal working arrangements among advisors of major donors including JICA, World Bank and WHO have also significantly contributed to enhanced information sharing among stakeholders. For example, the project leader of JICA and the WHO consultant meet with the director of NTP both regularly and on an ad hoc basis, and share critical information arising from the small meeting with other partners. Weekly newsletters published by the JICA project leader have been used to update donors on issues surrounding NTP. An additional example of informal information sharing activity is a briefing on NTP activities voluntarily provided by a group of donor advisors when there is a new partner joining the TB sub-sector.

Thus, much of the coordination within the TB sub-sector has been efficiently managed by a small group of donor advisors. The reasons this has been possible, as identified through interviews, include: (1) the donor advisors have sufficient capacity to lead donor coordination, (2) the NTP director has high personal motivation to cooperate with the donor advisors, and (3) ease of communication due to physical presence of donor advisors within the CENAT premises.

Combination of schemes of different donors can increase the efficiency of program implementation.

Different donors have different rules and regulations applied to their own project assistance. Some donors reserve the authority to make large parts of management decisions for the headquarters office, whereas others delegate some financial authority to local project offices. The agency specific schemes often constrain efficient implementation of projects, but the allies of donors supporting NTP have turned them into an advantage by consciously allocating tasks so that the strengths and weaknesses of different donor assistance schemes complement each other. For example, several workshops organized in connection with the National TB Prevalence Survey (2001) were sponsored jointly by the Disease Control and Health Development Project of the World Bank and JICA TB Control Project. The World Bank covered direct costs for the workshops, and JICA covered transportation fees and incentives for participation – the items that had not been included in the World Bank's project items and could have required another month for authorization. Thus, donor assistance was combined in such a manner to increase efficiency of program implementation.

In other words, the aid coordination in the TB sub-sector has involved not only increased alignment of donor assistance to the policy framework, but intensive collaboration among donor projects in the implementation of project activity components. The donor advisors involved in these processes stressed that their close personal relationship was a key for effective aid coordination at the project operation level.

Future Challenges

Establishment of an improved information system

Information sharing among partners has been facilitated over the past a few years. However, there still is no organized system to collect data and information relating to donor support, e.g. project list, funding figures, etc. Establishing such a system through the collaborative efforts of NTP and its partners is one of the next challenges for the TB sub-sector. This issue, alongside other challenges facing NTP, is expected to be addressed at a joint review of the TB sub-sector scheduled for February 2004.

Coordination with other national programs

The issue of coordination with other national programs may have to be addressed within the overall context of health sector reform rather than dealt with from the aid coordination aspect. As earlier mentioned under the “Future Challenges” of the health SWiM, the problem of the different per diem schedules among different national programs was raised as an issue that may possibly have distorted incentives for staff at health centers and resulted in allocation of personnel not reflecting true local needs. Another study with the focus on this issue should be initiated to identify practical measures to address the problem in the context of aid coordination as well as in a broader context of the health sector reform.

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Chapter 8. Local Governance: Seila Program

The Royal Government of Cambodia initiated the Seila program in 1996 to institute decentralized systems and strategies for poverty alleviation and good governance at the provincial and commune levels. Beginning with 5 provinces in 1996, its coverage expanded to all 24 provinces in 2003. Seila also developed mechanisms of cross-sectoral aid coordination, including a core support component and a supplementary component. As of 2003, three donors are providing support for the core component using a trust fund in which donors share costs (cost-sharing). A number of other donors and agencies support the supplementary component, using the Seila framework to deliver services to target groups within their own projects.

1. Historical background and trends in donor assistance

Historical background

Decentralization in Cambodia has gained momentum since the formation of a new government in November 1998. It has been carried out as an integral part of the broader state reforms stipulated in the Governance Action Plan.⁵¹ The Commune/Sangkat Administration Law and Commune Election Law were promulgated to govern the administration and elections of the Communes/Sangkats in January and March 2001, respectively.⁵² The National Committee to Support the Commune (NCSC), an inter-ministerial committee, was established in May 2001 to steer the decentralization process and the Department of Local Administration was established at the Ministry of Interior in July 2001. The first commune elections were held in February 2002 to establish Commune Councils, the first elected bodies at the sub-national level in Cambodia.

The Seila program (hereinafter referred to as Seila), which officially started in 1996, is a national program aiming to achieve poverty reduction through local development and improved local governance.⁵³ In this context, Seila has been taking initiatives to decentralize governance in Cambodia.⁵³ It started pilot programs in five provinces supported by Cambodia Area rehabilitation and Regeneration Project (CARERE2).⁵⁴ It then gradually expanded to cover 12 provinces by the end of 2000.⁵⁵

A program evaluation of Seila conducted in March 2000 concluded that its impact had exceeded the levels originally expected.⁵⁶ It was decided that Seila should extend its program period up to 2005, during which more provinces would be covered. With the election of Commune Councils in February 2002, the Government at national and provincial level assumed responsibility for supporting all the Councils in the country. In response, Seila increased its coverage from 12 to 17 provinces in 2002. At the National Seila Workshop held in August 2002, a Deputy Prime Minister endorsed the

⁵¹ Royal Government of Cambodia (2001).

⁵² The 1993 Constitution establishes provinces (*khet*) and municipalities (*krung*) as the principal territorial sub-divisions of the Cambodian state. Provinces are further divided into districts (*srok*) and communes (*khum*), while municipalities (which have the same status as provinces in selected urban areas) are further divided into sectors (*khan*) and urban communes (*sangkat*). Villages (*phum*) exist in both rural areas and urban areas. “Province” is used throughout the rest of the chapter to denote both provinces and municipalities, while “commune” is used to signify both communes and sangkats, unless otherwise noted.

⁵³ “Seila” is a Khmer word that means a foundation stone.

⁵⁴ CAREERE’s operation started in 1992 with the funding of UNDP. The emphasis of the CAREERE1 project (1992-1996) was on emergency relief and quick impact projects. The project aimed at providing basic rural infrastructure and essential services required for resettlement of refugees. The CAREERE2 project (1996-2001) was designed to facilitate the rapid, sustained shift from direct implementation to intensive capacity building focused on the Cambodian institutions entrusted with local development under the Seila program framework.

⁵⁵ UNDP (2003), p.8.

⁵⁶ Evans, Birgegaad, Cox, and Hong (2000).

recommendation to ensure equitable support across all 24 provinces and requested the steering institution of Seila to mobilize the necessary resources for them. As a result, Seila expanded to cover all 1,621 communes and all provinces in the country in early 2003.⁵⁷

Trends of donor assistance and coordination in the sector

From its inception, Seila envisioned a comprehensive decentralized and deconcentrated management system within the government that could mobilize both domestic and external resources for local development and local governance. Seila's vision has been realized over time. In 1996, Seila started with support from UNDP, the Netherlands, EU, Sweden and UNCDF (see Table 8-2 for donors' partnerships with Seila in 1996-2007). By the end of 2000 it was able to receive support from more donors, i.e., the UK, Australia, the World Bank, UNHCR, the WFP and IFAD, through either CARERE2 or other arrangements.⁵⁸ CARERE2 finished its mission in 2001, and a new program called Partnership for Local Governance (PLG) was developed with cost-sharing by UNDP, DFID and Sida using trust fund arrangements. The PLG has been providing core support to Seila since then.

The Seila program developed a unique flexible mechanism to coordinate partnership with other donors, and this partnership framework has proved very effective for mobilizing substantial external resources and delivering services and infrastructure to the commune level. Attracted by that framework, many donors agreed to channel their resources through Seila. The amount of external resources mobilized through the Seila framework has nearly doubled from \$12 million in 1996 to \$23 million in 2003. In 2003, Seila receives support from PLG, IFAD, GTZ, AusAID, Danida, UNICEF, WFP and the World Bank (see Table 8-1 for current donors and program contents).

⁵⁷ Royal Government of Cambodia (2003A), p.1.

⁵⁸ Royal Government of Cambodia (2000), p.8.

Table 8-1. Donors' Partnership with Seila in 2003

Donor	Name of Project	Content
Sida, DFID, UNDP	Partnership for Local Governance (PLG)	Provides core support to Seila through provision of technical assistance and project funds.
IFAD	Agricultural Development Support to Seila (ADESS)	Under the management of the Ministry of Agriculture, Forestry and Fisheries (MAFF) and co-financed with PLG and AusAID/CAAEP. Supports agricultural development and agricultural credit in four target provinces, and providing national program support to MAFF, STF Secretariat and the Rural Development Bank.
	Community Based Rural Development (CBRD)	Co-financed with GTZ, AusAID/CAAEP, WFP. Supports community development, agricultural development, rural infrastructure, and institutional development in the provinces of Kampot and Kampong Thom.
GTZ	CBRD	Provides technical assistance and program support in the two provinces of Kampot and Kampong Thom.
AusAID	Cambodia – Australian Agricultural Extension project (CAAEP)	Managed under the Department of Agricultural Extension. As a partner of the two IFAD loan programs implemented under the Seila framework, CAAEP provides technical support to the provincial DAE in the covered provinces.
Danida	Natural Resource and Environmental Management (NREM)	Financed the STF to formulate a Natural Resource and Environmental Management (NREM) Mainstreaming Strategy in collaboration with nine Ministries; Started financing a pilot project, Mainstreaming Natural Resource and Environment Management through Seila from 2003.
UNICEF	Seth Koma Program	UNICEF's Seth Koma program's effort to prepare Village Action Plan is incorporated in the Seila framework.
WFP	Food for Work program	WFP's food aid has been allocated to the projects identified through the Seila framework.
World Bank	Rural Investment and Local Governance (RILG)	Provides loan for reimbursement of eligible Commune Fund projects and financing of buildings, equipment, capacity building and technical cooperation for Seila program.
NGOs		Projects implemented according to specific signed agreements that stipulate the use of the Seila management structure and system.

Source: Royal Government of Cambodia (2003A), pp.8-12.

Table 8-2. Donors' Partnerships with Seila in 1996-2007

		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Seila program													
	Government funds (US\$)				215,000	526,315	1,447,368	6,017,246	10,743,810				
	No. province covered	5	5	5	6	12	12	17	24	24	24		
	No. of communes	43	94	114	217	318	509	1283	1621				
Core support component of the Seila program													
	UNDP				CARERE2				Partnership for Local Governance				
	UNCDF				CARERE2								
	Sida				CARERE2				Partnership for Local Governance				
	Netherlands				CARERE2								
	DFID				CARERE2				Partnership for Local Governance				
Direct Partnership with Seila													
	Japan				WB Post conflict fund								
	European Commission												
	World Bank				Post conflict fund					Rural Investment and Local Governance (RILG)			
Direct/Parallel Partnership with Seila													
	IFAD								Agriculture Development Support to Seila (ADESS)				
									Community Based Rural Development (CBRD)				
												Rural Poverty Reduction in Prey Veng and Syay Rieng	
	WFP				Food for Work		Food for Work						
Parallel Partnership with Seila													
	AusAID								Agriculture Development Support to Seila (ADESS)				
									Cambodia-Australia Agricultural Extension Project (CAAEP)				
	GTZ								Community Based Rural Development (CBRD)				
	Danida								NREM	NREM			
	UNICEF								Seth Koma Program				
	Others(NGO/IO)												
Grand Total Budget (US\$)		11,677,679	14,374,527	14,109,792	15,388,446	14,217,989	16,329,431	25,168,228	33,333,915				

Source: CARERE2 terminal report, PLG 2003 work plan & budget, Seila program annual work plan & budget 2001, 2002, 2003

Program Activities

Seila's overall goal is to institute decentralized systems and strategies for poverty alleviation and good governance. Its objectives are⁵⁹;

- Fostering local development and poverty alleviation, through a multi-sectoral approach which includes the delivery of local infrastructure and services and the promotion of peace and reconciliation,
- Building the capacity of provincial and commune authorities for sustainable development management through practical experimentation, and
- Generating lessons learned for the development of national decentralization and de-concentration policies.

From the beginning, Seila has applied a learning-by-doing approach to develop a comprehensive decentralized framework for the delivery of services and infrastructure. This framework, which have been piloted and tested to make sure it works on the ground, consists of the following four systems:

- Financing system

Seila has developed two funds, the Commune/Sangkat (C/S) Fund and the Provincial Investment Fund (PIF), financed by external grants and loans and annual national budget appropriations, to deliver services and infrastructure to communes and provinces, respectively. Seila has developed criteria for allocation of these funds, and standard procedures for procurement, disbursement, accounting and auditing of the project financed by these funds.

- Planning system

Seila has developed a set of technically sound and participatory planning procedures for the preparation of five year development plans (commune development plan and provincial development plan), three year investment programs (commune investment program and provincial development and investment program), and annual working plans and budgets of commune councils and provinces.

- Management and capacity building system

Seila has established a comprehensive management structure (see Chart 8-1), in which the roles and responsibilities of villages, communes, districts and provinces are clearly defined in managing local investment programs. Seila assists the provincial administration in providing support and supervision services for commune councils. Seila's assistance includes planning facilitation, training and technical services.

- Monitoring and evaluation system

Seila has developed: (1) the provincial level management information system that tracks the physical and financial progresses of all projects executed under Seila program and provides consolidated quarterly reports; (2) the commune database (including poverty index database) to support the poverty-based geographic targeting of the program's resources; and (3) a program to evaluate Seila's efficiency and development impact.

Seila has been applying the systems described above in all provinces and communes in the country since March 2003.

⁵⁹ Royal Government of Cambodia (2000), p.9.

A recent evaluation has concluded that the Seila systems at the provincial and commune levels have had a positive impact on local development.⁶⁰ In addition, Seila has offered smooth and efficient disbursement of donors' funds through the Seila framework. This proven track record of achieving results helped convince the government and donors to provide increased funds for Seila over time. Moreover, Seila offered the government a testing ground for regional and local planning and development, from which useful lessons have been drawn that the government has used to formulate decentralization and deconcentration policies and implement reform programs on local governance.⁶¹ In return, the government has provided strong backing for the program.

2. Mechanisms to manage aid coordination

Institutional arrangements

Seila is guided by the Seila Task Force (STF), consisting of the various ministries described in Chart 8-1.⁶² The STF Secretariat is responsible for executing the program and reporting to the STF. The STF Secretariat comprises seconded officials from various ministries, totaling 30 staff as of 2003. Each ministry participating in STF appoints a ministerial focal point to facilitate and assist STF work.

At the provincial level, Provincial Rural Development Committees (PRDC) are responsible for the management of programs. The PRDC has an Executive Committee (ExCom) to manage the implementation of an annual Seila Provincial Investment Plan. There are four management units under the ExCom: (i) Contracts

Table 8-3 Number of staff for ExCom management units and their belonging institutions (June 2003)

Institutions	CAU	LAU	FU	TSU	Total	%
MOI	26	305	17	14	362	25%
MRD	3	134	2	131	270	18%
MOP	74	154	1	13	242	16%
Treasury	0	0	144	0	144	10%
MEF	0	13	69	1	83	6%
MOWVA	1	48	0	1	50	3%
Other line ministries	35	198	9	84	326	22%
Total	139	852	242	244	1477	100%

Source: PLG Advisor

Administration Unit (CAU); (ii) Local Administration Unit (LAU); (iii) Finance Unit (FU); and (iv) Technical Support Unit (TSU). The LAU includes both province- and commune-level facilitation teams (PFT and DFT, respectively) of local planners and community development workers who directly support commune councils. The staff for ExComs and their management units above are seconded from various ministries as shown in Table 8-3. The establishment of PRDC, the ExCom and its management units in all provinces has been completed in 2003.

The PLG provides advisory services to Seila in all areas, and is staffed by 6 international advisors and 170 local advisors.

Coordination at the national level

The Seila Forum was established in 2002 as an institution of Seila to promote effective government-donor partnership development. The purposes of the Seila Forum are the following: (i) developing a common vision of Seila; (ii) establishing mutual commitment (financial and otherwise) among partners; (iii) monitoring the program's financing requirements and financing strategy; (iv) reaching an operational consensus on Seila and management issues; (v) developing a common evaluation framework; and (vi) adopting a unified strategic performance reporting format. The members of the Seila Forum are the representatives of all donors supporting Seila, and the members of the STF.

⁶⁰ Rudengren J. and Öjendal J. (2002), UNDP/Cambodia(2001), Hasselskog M. with Chanthou K. and Charya C. (2000)

⁶¹ Evans, H., Birgegaard, L., Cox, P., and Hong, L.S. (2000), p.10.

⁶² STF consists of Ministry of Agriculture Forestry and Fisheries (MAFF), Ministry of Interior (MOI), Ministry of Rural Development(MRD), Ministry of Economy and Finance(MEF), Ministry of Planning (MOP), Ministry of Women and Veteran's Affairs (MOWVA), Ministry of Water Resources and Meteorology (MOWRM), Council for the Development of Cambodia (CDC).

Donors who are considering joining the Seila funding framework are invited to attend the Forum's meetings.⁶³

Coordination at the sub-national level

District Integration Workshops (DIWs) play a critical coordination role at the sub-national level. They are held annually to integrate and coordinate the commune level investment plans. Commune councils, provincial departments, NGOs, donor agencies, and representatives of civil societies are invited to this workshop.

The detailed guidelines issued by the Ministry of Planning describe how the district integration process is carried out (see Chart 8-2). Before the DIW, the priority activities identified by Commune Councils are compiled into a table (the District Priority Activities Matrix) and distributed to provincial departments, NGOs, and donor agencies in concerned provinces. The departments, NGOs, and donor agencies study the Commune Councils' priorities for implementation, and compare them with known resources allocated through the PIF or available resources through specific programs. At the DIW, the Commune Councils present their priority activities, and the departments, NGOs and donor agencies present their services that they intend to provide. Temporary agreements are signed and recorded between the Commune Councils and the departments, NGOs and donor agencies that intend to offer support. After the DIW, the temporary agreements are followed up with the formulation of specific budgets, intended outputs and work plans.

⁶³ UNDP(2001A), p.10.

Chart 8-1 Seila Program's Organization Diagram

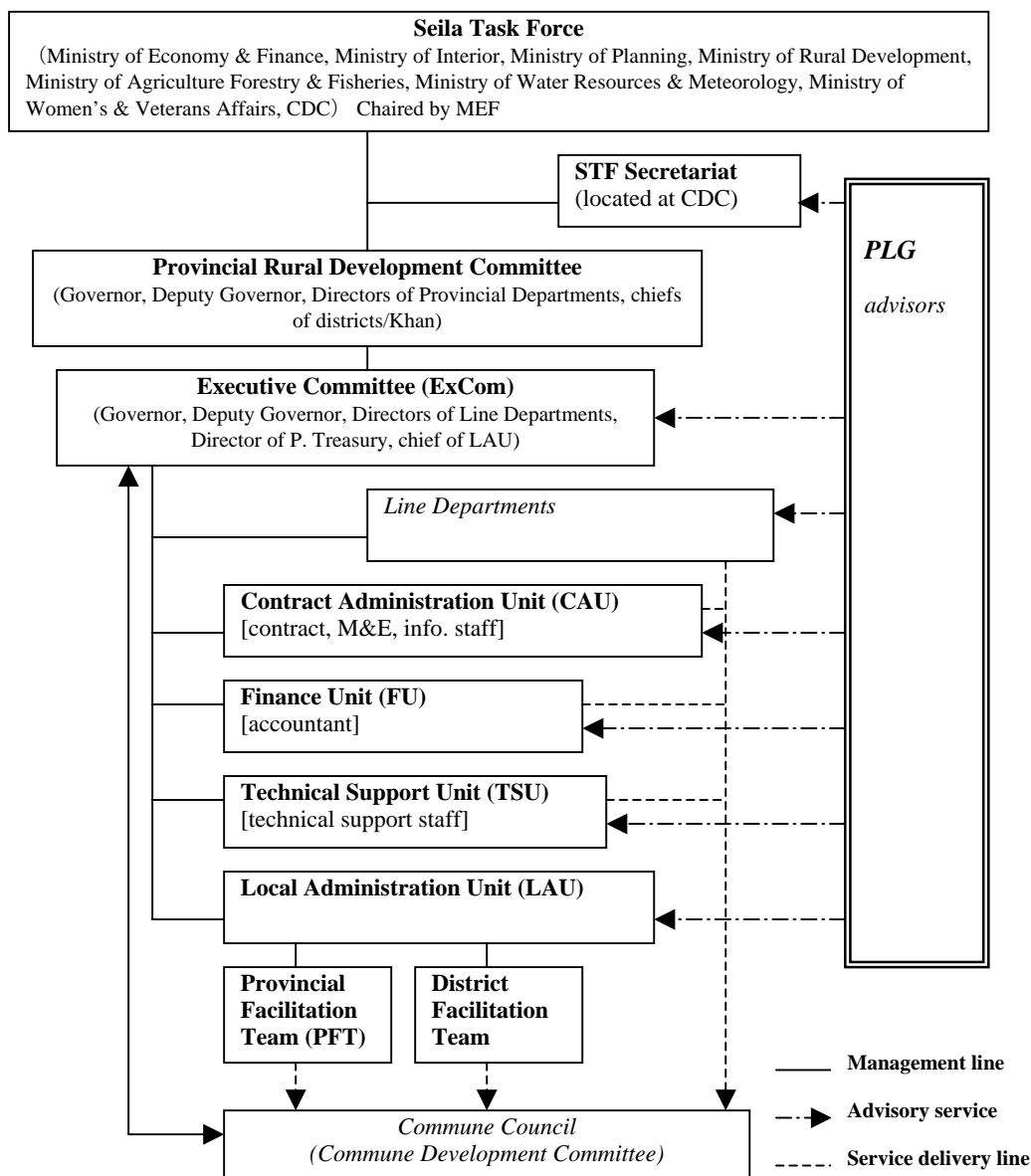
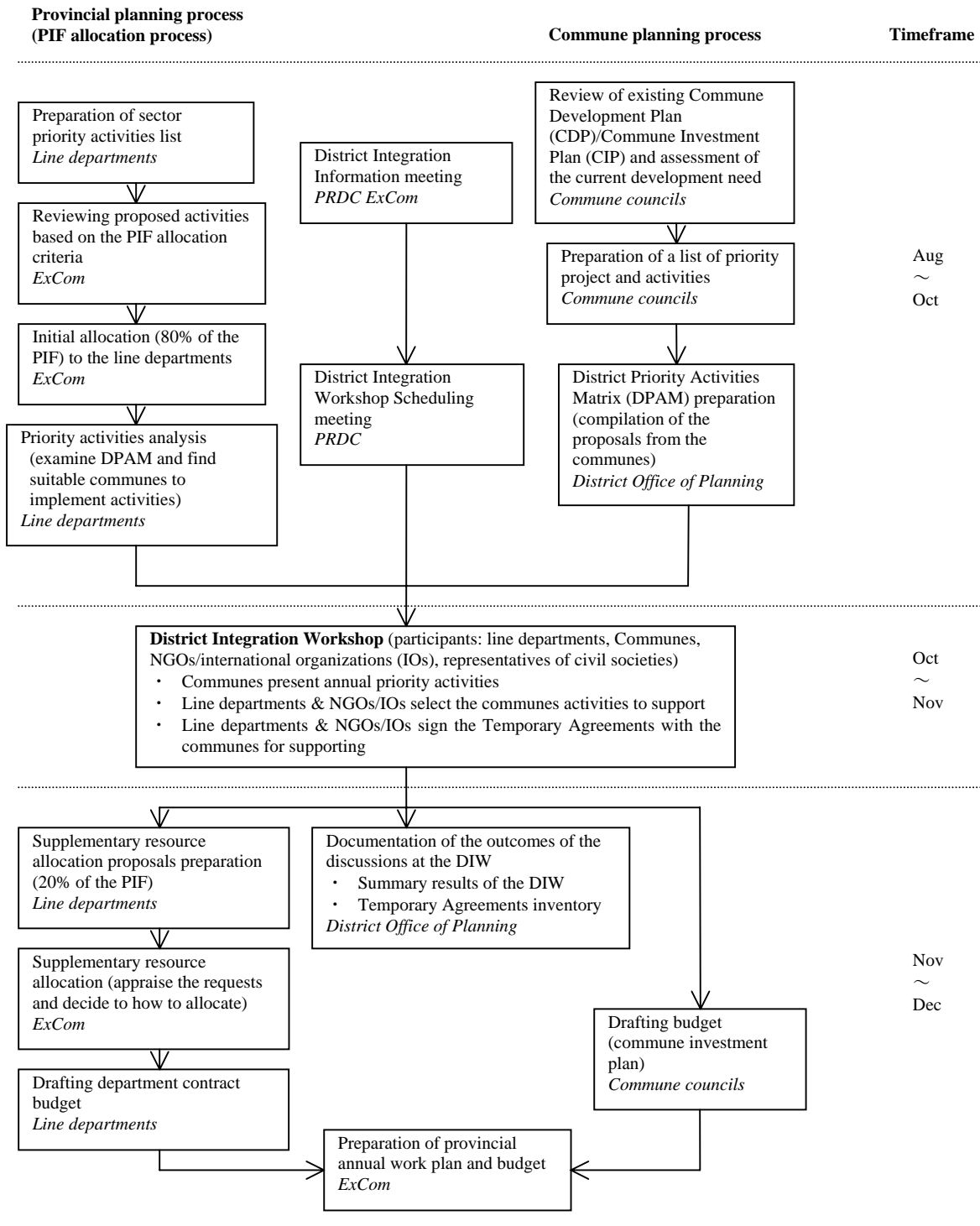


Chart 8-3 District Integration Process



Source: Compiled by the authors based on Royal Government of Cambodia (2003B)

Funding and fund management

A total of \$33.3 million has been mobilized from nine donors plus NGOs and programmed in the 2003 Seila work plan (see Table 8-4). Seila has two expenditure categories: (1) investment in province and commune level services and infrastructure, and national sector programs implemented by line ministries, (2) program support for Cambodian officials, such as training, operation, out-sourced services, salary supplements, and technical assistance by national and international consultants (see Table 8-5).⁶⁴ Around 70% of the available resources are allocated for investment activities.

To accommodate the potential range of resources within the Seila framework, financial resources are transferred through a variety of channels: a special account at the MEF, the National Treasury, an account held by STF, specific accounts held at the provincial level, or direct payments by a concerned donor agency. For example, Chart 8-4 shows the flow of funds from PLG and national budget (a core support component of Seila), and Chart 8-5 shows the flow of funds from the Agriculture Development Support to Seila (ADESS) financed by IFAD (a supplementary component of Seila). Seila accommodates a variety of financial and fund flow agreements, but villages and communes must follow the regulatory framework of Seila.

Accepting a variety of fund flows has placed an extra burden on Seila's financial management, such as the preparation of different agreements or separate reporting on disbursement for specific fund arrangements. However, this extra burden has been necessary, given the weak state of public financial management, in order for Seila to be able to deliver services and infrastructure to the commune level with reasonable speed and efficiency.

Table 8-4. Total Resource Availability in 2003

Source of Funds	Amount (US\$)
Royal Government	10,743,810
PLG (Sida, DFID, UNDP)	11,113,516
IFAD	4,744,435
GTZ	1,905,126
AusAID	1,022,858
DANIDA	392,955
UNICEF	918,964
WFP	2,307,210
NGO	185,000
Grand Total	33,333,874

Source: Royal Government of Cambodia (2003A)

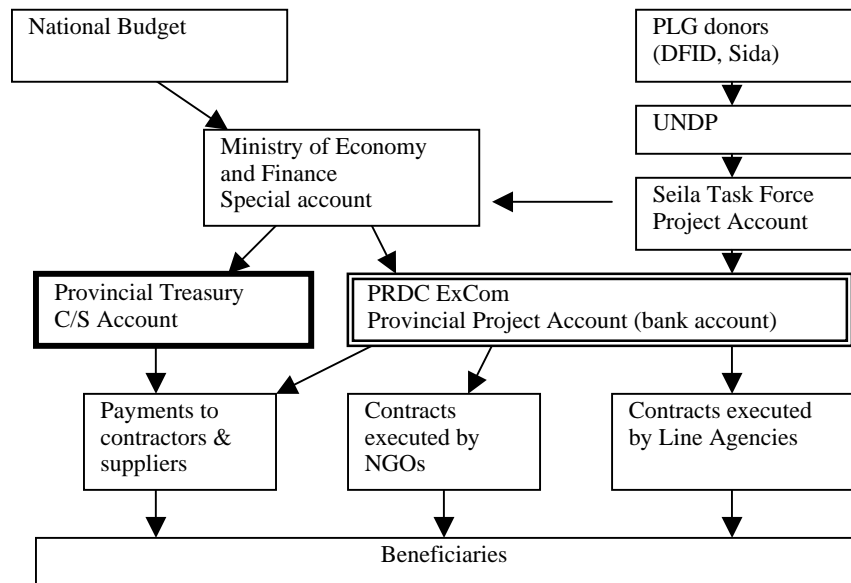
Table 8-5. Budget Allocation of Seila in 2003

Category	Amount (\$)	%
1. Investment		
1.1 Commune	15,315,374	46%
1.2 Province	2,509,982	8%
1.3 National Sector Program	5,411,561	16%
Total Investment	23,236,917	70%
2. Program Support		
2.1 Province	3,320,715	10%
2.2 National	1,465,119	4%
2.3 Technical Cooperation	5,311,164	16%
Total program Support	10,096,998	30%
Grand Total	33,333,915	100%

Source: Royal Government of Cambodia (2003A)

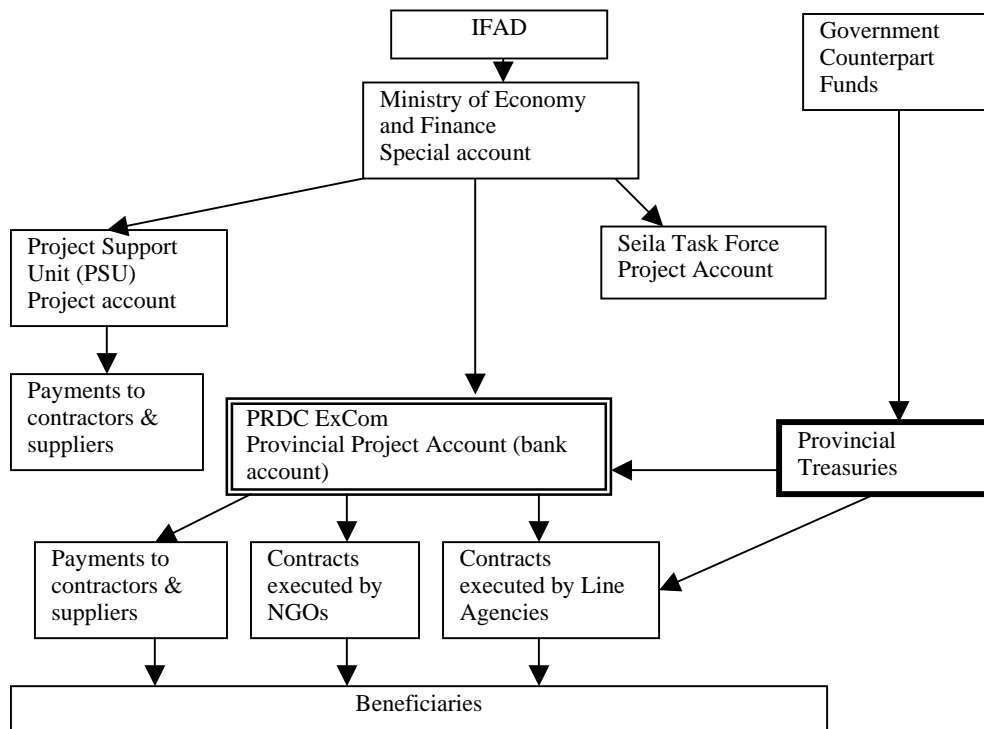
⁶⁴ Seila provides salary supplement \$40/month for district staff and \$80/month for provincial staff.

Chart 8-4. Flow of PLG and National Funds through the Seila Program



Source: Seila investment Plan 2001, Seila program annual work plan and budget 2003, etc.

Chart 8-5. Flow of ADESS funds for Agriculture Development through Seila



Source: CAAEP (March 2003) *A Harmonized Approach to Financing of Agricultural Extension in Cambodia, Discussion Paper*

Process of aid coordination

Seila consists of a core support component which a small group of donors support directly through a trust fund, and a supplemental component in which donors provide services through the Seila framework to provinces and communes in specific sectors, regions, or to specific target groups. As was mentioned, a variety of fund arrangements can be accommodated through the supplemental component. The STF Secretariat manages the funds directly (direct partnership) or line ministries, donors or NGOs manage them in collaboration with Seila (parallel partnership).

(i) Core Support Component

Planning: For the core support component of Seila, aid coordination at the planning stage was carried out through the program extension process as shown in Table 8-6.

In March 2000, UNDP and Sida conducted a joint evaluation on Seila/CARERE2. They concluded

that Seila's impact on national policy, local institution strengthening and delivery of basic services had exceeded their expectations.⁶⁵ The evaluation endorsed the government's intention to gradually replicate Seila in other areas to support decentralization. The government submitted a working paper at the Consultative Group meeting (May 2000 in Paris), which outlined the rationale, scope and resource requirements for that extension. In addition to UNDP, UNCDF and IFAD fielded a mission to provide advice on the overall policy and program framework for decentralization, and to provide a context for the definition of Seila.⁶⁶ Based on further consultation within the government, civil society and external partners, the Seila Task Force (STF) prepared a draft Seila Program Document 2001-2005. DFID and Sida, potential core supporters for the period of 2001-2005, jointly appraised and endorsed the Seila 2001-2005 program.⁶⁷ Finally, PLG was set up and Seila extended its program period up to 2005.

Implementation: UNDP, DFID and Sida provide joint funding to PLG, which supports Seila activities by: (1) providing technical and policy advisory services, (2) contributing to Seila's operating costs, and (3) providing funding for Seila's investment activities. UNDP is responsible for administering PLG.

Monitoring and Evaluation: Besides Seila's annual working plan and progress report, PLG also issues its own annual working plan and progress report. Donors carry out joint monitoring exercises for PLG through the Permanent Advisory Team (PAT) and Tripartite Project Review (TPR). The PAT visits Cambodia two to three times per year to carry out strategic monitoring of the program, with funding from DFID and Sida. The TPR is held annually, and all the parties concerned are invited to participate.

(ii) Supplementary component

Planning: The Seila Forum is an institution designed to develop partnerships with other donor agencies for programs and projects under Seila. It meets twice a year, normally July and December, and all donors interested in Seila are invited. In this meeting, STF presents the achievements of the program and proposes an action plan for the coming year. Based on the proposed plan, donors express

Table 8-6. Process of extending the period of Seila

	Tasks	Imple. Agencies	Date
1	Evaluation mission for Seila/Carere2	UNDP/Sida	March 2000
2	CG meeting, presentation	Royal Government	May 2000
3	Project formulation mission	UNDP/UNCDF/IFAD	May 2000
4	Draft Project Document	STF	May-Dec. 2000
5	Appraisal of the Program	DFID/Sida	May 2001
6	Seila 2001-2005 started		July 2001

⁶⁵ Evans, Birgegaard, Cox, and Hong (2000).

⁶⁶ Porter D., Romeo L. and Saigal S. (2000).

⁶⁷ UNDP(2001A) and DFID-Sida (2001).

their interest in the program and/or its specific components, negotiate with STF Secretariat about partnership arrangements, and pledge their support.

Implementation: There are a variety of partnership arrangements with Seila, as Seila accommodates a wide range of sector or area-specific programs and projects, responding to the preferences and comparative advantages of different donors who accept the Seila's reform framework.

Monitoring and Evaluation: Seila's annual work plan and progress reports are submitted to respective partners. Seila also provides supplementary reports to partners on a request basis. Respective donor agencies are also required to monitor and evaluate their own programs or projects. Loan or credit programs under Seila, such as IFAD and World Bank (from 2003), carry out supervision missions on a regular basis.

3. Achievements of aid coordination

Local ownership

The government's decision to expand the geographic coverage of Seila program demonstrates clearly its ownership of the program. As was mentioned earlier, the original plan in Seila Program Document 2001-2005 was to expand its coverage from 6 provinces to 17 provinces by the end of 2005. However, the government revised the plan to move even faster and succeeded in covering all 24 provinces in early 2003.

Perhaps more importantly, government ownership is demonstrated by the steadily increasing allocation of national budget funds to Seila in recent years. Indeed, the national budget for Seila was raised by 78% from \$6.0 million in 2002 to \$10.7 million in 2003. This rate of increase is higher than the increase in foreign assistance to Seila.

The transfer of signing authority of partnership agreements from foreign to Cambodian hands at STF Secretariat also indicates enhanced local ownership. The UNDP used to sign partnership agreements with donor agencies who accepted the Seila framework until 1998. Currently, the Secretary-General of the STF Secretariat signs partnership arrangements with donors as the representative of the Program. This clearly indicates that the government now assumes more responsibility for Seila.

Capacity enhancement

There are some clear indications that the government has gained capacity to manage Seila and to coordinate external assistance since Seila started.

First, the number of external advisers for the STF Secretariat has been reduced from 40 during 1996-2000 to 6 after 2001. By contrast, the number of national staff increased from less than 5 to 30 during the same period. As Seila expanded its geographic coverage during that period, this indicates that the STF Secretariat as a whole has enhanced its capacity to manage the Program over time.

Second, the STF Secretariat also seems to have enhanced its capacity to coordinate foreign aid. The fact that an increasing number of donors are willing to channel funds through Seila clearly indicates that donors are increasingly confident about the capacity of STF Secretariat as a coordination body even though the number of external advisers has been reduced.

Finally, Seila's capacity for aid coordination at the provincial level have been enhanced through the establishment and operation of District Integration Workshops (DIWs) in the last few years. This is discussed in greater detail in the next section.

Overlap of donor assistance

Seila's DIWs have reduced the overlap of donor assistance at the provincial and commune levels. The DIWs provide an opportunity to share information and coordinate the commune level investment plans among commune councils, line ministry departments, NGOs, and donor agencies. In 2002, 144 DIWs which involve 1,283 communes were held, and total 8,880 priority activities proposed by Commune Councils have received support from departments, NGOs and donor agencies (NGOs and donor agencies supported 2,944 activities among the total 8,880 activities). In addition to the priority activities, the departments, NGOs and donor agencies agreed to support a total of 13,347 activities for Commune Councils.⁶⁸

Transaction costs to the government

The Seila framework also appears to have contributed to reducing transaction costs to the donor agencies that provide services and infrastructure to the commune level. A number of donors use Seila's local planning, implementation and monitoring and evaluation system. This avoids using different development procedures and/or duplicate development procedures at the commune level and helps to reduce transaction costs to both local administration and donors.

Sustainability

All the evidence discussed above seems to indicate that Seila has become increasingly sustainable since it started in 1996, both in terms of the project itself and in terms of the government's ability to manage aid. The government has demonstrated increasing ownership of the Program through active leadership and financial commitments. It has also made a notable progress in enhancing institutional and human resource capacities of the STF Secretariat. These achievements may be attributable in part to the long-term partnership between the government and donors supporting this program.

4. Lessons learned from aid coordination

Contributing factors to achievements

Fostering a genuine partnership approach may require a considerable investment of time, effort, and resources.

Since 1996, Carere2/Seila put enormous effort into persuading Seila partners (the government, donors, NGOs, civil society of the value of the Seila strategy and systems and the benefits of partnership through program implementation. After three to four years of planning, implementation and capacity building, with resources provided almost entirely through CARERE2, STF (the government) recognized what Seila has to offer to development partners interested in financing local development and actively pursued the partnership approach.⁶⁹

Flexibility to accommodate a broad range of assistance modalities allows partnerships with a much greater number of donor agencies.

Those partnership arrangements span from those that use only Seila's planning and service delivery system at the commune level (e.g., UNICEF and WFP) to those that provide technical assistance and loans (e.g., AusAID/CAAEP). Together with the other benefits of the Seila framework, this flexibility has helped to mobilize an increasing amount of external resources under the Seila framework over the time. Although this practice has incurred heavy management costs for Seila, this management cost has been well worth it when the amount of external resources mobilized and the benefits provided to local people are considered.

⁶⁸ Royal Government of Cambodia (2003A). P.15-16

⁶⁹ UNDP(2001B). p.29.

Effective forum for dialogue throughout the program cycle enhanced partnership among the parties concerned.

As was mentioned in section 2, Seila's DIWs offer a forum for dialogue and coordination across sectors (horizontal), between line departments and commune councils (vertical), and with external partners such as NGOs and donor agencies. They have nurtured information sharing, cooperation and mutual understanding at provincial and commune level. The presence of this effective forum contributed to increasing trust and enhancing partnerships between the government and donors.

Manageable numbers and clear definition of roles of participating donors helps reduce management costs.

Only three donors, who have partnership experience and share common views on partnership, are involved in the core support component of the program, PLG. This has made coordination easy. UNDP executes the PLG operation, and DFID and Sida contribute funds to through trust fund agreements with UNDP. The latter two donors send a joint Permanent Advisory Team to monitor the PLG on a regular basis. This arrangement reduces transaction costs for the government, as does the simple and clear definition of roles of participating donors.

Future challenges

Further enhancing Seila's provincial level coordination of development

Seila offers effective mechanisms for provincial level coordination on local development through District Integration Workshops, which have been held in all provinces annually. However, it was reported that line department's activities often do not meet Communes' requests, and NGO participation to the DIW is limited in some areas.⁷⁰ For example, during the DIW the team participated in November 2003, only five departments (Social Affairs, Education, Rural Development, Women's Affairs, and Health) and three NGOs were present at the meeting. According to the PLG advisor interviewed, there are other NGOs working in that district. Therefore, further effort is needed to involve a wider range of stakeholders at provincial level.

In addition to DIWs, there also appear to be a number of other mechanisms (meetings, forums etc.) of coordination which are independently organized by different line departments and other organizations, for instance Provincial Coordination Committee (ProCoCom) in Health. There might be a need to review those existing arrangements and consider options to further enhance and rationalize, if needed, aid coordination at the provincial level. However, before the existing arrangements are reviewed, the roles and functions of provincial and district administration need to be clearly defined. This points to the necessity of adopting an Organic Law, which is discussed in the next section.

Creating a unified structure for local development

Seila successfully introduced participatory mechanisms to deliver services and infrastructure at the provincial and commune levels. It also expanded its geographic coverage in a relatively short period of time. However, despite its success, the criticism has been made that Seila has created a structure which is parallel with the existing administrative structure for local development. It is argued that this parallel structure should be integrated into a unified structure that provincial governments and ministries can operate through, without losing the strengths and capabilities that Seila has developed.

While many informants agree that this is a valid point, there appears to be no agreed strategy as to how Seila could be integrated into the regular administrative structure.⁷¹ Some argue that the integration

⁷⁰ Landell-Mills P. and Rudengren, J. (2003), p.5

⁷¹ Batkin A. (2001), pp.11-13.

should take place as soon as possible because donors' resources should be directed to strengthening the regular administrative structure. However, a counter argument is that, given the weakness of the regular administrative structure, Seila's effective service delivery system should continue to be used to improve the livelihood of local people until the regular structure becomes more effective. Another argument is that even though commune councils are elected, provincial governors and district chiefs are appointed by the central government and that true decentralization is unlikely to succeed without the election of provincial and district administration. As such, there are considerable differences of opinion as to how decentralization strategy and programs should be implemented in the future.⁷²

One of the underlying problems appears to be the lack of clear definitions of the roles and functions of provincial and district administration at the moment. Currently, Seila is applying its management systems, which has been developed through learning by doing, for provincial and district administration. It was suggested that the government prepare and adopt an Organic Law that defines the roles and functions of provincial and district administration, building on the experience of Seila. The presence of the new Law will help clarify the roles of Seila, and establish a unified structure for local governance and development in the future.

Issue of salary supplements

The Seila staff mostly consists of seconded staff from line ministries and, as in many other donor-funded projects in Cambodia, they are paid salary supplements. It is clear that salary supplements provided an important incentive for them to do their work properly and deliver outputs as intended.

A challenge of integrating Seila into the regular administrative structure would be to ensure levels of salaries that can motivate staff to work properly. Some informants were seriously concerned that staff members might lose their incentive to work and that the Seila system would not function if integration takes place without a change in civil service pay. The government and donor agencies need to consider seeking a joint strategy to address this problem within the broader context of national civil and administrative reform.

Capacity building in public financial management

Capacity building in public financial management is a priority, particularly for the process of transferring C/S Funds to the provincial treasuries.⁷³ During the Seila/CARERE2 period, UNDP funds for provinces were transferred directly to a bank account managed by the PRDC ExCom. Since the election of commune councils, the C/S Funds have been transferred from the National Treasury to provincial treasuries under the Ministry of Economy and Finance.

While this action is seen as an opportunity to strengthen the treasury systems in the government, disbursement of C/S Funds has been considerably delayed in many provinces. For instance, the Commune Fund is intended to be transferred according to the following schedule: 50% in March, 30% in June and 20% in September. According to one ExCom advisor interviewed in Kampong Speu province, only 20% of the allocated budget had been disbursed at the time of the interview (June). In Prey Veng province, which the study team visited in October, only 48% of the allocated budgets had been disbursed. Some observers also raised the question as to whether disbursement of C/S Funds would be handled properly after the PLG advisors leave.

In addition, commune councils need further support for capacity building, especially to enhance capacity for accounting and financial management. According to the LAU staff interviewed at Prey Veng Province, the capacity of commune councils varies depending on the communes, but their basic knowledge of local administration and management is generally very low. Commune councilors need more time and support for gaining experience, skills, and knowledge to manage commune council

⁷² Landell-Mills P. and Rudengren J.(2003), p.17.

⁷³ Landell-Mills P. and Rudengren J.(2003), p.12.

activities by themselves. Also, the FU staff interviewed reported that the capacity of commune clerks was extremely low and they needed more training.

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Chapter 9. Public Finance: The Technical Cooperation Assistance Program (TCAP)⁷⁴

The TCAP is a technical assistance program funded by IMF, ADB, DFID, the Netherlands and UNDP. It aims to assist the government in strengthening its overall capacity to formulate and implement sound pro-poor macroeconomic policies in the fiscal and monetary areas, manage public finances more effectively, and better monitor and implement its poverty reduction strategy. This program was launched in October 2001 and is scheduled to be completed by the first quarter of 2004.

1. Historical background and recent trends in donor assistance

Public Finance Reform before TCAP

The Royal Government of Cambodia faced a sudden drop in foreign assistance from the former Eastern Bloc, mainly Russia and Vietnam, in 1989-1991. This led the government to run large budget deficits, igniting inflation which persisted at levels of more than 100 percent until 1992. In 1993, the newly established government launched the first generation of public finance reform through an Organic Budget Law. The law tightened control over public revenues and expenditures by reforming institutional arrangements, and proved effective in fighting inflation. Inflation rates started declining in 1994 and were contained below 10 percent from 1994 to 1997. Although effective in maintaining fiscal discipline, the 1993 Organic Budget Law and its institutional arrangements were not sufficient to address the other major challenges facing public financial management in Cambodia. One of the fundamental problems was that the institutional arrangements for public expenditure management were not conducive to disbursing planned budgets to spending units regularly. Another challenge was on the revenue side of the public finance. Despite the efforts at reform, Cambodia's revenue-raising capacity has remained very weak. Its revenue-GDP ratio, for example, ranked as one of the lowest in the region.⁷⁵

Initiation of TCAP

Following the general elections in July 1998, the new government launched a program of economic reform for the period 1999-2002 aimed at supporting the reconstruction of the country, accelerating economic growth, reducing poverty, improving social conditions and preserving macroeconomic stability.⁷⁶ This program has been supported by a Poverty Reduction and Growth Facility (PRGF) loan from the IMF totaling US\$82 million, and a Structural Adjustment Credit (SAC) from the World Bank of around US\$30 million.⁷⁷ The government, however, recognized the need for substantial technical assistance to meet the reform objectives set out in the PRGF and SAC. It requested the IMF's assistance in designing a comprehensive program of technical assistance (TA) covering key areas including macroeconomic policy, fiscal reform (tax administration and policy, customs administration, and budget management), banking reform, statistics, and legal frameworks.⁷⁸

⁷⁴ TCAP stands for "Technical Cooperation Action Plan" in the IMF documents, and "Technical Cooperation Assistance Program" in the reports of the Ministry of Economy and Finance (MEF).

⁷⁵ Kato, T., Kaplan, J.A., Chan, S. and Sopheap, R.(2000). p.52-53.

⁷⁶ The Cambodian authorities, in collaboration with the IMF and the WB, prepared a Medium-Term Economic and Financial Policy Framework Paper for 1999-2002 in October 1999.

⁷⁷ UNDP (2001), p.6. PRGF's project period was 1999-2002 and has already concluded. SAC's project period is 2000-2003, and is still ongoing.

⁷⁸ UNDP (2001), p.6.

Following the IMF's decision in 1999 to adopt a more programmatic approach to the planning and delivery of technical assistance to its recipient member countries, the IMF TCAP exercise (see Box 9-1) was initiated with the government in early 2000. The timing of TCAP coincided with the government's presentation of a new development cooperation partnership paradigm to the donor community at the Consultative Group (CG) meeting (May, 2000). As described in Chapter 1, the government declared its commitment to enhancing partnerships to improve the effectiveness of development cooperation programs.⁷⁹ The TCAP exercise was a response to the articulation of the government's partnership paradigm.

Box 9-1. IMF TCAP (Technical Cooperation Action Plan) Exercise

The IMF adopted TCAP to provide a proactive approach to the planning and coordination of TA. The intention was that for those countries wishing to request substantial technical cooperation from the IMF, the staff would work with the authorities in drawing up a TCAP that would place needs for TA in a medium-term framework. TCAPs have been implemented in Cambodia, Nigeria, Yemen and the Gambia so far.

Preparation of TCAPs follows a general pattern. The plan is drafted by the area department concerned together with Office of Technical Assistant Management (OTM) of the IMF, utilizing the results of a series of diagnostic and assessment missions carried out by and discussed with the authorities (all the government agencies concerned, as well as the designated lead government institution responsible for implementing the plan). Agreement is reached on the plan's objectives, types and amounts of assistance to be provided, implementation benchmarks and performance indicators, costs, potential funding sources, government commitments and counterparts, management and administrative arrangement, monitoring as well as reporting and evaluation requirements. TCAPs support the beneficiary governments' development plans and/or medium-term economic and financial policies and poverty reduction strategies, often through the PRGF/PRSP process. Parallel discussions are undertaken with potential bilateral and multilateral donors. These are carried out through Executive Directors, missions to donors, and in Consultative Group Meetings or special donor meetings. TCAPs are multi-year undertakings with built-in periodic reviews and updating. Typically, the area department, in cooperation with OTM, visits the country every six months, to take stock of TA delivery and hold discussion with the authorities and local representatives of donor partners to adjust the plan as needed.

The TCAP can be an effective mechanism for planning and providing TA within a comprehensive, country-centered framework on a medium-term basis. TCAPs can also deliver inputs which the IMF is currently unable to provide, in particular the provision of computer equipment and software, overseas training, study tours, fellowships, and professional placements. By providing a concrete plan to which donors can subscribe, TCAPs can be a useful tool for resource mobilization and donor coordination.

Source: IMF (2002)

Overall program activities⁸⁰

The TCAP program is divided into four major sub-programs and two research programs. The major sub-programs include fiscal reform, banking system reform, economic statistics, and legal reform. The two research programs are a governance program study and pro-poor policy research. Chart 9-1 presents the institutional arrangements and objectives of TCAP, and Table 9-1 summarizes the inputs and outputs of TCAP. The objectives of each sub-program are as follows:

- 1) Fiscal reform
 - (i) To strengthen tax policy and administration
 - (ii) To strengthen customs administration
 - (iii) To strengthen budget management
- 2) Banking system
 - (i) To create a robust and efficient banking system

⁷⁹ Royal Government of Cambodia (2000).

⁸⁰ Royal Government of Cambodia (2002), p.1.

- 3) Economic statistics
 - (i) To strengthen capacity to produce statistics for economic policy making and private investment planning
- 4) Legal reform
 - (i) To improve the legal framework within the areas that directly affect the financial sector
- 5) Governance program study and pro-poor policy research
 - (i) To strengthen linkage between economic and financial management and poverty reduction outcomes.

Six key departments and agencies received assistance: Tax, Customs and Excise, and Budget Departments and Treasury at the MEF; the National Bank of Cambodia (NBC); and the National Institute of Statistics at the Ministry of Planning (MOP). Program activities include: (i) sending supervision missions; (ii) posting resident advisors; (iii) sending short-term experts; (iv) arranging seminars and training courses in Cambodia or overseas study tours; and (v) providing materials and equipment. Assistance for these activities has been provided through five IMF resident advisors in budget management, customs administration, tax administration, banking system, and economic statistics, and through visits by short-term experts and an ADB fiscal advisor.

Other Externally Funded Programs

Other donors also provide technical assistance in areas that have important linkages with TCAP; such as support by French Cooperation to the MEF for expanding the provincial coverage of VAT and public accounting; and support from Japan to provide technical assistance in the area of taxation and human resource development. Although not directly involved in TCAP, they have been regularly consulted by TCAP resident advisors. In particular, Japan has cooperated closely with TCAP in implementing staff training on taxation in Japan.

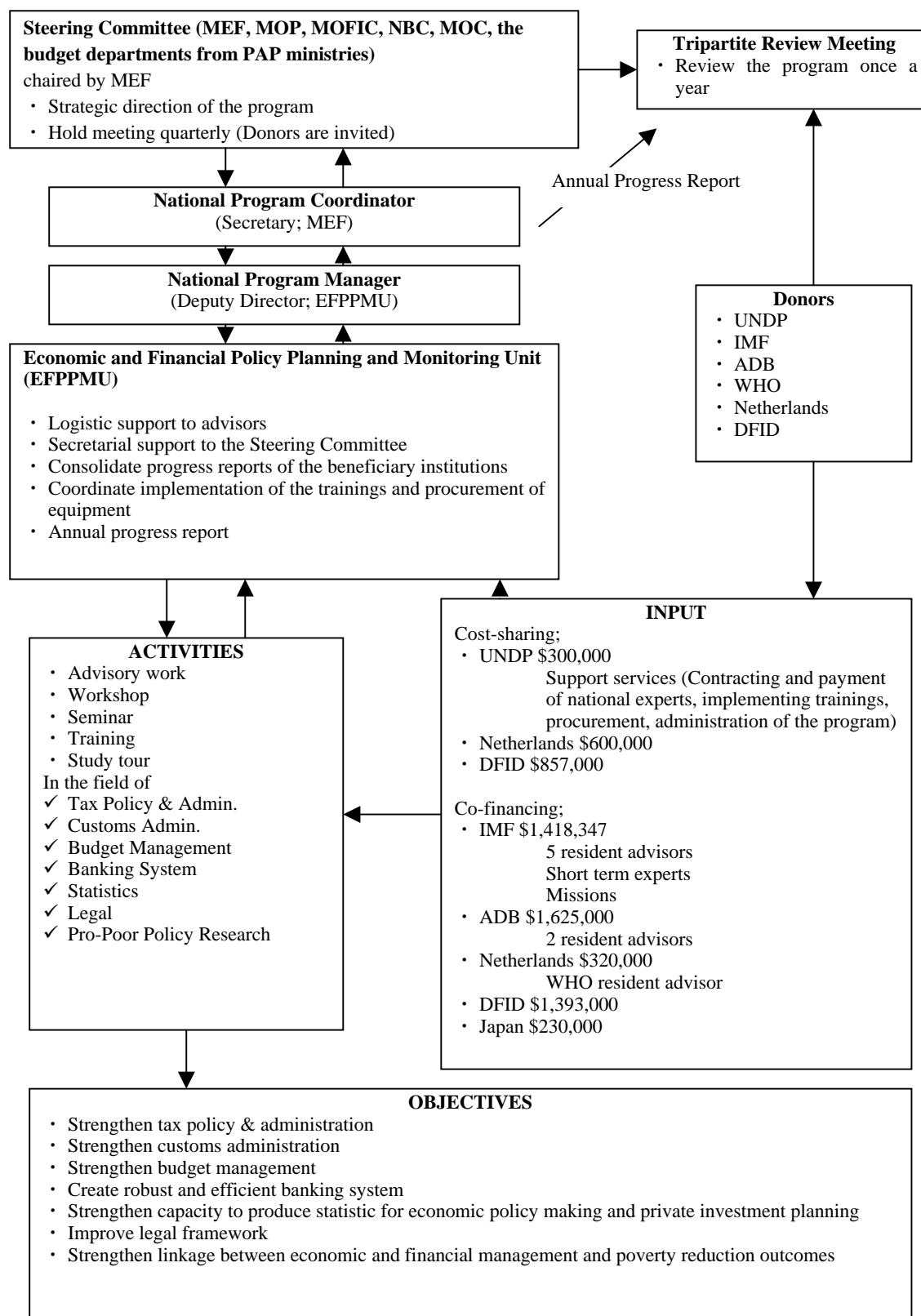
2. Mechanisms to manage aid coordination

Institutional Arrangements⁸¹

Implementation of the program is guided by a Government Steering Committee chaired by the MEF (Chart 9-1). The members of this Committee consist of senior officials at MEF (from the Tax Department, the Customs and Excise Department, and the Department of Budget and Finance Affairs), NBC, Ministry of Commerce (MOC), MOP, Ministry of Foreign Affairs and International Cooperation (MOFIC), and budget department officials from two Priority Action Program (PAP) ministries, i.e., Education and Health. Representatives of donor agencies are invited to Steering Committee meetings. The Steering Committee is responsible for articulating the strategic direction of the program and for ensuring that program objectives are achieved. The Committee delegates implementation responsibilities to the beneficiary institutions under TCAP. The MEF (as the executing agency) designates a National Program Coordinator who is responsible for management and administration of the program. The National Program Coordinator serves as the secretary to the Steering Committee and is responsible for coordinating assistance internally among the participating government departments and agencies, and externally with participating donors. The Steering Committee normally meets quarterly to review progress and update work plans. The National Program Coordinator reports progress to the Fiscal Reform Working Group, co-chaired by the Senior Minister of Economy and Finance and the IMF Resident Representative on a regular basis throughout the program period. The Fiscal Reform Working Group serves as a coordination institution among a broader group of donors than that under TCAP.

⁸¹ UNDP (2001), pp.56-57.

**Chart 9-1. Implementation arrangements of
TCAP**



Source: UNDP (2001)

The Economic and Finance Policy Planning and Monitoring Unit (EFPPMU) at the MEF is responsible for: (i) providing logistical support to resident advisors and short-term experts, and secretarial support to the Steering Committee; (ii) consolidating progress reports of various beneficiary institutions; (iii) coordinating implementation of training programs and procurement of equipment; and (iv) assisting in preparing for and reporting to annual tripartite review meetings. A National Program Manager is appointed to TCAP from the EFPPMU. In addition, the EFPPMU provides national experts⁸² to the Tax Department and the Custom Department for TCAP activities.

The National Program Manager reports to the National Program Coordinator and external partners. The National Program Manager calls monthly meetings with TCAP resident advisors, department heads, and national experts in order to discuss the progress made, issues to be addressed, and future plans. Also the National Program Manager is responsible for compiling quarterly and annual reports.

Funding and fund management

The program budget over a period of three years is US\$ 6.5 million. The budget includes two types of contributions, cost-sharing (using a trust fund) and co-financing. The trust fund contributions are pooled and used for the funding of short-term experts and resident advisors (e.g. Treasury advisor), salary supplements, trainings, seminars and workshops, study tours and administration costs. Co-financing contributions are arranged by each donor agency for resident advisors, short-term experts and missions. In addition, Japan provided US\$230,000 for procurement of equipment. Inputs for each sub-program are summarized in Table 9-1.

UNDP manages the trust fund contributed by UNDP, DFID and Netherlands. The management of the trust fund follows standard funding procedures under the UNDP national execution modality (NEX). Quarterly advance of funds to the executing agent by the UNDP country office is the standard means of funding under the NEX. Advances are made based on a forecast of quarterly expenditures, in accordance with the project work plan. Under this procedure, the government opened a special account for the program. The account is managed by the National Program Manager and receives the necessary budget quarterly from the trust fund on a request basis. The special account is subject to annual audit by independent auditors.

National experts are chosen from among government officials, and are paid salary supplements from the trust fund.⁸³ The National Program Manager is responsible for submitting reports on the work performance of the national experts, in collaboration with TCAP resident advisors.⁸⁴

⁸² National experts are local officials attached to TCAP resident advisors.

⁸³ The original program budget allocated \$99,000 (216 person-month x \$500/person-month) for national experts. According to one of the staff, they are paid \$180/month, which is said to be UN standard.

⁸⁴ The work performance is evaluated based primarily on attendance and job performance.

Table 9-1. INPUTS and OUTPUTS of TCAP							
	OBJECTIVE & OUTPUT		INPUT	Imp. agency	Source of Fund	m/m	Budget (US\$)
FISCAL SECTOR REFORM							
	1. Strengthen tax policy and administration						
	1) Increased tax revenue, 2) Improved design of the tax system, 3) Enhanced capacity for tax analysis, 4) Improved administration of the real regime, 5) Improved administration of the estimated regime, and 6) Expanded knowledge of tax administration.		Tax advisor	IMF	DFID	24.0	408,000
			Short-term expert	IMF	DFID	4.0	68,000
			Missions (3)	IMF	IMF	2.5	45,000
			National experts (3)	Gov't	Cs	72.0	36,000
			Workshops, study tours	Gov't	Cs		142,000
			Equipment	Gov't	Cs		100,000
			Equipment	Japan	Japan		80,000
	2. Strengthen customs administration						
	1) Maximized return from preshipment inspection operation, 2) Strengthened general customs administration, and 3) Computerized customs operations		Customs advisor	IMF	IMF	24.0	432,000
			Short-term expert	IMF	DFID	12.0	204,000
			Missions (3)	IMF	IMF	2.5	45,000
			National experts (3)	Gov't	Cs	72.0	36,000
			Local consultants	Gov't	Cs	9.0	22,500
			Workshops, study tours	Gov't	Cs		116,500
			Equipment	Japan	Japan		50,000
	3. Strengthen budget management						
	1) Rationalized and modernized MEF's structure and function, 2) Improved quality of budget formation and implementation, 3) Modernized budget execution, 4) Designed and implemented effective internal and external audits, 5) Improved quality, motivation, and professionalism of public finance officials, 6) Strengthened public financial management, 7) Strengthen budget decentralization and performance budgeting in health sector		Treasury advisor	IMF	Cs	24.0	408,000
			Short-term expert	IMF	Cs	4.5	76,500
			Missions (3)	IMF	IMF	2.5	45,000
			National experts (3)	Gov't	Cs	72.0	36,000
			Workshops, study tours	Gov't	Cs		376,375
			Equipment	Gov't	Cs		50,000
			Equipment	Japan	Japan		100,000
			ADB Public finance management advisor	ADB	ADB		1,625,000
			WHO/Neth Res budget advisor in MOH/MEF	Neth.	WHO		320,000
BANKING SYSTEM REFORM							
	4. Create a robust and efficient banking system						
	1) Banking system restructured and 2) Strengthened regulatory and central banking functions		Banking advisor	IMF	IMF	14.0	252,000
			Short-term expert	IMF	DFID	14.0	238,000
			Missions (3)	IMF	IMF	12.5	225,000
ECONOMIC STATISTICS							
	5. Strengthen capacity to produce statistics for economic policy making and private investment planning						
	1) Improved national accounts and price data, 2) Improved foreign trade data, 3) Improved balance of payments statistics, 4) Improved government financial statistics, and 5) Improved money and banking statistics		Balance of payment advisor	IMF	DFID	13.0	225,000
			Missions (2)	IMF	IMF	9.0	162,000
			Workshops, study tours	Gov't	Cs		10,000
LEGAL REFORM							
	6. Improve legal framework						
	1) Specific improvements in the legal framework that directly impact the financial		Missions	IMF	IMF	2.0	36,000
POLICY RESEARCH							
	7. Strengthen linkages between economic and financial management and poverty reduction outcomes						
	1) At least one research paper on pro-poor macroeconomic policy and institutional		Consultants	Gov't	Cs	9.0	70,000
			Seminars/Workshops	Gov't	Cs		10,000
GOVERNANCE PROGRAM							
			DFID Governance program	DFID	DFID		250,000
PROGRAM ADMINISTRATION							
			National program manager	Gov't	Cs/other	24.0	72,000
			Admin. Support	Gov't	Cs/other	24.0	18,000
			Local travel, Equipment	Gov't	Cs		50,000
			Monitoring & Evaluation, Audit	Gov't	Cs		24,000
			Miscellaneous	Gov't	Cs		10,000
			UNDP support service costs				27,199
	Cs: Cost sharing (DFID, Netherlands, UNDP)			Grand Total			6,501,074
						Source: UNDP (2001)	

Process of aid coordination

(i) Planning⁸⁵

TCAP was formulated according to standard IMF TCAP procedures, consisting of the three steps: (1) the sending of diagnostic and technical assistance missions; (2) presentation of a draft plan at CG meetings or special donor meetings; and (3) negotiation with donor agencies and formulation of the program.

In February to April 2000, the IMF fielded a number of diagnostic and technical assistance missions to Cambodia.⁸⁶ These mission identified technical assistance requirements as summarized in the document, *Cambodia – Summary of Technical Assistance Needs in Economic and Financial Management (May 2000)*, and distributed at the Partnerships for Development Working Group on May 24 in Paris, prior to the Cambodia CG Meeting held on May 25-26, 2000.

IMF sent two missions to Cambodia after the diagnostic and technical assistance missions to coordinate technical assistance with other bilateral and multilateral development partners. The first mission, in early June 2000, briefed local representatives of major donors on the TCAP exercise and TA needs, and explored their interest in participating in TCAP. The second mission, in July 2000, worked with the authorities and UNDP to formulate the program and draft a program document. The mission informed the Donor Working Group on Fiscal Reform, and invited interested donors to provide input to the formulation of the program.

(ii) Implementation⁸⁷

The TCAP framework consists of two components: (i) training, seminars, workshops, and study tours carried out using the trust fund; and (ii) technical assistance provided by participating donors. DFID, Netherlands and UNDP have contributed to the trust fund. IMF, ADB and WHO have provided technical assistance.

The IMF is responsible for providing resident advisors and short-term experts, and carrying out technical and supervisory missions under the program's four main components: (i) fiscal sector reform; (ii) banking system reform; (iii) economic statistics; and (iv) legal reform.

ADB and WHO are responsible for providing resident advisors for public financial management and public expenditure management in the health sector, respectively.

DFID, in collaboration with the National Program Coordinator and the IMF resident advisors, is responsible for the implementation of the governance program component. UNDP is responsible for implementing the pro-poor policy research component and providing support services to the government for contracting and payment of national experts, implementation of training programs, procurement of computer equipment, and local administration of the program.

(iii) Monitoring, Evaluation and Review⁸⁸

An IMF staff person monitors the work of each IMF advisor on a regular basis. TCAP IMF resident advisors submit monthly reports to the IMF staff in charge. The IMF staff replies to monthly reports

⁸⁵ UNDP (2001), p.36.

⁸⁶ The Monetary and Exchange Department mission, the Fiscal Affairs Department mission and the Legal Department mission were carried out February 29-March 13, March 20– April 10, April 17–25, 2000, respectively. Assessments provided by the Statistics Department were based on missions carried out on February 3 -17, 2000 and in December 1998.

⁸⁷ UNDP (2001), p.56.

⁸⁸ UNDP (2001), p.57.

and makes adjustments to the work plan whenever necessary. He also undertakes periodic inspection visits to hold discussions with advisors and with country authorities.

Program evaluation is carried out through joint reviews by representatives of the government and participating donors. The UNDP resident representative, together with the Steering Committee, convenes Tripartite Review Meetings to review the program once a year. Representatives of participating donors participate in the Tripartite Review Meetings. The National Program Coordinator (with the assistance of the National Program Manager and the EFPPMU) prepares annual progress reports for the Steering Committee and other concerned parties, in consultation with inputs from UNDP and IMF. Those reports are circulated at least two weeks before Tripartite Review Meetings. The ADB advisor submits an annual progress report to the National Program Manager and ADB resident director in Cambodia.

A final program evaluation is expected to be held jointly to look at outcomes and impact of the program, and to draw conclusions about future assistance.

3. Achievements of aid coordination

The formal evaluation of TCAP program is expected to be conducted by independent evaluators in the near future. The current study, therefore, should not be interpreted as the formal program evaluation. It aims to provide an interim assessment of what has been achieved in some key aspects of aid coordination; namely, local ownership, local capacity, overlap of assistance, transaction costs to the government, and sustainability.

Local ownership

Under the supervision of the National Program Coordinator, the National Program Manager and national experts team have played a critical role in managing the program, taking the initiative to implement the program and coordinate various departments and donor agencies involved. Many interviewees reported that the presence of local ownership was manifested in active attitudes of the Manager and the national expert team.

However, ownership within the departments that have received training appears to have been weak. It was reported that TCAP resident advisors had prepared most of reform documents and these activities have been donor-driven. The participation of department managers in the training program was not as active as desired, and they tended to rely on advisors for implementing reform initiatives. An annual progress report of TCAP highlighted this point, noting that “...while the recent management workshops exposed managerial staff to the reform program, to date only a relatively small number of senior officials actively participate in it. While the provision of a resident advisor has been helpful to date, there is a tendency for managers to rely on him to take more leading role in implementing the reform initiatives than is desired.”⁸⁹ This point was also confirmed by three TCAP resident advisors who were interviewed for this study.

Capacity enhancement

It was reported that the National Program Manager and national expert team have gained good experience from managing the TCAP program. They felt that they could use their new skills if any similar opportunities arise in the future. However, this experience largely belongs to the individuals and it is not immediately clear whether institutional capacity has been enhanced. At present, it appears that the experience and capacity gained through the program is unlikely to be used once the National Program Manager and national expert staff team are returned to their regular assignments.

⁸⁹ Royal Government of Cambodia (2002).

Overlap of donor assistance

The TCAP has enhanced information sharing and coordination among donors, has helped eliminate overlap of assistance in the broad area of public financial reform, and maintained consistency and synergy among the activities conducted in different departments. Before TCAP, IMF and ADB provided technical assistance to various fields of fiscal reform independently without much coordination. With the introduction of TCAP, however, the opportunity to exchange information among TCAP resident advisors and among departments which are physically dispersed has been expanded considerably. In addition, technical meetings under TCAP have been held monthly, involving advisors and representatives of each department. Through the various meetings, TCAP resident advisors could confirm their activities and the overall objectives, and maintain consistency among the activities. In addition, TCAP resident advisors have been voluntarily holding weekly meetings to exchange information and views on program activities. This kind of opportunity would not have been possible without TCAP.

Transaction costs to the government

The transaction costs to the government to coordinate donors could have been much higher if each component under TCAP had been planned and managed separately with different donor agencies. In this sense, the transaction costs to the government, especially at the planning stage, were reduced through TCAP. It was reported that TCAP has placed heavy transaction costs on participating donors, in terms of substantial staff resources used to coordinate donors in planning, implementation, monitoring and evaluation. However, considering the benefits brought by TCAP, participating donors seem to have been willing to pay this extra cost.

Sustainability

The sustainability of achievements under TCAP will depend on government ownership and perseverance in implementing actions started under TCAP. The implementation of some actions would take time and require enduring commitment by the authorities. Sustainability will also depend on further technical assistance. Although the TCAP, which was undertaken on a pilot basis, is coming to an end during the first quarter of 2004, technical assistance will be provided by the IMF (and other donors) in the key areas of public finance targeted under TCAP. The TCAP has produced a number of substantial outputs, including, among others: (i) a draft customs law for customs administration and the statistics law and sub-decrees for economic statistics; (ii) the creation of a Large Tax Unit and a Medium Tax Unit for tax administration; (iii) the establishment of a Cash Management Committee; (iv) Manuals for Tax Collection; and (v) Standardized Accounting Procedures for Treasury Management. However, these achievements are only the first step in the long reform process. For instance, the Manuals for Tax Collection and the Standard Accounting Procedures for Treasury Management would apparently need to be tested and used for capacity building activities in the years to come. If there is no follow up activities, those achievements might have only a limited impact. The MEF's experience to manage aid coordination through TCAP should not be under-utilized.

4. Lessons from aid coordination

Contributing factors to achievements

The broad, comprehensive framework of the program helps enhance coherence and complementarity among donor assistance.

TCAP has been one of the main instruments for the implementation of public finance reform in the last few years. With the government-donor partnerships, TCAP has been able to cover a broad area of reforms and restructured the administration of related government units. Therefore, TCAP has had a significant influence on financial management on the whole. Before TCAP, donor assistance was given in the form of individual projects by different donors and the impact was scattered and less

coherent. Now, a large part of capacity building activities are carried out under the TCAP framework. As a result, the overlap of assistance has been largely eliminated in this area.

Institutional arrangements should be flexible to accommodate local needs.

Procedures or management systems should be modified if they turn out to be non-functional. For example, TCAP experienced a delay in the disbursement of the trust fund at the beginning. This was mainly because the Program Manager was not a full time position, and therefore was not able to allocate sufficient time to swiftly fulfill the conditions required for the disbursement of the trust fund. The delay in disbursement affected procurement of goods and services required for program activities and caused frustration to all involved. To address the problem, the government and its partners agreed to make the Program Manager position into full-time to work for day-to-day management of the program. The newly appointed Manager fulfilled the required conditions successfully and, as a result the program implementation has become much smoother. In short, the government and its partners modified the initial institutional arrangements to accommodate local needs, which helped improve management of the program. This may also be seen as an example of learning-by-doing.

Informal networks can supplement formal mechanisms of coordination among donors.

Under TCAP framework, the formal institutional arrangement of coordination among donors has been supplemented by informal networks created by TCAP resident advisors. As mentioned in section 3, TCAP resident advisors held own meetings voluntarily to exchange information and views on the program activities. This helped improve coordination of activities and management of the program. Furthermore, the TCAP resident advisors for tax administration and statistics acted as *de-facto* coordinators with other donors supporting fiscal reform outside of the TCAP framework.⁹⁰ Their efforts helped avoid any overlap with other donors' activities and maintained good relationships, then supplemented the formal mechanisms such as the Fiscal Reform Working Group.

Key issues and challenges

Build on TCAP's accomplishments

TCAP has brought a new program approach to economic and public finance reform for the first time in Cambodia. Through the TCAP, the MEF has gained experience and capacity in coordinating a wide range of technical assistance activities in this area. The TCAP has produced a number of substantive outputs, which have made a critical impact on public finance reform, and laid the foundation for future activities. The challenge here is how to build on what has been accomplished under TCAP. In the preparation of a new program at the next stage, the following issues that have emerged in this study might be worth consideration: (i) expanding capacity development activities to line ministries and provinces; (ii) operationalizing the outputs produced under TCAP; and (iii) considering recipients' views in the design of technical assistance program.

(i) Expanding capacity development activities to line ministries and provinces: Training activities under TCAP have focused mainly on government officials at the national level, with the exception of some seminars on treasury management for provincial treasurers (held twice). The involvement of line ministries has been also limited, with the exception of the budget departments of PAP ministries. As our case studies in Education (Chapter 6) and Health (Chapter 7) made clear, capacity development of public financial management is needed throughout the government and especially at the sub-national level. Therefore, a new program in the next phase should consider expanding capacity development activities to other line ministries and provinces.

(ii) Operationalize the outputs produced under TCAP: TCAP has produced substantial materials as listed in the previous section. These outputs, in particular the Manuals on Tax Administration and the

⁹⁰ This task is written in the Terms of Reference of TCAP resident advisors.

Standard Accounting Procedures on Treasury Management, should be tested and used for capacity development activities for all government officials concerned.

(iii) Consider recipients' views in the design of technical assistance: The government officials involved in TCAP have generally appreciated the works of technical advisors, but they also suggested that recipients' views should be considered in the design of future technical assistance. The main points which emerged from a group interview with national experts working for TCAP and other interviews are summarized in the following:

- *Learn about Cambodia before arrival*: Technical advisors usually take about three months to learn the background of programs, local needs and conditions. This means advisors remain unproductive for the first three months. It is suggested that advisors learn about Cambodian needs and conditions as well as program activities before their arrival in Cambodia. This practice will enable them to engage in productive work from the beginning of their assignment;
- *Improve communication during rotation of advisors* : When foreign advisors change, they often provide advice which contradicts that of the previous advisor. For example, the establishment of a unified budget system is an objective of the Budget Department, but each new advisor has advised a different approach from that of the former advisor. It is suggested that the change of advisors should be minimized, and if that happens, those advisors should communicate better to ensure continuity and consistency of program activities;
- *Acknowledge contribution of government officials properly*: Although some advice provided by foreign advisors is based on suggestions by government officials, the contributions of the latter are often not acknowledged properly. Foreign advisors and government officials are expected to work together to achieve common program objectives. It is suggested that foreign advisors consider reporting their outputs jointly with national officers to senior management of ministries.
- *Put capacity building first*: TA programs should pay much more attention to capacity building of government officials.;
- *Give options in the selection of advisors*: It would be better if donors nominate two or more candidates for an advisor's position and allow the government to select the most suitable person for the position.

Salary supplements

Salary supplements are provided for the government officials who work as national experts for TCAP, as was mentioned in Section 2. The government officials interviewed questioned whether the current level of salary supplements may undervalue the capacity of national experts. They argue that many donors assume that the capacity of all government officials is equally "poor," but this is no longer the case because a number of government officials have significantly improved their capacity through work experience and training in the last decade. According to their view, the current standard of salary supplements, which was set by the UN a long time ago, does not adequately reflect their enhanced capacity.

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ANNEXES

Annex 1

List of Interviewees

Note: The interviewees in the list below include those whom the research team was able to meet in three missions in February-March 2003, June-July 2003 and October-November 2003.

Name	Position	Organization
Education (SWAp)		
H.E. Im Sethy	Secretary of State	MOEYS
H.E. Pok Tan	Secretary of State	MOEYS
Luise Ahrens	Representative	Maryknoll
Mike Ratcliff	Investment Planning Specialist	MOEYS
Sar Nak	Deputy Director, Department of Planning	MOEYS
Vin MaNamara	Chief Technical Advisor	MOEYS (EQIP)
Koeu Nay Leang	Director General of Education	MOEYS
Allan Kitchener	Budget Planning, Accounting & Audit Adviser, Education Sector Development Project	MOEYS
David Quinn	Monitoring & Decentralization Adviser, Education Sector Development Project	MOEYS
Tek Somaly	Deputy Chief of Planning Office, Department of Planning	MOEYS
John Virtue	Donor Coordination Advisor	Education Sector Working Group
Desiree Jongsma	Head of Education Section	UNICEF
Nabendr Dahal	Project Officer, Education	UNICEF
Etienne Clement	Representative (Chair of ESWG)	UNESCO
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Annex 2

Thematic Workshops: The Views of Government Officials at the Operational Level

The programs in the cases studied are implemented by government officials at the operational level, e.g. directors, deputy directors, division chiefs. They are the ones who manage and implement those programs on a daily basis. What do they want to say about the programs and the sectors? What problems do they face in their daily work? How could aid coordination help to address those problems? In order to obtain insight into these questions, the study team organized thematic workshops on Education SWAp and Health SWiM and held a group interview on Public Finance TCAP during October-November 2003. The workshops and the group interview aimed to complement a series of individual interviews held in March-April and June-July 2003, from which the views of decision makers at the senior level (e.g., secretary of state, secretary general) and donor representatives and foreign advisors were gathered.

The proceedings of the workshops in Education and Health were organized as follows: (1) each participant wrote three problems that have constrained their daily work as well as effective service delivery on cards; (2) all the cards were posted on a big board and sorted by topic; and (3) participants identified root causes and consequences of the problems presented on the board, and discussed how to address those issues. In TCAP, information gathering took the form of a group interview guided by a set of key questions, as the number of participants was relatively small. The key findings from the workshops and the group interview are summarized below.

Education SWAp

The thematic workshop on Education SWAp was attended by 15 MOEYS officials working at the operational level. The points for discussions and key findings are summarized below.

Planning and sector management

Problems raised in connection with the planning and monitoring process of education sector management include the following.

- The roles and responsibilities of each department in the planning process, especially school development, are not clearly defined. There are no clear guidelines in MOEYS which stipulate the respective roles and responsibilities.
- Participation of the Ministry's local offices and communities in the planning process has been limited so far. The current planning process involves only the central level of MOEYS and does not fully reflect the needs identified at the local level.
- There was a series of training programs to build capacity for planning and monitoring at the provincial and district levels with the support of donors. However, the training was not sufficient to fill the gaps of management capacity required for decentralized management under ESSP. The capacity gaps are particularly large in the areas of financial management and accounting at all levels of MOEYS.

Participants at the workshop stressed that further capacity development, especially in the areas of financial management and accounting, is required to respond to the needs that have arisen since the introduction of the PAP in 2000.

Budget and financial management

The problems raised in connection with the sector budget are three fold: (1) increasing, but still insufficient allocation of government budget to the education sector; (2) delay in the release of allocated budget to the provincial and district levels, especially the PAP fund; and (3) lack of transparency in budget expenditures at spending units. In particular, the following views on the delay in PAP budget release were shared at the workshop.

- There has been confusion within the whole MOEYS about the cycle of PAP execution, i.e., the PAP budget needs to be spent according to the fiscal year (from January to December), but its actual execution has largely followed the cycle of the academic year (from September to August).
- The shortage of cash at the national treasury is one of the causes of the delay in the PAP release.

Donor assistance

The problems and challenges in connection with the donor assistance to the education sector raised by the participants are as follows.

- Some donor advisors assigned to MOEYS do not pay full attention to developing the capacity of their counterparts. Instead they do the Ministry's work on behalf of government staff, e.g. report writing.
- While the duplication of donor assistance has been significantly reduced with the introduction of SWAp over the past few years, there are still overlaps of activities among technical advisors, e.g. similar fact finding studies conducted by different technical advisors.
- Donor assistance is not necessarily transparent in terms of financial inputs, especially the cost of foreign experts and consultants.

Human resources

Problems related to number, capacity and geographic distribution of human resources in the education sector were raised. Participants indicated that, after the introduction of PAP, each provincial and district education office is required to establish a Budget Management Center (BMC), but only 144 district offices among the total of 185 districts have established BMCs so far. The main reason for not having been able to set up BMCs in 41 offices is the lack of human resources.

As mentioned earlier, the capacity gaps in financing and accounting were pointed out as one of the issues to be addressed. It was also pointed out that the low salary of district office staff compared with teachers is one of the factors that make it difficult for district offices to recruit qualified financing and accounting staff.

Other key issues

Other problems raised during the workshop, but not discussed in detail, include the following.

- Low salaries cause low staff motivation at all levels of MOEYS and teachers and has been an obstacle to the achievement of sector goals.
- Information sharing and cooperation among different departments within MOEYS is not sufficient.
- The lack of facilities and teaching materials has been an obstacle in providing education services in some areas.

Health SWiM

The thematic workshop on Health SWiM was attended by 9 MOH officials working at the operational level. The points of discussion and key findings are summarized below.

Information sharing

The problem in collecting information on donor assistance was highlighted as the primary challenge of information sharing. The key issues in this connection are:

- MOH has not been successful in collecting information on donor assistance due partly to the lack of its capacity as well as to the lack of cooperation by donors.
- Due to the lack of donor assistance information, MOH, especially the provincial health offices, have been unable to incorporate figures of donors' inputs into their budget plans at each province.
- MOH also faces difficulty in providing accurate information on donor inputs to other ministries such as MOP and MEF which prepare PIP and MTEF, respectively.

The participants stressed that this problem is the most urgent of all the sector issues that need to be addressed.

Human resources

Problems in terms of the number, capacity and geographic distribution of human resources in the health sector were described. Participants stressed particularly that there was a shortage of midwives in the public service. It was reported that MOH has been facing difficulty in increasing the number of midwives due to a regulation on civil service employment imposed by the Council for Administrative Reform.

The lack of accounting capacity was also raised at the workshop. It was pointed out that in many local offices accounting work is done by personnel who have not received professional training in this field, e.g. nurses. In addition, the question of how to increase the number of technical staff, such as doctors and nurses, in remote areas was indicated as another issue to be addressed.

Sector budget

The problems raised in connection with the sector budget include the following.

- The budget allocated to the health sector is not sufficient to achieve sector goals.
- The release of the budget (salary, PAP, ADD and other operational budget) to the provincial level tends to be delayed, especially during the first quarter of the year. This is partly because of management problems between MOH and MEF, as well as the shortage of cash at the national treasury.
- As earlier mentioned, there are capacity gaps in the area of accounting, especially at local offices.

There appear to be the gaps between MOH and donors in the perception of “disbursement rate.” The disbursement rate used in the government’s official reports is interpreted by many donors as the rate of the budget actually spent at spending units. However, the government has been using this term as the rate of the budget that has been approved for release by MEF, or the rate of the budget that has been released from provincial treasuries to provincial BMCs.

National programs

Several issues around coordination among national programs and central departments were raised and discussed.

- Communication and cooperation has been insufficient between the national programs and the central departments of MOH.
- The financial incentives for government officials provided by national programs (e.g. per diem, travel allowance) vary depending on which program they work for, and are not well coordinated at the health center level. This has created a feeling of unfairness among the staff. This practice has also distorted the allocation of staff to health centers in a way that does not reflect community needs.
- The information on donor assistance to national programs is difficult to collect. As earlier mentioned, provincial health offices have been unable to develop costed plans due to the lack of information on the donors’ inputs.

Staff salaries

The participants shared the view that low pay in the civil service is a root cause of a number of the problems in the health sector. For instance, brain drain of trained staff and the lack of staff motivation were raised as direct consequences of the low pay.

Participants discussed interim and long-term measures to address the low pay problem. The interim measures may include the contract-in scheme which will be implemented under the framework of the Health Sector Support Project. The long-term measure is obviously the increase of the government’s salary scale, which is being developed under the initiatives of the Council of Administrative Reform.

Poor people’s access to health service facilities

The opinion was expressed that poor people’s access to health facilities is often hindered by environmental and social factors. For example, the Equity Fund under the MOH’s strategies aims to promote access to health service facilities through the provision of subsidies, but this alone is not sufficient because some obstacles such as the lack of transport, poor road conditions, family duties, etc. constrain poor people from reaching the health facilities. Participants indicated that addressing those obstacles is beyond the mandate of MOH, and requires cooperation with other ministries and agencies, for example, Seila Program.

Public Finance TCAP

The study team organized a group interview for government officials at the operational level to discuss TCAP and technical assistance in general, and key issues and challenges of budget and public financial management. Five officials who work on TCAP Program as national experts attended the group interview. The main issues discussed are summarized below.

Technical advisors and technical assistance (TA) programs

- Technical advisors usually take about three months to learn the background of programs, local needs and conditions. This means advisors remain unproductive for the first three months. It is suggested that advisors learn Cambodian needs and conditions as well as program activities before their arrival in Cambodia. This practice will enable them to engage in productive work from the beginning of their assignment.
- When foreign advisors change, the new advisors often provide advice that is contradictory to that of the previous advisor. For example, the establishment of a unified budget system is an objective of the Budget Department, but one advisor applied a different approach from that of the former advisor. It is suggested that the change of advisors should be minimized; and if a change is necessary, those advisors should communicate better to ensure continuity and consistency of program activities.
- Although some advice provided by foreign advisors is based on suggestions by government officials, the contributions of the latter are often not acknowledged properly. Foreign advisors and government officials are expected to work together to achieve common program objectives. It is suggested that foreign advisors consider reporting their outputs jointly with national officers to the senior management of ministries.
- TA programs should pay much more attention to building the capacity of government officials.
- Many donors tend to assume that the capacity of all government officials is “poor” across the board. It should be recognized, however, that some government officials have significantly improved their capacity through work experience and training in the past decade. The UN standards of salary supplements for government officials, which were set for a long time ago, should reflect enhanced capacity. Donors do not consider this aspect properly and treat Cambodian officials as equally poor in capacity. TA programs should be designed to provide adequate incentives to national officers, in terms of both financial incentives and career development.
- One advantage of working with foreign advisors is that advisors’ suggestions are well received in senior management of ministries, and therefore can accelerate ministerial decision making.

TCAP

- TCAP has a comprehensive scope which cut across various activities on economic policy and public finance management, and yet it is well focused.
- The MEF has established a management system for comprehensive programs through TCAP. Therefore, the extension of TCAP is good option for pursuing public finance reform.
- Introduction of MTEF is one of major achievements of TCAP.

Public Financial Reform

- The reform of the budget system is a complex issue because it involves politics, and there will be winners and losers as a result.
- On the revenue side, all revenues for the government, including donor assistance, should be integrated into the national treasury. Donor cooperation is necessary to do so, but donors do not trust the current national treasury management systems in Cambodia. Another challenge is that each ministry has its own revenue sources that are not fully reported to MEF. These revenues should also be included in the national treasury. This will require the strong commitment of relevant ministers.
- On the expenditure side, investment and donors’ expenditures should be handled separately.
- The Budget Department and the National Treasury should share the same approach to budget management.

Other key issues

- Some conditionality of donor assistance is too difficult to implement, and often does not reflect reality on the ground. Donors should consider the feasibility, economic and political, of the conditions they attach to assistance.
- A post-audit system has been introduced in the budget system through PAP. Building on PAP, national budget management will gradually shift from the current pre-audit to a post-audit system.
- TCAP has provided training courses on public expenditure management, in which officials at the provincial treasuries participated.
- The capacity building for budget management required for successful decentralization and deconcentration will be an important issue for budget reform in the future.

Annex 3

Field Study in the Prey Veng Province

Government officials at the local level, i.e., provinces, districts, and communes, play critical roles in managing and implementing the programs studied. Teachers at local schools and medical and health specialists at local hospitals and health centers provide public services directly to people. What are their views on the programs and the sectors studied? What are the challenges they face in implementing the programs and providing service delivery? What could aid coordination do to assist their work?

To obtain insights into those questions, the study team visited Prey Veng Province during 22-25 October and 11 November 2003, and interviewed government officials at provincial and district offices, commune councilors, teachers, hospital and health center staff, and advisors to some donor-funded projects. The team was able to meet with around fifty people during the field study, including the Governor of the Province and the heads of Provincial Departments in Education and Health (see Annex 1 for the list of interviewees). Prey Veng Province was selected because it has the third largest population (929,000) and the third highest percentage of the poor (54%) among 24 provinces and municipalities, and it was recommended by senior government officials at the central level and foreign experts in the respective sectors and cross-cutting issues studied. This field study focused on Education SWAp, Health SWiM and Local Governance Seila. TCAP is not included because it focuses primarily on the central government.

Key findings which are particularly important to our respective case studies are summarized below. It should be noted that the findings of the field study are only indicative, and should not be generalized to the whole province or country, as they reflect interviews with only limited number of people in one province.

Education

Basic information about education services in Prey Veng Province

- The Prey Veng Provincial Education Office covers 12 districts.
- In Prey Veng Province, there are 92 pre-schools, 485 primary schools, 52 junior high schools, 18 high schools, and 2 pedagogy schools.
- There are 270,000 students and 7,600 teachers (primary and secondary levels all together) in the province.
- The external partners in the province identified by the team include: UNICEF (the Expanded Learning Opportunities for School and Child Readiness Project for school construction and capacity building for planning and monitoring); ADB (PAP program for Education); and World Vision.

The study team visited provincial and district education offices and schools and interviewed key persons at each place. The key findings are summarized below.

SWAp and ESSP

- The provincial office has participated in the provincial workshop in connection with the annual ESSP Review since 2000. In particular, the provincial office prepared a provincial report and submitted it to the ESSP 2003.
- The strategy presented in the ESSP does not seem to be fully shared by district education offices. In fact, one of the district officers confessed that he knows ESSP by name, but is not very familiar to its contents.
- It was difficult to measure the impact of the SWAp process to the district level. However, the Priority Action Programs (PAPs) initiated in line with the SWAp process have brought about some positive changes locally (detailed in the next section).

PAP and public financial management

- About 3 billion riels were allocated to Prey Veng Province under the PAP 2002. By the time of the field study, 90% of the total amount of PAP 2002 had been released from the provincial treasury to the provincial BMC. The PAP 2003 had not been released yet.

- The release of the PAP fund tends to be late and irregular. However, once the fund reaches the provincial BMC, the subsequent distribution through district BMCs to spending units is usually smooth (according to a provincial education officer).
- The PAP fund is typically divided into more than 10 installments throughout the academic year. For example, the Prey Veng Krong Primary School received the first payment of the 2002 PAP in early October 2002, and received 90% of the total amount by the latest or the tenth installment in October 2003.
- The delay of the PAP release and its irregular payment has had some influence at the school level. Due to the uncertainty of the payment, schools are not able to develop annual plans (according to a district education officer interviewed). In order to cope with the delayed payment of PAP, schools have implemented various measures, e.g. borrowing money, buying teaching materials on credit, etc.
- Despite the problems mentioned above, all the interviewees shared a positive view of the impact of the PAP. The foremost is that parents are now exempt from the payment of entrance and examination fees to schools as a consequence of the PAP introduction in 2000.
- School directors interviewed had difficulty in fully understanding the PAP management process, especially its expenditure reporting to the district office. They had received training for its management, but felt that it was not enough to understand the changes brought about by the new initiative.
- There is no formal audit system for expenditures at spending units. However, some schools have school support committees comprised of key community members such as school directors, monks and parents of students. In those schools, the committees are involved in monitoring the PAP expenditures and the preparation of reports.

Health

Basic information of the health service in Prey Veng Province

- The Prey Veng Provincial Health Office covers 7 operational districts (ODs).
- There are 7 referral hospitals and 90 health centers within the province.
- Among the 7 ODs, 4 ODs receive funds under the ADD scheme (there is no PAP program).
- The external partners in the province identified by the study team include: UNICEF (capacity building of the Provincial Health Department and OD offices on planning and monitoring); ADB (through HSSP); ECHO (immunization funded by UNICEF); and CORD.

The study team visited the provincial health office and OD offices as well as health facilities and interviewed key people at each place. The key findings are summarized below.

Health Sector Strategic Plan (HSP) and SWiM

- The HSP and the new planning manual have enabled the provincial and OD offices to develop annual plans in a way that budget and activities are linked with clear targets to be achieved in the province. Costed planning will be introduced at referral hospitals and health centers from 2004.
- Despite the improved planning process mentioned above, there are still capacity gaps in the areas of planning and to a greater extent of monitoring at the provincial and OD levels. In order to address the identified management capacity gaps, UNICEF has been supporting capacity development of management staff at the provincial and district levels in Prey Veng Province.

Public financial management

- The release of the ADD fund tends to be delayed. In fact, the release rate was still around 50% at the time of the field study in October.
- However, staff of the OD offices perceived that the impact of the delay is limited because the financial gaps accruing from the late release of the fund are usually bridged by user fees collected at health facilities.
- On the other hand, one of the OD offices which are not supported by ADD reported that not only do they not receive the ADD fund under Ch.13, they do not even receive operational funds under Ch.11. They were not sure about the reason why the provincial office does not allocate funds to their district, but suspected that it might be because the district had been enjoying financial support under an ADB project until 2002.

Pharmaceutical supplies

- As far as Prey Veng Province is concerned, the delay of pharmaceutical supplies was not very serious. This finding is inconsistent with the information shared at the central level. The study team was informed that on

some occasions drugs did not arrive in the provincial office as scheduled, but the delay was rare and usually within an acceptable range for health facilities.

- Other problems around pharmaceutical supplies reported include (i) occasional mislabeling of drugs, and (ii) provisions of expired or nearly expired products by the Central Medical Store.

Local Governance Seila

The study team visited Prey Veng Province to deepen their understanding of how the Seila program works at the provincial level, and to obtain views and opinions from the people who are involved in the program at the field level. The team was able to meet with Partnership for Local Governance (PLG) advisors and Executive Committee (ExCom) staff, and with Commune Councilors and Villagers in Damrei Puon Commune. The team was also able to observe a District Integration Workshop (DIW) at Peam Ro District held on 11 November 2003.

The Seila Program started its operation in Prey Veng in 2000. As in the other provinces, the Program is executed by the Executive Committee (ExCom) under the Provincial Rural Development Committee (PRDC) with support of Partnership for Local Governance (PLG) advisory services. Under ExCom, Seila program activities are managed by the Contract and Administration Unit (CAU), the Financial Unit (FU), the Technical Service Unit (TSU) and the Local Administration Unit (LAU) (see Box A3-1 for the roles and responsibilities of each unit). The numbers of staff in the respective units are 8 for the CAU, 4 for the FU, 14 for the TSU, and 57 for the LAU. The LAU consists of 16 staff of the Provincial Facilitation Team (PFT) and 41 staff of the District Facilitation Team (DFT). An ExCom permanent member serves as secretary of ExCom. A provincial senior advisor under the PLG supervises overall activities, and a PLG advisor is attached to each managing Unit. All advisors under PLG in Prey Veng are Cambodian nationals.

Capacity of ExCom managing units and Commune Councils

ExCom managing units: To the question about the capacity building of ExCom management units, a majority of the ExCom staff interviewed reported that they had gained skills and knowledge from PLG advisors, had become able to manage some 60% of program activities by themselves, and would acquire more skills and knowledge by the end of the program in 2005. However, they also said that they were not fully confident whether they could manage the entire program by themselves after 2005.

Capacity of Commune Councils: According to the LAU staff interviewed, the capacity of commune councils varies depending on the communes, but that in general their basic knowledge of local administration and management is very low. Commune councilors need more time and support for gaining experience, skills, and knowledge to manage commune council activities by themselves. Also, the FU staff interviewed reported that the capacity of commune clerks was extremely low and they needed more training.

Damrei Puon Commune

The Damrei Puon Commune implements 8 small irrigation projects funded by Seila, for which villagers contribute their labor. The commune councilors interviewed reported that they were revising the five-year Commune Development Plan and the three-year Commune Investment Program. Following the Seila's standard procedure for commune planning, priority activities of the commune were selected by the Planning and Budget Committee (PBC) under the Commune Council. The PBC consists of commune councilors, village heads and representatives of women from each village.

The commune councilors and villagers reported that the problems of the region had been flood and drought in rainy and dry seasons, respectively. To address this chronic problem, they decided to build irrigation and drainage facilities as the priority activities of the commune. They also reported that road reconstruction and maintenance was also important to transport their products to markets. Seasonal immigration to the urban areas has been a common practice of villagers to earn supplementary incomes. Their income has been reportedly reduced in half in the last year due to a drought. The commune councilors and villagers were planning to apply for WFP's Food for Work Program, which had been explained at the District Integration Workshop (DIW) under Seila (described in the next section). The PRASAC (an EU project) and an NGO called PNKS have been supporting the commune since 1990s.

The villagers interviewed reported that people came up with more ideas now than the time before the commune council had been established. The commune councilors appreciated the training provided by Seila. They expressed confidence that they could manage the commune council by themselves within a few years.

Box A3-1 Roles and Responsibilities of Four Managing Units under ExCom

Contract and Administration Unit (CAU)

The CAU operates under the overall supervision of Provincial Planning Department. Its overall responsibilities are as follows:

- Assisting the ExCom in finalizing the annual Work Plan and Budget.
- Reviewing contracts and ensuring implementation of the contracts.
- Monitoring and evaluation of the Annual Work Plan and Budget and preparation of progress reports.
- Managing ExCom inventory, personnel contracts, procurement and bidding, and authorizing payments less than \$1000.

Financial Unit (FU)

The FU operates under the overall supervision of the Provincial Department of the MEF, managed by one full-time Chief from the Provincial Department of MEF and one full-time Deputy Chief from the Provincial Treasury. The FU provides financial services to the Governor, ExCom, implementing Departments, and Commune Councils (CC) for the implementation of approved Work Plan and Budgets.

Technical Support Unit (TSU)

The TSU operates under the overall supervision of the Provincial Department of the Ministry of Rural Development. The roles and responsibilities of the TSU are as follows:

- Assist Commune Councils (CCs) in carrying out project studies, preparing project designs, estimating costs, and preparing project proposals for inclusion in CCs' Development Plan and Budget.
- Assist the CCs in managing competitive bidding and procurement contracts, monitoring and supervising the implementation of investment activities, and certifying quantities and quality of work implemented by contractors.
- Advisory service to CCs on matters related to the implementation of investment activities.
- Provide technical support for rural infrastructure projects.

Local Administration Unit

The LAU operates under the overall supervision of the Provincial Unit of Local Administration, the Ministry of Interior. The LAU has the following overall responsibilities:

- Coordinating the implementation of specific training programs and ongoing capacity building of CCs.
- Monitoring and evaluating the performance and capacity of CCs to manage the implementation of the regulatory framework, to effectively administer the communes, and to promote socio-economic development of the communes.
- Promoting effective collaboration and partnership between CCs and provincial department, NGOs, donors and the private sector.
- Maintaining databases of, and preparing, reports for submission through the ExCom and the governor to the appropriate national authorities.

The LAU consists of the Provincial Facilitation Team (PFT) and the District Facilitation Team (DFT). PFT staff members are responsible for implementing provincial level activities of the LAU and supervising DFT. Each DFT staff covers 3~4 communes to facilitate CCs' activities.

Disbursement of Commune Fund

According to the Seila Program's annual budget and work plan, the transfer of Commune Funds to the provincial treasury is to have been completed by September each year. As of the end October 2003 in which the research team visited the Province, only 50% of the Commune Funds were transferred to the provincial treasury. The government reported that this delay was due to the shortage of national revenues to the government. However, commune councilors' salaries were paid for 8 months.

District Integration Workshop (DIW)

The team had the opportunity to observe the DIW at Peam Ro District in the Prey Veng Province. The Workshop started at 8:30am and finished around 11:30am. The procedure of the DIW described below followed the Seila guidelines for the DIW process. The representatives of all communes in Peam Ro District reported program performance in the past and proposed their high priority activities for the next year; Then, the provincial departments of line ministries and NGOs participating in the Workshop sought to identify which activities they could support. The main activities proposed by the communes included, but were not limited to: (i) irrigation facility developments; (ii) installation of drainage pipes across the roads; (iii) rehabilitation of the roads; (iv) school construction; (v) the digging of drinking water wells; and (vi) installation of toilets to each house. The PLG's provincial senior advisor who attended the Workshop reported that the participation of line department and NGOs to the DIW was not as active as that in other districts in the Prey Veng Province. In fact, only five line departments (i.e., provincial departments of Rural Development, Health, Education, Social Affairs, and Women and Veterans Affairs) and two NGOs (Care and World Vision) participated in the Workshop. It was reported that not all the NGOs working in the District participated.