SIX MONTH PROGRESS REPORT
on the
IMPLEMENTATION OF H&A ACTION PLAN
December 2004 - May 2005

BACKGROUND

1. The purpose of this report is to present a succinct update on progress that has been made by the Royal Government of Cambodia and the development partners to implement RGC's Action Plan on Harmonization and Alignment. The Action Plan that was prepared by RGC through an extensive consultation process with the development partners outlines specific actions that will be taken to implement the commitments made in the Rome Declaration. The Action Plan was approved by the Council of Ministers on 19 November 2004. Also, the Royal Government and 12 development partners who have shown a willingness to support the implementation of the Action Plan on Harmonization and Alignment signed a Declaration on 2 December 2004[1].

2. The purpose of this report is to present an update on progress that has been made by the Royal Government of Cambodia and the development to implement the H&A Action Plan over the last six months -- December 2004- May 2005.

SUMMARY OF PROGRESS

3. Overall, almost all of the planned activities that were to be completed during the last six months have been completed. Cambodia's report on progress toward enhanced aid effectiveness was presented by H.E. Keat Chhon at the Second High Level Forum (28 Feb - 2 March 2005). The work on the preparation of NSDP is somewhat behind schedule because of delays in the recruitment of an Advisor and putting in place technical and coordination structures needed for the preparation of the NSDP.

4. Details of progress made on each specific activity are summarized in the attached Annex I.

Partnership and Harmonization TWG
June 30, 2005

[1] These development partners include: ADB, Australia, Canada, DANIDA, DFID, European Commission, France, Germany, Japan, SIDA, UN System, and World Bank.

ANNEX I: PROGRESS ON THE IMPLEMENTATION OF RGC'S ACTION PLAN ON HARMONIZATION AND ALIGNMENT
DECEMBER 2004 - MAY 2005

Section A: Ownership and Leadership				
Results	**Actions Needed**	**Milestones**	**Timing**	**Progress**
1. RGC leads the process and prepares a single Strategic National Development Framework for the next planning cycle (2006-2010)				
a) RGC prepares and adopts a single National Strategic Development Plan (2006-2010).	(i) SEDP and NRSP are consolidated into one strategy document, aligned with CMDGs: • Formalize institutional mechanism for formulating NSDP (TWG/Planning and Poverty reduction)	TWG on Planning & Poverty Reduction established and starts developing NSDP.	December 2004	TWG on Planning and Poverty Reduction has been established. A meeting of the TWG was held on 3 June 2005.
	• MoP requests all line Ministries & Institutions to formulate individual Strategic Plan	Technical meetings in MOP held to discuss NSDP preparation process and guidelines for the preparation of NSDP issued.	January 2005	Guidelines for NSDP formulation were distributed to ministries in December 2004, through a "Circular on the Formulation of the National Strategic Development Plan: 2006-2010". It included information on the conceptual framework, institutional framework for the formulation process, and working schedule. Several technical meetings have been held, that have included an Inter-ministerial meeting on 20 April 2005 and a TWG-PPR meeting on 3 June 2005. In its progress report to the GDCC meeting held on 14 June 2005, the TWG has reported delays in a number of areas, including delays in the recruitment of the Advisor.
	• Sector ministries/agencies prepare Sectoral Strategic Plans	Sector Strategic Plans prepared.	May 2005	The Sector Strategic Plans including the results matrix with sector development priorities are currently being prepared.
	• Sectoral Strategic Plans consolidated into a NSDP • Consultations on NSDP with all stakeholders • NSDP Revised, if necessary ▪ Consolidated NSDP submitted for adoption by RGC and for approval by the legislatures	Technical workshop(s) First draft of NSDP prepared National Workshop(s) Revised NSDP completed. NSDP approved by RGC and Parliament.	June-August 2005 September 2005 October 2005 November-December 2005	

Section A: Ownership and Leadership				
Results	**Actions** Needed	**Milestones**	**Timing**	**Progress**
1. RGC leads the process and prepares a single Strategic National Development Framework for the next planning cycle (2006-2010)				
a) RGC prepares and adopts a single National Strategic Development Plan (2006-2010).	(ii) Implement the National Strategic Development Plan through national sector programs in the form of SWAp, SWiM and Program Based Approach.	Preparation of national sector programs in at least 2 sectors	June 2005	A seminar was organized by the P&H TWG with assistance from SIDA for senior officials of ministries and donor representatives on concepts, features, and conditions of SWAp/PBAs on 9-10 June 2005 at CDC. The purpose was to enhance the understanding of government officials and donor personnel on SWAp and program-based approaches.
	(iii) Expand the application of SWAps, SWiMs, and PBAs modalities in appropriate sectors, e.g. • Agriculture • Infrastructure: sub-SWAPs in transport/energy/water • Land Management • Decentralisation	National Sector Programs in other areas developed.	2005 - 2006	
b) RGC uses a single national development framework for planning linked to resource allocation, including ODA.	(i) Use the new TWG on Planning and Poverty Reduction as mechanism for coordination for planning and monitoring the implementation of the NSDP.	Process for coordination for planning and monitoring of NSDP established.	Early 2005	The TWG on Planning and Poverty Reduction has been established and making progress. However, TWG needs to further strengthen coordination with other TWGs.
	(ii) Build a common understanding of relationship between the NSDP and other planning and budgeting mechanism.	Workshops to disseminate information on NSDP and other planning & budget mechanisms.	Throughout 2005	Not yet organized.
	(iii) Reflect the priorities of the NSDP in the budgeting process.	MEF & MOP explore options and take appropriate actions.	Beginning 2006	
	(iv) Incorporate sector priorities in the preparation of MTEF.	Sector priorities incorporated in the MTEF.	2006	

Section A: Ownership and Leadership				
Results	**Actions Needed**	**Milestones**	**Timing**	**Progress**
2. RGC assumes leadership role in the coordination of development assistance				
a) Cambodia's Action Plan for Harmonization and Alignment—2004-2008, outlining RGC's priorities on harmonization and alignment, is prepared and agreed with development partners.	(i) RGC's Action Plan on Harmonization and Alignment prepared and approved.	. Government approves National Action Plan.	November 2004	The RGC H&A Action Plan 2004-2008 was prepared and was approved by the Council of Ministers on 19 November 2004.
	(ii) Secure agreement between RGC and interested donors on a Partnership Agreement.	Partnership Agreement signed. Inform the CG meeting on the H & A Action Plan and Partnership Agreement	November 2004 December 2004	RGC and 12 development partners who have shown willingness to support the implementation of the Action Plan on harmonization and Alignment signed a Declaration on 2 December 2004. These include: ADB, Australia, Canada, DANIDA, DFID, EC, France, Germany, Japan, SIDA, UN System and World Bank.
b) RGC has one ODA coordinating body.	(i) Strengthen CDC's leading role within the RGC on ODA coordination and resource mobilization.	Endorsement of the GDCC.	Dec 2004	CRDB/CDC is the focal point within the Royal Government for resource mobilization and aid coordination.
	(ii) Strengthen CDC's focal point for ODA planning.	CDC leads all discussions for ODA planning.	Jan 2005 onwards	CRDB/CDC has been leading discussions on ODA planning.
	(iii) CDC leads the coordination process to implement Cambodia's Action Plan on Harmonization and Alignment.	Endorsement of CDC lead role to implement H & A Action Plan.	Dec 2004	CRDB/CDC has been leading the process for the preparation and monitoring the implementation of RGC's Action Plan on H&A.
c) RGC's ODA Management Policy prepared and agreed with donors.	(i) Formulate basic principles of ODA Management.	Discussion and agreement with donors on principles of ODA management. Adoption and implementation of basic principles of ODA management.	November 2005 Dec 2005	

Section A: Ownership and Leadership				
Results	**Actions Needed**	**Milestones**	**Timing**	**Progress**
2. RGC assumes leadership role in the coordination of development assistance				
d) Joint planning and monitoring of the implementation of RGC's development priorities, involving donors and stakeholders, as outlined in its strategic development framework(s) and its Rectangular Strategy.	(i) Restructuring of the Working Groups finalized leading to joint planning and monitoring on the implementation of RGC's development priorities outlined in its strategic development framework(s) and the Rectangular Strategy.	Inform CG	December 2004	The proposal to restructure the Working Groups was endorsed by the Prime Minister at the Pre-CG Meeting held on 10 September 2004. The TWG mechanism is now functional.
e) RGC has the information it needs to lead and coordinate development assistance.	(i) Donors provide full information about their activities to RGC.	Agreement on modality and content of information provided by donors.	June 2005	There has been little progress in this area.
	(ii) Donors provide periodic progress reports on on-going harmonization and alignment efforts to RGC.	Periodic reports, on quarterly basis, provided.	Start Jan 2005	So far, no organized effort has been made in this area.
3. As one of the fourteen pilot countries, Cambodia plays an active role in the implementation of the Rome Declaration on Harmonization and Alignment (2003).				
a) RGC provides regular progress reports on implementation of Cambodia's Action Plan on Harmonization and Alignment.	(i) RGC reports progress at the Second High Level Forum on Harmonization and Alignment (HLF2).	Progress report presented at HLF 2.	Early 2005	The RGC progress report was presented at the HLF2 by H.E. Sr. Minister Keat Chhon and disseminated to all development partners.
	(ii) Government prepares periodic reports on the implementation of the Rome Declaration.	Reports prepared and presented to GDCC.	on-going	This report is the first six monthly progress report on the implementation of the RGC Action Plan on H&A.
	(iii) RGC participates in Regional Workshop on Harmonization and Alignment.	....	On-going	The RGC plans to participate in Regional Workshop, when it is organized.

Section B: Capacity Development				
Results	**Actions Needed**	**Milestones**	**Timing**	**Progress**
1. RGC's capacity strengthened to effectively perform development coordination and management functions				
a) The capacity of CDC, coordinating agencies and sector ministries strengthened to effectively perform development coordination and management functions.	(i) Assessment of the capacity development needs of the relevant government agencies to effectively perform development coordination and management functions completed within the context of the preparation of sector plans (SWAps).	Each sector plan (SWAP) includes capacity development needs assessment and strategy for filling the critical gaps.	December 2005	
	(ii) Secure commitments from ministries and development partners to support the identified capacity development needs secured.	Adequate commitment (financial) secured.	December 2005	
	(iii) Develop and implement training and institutional strengthening programs based on the results of the capacity assessment.	Indicators developed by TWGs measuring increased capacity within government agencies. Decrease in % ODA spent on TA.	December 2005 on-going	No progress to report.
	(iv) to avoid institutional duplication and confusion, assess inter- ministerial mandates and relationships.	Each sector plan (SWAP) includes capacity development needs assessment and strategy for filling the critical gaps.	December 2005	
	(vi) TWGs provide timely feedback on all sector capacity development proposals to ensure that the TA to be provided is based on demand-driven needs at the sector/program level	Process designed and disseminated	June 2005	The TWGs are expected to review all development cooperation activities in their area to ensure that capacity development issues are dealt with adequately and that TA to be provided is based on demand-driven needs at the sector/program level.
b) Agreement on principle and practices of donor support for allowances and salary supplements to Government employees.	(i) Finalize strategies to deal with incentives issues, including salary supplements, finalized.	Agreement on strategy.		CAR has reported that a "2 track" proposal has been tabled for discussion. Further consultations are planned to be carried out with TWGs. An MOU has been signed between CAR and MEF to implement a PMG/MBPI scheme for the PFM reform program.

	(ii) Review the findings of the study on "Capacity Building Practices of Cambodia's Development Partners" and develop an action plan to implement agreed recommendations between the Government and donors.	TWGs develop Action Plans in their areas.	December 2005	
	(iii) Develop guidelines for remuneration of local consultants and Cambodian nationals employed on donor supported programs/projects, based on market principles.	Survey on 'market rates' for national consultants and project staff. (see CAR Labour Survey) Guidelines agreed and disseminated.	December 2005 June 2006	

Section C: Alignment				
Results	**Actions Needed**	**Milestones**	**Timing**	**Progress**
1. RGC and donors adopt the consolidated Strategic Development Plan of the RGC as the common framework for planning ODA.				
Donor activities are aligned with government strategies and policies.	(i) Increased donor efforts to align their country assistance strategies with the RGC's national development priorities, strategies, approaches and processes, and the Rectangular Strategy.	All new donor country strategy documents are aligned to the RGC Strategic Development Plans and to the NSDP (2006-2010).	on-going	The NSDP currently under preparation will be the framework to which all donor country strategies shall be aligned.
2. Donor practices are harmonized around the generic elements of the program/project cycle				
a) Government introduces national operational guidelines for development cooperation activities covering all component of the program/project cycle.	(i) RGC prepares in collaboration with development partners national operational guidelines for development cooperation activities on the grant side that embody international standards, and adopts these guidelines.	National Operational Guidelines prepared, agreed and discussed with partners, and adopted by government and partners.	Now to June 2005	The draft of the national operational guidelines is being finalized and will be circulated to donors for comments in July/August.
	(ii) Donors, government and national institutions use National Operational Guidelines in the planning and management of the implementation of their programs/projects.	National operational guidelines used in planning, designing and implementation of projects/ programs.	Loan projects (June 04); Grant projects (Dec 05)	

b) Development assistance is increasingly delivered in accordance with RGC's priorities.	(i) Donors support is linked to the government's strategic development plan, and implementation through the MTEF.		From now on	NSDP under preparation.
3 Donors increasingly use Government's systems, procedures and practices, where appropriate				
a) Development partners seek to reduce the proportion of ODA that bypasses the National Budget and RGC commits to integrate ODA into budget .	(i) Donors provide full information to RGC on ODA flows (including contributions to NGOs) in a timely fashion, to enable integration into budget cycle.	Data to CDC for previous year provided by March each year by all donors	on-going	Information is currently being collected to prepare the DCR 2004.
b) Medium Term Expenditure Framework (MTEF) is strengthened and expanded.	(i) Donors increase the share of aid commitments provided through multi-year funding arrangements	Where sector-wide MTEF exist, increasing number of donors commit to multi-year financing	on-going	No progress to report.
	(ii) RGC commitment to accommodate direct budget support through implementation of PFM.		on-going	A comprehensive PFM reform program is being implemented that has made substantive progress over the last six months.
	iii) Identify new areas where the direct budget support modality may be a viable option for disbursing ODA funds.	New areas identified.	on-going	No progress to report.
c) Allocation and utilization of ODA resources are transparent and accountable.	(i) Review and Upgrade Government procurement and financial Management.	Government procurement and financial system improved.	on-going	A comprehensive PFM reform program is being implemented that has made substantive progress over the last six months.
	(ii) Standardize reporting formats for sector programs.	Reporting format agreed and implemented – utilized for sector programs.	December 2005	No progress to report.
	(iii) The National Audit Authority's role and auditing capacity are strengthened.	As NAA capacity builds, then an increased proportion of ODA is audited by NAA	on-going	This action has been recognized by the TWG on PFM and activities are being developed to strengthen capacity in NAA.
	(iv) All donors give CDC permission to freely disseminate information on ODA.	Agreement with all donors secured	December 2004	No progress to report.
	(v) All detailed ODA data is available on CDC website	Functioning ODA database website. All donors provide data on ODA disbursements for 2005 to website.	December 2005 March 2006	

Section D: Harmonization and Streamlining				
Results	**Actions Needed**	**Milestones**	**Timing**	**Progress**
1. Donor-Donor harmonization is strengthened to reduce transaction costs and to maximize ODA benefits for Cambodia				
a) Decrease burden on the Government in the formulation of Donors' strategies and plans.	(i) Donors prepare joint country assistance strategies.	Fewer stand alone donor country strategies.	on-going	Donors are beginning to recognizing the importance of joint strategies. Recent efforts of the WB, ADB, DFID, and UN system to prepare joint country strategies is a good example.
	ii) Donors deliver their assistance through SWAps, SWiMs and PBAs.	At least two more SWAPs prepared. SWAPs in other areas formulated.	June 2005 December 2006	Some progress is being made.
b) Donor field offices have sufficient authority to enable the implementation of country-based harmonization initiatives.	(i) Donors HQ's take action to decentralize authority to their Cambodia country offices to provide maximum flexibility in implementing the harmonization action plan.	HQ's delegate the authority to country offices needed to implement Cambodia's Action Plan on Harmonization and Alignment.	January-December 2005.	So far no organized effort has been made to capture this information.
	(ii) Donor country Offices take actions to tackle HQ constraints where these occur.	Information on donor country office constraints to harmonize shared at GDCC meetings.	on-going	So far no information has been provided by donors to CRDB/CDC or the GDCC.
c) Donors further harmonize their practices at the implementation stages of sector programs.	(I) Existing and new TWGs work on sector harmonization action plan appropriate to their circumstances, including addressing salary supplementation issues.	Harmonization Action Plan for the sector prepared and agreed between RGC and donors, including salary supplementation issue.	December 2005	
	Donors integrate PIUs/PMUs into RGC's institutional structures.	PIUs/PMUs integrated into Government structures by 2007	2005	No progress to report.
d) Donors commit to eliminating duplication of activities.	(i) All new activities to be peer reviewed by TWGs to avoid duplication/gaps, and maximize synergies.	TWG report on steps taken to reduce duplication.	2005	No progress to report.

Section D: Harmonization and Streamlining				
Results	**Actions Needed**	**Milestones**	**Timing**	**Progress**
1. Donor-Donor harmonization is strengthened to reduce transaction costs and to maximize ODA benefits for Cambodia				
e) Donors undertake fewer missions, and increase the proportion of joint missions especially for analytical work, sector review, evaluation and monitoring.	(i) TWGs prepare a calendar of planned donor missions in their area.	Reduced number of donor missions.	2005	No progress to report.
f) Donors decrease the burden on government of project management	(i) TWGs use SMART indicators to reduce the burden of project management.	Indicators prepared.	2005	No progress to report.
	(ii) Increased number of delegated cooperation/lead agency arrangements.	Non resident donors deliver their assistance through delegated cooperation arrangements	2005	No progress to report.
	(iii) Increased donor commitment to multi-year resourcing, linked to government multi-year budgeting system.		2005	No progress to report.
	(iv) Increased number of joint donor missions.	Increase proportion of joint missions by 10% pa, decrease individual missions by 10 p.a.	2005	No progress to report.