Session IIIC Cambodia Aid Effectiveness – Progress, Challenges and Recommendations

Delivered by Ms. Eva Asplund, Sida Country Director
On behalf of Development Partners at the
3rd CAMBODIA DEVELOPMENT COOPERATION FORUM
Phnom Penh, June 3, 2010

Excellency Keat Chhon, Deputy Prime Minister and Minister of Economy and Finance,

Excellencies, Ladies and Gentlemen,

On behalf of the Development Partners I am honoured to deliver this statement on Aid Effectiveness to the Third Cambodia Development Cooperation Forum (CDCF).

Our role as Development Partners is to support development effectiveness and the achievement of the Cambodian Millennium Development Goals through delivery of international commitments on **aid quantity** and **aid quality**.

The Royal Government of Cambodia and its Development Partners have continued to improve the systems through which aid is managed, despite the impacts of the global economic crisis. Improvements include: Government ownership through increased and improved sector plans; Development Partner alignment to nationally owned strategies and priorities; and a strengthened Joint Monitoring Indicator framework for managing for results and mutual accountability. This represents good progress and there is more to be done to translate this progress into development results.

The 2010 Cambodia Aid Effectiveness Report (2010 AER) provides a sound basis for articulating the directions of future policy.

The 2010 AER builds on a large body of qualitative and quantitative sources. Cambodia's ODA database, a global best practice, provides the data for evidence-based dialogue. Inputs from the Technical Working Groups ground aid effectiveness in sectoral-realities. Additionally, the report raises the right questions as to whether aid effectiveness-related activities have actually led to capacity development, reduced transaction costs and contributed to development results, as planned. We must move forward and we now need to ensure that we keep our momentum, indeed accelerate our work, so that we can together attain the development results that we seek. This consensus includes integration of planning, budgeting and aid management; the increased use of Programme-Based Approaches (PBAs); and efforts to increase mutual accountability, including further parliamentary scrutiny and citizen engagement.

Increased integration of planning, budgeting and aid management

Development Partners note the preparation work undertaken for integration of national planning, national budget and aid management, and now seek accelerated progress in this central process.

Government and Development Partners agreed at the Second CDCF that strengthening the central integration of strategic planning, budgeting and aid management is crucial for achieving development results through a well coordinated multi-year approach to implementation of the National Strategic Development Plan Update for 2009–2013. Progress to date has been focused mainly on establishment of the process. To ensure this integration continues without delay, Development Partners seek advancement in substantive next steps in the process and reaffirm our continued support for the process. Specifically, Development Partners seek clarification from the Ministry of Planning, the Ministry of Economy and Finance, and the Council for the Development of Cambodia (CDC) on:

- What is the progress made by the Inter-Ministerial Committee, has the diagnostic study mentioned at the 14th Partnership and Harmonisation (P&H) TWG commenced and what are the next steps planned?
- What is the role and contribution of the Public Financial Management Reform Program process and Budget Strategic Plans as a tool for managing all resources?
- What is the role of the Public Investment Programme in this changed planning and budgeting environment?

More, and improved, Programme-Based Approaches

Development Partners support the policy direction of Royal Government of Cambodia, to strengthen partnerships through the use of sector wide and Programme-Based Approaches (PBAs), which promote effective partnerships, consolidate country ownership, develop capacity, strengthen country systems, manage the diversity of aid delivery modalities, and ensure mutual accountability for development results.

As stated at the 16th GDCC last month, and in line with the 2010 Partnership and Harmonisation JMI, we will work together to ensure increased use of PBAs; strengthen the use of planning, budgeting, implementation, reporting and review systems of Government; and step-up harmonisation of Development Partner technical assistance efforts.

- We support CRDB/CDC leadership in identifying the necessary next steps to take this forward. Development Partners propose CRDB/CDC, with support from the P&H TWG, lead a number of targeted "PBA clinics" at the sector level and agree sector-owned PBA strengthening implementation roadmaps. This will help to establish how sector partnerships can work more effectively and the kind of concrete actions – and capacities – that are required in respective sectors.

Through the global commitments on aid effectiveness, governments and Development Partners have agreed that use of country systems should be the first option. As long as aid is provided through parallel systems and structures, it will block capacity development as well as diminish national ownership and accountability. However, there is not consensus on whether the underlying conditions to support the

use of country systems exist, in terms of the current capacity and integrity of the systems to manage these flows and the partner relationships, and in terms of ensuring that the related outcome-level results are achieved. Increased effort is needed to build a coordinated approach to building up the capacity of country systems and as a support to this, increase Development Partners' use of the systems A starting point could be the *study of assessments of national structures and systems for aid implementation in Cambodia*. We support the P&H Technical Working Group in taking this work forward and will work with Royal Government of Cambodia to expand on the preliminary mapping exercise, and agree an action plan for future work.

- Can CDC offer any preliminary views on how this work will be taken forward?

Furthermore, Development Partners welcome greater dissemination and adoption of the *Guidelines on the Provision and Management of Technical Cooperation 2008* and their integration into the Council for Administrative Reform's Policy on Capacity Development. This would support the objective of reinforcing the technical cooperation and capacity development linkage. Since capacity development is a key element in development cooperation, the effective use of technical assistance must be advanced at sector level as well as through the core reforms – Public Financial Management, Sub National Democratic Development, and in the public administration more widely. We must each take responsibility for making this happen.

Increase efforts in Mutual Accountability - participation of CSO and parliament in the aid architecture

The role of civil society in the delivery of effective aid is highlighted in the 2010 AER, but the potential benefits of their engagement in aid effectiveness agenda are currently not fully realised. Parliamentary scrutiny and citizen/CSO engagement in the formulation of national policies, JMIs and the budget would support efforts towards democratic governance. Development Partners will continue to work with CSO/NGO networks to develop their capacity to engage in the aid management fora and to support civil society organisations in meeting their own commitments to be accountable, transparent and effective partners in development.

In order to address this:

- We welcome the Government's view expressed at the 16th GDCC that NGO are full participants in the CDCF. We also welcome the suggestion made to have a separate discussion on the role of NGOs/CSOs in the TWGs and to review the TWG Terms of Reference to reflect membership. We are ready to have this discussion at the Government's earliest possible convenience.

The 2010 AER also refers to the role of parliament in the aid effectiveness agenda. There is wide recognition that parliaments must play an active role in broadening national ownership of the development agenda and oversight of the results of development assistance. Transparency in

presentation of budget plans, including financing by Development Partners, as well as of audits, monitoring and evaluation of the use of these resources is a necessary prerequisite for the parliament to fulfil its oversight function. The role of Cambodian parliamentarians, especially women, in the aid effectiveness agenda is not yet fully realised. It is an area that needs to be further strengthened.

> Development Partners welcome comments from Government on how Parliament could be given a more prominent role in the aid effectiveness architecture. We welcome a discussion on how capacity development in analysis of aid effectiveness and development results can be promoted, both for members of relevant commissions and their supporting staff.

Excellencies, ladies and gentlemen,

In conclusion, we would like to thank CDC/CRDB for its strong leadership in supporting line ministries and agencies, reaching out and coordinating Development Partners. We agree that the Paris Declaration principles need to continue to be approached as a long-term reform agenda. However, at this third CDCF we reinforce the importance of jointly taking immediate measures to increase country ownership; strengthen the integration of planning, national budget and coordinated ODA; strengthen partnerships in our sector programmes; focus our attention on capacity development and the three reform agendas (Public Administration Reform, Public Financial Management and Sub-National Democratic Development) to promote long-term sustainable change and development results; increase engagement with CSO/NGOs; and enhance parliamentary scrutiny in national planning, monitoring and budgeting.

Cambodia has made significant progress in aid effectiveness that ensures external support contributes to development results in an accountable manner. The Government is in the driver's seat, and we urge you to maintain this momentum.

Thank you.