

**NATIONAL OPERATIONAL GUIDELINES
FOR
DEVELOPMENT COOPERATION
GRANT ASSISTANCE**

**CAMBODIAN REHABILITATION AND DEVELOPMENT BOARD
COUNCIL FOR THE DEVELOPMENT OF CAMBODIA
PHNOM PENH, CAMBODIA**

March 2006

ABBREVIATION AND ACRONYMS

ADB	Asian Development Bank
AUSAID	Australian Agency of International Development
CG	Consultative Group
CIDA	Canadian International Development Agency
CRDB/CDC	Cambodian Rehabilitation and Development Board of the Council for the Development of Cambodia
DANIDA	Danish International Development Agency
DFID	Department for International Development
GTZ	Gesellschaft für Technische Zusammenarbeit (Technical Cooperation Association, Germany)
MBPI	Merit-based Pay Incentives
MDGs	Millennium Development Goals
MTEF	Medium Term Expenditure Framework
NGOs	Non-Governmental Organizations
NSDP	National Strategic Development Plan
ODA	Official Development Assistance
OECD/DAC	Development Assistance Committee of the Organization for Economic Cooperation and Development
PBA	Program-based Approaches
PMG	Priority Mission Group
RBM	Results-based Management
RGC	Royal Government of Cambodia
SIDA	Swedish International Development Agency
SWAP	Sector-wide Programs
TWG	Technical Working Group
UN	United Nations
UNDP	United Nations Development Program
WHO	World Health Organization

ACKNOWLEDGEMENTS

Special thanks to H.E. Vongsey Vissoth, Deputy Secretary General, Ministry of Economy and Finance, Chair of the Sub-Working Group of the Partnership & Harmonization Technical Working Group and members of the Sub-Working Group for providing valuable guidance in the preparation of these guidelines. Members of this Sub-Working Group included: the Ministry of Health, Education, Economy and Finance, and Planning from the Government side and Japan, France, DANIDA, CIDA, AusAid, DFID, European Commission, GTZ, SIDA, UNDP, WHO, ADB, and WB from the donor side.

Technical and financial support in the preparation of these guidelines was provided by the UNDP Support Program for Aid Coordination and Partnerships.

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TABLE OF CONTENT

1.	Introduction	1
1.1	Methodology	1
1.2	Outline of the Guidelines	2
2.	Framework for Development Cooperation Management	3
2.1	Basic Principles	3
2.2	Development Cooperation Partnerships to Enhance Aid Effectiveness	4
2.3	Government-Donors Coordination Mechanism	5
2.4	Roles and Responsibilities of National Institutions and Ministries	6
3.	Identification and Formulation of Development Cooperation Activities	8
3.1	Identification	8
3.1.1	Country Assistance Strategy	8
3.1.2	Program and Project Identification	10
3.2.	Program and Project Formulation	11
3.2.1	Formulation of Projects Outside the Framework of a Sector, Thematic or Issue-based Program	12
3.2.2	Documentation	12
3.3	Appraisal and Approval of Program/project	13
4.	Implementation of Development Cooperation Activities	15
4.1	Basic Principles	15
4.2	Institutional Arrangements	16
4.3	Roles and Responsibilities of Program or Project Management Team	17
4.4	Managing for Development Results	18
4.5	Work Plans and Budget	18
4.6	Recruitment, Procurement, and Contracting	19
4.7	Custodianship, Use and Maintenance of Equipment	21
6.	Monitoring, Reviews and Evaluation	24
6.1	Monitoring, Reporting and Reviews of Sector, Thematic, or Issue-based Programs	24
6.2	Monitoring, Reporting and Reviews of Projects Outside the Framework of Sector, Thematic, or Issue-Based Program	25
6.3	Monitoring Mechanisms	25
6.4	Capacity Development for Monitoring, Reporting and Review Activities	25
6.5	Evaluation	26
7.	Program and Project Completion and Closure	28
7.1	Operational closure	28
7.2	Financial closure	28

ANNEXES:

1.	Development Cooperation Program Management Cycle	30
2.	Key Issues and Areas to be Covered in a Project Document	31
3.	The Medium Term Expenditure Framework (MTEF) - Health Sector Cambodia	35
4.	Program/Project Progress Report	37

1. INTRODUCTION

1. The purpose of the National Operational Guidelines for Development Cooperation is to set out policies and operational procedures for planning and management of the implementation of development cooperation activities. The guidelines have been developed based on the principles embodied in OECD/DAC "Good Practice Papers"¹, and best practices in the planning and implementation of development cooperation programs in Cambodia over the last decade². Additional guidance has been provided in the Declaration by the Royal Government of Cambodia and Development Partners on Harmonization and Alignment (signed on 2 December 2004, Phnom Penh).

2. The guidelines are a key element in the implementation of Royal Government's Action Plan on Harmonization, Alignment and Managing for Results to strengthen government systems and procedures³. Recognizing the constraints that some development partners may face, for the time being, the adoption of the Guidelines by individual development partners will be at their discretion. However, progress in use of these guidelines by individual development partners will be monitored and periodically reported in progress reports on the implementation of RGC's Action Plan on Harmonisation and Alignment. The Royal Government believes that the use of these guidelines--as a common reference document on policies, operational procedures, and institutional responsibilities at each stage of the program/project cycle⁴--by all national and international development partners would not only significantly improve aid effectiveness but should also reduce administrative burdens on the Government related to management of development partner supported activities.

1.1 METHODOLOGY

3. Originally conceived as a study, the preparation of these guidelines for development cooperation was commissioned by the Government-Development partner Partnership Working Group. The Working Group was established in late 2002 pursuant to a proposal of the Royal Government made at the 6th Consultative Group Meeting in June 2002. The preparation of operational guidelines was one of three efforts commissioned by the Working Group on harmonization issues. Sub-groups consisting of representatives of Government and development partner agencies were formed to facilitate and guide the work in each of the three

¹ *Harmonising Donor Practices for Effective Aid Delivery-Good Practice Papers: A DAC Reference Document*, prepared by the DAC Task Force on Donor Practices, OECD/DAC, Paris, 2002.

² *"Practices and Lessons learned in the Management of Development Cooperation: Case Studies in Cambodia"*, prepared for the Government-Donor Partnership Working Group, January 2004, Phnom Penh, Cambodia.

³ Harmonization, Alignment and Managing for Results are key components of the Paris Declaration on Aid Effectiveness endorsed at the second High Level Forum, 2 March 2005, by Ministers of developed and developing countries responsible for development and Heads of multilateral and bilateral development institutions.

⁴ Annex 1 provides an overview of the development cooperation program management cycle.

areas⁵. The Sub-Group that has been facilitating and guiding the work on the preparation of the operational guidelines is chaired by H.E. Vongsey Vissoth, Deputy Secretary General, Ministry of Economy and Finance. Its members include representatives of Government ministries and Japan, DANIDA, France, CIDA, AUSAID, DFID, European Commission, GTZ, SIDA, UNDP, WHO, ADB, and World Bank. The Sub-Group endorsed a "Plan of Action for Preparation of Guidelines" in February 2003. Subsequently, the Sub-Group reviewed and approved a detailed implementation plan prepared by consultants. The approved plan called for the gradual preparation of guidelines in phases. In the first phase, consultants were tasked with preparing guidelines for two modules for development cooperation activities: (a) identification and formulation and (b) reporting and reviews. The consultants' reports on these modules were reviewed at meeting of the Sub-Group on 21st June 2004. At this meeting, the Sub-Group decided to revise the previously approved plan for the gradual preparation of 11 modules. The revision called for collapsing the guidelines into fewer modules following the stages of the program/project cycle and expediting the pace of work for completion of all modules.

4. These guidelines cover grant assistance to Cambodia. Separate guidelines covering loans and other forms of credit are presented in the "Manual on Standard Operating Procedures for Externally Assisted Projects under the Purview of the Ministry of Economy and Finance, Royal Government of Cambodia", and its two supporting manuals: "Standard National Competitive Bidding Documents for the Procurement of Works", and "Financial Management".

1.2 OUTLINE OF THE GUIDELINES

5. The guidelines presented in this report follow the sequence of the program and project cycles and are organized under the following six headings:

- i. Framework for development cooperation management (Chapter 2).
- ii. Identification and formulation (Chapter 3).
- iii. Management of implementation (Chapter 4).
- iv. Financial management and control (Chapter 5)⁶.
- v. Monitoring, reviews and evaluation (Chapter 6).
- vi. Project completion and closure (Chapter 7).

The guidelines also include several annexes.

⁵ The two other studies collected and analyzed information on: "Capacity building practices of Cambodia's development partners" and "Practices and lessons learned in the management of development cooperation".

⁶ This draft does not include a section on "Financial Management". It is proposed that work on this section should be closely coordinated with ongoing work on the preparation of the Standard Operating Procedures for loan projects/programs.

2. FRAMEWORK FOR DEVELOPMENT COOPERATION MANAGEMENT

2.1 BASIC PRINCIPLES

6. The following set of principles shall guide the programming, planning and implementation of development cooperation activities in Cambodia:

- i. All development cooperation programs and projects of multilateral, bilateral and NGOs shall be aligned with development priorities of the Royal Government of Cambodia.
- ii. All development partners, multilateral, bilateral, and NGO shall fully respect Royal Government's ownership of development cooperation programs and projects.
- iii. To the greatest extent possible all development partners shall shift the programming modality of their cooperation activities away from stand alone project approach to sector/thematic and/or program-based approaches in programming their activities that shall eventually be funded through budget support.
- iv. In sector/thematic areas where policies and strategies for implementing national development priorities are not fully developed or lack rigor, appropriate partnership arrangements (e.g. TWGs) shall be used to assist concerned Royal Government institutions in elaborating policies, strategies and programs.
- v. All development cooperation programs and projects shall include, where needed, a provision on capacity development of the program or project implementing institution(s) of the Royal Government.
- vi. To the greatest extent possible, development cooperation activities shall make appropriate use of Cambodian institutional mechanisms, delivery systems, and human resources.
- vii. To the greatest extent possible development cooperation activities shall be aligned with national budget cycles, financial systems and national monitoring systems.
- viii. The development partners of Cambodia shall ensure that their practices do not create excessive burden on Government administrative and management systems, and shall give a high priority to harmonizing and simplifying their practices and procedures.
- ix. Concurrently, the Royal Government shall continue to give a high priority to implement its reform programs to improve its institutional systems, mechanisms, and procedures to facilitate greater efficiency and effectiveness of development cooperation activities.
- x. The Royal Government shall exercise its leadership responsibility in all institutional mechanisms used for resource mobilization and aid coordination to ensure transparent accountability by all partners: Royal Government, bilateral and multilateral development partners, and NGOs.

2.2 DEVELOPMENT COOPERATION PARTNERSHIPS TO ENHANCE AID EFFECTIVENESS

7. The Government and the development partners have declared their commitment to the creation of an effective development partnership based on mutual commitment, trust, respect and confidence.⁷

8. *The Cambodia Declaration – a Framework for the Implementation of the Royal Government of Cambodia’s Action Plan on Harmonisation and Alignment*⁸, commits all partners to the following:

- Declaration 1: Development partners will align all development partner assistance programs to existing government strategies. Development partners will work together to help the Government produce an integrated National Strategic Development Plan NSDP (2006-2010).
- Declaration 2: The Government and its development partner partners will strive to convert best practice into common practice in the following areas: (a) Sector Wide Approaches; (b) the improvement of Government systems; and (c) harmonising, streamlining and simplifying development partner procedures and requirements.
- Declaration 3: The Government will prepare a Partnership Report every six months for Consultative Group (CG) meetings.
- Declaration 4: All development partners will consider ways to provide assistance through delegated cooperation.
- Declaration 5: The Government and development partner agencies will recognise and reward results achieved through collaboration.
- Declaration 6: The Government and development partners will make efforts to coordinate all analytical work under the relevant sectoral Technical Working Group (TWG) in order to avoid duplication, achieve government ownership, and build government capacity.
- Declaration 7: Development partners will provide technical assistance that is demand-driven and necessary to meet capacity development needs identified by the relevant TWG.
- Declaration 8: Development partners may, at their discretion, provide budget or balance of payments support to the Government. Development partners will make efforts to provide full information on their aid to the Government.
- Declaration 9: The Government and development partners will promote harmonised approaches in global and regional programs that affect Cambodia, such as, the

⁷ The spirit of this understanding follows from the Royal Government’s discussion document, *A New Development Cooperation Partnership Paradigm for Cambodia* presented at the Fourth Consultative Group meeting (May 2000), the work of the OECD/DAC, the resolutions of the Monterrey Consensus (March 2002), and the Rome Declaration on Harmonisation (February 2003).

⁸ The Declaration was signed on 2 December 2004 by the Government and twelve development partners, namely: ADB, Australia, United Kingdom, Canada, Denmark, European Commission, France, Germany, Japan, Sweden, UN Resident Coordinator (on behalf of the UN system), World Bank.

Mekong Regional Commission, Greater Mekong Secretariat, Association of South East Asian Nations, and other regional fora.

9. The implications of each of the above declarations are incorporated in relevant sections of these guidelines.

2.3 GOVERNMENT-DONOR COORDINATION MECHANISM

10. The Royal Government and its development partners shall work through the joint sector/thematic **Technical Working Groups (TWGs)** and the Government-Development partner Coordination mechanism as the main ODA planning, management, progress monitoring, and mutual accountability framework to ensure transparent and monitorable performance assessment against: (a) the national development strategies to reduce poverty and to achieve Cambodia's Millennium Development Goals, and (b) the implementation of Royal Government's reform programs. Each TWG shall be chaired by a senior official of the concerned Royal government institution, and its members shall include representatives of Royal Government agencies and development partner organizations.

11. The Joint, Government and Development partner, Technical Working Groups (TWGs) that have been set up at the national level along sectoral and thematic lines shall be responsible for:

- i. Developing and agreeing on a strategy for the development of the sector or the issue that is being dealt with by the Working Group, if one has not been prepared so far. In cases where a strategy has been developed, jointly reviewing and revising the existing strategy, if necessary. Developing an action plan along with priorities and benchmarks to implement the agreed upon strategy, and developing realistic estimates of external resources required to implement the action plan. Once the action plan has been prepared and agreed, it shall become a joint document of the Royal Government and the development partner community.
- ii. Securing financial resources needed to implement the agreed action plan. If the financial resources that become available are not sufficient to implement the agreed action plan, then both parties - the Government and development partners - shall work together to reprioritize the activities in line with the available resources.
- iii. Providing to the Secretariat of GDCC periodic reports on progress made and problems encountered in the implementation of the action plan.

12. The High-level **Government-Donor Coordination Committee (GDCC)** shall coordinate the activities of the joint TWGs. The GDCC shall be chaired by a Senior Minister and its membership shall include Ministers and heads of Government agencies, Ambassadors or heads of diplomatic missions, and heads of multilateral organizations. It shall provide policy guidance, establish priorities, and take action to resolve issues/bottlenecks identified by the TWGs. The GDCC may refer unresolved critical issues to the Prime Minister for decision-making and for direction and guidance. The Secretary General of the Cambodian Rehabilitation and Development Board of the Council for the Development of Cambodia (CRDB/CDC) shall also be Secretary General of GDCC and head of the Secretariat of the GDCC. The Secretariat shall be responsible for:

- i. Liaising with Technical Working Groups and maintaining up-to-date information on progress made and problems encountered, if any, in the implementation of their action plans.
- ii. Preparing a comprehensive quarterly report on progress made and problems encountered; and outlining options to resolve the problems for decision/action by the GDCC.

13. The Royal Government shall continue to strive to provide leadership and to assume full ownership of its resource mobilization and aid coordination functions based on principles of mutual accountability. Since 1996, the Royal Government has utilized the Consultative Group meeting mechanism for ODA mobilization. As the Royal Government gains more experience in successfully holding the ODA mobilization meetings in Cambodia, it shall examine all available options to take greater ownership of the resource mobilization process.

2.4 ROLES AND RESPONSIBILITIES OF NATIONAL INSTITUTIONS AND MINISTRIES

14. The Cambodian Rehabilitation and Development Board of the Council for the Development of Cambodia (CRDB/CDC) is the focal point within the Royal Government for the mobilization of Official Development Assistance (ODA), for coordination of ODA with all development partners (multilateral and bilateral development partners and NGOs), and for coordination with and between Royal Government ministries and agencies on ODA allocation and utilization issues.

15. The roles and responsibilities of Royal Government institutions for development cooperation management are set out in Article #12 of Sub-Decree No. 70 ANK.BK dated 27 July 2001, which are as follows:

- i. CDC shall be the coordinating body for setting strategic conceptual frameworks and public investment policies as well as setting up priorities for public investment projects for medium-term and for one year.
- ii. the Ministry of Foreign Affairs and International Cooperation shall be the diplomatic window.
- iii. the Ministry of Planning shall prepare 5 Years Plans and the public investment programs, in cooperation with the relevant ministries and institutions.
- iv. the Ministry of Economy and Finance shall prepare the macroeconomic framework for the medium-term and budget for implementing annual public investment programs and control the allocation of financing.
- v. the line ministries shall prepare sectoral public investment projects and programs in cooperation with the Ministry of Planning and CDC, and is responsible respectively for implementation of their relevant projects and programs.

16. The role and responsibilities of CDC are also outlined in Article 11 of Sub-Decree #70, which are as follows:

- i. to cooperate with relevant ministries and institutions in preparing conceptual frameworks of the National Program to Rehabilitate and Develop Cambodia and in setting the priority needs of the country for the immediate term, the short-term, the

- medium-term and the long-term in order to prepare rolling plans of action. These plans of action are to be coherent, inter-related and mutually reinforcing;
- ii. to cooperate with the relevant ministries and institutions in preparing socio-economics and sectoral planning to develop Cambodia;
 - iii. to manage public sector investments in cooperation with the relevant ministries and institutions. This process shall mainly be related to the coordination and direction of the allocation and utilization of the national resources and external aid with the aim of rehabilitating and developing Cambodia;
 - iv. to serve as the "Focal Point" and the "One-Stop Service" of the Royal Government and the donor countries, international organizations and NGOs, as well as being the "Focal Point" and "One-Stop Service" between ministries and other governmental institutions in the coordination of external aid allocation and utilization;
 - v. to sign pursuant to the delegation of authority of the Prime Minister and on behalf of the Royal Government, any legal agreements with bilateral and/or multilateral development partners and international organizations pertaining the acceptance and the allocation of aid;
 - vi. to lead preparatory works, in cooperation with relevant ministries and institutions for the international conferences for rehabilitating Cambodia such as the "Consultative Group for Cambodia", and so on;
 - vii. to prepare for domestic and international distribution relevant documentation and regulations pertaining to public sector investments;
 - viii. to produce and submit semi-annual and annual reports to the Royal Government for its review and its recommendations of corrective measures of the rehabilitation and development works.

17. In the case of development programs whose implementation is to be financed through loans from bilateral and multilateral development partners:

- i. The Cambodian Rehabilitation and Development Board of the Council for the Development of Cambodia shall be responsible for ensuring that the planned development programs are aligned with Cambodia's development priorities.
- ii. The Ministry of Economy and Finance shall review the program proposals to determine if they fall into priority categories to be financed from loans, approve the terms and conditions of the loans, and examine the implications of the repayment schedule of the loans in the framework of the total debt of the Royal Government as well as implications for the annual national Budget. The Ministry of Economy and Finance shall be the designated RGC signatory for all loan agreements as well as the depository of all loan documents. It shall also maintain up-to-date information on loan disbursements and take prompt action to minimize costs under penalty provisions, if any, in the loan agreements.
- iii. The Royal Government ministries and agencies responsible for managing the implementation of the development programs financed through loans shall ensure that the development programs are implemented with full transparency and accountability to maximize the benefits for the people of Cambodia.

3. IDENTIFICATION AND FORMULATION OF DEVELOPMENT COOPERATION ACTIVITIES

3.1 IDENTIFICATION

18. The identification and formulation of development cooperation activities, either programs or projects, shall follow a process that involves:

- alignment of development partner supported activities with Cambodia's national development policies and priorities;
- articulation of a country strategy for development partner assistance to Cambodia;
- identification of programs and/or projects through a government-development partner consultation process in the context of established national priorities, sectoral plans and related programs to address priority needs.

This process shall minimise transaction costs by reducing development partner requirements, such as *ad hoc* identification and formulation missions.

19. In accordance with the general guiding principles for development cooperation set out in Chapter 2, Section 2.1, development partners shall identify and formulate development cooperation activities that:

- Are based on national and sectoral development objectives and on jointly agreed policies, implementation strategies, and intended results.
- Are situated in the context of national, sectoral or thematic programs where such programs exist.
- Are supportive of Government efforts to develop national, sectoral or thematic/issue strategies and programs, where such strategies and programs are evolving.
- Establish joint responsibility with the Government for identification of development cooperation activities and their formulation.

20. The CRDB at the Council for the Development of Cambodia (CRDB/CDC), and the Joint Technical Working Groups shall be the institutional mechanism for coordinated planning and programming, including identification of development partner assistance programs. Where there are capacity gaps in the institutional mechanism, the concerned parties shall carry out a capacity assessment and take action to fill the identified gaps. Development partners shall provide support to strengthen the necessary institutional capacities.

3.1.1 COUNTRY ASSISTANCE STRATEGY

21. Prior to engaging in identification and formulation of assistance programs/projects,, development partners shall ensure that their country assistance strategy is aligned with Cambodia's development objectives and priorities within the framework of concerned development partner's country policies and priorities. The development partner's country strategy may take the form of a country assistance strategy paper, *aide memoire* or note on the outcome of consultations with the Royal Government.

22. The country strategy paper shall clearly outline the development partner's understanding of Cambodia's development issues and constraints, Government priorities to achieve its Millennium Development Goals (MDGs), the development partner's assistance strategy, the broad areas of program support, the arrangements for programming of development partner assistance, and the implementation arrangements for development partner supported activities. A country assistance strategy shall cover a period of three to five years.

23. Development partners are encouraged to coordinate among themselves and prepare joint country assistance strategies in order to:

- enhance joint programming by development partners in close consultations with national stakeholders;
- reduce administrative burdens on the Government;
- allocate responsibilities and program components in accordance with each development partner's comparative strength;
- eliminate duplication and overlap of development partner support; and
- optimize the provision of resources to a sector or national program.

24. Development partners participating in a joint country assistance strategy may prepare their own country strategy document for their internal purposes, such as, approval by the development partner's government and/or the executive board of multilateral institutions.

25. Development partners shall initiate the country strategy formulation process, while the CRDB/CDC shall coordinate the consultation process on behalf of the Royal Government with Government line ministries, national institutions, local government, and civil society organisations.

26. Development partners shall get the endorsement from CRDB/CDC on behalf of the Royal Government before submission of their country assistance strategy paper for approval from their government and/or executive board. A formal process of signing the development partner's country strategy paper by the CRDB/CDC shall not be required.

27. Development partners shall endeavour to work with common set of data and tools for data analysis, particularly in regard to MDGs and other priority development issues.

28. In cases where a development partner may choose not to develop a country assistance strategy; it may prepare an "Aide Memoire" or "Note" reflecting decisions reached during consultations with the Government. Such consultations shall cover topics such as review of the progress of the development partner's ongoing assistance programs and plans for future activities. The consultation process may lead to the formulation of new development cooperation activities.

29. The CRDB/CDC shall coordinate these consultation processes on behalf of the Royal Government. The Aide Memoire or Note shall be signed by the CRDB/CDC and the development partner representative.

30. While some development partners may wish to proceed straight from their country assistance strategy paper to a project identification process, the Royal Government encourages all development partners to seriously examine the possibilities of participating in sector, thematic or issue-based programs.

31. The country program shall outline development partner's assistance priorities, areas of support, and implementation arrangements for program activities. It shall be prepared based on consultations between the development partner and concerned Government agencies.

32. The CRDB/CDC shall endorse development partner's country program on behalf of the Royal Government. A country program may cover a period of three to five years and shall be subject to mid-term or annual review.

3.1.2 PROGRAM AND PROJECT IDENTIFICATION

33. A development partner may identify possible programs or projects during the course of preparation of development partner country strategy, during the process of on-going consultations with Government, or during current program or project implementation. The Royal Government encourages all development partners to work towards shifting the programming modality of their cooperation activities away from stand alone projects to sector, issue or other program-based approaches in programming their activities. Sector and thematic programs not only provide better alignment of ODA supported activities with Cambodia's national development priorities to achieve the Millennium Development Goals -- but more importantly -- they provide a framework to development partners for harmonizing their practices around jointly agreed priorities and actions. Sector, thematic or issue-based program offer a number of advantages that should be given careful consideration in the processes of identification of development cooperation activities, such as:

- Enhancing Government ownership of the development process -- as compared to stand alone projects that are delivered without an overall framework.
- Reducing the burden on the development partners and the Government institutions of managing a large number of uncoordinated projects as well as minimizing overlaps and duplication of development partner supported activities.
- Making governance of development cooperation programs and projects more transparent because of jointly agreed institutional/management arrangements for the sector or thematic program.

34. The Royal Government shall have the leadership and management responsibility for the formulation of sector, thematic or issue-based programs in consultation with members of the concerned Technical Working Groups. The lead ministry, as chair of the TWG, shall provide leadership and exercise management responsibility for coordination with development partners who are providing support within the context of the sector, thematic, or issue-based program.

35. Where a sector, thematic or issue-based program has not yet been developed, the Technical Working Group shall give priority to the preparation of a sector, thematic or issue-based programs in their area. The Government lead agency shall provide leadership in identifying priority projects within the context of the sector, thematic or issue-based program.

36. Development partners who are unable to participate in the sector, thematic or issue-based program, may choose to support the sector, thematic or issue-based program through projects that are within the overall framework of the sector, thematic or issue-based program.

37. With the framework of the agreed country assistance strategy, country program or *aide memoire*, development partners may field project identification missions. These missions shall be coordinated by the CRDB/CDC in consultation with concerned Government ministry or agency and the Technical Working Group. In the case of sector, thematic or issue-based programs, the program management framework shall establish the procedures for such missions.

38. Development partners are encouraged to undertake joint development partner identification missions in order to reduce the administrative burdens placed on national institutions as well as to facilitate aid coordination. To the greatest extent possible, the Technical Working Group mechanism shall be used for planning and coordinating joint project identification missions.

3.2 PROGRAM AND PROJECT FORMULATION

39. The following principles shall guide program and project formulation:

- The Royal Government shall have the leadership and coordination responsibility for program and project formulation.
- The Royal Government and development partners shall assume joint responsibility for the design of development cooperation activities.
- A comprehensive assessment of the technical, financial, managerial and administrative capacities that will be needed to achieve the results of the program or project shall be carried out and a strategy to deal with the identified capacity gaps shall be developed and included in the design of the program or project, including the allocation of resources in the program or project budget to support merit based pay initiatives (such as MBPI/PMG schemes), if necessary.
- The program or project design shall clearly define the roles and responsibilities of the Royal Government institution(s) and funding development partner(s) in the management of the implementation of the program or project.
- The project formulation shall be approached as an analytical process of problem clarification and problem-solving. The process shall facilitate and enable learning.
- Project formulation shall clearly outline the desired results to be achieved and to remedy the identified problems.

40. Project formulation shall begin with an agreement between concerned Royal Government institution(s) and development partner(s) to develop a program or project concept. Program or project formulation shall be a collaborative exercise involving participation of the development partner(s), Government, and other stakeholders.

41. Program or project formulation exercises shall include: setting output indicators, targets and activity details with schedule, budgeting and funding, and management arrangement between the development partner(s) and the concerned implementing Government institution(s)

to achieve program results and outcomes. In the formulation process, any external consultants recruited for the task shall work under the direction of the development partner(s) and the identified implementing institution(s) for the program or project.

42. Any data collection and analysis, field visits, and consultation with stakeholders in the process of program or project formulation shall, to the greatest extent possible, will follow a participatory approach in obtaining input and building consensus. It shall strive to contribute to learning for the parties involved.

43. Development partners are encouraged to undertake joint formulation missions under the guidance and direction of the identified implementing Royal Government institution(s). In planning the joint formulation missions, participating development partners shall identify the lead donor and establish administrative arrangements amongst themselves.

3.2.1 FORMULATION OF PROJECTS OUTSIDE THE FRAMEWORK OF A SECTOR, THEMATIC OR ISSUE-BASED PROGRAM

44. The formulation of a project that is outside the framework of a sector, thematic, or issue-based program but is within the agreed framework of a development partner's country strategy shall be managed by the Royal Government institution(s) that has(ve) the responsibility for the area of support of the project. In the formulation of such a project special attention shall be paid to ensuring that the proposed project addresses Royal Government's priorities in that area and that the institutional and management arrangements for the project are in line with the best practices of other programs and projects that are being implemented within the proposed implementing sector ministry or agency.

3.2.2 DOCUMENTATION

45. The outcome of program or project formulation process is a document that sets out a contextualized statement of the problem or problems to be solved, related analysis, and, in a logical framework, a solution to the problem expressed as intended results to be achieved. The document shall have the status of a legal instrument when approved and signed by the all concerned parties. Development partners are encouraged to standardize the format of the program and project documents to reduce the time and associated costs for producing this documentation.

46. The key areas that shall be covered in a program or project document include:

- Context and situation analysis
- Capacity assessment and requirements for capacity development
- Strategy and objective of donor support
- Project description, that includes:
 - Project strategy
 - Outcome and partnership strategy
 - Outputs and activities
 - Inputs
 - Sustainability, risks and prior obligations
 - Management arrangements

- Monitoring, review and evaluation with learning
- Reporting
- Work plan
- Budget
- Annexes, such as:
 - Legal instruments for execution and implementation arrangements
 - Terms of reference of key consultants and experts
 - Strategy and scope of training
 - Equipment specification

More details on these key elements are described in Annex 2.

3.3 APPRAISAL AND APPROVAL OF PROGRAM/PROJECT

47. Development cooperation programs/projects shall be subject to appraisal at two levels: First, the concerned government agencies and proposed funding partner(s) shall undertake the appraisal of the proposed program or project(s). This appraisal process may involve more than one review meetings and field visits to consult with a broad range of stakeholders in the appraisal meeting, such as, concerned civil society organisations, academic and research organizations, and development partners. A representative of CRDB/CDC and the consultants, if any, engaged in the program or project formulation shall participate in the appraisal meetings. Second, where a joint Technical Working Group exists, it shall review the appraisal report to ensure that aid coordination is optimised and duplication is avoided, and in the case of existing sector, thematic or issue-based programs, to ensure that the proposed management structure are in line with the organizational and management structure of the sector, thematic or issue-based program.
48. While additional appraisal criteria may be applied depending on program or project content, the following general criteria shall be considered in appraisal of all development cooperation projects:
- i. Consistency with the national development objectives and priorities.
 - ii. Consistency with a sector, thematic or issue-based program approach.
 - iii. Extent and manner in which capacity development needs are addressed.
 - iv. Utilization of national delivery structures and systems in implementation.
 - v. Cost effectiveness.
 - vi. Appropriateness and feasibility of proposed technical approach.
 - vii. Efficacy of arrangements for learning and adaptation.
 - viii. Sustainability and impact of the proposed program or project.
49. Following completion of the appraisal process, the project documentation shall be finalised taking into account the comments and recommendations of the stakeholders and the appraisal meetings.

**ROLES AND RESPONSIBILITIES OF RELEVANT GOVERNMENT INSTITUTIONS
AND DEVELOPMENT PARTNERS**

Activity	Responsible Parties	
	Royal Government Institution(s)	Development Partner(s)
Formulation of country assistance strategy by a development partner.	CRDB/CDC	Representative of the development partner country.
Formulation of joint assistance strategy by a group of development partners.	CRDB/CDC	Representatives of concerned bilateral development partner countries and multilateral institutions working together.
Preparation of Aide Memoire, Note on Consultations -- re: country assistance strategy.	CRDB/CDC	Representative of the development partner country.
Endorsement of country assistance program of a development partner.	CRDB/CDC	Representative of the development partner country.
Program/project identification within the framework of development partner's country assistance strategy.	Sector ministry or agency responsible for implementing the program/project	Representative of the development partner country and TWG.
Coordination of program/project identification missions.	Sector ministry or agency responsible for implementing the program/project	Representative of the development partner country and TWG.
Program/project formulation missions.	Sector ministry or agency responsible for implementing the program/project	Representative of the development partner country and TWG.
Organization and management of consultations with stakeholders.	Sector ministry or agency responsible for implementing the program/project	Representative of the development partner country and TWG.
Preparation of program/project document.	Sector ministry or agency responsible for implementing the program/project	Representative of the development partner country, consultants and TWG.
Joint review and appraisal of the program/project document.	Sector ministry or agency responsible for implementing the program/project	Representative of the development partner country, consultants and TWG.
Finalization of the program/project document		Representative of the development partner country, consultants and TWG.
Endorsement and signing of program/project document.	CRDB/CDC and Sector ministry or agency responsible for implementing the program/project	Representatives of the development partner funding the program/project

4. IMPLEMENTATION OF DEVELOPMENT COOPERATION ACTIVITIES

4.1 BASIC PRINCIPLES

50. In accordance with the principles for development cooperation set out in Chapter 2, section 2.1, the management arrangements for the implementation of development cooperation activities shall be based on the following basic principles:

- i. The Royal Government ministries and agencies shall have the leadership and operational management responsibility to ensure national ownership of all development cooperation activities.
- ii. Management arrangements shall set out clearly the roles and responsibilities of implementing institutions and development partners in the operational management, reviews, reporting and accountability for achieving the expected results of the development cooperation activities.
- iii. Management arrangements of all development cooperation activities shall be clearly outlined in a program/project document. The arrangements shall describe as to how the proposed development cooperation activity shall be organized in the context of a sector, thematic or issue-based program, or as an intervention within jointly agreed sector strategies and priorities.
- iv. In all cases, an assessment of the capacity of the implementing ministry(ies) or agency(ies) to manage the implementation of the proposed development cooperation activity shall be carried out. If the assessment leads to a conclusion that the concerned institution(s) lack sufficient capacity then a plan of actions to fill the identified capacity gaps shall be prepared and included as a section within the program/project document. Also, the development partners funding the proposed activity shall allocate sufficient resources for filling the identified capacity gaps in the implementing institution(s) to carry out the management tasks.
- v. The joint TWG mechanism shall be responsible for reviewing policies, strategies and setting priorities within their area and for ensuring coordination of development partners' support to the area, in particular where multiple development partners plan to provide support for a program or project.
- vi. The Royal government encourages a greater use of "delegated cooperation" based on principles embodied in the OECD/DAC's Good Practices papers on "Delegated Cooperation". Delegated cooperation occurs when one donor (a "lead donor") acts with authority on behalf of one or more other donors (the "delegating" donors or "silent partners")⁹.
- vii. In those exceptional cases where a development partner or a third party is to be tasked to carry out the management functions of a development cooperation activity, a plan of action shall be developed and implemented to gradually devolve management authority and responsibility to program managers within public sector agencies.

51. Improving aid effectiveness to maximize its benefits for the intended beneficiaries is a

⁹ OECD/DAC Task Force on Donor Practices, "*Harmonising Donor Practices for Effective Aid Delivery -- Good Practices Papers: A DAC Reference Document*", December 2002, page 22.

high priority of the Royal Government. To improve aid effectiveness, in the implementation of all development cooperation activities special emphasis shall be placed on managing for results by adopting a results-based management approach. The implementing ministries and agencies and development partners supporting a proposed development cooperation activity shall jointly identify obstacles or gaps that need to be tackled to achieve the intended development goals, and shall define realistic outcomes in the context of existing capacity of implementing institution(s) and available resources.

4.2 INSTITUTIONAL ARRANGEMENTS

52. The Royal Government recognizes different approaches and modalities for programming of development cooperation activities, such as sector-wide programs (SWAP), program-based approaches (PBA), cross-cutting thematic programs, a national program or stand alone projects within the framework of jointly agreed strategies and priorities for a sector. Institutional arrangements are the reference point for situating and anchoring a proposed development cooperation activity in the context of any of these programming modalities.

53. In the case of proposed *development cooperation activities within a sector, thematic or issue-based program*, the institutional arrangements shall ensure that:

- The management structure of the proposed development cooperation activity is situated in the context of the organizational structure of relevant sector program (e.g. Education, Health), thematic program (e.g. Decentralization and De-concentration), or an issue-based program (e.g. Land).
- The role and responsibilities of the lead ministry or agency, other concerned ministries and agencies, funding development partners, and stakeholders are clearly outlined with respect to coordination forums (e.g. steering committee, technical-level bodies to facilitate practical work, ad-hoc working groups, joint review missions and wider consultative forum), and calendar (e.g. program meetings, reports and reviews).

54. In the case of *stand alone projects within the framework of jointly agreed strategies and priorities for a sector*, the management arrangements shall be organized within the organizational structure of the implementing sector/line ministry or agency. Also, the Project Document for such an intervention shall include a section providing an explanation as to why the project approach is necessary or appropriate.

55. Implementing ministry(ies)/agency(ies) for a development cooperation activity shall be responsible for:

- Providing leadership to achieve the intended results of the development cooperation activity including advocacy and public relations.
- Planning and organizing activities that are necessary to produce planned results, and reviewing and approving draft work plans.
- Mobilizing inputs needed to produce the intended outputs, including personnel, goods and services.
- Facilitating coordination among participating ministries/agencies, development partners, and stakeholders to achieve the intended results.

- Supervising implementation of development cooperation activities as they are carried out.
- Financial management including accounting and financial reporting.
- Reporting on progress in implementation and results achieved.
- Ensuring that learning and adaptation processes are in place to identify needs for revision of the design or implementation strategy of the development cooperation activity.

56. In the case of sector, cross-cutting thematic and issue based programs and projects involving a number of ministries and agencies, an appropriate coordination mechanism shall be organized by the program/project management team to establish and maintain harmonious working relationships with cooperating ministries and agencies, and the funding development partners. Such a coordination mechanism shall be responsible for performing the following functions:

- Coordinate program activities and ensure that these are in consonance with key national priorities.
- Coordinate to ensure cooperation and participation of relevant line ministries and national institutions, and participating donors to achieve program/project intended results.
- Assume overall responsibility for attainment of development results of the program/project intervention.
- Review and approve annual work program and progress reports.
- Organize periodic joint (Government-donor) program/project reviews and other technical consultations.
- Facilitate and resolve inter-ministerial or cross-sector issues.
- Review lessons learned from the program/project, identify policy implications of lessons learnt and, where applicable, advocate the transformation of the identified policy implications into concrete Government (national) policies and supportive laws and regulations.

4.3 ROLES AND RESPONSIBILITIES OF PROGRAM OR PROJECT MANAGEMENT TEAM

57. The leadership role in managing a development cooperation activity shall be provided by the Program/Project Director and Program/Project Manager. Specifically,

Program/Project Director on behalf of the implementing ministry(ies)/agency(ies) shall be responsible for the overall management of the development cooperation activity. He/she shall have supervisory responsibility for ensuring that the development cooperation activity is managed in an effective and accountable manner including mobilization of inputs (personnel, goods and services). He/she shall be appointed by the concerned sector/line ministry and may assume similar responsibilities for more than one development cooperation activity within the purview of his/her ministry or agency.

Program/Project Manager (Chief Technical Advisor/Senior Advisor/Program/Project Advisor/Coordinator) under the guidance of the Program/Project Director shall be responsible for ensuring that the planned development results of the Program/Project are

achieved. He/she shall provide strategic policy advisory support to the implementing institution(s), provide technical guidance in planning and implementation of Program/Project activities, and manage the operational aspects of Program/Project implementation. Specifically, under the guidance of the Program/Project Director he/she shall be responsible for:

- providing strategic policy advisory support to the National Program/Project Director and the senior management of the implementing institution(s);
- planning Program/Project activities (e.g. work plan, budget preparation and revisions)
- managing the implementation of Program/Project activities (including recruitment, contracting, procurement of goods and services, and technical inputs mobilization and facilitation);
- ensuring that financial management, accounting, financial reporting and auditing functions are carried out according to agreed schedule; and
- monitoring, reporting and reviews of Program/Project activities, including performance assessment.

Program/Project Manager shall be appointed by the implementing ministry(ies)/agency(ies). In cases where the implementing ministry(ies)/agency(ies) lack qualified staff for the position, recruitment of a qualified professional from outside the Government can be undertaken in consultation with the funding development partner(s). The Program/Project Manager could be either a national or international expert.

4.4 MANAGING FOR DEVELOPMENT RESULTS

58. One key aspect and prerequisite for improving aid effectiveness is managing for results. Results-based management (RBM) is an approach that is aimed at achieving important changes in the way organizations operate and to improve performance in terms of results as the central orientation. RBM provides the management framework and tools for strategic planning, risk management, performance monitoring, and evaluation. Its main purposes are to improve organizational learning and to fulfil mutual accountability obligations of all stakeholders through performance indicators. Thus the design of all Development cooperation programs/projects shall include a section on results that are expected to be achieved and a logical framework to achieve them. The program/project design shall also include an analysis of the obstacles or gaps that shall be tackled to achieve the development goals of the proposed development cooperation intervention as well as define realistic expected outcomes in the context of existing capacity of the implementing ministries and agencies and available resources. The program/project management team and concerned stakeholders shall regularly assess progress of the implementation of planned program/project activities towards the achievement of desired outcomes, and make appropriate adjustments, when needed.

4.5 WORK PLANS AND BUDGET

59. The work plan and resource framework of a proposed development cooperation activity shall be formulated before the start of the development cooperation activity and shall

be outlined in a program/project document. In keeping with the results framework of a cooperation program/project, the budget formulation process shall be linked to attainment of measurable outputs of the project. Budget revisions shall follow any revisions or amendments to the scope of activities of the intervention on which agreement has been reached between the implementing ministries and agencies and the contributing development partner(s).

60. In the case of sector programs, the Medium Term Expenditure Framework (MTEF) shall be used for formulating realistic sector financing needs based on realistic estimates of resources that are likely to be available from both domestic and external sources¹⁰. Updating of the MTEF shall be done annually on a rolling basis as an integral part of sector program planning. Sector line ministries jointly with the Ministry of Economy and Finance shall be responsible for preparing the MTEF. The Ministry of Economy and Finance shall coordinate the MTEF process and prepare annually a consolidated MTEF based on the MTEF for each sector line ministry and agency. The MEF shall ensure that the recurrent cost implications of all development programs are fully considered before signing on to proposals.

61. The annual budget of a development cooperation activity situated in the context of a sector-wide program shall be linked to the MTEF for the sector to ensure that the priority development expenditure requirements of the sector MTEF are adequately funded. A revision of an on-going program/project budget shall be in compliance with any revision/update of the MTEF for the relevant sector.

62. For sectors which do not yet have an MTEF, budget of a development cooperation activity shall be based on estimated cost of identified inputs.

4.6 RECRUITMENT, PROCUREMENT, AND CONTRACTING

63. The following principles shall apply to recruitment and procurement of goods and services for a development cooperation activity, whether administered by Government agencies/national institutions or development partners:

- *Competitiveness and transparency.* Procurement shall follow internationally recognised competitive-bidding practices, requiring a wide search for the most qualified suppliers. Competitive prices shall guide the selection of supplier, with due attention accorded to quality and specifications of equipment. For small purchases bidding may be waived.
- *Equal access to opportunity.* Procurement shall be administered in such a way as to provide opportunity to all qualified suppliers. Small, medium and large enterprises shall have equal access to opportunities.
- *Domestic preference.* In the first instance, preference shall be given to domestic enterprises to supply equipment, goods and services, provided the suppliers are able

¹⁰ Annex 3 provides a description of the Medium term Expenditure Framework (MTEF) developed for the Health Sector program.

to meet the specifications and price competitiveness. Suppliers must be able to demonstrate their ability to provide technical and after-sales support.

- *Specification*. Detailed specifications of equipment, goods and services shall be provided prior to undertaking a procurement action.
- *Government's Import Policy* and suitability of equipment for the proposed development cooperation activity shall be taken into account.

64. Goods and services procured for an agreed development cooperation activity shall not be subject to Government taxes and duties. Ministries and agencies undertaking procurement of Equipment, Goods and Services (as well as civil works) on behalf of a development cooperation activity shall strictly follow the procurement rules and procedures of the Royal Government. To enhance the national ownership, the following procedures shall be adopted.

Selection of Sub-Contractors

The funding development partner(s) shall:

- Submit a request for a “no objection” letter to the Program/Project if the use of funding development partner(s) procedures is to be used for the selection of a sub-contractor before any action is taken.
- Provide the Program/Project Director or his representative a “seat at the table” during the selection process.
- Establish a joint selection procedure whereby both the development partner(s) and the Program/Project Director must agree on the selection of a sub-contractor.
- Seek approval of the Program/Project Director of the short list of qualified sub-contractors.
- Development partner(s) and Program/Project Director jointly select the sub-contractor from the approved short list.

Selection and Recruitment of Program/Project Personnel

The funding development partner(s) shall:

- Seek approval of the terms of reference of an expert or consultant from the Program/Project Director.
- Submit a request for a “no objection” letter to the Program/Project if the use of development partner(s) procedures is to be used for the recruitment of an expert or consultant before any action is taken.
- Provide the Program/Project Director or his representative a “seat at the table” during the selection process, if possible inviting the Program/Project Director or his representative to interview candidate.
- Establish a joint selection procedure whereby both the development partner(s) and the Program/Project Director must agree on the selection of an expert or consultant.
- Seek approval of the Program/Project Director of the short list of qualified candidates.
- Development partner(s) and Program/Project Director jointly select the expert or consultant from the approved short list.

Procurement of Goods and Services

The funding development partner(s) shall:

- Submit a request for a “no objection” letter to the Program/Project if the use of development partner(s) procedures is to be used for the procurement of good and services before any action is taken.
- Provide the Program/Project Director or his representative a “seat at the table” during the procurement process.
- Establish a joint selection procedure whereby both the development partner(s) and the Program/Project Director must agree on the selection of a supplier.
- Seek approval of the Program/Project Director of the short list of qualified suppliers.
- Development partner(s) and Program/Project Director jointly agree on the selection of a supplier.

4.7 CUSTODIANSHIP, USE AND MAINTENANCE OF EQUIPMENT

65. The custodianship, use and maintenance of any equipment procured to implement a development cooperation activity that has been funded by development partner(s) shall be the responsibility of funding development partner(s) until the time when the ownership is transferred to the implementing institution(s).

66. Equipment procured shall be adequately insured with a credible insurance company. The insurance coverage must be comprehensive including insurance against fire, theft and other hazards. The insurance premium cost shall be met from the Program/Project budget until the time the ownership of the equipment is transferred to implementing institution(s). Equipment (including vehicles) procured under a development cooperation program or project shall be used solely for the purposes of implementing program or project activities.

**ROLES AND RESPONSIBILITIES OF RELEVANT GOVERNMENT INSTITUTIONS
AND DEVELOPMENT PARTNERS**

Activity	Responsible Parties	
	Royal Government Institution(s)	Development Partner
Provide leadership in the implementation and operational management of development cooperation activities.	Implementing ministry(ies)/agency(ies).	
Jointly review policies, strategies and priorities and ensure coordination of development partners' support to the area.	Implementing ministry(ies)/agency(ies).	Concerned TWG members
Carry out capacity assessment of the implementing ministries/agencies to manage the implementation of the proposed activity.	Implementing ministry(ies)/agency(ies).	Contributing development partner(s).
Allocate sufficient resources targeted to fill the identified capacity gaps within the framework of the program/project budget.		Contributing development partner(s).
Identify obstacles/gaps that need to be tackled to achieve the intended development goals and define realistic outcomes.	Implementing ministry(ies)/agency(ies).	Contributing development partner(s).
Outline key elements of management arrangements in the program/project document.	Implementing ministry(ies)/agency(ies).	Contributing development partner(s).
Ensure that the role and responsibilities of implementing institution(s), contributing development partner(s), and stakeholders are clearly defined in the program/project document to achieve expected results.		Contributing development partner(s).
Ensure that maximum use is made of "delegated cooperation" modality.		Contributing development partner(s).
Ensure that stand alone projects are situated within the framework of agreed strategies and priorities of the relevant sector.	Implementing ministry(ies)/agency(ies).	Contributing development partner(s).
Plan and organize activities necessary to produce planned results.	Program/project management team.	Contributing development partner(s).
Establish appropriate coordination mechanism to maintain harmonious relationships with cooperating ministries, contributing development partners, and stakeholders.	Program/project management team.	Contributing development partner(s).
Prepare annual work plans and budgets within the framework of the MTEF for the sector.	Program/project management team.	
Review and approve annual work plan and budget.	Program/project management team.	Contributing development partner(s).
Mobilize inputs needed to produce planned outputs.	Program/project management team.	
If contributing development partner(s) procedures are to be used, request a "No objection letter" for selection of sub-contractor, personnel, and procurement of goods and services from the implementing institution(s).		Contributing development partner(s).

Activity	Responsible Parties	
	Royal Government Institution(s)	Development Partner
Establish a joint selection procedure for the selection of sub-contractor, recruitment of personnel, and vendors for the procurement of goods and services.	Program/project management team.	Contributing development partner(s).
Approve the short-list of sub-contractor, personnel, procurement of goods and services.	Program/project management team.	
Final selection of sub-contractor, personnel, and vendor for procurement of goods and services from the approved short-list.	Program/project management team.	Contributing development partner(s).
Regularly assess progress of the implementation of planned program/project activities towards the achievement of desired outcomes and make necessary adjustments.	Program/project management team.	Contributing development partner(s).
Custodianship, use and maintenance of equipment.		Contributing development partner(s) -- until such time the equipment is transferred to RGC.

6. MONITORING, REVIEWS, AND EVALUATION

6.1 MONITORING, REPORTING AND REVIEWS OF SECTOR, THEMATIC, OR ISSUE-BASED PROGRAMS

67. The basic document for a national, sector or thematic program will include a conceptual framework for monitoring, reporting and review processes based on the following principles:

- The monitoring and reporting system shall be focused on mutually agreed results.
- The implementing national institution(s) shall be responsible for program monitoring and reporting.
- The implementing national institution(s) and the concerned development partners shall jointly establish the set of indicators to be monitored.
- The indicator set shall be based on international standards for the national, sector or thematic program to the extent that such standards exist. In the event that new indicators need to be created, the development partners and the implementing national institution(s) responsible for monitoring shall make a concerted effort to establish indicators that are simple, intuitive and realistic.

68. The implementing national institution(s) and development partners participating in the coordination mechanism for the national, sector or thematic program (TWG, Task Force, steering committee etc.) shall establish the schedule of joint consultations and reviews of the Program. Development partners shall respect this schedule and refrain from initiating additional missions. In order to minimize *ad hoc* review missions initiated by the headquarters of development partners, the implementing national institution(s) and development partners shall explore possibilities of joint missions by two or more development partners as well as designating "mission-free" periods.

69. The Program Director of a national, sector or thematic program shall lead all consultative and review processes, including chairing review meetings. The program manager shall be responsible for logistical arrangements for review meetings: planning and organising review meetings, drafting and circulating a draft agenda for comments from all stakeholders, preparation of documents and finalizing the agenda, and distribution of documents to participants. The program manager shall also be responsible for preparation of the report of the meeting and its distribution. All reports shall be written in a clear and concise manner. In the review processes, participation of all concerned stakeholders shall be ensured.

70. Program management shall have the option, where necessary, to establish its own review and consultation processes to focus on and resolve operational issues in a timely manner. These reviews shall focus on operational problem-solving and the identification of issues that may require the attention of the program coordination mechanism in place.

6.2 MONITORING, REPORTING AND REVIEWS OF PROJECTS OUTSIDE THE FRAMEWORK OF A SECTOR, THEMATIC OR ISSUE-BASED PROGRAM

71. In the case of a project that is outside the framework of a sector, thematic, or issue-based program but is within the agreed framework of a development partner's country strategy; the monitoring, reporting and review processes shall conform to practices that have been established for activities that are being delivered under the umbrella of the national, sector, or thematic Program.

6.3 MONITORING MECHANISMS

72. Monitoring mechanisms at either the program or project level shall include: work plans, progress reports, and field visits. A **work plan** is a graphic presentation of the scheduling and sequencing of activities and tasks for a given time period and a listing of the parties responsible for each task. The work plan is usually in the form of a Gantt chart with activities, tasks and responsibilities listed on the left and a calendar view of the intended duration of tasks and activities on the right. The work plan shall be used for both management and monitoring of program or project activities to ensure the timely production of outputs. The program or project manager shall be responsible for preparation and dissemination of the work plan and for its regular revision to reflect completed tasks and necessary adjustment.

73. The **progress reports** document progress towards the production of planned outputs of development cooperation activities during a given reporting period. Constraints encountered in implementation and suggestions for resolving such problems shall be analyzed in the progress report and project budget and financial management issues, if any, shall also be highlighted. Project management shall prepare progress reports at least once a year.

74. The Program or Project management team shall undertake periodic **field visits** to observe program or project operations at first hand. Where possible, representatives of both concerned government institutions and development partners shall join the Program or Project management team to assess progress and to jointly resolve any outstanding implementation issues. A report on findings of such field visit shall be prepared by the Program or Project management team.

6.4 CAPACITY DEVELOPMENT FOR MONITORING, REPORTING AND REVIEW ACTIVITIES

75. The Royal Government places a high priority on developing the capacity of implementing national institution(s) to effectively monitor, report on, and review progress of development cooperation activities to achieve planned development results. Thus, in the design of each development cooperation program or project special emphasis shall be giving to develop the capacities of the concerned implementing national institution(s) to carry out these functions.

6.5 EVALUATION

76. Evaluation is a systematic and objective assessment of an ongoing or completed program or project covering its design, implementation and results. The aim of an evaluation is to determine the relevance, effectiveness and, if possible, impact of the development intervention under review. All Program or Project Documents shall include a schedule for evaluations. To avoid duplication of effort and administrative burden serious effort shall be made to include the requirements of all funding development partners in the Terms of Reference for the evaluation. As a rule of thumb, evaluation shall be carried out at least once in the life of a program or project.

77. At the national, sector, or thematic program level, funding development partners shall make a serious attempt to harmonise their evaluation requirements. If a development partner considers it absolutely necessary to conduct additional targeted evaluation then it shall be carried out in close coordination with other funding development partners.

78. Three categories of evaluations are possible, each with a different purpose:

- i. An *On-going Project Evaluation* may be required at any time during implementation if the project is encountering operational problems. Such an evaluation would typically make recommendations for revision or termination of the program or project.
- ii. A *Scheduled Evaluation* usually arranged at *mid-term or end-of-program/project* shall comprehensively assess and analyse development results or progress towards results. Such evaluations typically provide recommendations for adjustments to on-going projects or follow-up activities for completed projects.
- iii. An *Ex-Post or Impact Evaluation* may be arranged after project completion to assess the impact of results produced by the program or project.

79. In all cases, evaluations shall document lessons learned and, where appropriate, articulate best practices that could be used as “models” for development interventions in other situations. Evaluations shall emphasize learning in regard to future directions for the program or project, opportunities to affect policy development, and the general acquisition of knowledge by the development community.

80. The evaluation of a program or project shall be undertaken by independent professionals or consultants who have not been involved in the design or implementation of the activities to be reviewed.

**ROLES AND RESPONSIBILITIES OF RELEVANT GOVERNMENT INSTITUTIONS
AND DEVELOPMENT PARTNERS**

Activity	Responsible Parties	
	Royal Government Institution(s)	Development Partner
Ensure that a conceptual framework for monitoring, reporting and review process is included in the program/project document.	Implementing ministry(ies)/agency(ies).	Contributing development partner(s).
Ensure that in the design of the development cooperation program/project provision is made to develop sustainable capacity of the implementing institution(s) to effectively monitor, report on, and review progress and that adequate resources have been allocated within the framework of the program/project budget.	Implementing ministry(ies)/agency(ies).	Contributing development partner(s).
Establish a schedule for joint consultations and reviews of the program/project.	Program/project management team.	Contributing development partner(s).
Organize and conduct joint consultations and reviews.	Program/project management team.	
Establish internal consultation and review processes to resolve day-to-day operational issues.	Program/project management team.	
Prepare and disseminate progress reports on the implementation of program/project activities at least once a year.	Program/project management team.	
Carry out periodic field visits to observe program/project operations and to assess progress and to resolve any outstanding implementation issues. Prepare a report on the findings of such visits.	Program/project management team	Contributing development partner(s).
Organize and conduct program/project evaluations in accordance with the schedule included in the program/project document.	Program/project management team	Contributing development partner(s).

7. PROGRAM AND PROJECT COMPLETION AND CLOSURE

81. Development cooperation activities are planned to be implemented over a specific time period. Thus, each program and project requires a formal closure up on completion of program or project activities. A program or project may also require formal closure if a decision has been made jointly by the implementing national institution(s), contributing development partner(s), and the CRDB/CDC to terminate the program or project. Closure of a program or project shall include completion of all operational activities (i.e. operational closure) and financial accounts (i.e. financial closure) of the program or project.

7.1 OPERATIONAL CLOSURE

82. A program or project is operationally complete when all approved and budgeted inputs have been delivered and planned activities have been completed. Three months before the planned closure date of the program/project, the program/project management team shall prepare a final report on the implementation status of the planned program/project activities. The final report shall include:

- a brief summary of the program/project's objectives and expected outcomes;
- a review of planned versus actual performance of the program/project;
- an assessment of impact of the program/project where such results can be identified;
- constraints and issues in program/project implementation;
- recommendations; and
- annexes, including summary of financial accounts, list of project assets and their locations, list of all project reports.

83. At least one month before the planned closure date, the program/project management team shall organize an end-of-program/project review meeting of representatives of contributing development partners, the implementing national institution(s), and CRDB/CDC to:

- review and approve the final report; and
- finalize arrangements and complete any documentation needed to dispose off program/project assets.

7.2 FINANCIAL CLOSURE

84. The financial closure of a project shall be completed within 12 months from the date the project is operationally closed. The program/project management team shall prepare the final program/project financial report, close the program/project bank account, if any, and refund balance of funds to the development partner(s). A final audit of program/project accounts shall be carried out immediately after the closing of the program/project accounts in accordance with international accounting and auditing standards.

**ROLES AND RESPONSIBILITIES OF RELEVANT GOVERNMENT INSTITUTIONS
AND DEVELOPMENT PARTNERS**

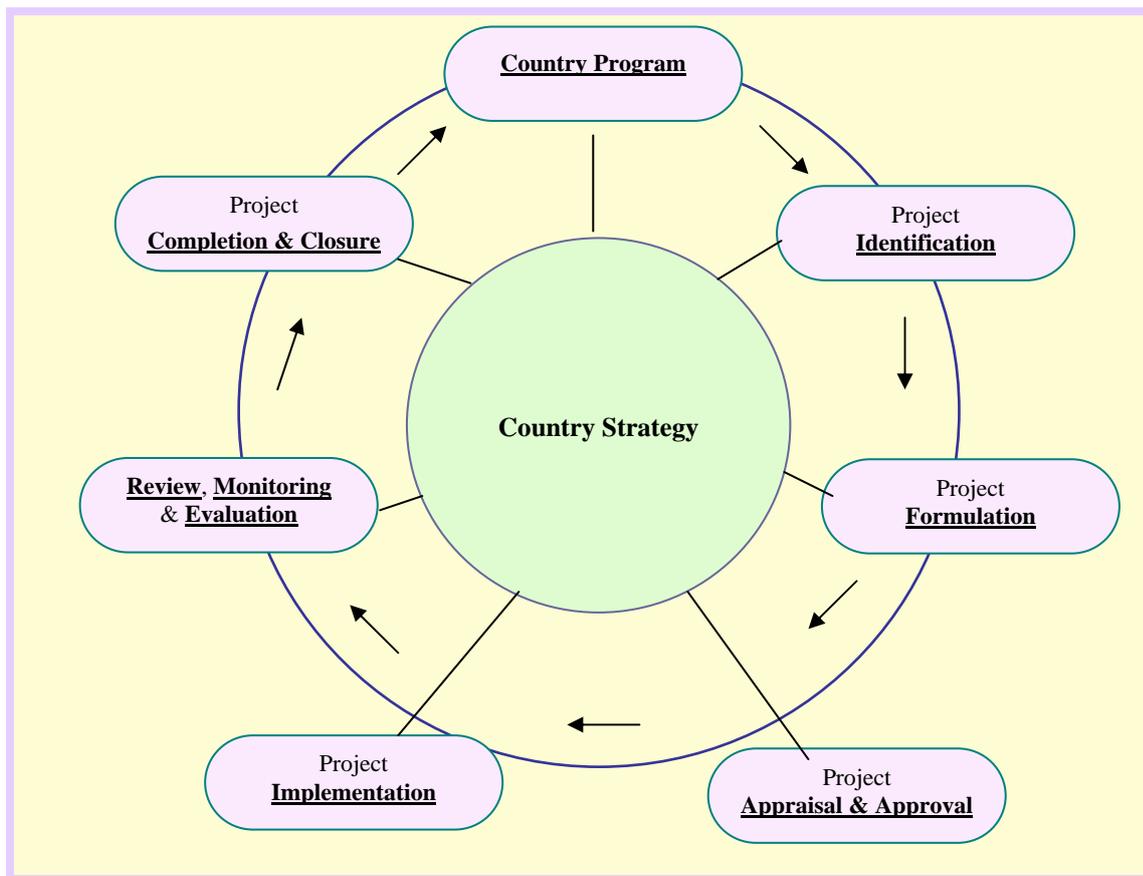
Activity	Responsible Parties	
	Royal Government Institution(s)	Development Partner
To formally close the operations of a program/project on completion of program/project activities prepare a final report on the implementation status of program/project activities.	Program/project management team.	
Organize end-of-program/project review meeting.	Program/project management team and CRDB/CDC	Contributing development partner(s) and concerned stakeholders.
Finalize arrangements and complete any documentation needed to dispose off program/project assets.	Program/project management team and CRDB/CDC	Contributing development partner(s).
Ensure that the process of financial closure of the program/project is completed with 12 months of the operational closure of the program/project.	Program/project management team and CRDB/CDC	Contributing development partner(s).
Carry out a financial audit of program/project account immediately after closing of the program/project account in accordance with international accounting and auditing standards.	Program/project management team.	Contributing development partner(s).

ANNEX 1

DEVELOPMENT COOPERATION PROGRAM MANAGEMENT CYCLE

Development assistance programming is undertaken in the context of the program and project cycle management. The project cycle refers to the steps or stages that a project undergoes from the time it is only an idea until the time it is completed. The cycle is applicable to donor support as well as for the formulation of the donor country strategy and country program which provides the macro-perspective for donor assistance programming. An overview of the program/project cycle is presented in Figure 1 below.

FIGURE 1: PROGRAM/PROJECT MANAGEMENT CYCLE



The central role of country strategy indicates the overarching strategic framework within which a portfolio of projects funded by a donor is developed. The stages in the project cycle are:

1. Project identification.
2. Project formulation.
3. Project appraisal and approval.
4. Project implementation.
5. Project monitoring and evaluation.
6. Project completion and follow-up.

Throughout the entire project cycle lessons learned and best practices are assimilated to refine and enrich the project design and implementation strategies. Successful experiences are scaled up, to inform policy debate and enable replication for wider coverage and scale.

ANNEX 2

KEY ISSUES AND AREAS TO BE COVERED IN A PROJECT DOCUMENT

The preparation of a project document should cover the following issues and requirements that must reflect the design of a development intervention.

- Context and situation analysis
- Capacity development requirement and assessment
- Strategy and objective of donor support
- Project description:
 - Project strategy
 - Outcome and partnership strategy
 - Outputs and activities
 - Inputs
 - Sustainability, risks and prior obligations
 - Management arrangements
 - Monitoring, review and evaluation with learning
 - Reporting
- Work plan
- Budget
- Annexes, such as:
 - Legal instruments for execution and implementation arrangements
 - Terms of reference of key consultants and experts
 - Strategy and scope of training
 - Equipment specification

CONTEXT AND SITUATIONAL ANALYSIS

This part of the project document should provide an analysis of the development problem being addressed. The content is based on the information gathered during the problem definition stage using the log frame, results analysis and other baseline studies. It should include:

- a. The contextual issues of the national development problems that are being addressed in the project intervention.
- b. Baseline information and measurable indicators of the problems that can be used to demonstrate that the proposed development intervention would solve/address the problems.
- c. The population or target groups affected; and gender and environmental aspects of the problem.
- d. Previous experiences and lessons learned from efforts of national and international partners.
- e. The national program context of the project interventions should be briefly described. Alternatively, an implicit national program may exist and this may be identified through an analysis of government plans and policy and strategy statements. The description of the national program should cover objectives and

strategies of the Government; structure and components; efforts currently being made by the Government and national institutions as well as international development agencies in support of the national program; institutional arrangements for the management of the program, including inter-ministerial coordinating arrangements, legislative requirements, etc; and resources allocated and expected. The Government may find the project intervention as providing an opportunity to develop a comprehensive national program.

CAPACITY DEVELOPMENT REQUIREMENT AND ASSESSMENT

Capacity development should be an overriding objective of development assistance. Project formulation exercise must therefore identify and analyse the capacity development issues and requirements as part of the solutions being proposed. Important aspects of capacity requirements are strategy and policy formulation, legislation, human resources, technology, management capacities, monitoring and evaluation capacities, learning and knowledge integration capacity, aid coordination and resource mobilisation. The project document should outline the precise areas of capacity that must be addressed for the successful implementation of the project intervention.

The present situation in Cambodia would warrant special attention to the following capacity building inputs:

- Maximise utilisation of national experts. The Government-Donor TWG mechanism should be used to harmonise the “pricing” structure and terms and conditions of employment of national consultants/experts. These measures may also have to be placed in the context of developing capacity of the “knowledge industry” in Cambodia.
- If monetary incentives must be given to counterpart staff their application must be done in a transparent and coordinated manner through consultation between donors and the Government. Government and donors must cooperate on arriving at a coordinated strategy of eliminating the incentive schemes in the context of sustainability of donor supported development interventions.
- Training activities should be coordinated at the sector program or line ministry level. Ministries/departments should be encouraged to develop their respective competency plans in relation to their respective sector or cross-sectoral development programs. At the sector line ministry level, a database of training and some form of “skills registry” system should be maintained to track competency building activities and their effective application in the organisational system.

STRATEGY AND OBJECTIVE OF DONOR SUPPORT

This section should provide an explanation for donor support to the national program. It should offer a description of how the project support is consistent with the donor's country strategy for Cambodia; the strategic advantages the donor possesses; and how the donor's resources will be allocated to achieve the solution to the problem.

PROJECT DESCRIPTION

The core design of the project intervention should be presented in this section. Using a result-based approach to project intervention, the project description should cover the following areas:

- i. Project strategy. The project strategy that should address:
 - project intervention approach and methodology,
 - specification of innovative models and concepts,
 - strategies and institutional mechanisms for up-scaling the models being pursued for validation under the project,
 - implementation arrangements including identification of roles and responsibilities of the institutions and partners,
 - aid coordination arrangements in the case of multiple donors involved in the project, and
 - exit strategy of the donors and sustainability of the development intervention.

Host national institutions must ensure that new concepts and models pursued through donor-assisted projects are subject to coordination at the sector or program level. The objective is to have mechanisms in place for monitoring and learning and eventually up-scaling successful pilots. Care should be taken to prevent proliferation of pilot schemes that may exert considerable management burden on national institutions and result in misallocation of resources.

- ii. Outcome and partnership strategy. The development outcome to be achieved through the donor support. The time frame and measurable indicators for the achievement of the outcomes/effects should be stated. The partnership strategy should specify other Government agencies, bilateral and multilateral donors, NGOs, as well as private sector implementing partners whose involvement is critical to the successful outcome of the project intervention.
- iii. The Outputs of the project must be defined in measurable terms and organised according to the attainment of an outcome or effect of the project intervention. Indicators and time frame of attainment of each output must be stated to enable monitoring progress toward producing output.
- iv. Activities that must be carried out in order to produce each output must be described in substantive terms. Time frame for each activity should also be stated.
- v. Inputs are experts/consultants, project administrative and management personnel, volunteers, training, equipment, etc. The inputs required for carrying out each activity should be specified.

SUSTAINABILITY, RISKS AND PRIOR OBLIGATIONS

The precise strategy and requirement for sustainability of the project intervention must be elaborated in terms of host institution's capacity to sustain the effort initiated or extended through the project. Fiscal issues, human resources provision, recurrent budgetary issues, organisational capacity and other relevant factors that would determine sustainability of the project intervention should be described. Environmental risk assessment, where applicable, should also be undertaken.

The risks that is likely to undermine sustainability and effective implementation of the project activities should be clearly identified and outlined as part of the project design. In this case, the obligations of the Government and counterpart national institutions as well as cooperation of partners should to be stated.

MANAGEMENT ARRANGEMENTS

The management arrangements should spell out the institutions – national or international – responsible for execution or overall management of the project. Implementing partners – national or international – are drawn in a project to deliver the goods and services required for the attainment of project outputs. Implementing partners should be identified at the project design phase, however in certain cases the identification and selection of implementing partners may have to await commencement of project activities.

Other organisational and institutional arrangements for guiding project implementation may also be required for the effective and successful implementation of a project. These may include project steering committee and project implementation committee for projects which are not situated in the context of a SWAp.

THE OTHER ASPECTS OF PROJECT DESIGN INCLUDE:

- Monitoring, review and evaluation with learning
- Reporting
- Work plan
- Budget – with clear linkage between input and output required for the results framework of a project intervention.
- Annexes such as:
 - Legal instruments for execution and implementation arrangements
 - Terms of reference of key consultants and experts
 - Strategy and scope of training
 - Equipment specification

ANNEX 3

THE MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF) HEALTH SECTOR CAMBODIA¹⁰

This annex provides a sample description of the Medium Term Expenditure Framework (MTEF) developed at the sector level. Below is a reproduction of the conceptual framework of the MTEF for the Health Sector Strategic Plan 2003-2007.

WHAT IS AN MTEF?

An MTEF is a multi-year public expenditure plan based on sectoral financing needs and projections for the total resource envelope available from domestic and external resources. As an information tool it serves to program all resources and expenditure together and helps in making resource allocation decisions on priorities.

THE MTEF IN CAMBODIA

An MTEF in Cambodia is established for the first time in 2002 for the period 2003-2007. The process is being piloted for four ministries, health, education, rural development and agriculture and is anticipated to integrate with the public investment program (PIP).

The intention is to enable medium term allocations for increased public spending based on forecasts of financing needs for the social sector. In this regard, each line ministry is required to provide indicative forward projections by program area, broad line item (salary, non-salary and capital) and sources of funds.

OBJECTIVES FOR ESTABLISHING AN MTEF

The objectives of developing an MTEF are to:

- Fulfill government requirements in projecting resource needs for a sector;
- Produce a financial plan for the priorities in a sector strategic plan;
- Link budgetary allocations for investment and operational costs with medium term development plans;
- Enable government and partners to jointly make resource allocation decisions for better efficiency by reducing shortfalls and duplications.

THE MAIN COMPONENTS OF THE MTEF PROCESS

Establish a fiscal framework based on macro-economic projections and forecast revenue collection	<i>Ministry of Finance</i>
Establish (soft) sector limits	<i>Ministry of Finance, Ministry of Health, external partners</i>
Develop budget estimates based on a limited number of program categories or line items	<i>Ministry of Health</i>

¹⁰ Reference: Ministry of Health, Kingdom of Cambodia, "Medium Term Expenditure Framework Health Sector Strategic Plan 2003-2007", Volume 2, Second Edition, December 2003.

Negotiation process to establish hard sector limits based on updates on fiscal data and relative strength of budget proposals.

Ministry of Finance, Ministry of Health, External Partners

RISKS AND CONSTRAINTS TO IMPLEMENTING THE MTEF

One of the most fundamental problems is the release of funds. Experience with the MTEF process in the health sector showed that there is a tendency for expenditure to be concentrated into the last quarter of the year while only 1.5 percent of the budget for health was spent in the first quarter. The situation for the first quarter of 2002 had slightly improved but release of cash still has remained low.

Other risks to effective implementation of the MTEF are:

- Affordability - whether the national budget projections are based on a realistic macroeconomic framework, whether there is sufficient input against needs from external sources and whether objectives and priority areas are realistically defined;
- Accountability - whether the responsibility for developing, implementing and monitoring plans are clearly designated among stakeholders;
- Transparency - the degree to how useful and clear is the budget classification system; to what extent is non-financial program performance measured?
- Comprehensiveness - does the MTEF capture extra budgetary funds? Is there consistency between national and external financing?

Many of the risks to successful implementation of the MTEF are outside the direct control of the Ministry of Health. They rely on broader fiscal reforms and wider attempts to reform the planning process within the health sector. Regular releases of cash are a pre-requisite for meeting the targets of both the MTEF plan and also non-financial targets of achievement set by the health sector. Other constraints concern inadequate coordination of external financing and the lack of information regarding donor expenditures that leads to difficulty in making strategic decisions.

ANNEX 4

PROGRAM/PROJECT PROGRESS REPORT

1. QUARTERLY PROGRESS REPORT

The quarterly progress report (QPR) should be prepared toward the end of the current quarter. The QPR should cover analyses of attainment of outputs as per project document and work plan, activities undertaken to produce the outputs, inputs mobilised and deployed, and expenditures incurred. A summary of actual expenditure against planned budget should be presented in the QPR; it should be accompanied by a summary estimate of expenditure budgeted for the next quarter as well as the remainder quarters of the current calendar year. The QPR is an instrument for the project management to obtain advance funds.

2. ANNUAL PROGRESS REPORT

The annual progress report (APR) should be prepared at the end of each calendar year. The APR would be considerably more analytical in content than the QPR. It should assess the project progress or performance in terms of both outputs and outcomes in a comprehensive manner. Lessons of development intervention that can be learned from the project for knowledge sharing amongst the development community and policy makers should be documented in the APR. The APR should provide future directions for the project (development) intervention – in terms of both strategy and scope of development cooperation. The APR should be accompanied by a financial report and revised budget estimates, including projection of resource requirement for the remainder of the project period.

The performance assessment dimension of the APR should address quality assurance of the project. The assessment should identify critical issues and problems of the project and offer suggestions for improvements in project management and implementation arrangements. Projects having serious implementation difficulties may be subject to serious consideration for discontinuity, as per decision reached in consultation between the relevant Government agencies, CDC and the donor(s).

The APR can be used for annual review of the sector program to which the project has been designed to contribute to.

3. FORMAT OF THE QUARTERLY AND ANNUAL PROGRESS REPORT

In an effort to simplify reporting, the Government will work with the Government-Donor Joint Technical Working Group to develop a standard format for the quarterly and annual progress reports that would be used by all agencies – government and development partners engaged in development cooperation in Cambodia.

Below is an example of a simplified format of a standard progress report which can be adapted for preparation of Quarterly and Annual Progress reports.

Reporting Agency: [...]

Country: [...]

No. and title: [...]

Reporting period: [...]

I. PURPOSE

This section includes:

- Project intended outcomes and planned outputs.
- Reference to how the project relates to national goals, priorities or programs.
- The implementing partner or contractor.

II. RESOURCES

This section includes total approved budget and summary of resources available for the project.

III. RESULTS

Information in this section includes:

- An assessment of progress towards the production of outcomes and outputs planned for the year.
- Main activities undertaken and achievements.
- Explanation of any variation from the work plan for the year.
- Lessons learned and knowledge gained project implementation and any evaluations and studies that have taken place during the year.

IV. FUTURE WORK PLAN

Information in this section includes:

- Work plan for the following year.
- Indication of any major adjustments in the original outcomes and outputs.
- Estimated budget required.

V. FINANCIAL IMPLEMENTATION

This section should include total approved project budget, current year budget and expenditures for the year.