

# NATIONAL STRUCTURES AND SYSTEMS FOR AID IMPLEMENTATION IN CAMBODIA

## PART 2

---

BIBLIOGRAPHY OF RELEVANT STUDIES, REPORTS AND PROJECT/PROGRAM DOCUMENTS

MAY 2010

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## ACKNOWLEDGEMENTS

**ABBREVIATIONS AND ACRONYMS**

AAA	Accra Agenda for Action
ADB	Asian Development Bank
AER	Aid Effectiveness Report
ANZ	Royal ANZ Bank
AOP	Annual Operational Plan
AusAID	Australian Aid for International Development
CAR	Council for Administrative Reform
CDC	Council for the Development of Cambodia
CMDG	Cambodian Millennium Development Goals
CMU	Cash Management Unit in MoEF
D and D	Decentralization and Deconcentration
DFID	UK Department for International Development
EA	External Audit
EAP	External Advisory Panel on PFMRP
EAPR	External Advisory Panel Report
EDP	External development partners
EFI	Economic and Finance Institute of MoEF
EMIS	Education Management Information System
EPA	Environmental performance Assessment
ESWG	Education Sector Working Group
EU	European Union
FA	Forestry Administration
FiA	Fisheries Administration
FOPS	Financial Office for Provincial Services
FM	Financial Management
FRA	Financial Risk Assessment
FTI	Fast Track Initiative

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GDCC	Government Donor Coordinating Committee
GDP	General Directorate of Planning
HRM	Human Resource Management
HRMIS	Human Resource Management Information System
HSSP	Health Sector Support Program
IA	Internal Audit
IAD	Internal Audit Department
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
JICA	Japanese International Cooperation Agency
MAFF	Ministry of Agriculture, Forestry and Fisheries
M and E	Monitoring and Evaluation
MBPI	Merit Based Pay Initiative
MoEF	Ministry of Economy and Finance
MoEYS	Ministry of Education, Youth and Sport
MoH	Ministry of Health
Mol	Ministry of Interior
MoP	Ministry of Planning
MTEF	Medium Term Expenditure Framework
NA	National Assembly
NAA	National Audit Authority
NBC	National Bank of Cambodia
NCDD	National Council for Decentralisation and Deconcentration
NIS	National Institute of Statistics
NPAR	National Program for Administrative Reform
NPRS	National Poverty Reduction Strategy
NSDP	National Strategic Development Plan
NT	National Treasury in MoEF
OD	Organizational Development

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PAD	Program Appraisal Document
PB	Program budgeting
PBA	Program Based Approach
PD	Paris Declaration on Aid Effectiveness <i>also</i> Position Description
PEFA	Public Expenditure Financial Assessment
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
PFMRP	Public Financial Management Reform Program
PFMR	Public Financial Management Reform
PIP	Public Investment Program
PIU	Project/Program Implementation Unit
POC	Priority Operating Costs
RGoC	Royal Government of Cambodia
SAW	Strategy for Agriculture and Water
SEILA	Major rural development program in Cambodia
Sida	Swedish International Development Agency
SOA	Self Operating Agency
SWAp	Sector Wide Approach
SWiM	Sector Wide management
TA	Technical Assistance
ToR	Terms of Reference
TWG	Technical Working Group
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
UNFPA	United Nations Population Fund
USAID	United States' Agency for International Development
WB	World Bank

## INTRODUCTION

This bibliography was prepared in April-May 2010 as one part of a study of national structures and systems for aid implementation in Cambodia that had been commissioned by EU development partners.

The bibliography describes the views that have been expressed in the various assessments that have been made of relevant country structures and systems in Cambodia. The bibliography's contents are presented by reference to the sector to which each assessment mainly relates. Most of the assessments that are outlined were made in the last two years although we have included some earlier ones where they are regarded as of continuing relevance. Most assessments were prepared by consultants or other experts. Most were prepared on behalf of particular donors or the Royal Government of Cambodia in the context of a particular aid program or aid project.

The bibliography focuses mainly on seven priority sectors: public financial management; public administration reform; planning; agriculture; decentralization and deconcentration, education and health. We were asked to treat country systems as covering planning; public financial management systems (including procurement, planning, budgeting, payment system, debt management, taxation/revenue system, accounting, and external and internal auditing); social or environmental assessments; human resource management (including civil service reform); and monitoring and evaluation/results framework.

The bibliography was prepared from assessments identified through internet searches; a review of documents on aid cooperation issues in Cambodia; and through structured interviews with senior RGC officials, donor representatives and other stakeholders. In choosing assessments for inclusion we have taken account of their relevance to the terms of reference; their continued currency; that the assessment offers substantive views and facts; and any pertinent comment made on the utility of the use of country systems or otherwise in Cambodia.

### Comment on criteria for assessing relevance and quality

No judgment has been made about the validity or otherwise of the views that have been expressed in a particular assessment nor should such a judgment be inferred by its inclusion in this bibliography. Moreover, the individual entries in the bibliography concentrate on the issues related to country structures and systems and do not otherwise summarise the contents of the assessment. Views that have been expressed in these assessments were also provided in a particular context and at a particular time with it being important to bear in mind the possibility that current circumstances differ.

The terms of reference for the study of country structures and systems, under which this bibliography was prepared, are at Annex 1 to this bibliography. The main element to the study that has been undertaken of assessments of Cambodian country structures and systems is a report that outlines the key themes that are to be drawn from the assessments that are included in this bibliography. A matrix has also been included in the report to help the reader to ascertain how and where particular assessments in the bibliography have been drawn on in writing the report.

We have made extensive efforts to identify all relevant assessments. However, it cannot be said with complete confidence that every last assessment has been located. Unless a reference to an



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assessment was found that was made either on a website, in a document on aid related issues in Cambodia or through interviews we conducted with RGC officials and donor representatives we are obviously not able to draw on it. At times, work on a particular issue in a program or project might have been expected to lead on a useful report but assurances were given that nothing was available. By and large people consulted during the course of this study were generous in their time and assistance.

It is important to recognize that there is other related work going on in Cambodia under the auspices of the CDC and the TWG on Partnership and Harmonization, including a recent study of the implementation of the Paris Declaration and on aid effectiveness issues more generally.

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## LIST OF DOCUMENTS CONSULTED

**(Note: Those documents included in the bibliography are marked in the last column)**

Category		Author/ Publisher	Title	Date	Bib
<b>Central agencies</b>					
<b>CAR</b>	<b>1</b>	CAR	CDPCC meeting April, CAR Sec General speaking notes	2010	
	<b>2</b>	RGoC	Policy on Public Service Delivery	2006	
<b>MoEF [Public Financial Management]</b>	<b>3</b>	ADB	Proposed Program Cluster, Grant for Subprogram 1, and Grant Assistance. Kingdom of Cambodia: Public Financial Management for Rural Development Program	2008	
	<b>4</b>	Carrio, E.	Integrated Public Fiduciary Assessment Mission Cambodia- Public Sector Systems Accountant, Aide Memoire	2009	
	<b>5</b>	De la Torre,	Revenue Policy- Cambodia,	2009	
	<b>6</b>	DFID,	Cambodia Fiduciary Risk Assessment for the Department of International Development	2009	
	<b>7</b>	JICA	Capacity Building Project for Tax Department	2010	
	<b>8</b>	MEF	Provision of Consulting Service and Integrated Fiduciary Assessment and External Advisory Panel Review of the PFM RP- Public Sector Auditor Report,	2009	
	<b>9</b>	O'Connor, T.	Assessment of Cambodia's Public Finance Management [PFM] System: Harmonised Approach to Cash Transfers [HACT] Macro Assessment Desk Study	2007	
	<b>10</b>	PDP Australia	Public Finance Management Assessment Cambodia, based on a PEFA,	2010	
	<b>11</b>	PDP Australia	Public Financial Management Reform Program, External Advisory Panel Report,	2010	
	<b>12</b>	PFMRP PFM Steering Committee	Progress report First Semester 2009	2009	
	<b>13</b>	RGoC	Draft M and E Chapter , NSDP	n.d.	
	<b>14</b>	RGoC	Financial Management Manual for Externally Funded Projects/Programs in Cambodia	2007	
	<b>15</b>	RGoC	Financial Management Manual for Externally Financed Decentralised and Deconcentrated Projects/Programs in Cambodia	2007	
	<b>16</b>	RGoC	Procurement Manual for Externally Funded Projects/Programs in Cambodia Vols. 1-3	2007	
	<b>17</b>	RGoC	Public Finance Reform Program: Strengthening Governance through Public Finance reform	2004	
	<b>18</b>	RGoC	Standard Operating Procedures for Externally Funded Projects/Programs in Cambodia	2007	
<b>Planning</b>	<b>19</b>	CDC	Coordinating Data Flow between PIP and the	2009	

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	20	Keller, Sheryl	Budget, Support for Conducting NSDP/CMDG Evaluation and Policy Analysis	2007	
	21	RGoC	National Strategic Development Plan Update 2009 - 2013	2009	
	21	UNDP	Capacity Assessment of Ministry of Planning	2009	
<b>Line Ministries</b>					
<b>Agriculture</b>	22	Danida	Assessment of Extent to which RGC fulfills Danida's 10 principles,	2010	
	23	Danida	Evaluation of the Pilot Performance Management and Incentives Program,	2009	
	24	Forest Administration	National Forest Program, Strategic Framework,	2010	
	25	FiA	A Strategic Planning Framework for Fisheries 2009-2018	2009	
	26	Hendry, C. and Morsiani, G.	Evaluation of the pilot programme on Performance Management and Incentives programme (PMIP) within Forestry, Fisheries and Land subsectors under the Natural Resources Management and Livelihood Programme – Cambodia	2009	
	27	Mokoro Ltd,	Integrated Fiduciary Assessment and Public Expenditure Review- Agriculture, Irrigation and Rural Roads, Draft Final report,	2010	
	28	TWG on Agriculture and Water	Statement of Principles	2007	
	29	Valenti, L. FAO	External assistance to Agriculture; Donor matrix	2009	
	30	FA	Cambodia's National Forest Program, Operational Framework,	2010	
	31	ADB	Country Assistance Evaluation Strategy	2009	
<b>Education</b>	32	ADB	Strategic Assessment of General Education Sector in Cambodia,	2010	
	33	ADB	Strengthening Technical and Vocational Education and Training Project, CAM 40555 of 2009	2009	
	34	DFID	Aid Information in Cambodia with a focus on the Ministry of Education, Youth and Sport - DRAFT	2009	
	35	EC	Financial Management Capacity Assessment,	2007	
	36	EC Technical Team	Cambodia Education Sector Performance analysis	2006	
	37	ESWG	Aid modalities: A position paper	2009	
	38	MoEYS	Summary report on Education, Youth and Sport Performance for the last year	2010	
	39	MoEYS Planning Dept.	The Reliability of EMIS data	2006	
	40	Myant, N.	Assessment of Information Management Information System in Cambodia	2006	
	41	Pernay, E.	Increasing Aid Effectiveness in the Cambodian	2007	

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		<i>Education Sector: Analysis and Recommendations</i>	
	42 Purcell, R. , A. Riddell, G. Taylor, K. Vicheanon,	<i>Mid Term Evaluation of Fast Track Initiative, Country Case Study: Cambodia,</i>	2009
	43 Quinn, D.	<i>Education Sector Reform Process in Cambodia 2001-2008, Policy Development and Implementation under Severe Financial Constraint</i>	2009
	44 Quinn, D.	<i>Provincial Education Sector Performance and Efficiency in Cambodia, An Analytical Review for ESP/ESSP 2009-2013,</i>	2009
	45 Ratcliffe, M. [EU]	<i>Study on Governance Challenges for Education in Fragile Situations. Country Report; Cambodia.</i>	2009
	46 Rich-Orloff, W.	<i>Impact Assessment of Basic Education Program,</i>	2008
	47 SIDA	<i>Draft Fiche for Education Sector Budget Support,</i>	2010
	48 Syquia, J.	<i>Procurement Capacity and Risk Assessment</i>	2007
	49 UNICEF/Sida/EC	<i>Formulation Mission for a Proposed Program of Education Sector Budget Support: Report of the Finance and Management Budget Consultant</i>	2010
	50 WB	<i>Cambodia Public Expenditure Tracking Survey (PETS),</i>	2006
	51 WB	<i>Education for All - Fast Track Initiative. Catalytic Fund Decision Memorandum</i>	2008
	52 WB	<i>National Financial Management Capacity Assessment, Education Sector, EFA- FTI,</i>	2008
	53	<i>Education Sector in Cambodia, A Diagnostic Review for ESP/ESSP 2009-2013,</i>	2009
Health	54 BN Consult	<i>Public Expenditure Tracking Survey (PETS) in Health, 2003-2004</i>	2008
	55 Joint Review Mission	<i>HSSP2 Joint Review Aide Memoire September 2009</i>	2009
	56 Land, D.	<i>The Development of Health Sector Capacity in Cambodia, The Contribution of Technical Cooperation, Patterns, Challenges and Lessons,</i>	2008
	57 Martin, J.	<i>Financial Management Assessment of Health Sector,</i>	2008
	58 MoH	<i>Annual Health Financing Report 2008</i>	2009
	59 MoH	<i>Operational Manual HSSP2</i>	2008
	60 MoH	<i>Strategic Framework for Health Financing in Cambodia 2008-2015</i>	2007
	61 Örtendahl, C. et al	<i>Health Sector Review(2003 –2007)</i>	2007
	62 United Nations	<i>Common Country Assessment</i>	2009
	63 WB,	<i>Presentation Cambodian Health SWAP,</i>	2008
	64 WB,	<i>Program Appraisal Document, Second Health Sector Support program</i>	2008
	65	<i>Health External Audit Study,</i>	2009
Interior [D and D]	66 RGoC (PILAC)	<i>Situational Analysis of Provincial/Municipal and District/Khan Administration in Cambodia,</i>	2008

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	67	Leiper, S.	<i>Decentralisation and Deconcentration work systems</i>	2010	
	68	Rohdewohld, R. and D. Porter	<i>Contributing to Democratic Development: Options for future Donor Support to Decentralisation and Deconcentration</i>	2006	
<b>General and conceptual studies</b>					
<b>General</b>	69	CDC	<i>Technical Working Group Guidelines</i>	2007	
	70	Chhieng Yanara, CDC	<i>Speech on Paris Declaration after 2010</i>	2009	
	71	DFID	<i>Aid Information Flows in Cambodia,</i>	2009	
	72	OECD	<i>Report on Paris Declaration, Cambodia Chapter</i>	2008	
	73	RGoC	<i>Strategic framework for Development Cooperation Management</i>	2006	
	74	Sokbunthoeun So et al	<i>Dialogue dynamics, Programming challenges : Donor Approaches to anti Corruption and Integrity Reform in Cambodia 2004-2009</i>	2010	
<b>Aid effectiveness and Technical cooperation</b>	75	UN	<i>Common Country Assessment</i>	2009	
	76	WB	<i>Integration and synchronization (of major reform programs),</i>	2009	
	77	RGoC	<i>Declaration by the Royal Government of Cambodia and Development Partners on Enhancing Aid Effectiveness</i>	2006	
	78	RGoC	<i>A Guideline on the Provision and Management of Technical Cooperation</i>	2008	
	79	CDC	<i>Synthesis Report on Aid Effectiveness Priorities,</i>	2009	
	80	CDC	<i>National operational guidelines for development cooperation Grant Assistance</i>	2006	
	81	Chhieng, Y.	<i>Exploring alternative approaches and instruments for coordinating aid in a fragmented environment</i>	2009	
	82	Economic Institute of Cambodia	<i>The Effectiveness of Technical Cooperation in Cambodia - A study on Good Practice of Japanese Technical Cooperation Projects</i>	2007	
	83	EU	<i>Council Conclusions on a Framework on Aid Effectiveness,</i>	2009	
	84	RGoC	<i>The Cambodia Aid Effectiveness Report 2010 [Draft Version April]</i>	2010	
	85	WB	<i>Plan on Aid Effectiveness,</i>	2008	

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Capacity Building	86	Wood, B., et al	<i>Cambodia Evaluation on Aid Effectiveness - Independent Review Team</i>	2008	
	87		<i>Ministry of Planning, Capacity Assessment</i>	2010	
	88	JICA	<i>The Effectiveness of Capacity Building in Cambodia</i>	2007	
	89	Land, A. and P. Morgan	<i>Technical Cooperation for Capacity Development in Cambodia</i>	2008	
	90	RGoC	<i>Policy on Capacity Development in the Cambodian Civil Service,</i>	2007	

## MATRIX OF REPORTS BY ORGANISATION AND SYSTEM

*Note: References numbers are to the Annotated Bibliography, and documents may appear in more than one cell if they refer to more than one sector or more than one system*

Ministries and agencies	Planning system	Public finance system	Human resource system	Social and Environmental assessment	Monitoring and evaluation
<b>Central Ministries</b>					
<i>Administrative reform</i>					
Council for Administrative Reform			1, 2		
<i>Finance</i>					
Ministry of Economy and Finance	12	4, 6, 10, 11, 12	7, 11		
<i>Planning</i>					
Ministry of Planning			20, 21		20,21
<b>Line Ministries</b>					
<i>Agriculture sector</i>					
MAFF		27			
Fisheries					
Forestry					
<i>Education sector</i>					
MoEYS	31, 32, 38, 39, 40, 42, 44, 45	33, 37, 38, 41, 42, 44, 45, 48, 50, 52	32, 51, 52		32, 39, 40, 42, 44, 45, 51
<i>Health sector</i>					
Ministry of Health	56, 57, 61	54, 56, 60, 61, 64	54, 57, 60, 61		56, 64,
<i>Ministry of Interior - Decentralisation</i>					
Ministry of Interior	67, 68	67, 42, 44			67

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## CENTRAL MINISTRIES AND AGENCIES

## CIVIL SERVICE AND ADMINISTRATIVE REFORM

**Number 1**

**Relevance** Very ☒ Mostly ☐ Partly ☐ Low ☐

**Quality** Excellent ☐ Very good ☒ Good ☐ Fair ☐

**Author** H.E. Ngo Hongly, Secretary-General, Council for Administrative Reform

**Title** Reform of Public Administration

**Publisher and date** 29 April 2010

**Main sectoral focus** PAR

**Other Relevant sectors** Cross Cutting Issues

**Purpose** Remarks made to GDCC meeting on public administration reform priorities

**Main issues**

- Priority Operation Costs (POC)
- Compensation Review
- National Public Administration Reform
- HRM Reform

**Analysis** The process for introducing the POC by 1 July 2010 is outlined, together with work being undertaken to progress the compensation review based on the four principles of growth, equity, unity and performance.

The presentation also discusses the work being undertaken under the proposed National Public Administration Reform (NPAR) to improve the quality and delivery of public services and in enhancing core values of motivation, loyalty, professionalism and a culture of service. Areas of focus include streamlining HRM processes; a policy framework for HRD; an updated information base on compensation; completion of the Public Service census; deploying new ID smart cards; strengthening the HRMIS; drafting a redeployment policy; a Compendium on public services; and a train-the-trainer program.

**Number 2**

**Relevance** Very ☐ Mostly ☐ Partly ☒ Low ☐

**Quality** Excellent ☐ Very good ☐ Good ☒ Fair ☐

**Author** Royal Government of Cambodia

**Title** Policy on Public Service Delivery

**Publisher and date** CAR, November 2006

**Main sectoral focus** PAR

**Other Relevant**

- Cross cutting issues



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<b>sectors</b>	<ul style="list-style-type: none"> <li>• D and D</li> </ul>
<b>Purpose</b>	This paper outlines RGC policies on service delivery
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• 7 categories of services provided by government</li> <li>• The objectives in service delivery</li> <li>• The methodology to be applied in improving service delivery</li> <li>• The move from a functional structure to an operational structure using concepts of a front and back office;</li> <li>• Factors to be taken into account in developing the back office</li> <li>• Mechanisms of implementation</li> <li>• Coordination of service delivery improvement.</li> </ul>
<b>Analysis</b>	This document outlines the Royal Government's approach to improving service delivery both in terms of organizational structures, management systems and capacity building. It contains a useful outline of the different types of service delivery including public enterprises, contracted out services and special operating agencies.

## ECONOMY AND FINANCE

<b>Number 4</b>	<b>Relevance</b>	Very [ ]	Mostly [ ]	Partly [ ]	Low [ ]
	<b>Quality</b>	Excellent [ ]	Very good [ ]	Good [ ]	Fair [ ]
<b>Author</b>	E. Carrio, Public Sector System Accountant				
<b>Title</b>	INTEGRATED PUBLIC FIDUCIARY ASSESSMENT MISSION CAMBODIA-AIDE MEMOIRE (AM)				
<b>Publisher and date</b>	July 2009				
<b>Main sectoral focus</b>	PFMR				
<b>Other Relevant sectors</b>					
<b>Purpose</b>	This report reviews progress against the PFMR Budget Execution Outputs and action plans and makes recommendations to the EC related to rationalizing continued support to the PFMR Trust Fund.				
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Improving Debt management</li> <li>• Further improving cash and bank account management through the Cash Management Unit (CMU)</li> <li>• Further improvement in the implementation of new budget classifications and new chart of accounts</li> <li>• Improving the budget execution transaction process</li> <li>• Improving accounting, financial reporting and transparency</li> </ul>				

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- Recommendations on support for Trust Fund

## Analysis

The AM assesses progress in budget execution under the PFMR Program based on the PEFA indicators related to predictability and control in budget execution and accounting, recording and reporting.

In respect to activities to be strengthened in Stage 2 of the PFMR, the AM found that:

- the institutional and legal framework for debt management is now in place, a draft strategy has been prepared and progress has been made in administrative management of debt- there are still issues to be resolved in collection and storing data in the Debt Management and Analysis Financial System (DFMAS); in allowing for loan-by-loan tracking; and in providing debt information to the CMU.
- Most government bank accounts have been closed and moved to Treasury Single Account, although donors retain separate project accounts. 20 out of 24 provinces use the national banking system; 17 Ministries use salary accounts with ANZ. As one of main actors in PFMR, the National Bank of Cambodia (NBC) needs to be modernized.
- Cash management continues to have a low accuracy and there is a need for cash flow forecasts on a rolling basis and for contingency planning to cover emergency shortfalls. The CMU's capacity needs to be strengthened.
- Arrears have been eliminated

In respect of activities to be implemented in Stage 2 of PFMR, the AM found that:

- the new chart of accounts and budget classification are not fully implemented in budget execution and some other MEF Departments- the AM made recommendations to achieve this;
- Before moving to accrual accounting, more complete information is needed, that is properly recorded and is received in a timely way. The administrative organization of the accounting system needs to be discussed with a choice made between a centralized system and a consolidated model- the centralized model should be reinforced before moving to a consolidated one.
- The accounting manual needs to be prepared
- the operating system is highly fragmented and makes the task of establishing the financial statements difficult- a single system for capital and recurrent expenditure should be considered
- Processing of transactions has improved in MEF and line Ministries
- Development of the FMIS has had its difficulties- organizational diagnosis is needed to identify and to overcome resistance to change. The use of an Organizational Development (OD) approach instead of process re-engineering should be considered
- The existing modified cash accounting system needs to be modified to a modified accrual one so as to fully record donor funded projects
- the National Treasury should produce budget implementation reports with

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a unique system for processing recurrent and capital expenditure

- set-up of the asset register cannot be achieved by NT, as yet

The AM to EC noted a slowdown in reform due to resistance to change, low capacity, and weaknesses in the incentive system. It added that the large number of donors adds complexity as many follow specific procedures- this fragmentation harms the readability of public accounts and government capacity to manage them. Thus, the institutional framework is in place but the system is still highly centralized and recording, reporting and accounting of information is disseminated across a number of Departments in MEF even though there is deconcentration to finance controllers in 10 Ministries. The use of different software does not facilitate consolidation of data by the NT or the issue of financial statements.

The aide memoire made three recommendations on budget execution reform to the EC:

- the standardization and integration of financial data bases;
- Continue to strengthen capacity through long term assistance in NT and CMU;
- change management monitoring including communication improvement.

The PEFA assessment on predictability control and budget gave B and C ratings apart from Ds for timeliness and regularity of account reconciliations and the quality and timeliness of annual financial statements.

<b>Number 6</b>	<b>Relevance</b>	Very <input checked="" type="checkbox"/>	Mostly <input type="checkbox"/>	Partly <input type="checkbox"/>	Low <input type="checkbox"/>
	<b>Quality</b>	Excellent <input checked="" type="checkbox"/>	Very good <input type="checkbox"/>	Good <input type="checkbox"/>	Fair <input type="checkbox"/>
<b>Author</b>	DFID				
<b>Title</b>	CAMBODIA RISK FIDUCIARY ASSESSMENT FOR THE DEPARTMENT FOR INTERNATIONAL DEVELOPMENT				
<b>Publisher and date</b>	April 2009				
<b>Main sectoral focus</b>	PFMR				
<b>Other Relevant sectors</b>	<ul style="list-style-type: none"> <li>• Planning</li> <li>• PAR</li> </ul>				
<b>Purpose</b>	Determine the current level of fiduciary risk in Cambodia.				
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Discussion of areas of fiduciary risk</li> <li>• Risks of corruption remain high</li> <li>• PEFA assessment</li> <li>• Progress in PFMR implementation, including eight areas of concern</li> </ul>				
<b>Analysis</b>	The FRA 2009 found that fiduciary risk (FR) was substantial in that the PFM system fell short of good international practice as there are numerous and/or material weaknesses in compliance with many of the controls within the system. Reform plans may need to be strengthened and prioritized. The analysis supports a reduction in risk from high to substantial since the previous FRA. Change in PFMR				

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in Cambodia is positive, although progress in some key areas has been slow.

The corruption risk is seen as high even though current opportunities for public servants are said to have reduced. Based on PEFA scoring, the FRA identifies the areas where PFMR has not yet taken hold:

- Limited accountability of Government to the people and a lack in the checks and balances that fiscal transparency otherwise makes possible where information about public finances is available- but in Cambodia it is not always comprehensive, timely, accurate and easily accessible.
- Revenue yields are significantly lower than in comparable countries despite significantly improved revenue performance in recent years, due to continuing inefficiencies in revenue collection and compliance.
- Incorrect payments in respect of government salaries and allowances as a result of weak payroll and establishment controls;
- Losses and poor value for money from procurement due to lack of capacity, weak compliance with rules and regulations and weak oversight control.
- Inaccuracies in financial statements as a result of lack of capacity, weak compliance with controls over the recording of transactions & preparation of accounts.
- Limited assurance for senior management on efficient use of resources, safeguarding of assets, control and governance because of limitations in the quality of internal audit function in line ministries.
- Limited assurance over the government's performance because of limitations in the quality of the external audit function and a culture of non-response by audited ministries and agencies.
- Poor use of resources and unresponsiveness to the needs of the people because of lack of capacity of parliamentary oversight and weak accountability mechanisms.
- Poor use of resources and unresponsiveness to the needs of the people because of lack of capacity of parliamentary oversight and weak accountability mechanisms.

PFMR is seen as a credible reform program. However, PFMR performance and sustainability is constrained by slow progress in PAR. In PFMR much progress has been made under Phase 1. However, progress slowed in 2008. There is little local capacity to implement PFMR. The PFMA system is described by the FRA as coming from a very low base and a very low capacity in a difficult task environment with a reform strategy that promises only incremental change over a relatively long timeframe. Improvements to the existing PFMA system have been achieved primarily in areas where key vested interests have not been challenged.

There are two forms of government intertwined in Cambodia and institutions and individuals within the state apparatus have to negotiate both, rather than representing one or the other. There is rules-based governance which conforms broadly to rational legal modes. Whereas patronage-based governance operates via entrepreneurial personal relationships devoted to a great extent to rent seeking and organized around allegiances based upon marriage, kinship and

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patron clients relations.

The need to address structural change in Phase 2 of the PFMR will require strengthening support for champions of change and equally importantly expanding the constituency for change and providing appropriate levels of technical assistance in order to facilitate implementation of planned activities.

MEF is not sufficiently cohesive- information is reluctantly shared by many public sector entities within MEF. The supply of appropriate training to develop much needed skills is insufficient given the low levels of public financial management capacity in general and in line ministries and at sub-national levels in particular. While there is a Capacity Building Plan, the current training response is not yet adequate because it largely relies on the MEF Economic and Finance Institute (EFI), which lacks the capacity to meet the training need. Low salary levels constrain individual performance and encourage absenteeism and corruption which was being addressed to some extent by the inclusion of selected officers in the Merit Based Pay Initiative (MBPI) which linked higher remuneration to annual review of performance.

There are a number of residual risks that are outside PFMR and which cannot therefore be mitigated. These include addressing inefficiencies in administering customs collection and enforcing compliance; incorrect payments in respect of government salaries; limited assurance over government performance because of limitations in the quality of external audit function and a culture of non-response by audited ministries and agencies; and poor use of resources and unresponsiveness to the needs of the people because of a lack of parliamentary oversight and absence of accountability mechanisms. DFID will need access to indicators to monitor performance in these areas.

The FRA recommended the use of safeguards and independent internal audit to address residual risk; the tracking of funds through instruments like PETS.

The FRA also found there are a number of risks to political stability such as natural resource disputes, demographic change and unemployment, and the use of oil revenues.

<b>Number 7</b>	<b>Relevance</b>	Very [ ]	Mostly [ ]	Partly [ ]	Low [ ]
	<b>Quality</b>	Excellent [ ]	Very good [ ]	Good [ ]	Fair [ ]
<b>Author</b>	JICA Terminal Evaluation Mission				
<b>Title</b>	CAPACITY BUILDING PROJECT FOR TAX DEPARTMENT				
<b>Publisher and date</b>	JICA, March 2010				
<b>Main sectoral focus</b>	PFMR				
<b>Other Relevant sectors</b>					
<b>Purpose</b>	Evaluation of capacity building project				
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Relevance, efficiency, effectiveness and sustainability of project</li> <li>• Capacity building achievements</li> <li>• Tax auditing</li> </ul>				

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- Work environment of Tax Department
- Importance of revenue raising in Cambodia
- Constraints on capacity building project

**Analysis**

Tax revenue in Cambodia has increased significantly in recent years but still remains well below that achieved by other countries in the region- the report suggests that it is still less than 10% of GDP. Further improving the tax take is seen in part as being concerned with improving the performance of the General Tax Department in MEF.

This report illustrates the difficulties of sustainable capacity building in the Cambodian context. The outputs of the project including setting up a new Tax School and developing curricula were mainly completed. The capacity building activities at the individual level were largely judged as successful in that trainees who attended courses or went to the new Tax School gained valuable knowledge about tax administration, tax audits, and accounting and bookkeeping matters.

However, there are doubts about the longer term impact of that training because the establishment of an enabling environment and a mechanism for application of knowledge into practice and more systematic human resource development was judged as insufficient.

The project did not contribute to establishing a mechanism for (i) more systematic knowledge sharing amongst officials on the job; (ii) an enabling environment for application of knowledge and skills in a systematic manner; or (iii) systematic human resource development.

The incentive, and organizational development, for putting knowledge into practice, and the development of comprehensive human resource development, were seen as limited. The report also notes a number of other project constraints such as the stage of restructuring and organizational development reached in the Tax Department; the priority given to tax collection over human resource development; the lack of financial and moral incentive for staff; better data and information needed for tax administration; and limited organizational support.

**Number 8****Relevance**

Very [ ]

Mostly [ ]

Partly [ ]

Low [ ]

**Quality**

Excellent [ ]

Very good [ ]

Good [ ]

Fair [ ]

Author

PDP Australia

Title

PROVISION OF CONSULTING SERVICE AND INTEGRATED FIDUCIARY ASSESSMENT AND EXTERNAL ADVISORY PANEL REVIEW OF THE PFM RP-PUBLIC SECTOR AUDITOR REPORT

Publisher and date

World Bank, 2009

Main sectoral focus

Financial Management

Other Relevant sectors

PFM cross cutting issues covering all sectors

Purpose

Review of the RGC's internal audit (IA) and external audit (EA) arrangements, as part of PEFA assessment and integrated fiduciary assessment

Main issues

- Effectiveness of IA arrangements as a basis for assessment of financial system risk assessment and strengthening internal management control;

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- Does IA contribute to preventing loss, fraud or corruption; System or other constraints on effective IA;
- Status of EA reporting in terms of coverage, quality and timeliness
- To what extent does IA influence reform of PFM systems?
- Effectiveness of EA arrangements as a sound basis for accountability to the NA and Civil Society; Constraints on external audit; Effectiveness of oversight by NA;
- Follow up on NAA reports;
- Extent to which financial management and accounting arrangements meet fiduciary requirements of DPs.

Analysis

It is doubtful that Stage 2 PFMRF's objective to have effective IA functionality in place by 2010 will be met due to institutional and capacity constraints. Little progress has been made in implementing relevant EAP (External Advisory Panel) recommendations such as for writing of strategic plan and a manual. The EAP team was not able to access 19 internal audit reports made to date to assess level of follow up by budget entities:

- Lack of guidance to line Ministries on risk assessment that is the basis of IA function;
- To avoid overlap with General inspectorate functions, a clear role definition for IADs is needed and GI function should be wound down or merged;
- Only 14 of IADs have completed essential requirements of a work plan and audit reports;
- Per diem requirement for audit staff to cover transport and other costs in the field;
- Standardization of audit reports are required and public sector auditing standards are needed to ensure accountability and transparency;
- Professional competence of audit staff needs to be enhanced through capacity building; a requirement they have a relevant degree, high quality training and gain a certificate
- To overcome current failures, a deadline should be set for Ministries to submit plans/ reports to NAA.
- Staff have experience but no degrees with much relevant training required
- Many IADs are staffed but not functioning effectively

As to effectiveness of IA arrangements across Ministries, the EAP found:

- creditable progress has been made in that 50% of IADs have issued work plans and reports;
- No IAD had yet done a risk assessment;
- There is often overlap between IAD and GI functions;
- There are no auditing standards in place'
- Few Ministries had yet submitted IA reports to NAA

The EAP found there is little systems monitoring through IA (D score under PEFA); reports

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issued regularly but not submitted to NA or NAA (C score under PEFA); fair degree of follow up action on IA reports but often with delay (C score under PEFA).

As to the PFMRP, the IA reform process is creditable and some objectives will be met by 2010. But little progress has been made on strategic plans, procedure manuals and training. even if main objectives are met it is doubtful that IA will be effective value added because of weak capacity

#### External Audit Function

After describing the set up of the NAA, the EA described it as plausible that at least 54% of total expenditure of RGC was audited annually. However, it was unable to verify this or the scope of audit activity or improvements in quality of reports. Ministry payrolls have never been fully audited but this needs priority attention as representing 37% of recurrent expenditure. While NAA reports are public documents, none are published. The law needs amendment to guarantee independence of NAA. The number of different layers of audit like activity needs to be reduced from the current 5 (NAA; IAD, MEF GI; line Ministry GI; and Ministry of Parliamentary Commission and Inspectorate). Liaison between IAD and NAA needs to be mandatory. NAA needs a website to raise transparency. NAA needs to adopt international auditing standards. Need central archiving of information. Little audit focus on systemic issues. NAA is slow in submitting audit of budget settlement documents and other audit reports to NAA. New computer audit management system will help if staff are trained in its use. Corrections based on audit findings often take a year. The 2<sup>nd</sup> Commission of NAA has only a limited system for follow up on audit reports. As to PEFA scores, the EAP gave a D on scope and quality of audits; a C on timeliness for submission to legislature; and a C on formal response to reports.

As to PFMRP process, the main issue is capacity building in NAA with much work to be done. There needs to be strong cooperation between The NAA and the 2<sup>nd</sup> Commission, the Parliament and the RGC. The NAA needs to continue to build capacity with in-house and on the job input from international experts.

<b>Number 10</b>	<b>Relevance</b>	Very <input checked="" type="checkbox"/>	Mostly <input type="checkbox"/>	Partly <input type="checkbox"/>	Low <input type="checkbox"/>
	<b>Quality</b>	Excellent <input type="checkbox"/>	Very good <input checked="" type="checkbox"/>	Good <input type="checkbox"/>	Fair <input type="checkbox"/>
<b>Author</b>	PDP Australia				
<b>Title</b>	PUBLIC FINANCE MANAGEMENT ASSESSMENT CAMBODIA BASED ON THE PUBLIC EXPENDITURE FINANCIAL ACCOUNTABILITY FRAMEWORK (PEFA)				
<b>Publisher and date</b>	WB, February 2010				
<b>Main sectoral focus</b>	PFMR				
<b>Other Relevant sectors</b>	<ul style="list-style-type: none"> <li>• Cross-cutting issues affecting all sectors</li> <li>• D and D</li> </ul>				
<b>Purpose</b>	The main purpose of this review was to prepare an assessment of PFM system performance in Cambodia using the PEFA Framework. Another objective was to compare performance with that in 2002, as assessed at that time through a Country Financial Accountability Assessment (CFAA).				
<b>Main issues</b>	<ul style="list-style-type: none"> <li>- Credibility of the budget</li> <li>- Transparency and accountability</li> <li>- Predictability</li> <li>- Accounting</li> </ul>				



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- External scrutiny
- In-Transparency of donor projects
- D and D

## Analysis

**The Budget.** The budget is a fair indication of the actual financial resources that will be available to budget entities for providing services. The credibility of the budget has strengthened due to greater revenue predictability (PI-3 scores A) and reasonably good expenditure control (the aggregate expenditure indicator PI-1 scores B); this enabled the virtual elimination of payments arrears (PI-4, dimension 1, scores A). Elimination of payments arrears provides greater certainty of payment to potential suppliers of goods and services to RGC and improves the predictability to budget entities of future budgets.

In terms of the composition of budget spending (PI-2), predictability for each budget entity is low, with the variance in expenditure composition exceeding aggregate deviation by 10% in two of the last three years, partly reflecting allocations from the budgeted unallocated reserve/contingency item. Credibility has, however, tended to be higher for priority sectors (education, health and agriculture). Robust budget preparation procedures (PI-11), the introduction of Budget Strategy Plans (BSPs) with a medium term focus, and costed sector strategies (PI-12) for education and health have contributed to budget credibility. The impact on budget credibility of the budget support provided by donors is limited as it represents only a small part of the budget funds.

**Transparency/Comprehensiveness.** The scores for the budget credibility core dimension may have less significance if the expenditure captured by these indicators intransparently excludes a significant component of public expenditure, particularly if this component is not consistent with public policy objectives. The C score under PI-7 indicates a significant extent of unreported extra-budgetary operations. Possible non-declaration of non-tax revenues and unauthorized opening of bank accounts are the main examples.

The in-transparency of many donor-funded projects, particularly grant-funded projects (represented also by D scores under D2-D3) also erodes budget credibility, because: (i) the incentives of staff in line ministries with PIUs to perceive the government budget as the main vehicle for funding service delivery are diminished; (ii) capable staff are induced to join PIUs because of higher salaries than in the civil service, thus reducing overall capability to prepare credible budgets; and (iii) the in-transparency of the operations of these projects hinders the accurate budgeting for the recurrent cost implications of these projects.

The C score for PI-10 indicates the public has insufficient information on budget plans and budget execution- its ability to demand accountability for the efficient use of public funds in the delivery of these services is impeded. Greater transparency and comprehensiveness of information available to the public would help to induce better financial accountability.

**Policy-Based Budgeting.** The insufficient integration of capital and recurrent expenditures, contributes towards C scores for PI-12 (i) and PI-12 (iv). Stronger linkages between the current and capital budgets would strengthen the credibility of the budget over the medium term: the chances of sufficient financial resources being budgeted for the provision of projected required service levels over the medium term would be enhanced (e.g. new classrooms built consistent with

student enrolment projections and the operating costs of these appropriately budgeted for).

**Predictability and control in budget execution.** The main challenges are: (i) compliance issues regarding tax registration, declaration and collection; and (ii) internal control issues. Non-compliance with tax laws and obligations (e.g. through smuggling), reduces the amount of revenue available to fund public services. If sufficient financial resources are not available to finance required service levels, the credibility of the budget would be affected. On the expenditure side, robust controls are needed to minimize financial wastage in terms of the payroll and purchases of non-wage inputs (PIs 18-21, the scores for which are in the C and D range).

**Accounting, recording and reporting.** The relevant indicators generally score in the C and D range partly because the emphasis under Stage 1 of PFMRP was on strengthening the predictability of resources for funding services. Achieving better financial accountability (and thus higher scores) is the main goal of Stage 2 of PFMRP.

**External Scrutiny and Audit.** PI-26 scores are low, indicating that the external audit function is not playing a strong role in holding the executive branch of government to account. The National Audit Authority (NAA) does not publish its reports, so the public has no way of knowing whether public funds are being spent according to their intended purpose. It appears that the role of the Second Commission in the National Assembly in demanding financial accountability is also limited.

**Aggregate Fiscal Discipline.** Budget credibility has strengthened mainly due to revenue growth that then declined in 2009.

**Strategic Allocation of Resources.** The D score for PI-2 indicates that the actual allocation of budgetary resources differs somewhat from the planned allocation, as represented in the approved budget. Indicator scores pointing directly towards this are PI-12 (dimensions i and iv), PI-16 (dimension iii) and PI-22 (dimension ii), concerning the significant use of cash advances that are carried over from year to year. Insufficient information on extra-budgetary operations (as shown by the scores for PI-7 and D2- D3) indicates the possibility that the expenditures under these operations may be inconsistent with Government's policy objectives.

**Efficient Service Delivery.** The cumbersome controls mechanism governing the procurement of non-wage goods and services inputs (C+ score for PI-20) and the significant extent to which non-competitive procurement methods are used (C scores for dimensions i and ii under PI-19) may impact negatively on the quality of service delivery. The lack of payroll audits (D score under PI-18 dimension iv) indicates the possibility of the payroll bill being higher than it should be in terms of efficient service delivery. The D+ score for PI-25 (quality and timeliness of annual financial statements) indicates the insufficiency of the procedures for demonstrating that budgeted resources have been used as intended, and therefore the possibility that services provided have been of lower quality than intended. The lack of external scrutiny and audit (PIs 26-28) indicate a low demand for accountability, while the lack of information available to the public (C score under PI-10) implies that the public's ability to demand accountability for the use of public monies is limited; the efficiency of service delivery might thus be lower than in the situation of high demand for accountability.

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The challenges facing the Government in implementing Stage 2 are significant, as institutional reforms (re-organizations in line ministries and in MEF) will be part of the reform effort to a much larger extent than under Stage 1, and, as in many countries, institutional reforms are demanding, both technically and in terms of change management requirements and dealing with resistance to change. The technical challenges in implementing the planned FMIS will also be considerable.

The report contains a matrix offering a comprehensive breakdown of the PEFA assessment (at page5).

<b>Number 11</b>	<b>Relevance</b>	Very [ ]	Mostly <input type="checkbox"/>	Partly [ ]	Low [ ]
	<b>Quality</b>	Excellent [ ]	Very good <input type="checkbox"/>	Good [ ]	Fair [ ]
<b>Author</b>	PDP Australia				
<b>Title</b>	EXTERNAL ADVISORY PANEL REPORT (EAPR) PUBLIC FINANCIAL MANAGEMENT REFORM PROGRAM				
<b>Publisher and date</b>	WB, February 2010				
<b>Main sectoral focus</b>	PFMR				
<b>Other Relevant sectors</b>	D and D PAR				
<b>Purpose</b>	This report is an independent assessment of progress and impact of the PFMRP. The report reviews progress in implementing PFMRP activities under Stage 1and assesses issues in implementing Stage 2 which commenced at the end of 2008.				
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Progress in Stage 1 of the PFMRP;</li> <li>• Re-prioritization of Stage 2 activities;</li> <li>• Incentives for civil service</li> <li>• Reorganization of MEF;</li> <li>• Role of DPs</li> <li>• Use of country systems in aid programs</li> </ul>				
<b>Analysis</b>	<p><b>Phase 1 of the PFMR Reform.</b> Progress has been made in most areas of PFM reforms, though bureaucratic processes and vested interests may have caused progress to be not as fast as would have been desirable. Tax revenue administration has strengthened significantly, as have budget preparation and management, macro-fiscal discipline, debt management, streamlining commitments and payments requests, decreasing the use of cash in revenue and expenditure transactions, closing bank accounts and strengthening TSA, and reporting. Civil service recruitment is better linked to the budget with salary in most Ministries now being paid through bank accounts. Externally-financed investment is better captured in budgets and budget execution reports.</p> <p>However, piloting of program budgeting and the development of capable internal audit function proceeds slowly. Strengthening tax revenue administration is running into problems in terms of enforcing compliance. The report also draws attention to the need for improved collaboration between Departments in MEF. Procurement by the RGC is regarded as being some way off from international</p>				

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standards. The FMIS has been slower than anticipated but should move forward in 2010. MEF needs to move forward on the promised functional review in the light of PFMR. The capacity development plan for MEF needs re-prioritization.

Capacity has improved somewhat, partly due to the long term training programs and the incentives provided under the MBPI scheme. Government ownership, exercised through the Steering Committee for PFMRP remains strong, and has contributed to the progress made.

**Stage 2 of the PFMRP.** The challenges confronting the Government under Stage 2 are in many ways more formidable than under Stage 1, posing institutional constraints as well as vested interest and capacity challenges. Implementation of FMIS and D&D is technically, managerially and politically demanding as institutional and business process change will be part of the process and strong coordination is required between the two.

**Re-prioritization in Stage 2.** The EAP recommends that stage 2 should be focused more strongly on consolidating and strengthening the Platform 1 PFM reform activities; on implementing the activities aimed at strengthening reporting, accounting, and transparency; and on building managerial and staff capacity in the line ministries so that they are strong enough to handle the challenges posed by the increase in responsibilities implied by de-concentration. In part because of capacity constraints, the EAP *recommends* that the activities under Stage 2 be reviewed to determine activities that are essential and top priority and what if any could be dropped. The underlying principle should be that, because implementation of FMIS and D&D is both demanding and risky, Stage 2 should therefore focus more strongly on ensuring that the pre-requisites are solidly in place. Apart from rationalizing priorities, the EAP recommends that the internal audit function be given lower priority; that the planned MTEF process be simplified by transforming Budget Strategies Plans for Ministries using forward estimates processes; and that a new priority be added regarded strengthening external audit and legislative scrutiny. A road map is also needed for Stage 2 activities that affect D and D.

**Incentives.** The report notes that the current government incentive structure tends to encourage the vested interests which work against reform- low pay encourages rent seeking and the current centralized control system only serves to encourage rent seeking and discourage pro-active management. Removing rent-seeking opportunities through institutional re-organization is therefore likely to be difficult.

**Reorganization of MEF.** The EAP noted there was likely to be strong resistance to restructuring MEF. However, implementation of the FMIS and D&D implies re-organization in the MEF, as the justification for the existence of a number of Departments in their current forms will be greatly reduced. FMIS will bring about automation of budget execution processes, while devolution of budget management responsibilities to line ministries will reduce the justification for MEF departments in charge of capital budgeting and expenditure pre-audit. The FMIS implies a huge transformation from current manual and un-connected semi computerized processes in MEF departments to an integrated and completely automated environment, thus institutional and business process changes are virtually inevitable. Meanwhile, the MEF will also have to play a very strong role in leading and coordinating the de-concentration program in line ministries: in

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particular, the development of public finance and public expenditure managerial capacity in line ministries, and in the revision of the budget classification system that will incorporate line departments as cost centers.

**Role of DPs.** Apart from providing continuing technical support, the EAP notes that the associated transactions costs related to over 800 DP projects hinder the ability of Government to manage the PFM reforms it currently is implementing, and, even more so may hinder, the complex D & D and FMIS programs it wants to implement. DP-funded projects, relative to those being funded and implemented by government, potentially reduce the transparency and comprehensiveness of budget; erode capacity (though skilled civil servants being attracted into PIUs); erode feeling of ownership of the budget; reduce the incentives of line ministries to comply with PFM laws, regulations, and administrative practices; and in general potentially reduces the effectiveness of governance. Opening of donor project bank accounts reduces incentives of line ministries to comply with requirements to close down bank accounts and not to open new ones.

In this regard, the EAP believed that insufficient attention appears to have been paid by DPs to the Accra Agenda for Action on strengthening and using developing country systems to the maximum extent possible, including justifying why a donor does not use Cambodia's PFM system. Article 15 of the Accra Agenda states that *'Should donors choose to use another option and rely on aid delivery mechanisms outside country systems (including parallel project implementation units), they will transparently state the rationale for this and will review their positions at regular intervals. Where use of country systems is not feasible, donors will establish additional safeguards and measures in ways that strengthen rather than undermine country systems and procedures.'*

The EAP *recommends* that Government should encourage DP assistance to become focused on larger and fewer projects. These are easier for government to coordinate in order to ensure they are in line with government priorities and the fewer the projects, the lower the transactions costs. Larger and fewer projects could be achieved through further developing a sector-wide development program, or, more simply, providing budget support. Sector wide approaches are most developed for the education and health sectors, but nevertheless there are still several stand-alone projects operating in these sectors (as indicated on the CDC database). The EAP perused the CDC database and thought there appeared to be many instances of duplication and overlap. In many instances, it is not immediately obvious why a DP assistance modality had been chosen, rather than Government implementing the project itself.

The EAP also recommended that Government strengthen its leadership role with regard to the way in which DP assistance is used. Specifically, Government could develop criteria guiding the selection of DP assistance modalities, for example the types of expenditure that are best supported by stand-alone project aid modalities and the types of expenditure that are best supported through sector-wide "basket-funding" modalities, or simply through budget support. Budget support has many advantages to governments over other aid modalities. It provides more flexibility and fiscal space for government (which could be used, amongst other things, for financing civil service wage increases), making it easier for the government to manage the big reforms, providing a greater sense of ownership and also greatly reducing transactions costs.

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The EAP notes that DPs may be concerned about the fiduciary risk of making this move before PFM systems are sufficiently strengthened to virtually eliminate fiduciary risk and in light of the high risks in implementing FMIS and D & D. This, however, results in a chicken and egg situation. DPs do not want to provide budget support or channel their projects through government's PFM systems because of the fiduciary risk. But not using government systems erodes the capacity to strengthen these systems, to the detriment of good governance, essential to socio-economic development, and thus there is a developmental risk (and ultimately also a fiduciary risk, due to insufficiently effective use of development partner country tax-payers' money). The way round this is a credible governance reform program (including PFM reform).

## PLANNING

<b>Number 20</b>	<b>Relevance</b>	Very [ ]	Mostly [ ]	Partly [ ]	Low [ ]
	<b>Quality</b>	Excellent [ ]	Very good [ ]	Good [ ]	Fair [ ]
<b>Author</b>	Sheryl Keller				
<b>Title</b>	SUPPORT FOR CONDUCTING NSDP/CMDG EVALUATION AND POLICY ANALYSIS				
<b>Publisher and date</b>	WB 2007				
<b>Main sectoral focus</b>	Planning				
<b>Other Relevant sectors</b>					
<b>Purpose</b>	Report on mission to assist MOP in monitoring and evaluation of the NSDP				
<b>Main issues</b>	<ul style="list-style-type: none"> <li>Indicators for inclusion in the NSDP</li> <li>Analysis of the Cambodian Demographic and Health Survey</li> <li>Capacity building/training for MOP on data analysis for policy making</li> </ul>				
<b>Analysis</b>	<p>The report outlines problems with some of the existing indicators on the NSDP and recommends changes to indicators and to procedures for monitoring.</p> <p>The report outlines efforts made to build M and E capacity amongst MOP staff. It seems that work motivation and leadership posed some problems in achieving an M and E conducive environment.</p> <p>The report makes recommendations on some specific NSDP indicators.</p>				
<b>Number 21</b>	<b>Relevance</b>	Very [ ]	Mostly [ ]	Partly [ ]	Low [ ]
	<b>Quality</b>	Excellent [ ]	Very good [ ]	Good [ ]	Fair [ ]
<b>Author</b>	RGoC				
<b>Title</b>	NATIONAL STRATEGIC DEVELOPMENT PLAN UPDATE 2009-2013				

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<b>Publisher and date</b>	November 2009
<b>Main sectoral focus</b>	Planning sector
<b>Other Relevant sectors</b>	All sectors
<b>Purpose</b>	This update of the NSDP sets out the strategic priorities of the RGC, sector by sector, for 2009-2013.
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Performance indicators</li> <li>• M and E issues</li> </ul>
<b>Analysis</b>	<p>As noted in Chapter VI of the draft NSDP, a sub-group of the TWG-PPR was set up review the core monitoring performance indicators/targets under the NSDP with the objective of ensuring that they are measurable and data is readily available; and that a RGC institution has agreed to monitor and evaluate progress. This process should produce agreement between RGC and DPs on information requirements for monitoring at the national level.</p> <p>The intent was to eliminate those that were not easily measurable and to ensure that updated indicators reflected changes in the global MDGs. The list of indicators was to be finally settled by MOP, MEF, CRDB /CDC and SNEC.</p> <p>This work was not completed before the draft NSDP was circulated but it is intended that the work be taken through to completion so that there is a new refined list of indicators/targets for the NSDP 2009-2013.</p>

<b>Number 21</b>	<b>Relevance</b>	Very [ ]	Mostly <input checked="" type="checkbox"/>	Partly [ ]	Low [ ]
	<b>Quality</b>	Excellent [ ]	Very good [ ]	Good <input checked="" type="checkbox"/>	Fair [ ]

<b>Author</b>	Mark Turner
<b>Title</b>	CAPACITY ASSESSMENT OF THE MINISTRY OF PLANNING
<b>Publisher and date</b>	UNDP, May 2009
<b>Main sectoral focus</b>	Planning
<b>Other Relevant sectors</b>	PFMR D and D Aid Cooperation
<b>Purpose</b>	Capacity Assessment Diagnosis of the Ministry of Planning
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Diagnosing Capacity constraints in MOP</li> <li>• Future of Performance Investment Program (PIP)</li> <li>• Impact of D and D reforms on MOP's role</li> <li>• Building a Capacity Development Program Framework for MOP</li> </ul>
<b>Analysis</b>	<b>Key changes in the environment are affecting MOP's work.</b> These include the RGC's desire to see future capacity building in Ministries making sustainable

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improvements; the implementation of the aid effectiveness agenda; the impact of major reforms such as PFM and PAR; MOP's key role in coordinating NSDP preparation and monitoring; the variable capacity across the civil service; the impact of D and D on MOP's role at a local level; and MOP's limited role in major economic decisions.

**Current Role of MOP.** MOP is a compiler of information and monitors development activities but has limited analytical capacity. It has less authority than other key Ministries and agencies such as MEF and CDC. MOP has a strategic plan but it is functional rather than strategic; its structure is not aligned to it; and it is not clear whether it is used to manage implementation.

In a number of areas, MOP's competencies are less than what is needed for organizational efficiency/effectiveness- there is a need for further work to determine what competencies are needed to achieve given outputs. It is unlikely MOP will get additional budget support. MPO's coordinating role is complicated by the fact that other Ministries deal directly with donors on development issues without MOP involvement. There are also information flow, resource and capacity difficulties in provincial MOP offices. There is a need to focus on staff incentives to improve performance. A related question is the need for alignment between PIP, the Rectangular Strategy, the NSDP, the MTEF and the budget. The future of PIP is uncertain.

**Future Role of MOP.** The paper raises a number of key questions about MOP's future role such as what happens if PIP is abolished and suggests there are key continuing roles to be played as regards the NSDP and the budget; the need to determine what areas of analytical skills are required; whether policy analysis is required; and in managing relationships with line Ministries; how best might MOP's role be defined after D and D so that it plays a more facilitative role; how to build MOP ownership of any capacity building initiative though taking leadership and having a clear vision of what changes are needed; and how to ensure capacity building does in fact lead to sustainable improvement and that the culture of continuous improvement is inculcated.

**Capacity Building Plan.** The second half of the paper sets out a capacity building plan.



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## LINE MINISTRIES

## AGRICULTURE SECTOR

<b>Number 22</b>	<b>Relevance</b>	Very <input checked="" type="checkbox"/>	Mostly <input type="checkbox"/>	Partly <input type="checkbox"/>	Low <input type="checkbox"/>
	<b>Quality</b>	Excellent <input type="checkbox"/>	Very good <input checked="" type="checkbox"/>	Good <input type="checkbox"/>	Fair <input type="checkbox"/>
<b>Author</b>	Chan Sophal				
<b>Title</b>	AN ASSESSMENT OF THE EXTENT TO WHICH CAMBODIA FULFILLS DANIDA'S 10 PRINCIPLES FOR BUDGET SUPPORT				
<b>Publisher and date</b>	October 2009				
<b>Main sectoral focus</b>	Agriculture, D and D				
<b>Other Relevant sectors</b>	PFM cross cutting issues; Aid cooperation				
<b>Purpose</b>	As part of the design of the next Phase of the Natural Resource Management and Rural Livelihoods Program, Danida-Cambodia is required to analyse the extent to which the 10 principles forming the basis of any approval of budget support are being fulfilled both at the national and sector/thematic level.				
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Application of each of Danida's ten principles at the national level</li> <li>• Application of Danida's ten principles at the thematic level in fisheries, forestry, land and D and D</li> <li>• Prospects for use of budget support, sectoral support or PBAs</li> </ul>				
<b>Analysis</b>	<p>In assessing the application of Danida's 10 principles at the national level, the report found that:</p> <ul style="list-style-type: none"> <li>• <b>Governance-</b> respect for human rights is at an acceptable level although there are particular areas of concern. Economic rights are not well protected. The print media is free but the electronic media is less so. There is pluralistic democracy but competition during elections can be conducted unfairly. While there are a large number of laws, enforcement of the law is weak with the judiciary regarded as corrupt, as lacking independence and as subject to political power.</li> <li>• <b>Corruption-</b> is widespread and there are not enough serious efforts to combat it. There is a lack of political commitment.</li> <li>• <b>Alleviating Poverty-</b> the NSDP strategy is broad with insufficient emphasis on poverty reduction. Budget is not pro-poor and political will is questionable. Institutional arrangements and aid coordination are weak.</li> <li>• <b>Development cooperation-</b> impressive improvement over last 5 years. There have been mixed results on use of budget support with Ministries favouring PBAs. Sector budget support in Health and Education.</li> </ul>				

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Majority of aid support is still project based. PFM is starting to extend line Ministry's capacity. However, in general, Cambodia has yet to move PFM from the centre to line Ministries- 8 of 39 Ministries to date have program budgeting. Progress in developing sectoral plans has been uneven. NDSP reports track progress in achievements.

- **PFM**- There is an annual budget but little consultation with donor community. Parliamentary process for Budget is weak.
- **Procurement**- not yet at international standards but being improved.
- **Independent Audit Office**- not independent or active in combating corruption;
- **Quality and Capacity in PFM**- main challenge is the lack of capacity in line ministries, with some being unlikely to build up sufficient capacity in next 6 years to lead design and implementation of PFM.
- **Partnership approaches**- there are JMIs in place but TWG performance is uneven. There is still poor aid predictability.
- **Consensus re budget support**- few donors have provided budget support. Many PPs are risk-averse. Systems alignment has not progressed as DPs don't think country system is adequate or their rules preclude it. 21% of aid not covered by the budget. DPs use PIUs and NGOs to get round country systems. While there is programmatic alignment, there is less alignment in use of modalities. Some donors such as EU and DFID are using sector budget support. RGC is not fully ready yet for Budget support with PFMR taking some years yet to implement. By 2015, the situation may be better.

In assessing the conditions for "sector" budget support or PBAs with regard to the fisheries, forestry, land and decentralization and deconcentration (D&D) sectors, the report found that:

- three common prerequisites appear necessary for PBAs to come into being: (i) a strong country ownership of the sector policy framework; (ii) a clear government commitment to lead the coordination process; and (iii) a genuine interest by two or more DPs to assist the RGC in this endeavor. Other issues such as capacity affect the pace of implementation. 14 sectors in Cambodia have received PBAs.
- FiA has sound sectoral plans and the capacity and the will to implement them. It has strong leadership. It is ready for a PBA.
- in FA, the most critical issue in developing an incentive-based approach towards sustainable forest management is community commercial forest use. The importance of scaling-up community forestry is recognized in the NRMLP. However, commercial use remains strictly limited as per the existing stipulations governing community co-management of forest areas. The prospects for a PBA depend on DP's attitude to recently developed national forest plan and cooperation between FA and DPs.
- the capacity of the Land Ministry to take the lead on a PBA in land

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sector is questionable.

- NCDD has the capacity to drive the D and D reforms and already has a strong monitoring process. The NRM could be integrated into the PSDD.

But progress across the government institutions is mixed and uneven, with different levels of commitment across government and limited action by development partners.

- Efforts to resolve systemic issues in the public sector management such as administrative reform and structural problems such as corruption and the rule of law have achieved limited results.
- The continued proliferation of donor-led projects has undermined the development of RGC institutional capacity and has further justified the rationale for project-based aid.
- Weak coordination on key policy documents, i.e. PIP, MTEF and National Budget remain to be a key impediment in bringing synergy, proper sequencing, and harmony among them.
- Local capacity is being supported through donors' projects, but will not be strengthened sustainably this way until the national system provides adequate incentives to civil servants and holds them accountable.

<b>Number 26</b>	<b>Relevance</b>	Very [ ]	Mostly [ ]	Partly [ ]	Low [ ]
	<b>Quality</b>	Excellent [ ]	Very good [ ]	Good [ ]	Fair [ ]
<b>Author</b>	C. Hendry and G. Morsiani				
<b>Title</b>	Evaluation of the Pilot Programme on Performance Management and Incentives Programme (PMIP) Within Forestry, Fisheries and Land Subsectors under the Natural Resources Management and Livelihood Programme – Cambodia				
<b>Publisher and date</b>	Danida, August 2009				
<b>Main sectoral focus</b>	Agriculture Sector, in particular fisheries and forestry				
<b>Other Relevant sectors</b>	<ul style="list-style-type: none"> <li>• D and D</li> <li>• PAR</li> <li>• Land</li> </ul>				
<b>Purpose</b>	This evaluation provided an assessment of the pilot programme and suggested guidelines for the formulation of the next phase.				
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Impact of the Performance incentives program in Fisheries, Forestry and Land</li> <li>• Focus required on Capacity Building</li> <li>• Need for greater alignment with organizational systems</li> </ul>				

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**Analysis**

The evaluation found that the pilot phase provided positive results:

- Performances have visibly improved, the targets, in term of outputs, were achieved, however a number of concerns remain with regard to the achievement of programme objectives;
- The staff are getting better at the use of new planning approach and performance management system, their understanding of log-frame approach and methodology is improving.

Main concerns:

- duplication and overlapping of planning systems (institutions and programme) creates unjustified workload and prevents the full exploitation of the proposed result oriented approach, which hinders sustainability; FiA has largely internalized the new procedures and the support provided by the programme for the preparation of the new strategic plan could ensure effective institution building and improved governance;
- the lack of programme standardized planning and in particular a reporting system across institutions (with the exception of FiA) that hampers a clear understanding of the achievements;
- The PMIP focuses on performance control rather than capacity building and, as a consequence, to its heavy administrative procedures in term of forms to be filled in and procedures for performance assessment

**Number 27****Relevance**

Very [ ]

Mostly [ ]

Partly [ ]

Low [ ]

**Quality**

Excellent [ ]

Very good [ ]

Good [ ]

Fair [ ]

**Author**

Mokoro Limited

**Title**

INTEGRATED FIDUCIARY ASSESSMENT AND PUBLIC EXPENDITURE REVIEW- AGRICULTURE, IRRIGATION AND RURAL ROADS, [DRAFT REPORT AWAITING COMMENT FROM STAKEHOLDERS]

**Publisher and date**

April 2010

**Main sectoral focus**

Agriculture

**Other Relevant sectors**

- PFMR
- Planning,
- Aid Effectiveness

**Purpose**

Review strategies, priorities , efficiency and effectiveness of public expenditure on agriculture, irrigation and rural roads

**Main issues**

- Efficiency and effectiveness of expenditure in agriculture, irrigation and rural roads
- Gaps between strategies and expenditure priorities
- Public Expenditure impact of climate change
- Policy recommendations to strengthen use of public spending.

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**Analysis**

As well as recommending more public expenditure in agriculture, the report includes comment on a number of issues relevant to use of country systems:

- it recommends the agreed Strategy for Agriculture and Water (SAW) be incorporated into government processes with the Ministry's strategic budget frameworks as the key policy and budget tool for the implementation of the SAW. DPs, in consultation with the RGC, are preparing to map the way forward. The SAW is also an opportunity to establish more regular appraisal and M and E systems.
- The use of parallel project financing and management systems distracts resources away from the core business of government with the timing of donor funding less predictable than the government. The move to a PBA approach based on the SAW is a potential solution. A programmatic approach would bring aid on plan and budget; record aid spending on government accounts; provide reporting and accountability to the relevant Ministry. The move to programmes must be coordinated with budget planning and the MTEF.

**EDUCATION SECTOR****Number 31****Relevance**

Very [ ]

Mostly [ ]

Partly [ ]

Low [ ]

**Quality**

Excellent [ ]

Very good [ ]

Good [ ]

Fair [ ]

**Author**

Independent Evaluation Asian Development Bank

**Title**

COUNTRY ASSISTANCE EVALUATION STRATEGY

**Publisher and date**

2009

**Main sectoral focus**

Education sector and other sectors in which the ADB operates

**Other Relevant sectors****Purpose**

This report reviews ADB program performance in Cambodia.

**Main issues**

- Use of country systems
- Education sector
- Improving country systems

**Analysis**

It contains a number of comments relevant to the use of country systems:

- **Education Sector.** While support for the education sector was rated as effective considering the outcomes and outputs achieved, the CAPE believed that there is room for improving educational quality and making use of country systems and harmonizing ADB support under the ongoing SWAp. The report also recommended that ADB continue to support education SWAps by strengthening the Department of Planning in MOEYS's capacity to plan and lead the process, including strengthening systems for financial management and fiduciary controls and that, in addition, more stringent partnership arrangements be introduced and partners should be encouraged to reduce use of project management units.
- **Core Governance Support.** The report noted that the ADB had helped build country systems for managing foreign aid, national audit, debt

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management, medium-term budgeting, and mitigated risks to project integrity. More recently, governance operations have become more focused in areas consistent with ADB's second governance policy (Second Governance and Anticorruption Action Plan) priorities. Important contributions were made in specific areas of public sector financial management and to decentralization and deconcentration, including development of commune councils

Number 32	Relevance	Very [ ]	Mostly [ ]	Partly [ <input checked="" type="checkbox"/> ]	Low [ ]
	Quality	Excellent [ <input checked="" type="checkbox"/> ]	Very good [ ]	Good [ ]	Fair [ ]
Author	RGC				
Title	STRATEGIC ASSESSMENT OF THE GENERAL EDUCATION SECTOR IN CAMBODIA				
Publisher and date	Asian Development Bank, 2009				
Main sectoral focus	Education sector				
Other Relevant sectors	<ul style="list-style-type: none"> <li>• PFMR</li> <li>• PAR</li> <li>• Aid effectiveness</li> </ul>				
Purpose	This report reviews the current situation in the Cambodian general education sector				
Main issues	<ul style="list-style-type: none"> <li>• Planning systems</li> <li>• M and E systems</li> <li>• Aid effectiveness</li> <li>• Capacity building</li> <li>• Financial management and procurement</li> </ul>				
Analysis	<p><b>Key education policy reforms implemented since 2000-01</b> have led to a strengthening of capacity in the education sector, including:</p> <ul style="list-style-type: none"> <li>• A process of education sector planning reported in the ESP and ESSP linked to the National Strategic Development Plan (NSDP) and the national MTEF process aligned to EFA and MDG goals;</li> <li>• The Education Law has been adopted within a regulatory and legal framework;</li> <li>• Development of EMIS, HRMIS and PFMS to support the planning process.</li> </ul> <p><b>The JTWG, ESWG and annual education congress have been established</b> as mechanisms for improved collaboration between government and DPs working towards more effective and efficient planning and performance monitoring.</p> <p>Strengthened <b>organisational and operational capacity</b> in financial management, human resource management including development of department and job specifications, and auditing capacity through the establishment of an Internal Audit Department.</p>				

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**Aid effectiveness and aid harmonisation initiatives** are being prioritised by MOEYS and DPs including strengthening of MOEYS financial and human resource management capacity. In addition DPs are committed to achieving:

- a reduction in transactional costs including the role / function of PIU/TU
- a reduction in parallel systems of project management, project preparation, monitoring and review, project financing and reporting
- the elimination of duplication of effort
- information sharing / information management
- joint partnerships and identification of alternative funding modalities within SWAP

Further institutional system and capacity development is needed to ensure integration and compatibility between the EMIS, HRMIS and PFMIS systems.

One key challenge is that the **HRMIS / EMIS capacity** at provincial level is weak due to lack of equipment and training. Data accuracy needs to be improved for analysis, reporting and planning purposes at all levels based on the latest population census. The school mapping system needs to be further developed as an analytical tool for decentralised planning, school construction, teacher deployment and resource allocation.

The **Annual Operational Plan** (AOP) has been established to consolidate RGC and DP budgets and to translate medium-term policies and strategies into annual actions and targets specifying all funding sources (government, DPs and NGOs). With this comprehensive AOP in place, the MoEYS is in a much better position to have a holistic view of the sector development in 2009 and therefore effectively coordinate activities supported by different DPs/NGOs under each program and sub-program.

Both **ADB and WB** have indicated that their goal is to move away from project funding modality and both organisations are in the process of reviewing progress to reduce fiduciary risks and the appropriateness of SBS. UNICEF is moving towards a non-traditional modality (e.g. pooled funding) in cooperation with SIDA and EC. ESP performance targets could be tied to a conditional loan through ADB funding agreements.

The current **funding period is something of a transition** with the choice of modality by each DP to some extent constrained by disbursement timeframes. FTI, for example, requires a large grant to be spent in only a three year period. The challenges of rapid disbursement and absorption of such large sums, when a large part of the budget is for capital expenditure are now apparent with the need to extend the period of fund utilisation.

The EC SPSP project evaluation report describes the **budget support** modality used throughout the period 2003-2007, including tranche release mechanisms, conditionalities, monitoring missions and other management arrangements put in place to support the grant payment. The evaluation reported that there were “significant delays in budget disbursement and the planned scheduling of Independent Monitoring Missions (IMMs), Independent Audit Missions (IAMs) and tranche releases proved unfeasible. Management problems, and the tight system of controls, almost made it impossible to balance fiduciary governance requirements while making a meaningful contribution to cash shortages at a critical time for

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Cambodia's reform programme" (EC 2008).

In terms of aid effectiveness and ownership, **the Department of Finance (DoF)** MOEYS has control of only a small part of the overall education budget. DoF is informed of FTI funding from communication with departments but has no management handling or control of the FTI budget. DoF is aware of the EC funding budget but has no information on project budgets from DPs as the project support funds are not channelled through DoF. Project budgets are channelled through CESSP and EEQP PIUs, not through DoF.

**Sector budget support** is still very small at approximately 3-4% of the sector budget. According to DoP MOEYS, senior management would like to see an increase in sector budget support for example to support PB across the whole ministry. Sector budget support to PB is channelled through MEF to national treasury and then to provincial treasuries and to schools. Project based funding only supports one part of the education system.

**Pooled funding** is a possible modality being considered for sector wide institutional capacity development and school improvement grants. Pooled funding needs a good facilitator to ensure agreement among the DPs based on a planning and monitoring partnership principle, and a good system of monitoring and reporting. Lessons could be learned from the funding modalities used in the Health Sector. There are 7 donors in the pool with rotation of leadership. The process has been slow and coordination difficult. Another option is for DP pooled funding with additional seed funding provided by RGC.

**Procurement and Fiduciary Risk Assessments:** The report outlines assessments separately reported in this bibliography. The fiduciary risks have been reduced and the 2009 MTR report indicates the improvements that have been made. DPs are increasingly being drawn into a more concerted effort to align their approaches based on an understanding of the fiduciary risks. There is an acknowledged need to develop system capacity for longer term improvement.

Central to the **Aid Effectiveness agenda** for Cambodia DPs need to be encouraged to use government systems including:

- Joint project planning including alignment of project processing – open consultation with other DPs and MOEYS is needed at project design stage to ensure coordination with other projects, to avoid duplication, to understand what other resources are available and to match planned activities to ESSP priorities. ESWG meetings enable donors to coordinate together for project planning and implementation;
- Procurement processes need to be aligned to MOEYS and RGC systems – processes are different between DPs. ADB and WB have worked together with MOEYS to strengthen procurement processes and development of Standard Operating Procedures;
- Project Implementation Unit (PIU) is needed where the government system is too slow or where there is no action taken by a department.
- Improved coordination of TA among DPs, managed by MOEYS partnering department, for more strategic institutional capacity development
- Joint Monitoring Review when there is a common focus. This approach helps the MOEYS transaction costs and provides a stronger reform message.



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ESSPII and CESSP have conducted joint review missions to agree construction procedures.

Annex 6 outlines the range of risks faced in the sector. The risk of corruption continues to be high while many other risks such as lack of specialist FM capacity and internal audit controls are assessed as substantial.

<b>Number 33</b>	<b>Relevance</b>	Very [ ]	Mostly [ ]	Partly [ <input checked="" type="checkbox"/> ]	Low [ ]
	<b>Quality</b>	Excellent [ ]	Very good [ ]	Good [ <input checked="" type="checkbox"/> ]	Fair [ ]
<b>Author</b>	Asian Development Bank				
<b>Title</b>	<b>STRENGTHENING TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING PROJECT, CAM 40555 OF 2009</b> [Supplementary Appendices- Good governance framework and financial management assessment]				
<b>Publisher and date</b>	ADB, November 2009				
<b>Main sectoral focus</b>	Education				
<b>Other Relevant sectors</b>	PFMR				
<b>Purpose</b>	The Appendices contain material relating to the use of systems in implementing the grant.				
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Good governance framework</li> <li>• Financial management assessment</li> <li>• Procurement</li> </ul>				
<b>Analysis</b>	<p><b>Financial management.</b> Separate accounts are to be maintained and audited annually. The financial management assessment questionnaire set out at Appendix outlines answers to a detailed range of financial management issues and the detailed action to be taken in the MOLVT AND DGT VET in order to ensure satisfactory financial management arrangements are in place.</p> <p><b>Procurement.</b> The procurement capacity assessment reveals that the Directorate General of Technical and Vocational Education and Training (DGT VET) is experienced in the procurement of goods, but less experienced in procuring works and services and consultants, and the site management and monitoring of civil works (Supplementary Appendix I). Training and mentoring will be provided by the consultants to strengthen capacity, specifically in the preparation of bid documents and bid evaluation reports for civil works, bid evaluation, training of Project Coordination Unit (PCU) staff, and procurement review committees on procurement regulations and ADB guidelines, preparation of detailed lists, and technical specifications of equipment, and selection and contracting of consulting services</p> <p><b>Good governance.</b> The good governance framework addresses risks in grant implementation and how they might be mitigated, ranging from procurement risk; to financial management and internal audit risk; to ensuring transparency; to</p>				

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complaints mechanisms.

<b>Number 37</b>	<b>Relevance</b>	Very [ ]	Mostly [ ]	Partly <input checked="" type="checkbox"/>	Low [ ]
	<b>Quality</b>	Excellent [ ]	Very good <input checked="" type="checkbox"/>	Good [ ]	Fair [ ]
<b>Author</b>	ESWG				
<b>Title</b>	AID MODALITIES: A POSITION PAPER				
<b>Publisher and date</b>	September 2009				
<b>Main sectoral focus</b>	Education sector				
<b>Other Relevant sectors</b>	PFMR				
<b>Purpose</b>	This paper was prepared following the annual ESGW retreat as a basis for identifying appropriate aid modalities.				
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Aid effectiveness principles</li> <li>• Options for aid modalities</li> </ul>				
<b>Analysis</b>	<p>The paper provides a useful outline of the aid effectiveness principles to be taken into account in assessing what are the appropriate aid modalities for the Education sector. The options are:</p> <ul style="list-style-type: none"> <li>• Sector budget support (tagged or untagged);</li> <li>• Pooled funding;</li> <li>• Trust funds;</li> <li>• Multiple approaches (combining those listed above, plus selected use of project approaches and parallel funding).</li> </ul> <p>It foreshadows the development of an options paper that canvasses what the particular modalities might be. The likelihood is that the sector will continue to have multiple approaches but these must be consistent with the aid effectiveness principles</p>				
<b>Number 38</b>	<b>Relevance</b>	Very [ ]	Mostly [ ]	Partly <input checked="" type="checkbox"/>	Low [ ]
	<b>Quality</b>	Excellent [ ]	Very good [ ]	Good <input checked="" type="checkbox"/>	Fair [ ]
<b>Author</b>	MoEYS				
<b>Title</b>	REPORT TO EDUCATION CONGRESS 2010				
<b>Publisher and date</b>	March 2010				
<b>Main sectoral focus</b>	Education Sector				
<b>Other Relevant sectors</b>	<ul style="list-style-type: none"> <li>• PFM</li> </ul>				

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	<ul style="list-style-type: none"> <li>• Planning</li> </ul>
<b>Purpose</b>	The report outlines education outputs and outcomes against the ESP and future strategies for attention
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Sectoral planning</li> <li>• Financial Management</li> </ul>
<b>Analysis</b>	<p>Amongst other outcomes the report outlines under “Planning”;</p> <ul style="list-style-type: none"> <li>• Developed Education Budget Strategic Plan 2010-2012 to link between policy and annual budget;</li> <li>• Compiled the 2009 progress report on the implementation of National Strategic Development Plan 2006-2010, prepared the final draft on education inputs into the updated National Strategic Development Plan 2009-2013, and has been reviewing the Education Strategic Plan;</li> <li>• Facilitated and developed the Public Investment Program 2011-2013 for education sector.</li> </ul>

Amongst the planning challenges are listed the implementation and use of education statistics was still limited, and the capacity and the numbers of planning officers at all levels did not meet the requirement of work scope and quality; the lack of alignment and harmonization in the education sector and the uses of program based approach. The capacity on budget gap management in public investment program and capacity development program needs to be strengthened. DPs should be encouraged to help support the prioritized annual operation of the Ministry of Planning and to reduce the numbers of project management units.

Indicators in place under the ESP were reviewed to determine the level of achievement.

The challenges on PFMR were thought to be the capacity of expert officials in charge of finance, accounting and procurement was not yet in line with the requirement. PB payment and settlement have not yet reached the target. Many new action programs have been changed and some units have not written their action plans in a comprehensive way yet.

The challenges of internal audit were the lack of support equipment, facilities, IT facilities for supporting internal audit process and limited experience and capacity of audit officials.

The goals of planning were described as strengthening implementation of EIMS at all levels; Updating budget strategic plan policy, PB and public investment programs; preparing annual operational plan at national and sub-national levels; finishing ESP and ESSP for 2009- 2013; building capacity of planning officers at all levels; and strengthening implementation of effective financing cooperation in education sector.

It is notable that the goals tend to be functional rather than strategic. There is no mention of the intended combination in MOEYS of the plan and the support program in the one document.

In finance the goals are described as including promoting the effective and timely use of funds provided by the state and donors; preparing framework for medium-

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term expenditure, planned revenues-expenditures and procurement plan for 2011 effectively; continuing control of management and use of national and sub-national budget; continuing management and use of PB for expanding education sector support; improving the action plan for public finance management, phase II and providing guidance on integration of budget plan and budget content; providing training on financial management using information technology and accounting data entry to officials in charge at national and sub-national levels; and synthesizing reports on program budgeting and non-program budgeting of budget implementation entities at national and sub-national levels.

**Number 39****Relevance**

Very [ ]

Mostly [ ]

Partly ☒

Low [ ]

**Quality**

Excellent [ ]

Very good [ ]

Good ☒

Fair [ ]

**Author**

Department of Planning, MoEYS

**Title**

SURVEY FINDING REPORT: THE RELIABILITY OF EMIS DATA

**Publisher and date**

UNICEF/SIDA, July 2006

**Main sectoral focus**

Education sector

**Other Relevant sectors**

Planning- M and E

**Purpose**

The main objective of the study was to measure the reliability of EMIS data in some provinces.

**Main issues**

- Reliability of EMIS data collection
- M and E systems
- Survey findings

**Analysis**

EMIS collects data on all public schools ranging from enrolments through to staffing, physical facilities and school financing. A survey was conducted by the Planning Department with DP support to test the accuracy of reported number of students in primary schools in 38 primary schools. The results of the survey showed marginal differences from EMIS- about 2.3%. As a by-product, the survey showed the absenteeism level in schools was high- about 18.6% with 16.1% of these long time absentees that would probably become drop outs. The conclusion was that EMIS provides reliable enrolment statistics but given the small number of schools surveyed these results cannot be generalized across the country and a more representative survey is needed.

**Number 40****Relevance**

Very [ ]

Mostly [ ]

Partly ☒

Low [ ]

**Quality**

Excellent [ ]

Very good [ ]

Good ☒

Fair [ ]

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<b>Author</b>	Department of Planning, MOEYS
<b>Title</b>	ASSESSMENT OF EDUCATION MANAGEMENT SYSTEM (EMIS) IN CAMBODIA
<b>Publisher and date</b>	RGC, August 2006
<b>Main sectoral focus</b>	Education sector
<b>Other Relevant sectors</b>	Planning PFMR Aid effectiveness
<b>Purpose</b>	The Report analyses the current functioning of the education management information system (EMIS) for the purpose of identifying further development options and required capacity building at different levels.
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Planning</li> <li>• M and E</li> <li>• Quality of data</li> </ul>
<b>Analysis</b>	<p>The quality of EMIS data was found to be satisfactory. It was more than just usable although far from perfect. Most users, both within and outside MoEYS, acknowledged the accuracy of EMIS data. Moreover, all dimensions of quality in the “Data Quality Assessment Framework (DQAF)” also indicated out that EMIS is reliable.</p> <p>The report emphasized that EMIS must be a reliable tool in making policy decisions on education. A fully functional EMIS is an information system which could operate a systematic process of data collection and dissemination to support policy making, planning and management for education sub-sectors at all levels in a timely, cost effective, and user appropriate manner. EMIS must be a reliable tool in making policy decisions on education. The comprehensive and directive mission statement of EMIS Center shows that there is a sound policy orientation towards a fully functional EMIS. For efficient data collection and establishing a decision support information system, an independent EMIS Center at the department level is essential.</p> <p>The report outlines the need for better equipment, staffing and data processing arrangements.</p>

<b>Number 41</b>	<b>Relevance</b>	Very <input checked="" type="checkbox"/>	Mostly [ <input type="checkbox"/> ]	Partly [ <input type="checkbox"/> ]	Low [ <input type="checkbox"/> ]
	<b>Quality</b>	Excellent <input checked="" type="checkbox"/>	Very good [ <input type="checkbox"/> ]	Good [ <input type="checkbox"/> ]	Fair [ <input type="checkbox"/> ]
<b>Author</b>	E. Pernay				
<b>Title</b>	INCREASING AID EFFECTIVENESS IN THE EDUCATION SECTOR: ANALYSIS AND RECOMMENDATIONS				
<b>Publisher and date</b>	European Commission, March 2007				
<b>Main sectoral focus</b>	Education				
<b>Other Relevant sectors</b>	<ul style="list-style-type: none"> <li>• PFM</li> <li>• PAR</li> </ul>				

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	<ul style="list-style-type: none"> <li>• Aid Effectiveness</li> </ul>
<b>Purpose</b>	<p>The objective of the study was to assist the Ministry of Education, Youth and Sport (MoEYS) and its development partners (DP) in responding to and taking forward the commitments of the 2005 Paris Declaration and increasing aid effectiveness in the Cambodian education sector.</p>
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Aid effectiveness having regard to the Paris Declaration and Accra Commitments</li> <li>• Use of country systems</li> <li>• Improved financial management systems</li> <li>• Planning in sector</li> </ul> <p>M and E</p>
<b>Analysis</b>	<p>The report recommends in relation to the use of counter systems that:</p> <p>Focus efforts on strengthening and complying with national procedures, through exploring the possibility to implement the RGC Standard Operating Procedures and National Operational Guidelines and/or harmonizing as much as possible projects management arrangements around MoEYS institutional structure and procedures.</p> <p>In keeping with the objective of increasing the use of national systems, DPs should continue to actively follow-up progress in the PFM RP, as periodically done through the ESWG.</p> <p>The Department of Finance in the MoEYS might take a more pro-active role in informing DPs on progress made in the education sector, and difficulties faced (especially important for those donors who do not support the DoF and might have limited knowledge of the financial reforms).</p> <p>Diagnostic reviews such as the 2005 WB Public Expenditure Tracking Survey (PETS) in Primary Education have provided important information to MoEYS and MEF on performance of the system and areas in need of further strengthening, and showed improved budget execution in the education sector down to school level. Donors should take those more into account in their analysis of the situation and project design, keeping in mind the “managing for results” approach adopted by the Paris Declaration (i.e. focusing on performance and results).</p> <p>The UN system is seeking to harmonize between the UN agencies the modalities for transferring cash to implementing partners, with a view to simplify and reduce the financial reporting requirements. Micro (at MoEYS Departments level) and macro (at MoEYS level) external assessments will be carried out, and UNICEF will share the findings with donors. This could provide a good basis for other DPs to refine their opinion of MoEYS systems.</p> <p>It is necessary for donors to go beyond a general statement that “the systems are not transparent and robust enough” to clarify what standards they would expect MoEYS to attain before reducing or phasing out their parallel approaches and make use of the systems. Until donors take a more pro-active attitude and give active consideration to the possibility of, and therefore conditions for using the systems, it is unlikely that the situation will change.</p> <p>It is part of the TWG’s functions to ensure the implementation of the SOP (Standard</p>

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Operating Procedure) “and/or” NOG (National Operating Guidelines for Developmental Cooperation) – a dialogue needs to be started on this (including to obtain clarifications from MEF and CRDB/CDC where needed) and DPs should actively seek to support this through their projects/programmes – not only when designing new programmes, but possibly through revisiting the arrangements of their ongoing operations. DPs’ compliance with the SOP and NOG will be monitored and reported by the TWG to the GDCC.

DPs should follow-up on the policy work to integrate PIUs into government structure.

The PMC (Program Management Committee) offers opportunities for increased and more integrated oversight of MoEYS over DP-supported interventions, as well as for more effective information sharing. However it is important that MoEYS clarify the purpose and functioning of the PMC (e.g. is it a “super” steering committee?). If it is to follow-up all programmes, including all DP-supported ones. One question is that of the representation of DP, since only few donors are currently part of the PMC. Another is how provinces report on DP projects/programmes. Finally, the role of the PMC vis-à-vis the JTWG-Ed needs to be clarified, to avoid duplication. Once clarification on the PMC has been obtained, MoEYS and DP could consider rationalizing the number of existing project steering committees, with a view to reducing transaction costs and increasing the coordination of, and coherence between projects/programmes.

One suggestion could be to have thematic steering committees, rather than individual project-based ones, such as the one for HIV/AIDS and the one for Child Friendly Schools (other areas could be secondary education, higher education, and budget support) and would provide guidance and monitor implementation of all projects and programmes in their area. They would report to the JTWG-Ed, as the overarching mechanism for aid coordination and policy discussions (or to the PMC?). This being said, (some) donors have apparently different views on the use and purpose of project steering committees, therefore this suggestion should be examined further. The key objective would be to ensure greater coordination and coherence between projects supporting the same set of activities and/or the same sub-sector, i.e. discussing work plans, budgets, and progress – possibly arriving at a joint work plan, budget and report as done with the ICHA programme.

Other relevant recommendations are:

- Better prioritizing of strategies within the ESSP and the development of annual operating plans at Departmental level
- use by DPs of MOEYS systems for reporting, monitoring and evaluation;
- Further increasing the quality of the annual sector performance report, as well as the quality, coverage, consistency and transparency of data used for monitoring, and increase the relevance (link) of results-reporting to problem analysis, policy development and planning – with the objective of having the sector performance report used by DP as their primary reporting requirement.
- Increasing the quality of DP and NGO reporting;
- Developing a sector capacity development strategy and a human resource management and development policy framework, to better coordinate

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donor support to capacity building and avoid waste of resources.

- Introducing MBPI arrangements.

<b>Number 42</b>	<b>Relevance</b>	Very [ ]	Mostly [ ]	Partly [ <input checked="" type="checkbox"/> ]	Low [ ]
	<b>Quality</b>	Excellent [ ]	Very good [ <input checked="" type="checkbox"/> ]	Good [ ]	Fair [ ]
<b>Author</b>	Ray Purcell, Abby Riddell, George Taylor and Khieu Vicheanon				
<b>Title</b>	MID TERM EVALUATION OF EFA FAST TRACK INITIATIVE (FTI): COUNTRY CASE STUDY CAMBODIA				
<b>Publisher and date</b>	World Bank, August 2009				
<b>Main sectoral focus</b>	Education sector				
<b>Other Relevant sectors</b>	<ul style="list-style-type: none"> <li>• PFM</li> <li>• Aid effectiveness</li> </ul>				
<b>Purpose</b>	The report reviews the performance of the FTI to date				
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Aid effectiveness</li> <li>• Financial management capacity</li> </ul>				
<b>Analysis</b>	<p>While the FTI has been in line with aid effectiveness principles, the mission found that it has had little influence on the aid effectiveness agenda or on related sector dialogue.</p> <p>The FTI adopted a parallel financing modality which mirrored arrangements for the WB education sector projects. While the project has utilized and strengthened technical implementation systems, the adoption of a parallel project modality failed to strengthen the systems for the financial management of the education sector SWAp.</p> <p>The major gap in term of improving harmonization has been the lack of donor buy-in to the use of the government's financial management systems. The work of the PFMRP will address this. The ESWG has not pushed the broader AE agenda and there is little room for optimism that fragmented CD, donor managed TA and bilateral M and E missions will be reduced.</p> <p>The mission believed that if the FTI continues to a second stage, there should be a platform in two or three years to harness the PFM reforms for the purpose of channelling FTI resources through government systems.</p> <p>The mission is critical of the FTI design process for failing to take account of the aid effectiveness agenda. It is also critical of the FTI for not stepping into the need to improve coordination of capacity development.</p>				

Number 43	Relevance	Very relevant [ <input type="checkbox"/> ]	Partly relevant [ <input checked="" type="checkbox"/> ]	Low relevance [ <input type="checkbox"/> ]
	Quality	Excellent [ <input type="checkbox"/> ]	Very good [ <input checked="" type="checkbox"/> ]	Good [ <input type="checkbox"/> ]



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<b>Author</b>	David Quinn
<b>Title</b>	THE EDUCATION SECTOR REFORM PROCESS IN CAMBODIA 2001-08: POLICY DEVELOPMENT AND IMPLEMENTATION UNDER SEVERE FINANCIAL CONSTRAINTS
<b>Publisher and date</b>	August 2009
<b>Main sectoral focus</b>	Education Sector
<b>Other Relevant sectors</b>	<ul style="list-style-type: none"> <li>• PFM</li> </ul>
<b>Purpose</b>	This analytical review provides a summary of some of the key policy decision taken by the MoEYS over the period 2001-08 with a particular focus on, how these decisions appear to have been strongly influenced by the levels of recurrent financing available to the sector.
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• The history of reform and expansion in the education sector</li> <li>• Constraints on reform flowing from reliance on recurrent funding</li> <li>• Donor support for reform</li> <li>• Next stages of education reform</li> </ul>
<b>Analysis</b>	<p>The paper argues that the level of recurrent budget affects the level of reform effort. The recurrent budget is said to be under extreme pressure and severely constrained with a large gap in funding requirements emerging in terms of what is needed to meet policy objectives. Options for additional funding and greater efficiency in the sector are then explored.</p> <p>One option canvassed is greater donor support for the funding of the recurrent budget.</p> <p>In reviewing donor support for education reform, the paper notes that the early phase of the Ministry's reforms have had a strong focus on innovation and testing new approaches. The next stage will still require further innovations but would also benefit from a greater focus on supporting and ensuring that the most cost-effective (low-cost and high impact) innovations are able to transition to the national systems and are sufficiently supported through enhanced recurrent financing. The run up to the formulation of the 2009-13 ESP / ESSP and the complementary 2011-15 planning cycle for many DPs appears to be an opportune moment for MoEYS and DPs to assess the relative amount of focus and support each of these phases receive.</p> <p>The paper recommends that:</p> <ul style="list-style-type: none"> <li>• An analysis of recurrent cost implications forms part of the analytical framework for the development of the next platform of education reforms (ESP / ESSP 2009-13) so as to ensure the sustainability of the reforms. Where necessary cost-recovery mechanisms may need to be considered within this framework.</li> <li>• Increased recurrent budget support should be sought from both RGoC and</li> </ul>

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DPs, alongside programs to reduce system inefficiency, particularly in respect to repetition and drop-out in basic education;

- Both MoEYS and DPs should give strong consideration and priority to programs with low recurrent costs, and where applicable cost-sharing measures alongside pro-poor safety nets;
- MoEYS and Development partners should give strong consideration to jointly developing the most effective mix of programs covering: innovation; transition to national systems; and long term implementation;
- Programs focusing on innovation should generally be designed with the primary goal of eventual transition to national sustained delivery.

**Number 44****Relevance**

Very [ ]

Mostly [ ]

Partly [ ]

Low [ ]

**Quality**

Excellent [ ]

Very good [ ]

Good [ ]

Fair [ ]

**Author**

D. Quinn

**Title**

PROVINCIAL EDUCATION SECTOR: PERFORMANCE AND EFFICIENCY IN CAMBODIA

**Publisher and date**

RGC, September 2009

**Main sectoral focus**

Education sector

**Other Relevant sectors**

- Planning
- PFM
- D and D

**Purpose**

This analytical paper provides a review of provincial education sector performance in support of the formulation of the next ESP / ESSP 2009-13, and EC and other DP's planning for support programs over the period 2001-15.

**Main issues**

- Planning decentralization
- M and E decentralization
- D and D
- PFM Decentralization

**Analysis**

This paper gives a sense of how roll-out in D and D might be managed in MOEYS, the country systems that might be utilized are of course vital to donor support in the next period.

The main focus of this analytical work is to assess the levels of variability across provincial education performance and review the potential gains of decentralizing increased mandates and functions to the Provincial level. There is a wealth of international evidence citing decentralization as an effective means of promoting more effective and efficient resource allocation and utilization and for promoting the enhanced accountability of public services to their recipients.

The MoEYS has established a strong basis to support further decentralization reforms. The key decentralization-enabling reforms include: the establishment of the Financial Office of Provincial Services (FOPS) which through its oversight of

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provincial and sub-national financial resource allocations supports the effective management and reporting of decentralized recurrent budget allocations; the strengthened sectoral monitoring requirements, predominantly led by Department of Planning (DoP); and the development by Department of Personnel (DoPr) of comprehensive Job Descriptions for all non-teaching staff, providing a potential foundation for the assignment of decentralized tasks to staff at lower tiers of the system. These enhanced monitoring and reporting systems, alongside the opportunity to define new mandates within the existing Job Descriptions are pre-requisites for continuing to take forward the important decentralization agenda over the period of the next ESP 2009-13.

To better address local circumstances and variabilities in educational performance, the paper recommends that MoEYS reviews the possibility of decentralizing an increased mandate for planning and reporting on education program delivery and performance to the provincial level. Such a process would also require the establishment of provincial-specific annual and medium-term targets for provincial education sector outputs and results

Under the present national financial management systems, provincial treasuries maintain a degree of influence over the allocation of funds to the PEOs and subsequently lower levels of the system. It would therefore appear important to establish a mechanism for ensuring that Provincial Governors and their boards play a role in endorsing annual provincial plans, provincial education targets and annual provincial performance reports. Establishing this line-of-accountability may assist in maintaining and strengthening their close engagement and direct support for the education reforms in their province, potentially crowding in additional support and political will for the reform process.

The paper recommends, amongst other matters, that:

- The development and establishment of enhanced accountability structures for PEOs. Specifically, enhancing their accountability for provincial performance to central MoEYS, the annual education congress and Provincial Governors;
- An overall capacity strengthening plan to support institutional and human capacity development in order to fulfil the new roles and requirements of decentralization, including: both a central, and 24 provincial capacity strengthening, plans responding to their individual needs;
- The development and establishment of realistic provincial education sector targets, focusing on key performance and output measures, alongside a robust process for assessing and reviewing progress and redefining future targets.

Number 45

Relevance

Very ☒Mostly ☐Partly ☐Low ☐

Quality

Excellent ☒Very good ☐Good ☐Fair ☐

Author

Michael Ratcliffe

Title

STUDY ON GOVERNANCE CHALLENGES FOR EDUCATION IN FRAGILE SITUATIONS: CAMBODIA

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<b>Publisher and date</b>	European Commission, 2009
<b>Main sectoral focus</b>	Education sector
<b>Other Relevant sectors</b>	<ul style="list-style-type: none"> <li>• Planning</li> <li>• PFM</li> <li>• D and D</li> <li>• PAR</li> <li>• Aid effectiveness</li> </ul>
<b>Purpose</b>	The Report outlines governance developments in the education sector
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• SWAp approach</li> <li>• Impact of planning in education</li> <li>• Impact of PFMR in education</li> <li>• Sector resource planning</li> <li>• Accountability issues</li> <li>• M and E</li> <li>• Stakeholder involvement</li> <li>• Capacity building at local level</li> </ul>
<b>Analysis</b>	<p>Some sources of sector fragility remain, including i) an insufficiently developed regulatory framework for education; ii) under-developed results orientation of key functions, especially for financial planning, personnel management and financial and performance audit; iii) limited attention to developing provincial, district and school level education management and accountability arrangements; iv) insufficiently developed quality assurance and compliance arrangements, especially for upper secondary and higher education; and v) limited development of independent watchdog and monitoring arrangements, especially within the National Assembly, supreme audit agencies and community councils.</p> <p>The study's overall assessment is that medium to long term prospects for assuring universal access to primary and secondary education are promising, as long as demand-side issues are addressed alongside currently expanding supply side measures. Another encouraging feature is the <u>growing capacity of public financial management systems</u> to absorb and disburse non-salary recurrent budget allocations.</p> <p>Nevertheless, a number of financial and governance constraints exist. Despite improvements, per student public expenditure amounts to only US\$ 60 (compared to US\$ 600 per student in Aceh), exacerbated by disappointing primary education internal efficiency (i.e. 9 years to complete a 6-year cycle). <u>Limited progress on civil service reform and a comparatively low salary share of public expenditure</u>, with teacher salaries still only US\$ 30-40 per month, is contributing to continuation of informal payments to teachers at the school level. Despite efforts to promulgate abolition of basic education fees and regulate post-basic education fee structures, progress has been limited by insufficiently robust regulatory compliance arrangements.</p> <p><u>Provincial and district PFM capacities remain under-developed</u>, although the</p>

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response to PAP/PBB implementation has allowed some 'learning by doing' over the past 7-8 years. In the absence of clear delegated authority, lines of accountability are at the centre, against agreed MOEF defined operational guidelines. Formal performance and financial accountabilities at the service organization level (i.e. schools) are insufficiently well-defined, due largely to the absence of clear powers and responsibilities for the school principal or school committee, or the commune council.

Governance arrangements for sector resource planning and management are strengthening through i) better alignment with MOEF led medium-term budget envelopes and expenditure frameworks; ii) a gradually growing parental voice in school level operational budget planning decisions; iii) increased attention to the needs of potentially excluded groups (e.g. scholarships for the poor); and iv) better defined MOEYS departmental accountabilities through the various sub-sectoral and crosscutting PAP/PBB driven programmes; and v) improved information on medium-term donor/NGO assistance envelopes, through the education sector working groups and CDC led aid effectiveness groups. Notwithstanding, the voice of parents and the private higher education sector is limited and their financial contributions are insufficiently transparent in sector resource budget planning.

A number of potential governance risks can be identified, especially i) insufficiently developed results orientation of sector performance monitoring and sector financing; ii) an over focus on supply-side issues, less so for demand-side reforms (e.g. informal fees, regulating age of entry, advocacy and information campaigns); and iii) overly centralised sector planning, management and monitoring, with only limited stakeholder participation in decision making. In particular, limited progress on decentralisation and deconcentration policy implementation means that accountability mechanisms at provincial, district and even school levels are under-developed. Insufficient regulation of national examinations and school performance monitoring, with only limited performance information dissemination is another potential source of long-term system fragility.

Governance arrangements for sector performance monitoring and information sharing have become more inclusive and participatory in the last decade since the first education sector performance review in 2002. Key features include i) an increasingly MOEYS led process for collation and analysis of sector performance information; ii) consolidation of a joint MOEYS, donor and NGO annual sector performance review process, including production of a donor performance report; iv).

institutionalisation of NGO involvement through the formal establishment and role of the NGO Education Partnership; and v) potentially growing legitimacy and authority for the annual performance review process, through satisfactory progress being part of some donors support modalities (e.g. EC, EFA FTI). Nevertheless, key limitations are the limited availability and dissemination of disaggregated provincial/district performance information and a limited independent watchdog role (e.g. through National Assembly, audit authorities). However, more broadly, formal organisational arrangements for other potential interest groups to participate in sector reform planning and monitoring are under-developed.

The annual review of the Cambodia ESP/ESSP and targets provides the best opportunity for more systematic governance development. Potential opportunities include i) more explicit specification of education governance outcomes and targets

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(e.g. implementation of regulations, frequency of publication of financial reports/accounts; ii) involvement of a wider range of stakeholders in the monitoring process (e.g. private sector, school committees); iii) more systematic monitoring of

whether excluded and disadvantaged groups are beneficiaries of education strategy/programmes; iv) official publication of provincial and district disaggregated education sector performance reports and their incorporation into the annual review process; v) more transparent publication of PAP/PBB financial reports and performance audits, alongside promoting independent assessments from civil society groups (e.g. possibly the NEP); and vi) holding parliamentary and public debates on sector performance and financial performance, as part of greater mutual accountability.

Another opportunity is to consolidate and extend current efforts to improve the results orientation of various MOEYS organizations. Significant progress has been made in strengthening management information systems for finance/budget, personnel and strategic planning/monitoring. The role of MOEYS information functions has also become more strategic and externally client oriented (e.g. annual enrolment campaigns, public information on school financing policy). In particular, these information systems need to be better aligned with the monitoring of key ESP/ESSP governance targets. There may also be an opportunity to consider setting up more autonomous and semi-independent bodies for key governance areas such as regulatory compliance (e.g. extending internal audit role, greater engagement of national audit agency) and school/university standards

Another related finding is that there appears to have been a shift in the balance of modalities for donor support away from sector budget support towards more supply-side projects. The track record of projects enabling implementation of institutional, organizational and governance reforms is at best mixed. This is in contrast to the recognition within the donor community that sectoral governance reforms (e.g. sectoral capacity development strategy), sector financial reforms (e.g. PFM, informal payments) and better linkage with decentralization/deconcentration and civil service reforms are growing priorities.

A number of less positive lessons learned are evident, including i) even today, there is uneven participation of stakeholders, largely restricted to central sector agencies and donors and NGOs, with limited provincial/district/other stakeholder involvement; ii) sector plans demonstrate only limited alignment between broader civil service and decentralization reforms, although better for PFM reforms; iii) a reported tendency for the ESP/ESSP annual review process to become routinised, with limited review of the effectiveness of programme strategies and realignment of external assistance; iv) limited attention to institutional, organizational and capacity development reforms and targets; and v) a continued tendency for discreet donor project/programme supervision and monitoring missions, as opposed to using the ESSP annual review as a point of harmonization (e.g. EFA FTI monitoring).

PAP/PBB Has Been a PFM Success, Less So for Governance Reform. The PAP/PBB programme has enabled a wide range of sector PFM reforms, including i) improved sector financial planning and programming; ii) strengthened central, provincial and district/school financial management, accounting and reporting procedures; iii) central organizational reforms for PFM, especially through the MOEYS finance department; and iv) providing impetus for various audit reforms, including establishing a discreet MOEYS internal audit unit and organizing various external

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audits and public expenditure tracking studies.

However, there are a number of less positive lessons to be learned, including i) insufficient attention accorded to review of the effectiveness of PAP/PBB programme strategies ii) tendency for fragmentation of programme strategies in order to provide individual departments with operating budgets; iii) the PAP allowed significant school discretion in budget allocations, while the revised PBB arrangement is less so; iv) insufficient early attention paid to strengthening school/district financial accounting capacity, which remains a significant constraint; and v) insufficient attention paid to quality oriented results, especially monitoring the impact of PAP/PBB on service quality and learning outcomes and district/school performance variations.

Another conclusion is that the post-conflict reconstruction and transition is accelerated when sector reforms are clearly located within broader public financial management and civil service reforms. MOEYS has been broadly successful, through implementing PAP/PBB, on the PFM front. A priority is to work with the civil service reform agencies to formulate an effective, but financially sustainable teaching service remuneration and management strategy. In the context of the above, the current sector strategy and plan pays insufficient attention to well-defined sector governance targets. As a result, current donor support cannot be sufficiently harmonized and aligned with important sector governance reforms. To some extent, the EFA FTI appraisal process and subsequent programme constitutes a missed opportunity.

The report notes that the EFA end of decade assessment in 2010 and related EFA FTI and sector performance reviews are an opportunity to set out a more coherent sector governance development framework and targets. To use the EFA end of decade assessment, joint ESP and EFA FTI review processes need to conduct a comprehensive progress review of the ESP 2006/2010 strategies and targets, focusing on a) the extent to which ESP targets have been met and the need for strategy review; b) the setting of more specific sector governance targets, in the context of PFM, civil service and decentralization/deconcentration reforms; c) design specific measures to address disparities in district sector performance and service provision; d) consider measures to set up more autonomous organizations for education standards setting, monitoring and quality assurance; and e) the need for additional strategies to expand formal and non-formal skills training opportunities for youth and the current work-force.

As part of this review, the report suggests examination of the long-term financing strategy and its sustainability, especially related to a) measures that strengthen the transparency and accountability of various sources of education financing, including from Government, parents and the private sector; b) measures to better define the anticipated results from education PBB programmes and regularly review the effectiveness of PBB related strategies and expenditures; c) review options for more performance oriented remuneration structures for education personnel and teachers; and d) consider the scope for introduction of provincial/district performance related block grants in addition to the current PBB programme.

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Quality

Excellent [ ]

Very good [ ]

Good [ ]

Fair [ ]

<b>Author</b>	J. Syquia
<b>Title</b>	MOEYS- PROCUREMENT CAPACITY AND RISK ASSESSMENT
<b>Publisher and date</b>	WB, November 2007
<b>Main Sector</b>	Education
<b>Other Relevant sectors</b>	<ul style="list-style-type: none"> <li>• PFM</li> </ul>
<b>Purpose</b>	<p>This Procurement Capacity and Risk Assessment was undertaken for MoEYS, in light of the Fast Track Initiative (FTI) Expanded Catalytic Fund (CF) Grant to be administered by the World Bank, with MoEYS as the key implementation agency. The Assessment was intended to help the World Bank to design the appropriate procurement arrangements, the applicable procedures and review requirements for the implementation of the Grant.</p>
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Procurement framework</li> <li>• Procurement Structure</li> <li>• Procurement capacity</li> <li>• Effectiveness and efficiency of MOEYS procurement process</li> <li>• Accountability measures</li> </ul>
<b>Analysis</b>	<p>Based on the OECD's Agency Procurement Performance indicators (APPI), the overall score of MoEYS is 30.5%, translating to an Assessment Rating of PA (Partially achieves the baseline indicators), and an overall risk assessment of high.</p> <ul style="list-style-type: none"> <li>• <b>Legal and Regulatory Framework.</b> There are several strategic issues rooted in the public procurement framework of the RGC, including overlapping procurement rules, the absence of implementing regulations, a procurement manual and standard bidding documents for locally-funded projects, the presence of strong project management and procurement units vis-à-vis a cadre of internal procurement staff that is in much need of capacity building, and numerous procedural and legal issuances to be considered when undertaking a procurement activity –causing more complications, delays and confusion during the procurement process.</li> <li>• <b>Data Collection and Monitoring System.</b> There are no policies or guidelines in MoEYS pertaining to the establishment of a system of managing recorded procurement information.</li> <li>• <b>Agency Professionalization Measures.</b> None of the 12 members of the Procurement Unit or the Pre-qualification, Evaluation and Awards Committee (PEAC) has undergone any formal/certified procurement capacity building program.</li> <li>• <b>Organizational Structure.</b> There are at least seven steps in a typical procurement process of MoEYS, and the entire procurement process from the identification of, or request for, the procurement, up to the time of contract signing and approval, involves two ministries, <i>i.e.</i> MoEYS and MEF; and, if payment is considered, additionally involves the National Treasury. This shows that there are too many layers of offices and approvals involved in a particular procurement process, which increases the risks to efficiency. The</li> </ul>



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PEAC is not independent from the head of MoEYS; and in the provinces, it is not independent from the Governor of that province.

- **Agency Procurement Process.** There is a low level of competitiveness due to the insufficient time for bidders to prepare their bids and the practice of limiting the number of bidders to three. However, all public biddings are advertised in national newspapers and that the average time from bid opening to contract signing is just 43 to 44 calendar days. But it is important to note that bidding results and contract awards are not posted and MoEYS has no annual procurement plan.
- **Effectiveness.** The public biddings conducted by MoEYS have resulted in low savings – suggesting that the level of competitiveness and transparency of MoEYS does not achieve a comfortable level of cost effectiveness. There is also no formal system to record and address observations, complaints and protests during biddings.
- **Accountability Measures.** In addition to the MEF budget approval process and the NAA, which audits all contracts of the Procurement Unit, there also exists an IA Department within MoEYS. For those contracts reviewed, an auditor checks the bid evaluation report, quotations, supporting documents, invoices, receipts, purchase orders and the overall procedural requirements. Finally, critical transaction responsibilities are separated among distinct offices in MoEYS.

The assessment makes a series of recommendations to mitigate these risks (see Chapter 8).

The assessment also found that the formation of donor-supported project management units (PMUs) staffed either by expatriates or by nationals with “topped up” salaries had adversely impacted on the government’s institution building efforts. There are two sets of procurement rules operating in the Ministry and two procurement units. On the other hand, every RGC procurement above \$250 has to go to MEF.

Number 48a	Relevance	Very [ ]	Mostly [ ]	Partly [ ]	Low [ ]
	Quality	Excellent [ ]	Very good [ ]	Good [ ]	Fair [ ]
Author	UNICEF, SIDA, EC,				
Title	FORMULATION MISSION FOR A PROPOSED PROGRAM OF EDUCATION SECTOR BUDGET SUPPORT, 2011-2013: REPORT OF THE FINANCE AND BUDGET MANAGEMENT CONSULTANT				
Publisher and date	March 2010				
Main sectoral focus	Education Sector				
Other Relevant sectors	PFM cross cutting issues				
Purpose	Study of performance in Budget and financial management in the Education Sector (ES) in recent years				
Main issues	<ul style="list-style-type: none"> <li>• Key issues in MOEYS recurrent budget, including expenditure trends,</li> </ul>				

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payroll arrangements, programs and other expenditure.

- Progress in reform of public financial management in MOEYS, including capacity building
- Fiduciary risk assessment in MOEYS
- Implications of D and D reform for the sector
- Progress in PFM

## Analysis

This report is part of the findings of a formulation mission to consider budget support to the education sector in the period 2011-2013. The finance and budget consultant was to review financial management centrally, and in the sector at all levels from MoEYS to schools

**Payroll.** The payroll is managed almost entirely through the CAR managed RGC system, apart from about 5 per cent of total costs which forms part of the program budget and which flows through that system. The data base for payment seems reasonably accurate, meaning that there is a low level of salary fraud.

**Programs expenditure.** Liquidation is now at 89%, close to the 95% target. Funds are now transferred to the next level in days if not hours. The new PFMIS, soon to be rolled out, will facilitate monitoring. Thus throughput of funds through the government financial system is efficient and becoming more effective. Other expenditure will be assigned to new or existing sub programs. This would enable evolution of existing PB into programs linked to policy outcomes, specific activities, earmarked funding and indicators. While there is consultation, budget allocation process is not transparent and lacks objectives

**Reforming the Financial Management System.** Need to answer 3 questions: are funds properly accounted for?; are they used for intended purpose?; is there value for money?

Achievements:

- effective funding of service delivery with formula-based program budgets to ensure equitable provision;
- decentralisation through four levels (centre, province, district and school), including the institution of budget management centres, with increasing accountability, in central departments, provinces and districts;
- setting up a section (FOPS) in the finance department dedicated to program budget management; the internal audit department in 2005 and subsequent formulation and implementation of an audit strategic plan.
- The Ministry now has capacity for internal audit of systems and budget centres for programs.

Challenges

- Budget execution – increasing liquidation rates, introducing school-based budgeting, formula based allocations [FM Manual and associated training should address these during 2010]
- Ensure effective management of existing resources and increase revenue streams
- Extend PFM accountability at all levels in accordance with D&D agenda and

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law.

**Financial risks:** Updated Fiduciary Risk analysis showed initial ratings of High -2, Substantial – 3 and Modest – 1. After risk mitigation measures implemented High – 1, Substantial – 2 and Modest -3

**Deconcentration and Decentralisation.** MoEYS is already substantially deconcentrated and some elements of decentralization. Provincial offices now account through government system for program funds. Depending on the extent of decentralization, centrally managed financial systems of MoEYS may be decentralized with consequences depending on capacity at commune and district level.



Number 50	Relevance	Very [ ]	Mostly [ ]	Partly [ <input checked="" type="checkbox"/> ]	Low [ ]
	Quality	Excellent [ ]	Very good [ <input checked="" type="checkbox"/> ]	Good [ ]	Fair [ ]
Author	World Bank				
Title	PUBLIC EXPENDITURE TRACKING SURVEY (PETS) IN PRIMARY EDUCATION				
Publisher and date	World Bank, December 2005				
Main sectoral focus	Education sector				
Other Relevant sectors	<ul style="list-style-type: none"> <li>• PFM</li> </ul>				
Purpose	The report reviews expenditure in primary education under the Priority Action Program (PAP)				
Main issues	<ul style="list-style-type: none"> <li>• Aid effectiveness</li> <li>• Funding leakages</li> <li>• Financial management capacity</li> </ul>				
Analysis	<p>The survey found that:</p> <ul style="list-style-type: none"> <li>• <b>Leakage</b> from PAP was low, except for 2001, in that less than 3-6% of the funds which schools were to receive did not reach them. However, low quality record-keeping weakened this finding.</li> <li>• Informal <b>facilitation</b> payments to obtain release of such funds were being charged but these were relatively modest.</li> <li>• There are a number of <b>reasons why leakage may be low</b>- the design and operational features of PAP 2.1 likely have a major impact- the budget is determined by a simple allocation rule which eliminates bureaucratic discretion and promotes transparency: school officials know exactly what they are due; control and monitoring mechanisms exist and are implemented; PAP procedures are simpler than those of the traditional budget system, allowing fewer opportunities for opacity and gate-keeping.</li> <li>• It is important to point out, however, that in a general equilibrium sense, <b>lower corruption</b> in PAP might mean higher leakage in the standard system. This point is commonly made in evaluations of donor systems- in other</li> </ul>				

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words, while they may achieve low leakage, this says nothing about what is going on in country systems themselves.

- There are **delays** and inefficiencies in funds actually reaching schools.
- **Record keeping** by schools on PAP expenditure is practically non-existent.
- The social **accountability** mechanisms established at schools to monitor PAP spending are not very effective, particularly in small schools. While it was generally believed that School Support Committees (SSCs) provided significant civil society oversight of school management and spending, the survey results indicate otherwise.
- Compliance with key record-keeping requirements has been poor, especially at DEO and school levels, resulting in a system characterized by **high fiduciary risk**.
- The PAP system has been **pro-poor** in distribution of funding and led to an increase in enrolments but this has meant the ratio of teachers per students have increased.
- By contrast, nearly all funds under Chapter 11 RGC arrangements intended for school **operational** expenditure do not reach beyond the provincial education office and are in fact spent on remuneration of one kind or another (eg. examination fees). Goods purchased through the procurement system are often procured above market price. A central concern is the low financial management capacity at the **provincial** level. The picture of Chapter 11 that emerges from the surveys is thus of a system that on all counts—timing and predictability of resources, results-oriented focus, and fiduciary risk—performs less well than PAP.

The Survey's conclusion was that, according to the PFMRP, delivering reliable and predictable budget resources to budget managers can only happen if the ability of budget managers to spend in line with the budget is streamlined. The challenge for MEF is to mainstream PAP, building on the lessons learned thus far, into the cornerstone of a medium term financial deconcentration program.

<b>Number 51</b>	<b>Relevance</b>	Very [ ]	Mostly [ ]	Partly 	Low [ ]
		Excellent [ ]	Very good [ ]	Good 	Fair [ ]
<b>Author</b>	World Bank				
<b>Title</b>	FAST TRACK INITIATIVE- CATALYTIC FUND DECISION MEMORANDUM CAMBODIA: EDUCATION SECTOR SUPPORT SCALE UP ACTION PROGRAM				
<b>Publisher and date</b>	April 2008				
<b>Main sectoral focus</b>	Education				
<b>Other Relevant sectors</b>	PFMR, Planning, M and E				
<b>Purpose</b>	To seek approval of the WB Country Director for a grant of \$57m for the Education Sector Support Scale Up Action Program (ESSUAP)				
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Capacity building in financial management</li> </ul>				

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<b>Analysis</b>	<ul style="list-style-type: none"> <li>• Risk assessment of program</li> </ul> <p>This PAD outlines proposed expenditure on the ESSSUAP which is fully aligned with the ESP (Education Sector Plan). One program objective is strengthening of financial/procurement capacity, at all levels, including on internal audit, consistent with the PFMRP, and strengthening of accounting and financial management information systems, statutory financial reporting and transparency, fiscal decentralization framework implementation and procurement</p> <p>MOEYS information systems are to be used to check progress on key program indicators and targets related to enrolment levels. Impact evaluation is also to be undertaken by MOEYS. The Finance Department Office of Financial Operations-Provincial Services (FOPS) has established an ICT-based MIS on management of funds at school level.</p> <p>A risk assessment was undertaken for the program-the risk rating for financial management was a modest risk while procurement was assessed as a substantial risk (at p. 34). The two fiduciary assessments undertaken in late 2007 are outlined in the PAD- the risks are primarily due to limited FM capacity in planning and budgeting, as well as a lack of internal auditing. An action plan has been developed to address deficiencies through a good governance framework (at p.126)</p> <p>Based on the fiduciary assessment for the program action plans for capacity building have been developed.</p>
<b>Number 52</b>	<p><b>Relevance</b>      Very <input checked="" type="checkbox"/>      Mostly [ ]      Partly [ ]      Low [ ]</p> <p><b>Quality</b>      Excellent [ ]      Very good <input checked="" type="checkbox"/>      Good [ ]      Fair [ ]</p>
<b>Author</b>	World Bank
<b>Title</b>	NATIONAL FINANCIAL MANAGEMENT CAPACITY ASSESSMENT
<b>Publisher and date</b>	World Bank, February 2008
<b>Main sectoral focus</b>	Education sector
<b>Other Relevant sectors</b>	<ul style="list-style-type: none"> <li>• PFM</li> <li>• Aid effectiveness</li> </ul>
<b>Purpose</b>	This study assessed whether the MOEYS and related implementing departments at provincial, district and commune levels had acceptable financial management arrangements which could be used for purposes of managing funds to be disbursed for the program to be implemented for the Education for All program's Fast Track Initiative
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Financial management capacity</li> <li>• Fiduciary risk</li> <li>• Progress under the PFMRP</li> <li>• Capacity development in PFM</li> </ul>
<b>Analysis</b>	The study noted that the financial management arrangements would be acceptable if they can record correctly all transactions and balances, support the preparation of regular and reliable financial statements, safeguard the Ministry's

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assets and are subject to external auditing arrangements that are acceptable to all cooperating partners. As well, donor policies require that: acceptable accounting and internal control systems must either be in place before they can start disbursing funds into an implementing agency's program or an agreed comprehensive financial management capacity improvement plan is in place that addresses those identified deficiencies that result in elevated fiduciary risks.

While noting the substantial progress made under the PFMRP, the study found that the present fiduciary risk is significant. However, the many PFMR projects underway are clearly leading towards mitigating these risks- there exists a core financial process that is sufficiently sound that it can serve as a platform on which to build improvements. The RGC has made a strong commitment to implement its PFMR program to address shortcomings; the program has been agreed with donors and the program is underway.

The study also goes through each aspect of the planned PFMRP to assess progress to date- while this is now a little dated it does give a sense of the reform journey in Cambodia.

As the study outlines, the advantages of using a sector wide approach and the use of in-country systems over project financing are well known. It enables a country-led agenda that permits a more integrated policy approach to aid, builds in-country capacity and limits aid to the absorption capacity of the country to utilize it effectively. It also reduces transactions costs for the recipient government; permits the scaling of implementation and allows the donors to participate at a more strategic level. It is therefore reasonable to examine ways in which a sector wide approach can be implemented within the sector, while providing for appropriate safeguards to permit the donors to ensure that their financial assets have been safeguarded and utilized effectively for the intended purposes.

Other countries with similar PFM systems have been able to successfully implement investment projects using the SWAp approach. The RGC could also be able to employ this funding approach *in the future*, subject to a governance structure that permits the government and the donors to monitor the use of the funds and the results of the projects financed by it. This governance structure should include:

- a clearly defined program of work, with specific budgets linked to each activity, with well-defined outcomes and timelines;
- a governing body (the ESWG already exists) to monitor and control the initiative, supported by the existing Joint Technical Working Group– Education to discuss and resolve issues and ensure satisfactory progress against the agreed plans
- specific performance indicators and measures by which the individual activity progress can be assessed; an agreed pooling financing mechanism with clear responsibility for management of the pooled resources vested in MOEYS;<sup>1</sup>
- procurements to comply with government's *Standard Operating Procedures for Externally-Financed Projects/Programs*;

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- performance triggers into the pool that will control release of funds upon satisfactory completion of agreed tasks within the annual budgetary framework ;
- project financial and performance information is reported on a regular basis as directed by the ESWG and subjected to external confirmation on a schedule to be determined, but no less than semi-annually;
- an annual independent external performance review of the actual results against the agreed plan and preparation of a report for the ESWG well before the next budget year begins;
- an independent audit of the donor/government pool account financial statements;
- regular monthly financial statements and progress reports, prepared in a timely, complete and accurate basis; and
- the conduct of all activities and reporting in an environment of maximum transparency.

The study goes on to explain how Cambodia might at some future time put a sectoral approach in place, step by step.

However, given the substantial FM risks identified by this assessment (see pages 57-60) and the fast track implementation duration of 3 years, it was decided that the FTI Catalytic Fund (FTI CF) Grant would follow the disbursement procedures of a traditional specific investment grant.

The study contains a useful analysis of the different modalities used by donors in the education sector.

## HEALTH SECTOR

Number 54

Relevance

Very [ ]

Mostly [ ]

Partly [ ]

Low [ ]

Quality

Excellent [ ]

Very good [ ]

Good [ ]

Fair [ ]

Author

BN Consult

Title

PUBLIC EXPENDITURE TRACKING SURVEY (PETS) IN HEALTH, 2003-2004

Publisher and date

World Bank, 2008

Main sectoral focus

Health

Other Relevant sectors

- PFM
- PAR
- Planning
- D and D

Purpose

The objective of the study was to help the Royal Government of Cambodia (RGC) to diagnose issues and propose directions for improving effectiveness and efficiency of public financing in the health sector.

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**Main issues**

- Better outcomes in Service Delivery in the health sector
- Staff conditions, including remuneration
- Linking health funding to performance
- Improvements in health budgeting and financial management
- Building up financial management capacity
- Reducing leakages in health funding

**Analysis**

Key findings of the survey are that:

- financial resources that actually reach the frontline health services fall short of what is needed to make the services work for people- in 2003 and 2004 only 36% and 32% respectively was spent on servicing health centers and government hospitals. The rest was spent on government administration and national programs.
- Overall government health budget increase does not necessarily mean improved financing for frontline health services in 2004 there was an increase in budget of 11% but expenditure fell by 11%.
- Non-salary operational expenditures dominate government health expenditures- this is contrary to international benchmarks where salary costs make up a much large proportion of expenditure. Salary levels in Cambodia do not provide an incentive for performance.
- Disbursement delays at provincial level were significant- around 4 months for transmission from the provincial treasury to the provincial health department. There were different coping mechanisms for dealing with such delays including prioritizing activities, collecting user fees, reduction in some services. There was a moderately positive correlation between delivery of disbursement and the level of service activity. The population opts to use private providers who, despite being more expensive, are regarded as having better staff and medicines. Government health facility usage is about 21%.
- There are no formal transparent budgets below provincial level and thus no grass level accountability. Health sector budget planning processes in the Ministry of Health and MEF differ and two separate budgets are prepared. User fees play an increasingly important role in financing additional incentives for staff and non-salary operational costs of government health facilities- 13% of health centre expenditure and 22% of referral hospitals. There is little evidence that national programs provide additional operating cash or supplies to health service level.
- Donor support is only partly effective in supporting health service delivery. There was little evidence that donor funds provided directly at the provincial level had a direct impact on service delivery in health centers and referral hospitals.
- Misaligned authority, bureaucratic red tape, limited institutional capacity and ineffective checks and balances are serious constraints for effective public expenditure. Misaligned authority can lead to delays and expenditure not meeting the actual needs of service delivery. This was the perception of qualitative study respondents. Provincial health departments had little decision-making authority on expenditures. By contrast, MOH was less decentralized than MOEYS.



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- Health administration at provincial/district level lacks financial management capacity. Record-keeping was generally poor. There is a high risk of leakage of public funds in the sector, with facilitation fees being charged to speed up disbursements. These fees might be 30-40% of the cost involved. Public procurement led to prices that were significantly higher than retail. Checks and balances were ineffective in containing leakages and in securing effectiveness of public expenditure.
- Utilization of government health services is low. Health centers are effective service providers to the population within the radius of four kilometres. The PETS found that the patients are drawn disproportionately from local villages. Women benefit more from the health service. Health service productivity is low, with a health centre staff member seeing an average of 2 outpatients a day. Staff absenteeism is high, with doctors and medical assistants often unavailable, although it is still on the low side when compared to international benchmarks. Evidence about the effectiveness of the health budget was inconclusive.

The report recommended as follows:

- Front line health services need more resources and more transparent budget and expenditure management. Making health services work may require doubling or tripling health expenditures on service delivery. Urgent decisions are needed by the health policy makers about possible sources and channels of needed funding increase. There is a scope for reallocation of the current expenditures, given the low proportional level of health service delivery spending (32% in 2004) in the total Government health expenditures. Effective channels and financial management mechanisms for any additional or reallocating existing financing need to be identified. Debate is also required about most effective channels and financial management mechanisms for any additional or existing financing. Contracting experience has demonstrated the need to link financing to achieving defined performance targets. Equity funds have demonstrated that linking financing directly with use of service by the poor people not only improves the access to essential health care for the poor but also improves financing of the front line health facilities.
- Health service providers need more transparent budgets. More transparent budgets decided and communicated based on known cost norms or formulae, would make it possible to have informed policy debate on improved financing of health service providers and more transparently allocate resources to service delivery. Communicated budgets to the health administrators and managers at the district or health facility level would also make it possible to apply grass root level accountability mechanisms for budget execution from communities and empower OD and health facility managers to more effectively plan and manage budgets and be also accountable for outputs and outcomes.
- Parallel budgeting processes between MOH and MEF need to be linked and streamlined. User fee revenues need to be integrated into budgeting and budget execution monitoring process. Different modalities may be needed to channel donor support to further benefit the actual delivery of health services. Donor support through equity funds and contracting

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operational districts are two examples of modalities where donor funds directly reach referral hospitals and health centers directly linked to performance. More transparent policy is needed for managing the interface between vertical disease specific national programs and horizontal health service delivery by health centers and referral hospitals.

- Innovative public finance management modalities need to link with performance, improved incentives and strengthened institutional capacity to be effective. Financing of health services should be linked to performance, based on experience with equity funds and contracting. Urgent measures are needed to improve incentives for health services staff. Reforming staff incentives in the health sector need to be linked to the discussions of appropriate level for financing essential health services, potential sources and channels of funding as well as discussion of level of autonomy of health managers at provincial, operational district and health facility level in recruiting staff and deciding their compensation levels. Financial management capacity building is sorely needed.
- A comprehensive approach is needed to reduce risks of leakage. This covers better revenue planning to reduce need for facilitation fees; greater transparency; reducing red tape (eg. the number of expenditure approval points); reducing cash transactions; aligning funding with service delivery results; better audit and review; enforcing sanctions). The impact of ongoing Public Finance Management Reform Program on improved and timely financing of front line facilities should be measured against the baseline established by PETs. The PETs provided benchmarks that could be used for evaluation of the impact of the PFMRP on financing health service delivery.

<b>Number 55</b>	<b>Relevance</b>	Very [ ]	Mostly <input checked="" type="checkbox"/>	Partly [ ]	Low [ ]
	<b>Quality</b>	Excellent [ ]	Very good [ ]	Good <input checked="" type="checkbox"/>	Fair [ ]
<b>Author</b>	Cambodian Health Support Mission				
<b>Title</b>	HSSP2 JOINT REVIEW AIDE MEMOIRES				
<b>Publisher and date</b>	RGoC, May 2009 and September 2009				
<b>Main sectoral focus</b>	Health sector				
<b>Other Relevant sectors</b>	<ul style="list-style-type: none"> <li>• Planning</li> <li>• PFMRP</li> <li>• D and D</li> </ul>				
<b>Purpose</b>	These Memoires outline the Mission's discussions with MOH, other Ministries and DPs on the implementing of the HSSP2 since it began in January 2009. A significant range of implementation issues including significant delays were identified for follow-up.				
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Planning decentralization</li> <li>• M and E decentralization</li> </ul>				

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- D and D
- PFM Decentralization

**Analysis**

It is intended, over time, to move HSSP2 programme support functions (monitoring and evaluation, financial management, procurement and reporting) from the secretariat to MoH departments, as was originally envisaged for HSSP1. Under the current HSSP2 arrangements the secretariat will take responsibility for programme support functions during 2009-2010. These functions will then be handed over to MoH departments in 2011, following relevant capacity building. At this point the secretariat will be downsized and the ToR revised for remaining staff. It is expected that this transition will be a phased process with Secretariat staff moving into relevant departments to work alongside and support staff as capacity is built, before full handover of responsibilities in 2011.

MoH is to prepare a secretariat transition plan for joint review and agreement. It was further agreed that a one-two page framework, outlining the main activities and tentative responsible departments for the four key support functions noted above, will form the basis of this plan.

Capacity building to support functional transfer was discussed. The mission noted that medium to long-term departmental capacity requirements will need to be assessed and resulting needs incorporated into the FMIP and institutional capacity building contract. The mission also recognized short-term support for secretariat transition planning and capacity assessment will be needed.

In the September Mission, MOH expressed doubts about whether the 2011 target would be met. That Mission also noted the significant improvements made by AOPs but also that there had been little progress to date on performance based management.

The memoirs include discussion of practical implementation difficulties related to financial management, funds disbursement, procurement, internal audit and capacity building.

**Number 56****Relevance**

Very [ ]

Mostly [ ]

Partly [ ]

Low [ ]

**Quality**

Excellent [ ]

Very good [ ]

Good [ ]

Fair [ ]

**Author**

D. Land

**Title**

THE DEVELOPMENT OF HEALTH SECTOR CAPACITY IN CAMBODIA, THE CONTRIBUTION OF TECHNICAL COOPERATION, PATTERNS, CHALLENGES AND LESSONS

**Publisher and date**

CDC, May 2008

**Main sectoral focus**

Health sector

**Other Relevant sectors**

- Aid effectiveness
- PAR

**Purpose**

The report reviews the experience in capacity building in the health sector

**Main issues**

- Capacity development (CD)

- Linking CD to planning

## Analysis

The Report concludes that technical cooperation (TC) has made an important collective contribution to the development of health sector capacity. However progress has been uneven rather than system wide. Quantifying the extent and nature of that contribution is, however, not easily done. In so far as capacity in the use of country systems is concerned, the report finds that TC has helped to:

- Increase the knowledge and skills of health workers particularly clinical staff, to perform basic duties in the workplace as well as to develop specific specialisations.
- Strengthen the management and organization of national programmes by helping to develop policy frameworks, implementation strategies, procedures and guidelines.
- Improve core ministerial functions, most notably planning and information management.
- Promote the innovation and piloting of novel delivery modalities and financing mechanisms that contribute to the overall development of national health systems.
- Tackle issues of individual and organizational performance and accountability through the development and testing of various performance-based incentive schemes.
- Work on aspects of the demand side of capacity development, particularly in terms of promoting community empowerment and education.

The Report notes that the support of DP is not always positive and can undermine capacity. Shortcomings identified are not unique to the health sector but reflect the way in which development cooperation programmes are conceptualized, designed and delivered. The consequences include:

- A lack of local ownership for initiatives that have been largely conceived designed and implemented by development partner personnel.
- The resultant syndrome of “tolerated” TC whereby TC support is accepted on the basis of the resources it brings rather than on the relevance of the support it might provide.
- A proliferation of TC projects managed through separate project management arrangements that can undermine efforts to build sector coherence and the development of core capacities, while overwhelming the absorptive capacity of the host organization.
- Decisions on where to invest in capacity development can be influenced more by the policy priorities of development partners than those of local stakeholders.
- A tendency to focus TC on achieving the short term implementation needs of individual projects rather than focusing on a more systematic process of human resources and organizational development.
- The fielding of TA personnel that lack appropriate skills and attitudes that are critical to the development of constructive working relationships based on trust and understanding and that provide the basis for effective knowledge

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exchange and learning.

- Strategies for engaging in capacity development work are poorly defined, and based on an inadequate analysis of existing capacity strengths and weaknesses, opportunities and constraints.

Linking CD to the strategic sectoral plan is seen as critical. The Report notes that progress has been made in strengthening the planning function within the health sector. The MOH has finalized its second strategic plan (HSP 2), which sets out a vision for the sector including for capacity development. It also offers a framework for harmonizing and aligning external aid behind a Ministry-owned development strategy. These developments allow the Ministry of Health to take greater charge of agenda setting, determining needs and assessing the value or otherwise of proposed external assistance.

The MOH has taken the position that it would like to embrace all DPs whether that means working through project or programme-based approaches. For the Ministry, the critical issue is that DPs agree to support its priority expenditures and that they use the strategic and annual operational plans as the basis for doing so. This is the understanding of the Ministry's SWIM or sector-wide management approach.

For a group of DPs these developments provide an opening to work through pooled funding arrangements. Other development partners continue to work through project modalities, and are able to use the Ministry's planning framework as a basis for aligning support and seeking complementarities among different providers.

The study notes the need to link capacity development with better incentives (at page 13). Finding ways to retain and motivate staff poses one of the most significant challenges to sustaining capacity gains and to improving the quality of service delivery. Adequate pay is only one part of the motivation equation. Lack of attention to human resources management more generally including the development of appropriate mechanisms to reward performance and sanction non-performance, provide career development opportunities and provide a working environment that inspires productivity and responsibility is also noted.

In a public sector context, demands for performance improvement can come from two principal sources; first from the political leadership and second from service users. In the absence of either, there is no guarantee that working on the supply side alone will translate into improved performance. Part of the challenge for those involved in capacity development work is therefore to understand the context within which change needs to take place and to correctly identify the drivers and/or barriers to change. There are no golden rules here. In some contexts, political pressure from above may be the key to change, especially where service users are not articulate or empowered. In others, pressure from below may be key to stimulating action. It is also possible that the motivation for change comes from public servants themselves as well as through the efforts of development partners to stimulate new thinking and test out new practices.

The general opinion is that improvements have been made to core Ministerial functions of planning, budgeting, and human resources, at the headquarter level. The planning function was singled out as having made most improvement. By

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contrast, public financial management, procurement and human resources management are considered to be weaker and in need of on-going support to meet future challenges. The human resources management function is critical for guiding any long term human resources and organizational development strategy. Further strengthening of public financial management and procurement capacity will be critical for the overall functioning of the health system as well as for advancing the implementation of the harmonization and alignment agenda, particularly with respect to the use of national systems and procedures by DPs.

<b>Number 57</b>	<b>Relevance</b>	Very <input checked="" type="checkbox"/>	Mostly [ ]	Partly [ ]	Low [ ]
	<b>Quality</b>	Excellent [ ]	Very good <input checked="" type="checkbox"/>	Good [ ]	Fair [ ]
<b>Author</b>	World Bank				
<b>Title</b>	FINANCIAL MANAGEMENT ASSESSMENT OF THE HEALTH SECTOR				
<b>Publisher and date</b>	January 2008				
<b>Main sectoral focus</b>	Health sector				
<b>Other Relevant sectors</b>	<ul style="list-style-type: none"> <li>• PFM</li> <li>• PAR</li> <li>• D and D</li> </ul>				
<b>Purpose</b>	<p>The objective of this study was to determine whether the Ministry of Health (MoH) and related implementing agencies at central, provincial (PHD), operational district (OD) and facility levels have acceptable financial management arrangements which can be used for purposes of managing funds to be disbursed under the SWAp program arrangement as planned as part of HSSP 2. This comprised three elements: understanding the risk environment; mitigating risks; and, monitoring performance against these risks.</p>				
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Quality of financial management in MOH</li> <li>• Scope for improved financial management</li> <li>• Fiduciary assessment</li> </ul>				
<b>Analysis</b>	<p>The conclusion of the report is that there are substantial or high risks in most aspects of the PFM cycle from the translation of priority programs and activities into meaningful plans and concrete budgets for each of the constituent parts of the MoH, through to the accounting, book-keeping and reporting arrangements at all levels, to the operation of effective internal controls and internal audit.</p> <p>This assessment concluded as follows:</p> <ul style="list-style-type: none"> <li>• The PFMRP will have a substantial impact on how the MoH delivers services in future. Increasing the total resources available for the health sector through additional support from DPs under HSSP 2 must be accompanied by capacity improvements in the MoH and at sub-national level to monitor performance and evaluate options in order to ensure that the budget for each entity is better informed, linked to a planning process and is policy driven.</li> </ul>				

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- The desire for 'pool funding' by DPs is a significant measure to improve budget comprehensiveness. Pooled funds, whether as sector budget support or earmarked for specific programs and activities, ought to be fully captured in the RGC budget (even if not disbursed through the NT system), on-accounts and reported by the MoH and subject to internal and external audit of government;
- The ex-ante approval process for RGC budget execution and the roles of the authorizer, financial controller and accountant (national treasury) are not without problems and delays can occur at any of the phases of prior approval of expenditure. While RGC 'accounting' and the internal control system are working reasonably well in recording and reporting of budget expenditures and ensuring compliance reporting of line item budgets to the PFD and MEF, basic reports comparing budget and actual expenditures and cumulative expenditures are missing. Cash management procedures see large cash advances are made from the National Treasury and Provincial Treasuries to spending units and no use of commercial bank accounts for RGC funds. There are significant risks associated with storage and distribution of cash;
- A major program of technical assistance and training will have to be put in place to prepare the staff of MoH and PHDs to undertake effective financial management of project funds and take responsibility for decentralized budget management. The suggest improvements will be designed to build capacity in the shorter-term, assess risk at regular intervals and where possible begin to build safeguards from the outset so that increasing responsibility can be given to the MoH for financial management of DP funds.
- At provincial level, little or no basic accounting, book-keeping and financial reporting is actually done outside the PHD office at OD or facility level. In addition to the recurring problems of staff capacity (medical staff recruited to perform accounting duties), and because of centralised procurement, the receipt of only minimal amounts of petty cash for small purchases, and the payment of salaries in cash, few records are kept;
- The entire concept of internal audit in the MoH is ineffective and is misunderstood- there is no effective reporting to any senior managers in the MoH. It is unclear if there is an audit plan or assessment of risk. There is an audit manual but the translated version is not yet available. The department itself appears to be staffed by medically-qualified staff with limited financial management experience. The IA section of the MoH is in need of serious capacity building and, now that a full complement of staff is in post, should be consolidated within the structure of the MoH. The creation of an Audit Committee is essential in this regard with non-finance senior managers on the committee. They ought to be given full authority to take corrective action in any areas of concern raised by the IA unit.

The overall fiduciary risk rating was high. The detailed assessment was as follows:

***Scale of Risk Ratings: High; Substantial; Moderate; Low***

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		<b>Overall Fiduciary Risk</b>			
<b>Component</b>					
1. <i>The credibility of the budget</i> - The budget is realistic and is implemented as intended.		HIGH			
2. <i>Budget comprehensiveness and transparency</i> - classification of the budget.		MODERATE			
3. <i>Budget comprehensiveness and transparency</i> - comprehensiveness of information included in budget documentation		SUBSTANTIAL			
4. <i>The existence of policy-based budgeting</i> - orderliness and participation in the annual budget process.		SUBSTANTIAL			
5. <i>Predictability and control in budget execution</i> - effectiveness of internal controls for non-salary expenditure		HIGH			
6. <i>Predictability and control in budget execution</i> – the effectiveness of internal audit		HIGH			
7. <i>Accounting, recording and reporting</i> - adequate records and information are produced, maintained and disseminated to meet decision-making control, management and reporting purposes.		HIGH			
8. <i>Accounting, recording and reporting</i> - quality and timeliness of in-year budget reports		HIGH			
<b>Number 58</b>					
<b>Relevance</b>		Very [ ]	Mostly [ ]	Partly [ ]	Low [ ]
<b>Quality</b>		Excellent [ ]	Very good [ ]	Good [ ]	Fair [ ]
<b>Author</b>	Department of Planning and Health Information, MOH				
<b>Title</b>	ANNUAL HEALTH FINANCING REPORT 2008				
<b>Publisher and date</b>	March 2009				
<b>Main sectoral focus</b>	Health sector				
<b>Other Relevant sectors</b>	<ul style="list-style-type: none"> <li>• PFM</li> </ul>				
<b>Purpose</b>	The report describes the state of health financing in Cambodia at the end of 2008 and consolidates information from all funding sources				
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Quality of financial management in MOH</li> <li>• Scope for improved financial management</li> </ul>				



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- Fiduciary assessment

**Analysis**

The report is a useful account of funding sources in Cambodia, ranging from RGC, donor and other partners funds and fees charged at public and private facilities. The low utilization of public health facilities is seen as a chronic problem.

Total donor disbursements reported in the Cambodian Development Council database for year 2008 was \$110.7 million while total planned donor funding reported in the AOP 2008 was \$56 million. Predictability of donor funding in the AOP should still be improved and will allow better resource management in the health sector. Specifically in 2008, donor disbursement coordinated through the MOH amounted to \$64 million (respectively 32.5 million for HSSP and 31.5 million for Global Funds projects)

**Number 60****Relevance**

Very [ ]

Mostly [ ]

Partly [ ]

Low [ ]

**Quality**

Excellent [ ]

Very good [ ]

Good [ ]

Fair [ ]

**Author**

Department of Planning and Health Information, MOH

**Title**

STRATEGIC FRAMEWORK FOR HEALTH FINANCING 2008 - 2015

**Publisher and date**

May 2007

**Main sectoral focus**

Health sector

**Other Relevant sectors**

- PFM
- D and D
- PAR
- Aid effectiveness

**Purpose**

- Future health financing
- Donor support in sector
- Use of tracking surveys

**Main issues**

- Capacity development (CD)
- Linking CD to planning

**Analysis**

- The report emphasizes that donor coordination, harmonization and alignment are critical issues. Donor funding comes from a diverse range of multi-lateral and bi-lateral sources and a large number of international NGOs and is delivered mainly through a project approach. There has so far been only limited alignment of donor programs with Cambodian institutions and procedures, according to the 2006 OECD harmonization and alignment baseline survey, which identified at least nine different 'project implementation units' in the health sector.
- Donor financing is not closely aligned with national priorities as set out in the HSP, but a number of donors have supported a program-based approach in health sector through SWiM and in the implementation of HIV/Aids assistance. Even so, the SWiM approach, and the move to SWAp, have reached something of an impasse.

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- By devolving budget control and management closer to service delivery public-sector reforms supporting deconcentration and public finance management reform will address transparency and accountability issues. Better tracking and accountability, as envisaged in the second Platform of the PFM reform (2007-09) will in turn set the stage for channeling donor finance through the budget and addressing harmonization and alignment problems with donor finance.
- The report states that the key lessons learned from the experience to date in the sector includes
- Because per capita total national health expenditure is very high compared to all other developing countries the total quantity of health financing does not appear to be the central impediment to achieving improved health outcomes.
- Important issues relating to the economic allocation of existing resources and their efficient use remain unresolved.
- While government funding for health care is a significant proportion of the national budget the health budget remains low in absolute terms; strengthening government taxation and revenue collection is essential.
- The relatively low proportion of public funding reaching the service delivery level largely explains the high level of out-of-pocket payments which in turn leads to considerable inequality in access to services and health outcomes.

Strengthening the efficient allocation of appropriate levels of resources to the service delivery level is a priority:

- Because public service wages are very low and service quality is poor only one in five illness episodes are treated in the public sector. **There is a need to move aggregate resources from inefficient and ineffective private providers to an efficient public health system.**
- Different health financing schemes are in place but they are not consistent and not integrated into a single plan. **Strengthening Contracting, HEF, CBHI and integrating them in a coherent plan are an immediate need.**
- While it is substantial, external aid for health is highly fragmented and not closely aligned with national health priorities. **Better close donor-government coordination, harmonization and alignment are crucial.**

The second strategic goal of the framework is to align donor funding with MOH strategies, plans and priorities and strengthen coordination of donor funding for health.

The third goal of the framework is to account for the main sources and uses at service delivery level of national resources of health. Appropriate allocation of credible budgets to service delivery units can be achieved through decentralized budget control and appropriate planning, budgeting and accounting capacities and tools. National health accounts or other types of comprehensive financial flow and expenditure tracking surveys need to be in place and provide a baseline for the implementation of the strategy. Contractual arrangements can be extended to public health service providers and autonomous institutions to ensure adequate

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coverage of health priorities. Incentive payment to staff is essential, but need to follow government policies (PMG and MBPI) and be well coordinated through financial and pooling arrangements within H&A process to avoid duplication.

Number 61		Relevance	Very [ ]	Mostly [ ]	Partly [ ]	Low [ ]
		Quality	Excellent [ ]	Very good [ ]	Good [ ]	Fair [ ]
Author	HLSP- Claes Örtendahl, Martine Donoghue, Mark Pearson Catharine Taylor, Joseph Lau					
Title	HEALTH SECTOR REVIEW (2003 –2007)					
Publisher and date	August 2007					
Main sectoral focus	Health sector					
Other sectors	Relevant	<ul style="list-style-type: none"><li>Aid effectiveness</li></ul>				
Purpose	The report reviews the experience in the health sector over the period and makes recommendations for the future					
Main issues	<ul style="list-style-type: none"><li>Health financing</li><li>Incentives for staff</li><li>Systems reforms</li><li>Planning</li><li>Sector-wide approaches</li></ul>					
Analysis	<p>Chapter 6 of the Report outlines systems experimentation in the health sector from 2003 – 2007:</p> <ul style="list-style-type: none"><li>Most efforts to date have focused on efforts to bypass Government systems.</li><li>Alternative financing mechanisms have expanded albeit in a rather ad hoc manner and rather more slowly than anticipated. Their coverage has increased but exemptions continue to be the primary way of protecting the poor in most ODs.</li><li>Exemptions continue to be the primary way (and a rather ineffective way) of protecting the poor in most operational districts.</li><li>The HSP period has seen the development of consensus on some key approaches e.g. MPBI and options on other (the future vision for the sector).</li><li>The next Strategic Plan will need to address the question of balance between longer term efforts to strengthen the Government system and short term efforts which in part bypass the system but deliver results. It also needs to develop a comprehensive approach which takes account of the interactions between the current approaches;</li><li>Ensuring future gains may be far more difficult and far more expensive.</li></ul>					

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Realistic costing of the next steps will, therefore, be extremely important

- Important initial steps have been taken to develop quality systems but capacity remains extremely limited
- Despite some important steps donor support continues to be extremely fragmented and generally poorly aligned with national priorities. Not only has this resulted in imbalances in the allocation of resources – it has also helped create a system of incentives which do little to ensure the effective delivery of essential services.

The policy recommendations that the Report made for HSP 2 included:

- The need to consider the question of balance between longer term efforts to strengthen the Government system and short term efforts which in part bypass the system but deliver results
- The need to develop a comprehensive strategy which takes account of the interactions between the different financing and systems reforms
- The need to plot out the future of ongoing pilot approaches;
- Ensuring an orderly transition from pilot to implementation phase for pilots especially for contracting
- Costed, prioritised expansion plans for the health insurance and HEFs
- An urgent need to agree a process for deciding the future of contracting
- the development of strong monitoring mechanisms are required to assess progress
- Developing sector wide management through a clearer, more operational plan which donors could buy into, a step by step development of current joint financing arrangements centred around key themes (e.g. HEFs, MBPI, increasing provincial level allocations), more proactive approaches to programming donor resources, better tracking of donor funding and its relation to national priorities and more explicit agreement on ways of working
- The need to develop a process for considering the future vision for institutional arrangements and taking forward findings from the institutional reviews
- Implement and monitor progress under MBPI and development of a plan to scale it up if successful
- The development of a road map and measures to strengthen information systems are key prerequisites to sustained quality improvement

**Number 62**

**Relevance**

Very [ ]

Mostly [ ]

Partly [ ]

Low [ ]

**Quality**

Excellent [ ]

Very good [ ]

Good [ ]

Fair [ ]

**Author**

United Nations

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<b>Title</b>	COMMON COUNTRY ASSESSMENT - CAMBODIA
<b>Publisher and date</b>	UN, 2009
<b>Main sectoral focus</b>	Health Sector
<b>Other Relevant sectors</b>	
<b>Purpose</b>	Assessment prepared by UN team in Cambodia as part of developing United Nations Development Assistance Framework
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Governance Issues</li> <li>• HR Issues</li> <li>• Capacity</li> </ul>
<b>Analysis</b>	<p>Health Services Delivery: The quality of services among both public and private providers is often below standard due to staff shortages, low skill levels of health professionals, inadequate quality assurance systems, and low-levels of staff motivation leading to a high absenteeism rate and often a dual public/private practice, the latter to the detriment of the former. Availability and access to health services are also constrained by difficulties of physical access to health facilities for rural and remote populations and prevailing discriminatory attitudes, practices and behaviors amongst healthcare providers.</p> <p>Addressing these issues requires adopting a continuum of care strategy for women and children, as a backbone of the health care service delivery system, linking other service delivery programmes with this continuum of care, upgrading infrastructure according to the disease burden and strengthening referral pathways.</p> <p>Human Resources for Health: Improving the capacity of health, medical and para-medical professionals working at all levels of the health system from remote areas to the central levels of health policy and planning requires improvement and harmonisation of education curriculum and working conditions, the creation of salary incentive packages (e.g. Merit-Based Performance Incentive Scheme), incentive-based deployment of health professionals in underserved areas, appropriate mix of competencies by level of care, and regulation of private practices. The weak capacity and deployment/retention issues of midwives are important concerns as these issues constitute major obstacles to improving access to reproductive healthcare services with the low maternal and neonatal health outcomes noted above.</p> <p>Health Financing: Out of pocket spending on health care, particularly among the poor is one of the primary causes of continued or deepened poverty. Around 40 percent of cases of families losing land involve health crises. Current health financing strategies focus on social safety nets, with the establishment of Health Equity Funds (HEF) which are still highly donor-dependent although plans to achieve universal access to HEF by 2015 by increasing its financial contribution to this scheme over that period of time.</p> <p>Aid Effectiveness and Governance: Despite positive trends in the RGCs role and leadership, the health sector remains highly fragmented with multiple implementing partners (22 donors, over 100 NGOs active, 122 projects in 2006). Further progress towards health-related MDGs in Cambodia and strengthening of the country health care system will depend on RGC and development partner's ability to tackle this fragmentation challenge. Ongoing efforts include: health sector</p>

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resource allocation increasingly consolidated using the existing Ministry of Health (MoH) budget and planning system; joint annual performance reviews involving RGC and DPs; and technical working groups at national and provincial levels. Cambodia is also among the first wave of countries piloting the International Health Partnership initiative, which places particular emphasis on harmonisation and alignment.

Sector unification will continue to pose serious challenges. The health system stewardship function which is associated with the "governance" cross-cutting priority of the HSP2 will translate into improved capacity of the MoH to set norms and make them implementable throughout all health system constituencies, public and private, governmental and non-governmental, at central and peripheral level. Participation and accountability of local authorities and communities will also have to be developed.

Envisaged developments in health financing, decentralization, increased autonomy of service providers and the needed increase for engagement with private sector all require new approaches, systems, skills and institutions. As a result, the MoH role will transform from a hierarchical management and direct delivery of services model towards a policy, regulatory and oversight model.

**Number 64****Relevance**Very ☒Mostly ☐Partly ☐Low ☐**Quality**Excellent ☐Very good ☒Good ☐Fair ☐**Author**

World Bank

**Title**

SECOND HEALTH SECTOR SUPPORT PROGRAM (HSSP2): PROJECT APPRAISAL DOCUMENT (PAD)

**Publisher and date**

May 2008

**Main sectoral focus**

Health

**Other Relevant sectors**

- PFM
- Planning

**Purpose**

To seek approval of the program based on appraisal set out in the PAD

**Main issues**

- Pooled financial arrangements for the operation of the Program
- Support given by Program to implementing sectoral plans
- Establishment of parallel FM arrangements
- Financial Management Improvement Plan
- Improving management information systems
- Monitoring of Program performance
- Procurement arrangements under Good Governance Framework

**Analysis**

The program provides support for implementing the Health Strategic Plan 2 (HSP2) through provision of pooled funding from the WB, AusAID and DFID. UNFPA and UNICEF are also contributing. Funding is provided against targets set in annual operating plans (AOPs) which are in turn linked to the annual Budget Strategic Plan.

The PAD concludes that due to weak internal controls it is not possible to rely on

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the Government FM systems but parallel systems developed during HSSP1 will be used, based on an updated Program FM Manual. A comprehensive Financial Management Improvement Plan is to be put in place which will implement the PFMR including a strengthened Internal Audit Department and building a new software system to enable timely provincial reports. Interim unaudited financial reports (IFRs) are prepared to enable reporting on Program progress. Project procurement is to be carried out under WB Guidelines using the International Procurement Agent (IPA) other than for low value procurement. Measures to increase transparency and accountability have been included in the procurement arrangements.

The detailed financial assessment is at Annex 7 it emphasizes that the Program is being implemented in a high risk environment, with weaknesses being observed in budget formulation and execution; in treasury's operations and cash management; and weak FM systems in the public sector. An independent audit firm is to be appointed to conduct continuous quarterly and end-of-year audits. Annex 8 outlines detailed procurement arrangements that are then spelled out point by point in Annex 12. .

Monitoring of results is based on key indicators drawn from HSSP2 so as to ensure there are a set of single common results that reflect the Government's priorities. Some indicators aim to improve planning, policy and implementation; financing of front line services; use of performance results to improve planning and management; broad commitment and ownership of the sector wide process; and sector governance. Monitoring is done through the HMIS under an agreed Health information System Strategy. There is a Joint annual performance review (JAPR) to look at project results.

The risk assessment in the PAD identifies as high risk the weak governance systems at country and sectoral level. Many substantial risks are also identified such as systemic corruption; weak institutional capacity; the quantity and quality of civil works; high procurement risk; high corruption risks associated with procurement weak institutional systems; weak financial management environment.

Given the high fiduciary risk, appropriate control measures have been incorporated in FM and procurement arrangements pursuant to a Good Governance Framework at Annex 12.

The PAD also outlines the environmental assessment previously undertaken in the sector.

The PAD describes human resource constraints as the critical obstacle to achievement of the sector's priority goals. The use of MBPIs and PMGs is discussed, as well as implementing the Special Operating Agency (SOA) reform.

The need to further strengthen harmonization and alignment is emphasized based on the HSS and AOPs and the JAPRs.

<b>Number 65</b>	<b>Relevance</b>	Very [ ]	Mostly [ ]	Partly [ ]	Low [ ]
	<b>Quality</b>	Excellent [ ]	Very good [ ]	Good [ ]	Fair [ ]
<b>Author</b>	Price Waterhouse Coopers				

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<b>Title</b>	EXTERNAL AUDIT REPORT FOR THE HEALTH SECTOR SUPPORT PROGRAM II: QUARTER ENDING 30 SEPTEMBER 2010
<b>Publisher and date</b>	World Bank
<b>Main sectoral focus</b>	Health Sector
<b>Other Relevant sectors</b>	<ul style="list-style-type: none"> <li>• PFM</li> </ul>
<b>Purpose</b>	Audit of financial statement as required under HSPPII
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Program expenditure over the period</li> </ul>
<b>Analysis</b>	<p>The statement outlines expenditure across the range of program activities.</p> <p>No program irregularities are identified by the audit</p>

## INTERIOR – DECENTRALISATION AND DECONCENTRATION

<b>Number 86</b>	<b>Relevance</b>	Very <input checked="" type="checkbox"/>	Mostly [ <input type="checkbox"/> ]	Partly [ <input type="checkbox"/> ]	Low [ <input type="checkbox"/> ]
	<b>Quality</b>	Excellent [ <input type="checkbox"/> ]	Very good <input checked="" type="checkbox"/>	Good [ <input type="checkbox"/> ]	Fair [ <input type="checkbox"/> ]

<b>Author</b>	Scott Leiper
<b>Title</b>	DECENTRALISATION AND DECONCENTRATION WORK SYSTEMS
<b>Publisher and date</b>	2010
<b>Main sectoral focus</b>	D and D
<b>Other Relevant sectors</b>	<p>PFM</p> <p>PAR</p> <p>Planning</p>
<b>Purpose</b>	This is the summary prepared by Scott Leiper of D and D work systems
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Sub-national planning</li> <li>• Sub-national finance</li> <li>• Implementation systems</li> <li>• National Contract database</li> <li>• NCDD Administration</li> </ul>
<b>Analysis</b>	<p><b>1. Sub-National Planning</b></p> <p><b>1.1 Commune/Sangkat Planning system:</b> The C/S Development Planning system is governed under a Sub-decree with the planning guidelines, which go into much further detail about process and formats, under an inter-Ministerial Prakas jointly signed by NCDD and Ministry of Planning. The Sub-Decree and Prakas were first signed in 2002 and were last updated in 2009.</p> <p><b>1.2 Sub-National Planning system (province/district):</b> An inter-Ministerial Sub-Decree recently approved also governs this system which will soon be</p>



implemented for the first time under the newly elected Sub-National Councils. The Prakas on the guidelines is currently at an advanced stage of preparations with a meeting on the draft scheduled for 12 April 2010.

**1.3 Commune Database (CDB):** The CDB is a custom made software program originally developed in 2001 that records a series of socio-economic indicators that are collected from each village on an annual basis (through a village data book) and aggregated at commune, district and province levels. The data is used to prepare commune, district and provincial profiles used for planning purposes and to monitor socio-economic development over time. A sub-set of questions is also used for preparation of predicted poverty levels used to determine a poverty index for each commune which is subsequently used for allocation of the poverty component of the CS Fund. The CDB is maintained by the Ministry of Planning.

**1.4 Provincial and District Data Books:** In 2009, the NCDD produced the first ever District and Province Data Books which are based on the best available information drawn from a variety of data bases and surveys used by various Ministries (Education, Health, etc..), the CDB and other sources and were disseminated through training to all Provincial and District Councilors in early 2010.

**1.5 Commune Development Planning Database (CDPD):** This database, originally developed in 2002 and updated most recently in 2009, records all of the priorities raised by all C/S Councils each year and also records the temporary agreements signed in District Integration Workshops held in October-November across the country. As an indication of scale, for the 2009 cycle over 60,000 priorities and 45,000 responses were recorded in the CDPD. As a tool for monitoring and analyzing the demand at the local level and the response or 'supply' from the government, IO's and NGO's to the local demand the CDPD is very useful. The CDPD is maintained at province and national level by the Ministry of Planning. An analytical report covering five years has just been completed and is available.

## **2. Sub-National Finance**

**2.1 Commune Sangkat Fund:** Adopted by Sub-Decree in 2002, this is the first inter-governmental transfer system in Cambodia established to finance the C/S Councils. A sub-decree adopted every three years sets the percentage of domestic revenue allocated to the C/S Councils through the national budget. Some development partners, UNDP and World Bank, directly contribute to the CS Fund. The C/S Fund has two components: one for general administration including allowances for village authorities and CS Councilors, and one for local development. Each year, through a formula with different weightings for a base rate, population and poverty, the fund is allocated to all 1,621 C/S Councils. Based on an annual budget prepared by all C/S Councils, a transfer schedule is established by the Ministry of Economy and Finance with five tranches. Unlike other components of the national budget, the balance of funds in the C/S account at end December roll over into the next year. The Provincial Treasury provides the accounting function and the Provincial Branch of the National Bank provides the banking functions. There are numerous Prakas on the various financial management and budget execution guidelines.

## **2.2 NCDD Financial Management Manual**

This manual, originally developed under Seila in 2001 and last updated in 2009,

governs the financial management procedures for all resources retained in US Dollars that are transferred under project agreements to: a) the NCDD and b) to the Provincial Executive Committees. Resource flows from donors to national executing agencies to the Provincial Executive Committee vary widely but once received in accounts held by the Executive Committees standard procedures are followed (see fund flow diagram attached).

### **2.3 Peachtree Software Accounting System**

This commercial software was adapted in 2004 for use by all Provincial Executive Committees and the NCDD for a) all US Dollar based accounts and b) for the CS Fund development component through which WB replenishment for eligible expenditures is managed.

## **3. Implementation**

**3.1 CS Project Implementation Manual (PIM):** This manual governs the entire CS Project Cycle from the time that CS Annual Budgets are approved. The manual covers the procedures for project feasibility studies; safeguards for environment, land acquisition and ethnic minorities; project design, procurement, contracting, implementation, monitoring, reporting, etc.. The PIM has been adapted as an implementation manual by many different projects outside of the CS Fund (i.e. ADB) and is used for nearly \$ 40 million of local investment per year. Originally developed in 2005 the PIM was last updated in 2008.

**3.2 CS Project Information Database (PID):** This data base was developed to record and track all relevant information on the design, cost, payments and implementation progress for all CS Projects financed through the CS Account held in Provincial Treasury. Several other projects providing targeted allocations to CS Councils are also recorded in the PID which on an annual basis tracks over 2,000 CS projects. Originally developed in 2002, the PID was last updated in 2009.

**4. National Contract Database (NCD):** This software was developed for the purpose of both designing and monitoring implementation contracts signed between the Provincial ExComs and implementing departments and agencies as well as the contracts signed between the NCDD and implementing Ministries. Contracts (or subprojects) are designed through user friendly menus that record basic information on inputs, activities, outputs, payment schedules, etc.. Once complete, the contract is printed and signed and thereafter progress reports are received with information entered into the software. As all information is coded and unit costs for various administrative expenses entered, the NCD is used for a variety of analytical purposes.

## **5. Administration**

**5.1 NCDD Administration Manual:** This manual governs all administrative procedures for the NCDD and the 24 Provincial ExComs including: procurement, personnel management, DSA, travel, correspondence, filing, etc.. Originally developed under Seila, the Administration Manual was last updated under the NCDD in 2009.

**5.2 District Information System:** This data base records information related to District Administrations including numbers of civil servants and councilors, assets/inventory, utilities, etc.. and is updated annually. The data base was developed in 2007.

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**5.3 Inventory Data Base:** This data base records all equipment that is owned or on loan to the NCDD including all 24 Provincial Ex Coms and includes information on date of purchase, cost, serial numbers, inventory code, etc.

Number ?	Relevance	Very relevant [ ]	Partly relevant [ ]	Low relevance [ ]	
	Quality	Excellent [ ]	Very good [ ]	Good [ ]	Fair [ ]
Author	R. Rohdewohld and d. D. Porter				
Title	CONTRIBUTING TO DEMOCRATIC DEVELOPMENT: OPTIONS FOR FUTURE DONOR SUPPORT TO DECENTRALISATION AND DECONCENTRATION				
Publisher and date	April 2006				
Main sectoral focus	D and D				
Other Relevant sectors	<ul style="list-style-type: none"><li>• PFM</li><li>• PAR</li></ul>				
Purpose	<p>To present options and make recommendations for the future on future donor support for D and D against the background, intentions and needs of the D and D Strategic Framework and in the context of the policy for sub-national development</p> <p>The options that were to be developed under the study were to contain modalities that reinforced Government ownership and authority and prevented the development of dual parallel systems; and promoted the accountability of elected officials.</p>				
Main issues	<ul style="list-style-type: none"><li>• Comparative review of existing institutional and funding arrangements for donor support in D and D;</li><li>• Dysfunctional aspects of existing D and D arrangements;</li><li>• Principles to be applied to ensure D and D is effective;</li><li>• Options for future arrangements and new funding modalities.</li></ul>				
Analysis	<p>The report concluded that the D and D modalities that were then used by donors undermined local accountabilities and would make a unified administration very difficult. There are six key requirements for successful D and reform:</p> <ul style="list-style-type: none"><li>• a committed and strongly facilitated national champion;</li><li>• strong arrangements for Government/donor coordination;</li><li>• strong donor-donor coordination;</li><li>• effective links between sector reform and decentralization reform;</li><li>• effective links between decentralization reform &amp; wider public sector reform;</li><li>• common processes of design, preparation, reviews and monitoring.</li></ul>				

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In considering any new modalities, it is important to understand how particular modalities might affect patronage arrangements- will they be resisted because they undermine corruption opportunities or will they create new types of corruption

Section B of the paper identifies seven principles that D and D modalities should promote: local participation and ownership; political and administrative accountability; government ownership; fiscal efficiency, transparency and accountability; flexibility and sustainability; managing for results and performance; and donor-government cooperation.

Section C of the study focused on existing D and D practice. Local officials regarded three factors as critical to D and D: re-engineering governance around local accountability; creating a unified government at provincial and district level; and ensuring fiscal decentralization in the sense that resources follow functional responsibility. However current systems promote centralization so that resources are captured and used to reinforce patrimony. Unless government officials are rewarded in accordance with their responsibilities it will be difficult to make them accountable- instead the incentives system which lies at the heart of government/donor relations will continue to foster the patrimonial system.

Section C details case studies related to donor programs and projects. The crowding effect of multiple relationships with donors distracted attention from the local constituency; the relative neglect of governance issues put innovation at risk; and the PRDC/EX Com arrangement provided limited potential for local accountability; the overriding strength of vertical sector programs could overwhelm different levels of sub-national government and had led to creation of parallel systems; and there was also the harmful effect of the dominant capacity building modalities. However, the positive effects of harmonized and aligned programs speeded up making funds available at the local level. Often local officials had little knowledge of donor activities in their province.

Section D of the study suggests the use of new modalities involving multiple financing instruments in D and D including pooled funds, specific purpose grants, a reform facility, sector programs etc. This might include an element of performance based allocation where the sub-national authority pursued a particular reform.

Three options are canvassed for future donor support to sub-national authorities: through sector programs; through inter-governmental grants financed by sector budget support; or through support under multiple financing instruments disciplined by RGC-donor D and D agreements. The third option is preferred as producing the best outcome against the seven principles that D and D should promote (local participation etc).

## GENERAL AND CROSSCUTTING

### GENERAL

<b>Number 74</b>	<b>Relevance</b>	Very [ ]	Mostly [ ]	Partly [ <input checked="" type="checkbox"/> ]	Low [ ]
	<b>Quality</b>	Excellent [ ]	Very good [ <input checked="" type="checkbox"/> ]	Good [ ]	Fair [ ]
<b>Author</b>	Sokbunthoeun So, Sedara Kim and Aled Williams with Vandoeun Chhiv,				

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<b>Title</b>	DIALOGUE DYNAMICS, PROGRAMMING CHALLENGES: DONOR APPROACHES TO ANTI CORRUPTION AND INTEGRITY REFORM IN CAMBODIA 2004-2009
<b>Publisher and date</b>	Anti-Corruption Resource Centre, April 1010
<b>Main sectoral focus</b>	Cross-sectoral
<b>Other Relevant sectors</b>	
<b>Purpose</b>	The study reviews donor anti corruption support in Cambodia
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Integrity of country systems</li> <li>• Contextual issues affecting corruption in Cambodia</li> </ul>
<b>Analysis</b>	<p>Poor governance and corruption are widely acknowledged as major impediments to alleviating poverty and achieving development objectives in Cambodia.</p> <p>The study identifies two sorts of good governance programs supported by donors in Cambodia. The former generally encompasses programmes aimed at upgrading the government's technical and management capacities, including those that address public financial management, public administration reform, and legal and judicial reform. The latter involves projects and programmes that are designed to nurture the role of social stakeholders in holding public officials accountable for policy decisions.</p> <p>The leverage that international donor agencies appear to be able to exercise with regard to good governance, anti-corruption and integrity reform may be mitigated by three factors, however. First, there is no single strategy among donor agencies for how to address corruption and integrity at country level. Second, China has recently emerged as a major donor to Cambodia and appears until now not to have prioritized institutional reforms to the same extent as other international donors present in the country. Third, the existence of deposits of oil and gas in Cambodia's territorial waters in the Gulf of Thailand was confirmed in 2006. Significant revenues from these resources are expected when production begins in 2011- this inflow of oil and gas revenues will add another income source to the state budget which may be somewhat removed from external pressure to implement institutional reforms linked to good governance.</p> <p>The nature of aid dependency allows for the advancement by donor agencies of various good governance and anti-corruption reform initiatives. The domestic political economy, however, presents conditions that are resistant to such reforms. Cambodia displays features of the neo-patrimonial state, whereby modern bureaucracy and the personalized patron- client relationships of traditional authorities are fused. Personalized relationships pervade the formal bureaucratic structure and allow for a "politically motivated distribution of favours" that can take place reciprocally or unequally between two persons (a patron and a client), but also between one patron and a larger group (patronage). There is a strong and complex patronage network that consists of a key segment of the political, military and business elite. Reforms that are judged as inimical to the network do not succeed.</p> <p>While in name there is a commitment to good governance, there appears to be a lack of substantive commitment to achieving the strategic objectives and commitments, as indicated by the prolonged and incomplete process for enacting</p>

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an anticorruption law.

Though it should be recognized that low governance capacities and wages continue to be immense challenges in Cambodia, corruption in the country by no means merely relates to a lack of technical expertise in specific institutions, or even, in some instances, to a lack of sufficient financial resources. It is also directly related to the political-economic conditions that dictate everyday life. Technical and financial assistance that is not cognizant of these political-economic conditions is likely to result only in “empty” institutions and initiatives that are unable to make a substantive contribution to improving governance standards or, specifically, to the reduction of corruption.

Good performance in the education and health sectors appears to be aligned with the short and medium term political interests of the Cambodian elite, since this helps alleviate the more immediate consequences of resource distributions associated with the neo-patrimonial system. Continued donor support for strengthening supply side institutions for good governance in relation to these sectors may therefore meet with some successes. An acute awareness on the part of donors is required of the political space in which such reforms are taking place, however, which perhaps again underlines the necessity for more frequent, informal dialogue between donor and government representatives.

#### AID EFFECTIVENESS AND TECHNICAL COOPERATION

<b>Number 74</b>	<b>Relevance</b>	Very [ ]	Mostly [ ]	Partly [ <input checked="" type="checkbox"/> ]	Low [ ]
	<b>Quality</b>	Excellent [ ]	Very good [ <input checked="" type="checkbox"/> ]	Good [ ]	Fair [ ]
<b>Author</b>	Royal Government of Cambodia				
<b>Title</b>	A Guideline on the Provision and Management of Technical Cooperation				
<b>Publisher and date</b>	CDC, September 2008				
<b>Main sectoral focus</b>	Aid Effectiveness				
<b>Other Relevant sectors</b>	Cross cutting issues				
<b>Purpose</b>	This guideline sets out standards for managing technical cooperation resources allocated to Government projects. The guideline is intended to establish a set of norms against which progress can be measured. Future monitoring of the Guideline's implementation is intended to be integral part of managing the development partnership in Cambodia				
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Technical Cooperation as an input to capacity development</li> <li>• Institutional arrangements for capacity development and technical cooperation</li> <li>• Management of capacity development in externally financed programs and projects</li> </ul>				

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## Analysis

The guidelines include provisions as follows:

- Technical cooperation design and provision must be defined according to national priorities and based on a Government-led analysis of specific needs.
- Capacity assessments are the recommended modality for defining Ministry or sector-wide priorities. Where such an assessment is not in place, Government may commission such an exercise in dialogue with development partners using the Technical Working Group (TWG) mechanism.
- Capacity assessments should, inter alia, elaborate on how Government understands the specific nature of its capacity challenge and the required response of technical cooperation providers. Technical cooperation support will then be subject to rigorous programme design, appraisal, risk assessment and monitoring processes to ensure that it is consistent with the capacity assessment.
- The sourcing of technical cooperation support will be a joint exercise under Government leadership. South-South-based approaches using resources from the region are a preferred option, implying a preference for the use of untied grant aid in financing technical cooperation activities.
- Internationally-agreed norms require that Government systems be used for programming, budgeting, implementing and reporting on the use of all development assistance.<sup>1</sup> Exceptions must be elaborated in project documentation with identified time-bound steps towards the strengthening and use of national systems in the future. The Accra Agenda for Action (4 September 2008), paragraph 15, refers: "Donors agree to use country systems as the first option...Should donors choose to use another option they will transparently state the rationale...Where country systems require further strengthening, developing countries will lead in defining reform programmes and priorities. Donors will support these reforms and provide capacity assistance."
- Coordinated and harmonized technical cooperation support in the context of a programme-based approach, or using a form of co-funding or pooling, is a preferred delivery modality as it provides a more effective interface between DP support and the wider capacity development objectives of Government. Complementarity in the use of different technical cooperation modalities (e.g. advisory support, training, equipment) and between a range of broader aid modalities (e.g. projects, pooled funds, budget support) must therefore be managed in the context of a comprehensive sector plan and budget that programmes the use of all domestic and external resources.
- Implementation of technical cooperation programs will therefore be

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aligned with the objectives of counterpart ministries and departments as articulated in Annual Operational Plans, budgets, sector strategies and related capacity assessments.

- Where there is no alternative to establishing a Project Implementation Unit (or similar structure) to manage technical cooperation resources, these functions must be integrated with mainstream Government programming, implementation and monitoring functions.
- Notwithstanding the over-arching principle of Government leadership, the capacity development objective of technical cooperation requires that joint management structures be established, including to identify internally-consistent Government arrangements at project and sector level.
- Accountability for performance should therefore be to Government in the first instance. A Government-led joint review that is based on agreed monitoring criteria identified during the formulation of the program should ensure flexibility in project management arrangements.
- Joint management arrangements will be extended to monitoring.
- Monitoring objectives include building confidence in the project objective and approach, problem identification/resolution, identifying any need to re-deploy resources, and to demonstrate accountability for results.
- The basis for monitoring will be included in the project documentation agreed during project formulation. Performance criteria should be applied in the wider context of an organization's capacity objectives and should be less occupied with the narrower outputs of the project.

<b>Number 82</b>	<b>Relevance</b>	Very [ ]	Mostly [ ]	Partly [ ]	Low [ ]
	<b>Quality</b>	Excellent [ ]	Very good [ ]	Good [ ]	Fair [ ]
<b>Author</b>	Economic Institute of Cambodia				
<b>Title</b>	THE EFFECTIVENESS OF TECHNICAL CAPACITY IN CAMBODIA				
<b>Publisher and date</b>	JICA, March 2007				
<b>Main sectoral focus</b>	Health, Water				
<b>Other Relevant sectors</b>	Cross cutting issues affecting capacity building				
<b>Purpose</b>	To draw lessons and best practice in capacity building				
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Principles relevant to capacity building</li> <li>• Review of case studies in projects for Phnom Penh water supply and national tuberculosis control</li> </ul>				



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## Analysis

- Key success factors in capacity building

JICA applies eight principles to capacity development:

- country leadership in advancing capacity;
- country ownership;
- joint efforts in involving stakeholders;
- long term commitment
- a sustainable mechanism after project completion;
- a program-based approach;
- a flexible approach that is responsive to development needs;
- M and E.

As relevant indicators JICA looks for long-term commitment; respect/ownership; knowledge acquisition through mutual learning; frank dialogue with transparency; sustainability; incentives; real demand and needs; endogenous capacity; engagement with patience; accountability to beneficiaries.

Both case studies are interesting examples of how capacity building can change attitudes to work.

The Phnom Penh water supply case study is regarded as an example of successful capacity-building where the needs of users are now being met. The case study examined the experience against the above eight indicators. One main success was the creation of a work force that is hardworking, responsible, motivated and responsive to user demand. Training methods including OJT were regarded as particularly effective, as was the close collaboration with technical experts. PPWSA is a public enterprise whose staff receive higher salaries than in the public service.

In the tuberculosis project, OTJ training was particularly effective way of learning for Cambodians. Overseas training was also highly effective. JICA found it had to pay incentives in order to gain full-time performance.

There were four key conditions and mechanisms for success in the two projects:

- the comprehensive approach and timing of Japanese assistance
- the working behavior of the Japanese experts induced a better work ethic amongst Cambodian counterparts
- strong ownership and leadership from Cambodian senior staff; and
- firm commitment and collaboration between Japanese staff and Cambodian counterparts

Financial incentives are needed when working conditions are not satisfactory and salaries are low.

The nature of relationship between donors and recipients affects the success of technical cooperation- respect, partnership and dialogue is crucial.

Need to understand the comparative advantage of the donor in the sector.

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## CAPACITY BUILDING

<b>Number 21</b>	<b>Relevance</b>	Very [ ]	Mostly [ ]	Partly [ <input checked="" type="checkbox"/> ]	Low [ ]
	<b>Quality</b>	Excellent [ ]	Very good [ <input checked="" type="checkbox"/> ]	Good [ ]	Fair [ ]
<b>Author</b>	Anthony Land and P. Morgan				
<b>Title</b>	TECHNICAL COOPERATION FOR CAPACITY DEVELOPMENT IN CAMBODIA				
<b>Publisher and date</b>	CDC, January 2008				
<b>Main sectoral focus</b>	Aid Effectiveness				
<b>Other Relevant sectors</b>	Cross cutting issues				
<b>Purpose</b>	This report reviews the unsatisfactory experience in the use of technical cooperation for capacity development in Cambodia and makes recommendations for improvement.				
<b>Main issues</b>	<ul style="list-style-type: none"> <li>• Technical Cooperation (TC) as an input to capacity development;</li> <li>• Recommendations to improve the management and governance of technical cooperation;</li> <li>• Recommendations to improve capacity development practice;</li> <li>• Coordination of capacity building.</li> </ul>				
<b>Analysis</b>	<p>There is a pervasive sense in the development community in Phnom Penh that TC was not making a sufficient contribution to Cambodian development and in particular to the development of sustainable capacity. Expenditures on TC currently make up some 50% of all official development assistance (ODA) to Cambodia.</p> <p>Three actions are suggested to strengthen management and governance of TC:</p> <ul style="list-style-type: none"> <li>• Encourage RGC Responsibility for design, procurement and management of TC</li> <li>• Reduce Aid Fragmentation through increased harmonization and alignment</li> <li>• Strengthen RGC Capacity for TC management.</li> </ul> <p>CD practice can be improved through discussion and learning; improvements in design; employing better TA personnel; recognizing the centrality of public sector reform; and improved DP capacity.</p>				

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The report goes on to suggest a coordinated effort to give more systematic attention to capacity issues based on five initiatives:

- To do more case work to get a more evidence-based sense of what works and what does not in the Cambodian context.
- To pull these patterns together in a way that can generate some basic principles of practice. This will include translation of the final text of this document, considerable consultation, and broad-based efforts to build consensus across Government, in the DP community, as well as between the two.
- To discuss these principles and approaches at the Partnership and Harmonization Technical Working Group in an effort to induce and guide more coordinated action by both the RGC and its development partners.
- To include more explicit reference to CD in the Joint Management indicators as an indicator of the increased importance placed on this issue as well as to underline a mutual realization that other priority objectives will not be achieved without strengthened CD support.
- • Consider the merits of introducing some form of independent monitoring exercise to review progress on CD as part of the broader aid effectiveness agenda and the mutual accountability commitments that are included in this work.

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## ANNEXES

ANNEX 1: TERMS OF REFERENCE

2010-02-08

**Terms of Reference – Study of assessments of national structures and systems for aid implementation in Cambodia**

**1. Background**

The EU Development Partners have identified the Use of Country Systems as a key issue in implementing aid effectiveness in Cambodia. According to the Paris Declaration Survey, the use of country systems by DPs in Cambodia is very low, 12% in 2007. This is an indication of low levels of alignment which make development assistance ineffective in supporting national ownership and sustainable capacity development.

The most common reasons given by DPs for not using country systems in Cambodia are that the quality of systems is low and that the Government lacks capacity (and sometimes even will) to implement and manage public resources through its own institutions and systems. One problem with these arguments is that DPs could contribute to strengthening the systems by using them, instead of establishing parallel systems and structures for their own projects and programs. The present situation creates a vicious circle where donors are not using the systems since they are considered weak and thereby perpetuating the weaknesses.

In order to contribute to turning this into a situation where national capacity is developed through increased use of country systems, EU DPs have decided to prepare a joint country situation analysis to provide a better understanding of the strengths and weaknesses of state structures in Cambodia. The aim is for a common ground to be established – based on analyses of the quality, capacity, political economy and governance of country systems – from which donors draw individual conclusions.

The first step of the exercise will be to produce a mapping of relevant studies to date, i.e. already existing (plus ongoing and planned) analyses and assessments that can feed into the coming joint analysis. The outcome of the mapping is expected to be an easily accessible document that can be used to assess the current 'portfolio' as well as what additional analytical work might be needed in order to produce the joint analysis.

**2. Objective**

The objectives of this study are:

- 1) to present available information on national structures and systems in Cambodia, as derived from existing analyses and assessments, in order to provide donors with improved knowledge as background for decisions about the alignment with and use of country systems in implementing their development cooperation.
- 2) to provide information for identification of bottlenecks for DPs use of country systems and needs for reform and capacity development to address these bottlenecks.

**3. Links to other processes**

The EU initiative shall be managed to coordinate with, complement and support other similar processes. The aim is to make better use of all existing information. The mapping process will be fully transparent and will be carried out in coordination with the Government, other DPs, Civil Society and researchers. A survey of EU DPs current use of country systems will be made separately. The study is included in the workplan for the Technical Working Group on Partnership and Harmonisation and is expected to be included in the OECD-DAC process on Country Systems.

#### **4. Material, method**

The main method will be study of existing material. Selected interviews will be necessary to get information and clarification.

The study will cover assessments made by Government, Development Partners, Civil Society and independent researchers. Relevant material to be processed includes analyses and assessments of:

- the quality, capacity, functioning, and performance of country systems and structures of ministries, authorities, public administration at central and local levels, as well as committees, councils, TWGs etc.
- governance aspects, such as relating to political culture, political economy, power structures
- quality, and execution of the budget, as well as budget capacity

The gathering of material will be carried out through extensive searches of available archives, (complemented by interviews to make sure all available material is found). All studies which make some kind of assessment of national systems (as defined below) shall be considered. The points of interest are the causal links as related to development cooperation. For example, in a programme/project assessment or evaluation, what is of interest are the causal links that are drawn from the capacity or governance issues of the country structures to the success or failure of the project/programme, *not* the project/programme in itself.

#### **5. Expected results**

The study is not expected to make its own assessments of country systems, but to present and assess existing information in a structured way.

Relevant information shall be presented in three different parts:

- a) *A thematically organized part*, in which the information derived from the various analyses is summed up, arranged according to sector. Since analyses often cover more than one sector information from one single study will often be spread over several sections of the mapping. The first priority is to cover information regarding the systems and structures relating to:

- Ministry of Health/ TWG Health; HIV/AIDS
- Ministry of Education, Youth and Sport/ TWG Education
- Ministry of Planning/ TWG Planning and poverty
- Ministry of Economy and Finance/ TWG PFM
- Ministry of Interior/ TWG D&D
- CAR/ TWG PAR
- Ministry of Agriculture , Fisheries and Forests/ TWG Agriculture and Water; Fisheries; Forestry

The thematical part should also feature a concluding discussion on the analytical gaps that have been identified in the process, i.e. gaps to be filled during the ensuing phase(s).

- b) *A simple matrix* showing sector by sector which analyses have fed into the above descriptions.

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- c) An *annotated bibliography*, providing summaries of the main findings of each analysis and assessment with regards to their input to this study. No description of overall content shall be included. The length of the summaries will depend on the relevance for this study. Assessments of the quality and relevance of the studies should be included, but no judgement of their results should be made.

## **6. Definitions and limitations**

The expression “national structures and systems” refers to country systems in the wider sense. The Paris Declaration uses both a more narrow definition for easy indicative measuring, focussing on public financial management and procurement systems, but it also uses a wider definition for the partnership commitments. For a study of the present kind, aiming to provide better understanding of the specific setting in Cambodia, the definition must be wide. Thus, country systems as defined for the present purpose include:

- Planning
- Public financial management systems (including procurement, planning, budgeting, payment system, debt management, taxation/revenue system, accounting, and external and internal auditing)
- Social assessments
- Environmental assessments
- Human resource management (including civil service reform)
- Monitoring and evaluation/results framework

The analysis will concentrate on studies carried out since 2007, although earlier work may be included if relevant.

## **7. Process, time frame, scope**

At the start of the process, consultants will meet with the EU DC group to clarify points in the terms of reference, the scope of the study and the methodology to be used. .

The process will start as soon as the contract with the consultants has been signed. A draft document shall be presented widely to all stakeholders for comments, as well as presented and discussed at an EU-DC meeting. It will be included in the workplan of the Technical Working Group on Partnership and Harmonisation, led by the Government of Cambodia and with presence of government ministries, development partners and civil society organisations. It should also be coordinated with other relevant TWGs. The final document shall be delivered before the end of May 2010.

A working group consisting of Sweden, France and the EC has been formed to follow the process more in detail. Further discussions on sequencing of the study are required, taking into account planned studies and how to conduct the study in the most aid effective way. The consultants shall coordinate with the ongoing evaluation of the Paris Declaration.

## **8. Team qualifications**

The consultant team should consist of a senior international consultant as team leader and advisor and two consultants, of which at least one must be Cambodian. The consultants must have good knowledge of Cambodian institutions and be able to process documents in both English and Khmer.

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The final document is to be written in English. The team must have very good knowledge of aid effectiveness concepts, PFM systems and experience from similar assignments.

**9. Budget**

The maximum budget is SEK 500 000.



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## ANNEX 2: LIST OF PERSONS CONSULTED

INSTITUTION	INTERVIEWEE	POSITION
ADB	Eric Sidgwick	Senior Country Economist
AusAID	Andrew Cornish	Health Advisor
	Lachlan Pontifex	Country Director
CAR	Alain Bénicy	Government Advisor
	Ngo Hong Ly	Secretary General
CCC	Borithy Lun	Executive Director
CDC	Chhieng Yanara	Secretary General
	Phillip Courtnadge	UNDP Senior Advisor
	Rith Vuthy	Deputy Secretary General
CDRI	Sedara Kim	Senior Research Fellow
	Sin Sovann	Social Development Programme Coordinator
Danida	Jacob Jepsen	Counsellor
DFID	Richard Erlebach	Head of Office
EU	Christian Provoorst	Attaché, Education, Health and Social Development
	Seth van Doorn	Political and Commercial Affairs Officer
	Katarina Courtinadge-Kovacevic	EU Consultant Aid Effectiveness
FAO	Livio Valentini	Economist
France	Gilles Angles	Charge de Mission de Cooperation
GTZ	Schilling Heinrich-Juergen	Country Manager
HSSP2/PER	Diane Northway	Consultant
	Elizabeth Chambers	Controller
JICA	Keiko Suzuki	Project Formulation Adviser
	Nhean Tola	Senior Program Officer
MAFF	Che Savan	Chief of Office of DAF
	Dum Savy	Deputy Director of DPHRD
	Kith Seng	Under Secretary of State
	Kry Sydo	Deputy Director of DPS
	Mak Mony	Chief of Office of DPS
	Ourng Heng	Deputy Director of ADA
	Prum Somany	Deputy Director of DIC
	Ray Purcell	WB Consultant PER
MAFF, TWG	Tith Bonle	Executive Officer
MAFF, Fisheries	Chan Danith	Coordinator
MEF	Chea Sengyi	Deputy Chief of Bilateral Cooperation Division, Investment and Cooperation Department
	Keo Phally	Chief of Office
	Kim Phally	Director
	Liv Bunhay	Director of Department of Local Finance
	Neng Panha	Deputy Chief Office

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INSTITUTION	INTERVIEWEE	POSITION
	Vong Rodavuth	First Deputy Director of Department of Public Procurement
	Yong Sy	Deputy Chief of Office
	Youk Bunna	Steering Committee Secretariat Deputy Manager
MEF	Hang Chuon Naron	Secretary General
MoEYS	Dave Quinn	Team Leader, Policy and Strategy Adviser
	Sam Sereyrath	Director of Planning
MoH	Mey Sambo	Director of the Personnel Department
	Or Vandine	Director of Department of International Cooperation
Mol - NCDD	Scott Leiper	
NCDD	Ngain Chamroeun	Deputy Director General
PD Consultancy Team	Arthur DelVecchio	Technical Adviser
Sida	Karl-Anders Larsson	Counsellor, Economist
	Luon March	Program Officer
	Magnus Saemundsson	Education Specialist
UNDP	Ann Lund	Head of the UN Office of the Resident Coordinator
	Douglas Broderick	UN Resident Coordinator
	Frederic Jeanjean,	
	Pichrachana Pou	
	Vibol Chea	
UNFPA	Alice Livesay	Country Director
UNICEF	Kimse Leang	
	Peter De Vries	Chief of Education Section
USAID	Kate Crawford	Director Office of Public Health and Education
World Bank	Leng Bunlong	Environmental Specialist
	Luc Lecuit	Procurement Specialist
	Peter Murphy	Public Sector Management Specialist
	Rebecca Carter	Coordination Specialist
	Samsen Neak	Poverty Specialist
	Seida Heng	Financial Management Specialist
	Simeth Beng	Senior Human Development Operations Officer
	Sreng Sok	Procurement Specialist
	Tim Johnston	Senior Health Specialist