



Kingdom of Cambodia

Nation – Religion – King

ព្រះមហាក្សត្រសីហនុ

Royal Government of Cambodia



THE CAMBODIA AID EFFECTIVENESS REPORT 2007

**Prepared by
the Cambodian Rehabilitation and Development Board
of the Council for the Development of Cambodia
for the First Cambodia Development Cooperation Forum (CDCF)
on 19-20 June 2007**

May 2007



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Acknowledgement

The major source of information used in preparing this Aid Effectiveness Report is the reports prepared by Technical Working Groups (TWGs) for the Government-Donor Coordination Committee. The efforts of all TWG Chairs, focal points and lead donor facilitators is therefore acknowledged with gratitude and it is hoped that this Report will be of use to them in their future work. It is also necessary to acknowledge the significant time and effort that has been contributed by development partner focal points who entered information about their programmes into the CDC Database. Without their patience and cooperation much of the quantitative analysis used in this Report could not have been produced.

The findings in this Report are based on the evidence that has been collected and analysed by CRDB. In all cases CRDB has attempted to validate the data and to confirm the factual basis for the analysis that has been presented. CRDB recognizes, however, that in some instances the data requires further validation. Development partners are strongly encouraged to continue to work with Government to ensure the accuracy of the data that is presented.

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Foreword

When the National Strategic Development Plan (NSDP) was launched by the Royal Government of Cambodia in January 2006, external assistance was highlighted as a critical input to the attainment of NSDP objectives and the Cambodia Millennium Development Goals. Soon after the launch of the NSDP the Government therefore outlined its priorities for promoting the impact of development assistance in its Updated Harmonisation, Alignment and Results (H-A-R) Action Plan.

The H-A-R Action Plan, which applies many of the principles of the Paris Declaration on Aid Effectiveness to the context of Cambodia, identifies ownership as the cornerstone of effective aid management. This assertion is given practical meaning by the establishment of the Cambodia Development Cooperation Forum (CDCF) as the successor to the Consultative Group, and, given the CDCF's focus on NSDP implementation and results, it is appropriate that this first Aid Effectiveness Report be associated with the establishment of this new high-level dialogue mechanism.

This Report focuses on the use of development assistance in supporting the implementation of the NSDP. It is particularly concerned with the role of evidence-based approaches in promoting a partnership that is centred on achieving development results. It considers broad trends and, based on the analysis of data provided by our development partners by mid-April 2007, provides policy prescriptions that will support effective aid management across the whole of Government. In this sense it is complementary to, but distinct from, the NSDP Annual Progress Report that reports on progress toward priority outcomes.

This Aid Effectiveness Report also highlights the potential for increased use of aid data across Government, both amongst central ministries in mobilising external resources, preparing the National Budget and the Public Investment Programme (PIP), and at line ministry level, for example in supporting capacity development and the strengthening of national systems. In both cases, the emphasis is on making better use of information to strengthen the planning process, to support results-based monitoring, and to enhance accountability to domestic and international partners.

It must be emphasised that transparency itself is a fundamental objective of our aid effectiveness work, indeed the two are highly complementary as we can only expect to increase effectiveness if we also work to raise awareness and to increase accountability. This Report, and the on-line Database from which much of the information and analysis is derived, therefore establishes an important link between aid and development results by disseminating information, promoting dialogue and emphasising the accountability obligations of us all.

This Aid Effectiveness Report has been prepared by the Cambodian Rehabilitation and Development Board (CRDB) of the Council for the Development of Cambodia (CDC), in its role as the Government's aid coordination and resource mobilisation focal point. I would like to take this opportunity to acknowledge the work of H.E. Chhieng Yanara, the CRDB Secretary General, and his colleagues, who have prepared this Report and also serve as the secretariat to the CDCF. It is my hope that this Report will serve not only to inform the discussion at the CDCF but, in light of the important analysis that it contains, that it will also be of wider interest to Government, the Technical Working Groups and to broader civil society.

Phnom Penh, May 2007

Sr. Minister **KEAT CHHON**, M.P
Minister of Economy and Finance
First Vice-Chairman, Council for the Development of
Cambodia

Executive Summary

The 2007 Aid Effectiveness Report (AER) has been prepared for the first meeting of the Cambodia Development Cooperation Forum (CDCF) and represents an attempt to introduce a more evidence-based and results-oriented approach to aid management in Cambodia. Potential transmission mechanisms between aid effectiveness work and improved development outcomes include:

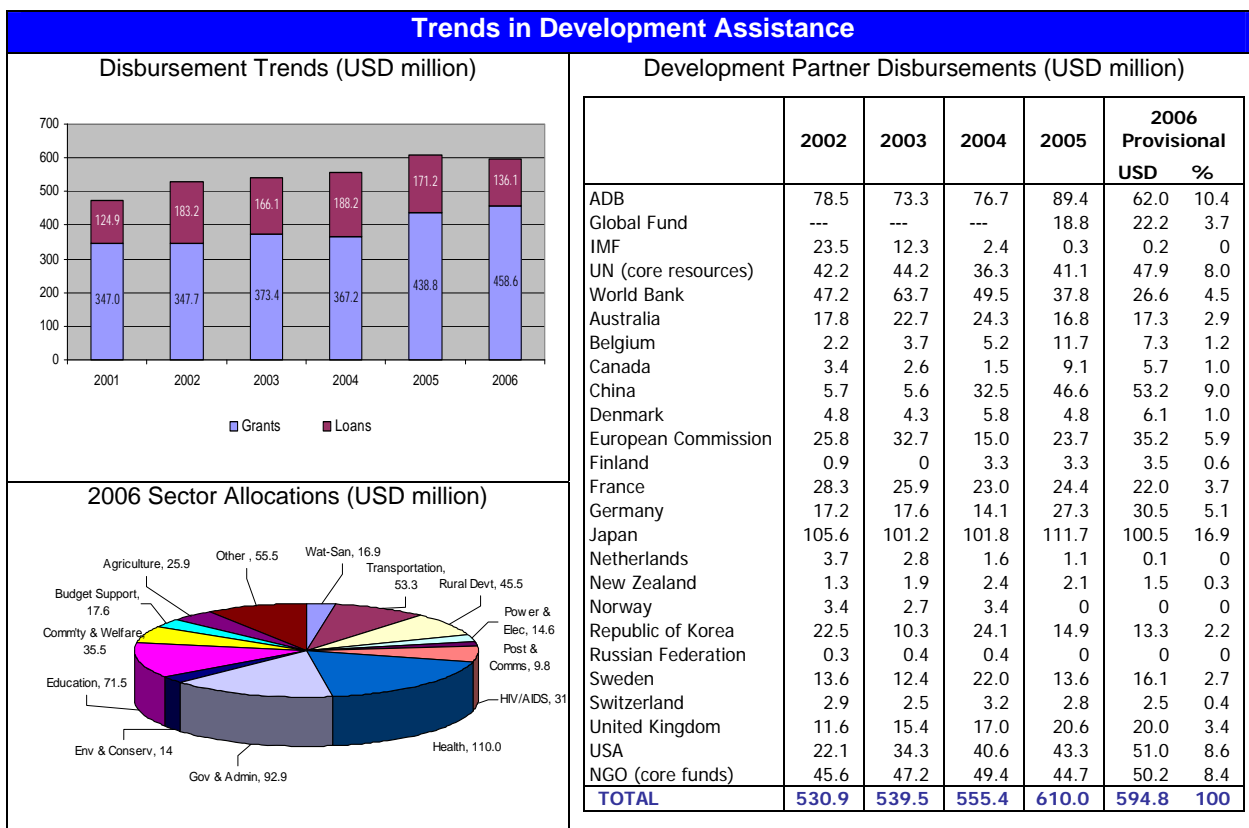
- (i) the opportunity provided by the new aid effectiveness agenda to consolidate national ownership;
- (ii) improved national planning and budgeting to inform resource allocation; and
- (iii) renewed focus on capacity development practices and the use of monitoring systems.

Progress in consolidating the development partnership

In its annual review of the development partnership, the AER recounts significant progress but also highlights the need to turn our attention from planning and conducting studies towards a focus on the implementation of the H-A-R Action Plan. Major milestones in 2006 and early 2007 included the preparation of the Strategic Framework for Development Cooperation Management, the completion of a GDCC-TWG Review, and the production of a 'Guideline on the Role and Functioning of the Technical Working Groups'. In October 2006, the Government and most major development partners also recommitted themselves to this joint endeavour by co-signing the Declaration on Enhancing Aid Effectiveness. The Report proposes that it is perhaps now time for taking concrete actions to consolidate the link between aid effectiveness work and the achievement of development results.

Analysis of trends in the provision of development assistance - Fragmentation and Concentration

The analytical section of the Report demonstrates that the development partnership in Cambodia is characterised by over 30 development partners providing support across a wide range of sectors, with many of these development partners supporting a large number of activities and projects.



Source: CDC Database, April 2007

Despite efforts to establish programme-based approaches, development assistance is provided mainly in the form of projects, with approximately half of total aid in the form of technical assistance. The

Report emphasises the need for more effective aid management practices to be established if this support is to be used to maximise effect. Other significant analytical findings of the Report are:

- Development assistance in 2006 is provisionally estimated at USD 594.8 million, a small decline from the amount of USD 610 million reported for 2005 (which has been revised upwards based on a previous estimate of USD 524.9 million reported to the April 2006 CG Meeting);
- There is a relatively strong degree of alignment between the NSDP's financing profile and the commitment of external financing reported in the PIP. Actual disbursements, while broadly matching the NSDP profile, are not quite as closely aligned, however;
- Broadly in line with the NSDP, the sectors receiving the most development assistance in 2006 were health (USD 110 million), governance (USD 93 million), education (USD 71.5 million), transportation (USD 53 million) and rural development (USD 45.5 million).
- Loan financing declined from USD 171 million in 2005 to USD 136.1 million, reflecting the shift toward grant funding by major donors. ADB remains the largest loan provider (USD 54.6 million) while the transport sector is the main recipient of loan finance (USD 29.1 million);
- Investment programmes (46.5%) and technical cooperation (46.2%) comprise the main shares of development finance. Concern related to high levels of technical cooperation, which are approximately double the average rate for LDCs, remains a key aid effectiveness challenge;
- The Report shows that NGOs make a significant contribution to the national development effort, providing over USD 50 million of their own funds and implementing USD 63 million of donor assistance. Health, governance and education provide the main focus for NGO activity;
- There is encouraging evidence of development partners harmonising their approaches and working together in key sectors such as health. While the data is inconclusive it suggests that still more needs to be done to ensure that these partnerships contribute to the aid effectiveness effort.

The main data source of the Report is the CDC Database, complemented by results from the 2006 Paris Declaration monitoring survey and Technical Working Group (TWG) Progress Reports. The Report recognises that data integrity issues continue to be of concern and proposes that further effort by Government, development partners and NGOs to validate the information provided would facilitate a closer alignment of support to the NSDP as well as supporting the evolution towards more evidence-based development management across the priority sectors.

Implementation of the Harmonisation, Alignment and Results (H-A-R) Action Plan

Having analysed the main trends in development assistance, alignment with the NSDP and different funding modalities, the Report turns to the implementation of the H-A-R Action Plan. Across all sectors and TWGs there is encouraging evidence of progress. In the context of the H-A-R Action Plan's identified priority actions, the Report highlights the following:

Ownership	Many sectors and TWGs have developed NSDP-based strategies as a step towards programme-based approaches. Budget and PIP alignment paves the way for enhanced resource allocations to priority sectors and for improved budget execution
Alignment	Empirical evidence shows that the aggregate profile of aid is relatively well matched to NSDP funding requirements. The development of sector plans and strategies, together with ongoing PFM reforms, will provide for the strengthening and increased use of national systems.
Harmonisation	There is strong evidence of emerging partnerships and co-financing arrangements and, as sector programmes are developed, these may play a leading role in moving to SWAp-type arrangements. PIUs and missions continue to fragment capacity and impose transaction costs.
Managing for Results	The first NSDP Annual Report APR has been produced for the CDCF meeting and NSDP monitoring will be further strengthened. Further dissemination and application of the SOP/NOG is required to support alignment with Government systems.
Mutual Accountability	The TWG-GDCC and CDCF mechanisms provide for dialogue at all levels and the 2006 TWG-GDCC Review made a number of recommendations that will promote mutual accountability at sector level. Development partners are encouraged to continue to provide ODA data to CDC.

This section concludes that, while much has been achieved, Government and development partners must continue to strengthen their partnership and identify practical measures to promote the impact of aid. In this way, their efforts may then have a demonstrable effect on: (i) the reduction of transaction costs and enhanced national aid management; (ii) in utilising technical cooperation so that it contributes more effectively to building national capacity; and (iii) most important, in making a measurable contribution to the attainment of the Cambodia Millennium Development Goals.

Identifying a set of aid effectiveness indicators

A principal aid effectiveness-related activity of 2006 was the Paris Declaration monitoring survey, an exercise that provides the basis for establishing a set of national indicators to augment the H-A-R Action Plan. Government noted the strong commitment of development partners to completing the survey exercise and to ensuring that the results they provided gave an accurate reflection of how they viewed their efforts to implement the Paris Declaration.

Having completed this exercise it was therefore possible to incorporate these indicators into the H-A-R Action Plan, although they may require some further validation before targets can be agreed at the national level. This process can now be efficiently undertaken as, by customising the CDC Database, data on most of these indicators, i.e. those at the project level, can be routinely monitored for sector and national reporting purposes. Based on the dialogue that accompanied the process of completing the survey and this Report, two additional indicators to those used in the Paris Declaration exercise have been added:

- a) To monitor the number of delegated partnerships and co-financing arrangements; and
- b) To work with development partners to collect, validate and report on information entered into the CDC Database that will be used for Government-wide aid management purposes.

Indicators	2005 Baseline	2010 Target
<i>Ownership</i>		
Implementation of national plans and frameworks	Continue developing the NSDP monitoring and annual reporting exercises, strengthening the PIP-Budget link and implementing the Strategic Framework on Development Cooperation Management	
<i>Alignment</i>		
Quality of PFM systems	2.5 (CPIA rating)	3.5 or higher
Aid reported on budget	79%	90%
Coordinated technical cooperation	36%	50%
Use of country PFM systems	10%	tbc
Use of country procurement systems	6%	tbc
Parallel PIUs	49	16
In-year predictability of aid flows	69%	85%
Untied aid	86%	More than 86%
<i>Harmonisation</i>		
Use of programme-based approaches	24%	66%
Number of delegated partnerships	226 (123 projects)	tbc
Coordinated missions	26%	50%
Coordinated country analytical work	58%	70%
<i>Managing for Results</i>		
Sound performance assessment framework	C	B or A
<i>Mutual Accountability</i>		
Reviews of mutual accountability	Development partners provide data on support to CDC and both Government and development partners implement the mutual accountability components of the TWG Guideline.	

The next task in H-A-R monitoring will therefore be to validate the data of each development partner and to consider the nature of any sector-specific aid coordination challenges before identifying additional concrete actions – and associated indicators and targets - that are considered necessary.

Consolidating a set of policy-based recommendations and actions

By combining the quantitative analysis with the complementary reports provided by line ministries and TWGs, it is possible to make some practical recommendations on how to proceed with the implementation of the H-A-R Action Plan. Other than augmenting the H-A-R Action Plan with a set of indicators, it is not proposed that the Plan be modified but, emphasising the partnership-based nature of aid effectiveness work, it is recommended that the relative priorities and implementation efforts be concentrated on the following actions:

Recommendation One: Increased Effectiveness of the Technical Working Groups and GDCC

- a) *Development partners should actively engage with lead ministries to review the TWG Guideline and to identify a roadmap, and monitoring tool, for increased aid effectiveness;*
- b) *Line ministries and TWGs should identify the nature of transaction costs associated with aid management and agree specific prescriptive actions to address them;*
- c) *Programme-based approaches must evolve so that they represent real efficiencies in aid management, including pooled technical cooperation, joint reviews, increased use of evaluations and common implementation arrangements using Government systems.*

Recommendation Two: Implementing the Strategic Framework and the CDC Mandate

- a) *Development partners should routinely include CRDB/CDC in arrangements for signing new financing agreements and country strategies;*
- b) *Development partners are requested to enter details of all their support into the CDC Database and to provide copies of signed project documents and agreements;*
- c) *Development partners should ensure that consultations with CDC take place at least on an annual basis, including to validate data.*

Recommendation Three: Capacity Development and Impact of Technical Cooperation

- a) *Development partners should participate in and support the study on technical cooperation to be undertaken by CDC in the latter half of 2007;*
- b) *The recommendations of the TC report should be linked to the implementation of the H-A-R Action Plan across all line ministries and TWGs, including needs assessments;*
- c) *In the context of the major reforms and the use of programme-based approaches, development partners should work together to assess and rationalise the capacity and advisory components of their support to Government.*

Recommendation Four: Promoting Mutual Accountability

- a) *Government lead ministries and development partners should conduct joint reviews across all reforms, TWGs and sectors;*
- b) *Where considered necessary, TWGs may choose to employ an independent monitoring exercise to identify partnership-based solutions to aid partnership-based challenges;*
- c) *Annual routine monitoring of the JMIs, the H-A-R Action Plan and its associated indicators will continue to provide the basis for a dialogue at the annual CDCF meeting.*

Progress in taking forward these recommendations and in overall implementation of the Strategic Framework and the H-A-R Action Plan will be assessed in mid-2008, which will represent the mid-way point in the NSDP cycle. This will provide an opportunity for any revision of the H-A-R Action Plan that is considered to be necessary.

Conclusion

This Report attempts to establish a closer link between aid effectiveness work and efforts to realise improved development results. The analysis provides evidence-based policy recommendations that may contribute not only to more effective aid management but also to enhanced development results. The Report has established empirically, for example, that Cambodia's aid coordination challenge is formidable and the manner in which aid is programmed, managed and delivered will therefore influence the outcome of development assistance as much as the amount that is provided.

It is therefore encouraging that most line ministries, in partnership with their associated TWGs and development partners, have reported making significant progress but, as the 2006 Paris Declaration monitoring survey highlighted, much remains to be done if aid coordination-related activities are to move beyond the level of the cosmetic towards making a real difference in delivering results and to developing national capacity that will sustain progress towards the NSDP targets and CMDGs.

It must also be observed that the management of development assistance cannot be seen as an exclusively technical exercise. There are many complexities, concerns and interests that inform the scale and scope of development cooperation. The analysis presented here must therefore be nuanced into the wider discussion related to the role, rationale and desired impact of development assistance but, based on the significant progress made to date, and the demonstrated commitment to partnership, there is every reason to believe that the recommendations made in this Report can be fully implemented.

1. Introduction

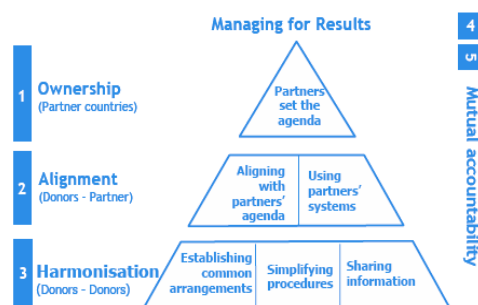
This Aid Effectiveness Report (AER) has been prepared for the first meeting of the Cambodia Development Cooperation Forum (CDCF), replacing the Development Cooperation Report that was previously prepared for meetings of the Consultative Group. The CDCF focuses on the achievement of development results and this Report emphasises the important contribution that development assistance makes in progressing towards the National Strategic Development Plan (NSDP) goals.

With an emphasis on the 'Managing for Development Results' approach that is required for the successful implementation of the NSDP, our collective efforts to promote aid effectiveness are linked to the broader objective of promoting improved development outcomes. This requires that we pursue a more evidence-based approach to aid management, meaning that the collection, analysis and interpretation of the data becomes increasingly important. Only then can we document these lessons so that they can be fed back into the policy and decision-making dialogue.

To establish a more complete understanding of the links between the NSDP and aid effectiveness it is useful to begin this Report by squarely addressing the question, "How is the aid effectiveness agenda linked to the achievement of development results?"

The Harmonisation, Alignment and Results (H-A-R) Action Plan of the Royal Government is informed by the global aid effectiveness work and, in particular, the Paris Declaration. This Declaration, a compact between donor and partner countries, provides a framework that associates development effectiveness, i.e. the combined impact of all parties engaged in the national development effort, with five principles. These principles, presented in the pyramid below, represent the results-based initiatives that might be taken in each of the following areas: ownership; alignment; harmonisation; an explicit focus on and increased use of results-based approaches; and an acknowledgement of the role for mutual accountability in managing development partnerships.

The links between harmonisation, alignment and improved development outcomes are often presented as self-evident. While there may indeed appear to be an intuitive link, there is still much that needs to be considered, however, if this causality is to be made conceptually useful so that practical lessons can be learned and applied. It is therefore necessary to develop a better understanding of the linkages between aid effectiveness work and results, and how we might expect improved management of development assistance to impact on development results. The following transmission mechanisms may be of particular relevance:



- *Building an authentic ownership.* The effective use of all resources is premised not only on technical processes of aid management but also on developing a common vision and a shared set of priorities. The manner in which aid is provided, its contribution to building a partnership and its impact on developing national capacity to determine, lead and manage the development process is perhaps the main longer-term determinant of aid effectiveness.
- *Policy development.* Aid effectiveness work enables the efficiency of resource use to be considered, in particular the extent to which development assistance supports or fragments national capacity, the extent to which it is deployed to national priorities and the extent to which there is overall coherency in aggregate allocations and use of complementary modalities.
- *Planning & resource management.* Aid effectiveness work in Cambodia, places a strong emphasis on the use of financial data. This can support the Public Investment Programme (PIP) and Budget exercises, providing estimates of resource availability that will enhance the Budgeting exercise and the strategic medium-term funding of priority programmes.
- *Service delivery.* The ability to show which NSDP-related activities or services are being directly funded with development assistance will allow the planning and monitoring of service delivery to be strengthened at both national and sub-national levels.
- *Effective monitoring tools.* The cornerstone of any managing for results system is the existence of an information management system. Effective monitoring and evaluation is premised on a

knowledge of what resources went in to a process and what results should have come out. This Report, and the CDC Database record of assistance, should contribute to this.

- *Transparency and Accountability.* By creating awareness and an appropriate level of expectation, the sharing of information, and associated peer monitoring can promote efficiency and accountability in resource use. The CDC Database, for example, provides data on completed and on-going projects, the results of which can be objectively verified or used as an input to a public expenditure tracking exercise.

'Managing for development results' is therefore about more than collecting data, and much more than simply maintaining a scorecard of indicators. Both development partners and partner countries would agree that there is a pressing need to make our aid effectiveness work more operational; that there has been a significant effort made to change the manner in which aid is delivered, to establish any number of working groups and committees dedicated to discussing how this might be done, and yet the outcome in terms of development results have not always been immediately evident. In short, too much heat and not enough light.

The challenge in linking development assistance to results is therefore to establish a better understanding of the nature of this linkage and then to make it operationally useful by strengthening national ownership and creating policy-relevant tools that can monitor results. These results can then be fed back into the policy-making and resource allocation processes.

Aid Effectiveness: A Policy Imperative

Having underlined the importance of our aid effectiveness work this Report uses sources that include the inputs submitted by TWGs to the GDCC, the 2006 GDCC-TWG Review, the OECD/DAC Paris Declaration monitoring survey, and the CDC Database to present a consolidated analysis that supports the effort to translate aid effectiveness efforts into development outcomes. This Report succinctly highlights the nature and scope of the coordination challenge in Cambodia and shows that, as is suggested in Table One, below, not only is the challenge formidable but that rising to it will be essential if NSDP outcomes are to be realised.

Table One. Development Assistance: Indicators of Transaction Costs

	1996	2000	2003	2005	2006
Aid Receipts (USD m)	518.1	466.8	539.5	610.0	594.8
Number of development partners	44	36	32	33	32
Share of aid (5 largest partners)	60%	57.5%	58.7%	54.4%	52.9%
Number of projects on-going	283	314	550	662	574

Source: CDC Database and CDC Development Cooperation Report (various years, UN agencies counted individually)

The Report also attempts to derive some practical policy-relevant lessons and demonstrates that, by making better use of data and empirical experience, we can provide policy makers with the evidence that is needed to ensure that development assistance provides effective support to the NSDP. This Report is therefore very much about effective aid coordination and 'managing for results': *increased aid effectiveness is not presented as a policy choice but, rather, as a policy imperative.*

Chapter Two of the Report recounts the main activities of 2006 related to the development partnership and reflects on some of the main trends in development cooperation. Chapter Three provides an analysis of development cooperation activities in the context of the H-A-R Action Plan. Chapter Four reviews the process of establishing a baseline for monitoring aid effectiveness before Chapter Five attempts to provide some policy direction based on the evidence presented in earlier chapters. Chapter Six then concludes the Report by acknowledging that, while there is much to be done in terms of establishing robust data systems that will consolidate the aid effectiveness and development results linkages, there is sufficient evidence to show that aid management initiatives are making progress and that they can be expected to have a positive impact on the implementation of the NSDP.

Throughout the Report an effort has been made to identify and to discuss emerging practices. In the case of those practices that are considered to have particular merit the Royal Government and development partners are encouraged to consider what makes them good practices and to consider if elements of them can be adapted and replicated.

2. Development Cooperation in 2006

Development cooperation activities in 2006

This section reviews some of the key development partnership activities that took place in 2006 and associated efforts to enhance aid effectiveness.

In January 2006 the NSDP was approved by Government following a series of consultations with development partners and civil society. The NSDP promotes effective national ownership and leadership of the development effort by providing a national, overarching framework for pursuing prioritised goals over the period 2006-2010. It is intended to guide resource allocations and to promote the integration of development assistance with national systems. It is therefore of strategic importance for development partners who are expected to align their country assistance strategies with these national priorities and systems.

To ensure that aid management is fully consistent with the NSDP and with the Paris Declaration commitments of both Government and development partners, in February 2006 the Government approved its Updated Action Plan on Harmonisation, Alignment and Results. Priority activities were identified according to the five pillars of the Paris Declaration and responsibilities for implementation were agreed.

Implementation arrangements for the H-A-R Action Plan were set out in the Strategic Framework for Development Cooperation Management (SFDCM), which was also approved in early 2006. The SFDCM provides an institutional framework for external resource mobilisation and aid coordination functions and outlines objectives and principles that guide the management of development cooperation. The Cambodian Rehabilitation and Development Board of the Council for the Development of Cambodia (CRDB/CDC) was mandated to be the Government focal point for resource mobilisation and aid coordination, providing support on-demand to all development partners and ministries/agencies on aid allocation and utilisation issues.

Major Development Cooperation Activities 2006-2007

January 2006	January	February	March	May – August	September	October	October	December	Feb 2007
NSDP	SFDCM	H-A-R Action Plan	CG Meeting	OECD/DAC Survey	TWG Review	CDCF established	Declaration on Aid Effectiveness	Capacity study	TWG Guideline
Sets priorities and targets	Establishes framework for aid management	Identifies aid management priorities	Dialogue and pledging	Data related to H-A-R provides basis to review priorities/targets	Reviews aid coordination mechanism	Establishes nationally-owned for a	Recommits RGC and partners to H-A-R Action Plan	CRDB Capacity Strategy finalised	NSDP/H-A-R links clarified

Development partners indicated their support for these arrangements in three important ways. First, a Multi-Donor Support Program (2006-2010) was established under CDC management and this Program has now been fully-funded by five partners. During the latter half of 2006 the Program supported the production of a Capacity Development Strategy that will inform the strengthening of Government's aid coordination focal point function over the next four years.

Second, the Government and its development partners met at the Consultative Group (CG) in March 2006 to discuss the NSDP, the reform agenda and the associated need for more emphasis on strengthening aid management. After noting that the Government's ambitious reform agenda required further support and effort, the meeting concluded with a broad endorsement of progress made and a pledge of over USD 600 million from development partners. Finally, fourteen of Cambodia's major development partners signed a Declaration on Enhancing Aid Effectiveness in October 2006 and, although some donors insisted that it be non-binding, it usefully applies the global principles that both Government and its partners have endorsed to the context of Cambodia.

The H-A-R Action Plan is implemented through the Government-Donor Coordination Committee (GDCC) that oversees the Technical Working Group (TWG) mechanism. With a view to improving the functioning of the TWG-GDCC mechanism, a review of both the CG and GDCC-TWG mechanisms was conducted by CRDB/CDC in its role as the Secretariat of GDCC. The CG mechanism review recommended strengthening partnership through enhanced Government ownership and leadership as a starting point. The review therefore proposed the establishment of the Cambodia Development Cooperation Forum (CDCF), a Government-chaired meeting with all national and international stakeholders with a focus on the NSDP and its associated financing framework. After a process of consultation on the CDCF proposal with development partners, and some amendments to accommodate their concerns, the proposal was submitted to Samdech Prime Minister on 28 September 2006 for approval.



Senior Minister H.E. Keat Chhon and development partners signing the Declaration on Enhancing Aid Effectiveness in October 2006

The GDCC-TWG Review was also subject to an intensive round of negotiation and consolidation, a process that served to increase the quality and representative nature of the Review. The results of the Review were then used to prepare a 'Guideline on the Role and Functioning of the TWGs', which was endorsed by the Government on 23 February 2007. This paper attempts to clarify the role of the TWGs in supporting, and not substituting for, Government management of development assistance in the context of establishing or consolidating effective management of sector-wide programmes that are based on the NSDP.

The highlights of the TWG-GDCC Review that were subsequently incorporated into the Guideline include:

- An emphasis on promoting *ownership* through clarification of TWGs coordinating and supporting role;
- Promoting effective dialogue and *mutual accountability* by providing guidance on the size of TWGs, their composition and criteria for their establishment;
- Ensuring a focus on *alignment* and *harmonisation* by clarifying roles and functions of TWGs (NSDP Linkages, PBAs, financing, capacity) and identifying activities that support Government implementation;
- Promoting a focus on *results* through programme-based management and by developing common reporting and review arrangements; and
- Identifying support structures (GDCC dialogue and CRDB/CDC support available on request) to ensure that TWGs have sufficient recourse to aid management expertise.

The CG and GDCC-TWG Reviews also provided an opportunity to streamline the management of the Joint Monitoring Indicators (JMIs). This exercise has clarified the criteria for establishing indicators as well as improving arrangements for their management by the GDCC. It is intended that these Reviews, and in particular the new JMI arrangements, will promote a focus on achieving key results while also consolidating the mutual accountability characteristics of the development partnership.

Based on these experiences, the Government has established some basic principles and a process for establishing the JMIs that reflect the spirit of mutual respect and accountability that is required to achieve Cambodia's development and reform goals. The basic principles that have been proposed are:

- JMIs must be based on priorities outlined in the NSDP and the associated reform programs of the Royal Government;
- JMIs are a compact between the Government and its development partners. They should therefore be based on the principles of mutual accountability, not of a conditionality framework, with resources, responsibilities and timelines identified and agreed;
- While the NSDP indicators are primarily at the output or outcome level, it may be more appropriate for JMIs to focus on the processes and actions that are required by both Government and development partners in order to realise the NSDP targets and outputs; and
- JMIs should be established at the level of the TWG and should, therefore, be achievable and monitorable by the participants within that TWG. If this is not the case, then a proposed JMI will require discussion and approval at the GDCC.

Trends in Development Cooperation

This section considers trends in development cooperation by using data extracted from the CDC Database and data contained in the OECD/DAC Creditor Reporting System. It begins by looking more closely at the aggregate provision of development assistance, considering some of the principal features of development cooperation in Cambodia and the empirical nature of the aid coordination challenge in Cambodia.

The analysis then turns to the NSDP and highlights the efforts that have been made to align development assistance to the NSDP, as well as some of the challenges that remain. Trends in disbursements are then considered, by both development partner and by sector, before a more detailed analysis is presented on four key sectors (agriculture, education, health, and infrastructure), highlighting how summary data on sector support can be quickly applied to facilitate evidence-based analysis and dialogue.

The survey questionnaire that was used to collect data to facilitate this analysis is attached as Annex Three, a full description of the CDC Database, its structure and future development options is included as Annex Four and a reflection on the quality of data, and measures for its improvement over the medium-term, is attached as Annex Five. Additional data presentations are provided in Annex Six and the sector and sub-sector classifications, which are based on the NSDP priority sectors, are presented as Annex Seven.

Long-Term Trends in Development Cooperation

Over the period 1992 to 2006, a total of almost USD 7 billion was reported to have been disbursed by development partners to Cambodia (see Annex Six). These have included contributions of:

- USD 2.7 billion (39% of the total) by non-EU member countries
- USD 1.96 billion (28% of the total) by UN Agencies and IFIs
- USD 1.7 billion (25% of the total) by EU member countries and the EC
- USD 1.43 billion (21% of the total) from Japan
- USD 575 million (8%) of core funding provided by NGOs

By far the largest single development cooperation contributor is Japan. Since 1992, Japan has provided 21% of all development cooperation resources. Other major contributors of grant aid over the 1992-2006 period are:

- UN Agencies providing nearly USD 600 million
- United States, providing nearly USD 500 million
- European Commission that has provided nearly USD 450 million
- France that has provided over USD 430 million
- Australia that has provided nearly USD 300 million

Cambodia: Concentration and Fragmentation in the Delivery of Aid

The charts overleaf plot relative degrees of concentration and fragmentation in the provision of development assistance, first for a range of Least Developed Countries (LDCs) and neighbouring countries and then as a time series for Cambodia. This concentration is determined by the number of providers of development assistance in a country and the relative shares of their support in total development assistance.¹

The index shows that Cambodia is characteristic of a highly deconcentrated aid environment. Whereas a country with a higher index value may have one development partner, or an otherwise very limited number, providing a significant share of total aid, Cambodia has over thirty development partners which, with just a few exceptions, provide relatively equal shares of support.

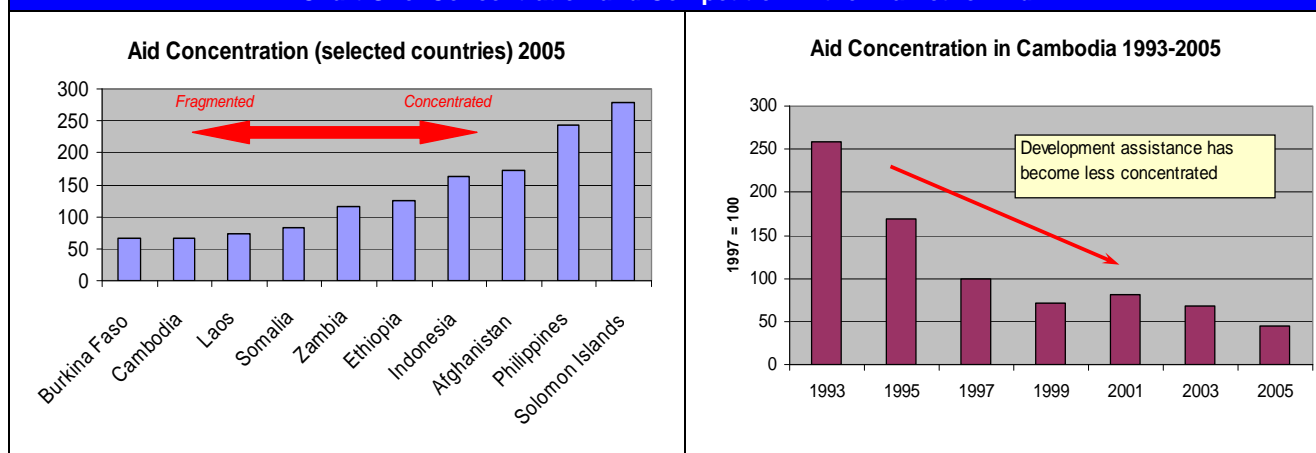
The chart on the right, overleaf, shows that, as one might expect, the aid environment has become markedly more 'competitive' over the past decade as more partners have commenced or resumed the provision of support. It is a little more surprising, however, that this trend has continued to become more acute in the last 4-5 years, in part because of the entry of new partners.

1

$$H = \sum_{i=1}^h P_i^2$$

This data presents a Herfindahl Index (H), calculated by summing the squares of each partner's percentage share of the total aid disbursed, and then indexing it so that the median observation is equal to 100. It therefore reflects both the number of partners providing support as well as relative shares and distribution. (See Annex Eight)

Chart One. Concentration and Competition in the 'Market for Aid'



Source: OECD/DAC Creditor Reporting System

The empirical evidence suggests that the aid environment in Cambodia might therefore be described as one of the most competitive in the world. The OECD/DAC, in a 2004 'Survey on harmonisation and Alignment' in fourteen partner countries, found that, in such an environment, each partner, in an attempt not to be marginalised or to lose profile, is inclined to participate in every decision and to join every policy dialogue, resulting in a significant escalation in transactions costs for both development partners and government.

Where this deconcentrated environment has led to increased competition between development partners, the effect can be that development partners, and the government ministry counterparts, become increasingly focused on the results of their own projects, losing sight of the broader and more strategic objectives of the national programme. The link between development assistance and results may be obscured, while resources committed by government to managing and brokering development assistance risks crowding out the growth of domestic accountability.

This does not imply that direct measures need to be taken to 'increase concentration' in the delivery of aid. Rather, the position of the Government is that diversity must be preserved while working in partnership to address the symptoms of fragmentation. The Royal Government of Cambodia welcomes support from all of its partners and notes that, if carefully managed, this provides for innovation and a broad range of policy perspectives to inform the NSDP.

Aid fragmentation across sectors and development partners

A related concern for each aid receiving country is sector fragmentation, which refers not only to the extent to which multiple donors comprise the overall aid profile but also the degree to which the support of each development partner is dispersed across multiple sectors and projects.

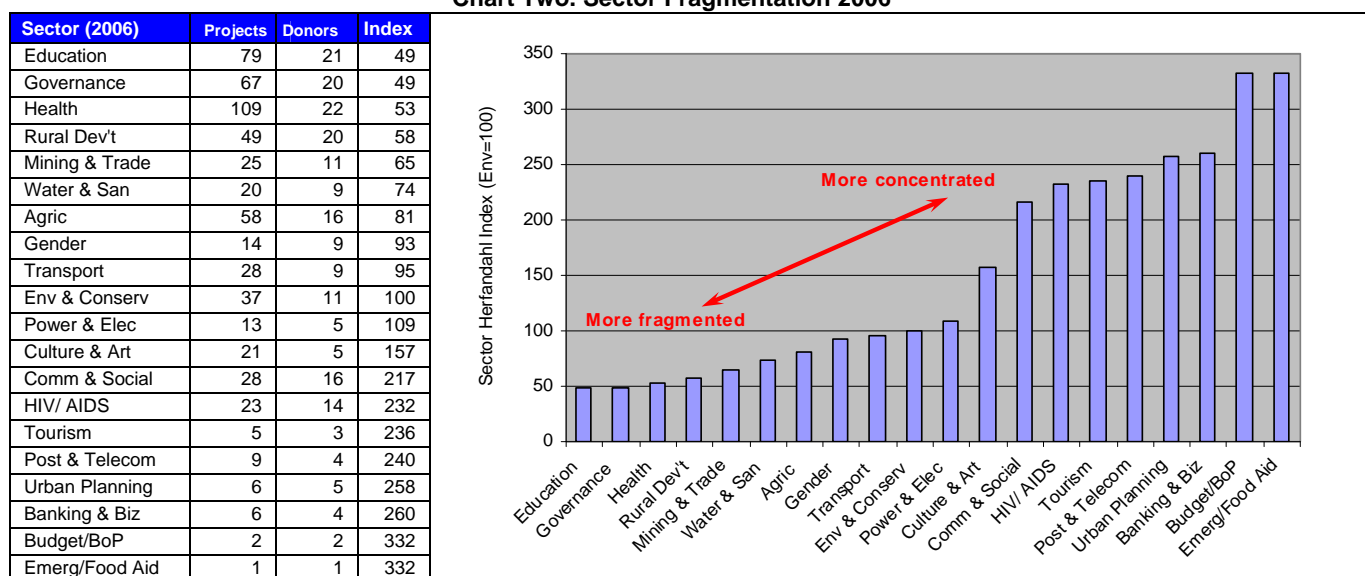
Calculating a Herfindahl Index for each sector – i.e. considering the number of partners in each sector and their relative sector shares - does indeed highlight that some sectors face a formidable coordination challenge. Although some 'sectors', such as governance, include multiple reform programs and a diverse set of activities across a reported 67 projects in 2006, it is clear that, for sectors such as health and education (with 109 and 79 projects respectively), there is a need to ensure that their sector programmes work effectively to lower transaction costs if the Government is to exercise effective leadership over the sector.

It is also notable that the ministries responsible for agriculture and water, both of which are highly fragmented sectors (although also under-resourced as the alignment section, below, will highlight), together with the respective TWG, have recently finalised the preparation of their sector-wide programme, which comprises a strategic response to the aid management challenge in those sectors. Conversely, some sectors demonstrate a highly concentrated share of funding, often due to there being a single partner supporting that 'sector' (e.g. WFP, representing a range of delegating partners, providing food aid).

The final set of analysis related to proliferation and fragmentation considers the profile of development partner support. This fragmentation, besides exacerbating the problem of escalating transaction costs in aid management, has been identified in the development literature as perhaps having an additional and more pernicious effect. This relates to the stripping of local capacity as each partner seeks to establish its own expertise in each sector in which it has a presence. The literature also highlights a tendency towards 'donor

competition' that results in a focus on the achievement and attribution of project results as opposed to concentrating on the impact of the overall development effort in supporting the national programme.²

Chart Two. Sector Fragmentation 2006



By constructing an index for each development partner, weighted by size of disbursement and number of projects, as well as the number of sectors supported, it is possible to consider the degree of concentration in their support to Cambodia. In this case a composite index is constructed based on average size of project disbursement in 2005 and 2006 and a Herfindahl Index that takes account of the number of sectors and the amount of support associated with each development partner. Table Two, below, shows the variables that have been constructed. Making the assumption that average project size is a more significant indicator of fragmentation than the number of sectors that are supported, the Composite Index is based on a 70:30 weighting.

Table Two. Composite Index of Project and Sector Fragmentation in Cambodia (2006)

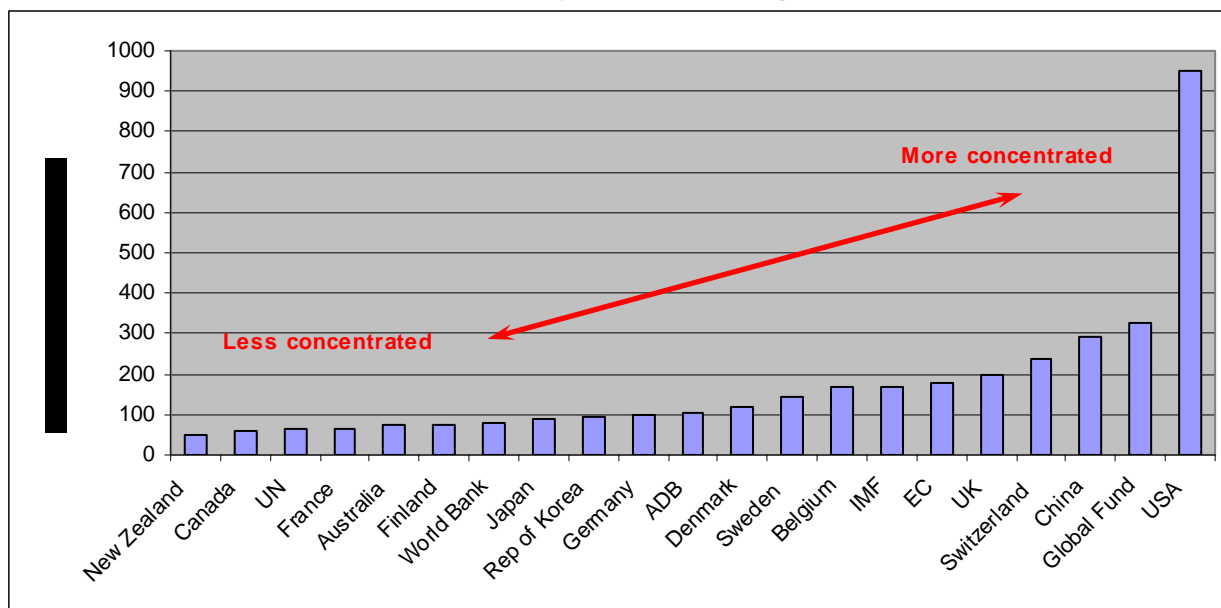
	Herfindahl Index			Average project disbursement			Composite Index
	H-Score	Rank	Index	USD m (2005/06)	Rank	Index	
ADB	1,386	19	70	1.4	7	120	105
Australia	2,209	13	111	0.6	16	56	72
Belgium	5,528	5	279	1.3	8	118	166
Canada	2,182	14	110	0.4	18	34	57
China	2,624	12	132	4.0	2	357	290
Denmark	6,494	4	327	0.4	19	31	120
EC	9,915	3	500	0.5	17	42	179
Finland	3,696	9	186	0.3	20	24	73
France	1,273	20	64	0.8	14	68	67
Germany	1,984	16	100	1.1	9	100	100
Global Fund	10,000	1	504	2.8	3	249	326
IMF	5,181	7	261	1.5	5	129	169
Japan	1,659	17	84	1.0	11	89	87
New Zealand	2,680	11	135	0.2	21	16	52
Rep of Korea	2,083	15	105	1.0	12	89	93
Sweden	5,204	6	262	1.1	10	95	145
Switzerland	10,000	1	504	1.4	6	126	239
UK	5,041	8	254	2.0	4	174	198
UN	1,202	21	61	0.7	15	64	63
USA	3,445	10	174	14.4	1	1280	948
World Bank	1,483	18	75	0.9	13	80	78

Source: Data derived from CDC Database, April 2007

² See the global aid effectiveness literature including, Acharya et al (2004), 'Aid proliferation: how responsible are the donors?', Roodman (2006), 'Aid project proliferation and absorptive capacity' and Knack and Rahman (2004), 'Donor fragmentation and bureaucratic quality in aid recipients'.

The Composite Index, based on this 70:30 weighting between average project size and sector concentration is presented in Chart Three, below.

Chart Three. Composite Index of Project and Sector Fragmentation in Cambodia (2006)



Source: CDC Database April 2007

This analysis therefore contributes to the effort to redress issues of deconcentration and fragmentation by filling the information gap that currently exists so that priority activities can then be fully and efficiently funded. This will include the identification of new approaches that, within the context of a sector strategy, promote operational efficiency within the sector, as well as allocative efficiency in aggregate resource allocation.

The Government's response to this aid coordination challenge, therefore, is to:

- a) Reaffirm the importance of implementing the H-A-R Action Plan in support of the NSDP;
- b) Support the identification of new working practices and the introduction of new modalities that efficiently guide resources toward NSDP priorities and the development of national capacity; and
- c) Build Government capacity to lead and manage partnerships, including through the TWGs, and to establish efficient programme-based approaches.

Without improvements in aid efficiency, realising associated improvements in aid effectiveness may prove to be a challenging proposition.

While this analysis on concentration and fragmentation can make a useful contribution to the aid effectiveness discussion, some of the analysis must be underwritten with a caveat. First, the usual note of caution must be observed regarding data quality; in this case some development partners have classified a significant amount of their support under the 'other' category, which distorts the overall profile of development support across all sectors. Second, many partners define a 'project' rather differently, aggregating or clustering a number of activities under a single programmatic heading while others may more narrowly define their activities and consequently be identified as having more projects.

Excessive levels of deconcentration and fragmentation may impose additional transaction costs but it must also be emphasised that many partners, the UN in particular, have a mandated role in providing specialised packages of technical support across a broad range of priority activities. Similarly, the development banks, which are equipped as multilateral partners with significant expertise in many practice areas, often play the role of 'lender of the last resort' and so may therefore be expected to support a broad range of sectors.

Finally, and most significantly, this analysis takes no account of the funding modality or of the mode of delivery, which may be through the non-Government sector or by acting as a silent partner in a co-financing arrangement. The harmonisation section in Chapter Three attempts to shed some light on emerging

partnership arrangements and should be read in conjunction with this section so that policy prescriptions can be based on a more nuanced perspective on the delivery of development assistance.

In conclusion, the requirement to maintain diversity when considering policy options underlines the importance of addressing deconcentration and fragmentation by establishing more coherent approaches to aid management and drawing on the objective competencies of each development partner. The promotion of some concept of donor comparative advantage has been increasingly discussed at a global level, including at the OECD/DAC, and, given Cambodia's dual characteristics of high levels of donor deconcentration combined with a highly fragmented approach to the financing of the NSDP, this approach may have some merit. It is important to add, however, that simply addressing the symptoms may not be sufficient. In addition to developing a more rational 'division of labour' it is perhaps more critical that more efficient programme-based approaches are developed that build national capacity to manage aid and to utilise Government systems.

Alignment with NSDP Priorities

This analysis considers the extent to which development assistance is aligned with relative NSDP priorities. As the NSDP is a five-year programme, and the delivery of development assistance is provided in discrete annual disbursements, much of the analysis uses profiles - or percentage shares – to gauge the extent to which disbursements are consistent with NSDP priorities (detailed in Table Three, below). Given that annual funding levels in 2005 and 2006 were broadly in line with the NSDP's implicit annual targets, an analysis that is based on distributional profiles is an acceptable methodology by which to consider alignment issues. This approach allows the annual flow of aid to be compared to the Government's desired profile of ODA over the medium-term, thereby allowing for alignment of Government priorities and development partner financing to be compared.

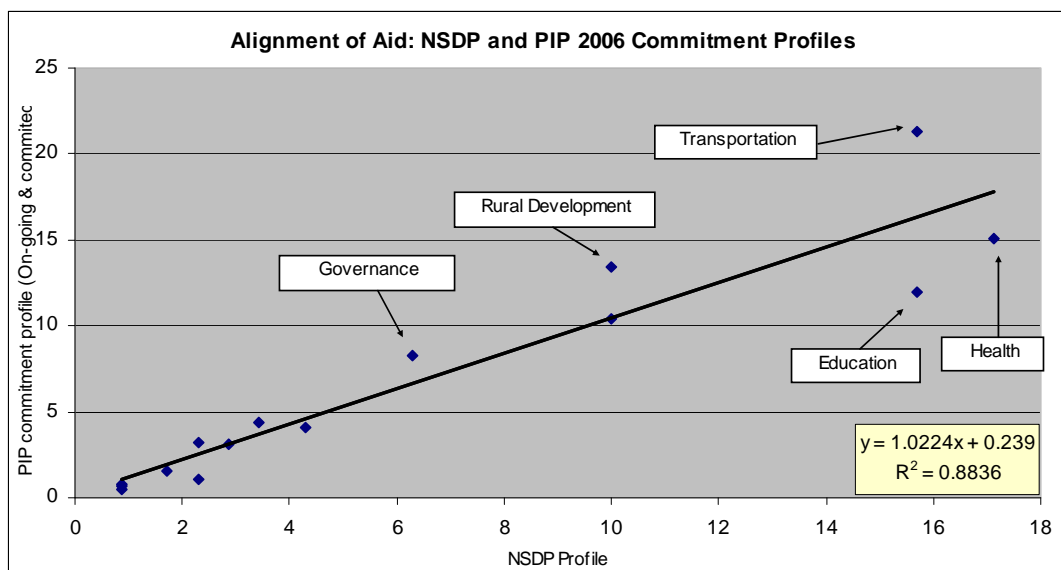
Table Three. NSDP Allocations (2006-2010)

Sector	Amount	%
Social Sectors		
Health	600	17.14
Education	550	15.71
<i>Sub-Total</i>	<i>1150</i>	<i>32.85</i>
Economic Sectors		
<i>Agriculture & Land Mgmt</i>	<i>150</i>	<i>4.29</i>
<i>Seasonal crops: Rice & others</i>	<i>200</i>	<i>5.71</i>
Rural Development	350	10.00
Manufacturing, Mining & Trade	80	2.29
<i>Sub-Total</i>	<i>780</i>	<i>22.29</i>
Infrastructure		
Transportation	550	15.71
Water & Sanitation	150	4.29
Power & Electricity	120	3.43
Post & Telecommunications	60	1.71
<i>Sub-Total</i>	<i>880</i>	<i>25.14</i>
Services & Cross-Sectoral		
Gender Mainstreaming	30	0.86
Tourism	30	0.86
Environment & Conservation	100	2.86
Community & Social Services	80	2.29
Culture & Arts	30	0.86
Governance & Administration	220	6.29
<i>Sub-Total</i>	<i>490</i>	<i>14.00</i>
Unallocated	200	5.71
Grand Total	3500	100

Source: NSDP Table 5.2

The departure point is to consider the extent to which the funding that was indicated as committed for 2006 to Government during the preparation of the Public Investment Programme (PIP) is aligned with NSDP priorities. The chart below shows a strong correlation between the NSDP financing profile and the shares of development assistance indicated in the PIP, demonstrating that, at least at the level of commitments, there is a very close alignment of aid to national priorities.

This relationship is confirmed statistically as the slope of the line (which represents the statistically best fit) is close to 1 (indicating a unitary relationship between the NSDP and PIP commitments) and the 'closeness of fit' to the line, with the exceptions of transportation, rural development and governance (relatively over-funded), and education and health (relatively under-funded), is statistically quite strong.



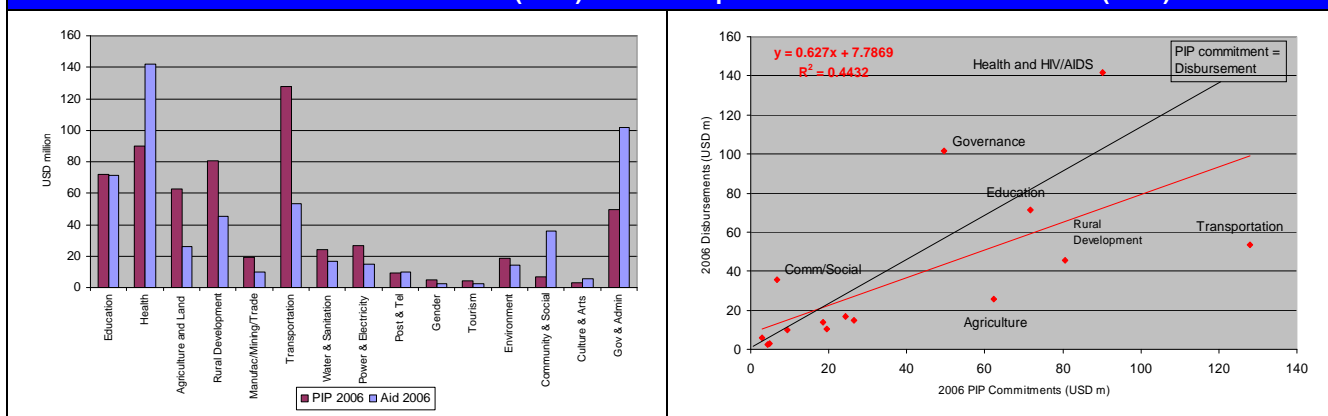
Source: NSDP and PIP

The next piece of analysis considers the extent to which the 2006 funding that was indicated as committed to line ministries during the preparation of the PIP is translated into disbursements. Overall, the PIP was a good aggregate predictor of resource availability as 2006 commitments are estimated at USD 599.2 million against a provisional estimate of actual disbursements of USD 594.8 million. The charts below show that:

- Although committed funds map the desired NSDP profile quite closely (as per the chart above), the relationship begins to break down once these committed funds are translated into disbursements at sector level (the red line in the right-hand chart below, together with the equation in the top-left corner, shows that the statistical relationship between commitments and disbursements is not strong);
- Transportation and rural development, which the PIP indicated to be relatively over-funded sectors, receive significantly less funding than is indicated in the PIP, suggesting that predictability in these sectors may need to be considered more closely.
- Health (combined with HIV/AIDS as per the PIP) receives significantly more than indicated in the PIP, in which it appeared relatively under-funded while the governance thematic area, which already appeared to be adequately supported, received nearly double what was originally estimated;
- Agriculture received only a third of the resources estimated in the PIP while the community and social services sector, which the PIP indicates to have been funded according to the NSDP, receives five times more than is estimated (USD 36 million as opposed to USD 6.7 million).

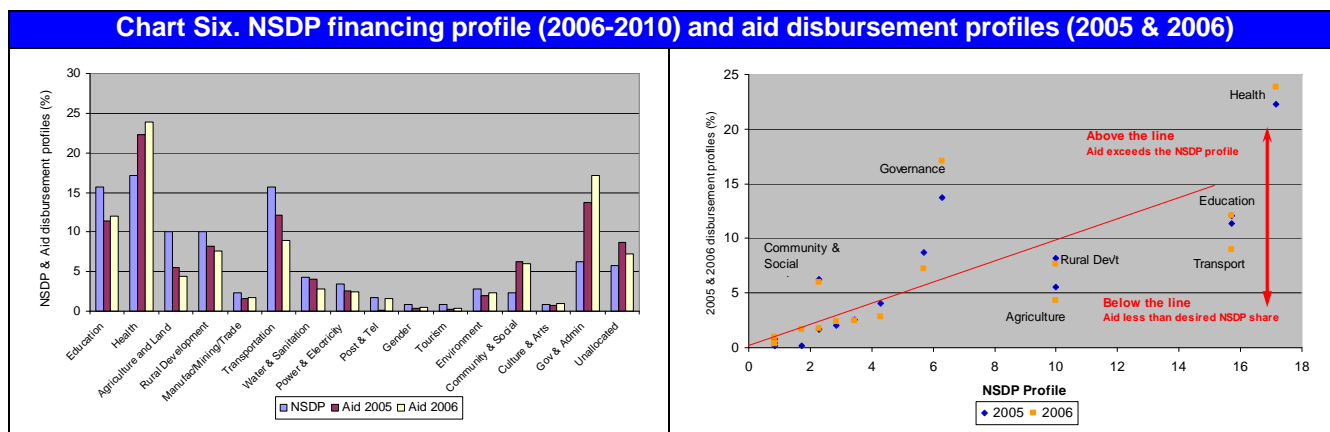
From this analysis it is clear that: (i) there needs to be more attention paid to the resource commitment and budgeting exercise for external funds; and (ii) that the translation of commitments into disbursements needs to be more closely monitored at sector level if funding for NSDP priority activities is to be assured.

Chart Five. PIP commitments (2006) and development assistance disbursements (2006)



Source: PIP 2006 (data on 2006 commitments) and CDC Database (derived)

The final piece of analysis compares 2005 and 2006 actual disbursement profiles to the NSDP profile. This comparison, presented in Chart Six below, shows that in both 2005 and in 2006 health, governance and community and social services were over-funded relative to the profile envisaged in the NSDP. By contrast, transportation, education, rural development and agriculture are again confirmed to be significantly under-funded in both years. The remaining sectors, in both 2005 and 2006, are located very close to the red line that indicates parity between the desired NSDP profile and actual shares of development assistance disbursements.



Source: NSDP Table 5.2 and CDC Database (derived)

In broad terms, it is therefore possible to state that, with some exceptions, development assistance is relatively well aligned to NSDP priorities and financing needs. Subject to funding levels being maintained for the duration of the NSDP, this will mean that most activities will be funded in accordance with the funding profile identified in the NSDP. Within these priorities, however, there may be considerable variation at sub-sector level. The recent Demographic Health Survey, for example, showed that, even within a well-supported sector such as health, maternal and reproductive health requires increased support but further analysis would be required to show whether, in a well-resourced sector such as health, this priority is receiving adequate funding.

Another CMDG that is currently off-track is water and sanitation, especially in rural areas. It is more difficult to draw conclusions with regard to this activity as rural water supply is not included in the water & sanitation sector presented here (similarly, water-related activities for agriculture are not part of water & sanitation) but the data indicates that this is also a sector that is both relatively under-funded (on a commitments basis) and receiving only about two-thirds of resources indicated in the PIP.

It is therefore possible to conclude that alignment of development cooperation is broadly consistent with the NSDP at aggregate and, to a lesser degree, sectoral levels. It is less clear that development assistance is being re-directed toward sub-sectoral priorities that have been shown to have made less progress while important routine under-funding of some NSDP priorities may require a review of NSDP costings and allocations. Understanding the manner in which commitments, which are closely aligned to the NSDP, are not always translated into disbursements will also be an important issue in the context of securing predictable funding to national priority sectors.

Development Assistance Disbursements Trends

Provisional estimates of annual disbursements reported by development partners in 2006, including the core funds of NGO partners, amount to USD 594.8 million, a decline of USD 15.2 million from the 2005 level or a difference of a little over 2.5%. The introduction of the NSDP in 2006 indicated that the total funding requirement for the five year programme (2006-2010) was USD 3,500 million, implying an annual funding requirement of some USD 700 million. It can therefore be seen that development assistance continues to represent a significant contribution to the funding of national priority development activities, with additional support provided from the Royal Government's own resources.

Table Four, below, shows disbursement trends since 2002 while Chart Seven highlights that there is no single source of the decline in development cooperation since 2005. In the context of this small decline, for example, it is notable that ten development partners and NGO core funding recorded an increase in their year-on-year disbursements, including three of the five largest partners, i.e. China, the United States and

the combined agencies of the United Nations. This was more than off-set, however, by a significant decline in reported disbursements from ADB, Japan and the World Bank.³

Table Four. Development Cooperation: Disbursements 2002 - 2006 (USD million)

Development Partner	2002	2003	2004	2005	2006	
					Provisional USD	%
UN and Multilaterals						
UN Agencies Programs delivered: Total	81.8	88.3	73.8	91.8	96.3	16.2
UN Agencies (core resources)	42.2	44.2	36.3	41.1	47.9	8.0
World Bank	47.2	63.7	49.5	37.8	26.6	4.5
IMF	23.5	12.3	2.4	0.3	0.2	0
Asian Development Bank	78.5	73.3	76.7	89.4	62.0	10.4
Global Fund				18.8	22.2	3.7
Sub-Total: UN and Multilaterals	191.4	193.4	164.8	187.5	158.8	26.7
EUROPEAN UNION						
European Commission	25.8	32.7	15.0	23.7	35.2	5.9
Belgium	2.2	3.7	5.2	11.7	7.3	1.2
Denmark	4.8	4.3	5.8	4.8	6.1	1.0
Finland	0.9	0	3.3	3.3	3.5	0.6
France	28.3	25.9	23.0	24.4	22.0	3.7
Germany	17.2	17.6	14.1	27.3	30.5	5.1
Netherlands	3.7	2.8	1.6	1.1	0.1	0
Sweden	13.6	12.4	22.0	13.6	16.1	2.7
United Kingdom	11.6	15.4	17.0	20.6	20.0	3.4
Sub-Total: EU	108.2	114.7	107.1	130.6	140.8	23.7
Other Bilateral Development Partners						
Australia	17.8	22.7	24.3	16.8	17.3	2.9
Canada	3.4	2.6	1.5	9.1	5.7	1.0
China ⁴	5.7	5.6	32.5	46.6	53.2	9.0
Japan	105.6	101.2	101.8	111.7	100.5	16.9
New Zealand	1.3	1.9	2.4	2.1	1.5	0.3
Norway	3.4	2.7	3.4	0	0	0
Republic of Korea	22.5	10.3	24.1	14.9	13.3	2.2
Russian Federation	0.3	0.4	0.4	0	0	0
Switzerland	2.9	2.5	3.2	2.8	2.5	0.4
United States of America	22.1	34.3	40.6	43.3	51.0	8.6
Sub-Total: Other Bilaterals	185.7	184.2	234.1	247.2	245.0	41.2
NGOs (core funds)	45.6	47.2	49.4	44.7	50.2	8.4
TOTAL	530.9	539.5	555.4	610.0	594.8	100

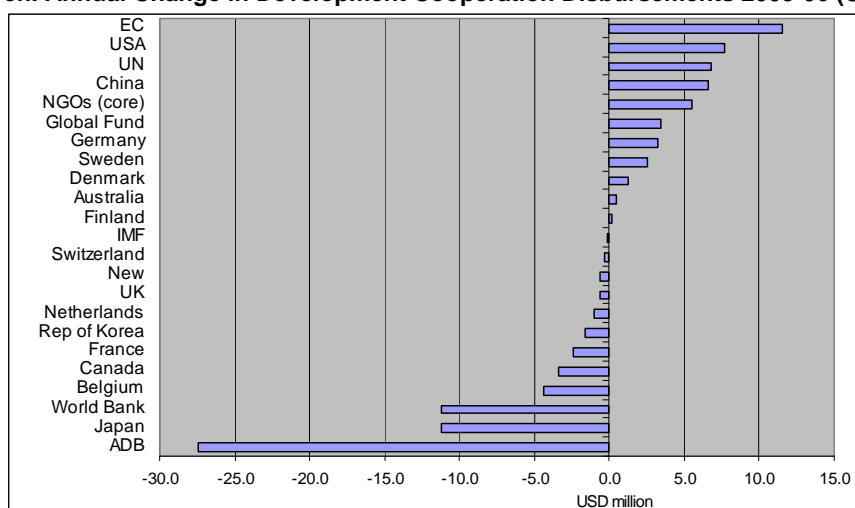
Source: CDC Database (end April 2007)

The decline in 2006 is a reversal in the steadily upward trend in development cooperation receipts recorded in recent years (see Annex Six for data since 1992). The chart below shows that disbursements had increased from a total of USD 472 million in 2001 to 610 million in 2005, an annual increase of 6.6% per year. It must also be noted, however, that the 2006 figure is provisional and at this stage last year, the provisional figure prepared for the 2005 Development Cooperation Report was USD 524.9 million, compared to the revised 2005 figure of USD 610 million. The 2006 figure may therefore be subject to upward revision at a later time.

³ An analysis based of user currency disbursements and exchange rate movements shows that Japanese disbursements are effectively reduced by USD 6 million in 2006 but the net effect on all disbursements is to reduce flows by USD 4.25 million.

⁴ During the data collection exercise that preceded the production of this Report, the Chinese Embassy reported that during 2006 three bilateral cooperation agreements were signed between the RGC and China. These agreements, representing a total commitment of USD 250 million, will be used to finance a range of priority projects that will be identified following further dialogue between representatives of both Governments. Some of these commitments have, however, already been translated into disbursements that are included in the Chinese portfolio that is detailed in the CDC Database.

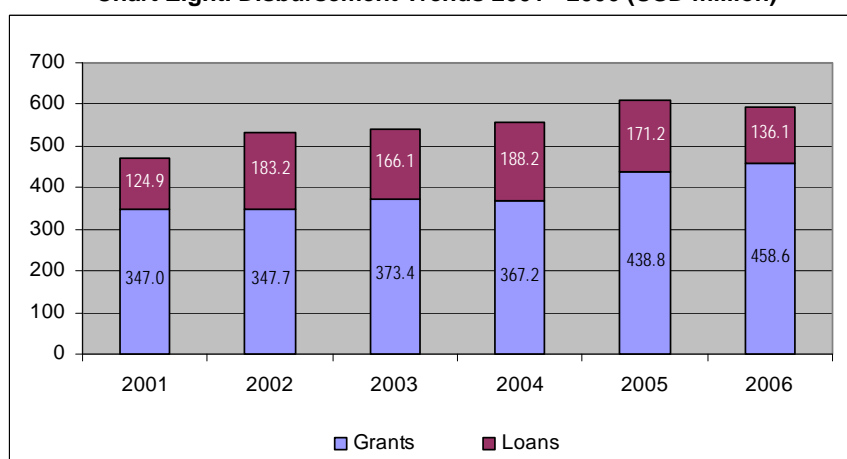
Chart Seven. Annual Change in Development Cooperation Disbursements 2005-06 (USD million)



Source: CDC Database

The chart below also shows that USD 136.1 million, or 23.8% of 2006 disbursements, were in the form of concessional loans. This is a decline from the previous year's level of 171.2 million, indeed it is the lowest since 2001 and demonstrates the impact of the increased focus on grant financing by the World Bank and the ADB.

Chart Eight. Disbursement Trends 2001 - 2006 (USD million)



Source: CDC Database (2006 data provisional)

The main sectors that benefited from loan finance are shown in Table Five, below, and include transport infrastructure, tourism, rural development and water in addition to a number of social sectors. The Strategic Framework for Development Cooperation Management (paragraph 25) sets out the Royal Government's policy on debt management, emphasising the need to identify grant assistance where possible and to attempt to link loan finance to projects that contribute to economic growth.

Table Five. Loan Disbursements 2006 (USD million)

Development Partner	T'port	Comm'ty & Social	Rural Dev't	Educ	Gov. & Admin Reform	Post & Tele.	Budge t/BoP	Power & Elec	Health	Water & San	Environ	Urban Plan	Manufac , Mining, Trade	Tourism	Agric	TOTAL
UN Agencies (core)			4.09													4.09
World Bank	2.96		2.15	1.46	5.26			1.18	2.35	2.76	0.45		1.45		0.004	20.03
ADB	5.22		10.8	13.06	1.28		8.07	4.57	2.68	2.73	2.91	1.85		1.24	0.23	54.6
France									0.5							0.5
China	12.2	18.79			7.05	8.46										46.49
Japan	4.35					0.91										5.27
Republic of Korea	4.38			0.77												5.15
Total Loans	29.1	18.8	17.0	15.3	13.6	9.4	8.1	5.8	5.5	5.5	3.4	1.9	1.5	1.2	0.2	136.1
Total sector disburse	53.3	35.5	45.5	71.5	92.9	9.8	17.6	14.6	110.0	16.9	14.0	3.1	10.2	2.3	25.9	523.1
% of sector finance	54.6	53.0	37.5	21.4	14.6	96.0	46.0	39.3	5.0	32.4	24.1	58.9	14.2	53.7	0.9	26.0
% of all 2006 loans	21.38	13.80	12.52	11.23	9.98	6.88	5.93	4.22	4.06	4.03	2.47	1.36	1.07	0.91	0.17	100.0

Source: CDC Database [Note that UN loan disbursement is made by IFAD]

In addition to receiving sustained levels of support throughout the programme period, the discussion earlier in this section identified the need for the NSDP to be supported in a more efficient manner, including

through the use of programmatic modalities possibly augmented by an improved donor division of labour. A third desirable characteristic of development assistance concerns predictability. As the reform programme of the Royal Government proceeds, the national planning and budgeting framework is being strengthened and is increasingly dependent on the provision of more accurate projections of resource availability, both external and domestic. This supports a more coherent and consolidated approach to resource allocation and ensures longer-term sustainability by integrating the recurrent (e.g. road maintenance) and investment (e.g. road construction) components of the National Budget.

Pledging and Predictability

The need for predictability, which was highlighted as a concern in the section on alignment, is emphasised in the global aid effectiveness work and is included as an indicator for monitoring the Paris Declaration (see the discussion in Chapter Four of this Report). In addition to a consideration of PIP commitments and actual disbursements, highlighted earlier in this chapter, the data for Cambodia allows some analysis of the available funding indicated at the Consultative Group and then actually disbursed. It must be noted that while the table provides some insight into the predictability of funding this analysis can be somewhat obscured by the observation that commitments made at the Consultative Group are not always associated with a particular calendar year and some pledges are associated with existing undisbursed commitments. It is further noted that the amounts communicated in these high-level dialogue meetings are in the future to be considered as purely indicative and, while development partners are requested to provide data that is as accurate as possible, it is acknowledged that assessments of disbursement ratios are also purely indicative.

Table Six. Pledges and Disbursements 2005 - 2006 (USD million)

Development Partner	2005 Actual			2006 (provisional)		
	Pledge	Disbursements	Disb/Pledges (%)	Pledge	Disbursements	Disb/Pledge (%)
UN Agencies (core funds)	37.1	41.1	110.8	58.1	47.9	82.3
World Bank	45.0	37.8	84.1	53.0	26.6	50.1
IMF		0.3			0.2	
Asian Development Bank	46.6	89.4	191.8	88.0	62.0	70.4
Global Fund		18.8			22.2	
Sub-Total: UN & IFI's	128.7	187.5	145.7	199.1	158.8	79.7
EUROPEAN UNION						
European Commission	40.4	23.7	58.6	33.8	35.2	104.2
Belgium		11.7			7.3	
Denmark	10.0	4.8	48.6	7.1	6.1	85.8
Finland	4.2	3.3	80.5	0.0	3.5	
France	25.1	24.4	97.5	38.2	22.0	57.7
Germany	17.8	27.3	153.3	28.2	30.5	108.3
Netherlands		1.1			0.1	
Sweden	20.0	13.6	68.0	21.5	16.1	75.1
United Kingdom	26.4	20.6	77.9	25.5	20.0	78.4
Sub-Total: EU	143.8	130.6	90.8	154.8	140.8	91.0
OTHER BILATERALS						
Australia	30.0	16.8	55.9	31.8	17.3	54.2
Canada	5.8	9.1	158.0	10.6	5.7	53.7
China		46.6			53.2	
Japan	128.1	111.7	87.2	114.7	100.5	87.6
New Zealand	2.2	2.1	96.1	2.3	1.5	65.7
Norway						
Republic of Korea	21.1	14.9	70.3	25.0	13.3	53.0
Russian Federation				0.4		
Switzerland		2.8			2.5	
United States of America	44.5	43.3	97.2	61.8	51.0	82.5
Sub-Total: Other Bilaterals	231.7	247.2	106.7	246.6	245.0	99.3
NGO (core funds)		44.7			50.2	
TOTAL	504.2	546.4	108.4	600.6	522.4	87.0

Source: CG Meeting pledging statements and CDC Database.

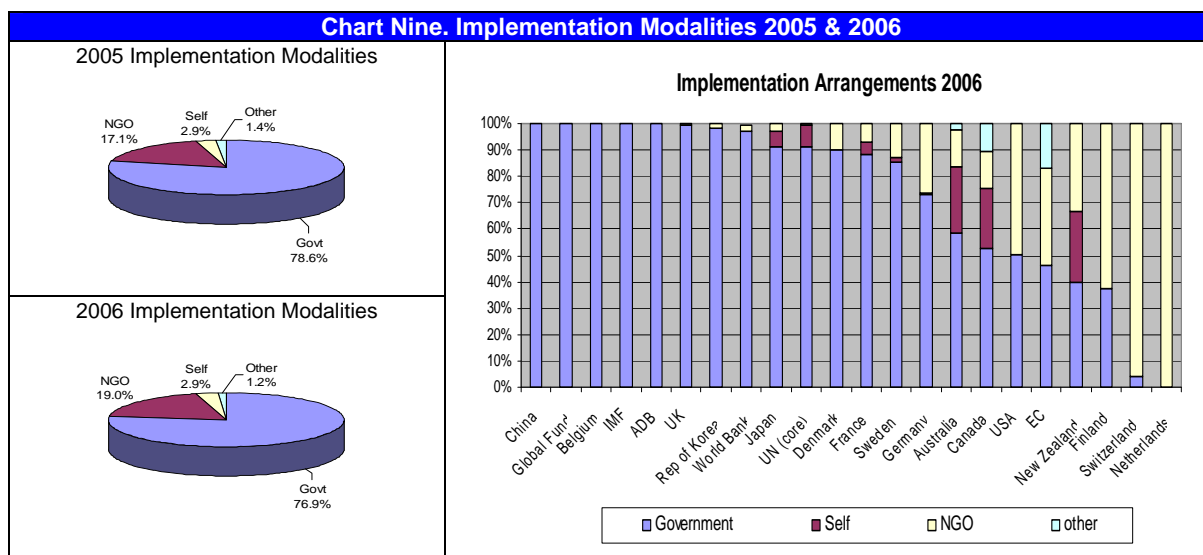
Note: Not all partners pledge. Totals show only disbursements against pledges and associated ratios. For those development partners pledging in their own currencies, the disbursement ratio is affected by US Dollar exchange rate movements.

Table Six, above, shows that, after disbursements exceeding pledges in 2005 by nearly 10%, they were almost 13% lower than predicted in 2006. In future years, the Government will use the CDCF meeting and

the discussion on NSDP funding to attempt to secure indicative multi-year funding estimates from development partners. These estimates will provide inputs to the National Budget and to the Public Investment Programme.

Implementation Arrangements and NGO Funding Partnerships

This next section considers the arrangements that are made for implementing externally-funded programmes. Implementation modalities can be an important factor in determining development results and in fostering the national ownership that promotes both shorter-term impact as well as longer-term sustainability. The charts below show that, in the last two years, over three-quarters of development assistance was implemented by Government (including funds channeled via a pooled arrangement between development partners) while a little under 20% was managed by NGOs.



Source: CDC Database April 2007

The table in Annex Six provides further details of development partner implementation modalities and highlights the variation in arrangements that are made for implementation. While the ADB and China, for example, are included amongst those partners who channel 100% of their funds through Government, the Netherlands implements programmes exclusively through NGOs. Most development partners (e.g. Germany, 73% to Government; Australia, 58%; Canada, 53%; USA 50%) have adopted a mix of implementation arrangements.

The charts above highlight that NGOs make an important contribution to the national development effort by managing the funds of other development partners and serving as implementing agencies. NGOs also represent a significant source of funds in their own right, however, and a June 2006 CDC/Danida 'Mapping Survey of NGO Presence and Activity in Cambodia' study found that:

- There are 1,495 local NGOs registered with the Ministry of Interior and 337 international NGOs registered with the Ministry of Foreign Affairs;
- Only 668 (45%) of the local NGOs are thought to be currently active, compared to 314 (93%) of the international NGOs;
- Five countries account for 70% of the international NGO presence in Cambodia: US (97); Japan (43); France (40); UK (22) and Australia (21);
- Estimating NGO disbursements was not feasible but the largest 50 international NGOs and the largest 80 of the local NGOs were felt to account for a significant share of total disbursements.

The CDC database on NGO activity records the activities and funding modalities of some (but not all) of the main NGOs in Cambodia, although the incomplete nature of this data means that results must be interpreted with considerable care. The disbursements of the thirty largest registered NGOs (based on disbursements of combined core and non-core funds) are reported in the table below together with their main areas of activity.

Table Seven. NGO Disbursements 2006, as reported to CDC (USD 000s)

NGO	Health	Comm. & Social	Rural Devt	Educ.	HIV/AIDS	Agric	Trans port	Gov. & Adm.	Other	TOTAL
Kantha Bopha Hospital	21,229.3									21,229.3
Population Services International	3,941.1				2,420.0					6,361.1
Medecins Sans Frontières (Belgium)	2,714.5									2,714.5
Medecins Sans Frontières (France)	2,080.9									2,080.9
Medecin du Monde	1,844.7									1,844.7
Enfants D'asie Aspeca		1,774.8								1,774.8
Room to Read				1,719.5						1,719.5
Save the Children (Norway)	79.3			1,295.0	110.1	26.3	145.0		16.7	1,672.4
SOS Children's Villages of Cambodia		1,410.3								1,410.3
Oxfam (Great Britain)			1,366.7						10.6	1,377.3
Action Aid International			1,346.3							1,346.3
Jesuit Service Cambodia		621.2	621.2							1,242.4
Friends Without A Border	1,204.6									1,204.6
Lutheran World Federation	732.3		457.9							1,190.2
VBANK		597.3	157.7	207.9						962.9
HALO Trust									807.8	807.8
Emerg Life Supp't for Civilian War Victims	798.5									798.5
Conservation International Cambodia						588.8			124.8	713.7
Rihs-South East Asia Committee				690.2						690.2
CONCERN Worldwide			673.6							673.6
Samaritan's Purse International Relief		326.2	326.2							652.5
Handicap International (Belgium)	428.6	36.6		77.4				36.6		579.2
HAGAR		286.3	286.3							572.5
Krousar Thmey		488.0								488.0
Food for the Hungry International			422.5							422.5
Mennonite Central Committee			381.5							381.5
Agricultural Development Denmark-Asia						376.0				376.0
Cambodian Children's Fund				358.3						358.3
Handicap International-France		231.5		50.6						282.1
Harvest Mission International Cambodia		278.3								278.3
TOTAL	35,054	6,050	6,040	4,399	2,530	991	145	37	818	56,206

Source: CDC NGO Database (totals include NGO core funds and funds received from other development partners)

It is particularly notable that:

- The total disbursed by the top 30 NGOs (USD 56.2 million) is equal to 50% of the total reported NGO combined disbursement (i.e. core plus non-core) of USD 113.2 million;
- Only one of these 30 NGOs is recorded as a national NGO (i.e. SOS Children's Villages of Cambodia);
- These NGOs focus overwhelmingly on the provision of social and community services (especially health).

Considerable caution must be exercised in interpreting data on NGO activity. This is highlighted by contrasting the data provided by NGOs themselves, shown above, with data provided by development partners on funds that they pass to NGOs.

Table Eight. NGO Sector Support 2005-2006 (USD million, core and non-core)

Sector	2005 Actual						2006 Provisional					
	NGO Funded by Donors*		NGO Core Funds**		Total		NGO Funded by Donors*		NGO Core Funds**		Total	
	USD	%	USD	%	USD	%	USD	%	USD	%	USD	%
Health	6.3	10.6	25.1	56.2	31.5	30.2	7.6	12.0	28.3	56.5	35.9	31.7
Governance & Admin	17.7	29.8	0.3	0.6	18.0	17.3	25.4	40.4	0.3	0.7	25.8	22.8
Education	9.4	15.8	4.8	10.8	14.2	13.7	6.3	10.1	5.2	10.4	11.5	10.2
Community/Social	3.2	5.4	7.1	15.8	10.3	9.9	3.8	6.0	7.7	15.3	11.5	10.1
Rural Devt & Land Man't	4.8	8.1	5.5	12.4	10.3	9.9	3.0	4.8	6.7	13.4	9.7	8.6
Env & Conservation	2.2	3.7	0.8	1.7	3.0	2.9	1.9	3.1	0.3	0.5	2.2	1.9
Agriculture	3.9	6.6	0.9	2.0	4.8	4.6	0.5	0.7	1.5	2.9	1.9	1.7
Wat-San (excl agric/rural)	0.5	0.8			0.5	0.5	1.2	1.9	0.0	0.1	1.2	1.1
Manuf, Mining & Trade	0.6	1.0	0.1	0.2	0.7	0.7	0.7	1.1	0.2	0.3	0.9	0.8
Banking and Business	0.2	0.4			0.2	0.2	0.5	0.9			0.5	0.5
Gender Mainstreaming	0.1	0.1			0.1	0.1	0.3	0.5			0.3	0.3
Power & Electricity	0.0	0.1					0.1	0.2			0.1	0.1
Transportation	0.1	0.1			0.1	0.1						
Culture & Arts	0.2	0.3			0.2	0.2	0.1	0.2			0.1	0.1
HIV/AIDS	0.3	0.5			0.3	0.3						
Other	9.9	16.6	0.1	0.2	10.0	9.6	11.5	18.2			11.5	10.1
TOTAL	59.5	100	44.7	100	104.2	100	63.0	100	50.2	100	113.2	100

Source: CDC Database (*) and CDC NGO Database (**), April 2007

Table Eight, above, on sector financing in 2005 and 2006, consolidates all CDC data on NGO support across all sectors. This shows that NGOs contributed USD 50.2 million of their own resources in 2006, displaying a disbursement profile that is broadly in line with NSDP priorities. In addition to this core funding, these NGOs reportedly receive USD 63 million from development partners, nearly half of which is directed to governance-related work (very little of NGO core funds are used for governance work).

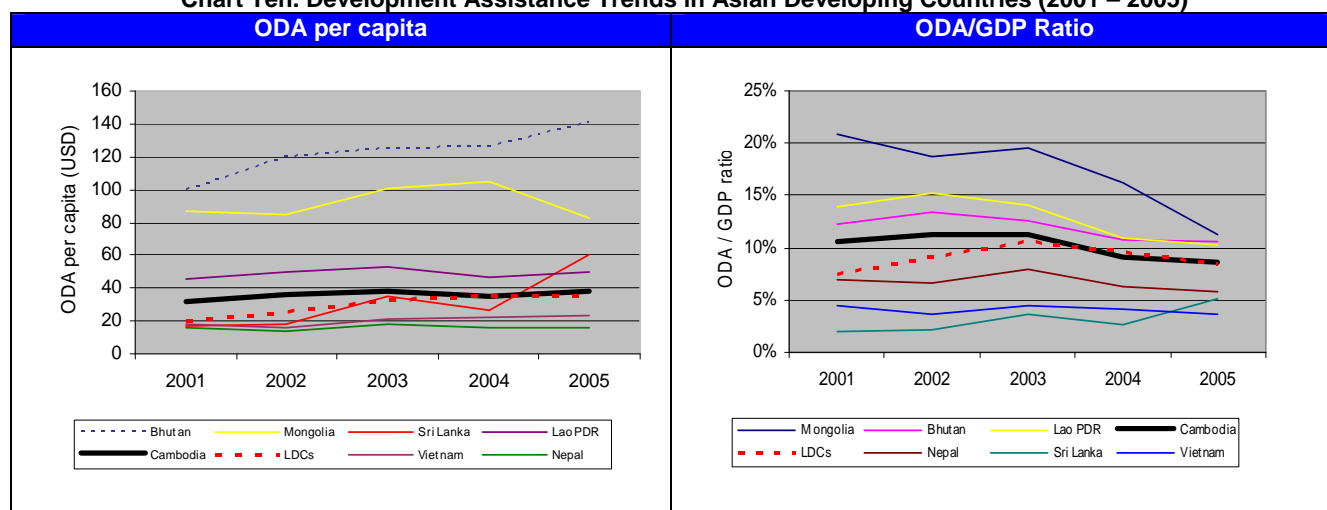
Perhaps the most important conclusion to draw from combining these two datasets is that there are some significant anomalies. In particular, the significant level of support to NGOs for governance-related work reported by development partners does not appear to correspond with the data reported by NGOs (there are a number of prominent NGOs who do not appear in CDC records). HIV/AIDS provides an additional example of an activity that is understood to benefit from important NGO support – through both core and non-core funding - but the data reported here also appears to require further consideration as NGO-registered support from development partners (e.g. USD 2.4 million managed by Population Services International) has not been recorded by the funding donor in the CDC Database and NGOs report no direct core support in 2006.

While this data on NGO support does provide some indication of the level and focus of the contribution of NGOs to the development effort – indeed there can be no question that their contribution is significant across many important sectors – it perhaps highlights above all that Government and NGOs need to strengthen their partnership so that each gains an enhanced understanding of the other's priorities and operations. Given the combined funding managed by the NGO community, this work, which will include the merging and reconciliation of the two datasets by CDC in 2007, will represent an important step toward more effective aid management and the realisation of improved development outcomes.

Cambodia, Neighbouring Countries and LDCs: A Comparison of ODA Trends

When considering broad disbursement trends in Cambodia, it is useful to view these figures in a wider context by taking account of trends elsewhere, in particular for other Least Developed Countries (LDCs) and neighbouring countries. Chart Ten, below, shows 5 year trends in ODA per capita in the left hand graph and, in the right hand graph, ODA/GDP ratios (note that Timor Leste is significantly higher at USD 190 and 53% of GDP and is omitted from the chart). The left hand chart shows that ODA per capita in Cambodia, which has remained relatively stable at between USD 35 and USD 40, has been slightly above the average for all LDCs over the period since 2001 but the gap has been closing as global ODA disbursements have increasingly sought to benefit the poorest countries. ODA as a share of GDP has declined steadily in the period since 2003, mainly due to robust rates of economic growth and the ratio is now very similar to that of the average for all LDCs.

Chart Ten. Development Assistance Trends in Asian Developing Countries (2001 – 2005)



Source: OECD/DAC Database and World Bank World Development Indicators

Trends in Development Assistance Disbursements to Priority Sectors

A detailed overview of disbursements to the major sectors in the years 2002-2006 is presented in Table, Nine, overleaf. The classifications used for sector analysis were revised in 2006 to match the classification used in the NSDP, with additional sub-sectors added based on NSDP priorities and OECD/DAC categories (see Annex Seven).

Analysis on the alignment of support to the NSDP was discussed in an earlier section. The analysis here attempts to identify the major funding changes since 2005 that may have been influenced by the NSDP (although it is recognized that a full realignment may be effected over the duration of each development partner's programming cycle).

Table Nine. Sector Disbursement Trends 2002 – 2006 (USD million)

Sector	2002		2003		2004		2005		2006 Provisional	
	USD	%	USD	%	USD	%	USD	%	USD	%
Social Sectors										
Health	67.6	12.7	83.1	15.4	95.9	17.3	110.3	18.1	110.0	18.5
Education	68.9	13.0	75.0	13.9	73.4	13.2	69.3	11.4	71.5	12.0
Economic Sectors										
Agriculture	37.0	7.0	37.8	7.0	45.3	8.1	33.8	5.5	25.9	4.3
Rural Development & Land Management	50.0	9.4	35.9	6.7	60.5	10.9	50.0	8.2	45.5	7.6
Manufacturing, Mining & Trade	1.5	0.3	1.7	0.3	7.0	1.3	10.0	1.6	10.2	1.7
Banking and Business Services	0.0	0.0	0.0	0.0	0.0	0.0	12.7	2.1	5.7	1.0
Urban Planning & Management	0.0	0.0	0.0	0.0	0.0	0.0	3.9	0.6	3.1	0.5
Infrastructure Sectors										
Transportation	78.1	14.7	65.6	12.2	82.0	14.8	73.9	12.1	53.3	9.0
Water and Sanitation (excl agric & rural)	15.0	2.8	22.9	4.2	4.9	0.9	24.5	4.0	16.9	2.8
Power & Electricity	6.3	1.2	20.3	3.8	12.9	2.3	15.6	2.6	14.6	2.5
Post & Telecommunications	1.5	0.3	1.2	0.2	1.2	0.2	0.9	0.1	9.8	1.6
Services and Cross-Sectoral Programmes										
Governance & Administration	101.0	19.0	58.4	10.8	46.8	8.4	67.3	11.0	92.9	15.6
Community/Social Welfare	64.1	12.1	81.0	15.0	43.7	7.9	35.3	5.8	35.5	6.0
Culture & Arts	14.2	2.7	15.9	3.0	18.4	3.3	4.8	0.8	5.7	1.0
Environment and Conservation	15.3	2.9	18.2	3.4	19.6	3.5	12.3	2.0	14.0	2.3
Gender Mainstreaming	0.0	0.0	0.0	0.0	0.0	0.0	2.6	0.4	2.8	0.5
HIV/AIDS	0.0	0.0	0.0	0.0	0.0	0.0	25.4	4.2	31.8	5.3
Tourism	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.2	2.3	0.4
Other										
Budget/BoP Support	0.0	0.0	0.0	0.0	0.0	0.0	11.1	1.8	17.6	3.0
Emergency relief & food aid	0.0	0.0	0.0	0.0	0.0	0.0	3.0	0.5	0.4	0.1
Other	10.3	1.9	22.4	4.2	43.9	7.9	42.0	6.9	25.3	4.3
Total Disbursements	530.9	100	539.5	100	555.4	100	610.0	100	594.8	100

Source: CDC Database

The ten largest sectors for each of 2005 and 2006 are shown in the pie charts. Health remains the largest recipient of development assistance, USD 110 million annually, representing a little under one-fifth of all aid.

Chart Eleven. 2005 Ten Largest Sectors

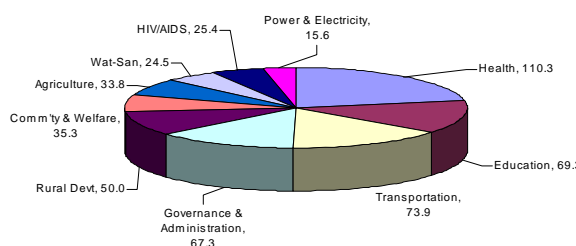
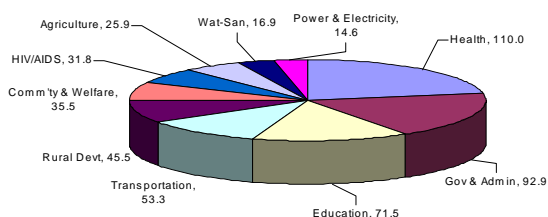


Chart Twelve. 2006 Ten Largest Sectors

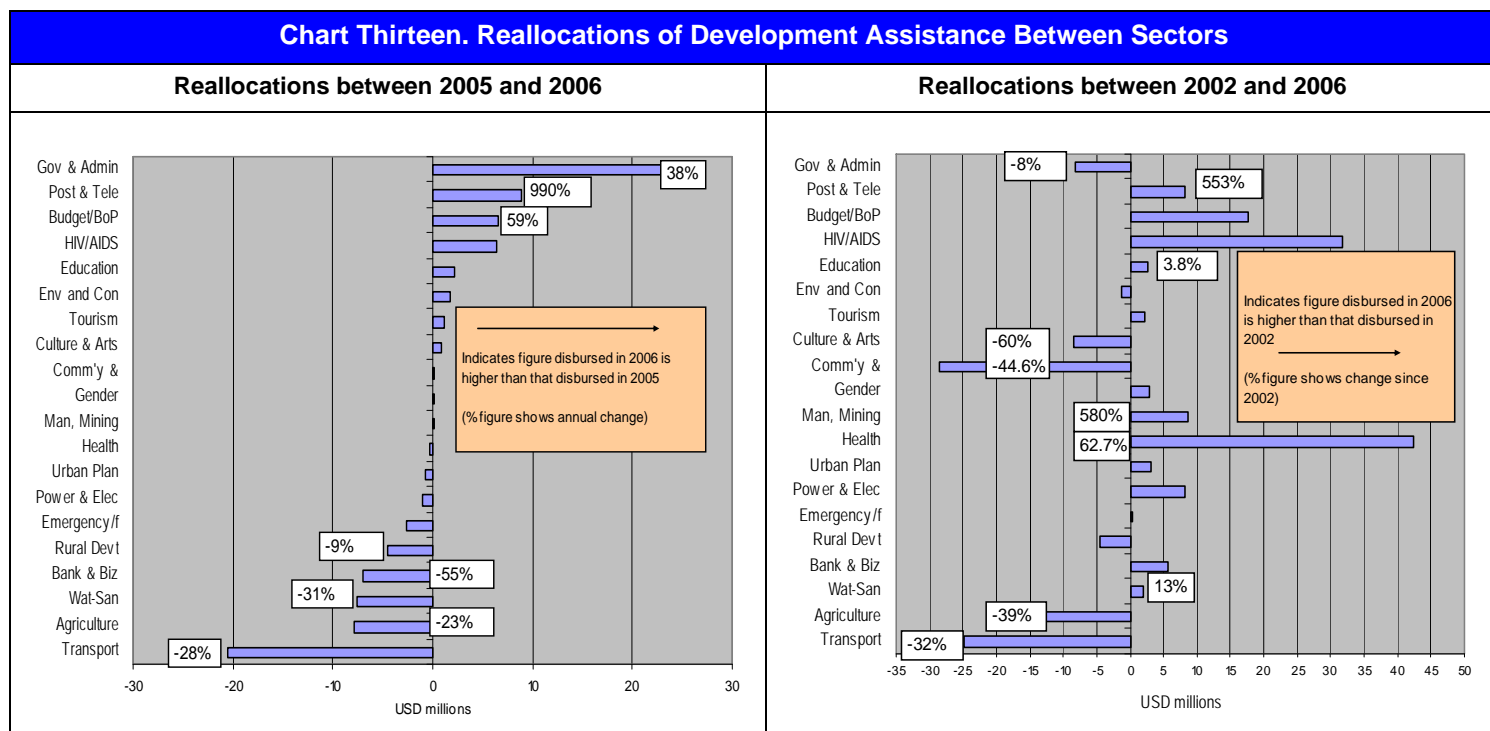


The top ten sectors otherwise show relatively little change with most of the sectors maintaining their status as the largest aid recipients. The increase in support provided to the Royal Government's governance and administrative reform programme is particularly notable, however, showing a 38% increase from 67 million in 2005 to 93 million in 2006.

Conversely, although agriculture remains a major recipient of development cooperation, it witnessed a sharp decline in support in 2006 (the year that it developed its sector programme together with the water sector). Support fell 23% from USD 34 million in 2005 to USD 26 million in 2006.

The analysis of the top ten recipient sectors affirms the previous analysis on alignment; all the major recipient sectors are identified as NSDP priorities. In the context of the NSDP and the reallocation of development assistance that may have taken place over the last years, it is instructive to consider the changes in aid allocations that have taken place by looking more closely at the data from 2005, the year before the

NSDP was launched, and by then considering a slightly longer-term perspective by looking at changes since 2002.



Source: CDC Database

The charts above show reallocations in the periods 2005 to 2006 (left-hand side) and between 2002 and 2006 (right-hand side). Aggregate disbursements in 2006 declined 2.5% compared to the previous year while in the period 2002 to 2006 aggregate disbursements increased by 12%. These aggregate changes provide some benchmark by which to assess the relative changes in sector allocations (the percentage change in sectors is indicated in the text boxes beside some of the sector bars in the above charts).

Consistent with the analysis presented earlier on NSDP alignment, agriculture and transport are shown to have experienced a decline across both periods, which is surprising given that these sectors are central to the growth components of the NSDP.

Other than that there does not appear to be any clear trend between changes in the last year and over the previous five. The health and HIV/AIDS sectors have benefited from the largest increases since 2002, although in percentage terms the biggest increases are in the manufacturing and telecommunications sectors. It is also notable that, despite receiving the largest increase in absolute terms last year, allocations to governance and administrative reform have actually fallen quite sharply since 2002.

Trends in Funding Modalities

This next section considers the types of support provided to Cambodia. Each modality makes a potentially significant contribution to the NSDP but, at both macro and sectoral levels, it is necessary to recognise the complementary roles of different types of support. It is the role of Government, in dialogue with TWGs, to consider the appropriate mix of development assistance modalities within each sector.

An analysis of trends in types of aid is essentially confined to a consideration of technical cooperation (shown as combined in the chart overleaf) and investment support; other forms of support are relatively insignificant compared to these two modalities. Over the past five years, it can be seen that investment support has grown considerably from USD 191 million to USD 276 million. By contrast, technical cooperation remains unchanged at USD 275 million and has been broadly stable throughout the period.

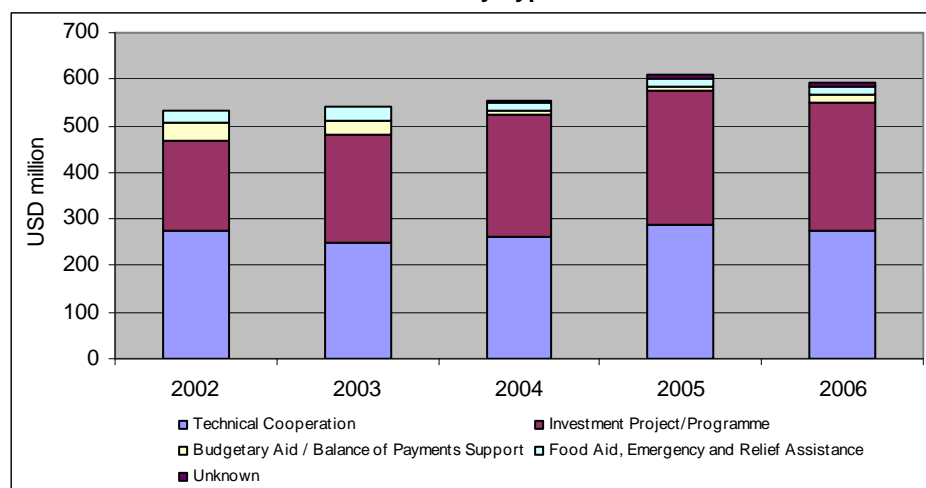
Table Ten. Disbursement by Type of Assistance 2002-2006 (USD million)

Type of Assistance	Terms of Assistance	2002		2003		2004		2005		2006 Provisional	
		US \$	%	US \$	%	US \$	%	US \$	%	US \$	%
Technical Cooperation	Grants	251.6	47.4	247.1	45.8	263.5	47.5	287.3	47.1	274.4	46.1
	Loans	23.8	4.5	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.1
	TOTAL	275.4	51.9	247.1	45.8	263.5	47.5	287.3	47.1	274.9	46.2
<i>o/w Free-Standing</i>	<i>Grants</i>	<i>227.6</i>	<i>42.9</i>	<i>185.4</i>	<i>34.4</i>	<i>177.1</i>	<i>31.9</i>	<i>260.3</i>	<i>42.7</i>	<i>243.3</i>	<i>40.9</i>
	<i>Loans</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.5</i>	<i>0.1</i>
	TOTAL	227.6	42.9	185.4	34.4	177.1	31.9	260.3	42.7	243.8	41.0
<i>o/w Investment-Related</i>	<i>Grants</i>	<i>24.0</i>	<i>4.5</i>	<i>61.7</i>	<i>11.4</i>	<i>86.4</i>	<i>15.6</i>	<i>27.0</i>	<i>4.4</i>	<i>31.1</i>	<i>5.2</i>
	<i>Loans</i>	<i>23.8</i>	<i>4.5</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
	TOTAL	47.8	9.0	61.7	11.4	86.4	15.6	27.0	4.4	31.1	5.2
Investment Project/Programme	Grants	54.3	10.2	94.6	17.5	72.6	13.1	118.9	19.5	140.7	23.7
	Loans	136.8	25.8	138.2	25.6	188.2	33.9	171.2	28.1	135.6	22.8
	TOTAL	191.1	36.0	232.9	43.2	260.8	46.9	290.1	47.6	276.3	46.5
Budgetary Aid / Balance of Payments Support	Grants	16.8	3.2	4.2	0.8	6.4	1.1	6.9	1.1	15.1	2.5
	Loans	22.6	4.3	27.9	5.2	0.0	0.0	0.0	0.0	0.0	0.0
	TOTAL	39.4	7.4	32.1	5.9	6.4	1.1	6.9	1.1	15.1	2.5
Food Aid, Emergency and Relief Assistance	Grants	25.0	4.7	27.5	5.1	20.2	3.6	17.1	2.8	18.8	3.2
	Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	TOTAL	25.0	4.7	27.5	5.1	20.2	3.6	17.1	2.8	18.8	3.2
Not specified	Grants	0.0	0.0	0.0	0.0	4.6	0.8	8.5	1.4	9.6	1.6
	Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	TOTAL	0.0	0.0	0.0	0.0	4.6	0.8	8.5	1.4	9.6	1.6
Total Disbursements	Grants	347.7	65.5	373.4	69.2	367.2	66.1	438.8	71.9	458.6	77.1
	Loans	183.2	34.5	166.1	30.8	188.2	33.9	171.2	28.1	136.1	22.9
	TOTAL	530.9	100.0	539.5	100.0	555.4	100.0	610.0	100.0	594.8	100.0

Source: CDC Database

As a result of these trends, the investment share in aid disbursements has increased from 36% in 2002 to 46.5% in 2006, while the respective share for technical cooperation, presented in Table Ten, has decreased from 52% to 46%. It is also notable that 2005 and 2006 were the first years in which investment-related support exceeded the supply of technical cooperation.

Chart Fourteen. Disbursement by Type of Assistance 2002-2006



Source: CDC Database

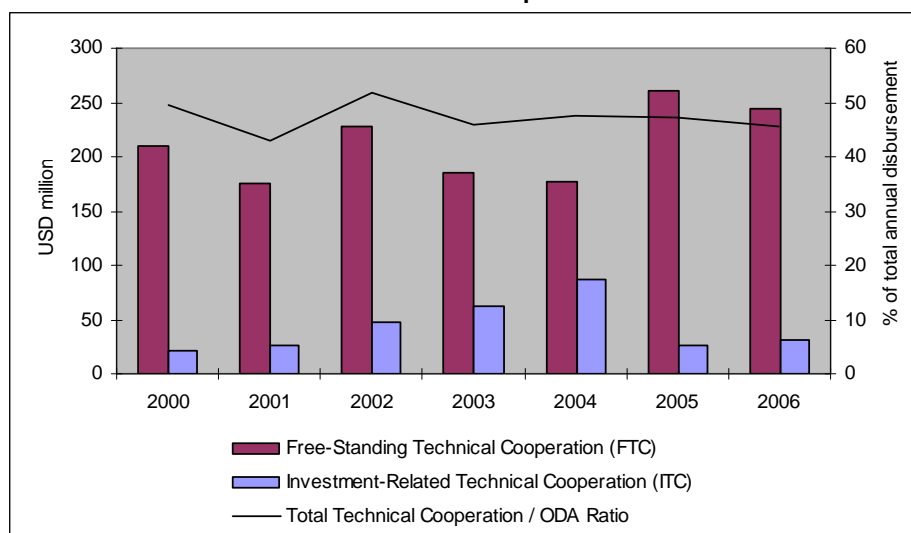
The type of assistance that often requires more in-depth analysis is technical cooperation, which accounts for a significant share of total assistance and is intended to make a major contribution to the national capacity development effort. The Royal Government has previously communicated its views on the use of technical cooperation in supporting the NSDP (see NSDP page 83) and the chart below shows disbursements of free-standing technical cooperation and investment related technical cooperation over the period 2000-2006, together with the combined ratio.

Investment-related technical cooperation, which is associated with supporting capital investments, increased from less than 5% of disbursements in 2000 to USD 86.4 million (15.6% of disbursements) in

2004, before once again declining to USD 31 million (5.2%) in 2006. Free-standing technical cooperation, which provides policy-related and capacity development support, has declined from about 45% of total disbursements in 2000 to 41% in 2006. This reduction appears to be in line with the reduced overall support to governance reforms, which is a sector strongly associated with free-standing technical cooperation, in the same period.

During the data collection exercise for the Report it was noticeable that many partners had difficulty in making the distinction between investment-related and free-standing technical cooperation and the reliability of the analysis is therefore open to question.⁵ For this reason, for analytical purposes it may therefore be more useful to consider aggregate technical cooperation, i.e. the combined total of free-standing and investment-related technical cooperation. On this basis it can be seen that the total amount of development assistance allocated to technical cooperation remains very high, approaching almost 50% of total disbursements in 2006, but further analysis may be inconclusive given the concerns relating to data integrity.

Chart Fifteen. Technical Cooperation 2000-2006



Source: CDC Database

Moving beyond aggregate disbursements of technical cooperation, Table Eleven, overleaf, shows the disbursement of technical cooperation, and other modalities, by development partner in the years 2005 and 2006. Based on the data provided by development partners it can be seen that the US is the largest provider of technical cooperation, providing USD 51 million of support in 2006. Similar to Finland, Canada, and New Zealand, the bilateral development assistance provided by the US comprises wholly of technical cooperation.

These results are informative but, as noted above, many development partner data focal points communicated their lack of understanding about TC definitions and classifications. This may have resulted in a higher than usual error in the data and indicates that we need to work much harder to understand how technical cooperation is provided, how it is used and how it is managed.

This is much more than a data issue. As the main catalyst for strengthening national systems, supporting the development of national policy, and delivering high-quality capacity development assistance that will move Cambodia forward on the path toward reaching its NSDP objectives, the lack of robust data on technical cooperation leaves a significant gap to be filled in the 'managing for results' approach.

Although the exact amounts and uses of technical cooperation are not known, it can be said with some certainty to be 'large', accounting for about half of all development cooperation, and if commitments to promote aid effectiveness are sincere then Government will need to work much harder with development partners to understand more about the use of this resource. This might be considered an important component of both the 'managing for results' and 'mutual accountability' components of the H-A-R Action Plan and the Declaration on Aid Effectiveness that most partners signed in 2006.

⁵ A Glossary of Terms is presented as Annex One.

Table Eleven. Development Partner Disbursements by Type of Assistance (USD million)

Development Partner	2005							2006 provisional						
	FTC	ITC	IPA	Budget Supp't	FOA	Not spec.	Total	FTC	ITC	IPA	Budget Supp't	FOA	Not spec.	Total
United Nations Agencies														
FAO	0.3				0.2		0.5	1.1						1.1
IFAD			4.7				4.7			4.1				4.1
ILO	3.4						3.4	4.3						4.3
UNAIDS								0.4						0.4
UNCOHCHR														
UNDP	6.0						6.0	8.1						8.1
UNESCO	2.5						2.5	2.1						2.1
UNFPA	2.8						2.8	2.6						2.6
UNICEF	3.3	3.3					6.7		3.70					3.7
UNODC	0.3						0.3	0.2						0.2
WFP					14.0		14.0					17.9		17.9
WHO	0.3						0.3	3.1						3.1
Int'l Financial Institutions														
World Bank	1.4	0.2	36.20				37.8	1.9	0.30	24.4				26.6
IMF	0.3						0.3	0.2						0.2
ADB	4.8		84.60				89.4	7.4		54.6				62.0
Others														
Global Fund	0.3		18.50				18.8	0.6		21.5				22.2
Sub-Total UN/Multilateral	25.8	3.6	144.0	0.0	14.2	0.0	187.5	32.2	4.0	104.7	0.0	17.9	0.0	158.8
European Union														
EC	21.7	1.8				0.2	23.7	31.7			3.6			35.2
Belgium	11.4					0.3	11.7	6.9		0.1			0.4	7.3
Denmark	0.5	3.9	0.4				4.8	3.3	2.7	0.1				6.1
Finland	3.3						3.3	3.5						3.5
France	15.4	3.0	6.0				24.4	6.4	2.5	13.1				22.0
Germany	13.0	0.1	6.5			7.7	27.3	13.2		8.2			9.1	30.5
Netherlands	1.1						1.1	0.1						0.1
Sweden	1.8	5.3	5.8	0.70			13.6	2.4	7.4	6.3				16.1
UK	15.8	3.3	1.5				20.6	12.6	1.6	5.9				20.0
Sub-Total EU	84.2	17.3	20.2	0.7	0.0	8.1	130.6	80.0	14.1	33.6	3.6	0.0	9.5	140.8
Other Bilaterals														
Australia	7.1	5.9	0.9		2.9		16.8	12.6	4.4			0.3		17.3
Canada	9.1						9.1	5.7						5.7
China			46.5				46.6	0.4		52.8				53.2
Japan	38.2		67.2	6.3			111.7	34.8		54.1	11.5			100.5
New Zealand	2.0	0.1					2.1	1.0	0.5					1.5
Rep of Korea	5.8		9.1				14.9	7.6	0.5	5.1				13.3
Switzerland	0.2		2.2			0.4	2.8	0.1	0.4	2.0				2.5
USA	43.3						43.3	51.0						51.0
Sub-Total Other Bilateral	105.6	6.1	125.9	6.3	2.9	0.4	247.2	113.2	5.8	114.1	11.5	0.3	0.0	245.0
NGOs (core funds)	44.7						44.7	18.4	7.2	24.0		0.6		50.2
Total	260.3	27.0	290.1	6.9	17.1	8.5	610.0	243.8	31.1	276.3	15.1	18.8	9.6	594.8

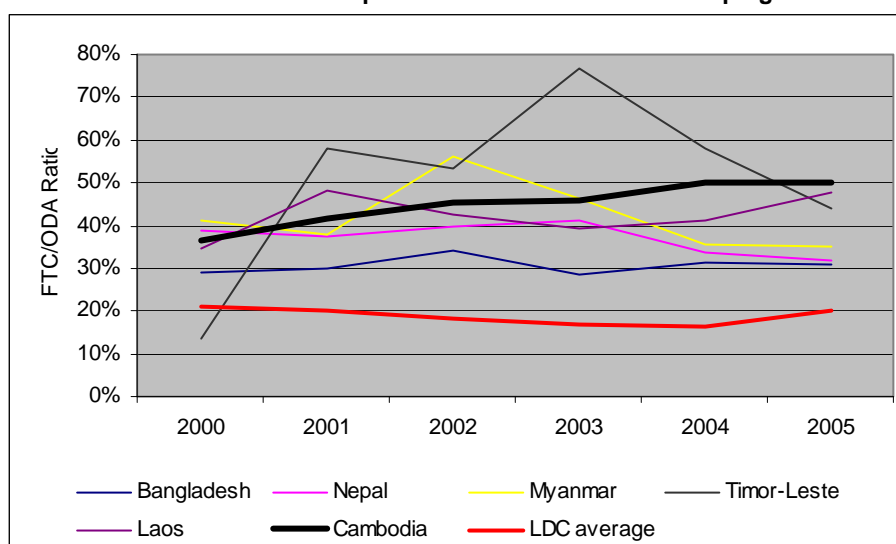
Source: CDC Database

An illustrative look at regional data also provides an informative insight into the use of technical cooperation. Using OECD/DAC data and definitions it is possible to compare technical cooperation ratios in Bangladesh, Cambodia, Nepal, Myanmar, Timor-Leste and Laos in the period since 2000.⁶ In Cambodia technical cooperation has been steadily increasing and, as Chart Sixteen shows, was highest in 2004 and 2005 when it accounts for about half of all development cooperation. This may be counter-intuitive as one might expect many years of significant technical cooperation to have had a greater impact on the development of national systems and capacity by now.

It is interesting to note in some other Asian countries, for example, that the share of technical cooperation in aid has decreased in recent years while the average ratio for all LDCs has remained broadly constant at about 20% of all ODA, i.e. less than half that received by Cambodia. Questions regarding the use and impact of technical cooperation in Cambodia may be particularly pertinent.

⁶ Technical cooperation defined by the OECD-DAC excludes investment-related technical cooperation. The definition used by OECD/DAC includes activities whose primary purpose is to augment the level of knowledge, skills, technical know-how or productive aptitudes of the population of developing countries.

Chart Sixteen. Technical Cooperation Ratios in Asian Developing Countries



Source: OECD/DAC (Note that technical cooperation data and definitions differ from CDC Database)

The increase in the technical cooperation ratio in Cambodia to 50% since 2000 warrants the attention of both the Government and its development partners. As stated above, it is necessary to understand much more about the size and nature of technical cooperation. Only then will Government be able to assert coherent ownership over the assistance that is provided by development partners and, in this way, to ensure an effective contribution to developing national capacity and to honouring the commitments both parties made when signing the Paris Declaration.

Summary Data Presentations and Sector Profiles

The next four pages of this Report provide a series of snapshots of summary data on four of the NSDP priority sectors (agriculture, education, health and infrastructure). For each of these sectors more detail is shown on their respective sub-sectors than in the analysis presented above. While noting that there may be some data discrepancies, the purpose of this exercise is to demonstrate the utility of the CDC Database in producing routine reports and in providing tools that can add value to the dialogue that takes place at sector level.

These data presentations are felt to be of significant value to a wide range of users who require 'at a glance' briefings or sector summaries. Once data has been properly validated they may be routinely replicated from the CDC Database for all sectors. The sector profiles are not simply for briefing purposes, however, as, besides presenting key data on external support to a sector and its sub-sectors, they have been constructed to succinctly highlight the nature of the aid coordination challenge within a sector.

Each profile shows, for example:

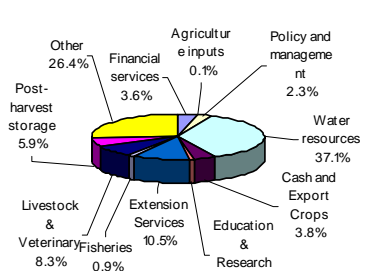
- a) The Paris Declaration indicators for projects in that sector. It can be seen, for example, that while the infrastructure sector has made significant progress in coordinating technical cooperation, only a small share of total resources pass through Government systems;
- b) The ten biggest projects in 2006. In most sectors these account for a significant share of total aid disbursed to that sector (75% in the infrastructure and education sector, 60% in agriculture). This suggests that if these projects provide the initial focus for aid coordination efforts, possibly in the context of a programme-based approach, then efficiency gains may be quickly translated into increased impact and effectiveness; and
- c) The total number of projects in sectors and sub-sectors. This suggests that at sub-sector level, the transaction cost of managing aid is not sustainable and that efforts to coordinate donor assistance crowds out core Government activity, including policy formulation, programme implementation and monitoring. The health sector, for example, reports 17 projects delivering USD 1.97 million in assistance to the Policy and Planning function.

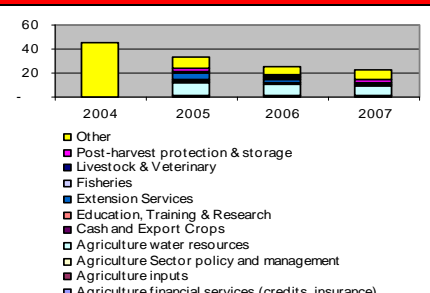
These profiles are linked to the CDC Database meaning that the information is therefore routinely up-dated as new project information is entered into the Database. In the latter half of 2007 these profiles will also be posted onto the CRDB/CDC website so that all users can routinely access snapshot information on all of the main sectors that receive development assistance. These profiles are currently being piloted and it is intended that, after the data has been validated by lead ministries and TWGs, they will make a useful contribution to dialogue at sector level.

Agriculture Sector Profile

[derived from CDC Database, April 2007]

Sector Background	TWG Details																								
<p>NSDP priorities are now incorporated into a programme-based strategy for agriculture and water and detailed programs are now being prepared. The lead RGC agencies in agriculture and water resources are MAFF and MOWRM respectively.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr style="background-color: #add8e6;"> <th>Targets</th> <th>2005</th> <th>2010 Targets</th> </tr> </thead> <tbody> <tr> <td>Rice Production (million tons)</td> <td style="text-align: center;">4.17</td> <td style="text-align: center;">5.5</td> </tr> <tr> <td>Rice Yield per hectare, tons</td> <td style="text-align: center;">1.97</td> <td style="text-align: center;">2.4</td> </tr> <tr> <td>Fish catch -- Tons</td> <td style="text-align: center;">374,000</td> <td style="text-align: center;">450,000</td> </tr> <tr> <td>Irrigated area (% of rice area)</td> <td style="text-align: center;">20</td> <td style="text-align: center;">25</td> </tr> <tr> <td>Land Reforms - no. of titles issued to farmers % of total</td> <td style="text-align: center;">12</td> <td style="text-align: center;">24</td> </tr> <tr> <td>Forest area (% of total land area)</td> <td style="text-align: center;">60</td> <td style="text-align: center;">60</td> </tr> <tr> <td>Household Fuelwood dependency: %</td> <td style="text-align: center;">85.5</td> <td style="text-align: center;">61</td> </tr> </tbody> </table>	Targets	2005	2010 Targets	Rice Production (million tons)	4.17	5.5	Rice Yield per hectare, tons	1.97	2.4	Fish catch -- Tons	374,000	450,000	Irrigated area (% of rice area)	20	25	Land Reforms - no. of titles issued to farmers % of total	12	24	Forest area (% of total land area)	60	60	Household Fuelwood dependency: %	85.5	61	<p>Main TWG: Agriculture and Water</p> <p>TWG Co-Chairs: H.E. Chan Tong Yves (MAFF) H.E. Veng Sakhon (MWRM)</p> <p>Lead Donor Facilitator: AusAID and AFD</p> <p>TWG focal point: Mr. Mak Mony</p> <p>Contact email: twgaw@camnet.com.kh</p> <p>RGC members: MAFF, MOC, MEF, MLMUPC, MRD, MWRM, CARD</p> <p>Donor members: Australia, Canada, Japan, New Zealand, Germany, Denmark, France, EC, ADB, FAO, IFAD, UNDP, WB, WFP, CEDAC, GRET.</p>
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Joint Monitoring Indicator Number 8	Status (March 2006)
i) Develop a medium term strategy for agriculture and water	Strategy finalised
ii) Establish a mechanism and disseminate information on economic land concessions	Available on http://www.twgaw.org/

Education Sector Profile

[derived from CDC Database, April 2007]

Sector Background

Capacity and human resources are part of the Rectangular Strategy. The Education Strategic Plan (ESP) 2006-2010 has been designed to accelerate the speed of education reform NSDP.

	2005	2010	2015
Primary School Net Enrolment:	91.9%	100%	100
Lower Sec. School: Net Enrolment	26.1	75 (all)	100
Survival rate %: 1-6:	53.1	100	100
Survival rate %: 1-9:	30.18	50	100
Literacy rate - 15-24 years %	83.4	95	100

TWG Details

TWG Chair: H.E. Mak Vann (MoEYS)

Lead Donor Facilitator: Mr. Teruo Jinnai (UNESCO)

TWG focal point: Mr. Sam Sereyath

Contact email: edu_sr@camnet.com.kh

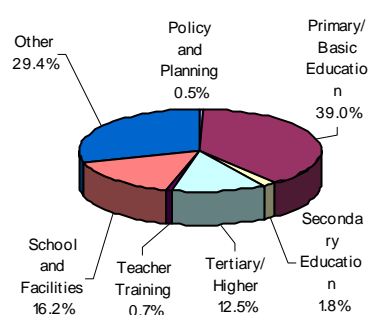
RGC members: MEF, MoEYS, Moinf, MOI, MLVT, MOP, MoSAV, MoWA, CAR, CDC

Donor members: Japan, USA, Belgium, Sweden, UK, ADB, UNESCO, UNICEF, WB, WFP, EC, USAID, DFID, France, NEP

Sub-sector ODA (2006)

Sub-Sector	# projects	USD m
Policy and Planning	2	0.33
Primary/Basic Education	14	27.87
Secondary Education	2	1.28
Tertiary/Higher	21	8.94
Teacher Training	2	0.52
School and Facilities	15	11.57
Other	23	21.04
Total	79	71.55

ODA Profile (2006)



10 Biggest Projects (2006 disbursements)

Donor	Project name	USD m
ADB	2nd Edn Sector Devt Prog	7.54
Sweden	Expanded Basic Ed Phase II	6.34
WFP	Assisting People in Crisis	6.29
Japan	Construction of Primary (PP)	4.40
Belgiu	Basic ed in 3 provinces	4.07
USA	Relevance, Quality, Access	3.94
EU/EC	Pro-poor Basic Education	3.58
ADB	2nd Edn Sector Devt	3.06
Japan	Human Res. Devt Scholarship	2.76
ADB	Education sector dev't	2.46
Total		44.43

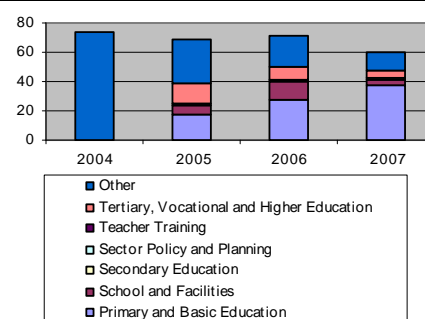
2006 Sub-sector Disbursements

Sub Sector	Donor	USD m
Primary and Basic Education	ADB	10.59
School and Facilities	Japan	5.49
Secondary Education	Japan	0.86
Sector Policy and Planning	ADB	0.20
Teacher Training	Belgium	0.39
Tertiary, Vocational and Higher Education	Japan	2.76
Total		20.30
Other		51.25
Grand Total		71.55

2007 ODA Projections

Sub Sector	USD m
Primary and Basic Education	37.71
School and Facilities	3.87
Secondary Education	0.84
Sector Policy and Planning	0.10
Teacher Training	0.30
Tertiary, Vocational and Higher Education	5.23
Other	11.44
Total	59.49

ODA Trends 2004 – 2007 (USD m)



Province-level support

Province	USDm
Phnom Penh	9.36
Siem Reap	2.77
Kampong Cham	2.76
Otdar Meanchey	2.68
Prey Veng	1.99
Kampong Thom	1.86
Kampong Speu	1.38
Stung Treng	1.35
Svay Rieng	1.24
Battambang	0.88
Other	45.28
Total	71.55

Paris Declaration Indicators

#	Indicator	Status
4	Technical cooperation	27.6% of \$63.5 million coordinated
5a	Budgeting Execution System	27.2%
5a	Financial Reporting System	27.2%
5a	Auditing System	27.2%
5b	Procurement system	36%
6	Partially-Integrated PIUs	3 partially-integrated PIUs in 2006
9	Part of a PBA	59.4% of ODA was part of a programme
10a	Missions in 2006	8 recorded missions, none were joint

Joint Monitoring Indicator Number 10

Increase the net enrolment in primary school (total, and by sex)

Increase the survival rate from grades 1 to 6.

Status (March 2006)

Total NER decreased from 91.9% 04/05 to 91.3% 05/06 and is directly correlated with the decrease in population growth rates.

Total SR decreased from 52.6% 04/05 to 48.1% 05/06. Increased drop-out rates will receive the Ministry's highest consideration at the next policy review.

Health Sector Profile

[derived from CDC Database, April 2007]

Sector Background

The Health Sector Strategic Plan (HSP), 2003-2010, provides the guiding framework. Health is one of the four priority sectors for PAP, which assures allocation and release of current and capital budgetary funds.

NSDP Targets and Indicators	2005	2010	2015
Infant Mortality Rate, per 1,000 live births	66	60	50
Under five Mortality Rate	82	75	65
Maternal Mortality, per 100,000 live births	N/A	243	140
HIV/AIDS prevalence, % of adults, 15-49	1.9	1.9	1.8
Malaria cases -- fatality %	0.36	0.25	0.1
Prevalence of smear+ TB, per 100,000	N/A	214	135

TWG Details

TWG Chair: H.E. Nuth Sokhom (MoH)

Lead Donor Facilitator: Mr. Michael J. O'Leary (WHO)

TWG focal point: Dr. Char Meng Chuor

Contact email: mengchuor.pcu@online.com.kh

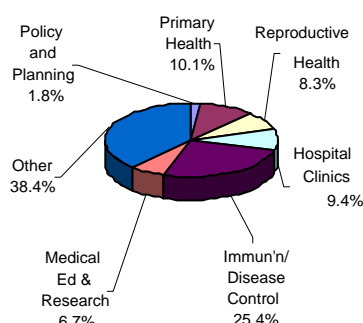
RGC members: MOH

Donor members: Canada, France, Germany, UK, USA, ADB, UNFPA, UNICEF, WB, WHO, Medicam

Sub-sector ODA (2006)

Sub-Sector	# projects	USD m
Policy and Planning	17	1.97
Primary Health	13	11.09
Reproductive Health	12	9.16
Hospitals & Clinics	12	10.32
Immun/Dis. Control	17	27.91
Medical Ed & Research	7	7.34
Other	31	42.17
Total	109	109.9

ODA Profile (2006)



10 Biggest Projects (2006 disbursements)

Donor	Project Name	USD m
Global Fund	HIV/AIDS Cover Key Areas	6.68
USA	HIV/AIDS/Infect/Maternal	6.45
EU/EC	RHIYA - phase II	4.02
Japan	Renovation of Tech School	3.87
Global Fund	Continuum of Care	3.70
UK	Health Sector Support	3.05
WFP	Support to Maternal/Child	2.93
Global Fund	Go to Scale HIV/TB/Malaria	2.85
Global Fund	Go to Scale for HIV/AIDS	2.69
ADB	Health Sector Support	2.68
Total		38.92

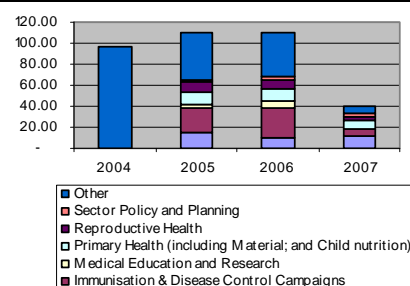
2006 Sub-sector Disbursements

Sub-Sector	Donor	USDm
Hospitals & Clinics	ADB	2.68
Immun'n/Disease Control	Global Fund	22.17
Medical Education and Research	Japan	3.87
Primary Health	USA	4.95
Reproductive Health	EU/EC	4.82
Policy and Planning	WHO	1.50
Total		40.00
Other		69.96
Grand Total		109.96

2007 ODA Projections

Sub-Sector	USD m
Hospitals & Clinics	11.56
Immun'n/Disease Control	6.13
Medical Education and Research	0.23
Primary Health	8.77
Reproductive Health	3.68
Policy and Planning	2.28
Other	6.78
Total	39.44

ODA Trends 2004 – 2007 (USD m)



Province-level support

Province	USDm
Phnom Penh	10.51
Siem Reap	3.17
Banteay Meanchey	2.24
Kampong Speu	1.76
Kampong Thom	1.72
Takeo	1.41
Pursat	1.39
Kampong Cham	1.32
Preah Vihear	1.20
Kampot	0.73
Other	84.52
Total	109.96

Paris Declaration Indicators

#	Indicator	Status
4	Technical cooperation	52.6% of \$71 million coordinated
5a	Budgeting Execution System	35%
5a	Financial Reporting System	35%
5a	Auditing System	35%
5b	Procurement system	43.2%
6	Partially-Integrated PIUs	7 partially-integrated PIUs in 2006
9	Part of a PBA	24% of ODA was part of a programme
10a	Missions in 2006	25 recorded missions, 6 were joint

Joint Monitoring Indicator Number 10

Increase the proportion of deliveries attended by skilled health personnel

Status (March 2006)

Increased from 31.8% in 2000 to 43.8% in 2005

Infrastructure

[derived from Transportation and Power sector information in CDC Database, April 2007]

Sector Background

The NSDP elaborates Rectangular Strategy priorities that include transport infrastructure, water resources, energy, and information communications technology. Infrastructure is emphasised for its forward and backward linkages to rural development, trade and all productive sectors. The transport infrastructure sector includes roads, railways, ports, civil aviation.

NSDP Targets and Indicators	2005	2010	2015
Length of paved roads	2,100	4,100	---
Per capita use of electricity KWh	54	89	---

TWG Details

TWG Chair: H.E. Mr. Sun Chan Thol

Lead Donor Facilitator: Mr. Kazuhiro YONEDA, JICA

TWG focal point: Mr. Pheng Sovicheano

Contact email: p.sovicheano@online.com.kh

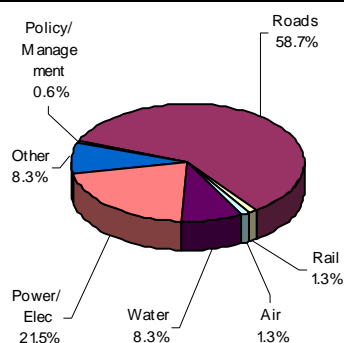
RGC members: MIME, MRD, MWRD, State Secretariat of Civil Aviation

Donor members: ADB, Japan/JICA, World Bank, France

Sub-sector ODA (2006)

Sub-Sector	# projects	USD m
Policy/Management	2	0.43
Roads	14	39.91
Rail	1	0.86
Air	1	0.86
Water	2	5.64
Power/Elec	13	14.63
Other	8	5.63
Total	41	67.97

ODA Profile (2006)



10 Biggest Projects (2006 disbursements)

Donor	Project Name	USD m
China	National Road No.7	12.20
Japan	National Road No.1	6.28
Japan	Bridges along Main	5.36
Republic of	Kampot-Trapang Rd	4.38
Japan	Sihanoukville Port	4.35
ADB	Provincial Power	4.18
Japan	Rural Electrification	3.63
WFP	Assisting People in	3.34
ADB	Cambodia Roads	3.16
World Bank	IDA 3181 Road	1.97
Total		48.85

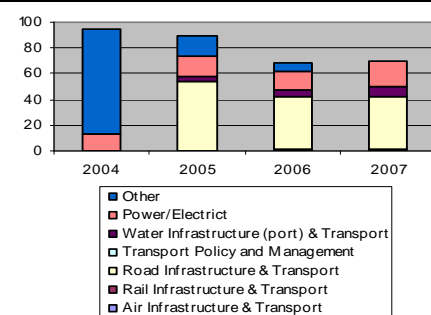
2006 Sub-sector Disbursements

Sub-Sector	Donor	USDm
Air Infr	Japan	0.86
Rail Infr	Rep of Korea	0.86
Road Infr	Japan	13.47
Policy & Mment	Japan	0.38
Water Infr	Japan	5.64
Energy Edu	Japan	0.01
Energy Policy	Japan	0.83
Power Gen	Japan	5.46
Power Trans	ADB	4.57
Total		32.09
Other		35.88
Grand Total		67.97

2007 ODA Projections

Sub-Sector	USD m
Road Infr	41.86
Power Trans	13.00
Water Infra	7.35
Power Gen	5.44
Air Infra	0.84
Energy Policy	0.78
Other	0.14
Total	69.41

ODA Trends 2004 – 2007 (USD m)



Province-level support

Province	USDm
Kandal	12.75
Stung Treng	8.30
Kracheh	6.42
Phnom Penh	6.10
Nation-Wide	5.76
Krong Preah Sihanouk	5.54
Kampot	3.96
Mondul Kiri	3.63
Siem Reap	2.57
Banteay Meanchey	2.26
Prey Veng	1.64
Other	14.79
Total	67.97

Paris Declaration Indicators

#	Indicator	Status
4	Technical cooperation	93.7% of \$61 million coordinated
5a	Budgeting Execution System	31.2%
5a	Financial Reporting System	31.2%
5a	Auditing System	31.2%
5b	Procurement system	41.8%
6	Partially-Integrated PIUs	0 partially-integrated PIUs in 2006
9	Part of a PBA	36.6% of ODA was part of a programme
10a	Missions in 2006	2 recorded missions, 1 was joint

Joint Monitoring Indicator Number 9

Further infrastructure rehabilitation for sustainable socio-economic development: (a) budget allocations for roads; (b) Road law to CoM; (c) Telecom Law to CoM; (c) Water Supply Law to CoM; (d) Wood Energy Statistics & Policy.

Status (March 2006)

All JMIs have been achieved. Draft laws submitted to CoM, maintenance issues subject to IMC deliberation and Wood Energy draft forthcoming.

3. H-A-R Action Plan Implementation

The first two chapters of this Report used empirical evidence to identify the scope and specific nature of the coordination challenge in Cambodia. This broader perspective provides a clearer understanding of the development assistance context of Cambodia and contributes to understanding an approach that might be taken to strengthen aid management and the linking of aid to development results.

The primary mechanism for addressing this coordination challenge is GDCC-TWG mechanism. This Chapter considers some of the specific activities that have been implemented by Government and the TWGs, and attempts to assess their impact in promoting aid effectiveness in the context of the H-A-R Action Plan.

H-A-R Action Plan Implementation through the TWGs

The TWGs reported on their 2006 activities to the GDCC meeting that was held in February 2007. In the main, the TWGs appear to be progressing well, both in regard to implementing their own workplans and with respect to the H-A-R Action Plan.

Particular areas of progress were reported in:

- Development of sector plans and policies, including legislation in some areas including telecommunications, infrastructure, agriculture and water, gender and governance;
- Where these strategies had been developed they were often associated with capacity development strategies;
- Joint approaches to monitoring and review.

Where TWGs experienced less progress, the challenges they encountered included the following:

- Insufficient resources being identified to adequately finance the implementation of TWG activities;
- Representation was not always at a sufficiently senior level to ensure that decisions could be taken while on other occasions issues under the mandate of a ministry other than the Chair of the TWG, including cross-cutting issues, could not be discussed as there was not sufficient cross-Governmental participation.

These observations relating to both progress and challenges broadly confirm the findings of the GDCC-TWG Review that was undertaken in the latter part of 2006. As discussed in Chapter Two, the Review resulted in the production of a 'Guideline on the Role and Functioning of the TWGs' and this was itself followed up with a meeting of all TWG Chairs and Government focal points in April 2007. This meeting discussed potential modalities of CDC support to the GDCC-TWG mechanism and agreed that a needs assessment be conducted to consult further with the TWGs on their aid coordination-related needs. The next sections of this Report therefore proceed to consider in more detail the activities that took place across all TWGs and the progress/challenges reported in implementing each of the five action areas of the H-A-R Action Plan, and may also be used to inform future areas of support that might be deemed necessary by TWGs.

H-A-R: The National Framework for Promoting Development Results

Ownership

H-A-R Action Plan Key Results Areas
Sectors develop NSDP-based programs and a sector MTEF
PIP feeds into the national budget preparation process.
Strategic Framework for Development Cooperation Management strengthens capacity
CDC provides aid coordination support requested by TWG Chairs

Government leadership in the TWGs is linked to the development of plans that clearly articulate national priorities. Good progress has been made at sector/thematic level in elaborating NSDP priorities as programmes/policies are established or are being prepared for health, education, agriculture & water, HIV/AIDS, mine action, energy, fisheries, land, governance, judicial reform, planning, public financial management, and public administration reform. The development of these strategic plans should provide a catalyst for increased programme formulation by Government, moving away from the trend of development partners developing most project proposals and leaving sometimes limited scope for revision by Government. The next phase of the Public Financial Management reform will also make a significant

contribution to the linking of plans and budgets at macro and sector level as it will include a focus on the development of sector budgeting practices and procedures.

The Strategic Framework for Development Cooperation Management, which was approved by Government in January 2006, also attempts to enhance ownership and ensure coherent aid management at a macro level by elaborating the respective roles of Government ministries and agencies. Toward the end of 2006 these roles were elaborated in the 'Guideline on the Role and Functioning of TWGs', providing more detail on PIP/MTEF linkages and responsibilities at TWG level, and in providing clearer direction on the supporting role of CRDB/CDC. The Guideline also clarified the leadership role of Government, emphasizing the supporting role of TWGs which provide a forum for dialogue and review.

Alignment

H-A-R Action Plan Key Results Areas
Development partners review and align their support
MEF continues to implement the PFM reform program
PFM and procurement systems are mutually assessed
Development partners provide multi-year indicative commitments
CDC surveys PIU/ and develops an integration strategy
Sector plans include an assessment of capacity gaps
TWGs prepare/implement a capacity development program
Development partners support the application of MBPI/PMG
CDC surveys tied and untied aid

Based on the sector plans and programme-based approaches that have been established, development partners are requested to align their support around the priorities that have been articulated. The alignment of development assistance around NSDP priorities was considered in some detail in Chapter Two, which concluded that development assistance, in the main, is relatively well aligned to national priorities, although alignment must take place at more than an aggregate priority level if a real impact is to be assured toward meeting the Cambodia Millennium Development Goals (CMDGs), in particular on maternal mortality. The new Agriculture & Water Strategy, which was completed at the end of 2006, provides a good example of such an approach and builds on the established successes of the education sector, which reports that all support is routinely aligned with the

Education Sector Plan (ESP). The Gender TWG also points to some success in its development of Gender mainstreaming Guidelines and their introduction across the TWG mechanism. By contrast, other TWGs, including Fisheries which has incorporated the H-A-R Action Plan into its own workplan, noted that many aid effectiveness principles prove to be 'difficult to get consensus especially from the donors who have their own policy instructions and interests'.

The alignment of support with national systems has proved to be much more challenging. The Paris Declaration survey (discussed in Chapter Four), which also served as an opportunity for development partners to review their support, indicated that very little support uses the Government budget (10%) or procurement systems (6%). Encouraging signs of progress have been reported, for example, in the strategic area of decentralisation and deconcentration and the National Committee on Decentralisation and Deconcentration will shortly begin the process of designing the D&D Fund for pooling resources. Where development partners do use these systems, it was also noted that the Government itself faces significant problems in actually recording this support in its systems. This presents a challenge for both partners and Government in strengthening national systems and in then ensuring that they are used with information adequately recorded for budgeting and financial management purposes. The PAR and PFM processes therefore remain of strategic importance to the aid effectiveness agenda as well as for the management and monitoring of the NSDP.

Emerging Good Practices

Public Financial Management

The PFM reform programme has made good progress toward completing its first Platform that focuses on the credibility of the Budget. The PFM also represents a number of good aid management practices, including:

- Partnership principles
- An integrated PIU
- MBPI incentives
- A clear managing for results approach to TWG reporting
- A coherent funding framework and donor group

These practices do not only embody good aid management practices, they also provide an efficient modality for providing support and for allowing Government to lead the reform exercise.

This relates also to efforts to identify multi-year commitments, which the CDCF meeting will attempt to do for the first time with information then recorded in the CDC Database. Chapter Two considered the predictability of CG pledging, for example, and found that in 2006, the first year of the NSDP, recorded disbursements

were 83% of pledges made at the CG meeting in March of the same year. This compares quite favourably with the data from 2005 (identified in the Paris Declaration monitoring survey) that indicated that 69% of funds recorded in the Government financial framework at the beginning of the year were then recorded as disbursed in the national system (although it must be noted that the methodologies for measuring these two figures are markedly different). The CDC Database also now allows for predictability to be monitored over time and, based on discussions in the Partnership and Harmonisation TWG, there may be a need for further analysis of this issue to identify and explain challenges to timely disbursement as well as to the accurate recording of aid flows in RGC systems.

The H-A-R Action Plan also envisages the production of a comprehensive capacity programme at sector level, as well as the reduced use of stand-alone PIUs. The OECD survey precluded the need for a national survey and noted that coordinating the provision of capacity development support remains a significant challenge. Although significant sums have been directed to capacity through the broader reform effort (Governance and public sector reform received the second highest level of disbursements in 2006), there is therefore some concern that this support may not be complemented through the provision of coherent support at sector level. It is therefore encouraging to note that sectors and TWGs, including Partnership and Harmonisation; Agriculture and Water; and, Forestry and Environment, have developed comprehensive capacity building strategies in the context of their sector plans.

Closely associated with capacity development, the issue of technical cooperation has been of mutual concern to both Government and development partners for some considerable period of time. A survey was commissioned in 2004 but continued concern in 2006 has resulted in further analytical work being commissioned for later in 2007. This work needs to be placed in the context of the aid effectiveness agenda as the new aid environment, characterised by Government ownership and the use of modalities such as programme-based approaches, may require that the use of much technical cooperation and capacity development support must be reconsidered. Important new issues such as the management and accountability lines of technical assistance personnel, and the possibility of diminishing returns to scale setting in where too many donors are seeking to provide technical assistance to a sector are examples of how technical cooperation, in its broadest sense, must be viewed through the lens of the Paris Declaration and H-A-R Action Plan.

The discussion in Chapter Two on technical cooperation has also emphasised that much more needs to be known about aggregate technical cooperation provision, both its source and the sector of use, if this resource is to be managed in a way that is likely to ensure that it has impact on capacity development and the strengthening of national systems.

One consideration for development partners is to work with Government in agreeing new principles for the management of TA, recognising that in a new partnership-based environment TA must display an increased ability to play a convening role and to serve as a bridge between Government and development partners. International TA personnel are expensive and it is therefore reasonable that they should be expected to display the commensurate skills that are suited to the Cambodia development context, i.e. partnership building with a focus on capacity development and knowledge transfer. The effectiveness of TA can also be promoted by establishing clear deliverables together with modalities for jointly monitoring performance and impact.

With regard to PIUs, the Paris Declaration survey recorded only 49 PIUs, although this number may be a significant under-recording as the data collection exercise for this Report indicates that there are at least 152 (see the discussion in Chapter Four). Progress toward developing a strategy was made through the development partners who participate in the Partnership and Harmonisation TWG, and progress toward some form of a Guideline may be forthcoming in 2007. One related aspect of PIU integration concerns the need to streamline incentive payments. The Council for Administrative Reform has issued a Sub-Decree of the harmonised application of performance-related incentives. While some Government agencies, including MEF and CRDB/CDC, were able to establish these schemes with development partner support, others, including the Ministry of Health, have found the process to be rather more challenging although a Performance management System has been established.

Not Such Good Practices?

Capacity Fragmentation

CDC learned in 2006 of one case in which a Government agency had offered a position to a national professional, with terms of employment agreed. A short time afterwards, however, the national professional withdrew from the offer as a development partner had offered a job on more attractive terms.

This common example of capacity fragmentation suggests that moving toward programme-based approaches that consolidate capacity within Government, as opposed to locating it within donor offices, may be a more useful approach. It is also noted that Government agencies often resort to the hiring of internationals, at far greater cost, as they have more flexible budgets for these personnel even though they may prefer to hire nationals.

Tied aid was also recorded during the Paris Declaration survey with 86% being recorded as untied. This suggests that the issue of aid untying, which is in any case a concern that must be addressed in donor capitals and headquarters, is not of concern and need not occupy excessive amounts of time in the Cambodia aid effectiveness dialogue.

Harmonisation

H-A-R Action Plan Key Results Areas
Establish joint targets on ODA to be delivered through PBAs
TWGs prepare a plan to increase delegated cooperation
TWG prepare a calendar of missions and analytical work
Development partners report progress made on H-A-R
EIA procedures established at sector and national level
Common guidelines on cross-cutting issues

The analysis in Chapter Two more than adequately emphasised the challenges of deconcentrated and fragmented development assistance. The result of many development partners working in many sectors may be that: (i) the demand for local expertise is high with consequences for coherent and effective development; (ii) priority sectors may exhibit significant coordination problems that undermine the ability to manage and lead; and (iii) there is a risk that partners focus on their own results and profiles, distracting attention, resources and effort from the NSDP effort. The need for development partners to harmonise their support so that a focus on achieving results, as opposed to simply managing aid, can be promoted can hardly be overstated. The expected commencement of a Budget Support programme in 2007 is therefore welcomed by Government as a potentially effective response to this challenge.

Emerging Good Practices

Partnership Principles

Partnership Principles are seen by some to be useful as they establish a consistent and codified approach to partnership-based work.

Principles should be linked to the development of a programme that emphasises Government ownership and leadership as a guiding principle.

Government must be convinced that there is a clear value-added to the exercise in terms of strengthening partnership, reducing the transaction costs of aid management, and in delivering results.

Vague language regarding intentions should be avoided and the monitoring of specific commitments is encouraged if these Principles are to add value.

The H-A-R Action Plan identifies programme-based approaches and delegated partnership arrangements as additional responses to these challenges. The initiative of TWGs such as Land to commission training on the use of programme approaches is therefore useful and further Government training will take place later in 2007. The section on ownership identified the progress that has been made in establishing sector programmes and policies and their implementation, if they are not simply in addition to the existing project portfolio, may be expected to reap significant dividends. A related practice in sector programmes has been the development of Partnership Principles and these may also promote increased efficiency as well as a focus on achieving results.

The shift to Budget Support and programmatic modalities of development assistance are therefore expected to go some considerable way to promoting the harmonisation agenda and to lowering the management costs of aid. Having noted the perceived benefits of this support, it is also necessary to maintain some balance in the discussion on modalities and to recognise the continued role for project assistance. While it is most certainly true that modern public services in wealthier countries were not built through a series of multiple projects supported by a large number of financiers, the project approach does retain significant utility. The

challenge is therefore to ensure that projects maximise their perceived advantages of providing flexible and dedicated support, for example in piloting new approaches, in supporting large-scale capital investments or in delivering discrete packages of capacity support.

Partnerships

One good practice in harmonisation that promotes the efficient delivery of development assistance is through delegated cooperation or co-financing arrangements. These partnerships between development partners enable both ideas and money to be pooled so that support, including for capacity development, is provided to Government more efficiently than would be the case for a series of smaller packages of technical cooperation and investment support. With appropriate care being taken at the programme design and review stages, and with the lead partner taking full account of good practice in aid delivery, it is also possible to ensure that there is no 'innovation loss' by working with a less diverse set of partners. The Government's position is that these delegated cooperation arrangements can represent significant efficiencies in aid delivery and that they are therefore to be encouraged.

Table Twelve. Partnership Analysis: Identifying Co-Financing and Delegated Partnership Arrangements

The methodology in this table is to use implementing partners as the source of data on partnerships; this reveals that some partners who have not reported project activity in 2006 (e.g. OPEC Fund, Norway, Netherlands) are shown here to be the source of some project activity. There are also a number other co-financing partners who have not recorded co-financing support in the CDC Database (e.g. USA, Switzerland). In both cases these financial contributions are not reflected in the main disbursement analysis as, to avoid double-counting, this data is calculated using only funding sources.

Development Partners Co-Financing Projects with other Partners in 2006																																
		ADB	World Bank	OPEC Fund	UNAIDS	UNMAS / UNFP	UNICEF	WFP	WHO	EC	Australia	Belgium	Canada	Denmark	Finland	France	Italy	Germany	Japan	Netherlands	New Zealand	Norway	Rep of Korea	Spain	Sweden	Switzerland	UK	USA	Other			
Development Partners Implementing Projects co-financed by other Partners in 2006	Total	8	4	5	4	3	2	4	1	5	23	2	11	4	4	11	2	5	38	7	9	5	2	2	10	1	15	17	22			
	ADB	39		Power	Transport (3)				Env/Con		Health		Transport							Power Transport (5) Banking Gender Rural dev Gov (3) Education (2) Health (2)	Gov/Admin	Rural dev			Banking	Gov/ Admin		Health		Power Transport Env/Con		
	IMF	1																		Gov												
	FAO	29	Env/Con		Comm/Social						Health			Env		Health	Agric	Health		Agric (3) Health (2)	Agric (2)	Agric Health				Agric		Env	Agric Health (2)			
	IFAD	4																		Rural dev												
	ILO	1																			Rural dev											
	UNDP	54					Rural dev Env/Con	Rural dev				Gov/Admin (2)	Rural dev (3) Gov/Admin (2)	Rural dev (2) Gov/Admin (3)	Rural dev Gov/Admin	Rural dev	Rural dev (2) Gov/Admin		Gov/Admin	Rural dev Comm/Social	Rural dev Gov/Admin (2)	Rural dev (2) Gov/ Admin (3)	Rural dev (2) Gov	Rural dev	Rural dev	Rural dev Gov/ (4)	Gov/ Admin	HIV Rural dev (2) Gov/Admin (4)	Rural dev (2)			
	UNESCO	13			HIV/AIDS	HIV/AIDS (2)																									Comm/Social	
	UNFPA	4				HIV																										
	UNICEF	13									Health WatSan		WatSan Comms/Soc		Health						WatSan Comms/Soc Education HIV/AIDS					Education		Comm/Social (2)	Health			
	UNODC	3																									Comm/Social		Comm/Social			
	WHO	53	Health (3)	Health (3)		Health	Health				Health	Health (7)		Health (5)							Health (4)	Health	Health	Health (3)				Health (4)	Health (9)	Health (8)		
Belgium	9																													Health (3) Agric Comm/ Social (5)		
France	6																													Banking	Power	
Main sectors of support																																
Rural dev (incl De-mining)						1	4	2			5	1	2	1	3			1	3		1	3	2	1	1	1	2	2				
Governance & Admin										2	2	1	3	1		1		1	4	3	3						4	1	4			
Health	3	3		1	1				1	1	8		6			2		3	8	1	2	3				2		5	12	11		
Community/Social			1							1	2				1	2			1	1	2	3				1		2	1	6		
Agriculture	2										2						1		4	2	1					1			1	1		
Transport			3								1					1			5											1		
Education											2								4							1						
Culture & Arts																																
Environment	1	1				1								1	2								1								1	
Power	1																														2	
Water & Sanitation										1	1									1												
HIV/AIDS			1		3														1									1				
Banking & Financial sector	1																								1						1	
Post & Communications																				1								1				
Water & Sanitation																																
Manufac / Mining / Trade																		1														
Gender																																
Total	8	4	5	4	3	2	4	1	5	23	2	11	4	4	11	2	5	38	7	9	5	2	2	10	1	15	17	22				

Note. Only those partners who were associated with a co-financing arrangement in 2006 (as a co-financer or as implementer) are shown.

The efforts that have been made to forge new partnerships were highlighted during the Paris Declaration survey exercise in 2006. The survey's methodology used a 'point of delivery' approach, however, which considered the funds delivered by the implementing partner and in consequence the aid effectiveness efforts of partners passing funds to others were understated. Table Twelve attempts to redress this by analysing partnership dynamics, i.e. the transmission of funding from donor to implementer, and the sectors that have benefited most from these arrangements. The providers of funding are shown along the top row while the implementers to whom the funds have been passed are shown down the left-hand column. The cells contain the sectors in which partnerships have been established, together with the number of arrangements in each sector. The sub-table below the main table then provides summary data on the main sectors in which partnership arrangements have been made.

In summary, the Table Thirteen shows the number of delegated partnership arrangements that were active in 2006. In total, there were 226 partnership arrangements covering a total of 123 projects. For analysis purposes, the number of partnerships is used, as opposed to the sum of the flow, as this provides a stronger indicator of commitment to partnership and the reduction of transaction costs in aid delivery.

Table Thirteen. Delegated Partnership Arrangements

Delegating Partners	Number of 2006 Partnerships	Main sectors
Japan	38	Health (8), Transport (5), Agriculture (4)
Australia	23	Health (8), De-mining / Rural Dev (5)
USA	17	Health (12)
UK	15	Health (5), Governance (4)
France	11	Rural development/De-mining (3)
Canada	11	Health (6), Gov (3)
Sweden	10	Governance (4), Health (2)
New Zealand	9	Rural development/De-mining (3), Gov (3)
Other	98	
Total	226 (out of 123 projects that are co-financed)	

The data shows that Japan is the partner with most delegated arrangements (38), followed by Australia (23). It is noteworthy that a number of partners whose portfolio size is relatively small (e.g. New Zealand and Canada) are also active in forming partnerships and this is a practice that is commended to all partners.

For policy-making purposes, it is also helpful to identify the implementing partners and sectors that are most commonly associated with delegated partnership arrangements. This analysis can provide information on the degree to which new programme-based approaches are promoting the use of more delegated arrangements, or where efforts might be concentrated to encourage the use of partnerships that provide for a more efficient means of delivering aid. It can also highlight those partners that are able to manage the funds of others. Table Fourteen, below, therefore shows two sets of data. First, it shows the largest managers of other partners' funds, with UNDP, WHO and ADB the largest. Second, the table shows that health and rural development activities (especially de-mining) are most associated with delegated arrangements, followed by governance and administration reform. While the health sector has managed to foster 73 partnerships across 52 multi-donor projects, it is perhaps a little surprising that development partners supporting education have not been inclined to develop more co-financing and delegated partnership arrangements.

Table Fourteen. Implementing Partners and Associated Sectors

Implementing Partners	Number of 2006 Partnerships	Main sectors	Number of 2006 Partnerships
UNDP	54	Health	73
WHO	53	Rural dev (incl De-mining)	37
ADB	39	Governance & Admin	30
FAO	29	Community/Social	18
UNICEF	13	Agriculture	15
UNESCO	13	Transport	11
Belgium	9	Education	7
Other	16	Other	45
Total	226	Total	226

Source: CDC Database

As the two sectors that have made most progress in developing programmatic approaches – through an Education SWAp and a Health SWiM - it is useful to consider further the development cooperation context of

the education and health sectors, as well as the agriculture sector. The analysis has already shown that these are the two largest recipient sectors, with 21 and 22 donors, and 79 and 109 projects respectively in 2006.

Table Fifteen. Project Partnerships in Three Priority Sectors

	Number of co-financing partners in project (2006)				Total number of projects / partners (2006)	Total ODA 2006 (USD m)	Total number of projects / partners (2002)
	3+ partners	2 partners	1 partner	No partnership			
Agriculture	0	4	14	40	58 / 16	25.9	47 / 14
Education	1	0	4	74	79 / 21	71.5	100 / 26
Health	18	7	27	57	109 / 22	110.0	89 / 22

Source: CDC Database and DCR Report 2002/03 (Annex)

It is not clear as to the extent to which the introduction of sector-wide programmes in education and health have served to lower transaction costs as the sectors are still characterised by individually implemented project support. Even though these may be aligned with the sector programme, it is likely that the benefits of a programmatic approach may remain elusive. The discussion on NSDP alignment in Chapter Two also questions the extent to which these programmes have allowed for a predictable funding envelope to be identified that is based on the NSDP while the continued large number of projects may not be conducive to coherent sector-wide management or to the strengthening of Government systems.

Managing for Results

H-A-R Action Plan Key Results Areas
NSDP monitoring framework and APR established
SOP and NOG are adopted for reporting

The 2007 CDCF will provide the opportunity for a dialogue on the first NSDP Annual Progress Report. This will allow for progress to be reported on the main outcome indicators and for a wider discussion to take place with regard to the wider reform agenda that underlies the NSDP. The Joint Monitoring Indicators will also be presented for endorsement and these are expected to be informed by the key results areas that have been identified by Government and development partners. Some TWGs have also reported progress in adopting the Standard Operating procedures (SOP) and the National Operational Guideline (NOG), for example the Agriculture and Water TWG donors have adopted the SOP for the management of procurement using Government procedures. This TWG's new sector plan, and the launch of their website, www.twgaw.org, also sets out a good practice in developing targets and raising awareness. Other TWGs, including Gender, also reported significant progress in developing monitorable Action Plans that are linked to the NSDP.

From a perspective of linking development assistance to results, the CDC Database provides a Government-wide system of recording aid as an input to NSDP implementation. CDC also provided support to three ministries and TWGs (Agriculture & Water; Education; and Gender) in developing their own information management systems that are linked to the CDC Database and this support is available to other TWGs and Ministries upon request, with the intention being to rationalise data collection and reporting while promoting the use of a results-based management system.

Mutual Accountability

H-A-R Action Plan Key Results Areas
CDC and development partners jointly assess H-A-R progress
TWG mechanism is reviewed
Development partners provide information on ODA flow

Defining this term has not always proved to be easy but dialogue with development partners during the Paris Declaration survey concluded that, while further strengthening is undoubtedly required, the arrangements that are in place – both the tools such as the JMIs and the processes such as the GDCC-TWG mechanism – do satisfy the requirements. The actions associated with the H-A-R Action Plan are of a practical nature and this Report and the CDCF meeting, as well as the Partnership and Harmonisation TWG, provide the basis for H-A-R Action Plan assessment. Next year may provide an opportunity for a more detailed discussion in the form of a mid-term review, at which point it may be useful to review the Action Plan priorities and activities. The TWG Review was completed in the second half of 2006 and provided the basis for a detailed Guideline that will support TWGs in their aid coordination efforts. The arrangements for managing the Joint Monitoring Indicators were also reviewed and reformed under the mandate of the GDCC during 2006 and it is hoped that these will contribute not only to enhanced mutual accountability but also to the attainment of improved development results.

At a sectoral level, progress toward the establishment or conduct of joint reviews has been encouraging with the education sector conducting an annual review exercise that assesses progress as well as resource needs, and the health sector has continued to hold annual reviews, the most recent of which was in June 2006. The Public Financial Management Reform, and its associated TWG, is also particularly well geared to a results-based agenda. The PFM TWG's reports to the GDCC identify a range of indicators and targets linked to the H-A-R Action Plan, with a comprehensive assessment of progress submitted jointly by Government and development partners.

The H-A-R Action Plan: Summary of Progress

In conclusion, the implementation of the H-A-R Action Plan has proceeded well and as momentum increases there is good reason to believe that more progress will be made. The challenge, as ever, will be to ensure that progress in implementing the aid effectiveness agenda is associated with and complementary to the implementation of the NSDP and the achievement of the priority outcomes. Table Sixteen provides a snapshot summary of the information provided in this Chapter.

Table Sixteen. H-A-R Action Plan - Identified Activities and Summary of Progress	
Ownership	
Sectors develop NSDP-based programs and a sector MTEF PIP feeds into the national budget preparation process. Strategic Framework strengthens capacity CDC provides aid coordination support requested TWG Chairs	Some TWGs have made significant progress in developing PBAs based on the NSDP while the PIP continues to become more fully aligned with the budget exercise. The Strategic Framework is fully funded and the TWG Guideline produced by CDC identifies aid coordination-related support that CDC can provide on request from TWGs.
Alignment	
Development partners review and align their support MEF continues to implement the PFM reform program PFM and procurement systems are mutually assessed Development partners provide multi-year indicative commitments CDC surveys PIU/ and develops an integration strategy Sector plans include an assessment of capacity gaps TWGs prepare/implement a capacity development program Development partners support the application of MBPI/PMG CDC surveys tied and untied aid	Although there has been no formal joint exercise to align development assistance, the empirical evidence shows that the aggregate profile of aid is relatively well matched to the NSDP funding requirements. Ongoing PFM reforms will foster greater integration of external resources into the Budget exercise while the CDC Database and the emerging (sector and macro) MTEF process will begin to provide the structure for providing longer-term predictability in external financing. TWGs have been provided with Guidelines related to capacity (including incentive issues and the use of MBPI/PMG) and PIU management while the CDC Database is now configured to record progress, including on tied aid.
Harmonisation	
Establish joint targets on ODA to be delivered through PBAs TWGs prepare a plan to increase delegated cooperation TWG prepare a calendar of missions and analytical work Development partners report progress made on H-A-R EIA procedures established at sector and national level Common guidelines on cross-cutting issues	There may be a more effective emphasis placed on the establishment of PBAS and their effective use in strengthening RGC systems, rather than simply setting a fund flow target. Significant progress has been made in developing more pooled funding and delegated cooperation arrangements. Progress on mission coordination, joint analysis, EIA modalities and mainstreaming cross-cutting issues has been less strong and will require an increased focus in the future.
Managing for Results	
NSDP monitoring framework and APR established SOP and NOG are adopted for reporting	The first APR has been produced for the CDCF and NSDP monitoring will be strengthened. Further dissemination and application of the SOP/NOG is required.
Mutual Accountability	
CDC and development partners jointly assess H-A-R progress TWG mechanism is reviewed Development partners provide information on ODA flow	The TWG-GDCC mechanism provides for regular dialogue, and the 2006 Review made a number of recommendations for making this more effective, including with regard to JMIs. CDC will work with partners to support their efforts in providing more timely and comprehensive ODA data.

Achieving Aid Effectiveness Results

As stated at the outset of this Report, the aid effectiveness work in Cambodia is informed by the need to focus on development results. It is therefore necessary to consider the use of aid effectiveness indicators that may be used to monitor and guide progress. The next Chapter on the Paris Declaration monitoring survey considers this issue and provides a set of indicators that may be associated with the H-A-R Action Plan.

4. An Aid Effectiveness Baseline

Cambodia used the baseline survey on monitoring the Paris Declaration to reinforce the H-A-R Action Plan and to begin the process of developing national indicators and targets. This chapter builds on the discussion on H-A-R monitoring presented in Chapter Three and considers the survey exercise and the potential for the application of Paris Declaration indicators to the H-A-R Action Plan.

In May 2006 the OECD/DAC launched the first round of Paris Declaration monitoring. This section recounts the experience of conducting the survey in Cambodia and derives some policy implications. It then describes the process by which the Paris Declaration indicators will become an institutionalised component of the H-A-R implementation and monitoring framework, which will not only promote evidence-based aid management, it will also make future monitoring exercises more routine and more accurate.

Reflections on the Paris Declaration Monitoring Process

A coordinating team that comprised both CDC and development partner officials was established to support the monitoring exercise. This was no small task but a spirit of cooperation and a common sense of purpose ensured that Cambodia was able to locate this global work in a national context. This required that many definitional issues be addressed so that each partner could then report their own data with as much consistency as possible.

Emerging Good Practices

Localising the Declaration

The need to localize some of the indicators based on nationally-agreed definitions resulted in a good deal of innovation.

One notable output was a matrix that clarifies the nature and status of PIUs. This matrix was considered a good practice by the DAC and was posted on their website.

This work will be taken forward to develop a broader PIU Strategy for Cambodia.

It must be noted that this exercise proved to be very time-consuming, underlining the need to institutionalise this work if it is to be carried out efficiently in the future and then effectively applied to national aid management efforts. In particular, the following observations were made with regard to the monitoring exercise and were reported to the DAC through Cambodia's participation in the Working Party on Aid Effectiveness.

- Many development partners do not have systems in place to routinely monitor the indicators;
- Defining important terms and criteria such as coordinated technical cooperation, integrated PIUs, Programme-Based Approaches and missions was sometimes problematic;
- The "point of delivery" methodology does not capture the extent to which some donors are channelling support through others, overlooking an important indicator of harmonisation;
- Indicators 1 and 11, which are derived from a World Bank desk study, benefited significantly from a stakeholder discussion.

- ODA to Government (Indicator 3) is not always a useful measure of alignment if support flows outside the Budget process (or is unrecorded by Government) or is implemented by NGOs
- The extent to which Indicator 4 proxies capacity development was queried as the coordinated aspect may not be the most critical determinant of effectiveness.

Results and Policy Implications

While there may be some legitimate doubts regarding the integrity of the data, the overall trends are felt to be representative of the reality.

The results of the monitoring exercise are featured in the Cambodia chapter of the OECD/DAC Report on Paris Declaration Monitoring Survey publication, which was prepared in close consultation with the National Coordinator for the monitoring exercise and local development partners.

Not Such Good Practices?

Reporting Consistency

Although guidance was provided, the survey provided development partners with discretion in applying the definitions. This resulted in coordinated technical cooperation including arrangements in which development partners coordinate amongst themselves, not with Government. Similarly, attending a TWG was often thought to be sufficient in order to consider a project coordinated

In its global overview of the survey process the DAC noted the tendency to overstate progress and observed that this may result in a spurious lack of progress once better quality data is obtained in the future.

The Baselines and Targets that resulted from this work are reproduced below:

Table Seventeen. Baselines and Targets

	Indicators	2005 Baseline	2010 Target
1	Ownership – Operational PRS	C	B or A
2a	Quality of PFM systems	2.5	3.5 or higher
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	79%	90%
4	Coordinated capacity development	36%	50%
5ai	Use of country PFM systems (aid flows)	10%	No target
5aii	Use of country PFM systems (donors)	44% of donors	No target
5bi	Use of country procurement systems (aid flows)	6%	Not applicable
5bii	Use of country procurement systems (donors)	28% of donors	Not applicable
6	Parallel PIUs	49	16
7	In-year predictability	69%	85%
8	Untied aid	86%	More than 86%
9	Use of programme-based approaches	24%	66%
10a	Coordinated missions	26%	50%
10b	Coordinated country analytical work	58%	70%
11	Sound performance assessment framework	C	B or A
12	Reviews of mutual accountability	Yes	Target achieved

Source: OECD/DAC Report on Paris Declaration Monitoring Survey (Cambodia chapter), 2006

The main policy related conclusions emerging from the monitoring exercise are summarised as follows:

- More effective aid management requires significantly increased use of Government planning, budgeting, execution and reporting systems. This underlines the critical importance of the reform agenda;
- There is a need to synchronise development planning and budgeting, chiefly through the PFM reform;
- The very limited use that is made of PBAs limits progress that can be made on related issues such as predictable financing, reduced numbers of PIUs and uncoordinated technical cooperation;
- Only 14% of ODA to Government was recorded as tied, suggesting that this need not be viewed as a priority aid management issue in Cambodia.

Institutionalising the monitoring exercise through the CDC Database & data audits

If the Government and its development partners are going to make practical use of the Paris Declaration then it must be fully institutionalised in the national policy framework. A major step toward localising the Declaration was taken in February 2006 when the Government approved its H-A-R Action Plan and in the latter half of 2006 further progress was made when the CDC Database was customised to routinely record progress against those indicators that can be recorded at project level (Indicators 4, 5, 6, 8, 9 and 10, see questionnaire in Annex 3). Indicator 7 on predictability can also be derived using aggregate projection and disbursement data provided by development partners.

Incorporating data collection and analysis into the database has the following advantages:

- The monitoring exercise can be applied instantly to national aid management work, providing a practical and workable means of linking evidence to policy
- Analysis can be undertaken on a sector basis to identify priorities for aid effectiveness work at a disaggregated level (see the box below and the Sector Profiles in Chapter 2, for example)

Not Such Good Practices?

Indicator 10 – a flawed methodology?

The current methodology does not accurately record joint work as the DAC has acknowledged.

For Cambodia, QD15 = 568 total missions, 147 listed as joint (QD16). This came from a stock of 44 actual joint missions.

A better way to calculate indicator 10a may be: $44 / (568 - 147 + 44) = 9.4\%$. i.e. "Total incidents of joint missions / [Total of all missions – joint missions (QD16 all partners) + total incidents of joint missions]". The numerator is the real stock of joint missions, the denominator the total stock of missions, with double-counting accounted for.

The DAC has introduced discounting as an alternative way of addressing the double-counting problem.

- There is an ability to monitor progress either by 'point of delivery' partner or by the original donor source of funds
- The on-line nature of the tool will allow for greater peer review and validation of the information that is provided by development partners.

Emerging Good Practices

Developing Systems for Routine Monitoring and Reporting of the Paris Declaration indicators

The CDC Database has been customised to record many of the Paris Declaration monitoring indicators. It also allows for point of delivery (implementing partner) to be (de-)activated so that all development partner funding (not just delivery) can be monitored (including flows provided to the non-Government sector if desired).

The advantage of this localized reporting, besides transparency, efficiency and increased application to local aid management efforts, is that individual development partners and/or sectors can be analysed separately. This allows for each development partner or sector to consider the areas in which they may prioritise progress on aid effectiveness.

Development Partner Analysis

Individual analysis on each partner (subject to confirmation of data integrity) might suggest, for example, that each development partner might place a higher priority on a particular indicator (e.g. use of PBAs for CIDA).

Indicator	PD #4	PD #5a	PD #5b	PD #6	PD #8	PD #9	PD #10a	PD #10b
	Coordinated TC	PFM system	Procurement system	PIUs	Untied aid	PBA	Joint missions	Joint work
Canada	18.5%	0	0	3/25	31.4%	0.3%	0/18	0/5
UNFPA	61.8%	54.2%	54.2%	3/28	0%	63.5%	1/9	0/0

Sector Analysis

Analysis across sectors highlights the relative priorities of health and transportation. In health, where a PBA is more established, more emphasis might be placed on joint missions, joint analytical work and more use of the PBA modality. For the transportation sector, more aid is tied, technical cooperation is uncoordinated and little use is made of Government systems.

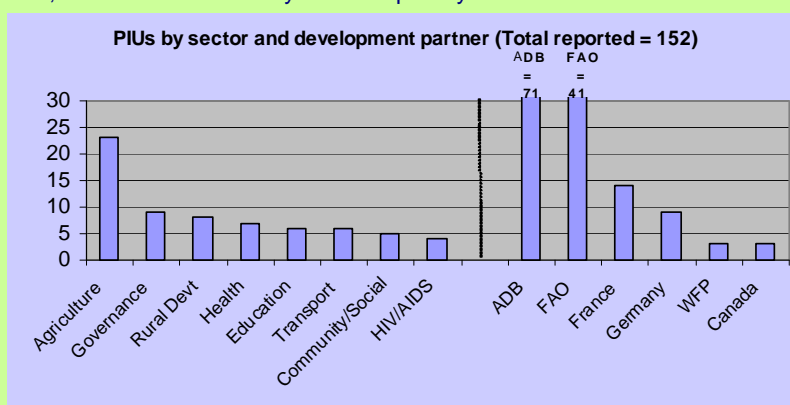
Indicator	PD #4	PD #5a	PD #5b	PD #6	PD #8	PD #9	PD #10a	PD #10b
	Coordinated TC	PFM system	Procurement system	PIUs	Untied aid	PBA	Joint missions	Joint work
Health	53%	35%	43%	7	56%	24%	6/25	3/27
Transportation	0%	17%	26%	6	20%	12%	0/7	2/2

PD #6 indicates number of partially integrated PIUs and total number of projects

PD #8 indicates share of aid that is fully untied

PD #9 indicates disbursements on projects associated with a PBA

Further analysis of both sectors and development partners can be undertaken on specific indicators. Analysis of Indicator 6 on PIU integration, for example, shows that this may be an issue that some development partners and sectors wish to focus on, while for others it may not be a priority issue.



NOTE: The analysis presented in the chart above must be interpreted with caution. Much of the data is felt to be in need of validation. It is useful, however, to highlight the potential of this locally-developed technology so that this will encourage policy-relevant analysis to be made available in the future.

- Routine monitoring makes the whole exercise much more efficient; reports can be instantly produced for national monitoring purposes or for reporting to the OECD/DAC.
- The data collection exercise in early 2007 provided an opportunity to test the Paris Declaration monitoring functions of the CDC Database. The technology proved to be highly effective and an

algorithm was designed so that project reporting could be aggregated to derive a set of indicators at either the development partner or sector level.

- These indicators can now therefore be applied to the H-A-R Action Plan, with TWGs being asked to identify the indicators that are most relevant to them, together with appropriate targets.

While the system performed extremely well the actual data quality revealed that there is still a somewhat limited understanding of the Paris Declaration amongst many development partners. In many cases data fields were incorrectly filled or, in most cases, simply left blank, although many development partners were able to provide information that allows at least some results to be derived.

The overall concern of data quality, however, does raise question marks with regard to the DAC survey that was completed only six months earlier: if partners are unable to define, identify and measure coordinated technical cooperation on a project level in January 2007, for example, it is not clear how were they able to provide an aggregate figure in June 2006.

Indicator 10 provides additional grounds for caution in interpreting the 2006 data; the 2007 exercise highlighted that few development partners are able to record how many missions took place or the number of analytical pieces that were commissioned. The prospect of moving toward the use of joint missions as part of the transition towards PBAs is some way off. One alternative is to innovate in the manner in which these indicators are collected. Indicator 10a, for example, might be more easily recorded by monitoring the Head of Cooperation's diary to see which missions pass through the local office. For missions from headquarters a more coherent approach in donor capitals, possibly utilising the offices that coordinate travel arrangements, could report more routinely on mission activity from capitals and headquarters.

During the process of revising the analysis in this Report it was also noted that several development partners had significantly revised their Paris Declaration indicators. The motive or rationale for this significant revision after reviewing the first set of results is not clear but the overall experience of institutionalising the Paris Declaration monitoring exercise suggests that a dedicated data validation exercise with each development partner is required. This will build the understanding and provide the information that is required to monitor the Paris Declaration and then ensure that the evidence that is derived for policy-making purposes is accurate. It is therefore proposed that 'Paris Declaration audits' that adopt a 'learning by doing' approach be developed in the latter half of 2007.

Additional Indicators

While the Paris Declaration indicators can be applied to the Cambodia context, and the associated targets can be internalised into the H-A-R Action Plan, it is also necessary to keep in mind the need to develop indicators that reflect local priorities. In this regard, the Government proposes these additions:

Emerging Good Practices
Alignment with national priorities
Indicator 3 shows that 79% of aid flows to Government were recorded on the Budget, which is the Government's main tool for allocating and expending resources on national priority programmes, including those in the NSDP. The analysis in Chapter Two also shows that significant progress has been made at an aggregate level in aligning aid flows with the NSDP.

Emerging Good Practices
Institutionalised Monitoring
The Agriculture and Water TWG has established a website (www.twgaw.org) that includes information on its activities, including missions and analytical work.
The European Commission in Cambodia has indicated that it might be interested in using the CDC Database format for recording PD indicator 10a/b to develop their own system for recording missions and analytical work.
In both cases missions and analytical work will then be routinely recorded and up-loaded, including forward-looking schedules that will promote collaboration.

- a) First, the indicators will be tracked by sector, as well as by development partner (point of delivery). This will allow for relative priorities to be identified within TWGs as opposed to being set centrally;
- b) Second, an additional indicator will be established to monitor, at an aggregate level, how much development assistance is being disbursed through other partners. This indicator, which can also be monitored at sector level, will record the number of partnership agreements as well as the fund flow.
- c) In accordance with the H-A-R Action Plan, data provision by development partners will be undertaken more rigorously as part of the commitment to mutual accountability, including to hold data validation exercises with each development partner (and TWG, where requested).

The CDC Database allows for the routine monitoring of indicators that can be readily adapted and applied to the H-A-R Action Plan. This includes the ability to report on a sector-by-sector basis that will permit the decentralised identification of indicators and targets by TWGs (see, for example the four sector profiles in Chapter Two that present sector-specific Paris Declaration assessments). While it may therefore be felt by some practitioners that there may be a weak link between some of these indicators and aid effectiveness, the technology that has been locally developed provides the capacity to select those that are relevant.

The most immediate challenge that lies ahead relates to the ability to collect accurate information on each of the indicators. Regardless of the explicit link between the indicators, aid effectiveness and results, it is the Government's view that many of the indicators represent actions that will in any case lead to more effective business practices (e.g. joint missions, joint analysis) and therefore it acknowledges the utility of promoting and monitoring progress in each of them.

5. Policy Directions in Aid Management

This Chapter draws together the empirical evidence and the qualitative analysis considered in previous Chapters to provide some practical policy prescriptions. It then proceeds to consider how these prescriptions may be applied to the H-A-R Action Plan. At the outset it should be acknowledged that the data and the analysis presented in previous Chapters suggest that there are encouraging signs of progress: at a macro level there is evidence that indicates a relatively close alignment between resources and national priorities, while at sector level a large number of TWGs appear to be embracing the aid effectiveness work, including to develop coherent sector programmes and complementary capacity development strategies.

Priority Policy Actions

Building on these strong foundations, it is therefore useful to consider how further improvements in aid management might be secured and how remaining challenges might be addressed. In this latter category it must be noted that progress in our aid effectiveness work is closely associated with, and highly dependent on, the broader public sector reform programme. Predictable funding of the NSDP, for example, will rely in part on the further strengthening of the national planning and budgeting exercise, in particular through the Public Financial Management reform. Similarly, the development of sustainable national capacity will depend, in part, on public service reforms and continued pay reform. Notwithstanding the dependence on these reforms, however, there is much that can be directly addressed in the context of improved aid management.

Based on a synthesis of the recurring themes discussed in this Report, there are four key policy areas in particular that are considered to be both necessary, in terms of their potential impact on development results, and feasible, in terms of having the existing capacity to implement them. In the context of the current H-A-R Action Plan, the following activities might therefore be prioritised:

Recommendation One: Increased Effectiveness of the Technical Working Groups and GDCC

Reaching the NSDP targets will require a concerted effort, including to strengthen aid effectiveness at sector and thematic level. Technical Working Groups, and their lead ministries, must be sufficiently well managed and organised, and must have the technical and financial resources that are necessary to support the national effort to strengthen ownership and to align development assistance to national priorities and systems.

- a) *Development partners should actively engage with lead ministries to review the TWG Guideline and to identify a roadmap, and monitoring tool, for increased aid effectiveness;*
- b) *Line ministries and TWGs should identify the nature of transaction costs associated with aid management and agree specific prescriptive actions to address them;*
- c) *Programme-based approaches must evolve so that they represent real efficiencies in aid management, as opposed to being just one more modality in addition to project financing. Improved practices include pooled technical cooperation, joint reviews, increased use of evaluations and common implementation arrangements using Government systems.*

The TWGs, and more so the GDCC, play a role in brokering the often complex dynamics and sets of issues that underlie the development partnership. It is therefore essential that they function effectively as their role is far greater than simply supporting aid effectiveness work, which cannot succeed unless the broader fundamentals of development relations are working satisfactorily. These fundamentals include the building of trust, creating an environment in which different interests and positions can be brokered, and establishing a mutually agreed framework for setting priorities and then moving forward together in implementation and review.

The 'Guideline on the Role and Functioning of the TWGs' attempts to support these objectives and to provide practical advice on how effective dialogue can be strengthened at a technical level. From an aid effectiveness perspective the challenge is not only to develop a coherent sector framework, either some form of programme-based or sector-wide approach, for example, but also to introduce new working practices that will ensure that a more strategic approach can be taken to finance and implement both sectoral and cross-cutting activities that are associated with the national priorities set out in the NSDP. This is considered particularly necessary as the alignment of support around the NSDP has caused inevitable 'crowding' in some priority sectors and the early evidence does not unambiguously show that these programmes, which are now relatively mature, have contributed to reduced transaction costs. A related priority is then to establish a results-based monitoring system that will provide the basis for joint review.

In its role as the Royal Government's aid coordination focal point, and as the secretariat to the GDCC, CRDB/CDC is mandated to provide aid management-related support to TWGs and other Ministries, Departments and agencies that they request. This support, intended to complement the Guideline and to reinforce TWG efforts to become more effective, may include providing advice and guidance on:

- i) The H-A-R Action Plan principles and their links to the Paris Declaration;
- ii) Database related work and the preparation of sector profiles;
- iii) Paris Declaration familiarisation, implementation and monitoring;
- iv) Programme-based and sector-wide approaches;
- v) Technical support to secretariats;
- vi) Aid management capacity needs assessments; and
- vii) Dedicated aid management training.

Supporting the increased effectiveness of the TWGs is the responsibility of both the Royal Government and development partners. Engagement at TWG level is required to ensure that potential benefits of the coordinated approach are realised and that the programme-based approach delivers demonstrable benefits in terms of Government ownership, increased efficiency and development results.

Recommendation Two: Implement the Strategic Framework and the CDC Mandate

The Strategic Framework for Development Cooperation Management provides a full set of institutional arrangements and responsibilities that, if fully implemented, will translate into improved development results. The role of CDC is critical to promoting the alignment of aid with national priorities at sectoral and aggregate levels.

- a) *Development partners should routinely include CRDB/CDC in arrangements for signing new financing agreements and country strategies;*
- b) *Development partners are requested to enter details of all their support into the CDC Database and to provide copies of signed project documents and agreements;*
- c) *Development partners should ensure that consultations with CDC take place at least on an annual basis, including to validate data.*

Building on the role of CRDB/CDC in providing the support that is requested, it is likely that the application of the CDC mandate, set out in the Strategic Framework for Development Cooperation Management, will lead to direct and immediate improvements in both aid effectiveness, for example through increased alignment to national priorities, and to development results, for example by ensuring that resources are consolidated for more coherent planning and budget execution.

For example, if new projects were routinely discussed with CRDB/CDC, as well as with other relevant Government officials as is intended in the Sub-Decree that sets out the role of CDC, then the following benefits might be realised:

- i) Alignment at both an aggregate and sub-sector level might be more effectively guided by Government, strengthening national ownership and the likely impact of development assistance;
- ii) By working in collaboration with the Ministry of Planning, a PIP number could be routinely issued to a project that could then be routinely entered into the CDC Database. This would make the preparation of the PIP a significantly more routine and accurate exercise, with direct and immediate benefits to the national planning effort as well as to efforts to track resources in national systems;
- iii) A more efficient aggregate allocation of resources might be promoted at a national level by considering the implementation of the country strategy of a development partner, ensuring that their support, and its mode of delivery, is closely associated with their perceived area of competency; and
- iv) Individual aid effectiveness principles can be routinely applied by establishing certain practices as defaults (e.g. use of national systems, joint reviews, and coordinated approaches to capacity development). The implementation of the H-A-R Action Plan would then become more than a discretionary exercise as exceptions would need to be explicitly justified.

Having developed the CDC Database to a point where it has a structure that can support both the aid effectiveness and the national planning exercises, CRDB/CDC will also consider the introduction of more strategic consultations with development partners. These will consider the portfolio of each development partner more closely, providing support to them in ensuring that their valued assistance is delivered in a manner that will maximise its impact.

This exercise may include the use of 'data audits', in particular for the monitoring of the H-A-R Action Plan and Paris Declaration Indicators (including by providing the support that was identified as necessary during the February-April 2007 data collection exercise), and evaluations that focus on the process of learning from past experience and the application of lessons to future programming. It is intended that this process will be conducted efficiently and will focus on the promotion of linking development assistance with development results. Serving as the 'hub' of aid management, CRDB/CDC can then share these lessons through the GDCC or through future Aid Effectiveness Reports.

Recommendation Three: Focusing on the Capacity Development Impact of Technical Cooperation

The new aid environment, premised on more efficient aid practices and closer working partnerships, requires that technical cooperation – which accounts for nearly half of all external assistance – is managed more strategically and with a greater focus on linking it to the achievement of tangible results.

- a) *Development partners should participate in and support the study on technical cooperation to be undertaken by CDC in the latter half of 2007 and discussed in the Partnership and Harmonisation TWG;*
- b) *The recommendations of the report should be linked to the implementation of the H-A-R Action Plan across all line ministries and TWGs, including to undertake a capacity needs assessment and to develop a coherent and Government-managed approach to strengthening systems and developing national capacity;*
- c) *Development partners should work together to assess the capacity and advisory components of their support to Government and, in the context of the major reforms and the use of a programme-based approach, seek to work in partnership with Government to rationalise the use of technical cooperation and the number of advisory personnel.*

It is something of a paradox that technical cooperation is perhaps the component of ODA that attracts most attention but yet remains relatively little understood. As a consequence, the contribution of technical cooperation to overall aid effectiveness and the attainment of development results is often therefore considered a rather contentious issue, both globally as well as in Cambodia. Regardless of the nature of technical cooperation inputs – experts, equipment, training, scholarships etc. – or the immediate objective for which it is deployed - policy work, establishing and strengthening national systems - the rationale for its provision remains the same: capacity development.

There is an emerging consensus on how sustainable capacity can be developed, including the potential contribution that can be made through technical cooperation inputs. What is becoming clear is that capacity is usually developed most successfully when it is based on national foundations and where efforts to support it are under local management. In the current aid environment, this may mean that the use of technical cooperation in Cambodia becomes more associated with partnership-based efforts to support the national programme.

It may be, for example, that in the context of a partnership-based approach and the core reforms there can be sharply diminishing marginal returns in the use of technical cooperation experts and advisers. As more delegated partnerships and co-financing arrangements are established, or as resources are pooled in Government systems, it may therefore be time to re-think the use of technical cooperation, ensuring that Government receives policy-based support that provides it with sufficient options but not to the extent that can lead to confusion, inefficiency, and sometimes frustration in the development or implementation of programmes. Based on a dialogue with development partners in 2006, these issues will form the basis of analytical work to be conducted in the latter half of 2007.

Recommendation Four: Promoting Mutual Accountability

Enhanced mutual accountability will strengthen the development partnership and ensure that common responsibilities and individual efforts combine to support NSDP implementation. The promotion of enhanced mutual accountability requires an increased focus on constructive engagement and the further development of existing dialogue mechanisms and monitoring tools.

- a) *Government lead ministries and development partners should conduct joint reviews across all reforms, TWGs and sectors. These should include an evaluation of JMIs and aid effectiveness indicators identified jointly in TWGs and seek to evaluate the contribution, impact and practices associated with the delivery of development assistance;*
- b) *Where considered necessary, TWGs may choose to employ an independent monitoring exercise to identify partnership-based solutions to aid partnership-based challenges;*
- c) *Annual routine monitoring of the JMIs, the H-A-R Action Plan and its associated indicators will continue to provide the basis for a dialogue at the annual CDCF meeting.*

Mutual accountability introduces some balance to the development partnership and provides the basis for establishing the trust and openness that satisfy the more qualitative criteria required to promote both aid effectiveness and development results. Mutual accountability explicitly recognises that both Government and development partners have obligations as well as entitlements in financing, implementing and monitoring the national programme. It is therefore encouraging that progress has been made in developing both the tools and the mechanisms for a mutual accountability approach that is suited to the particular characteristics of Cambodia.

Included amongst these tools are the H-A-R Action Plan and the Joint Monitoring Indicators (JMIs), both of which were revised in 2006/07 to ensure that they reflect the current partnership priorities of Government and development partners. The CDC Database, and indeed this Report, which now provides information on aid effectiveness indicators and summary profiles of sector funding, will also play a broader mutual accountability role by sharing information with a wider range of stakeholders and promoting peer review.

With regard to mutual accountability mechanisms, the TWGs must continue to consolidate and build partnerships that are based on achieving results in an environment characterised by transparency and accountability. The reports submitted by many TWGs suggest that while progress has been made there is still some way to go in establishing mechanisms for sharing information and for ensuring that both parties live up to the commitments they have made regarding the funding and implementation of the programme. The GDCC and the CDCF will continue to provide senior-level dialogue opportunities where a wide range of matters that impact on the development partnership can be discussed and resolved in an atmosphere of mutual trust and understanding.

The notion of mutual accountability is relatively new and many countries, including Cambodia, are still exploring and innovating how best to apply the principles to the practice. Cambodia is perhaps further ahead than many other countries in terms of evolving both tools and processes but it is perhaps the manner in which they are used that provides the real test. Both Government and development partners must appreciate the value of the TWG-GDCC mechanism and not take its use for granted.

Consolidating the Implementation of the H-A-R Action Plan

The four priorities identified above – promoting effective TWGs; implementing the Strategic Framework for Development Cooperation Management, in particular the full application of the CDC mandate; and, improving technical cooperation, and strengthening mutual accountability – are central features of the H-A-R Action Plan. The findings of this Report therefore do not identify new priorities or propose that we change direction; rather, they are more about where we choose to place emphasis and where we agree that we are most likely to see our efforts rewarded with improved development results.

Other than to augment the H-A-R Action Plan with a set of indicators, this Report therefore makes no proposals on revisions to the H-A-R Action Plan. These indicators are adapted from the Paris Declaration indicators with additions that monitor progress in the reporting and validation of information on aid flows as well as in making increased use of delegated cooperation and co-financing arrangements, a baseline for which can be established once the data has been validated by development partners. For all indicators except for this latter case the national targets are provided as a result of the Paris Declaration, although this data must also be subject to some further validation and will become part of routine outreach work by CRDB/CDC. Although a set of national targets have now been established as a result of the Paris Declaration monitoring survey, TWGs will also be encouraged to identify their own targets for some or all the indicators according to their own priorities while monitoring can be routinely undertaken through the CDC Database.

Based on the recommendation to continue implementing the H-A-R Action Plan, to place more emphasis on the four topics identified above, and to associate the Action Plan with a set of indicators, it is also suggested that the latter half of 2008 be used to prepare some form of mid-term review of the H-A-R Action Plan. It is believed that these recommendations will provide strategic direction to the

implementation of the H-A-R Action Plan and will also promote some efficiency and focus to the activities that are pursued in the TWGs.

Many of the practices included in the four main recommendations, and featured elsewhere in this Report, are of course common to many other partner countries and it is relevant to note the activities that some of these countries are prioritising, often in the form of what has become known as a Joint Assistance Strategy. These Strategies attempt to rationalise the multiple development partner planning and programming exercises so that resources can be presented in a more consolidated manner. This consolidated resource envelope is then intended to facilitate a more coherent planning exercise in the context of the national development plan.

Principles and practices discussed in this Report that are often included in a Joint Assistance Strategy exercise include:

- Identification of a coherent and consolidated medium-term resource envelope that supports a robust national planning and MTEF exercise;
- A division of labour that defines 'comparative advantage' and promotes a focus on a limited number of sectors or themes (often informed by a costing exercise to identify resource needs);
- A discussion on the use of complementary modalities in the context of programme-based approaches, defining the roles of budget support, programme-based assistance, projects and technical cooperation, as well as the use of delegated partnerships and co-financing; and
- Identification of good practices (e.g. a donor division of labour, complementarity in use of different aid modalities, joint reviews, 'quiet times' when mission activity is reduced) that strengthen national systems and ensure the efficient and effective provision of development assistance.

These practices, which the Royal Government endorses in principle, are either present in the existing H-A-R framework or can be incorporated into it at a future time, for example during a mid-term review. This would provide for a more effective approach than developing a separate Joint Assistance Strategy as the evidence of these exercises elsewhere is that they are either time-consuming in the extreme or else are not always fully Government-led.

It must also be noted that the existing policy frameworks, including the Strategic Framework for Development Cooperation Management (which provides organisational arrangements), the H-A-R Action Plan (which sets out priority actions), the National Operational Guideline (which provides aid management procedures) and the TWG Guideline (that sets out approaches to sector costing and programming) are yet to be fully implemented or even taken account of in the practices of many development partners.

The focus of both Government and development partners must therefore now be placed on the implementation of these existing frameworks and not on developing yet another common plan or strategy. This renewed emphasis on implementation must also be applied to the related reforms, e.g. the PFM and D&D reforms, that will make the national planning and budgeting process the means by which both domestic and external resources are allocated and managed. At this time the Government is therefore not persuaded of the merits of developing any further aid policy framework, including a Joint Assistance Strategy.

6. Conclusion

Linking Aid Effectiveness and Development Results

This Aid Effectiveness Report set out with the objective of establishing a closer link between aid effectiveness work and efforts to realise improved development results. It is therefore useful to conclude by reflecting on the extent to which this Report has identified the added value of aid effectiveness work, demonstrating the contribution that effective aid management can make to the realisation of national development goals.

First, this Report identified the transmission mechanisms that associate the aid effectiveness agenda with improved development results. These included the contribution to improved policy and planning, as well as directly supporting enhanced service delivery through the improved use of information systems. The need for effective monitoring tools that can assess how inputs in the form of development finance are contributing to national priorities was also identified, as well as the role these monitoring systems can play in promoting lesson learning and improved transparency. The data presentations in this Report not only equip Government with the information that is required to manage aid more effectively, some of the discussion also goes some way to identifying issues related to sector allocations and the selection of aid modalities that may promote the impact of development assistance.

The Report then proceeded to consider the notion of concentration and fragmentation of aid. Empirical cross-country and time-series data was introduced to demonstrate and to emphasise that increased aid effectiveness is a policy imperative rather than a policy option. Further empirical analysis was then used to assess the degree of alignment between development assistance and the NSDP, identifying where relative funding gaps have emerged and where additional funding efforts might be made. An analysis of broad development cooperation trends provided an enhanced understanding of how resources were reallocated over time and how, if capacity development is to be supported in an effective and sustainable manner, there needs to be a much more detailed understanding of how technical cooperation is provided and managed. This part of the Report concluded that it is the manner in which aid is programmed, managed and delivered that most affects its impact, rather than any simplistic analysis based purely on numbers of partners and projects.

The empirical analysis was then nuanced by reflecting on the experience of the Technical Working Groups, identifying practices that might promote or impede the attainment of results at sector level. By complementing this information with data on partnerships, sector and sub-sector financing, and sector-specific aid effectiveness indicators, the nature of the aid coordination challenge at a sector level could be established, together with the basis for an appropriate response. It was found that most line ministries, in partnership with their associated TWGs, have begun to make progress but much remains to be done if aid coordination-related activities are to move beyond the level of the cosmetic towards making a real difference in delivering results and to developing national capacity.

Based on this analysis, four main recommendations were developed within the existing H-A-R Action Plan framework. Each of these recommendations has been complemented by a series of practical actions that are considered to be necessary for making progress in implementing the aid effectiveness agenda and for strengthening the linkage between development assistance and development results. A set of indicators has also been proposed that will jointly monitor progress towards global commitments, as identified in the Paris Declaration, and towards meeting national priorities, as set out in the H-A-R Action Plan. The monitoring system, i.e. the CDC Database supplemented by the TWG reporting mechanism, is in place and fully operational and requires only that development partners provide accurate and timely data.

Moving Forward with Evidence-based Aid Management

This Report therefore has practical utility as, by moving beyond a simple reflection on how development assistance has been used, it has derived some lessons that are grounded in the empirical evidence. The Report has established empirically, for example, that Cambodia's aid coordination challenge is formidable. This means that actions must be identified to promote the necessary efficiencies that are required if development assistance is to maximise its contribution to the NSDP. This will include developing and implementing new approaches, including programme-based approaches and budget support, that also focus on building new capacities, both within Government and development partner agencies. It might also be observed that by highlighting measures that can be taken by both Government and development partners towards these objectives, the Report also contributes to the evolving mutual accountability dialogue.

It is essential that aid effectiveness work continues to be evidence-based, providing a means toward achieving better development results rather than becoming an end in itself. In this way, the aggregate impact of our aid effectiveness work, measured in terms of NSDP outcomes, will be more than the sum of its component parts. In this regard, the monitoring of the H-A-R Action Plan can be a useful innovation, particularly with regard to a possible mid-term review and the next High-Level Forum on Aid Effectiveness that will take place in 2008.

It will be essential, however, that efforts are made to build on the quality of data and to ensure that the use of these information systems is managed efficiently so they support our strategic work rather than become an administrative burden that provides little or no return. The objective must not be to inform a technocratic exercise focused on 'reduced numbers of PIUs' or some other proxy for aid effectiveness. Rather the emphasis should be on supporting each TWG as it identifies the key constraints that must be addressed if the development partnership is to maximise its contribution to the implementation of the NSDP. It is particularly notable, therefore, that the CDC Database has now been customised to support routine monitoring as well as the production of practical and policy-relevant reports.

More fundamentally, it must also be observed that the coordination of development assistance cannot be seen as an exclusively technical exercise. There are many complexities, concerns and interests that inform the scale and scope of development cooperation as well as its modality and consequent impact. The analysis presented here, which is chiefly of a technical nature, must therefore be factored into the wider TWG and GDCC discussion about the role, rationale and desired impact of development assistance.

Actions for Increased Aid Effectiveness

While the transmission mechanisms outlined in Chapter One and recounted above are necessary to realise improved aid effectiveness, they cannot be considered, however, to be sufficient conditions for ensuring the increased impact of aid. The foundation of the aid effectiveness work in Cambodia must be linked to promoting ownership of a more authentic kind, i.e. one that is demonstrably translated into leading the development partnership, delivering results and ensuring that mutual accountability exists in the management of aid. This is why, as the Report moved to the consideration of policy prescriptions, three of the Report's four recommendations are directly related to the strengthening of national ownership.

The October 2006 Declaration on Aid Effectiveness identifies actions that are required by Government and development partners respectively while the Paris Declaration also identifies common actions. To conclude this Report it may therefore be appropriate to revisit this approach and to reaffirm the mutual obligations of both parties to our aid effectiveness work. In the context of the JMIs and the H-A-R Action Plan it is therefore possible to frame the main conclusions of this Aid Effectiveness Report as a *mutual commitment* to:

1. Strengthen the Technical Working Groups;
2. Implement the Strategic Framework for Development Cooperation Management to maximise the strategic potential of CRDB/CDC's mandate in linking aid and development results;
3. Maximise the impact of technical cooperation by emphasising its capacity development role and ensuring that management arrangements are in place so that technical assistance can be successfully utilised in the new aid environment; and
4. Promote the use of mutual accountability mechanisms as the foundation of an effective aid partnership.

Based on the significant progress made to date, and the commitment to our partnership that has been demonstrated and regularly reaffirmed by Government and development partners, there is every reason to believe that the recommendations made in this Report can be fully implemented. The manner in which these recommendations have been derived from the evidence also indicates that their successful implementation is likely to reap significant rewards in terms of implementing the NSDP and making progress towards the Cambodia Millennium Development Goals. The final conclusion of this Report must therefore be that the combination of strong evidence-based systems and an enduring commitment to our development partnership will serve us well.

ANNEX ONE

GLOSSARY OF TERMS

Official Development Assistance (ODA)

Grants or Loans to countries and territories on Part I of the DAC List of Aid Recipients (developing countries) which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms [if a loan, having a Grant Element of at least 25 per cent]. In addition to financial flows, Technical Co-operation is included in aid. Grants, Loans and credits for military purposes are excluded.

Donor (often referred to as a Development Partner)

The funding agency or country making a financial commitment to the project from its core funds. Agencies who receive funds from others as part of a co-funded project are not donors (or are donors only for that portion of funding that they have contributed from their own core funds). Donors can be multilateral, bilateral and/or NGOs.

Implementing Partner

The partner who receives funds from the donor. Implementing partners cannot commit or disburse funds (unless they are own core resources) according to the terminology used in the ODA Database. Disbursements from other sources should be recorded as such in Section IV.

Pledge

The grant or loan resources indicated in a non-binding (often verbal) manner by a donor over one year or a fixed number of years. Often these sums are not associated with any particular project, which must be designed at a later time. A pledge is not equivalent to a commitment and is treated as purely indicative.

Commitment

A firm written agreement by the donor to provide funds for a particular project or to a Trust Fund. The *Commitment Date* is the date of that written agreement. Commitments are usually multi-year – i.e., they are designed to fund expenditures for several years – but the total commitment is recorded in the year that the agreement is signed (even though disbursements may be projected to take place over a longer period).

Disbursement

The release of funds to, or the purchase of goods or services for, a recipient; by extension, the amount thus spent. Disbursements record the actual international transfer of financial resources, or of goods or services valued at the cost of the donor. The Disbursement Date is the date at which those funds were made available – usually this involves the transfer of funds into the implementer's bank account or the draw down by the implementer of funds held in an account by the donor.

Grant

Transfers made in cash, goods or services for which no repayment is required

Grant Element

Reflects the financial terms of a commitment: interest rate, MATURITY (q.v.) and grace period (interval to first repayment of capital). It measures the concessionality of a loan, in the form of the present value of an interest rate below the market rate over the life of a loan. Conventionally the market rate is taken as 10 per cent in DAC statistics. Thus, the grant element is nil for a loan carrying an interest rate of 10 percent; it is 100 per cent for a grant; and it lies between these two limits for a soft loan. If the face value of a loan is multiplied by its grant element, the result is referred to as the grant equivalent of that loan.

Loans (Credits)

The provision of resources, excluding food or other bulk commodities, for relief or development purposes, including import procurement programmes, which must be repaid according to conditions established at the time of the loan agreement or as subsequently agreed.

Concessional Loan

The provision of funds by a donor as a loan which consists of a minimum 25 percent grant element, thus qualifying it as an ODA transaction. It is also commonly referred to as a "soft" loan.

Paris Declaration on Aid Effectiveness

An agreement brokered by the OECD/DAC and signed by over 100 donor and partner countries in 2005, designed to increase the impact and effectiveness of aid. The agreement is associated with 12 indicators of effectiveness, some of which are monitored locally. The agreement can be accessed on www.oecd.org.

Project/program budget

The total resources committed to the project/program from all sources.

Project Implementation Units

The OECD/DAC guidance note for monitoring the Paris Declaration states that a Project Implementation Unit (PIU) is a dedicated management unit designed to support the implementation of projects or programmes. A parallel PIU is accountable to the external funding agency rather than the relevant government institutions such as ministries, agencies and authorities, whereas in a fully integrated PIU, the government institution takes full responsibility and implements projects using existing structures, procedures and staff.

In Cambodia a support team developed a PIU Checklist and Reference Matrix that use the following criteria:

- Accountability (to whom are PIU staff accountable?)
- Staff selection/recruitment, staffing (who determines the TOR of PIU staff?)
- Implementation/operational responsibility (who is responsible for management of implementation issues?)

Additional guidance is provided in these notes, posted on the OECD/DAC website:

<http://www.oecd.org/dataoecd/42/59/37105875.pdf>

<http://www.oecd.org/dataoecd/42/58/37105997.pdf>

Project/program start date

The actual start date of the implementation of the project/program. Often the same as the project signature/commitment date.

Project/program completion date

Actual, if already completed, or planned completion date of the project/program.

Project/Program Status

On-going – once the project document is signed and the project is operationally open.

Completed – the project is operationally closed (financial closure is not necessary)

Suspended – the activities of the project have been officially suspended at the request of one of the signatory parties.

Pipeline - donor is identified and a concept paper or project document is being/has been drafted, with funding identified (but not committed).

Sector

Sectoral classifications organize projects according to their spheres of societal endeavor. For example, "productive" sectors create economic value by generating and distributing goods and services. "Infrastructure" sectors provide the basic installations and facilities on which communities depend. "Social" sectors provide for the mental, physical, and spiritual well-being of individuals and their communities. "Environmental" sectors sustain the earth's physical and biological assets. "Governance" sectors guide and administer the affairs of a state, community, organization or association. Sectoral classifications help provide the social and economic benchmarks used to measure a programme or project's impact.

Tied Aid

Untied Aid

Official Development Assistance for which the associated goods and services may be fully and freely procured in substantially all countries.

Tied Aid

Official or officially supported Loans, credits or Associated Financing packages (qq.v.) where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all developing countries. Tied Aid Credits are subject to certain

disciplines concerning their concessionality levels, the countries to which they may be directed, and their developmental relevance so as to avoid using aid funds on projects that would be commercially viable with private finance, and to ensure that recipient countries receive good value.

Partially Tied Aid

Official Development Assistance (or Official Aid) for which the associated goods and services must be procured in the donor country or among a restricted group of other countries, which must however include substantially all developing countries.

Types of ODA

Technical Cooperation

Includes both (a) grants to nationals of aid recipient countries receiving education or training at home or abroad, and (b) payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries, (including the cost of associated equipment). Assistance of this kind provided specifically to facilitate the implementation of a capital project is included indistinguishably among bilateral project and programme expenditures, and not separately identified as technical co-operation in statistics of aggregate flows.

Free-standing Technical Cooperation

The provision of resources aimed at the transfer of technical and managerial skills and know-how or of technology for the purpose of building up national capacity to undertake development activities, without reference to the implementation of any specific investment project(s). FTC includes pre-investment activities, such as feasibility studies, when the investment itself has not yet been approved or funding not yet secured.

Investment-related Technical Cooperation

The provision of resources, as a separately identifiable activity, directly aimed at strengthening the capacity to execute specific investment projects (i.e. those that are associated with some material/tangible output). Included under ITC would be pre-investment-type activities directly related to the implementation of an approved investment project.

Investment Project/Programme Assistance

The provision of financing, in cash or in kind, for specific capital investment projects, i.e., projects that create productive capital which can generate new goods or services. Also known as capital assistance. Investment project assistance may have a technical co-operation component.

Budget Support or Balance-of-Payments Support

The provision of assistance which is not cast in terms of specific investment or technical co-operation projects but which is instead provided in the context of broader development programme and macro-economic objectives and/or which is provided for the specific purpose of supporting the recipient's balance-of-payments position and making available foreign exchange. This category includes non-food commodity input assistance in kind and financial grants and loans to pay for commodity inputs. It also includes resources ascribed to debt relief.

Food Aid (for Development purposes)

The provision of food for human consumption for developmental purposes, including grants and loans for the purchase of food. Associated costs such as transport, storage, distribution, etc., are also included in this category, as well as donor-supplied, food-related items such as animal food and agricultural inputs related to food production, when these are part of a food aid programme.

Emergency and Relief Assistance

The provision of resources aimed at immediately relieving distress and improving the well-being of populations affected by natural or man-made disasters. Food aid for humanitarian and emergency purposes is included in this category. Emergency and relief assistance is usually not related to national development efforts or to enhancing national capacity but is still included in the definition of ODA, although it is sometimes omitted from a narrower definition that relates to "core ODA".

The interested reader is also referred to:
Reporting Directives for the Creditor Reporting System (OECD/DAC), July 2002

A full list of terms and definitions adopted by the OECD/DAC is available at
<http://www1.oecd.org/scripts/cde/members/CRSAAuthenticate.asp>

ANNEX TWO

LIST OF ACRONYMS

ADB	-	Asian Development Bank
AER	-	Aid Effectiveness Report
AFD	-	Agence Française Pour Développement
APR	-	Annual Progress Report (of the NSDP)
AusAID	-	Australian Agency for International Development
CDC	-	Council for the Development of Cambodia
CDCF	-	Cambodia Development Cooperation Forum
CG	-	Consultative Group
CIDA	-	Canadian International Development Agency
CMDG	-	Cambodia Millennium Development Goals
CRDB	-	Cambodia Rehabilitation and Development Board
D & D	-	Decentralisation and Deconcentration
DAC	-	Development Assistance Committee
DCR	-	Development Cooperation Report
DFID	-	Department for International Development (UK)
EIA	-	Environmental Impact Assessment
EU / EC	-	European Union / European Commission
FAO	-	Food and Agriculture Organization
GDCC	-	Government-Donor Coordination Committee
GTZ	-	Gesellschaft für Technische Zusammenarbeit (Federal Republic of Germany)
IFI	-	International Financial Institutions
IMF	-	International Monetary Fund
JBIC	-	Japan Bank for International Cooperation
JICA	-	Japan International Cooperation Agency
JMIs	-	Joint Monitoring Indicator(s)
KfW	-	Kreditanstalt für Wiederaufbau
MDG	-	Millennium Development Goals
NGO	-	Non-Government Organisation
NSDP	-	National Strategic Development Plan (2006-2010)
NOG	-	National Operational Guidelines (for management of grant assistance)
NORAD	-	Norwegian Agency for International Development
ODA	-	Official Development Assistance
OECD	-	Organisation for Economic Cooperation and Development
PBA	-	Programme-based Approach
PIP	-	Public Investment Programme
PIU	-	Project Implementation Unit
PMU	-	Project Management Unit
RGC	-	Royal Government of Cambodia
SIDA	-	Swedish International Development Authority
SOP	-	Standard Operations Procedures (for programme management)
SWAp	-	Sector-Wide Approach
TA	-	Technical Assistance
TC	-	Technical Cooperation
TWG	-	(Joint) Technical Working Group
USAID	-	United States Agency for International Development
UN	-	United Nations
UNCDF	-	United Nations Capital Development Fund
UNDP	-	United Nations Development Programme
UNESCO	-	United Nations Educational Scientific Cultural Organization
UNFPA	-	United Nations Population Fund
UNHCR	-	Office of the United Nations High Commissioner for Refugees
UNICEF	-	United Nations Children's Fund
UNV	-	United Nations Volunteers
WB	-	World Bank
WFP	-	World Food Programme
WHO	-	World Health Organization

ANNEX THREE

DATABASE QUESTIONNAIRE

I. PROGRAM/PROJECT INFORMATION

1. Donor Program/Project Number
PIP No
2. Official Title
3. Program/Project Objectives
4. Project Status
5. Was a Program/Project Document or an equivalent document signed with Government ministry(ies) and/or agency(ies)
6. Is the implementing agency for the Program/Project a government institution?
7. If response to Question 5 was Yes, specify the name of the Government institution(s) with whom the agreement was signed

The Ministry with whom the project document is signed should be the entity which has the overall responsibility for the donor's ODA support.
8. Please specify the name of the Government institution(s) responsible for implementing the Program/project
9. If response to Q5 and/or Q6 is NO, specify the name(s) of the non-government or international development cooperation agency that is the implementing institution(s)
10. Is this Program/Project part of a broad Sector/Thematic Program?
11. If yes, specify the Sector/Thematic Program
 - a) Education Support Programme
 - b) Health Support Programme
 - c) Land Management
 - d) Public Financial Management
 - e) Partnership for Local Governance
12. With which TWG is this project associated?
13. Program/Project Approval Date

II. PROGRAM/PROJECT BUDGET

14. Total Program/Project Budget
15. Terms of Assistance
16. Planned budget allocation/expenditure for each year of the Program/Project duration (based on Project Document).

III. SOURCE OF FUNDS (COMMITMENTS)

Note that this section will assist in identifying the "point of delivery" partner for use in the Paris Declaration monitoring exercise.

17. Is this Program/Project funded by more than one development partner?

IV. DISBURSEMENTS AND PROJECTED DISBURSEMENTS

20. Record the data in the reporting currency (see page 1). *In the case of project/program funded by more than one development partner, the agency who manages the funds should complete the column "other resources" on behalf of other development partners.*

Types of assistance, based on OECD-DAC definitions (see Glossary in Annex 3).

V. SECTOR(S) OF PROGRAM/PROJECT ACTIVITIES

21. Use the drop-down menus to enter the amount disbursed (in reporting currency) to each sector and sub-sector. By selecting a sector, the associated sub-sectors become available for selection.

VI. TARGET GEOGRAPHIC LOCATION(S) OF PROGRAM/PROJECT ACTIVITIES

22. Indicate the allocation of total program/project resources across provinces for the entire project period. For annual reporting, a pro rating method will be used to estimate disbursements across provinces.

VII. PROGRAM/PROJECT PERSONNEL

23. Provide information on the total number of international and national experts/consultants and support personnel (excluding permanent staff of the implementing RGC institution) that are provided for in the project/program budget.

International Experts/Consultants Employed

Both short-term (ST – assignment of one year or less) and long-term (LT – more than one year assignment)

Number of Experts/Consultants		Job Title	Specific Area of Expertise (e.g. Financial Management, Law, Engineering)
ST	LT		

B. National Experts/Consultants Employed

Both short-term (ST – assignment of one year or less) and long-term (LT – more than one year assignment)

Number of Experts/Consultants		Job Title	Specific Area of Expertise (e.g. Financial Management, Law, Engineering)
ST	LT		

C. Other National Personnel Employed

(Excluding permanent staff of the implementing RGC institution)

Job Title	Number Employed	Duration Of Employment
TOTAL		

VIII. PARIS DECLARATION INDICATORS

24. The following information on ODA-supported Programs and Projects will be used as an input to reports on progress towards the targets of the Paris Declaration Indicators for the year 2010. This information will also minimize the need for ad hoc surveys to monitor progress and will enable the Paris monitoring indicators to inform Cambodia's own efforts to promote aid effectiveness.

Who is the "Point of Delivery" donor for the purposes of monitoring the Paris Declaration?

Is the assistance provided by this project included as support to the Government Sector, as defined for the purpose of monitoring the Paris Declaration? –Yes/No.

Indicator 4

What is the total allocation in the program/project budget for technical cooperation? Enter data.

Is this technical cooperation coordinated with a programme-based approach? Yes/No

Indicator 5a

Is this project managed using the Government financial management system?

Budget Execution System	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Financial Reporting System	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Auditing System	<input type="checkbox"/> YES	<input type="checkbox"/> NO

Indicator 5b

Does this project use the Government's procurement system?

YES NO

Indicator 6

Project Implementation Units

Indicate the presence and type of PIU

No PIU is used
 Partially-Integrated Project Implementation Unit
 Fully-Integrated Project Implementation Unit

Indicator 8

Are the program/project resources fully or partially tied?

Fully tied
 Partially tied
 Completely untied

Indicator 9

Is this project part of a programme-based approach? (NB this is linked to question 10 of the questionnaire)

Indicator 10a

List the missions that were funded by the program/project in 2006.

Name of mission
Start date of mission
End date
Was the mission conducted jointly with one or more other donors?

Indicator 10b

Was any study/analytic work carried out by the program/project in 2006? YES NO

Title
Date
If yes, how many separate studies/analytic work were carried out?
How many of these were conducted jointly with one or more other donors?

IX. CONTACT DETAILS

25. Enter the contact details of the person responsible for maintaining this project record.

ANNEX FOUR

DATABASE STRUCTURE AND FUTURE DEVELOPMENT

The CDC Database, which is based on MS Access, has been developed locally by a national IT expert. It is available on-line at <http://cdc.khmer.biz>.

Database features

The CDC Database has the following features:

- Public on-line access / secure password entry for administrators
- Records disbursements by all donors and across all sectors
- Sector classifications based on the NSDP and informed by OECD/DAC methodology
- Records all types of aid (based on OECD/DAC terminology)
- Report / Filter functions (designed by user) including export to Excel
- Donor / Sector / TWG / Province reporting formats
- Pre-formatted sector profiles (all sectors) linked to live data
- Records and reports on all project-level Paris Declaration indicators
- Forward-looking projections for Government planning and budgeting purposes
- Secure data entry by donor / partner, including off-line feature
- Locally maintained & easily customised
- On-line / downloadable User Manual
- Database available free of charge to other partner countries (South-South cooperation)

Future Database development

In the second half of 2007, CRDB/CDC will consider modifications to the database structure with the objective, as at present, being to develop a user-friendly system that can record all aid inflows to Cambodia as well as producing all the reports that are required for Government and development partner use. Some of the modifications that are being considered include:

- Revising the project record structure so that one project record contains all the financing data on one project (presently each funding partner completes a unique record)
- NGO Database integration and on-line access to incorporate NGO flows into the main database
- Key project outputs to be included as a new field (based on advice provided by line ministries and TWGs) with linkages to sector-based systems
- Improved links with line ministry systems (including on the collection of data, sharing of information, and interfacing between different systems)
- Closer links with PIP and MTEF, including recording of PIP numbers, providing new fields on future disbursements, and sub-sector classification suited to line ministry planning needs
- Paris Declaration reporting function made publicly accessible
- Database reporting function to be customised in the CDCF pledging format so that this presentation can be routinely produced for CDCF meetings

Improved Database workflow management

Given the fragmentation in development assistance, it is increasingly necessary to record pipeline assistance so that more rational forward planning of resource use can be achieved. The Database also offers great potential to provide increased support to the national planning and budgeting exercise and collaboration with MoP and MEF will continue to make progress.

Support to line ministries and TWGs is also a priority, ensuring that the CDC database can be used as a tool at sector level and that there is a minimum of overlap in database systems and data collection exercises. The current challenge, however, is to provide support to development partners so that higher quality data can be made available to the Database; this will be done by attempting to make data entry and validation more routine (see Chapter Five).

ANNEX FIVE

THE DATA COLLECTION AND VALIDATION EXERCISE

The Data Collection Exercise

Data collection for the 2007 Aid Effectiveness Report was preceded by a consultation exercise to confirm the format of the questionnaire and the structure of the database, a dialogue that took place mainly through the Partnership and Harmonisation TWG in the latter part of 2006. Training was then provided to all development partner data focal points during a series of half-day sessions at CDC. These training sessions considered both procedural and technical aspects of the reporting exercise and included both on-line data input and off-line up-dating.

A training manual was developed and training was completed by mid-January 2007, at which time all focal points were asked to provide data by mid-February. This date for submission of data proved to be highly ambitious, however, and CRDB staff continued to provide support until mid-March. At this point a request for final validation was sent to development partners so that data analysis could commence by end-March, although some partners continued to validate their data until mid-April, requiring that the analysis be revised and the Report redrafted. It must be noted that development partner focal points, and their CRDB counterparts, demonstrated significant dedication and commitment to entering and cleaning data and this effort is gratefully acknowledged.

The main lessons of the data collection exercise could be summarised as follows:

- There is a very limited understanding in most development partner offices of many terms and definitions, in particular related to the Paris Declaration and technical cooperation
- Where Development Partners need to refer to their capitals or regional offices, data is often very difficult or impossible to obtain, even on matters as routine as project budgets
- Efforts by CRDB – in its capacity as the Government aid coordination focal point - to obtain project documents so that some independent verification could be undertaken proved very to be difficult, suggesting that development partners themselves do not have ready access to this information
- Many development partners reported significant levels of 'database fatigue' having been asked to present the same data to different parts of Government in recent months
- Problems experienced by development partners in reporting on their work casts some doubt on their ability to meet their Paris Declaration and H-A-R commitments on reporting on how their funds are used

Emerging Good Practices

Access to Global Fund data

The 2007 data collection exercise obtained information from the Global Fund for Aids, TB and Malaria for the first time.

This important provider of assistance maintains an excellent website that provides immediate access to financial data and complete information on all projects.

This allowed CRDB staff to efficiently record and verify data – the Global Fund is the only partner who's data matches exactly that which is reported to the DAC.

Not Such Good Practices?

Partner Data Systems

A number of issues constrain the ability of development partners to disclose information.

These include limited awareness of aid effectiveness principles (considered fundamental to aligning aid to the NSDP), restricted access to project documents (including budgets), and a common need to revert to capitals for basic information.

Decentralization and improved information management will be essential if development partners are to maximize the effectiveness of their support to the NSDP.

- Data on trust funds and regional programmes are difficult to obtain and therefore most likely undercounted. As regional initiatives increase, systems must be developed to record and monitor these flows
- A streamlined process of data collection and validation will not only make the process more robust and efficient but could also have significant benefits in linking the management of aid flows to the Budget/MTEF and PIP exercises
- In the future, projects should be routinely entered into the Database as they are developed (pipeline) and approved (on-going), precluding the need for an intensive annual exercise
- More routine and pro-active support from CRDB counterparts, perhaps on a quarterly basis, will improve the quality of the data and promote the 'managing for results' capacity of both Government and its development partners.
- Despite the laudable efforts of all focal points, the data collection exercise provides a useful reminder to all parties that development cooperation is often a 'messy business' and it is not always possible to characterise or capture the complex

nature of support in a database.

One important conclusion related to the data collection exercise is that very few partners appear to have information systems in place that permit ready access to information on the projects that they finance. To promote more effective aid management in the context of the NSDP, it would be useful to work in partnership to identify the features of such a system and to make use of Cambodia's participation in the OECD/DAC Working Party on Aid Effectiveness to ensure the cooperation of donor capitals or regional offices, who's support is often required in reporting on routine project activity.

A second conclusion is that much more work needs to be done by both Government and development partners if the Paris Declaration and the whole aid effectiveness agenda is to be applied. This lack of awareness in many development partner offices goes some way to explaining the paradox of many development partners being vocally committed to the H-A-R Action Plan at a senior level while the reality of the practices employed in their programmes and projects is perhaps somewhat different.

The final conclusion relates to the management of data and information systems across Government. In the context of on-going reforms and associated sector/thematic work, it will be important to simplify and harmonise the collection and sharing of data. Multiple data collection exercises are not only inefficient but they can also lead to conflicting sets of data being used for programming or reporting purposes. Harmonising both data collection processes and the calendar for collecting information is one potential option to be explored, including for the PIP and Budget exercises.

The Questionnaire

It is necessary to consider in more detail some of the problems experienced in completing the questionnaire so that these issues can be addressed in future rounds, either by revising the questionnaire or providing more training. Some parts to the questionnaire were found to be particularly prone to error and misunderstanding, or else the data simply was not available.

This applies in particular to the use of technical cooperation, i.e. the distinction between Free-Standing Cooperation and Investment-related Technical Cooperation, as well as the recording of the use of project staff. Additional misunderstanding was common in the recording of government implementers and the association of a project with a Program-based Approach (PBA), with some partners believing that if their project was part of a sector that had established a PBA then their support was automatically associated with it. A further example relates to the recording of Paris Declaration indicators, which was discussed in the previous Section.

Further complications arose as some development partner focal points do not have complete information, especially for NGO implemented projects, and the questionnaires need to be sent to the project/program implementer. This implies that more time, or a more routine data collection exercise, are required, while the Manual must be updated to elaborate on the Glossary of Terms and to provide clearer guidance to the user.

Overall, this experience raises important questions about the Government's ability to exercise full ownership of development assistance when there are such prevalent misconceptions, or a lack of routine data systems for providing information on the provision of strategic resources such as technical cooperation.

Is it ODA?

The CDC Database attempts to present a full picture of all external flows. This includes those flows considered to be Official Development Assistance but also other flows that are intended for the non-official sector (which are technically not defined as ODA) or which are sourced from the non-official sector.

The Database therefore captures a wider range of external flows than just ODA. As explained below, this is one of the reasons why the data in the system is in some case different from that collected by the OECD/DAC and recorded in their Creditor Reporting System (CRS).

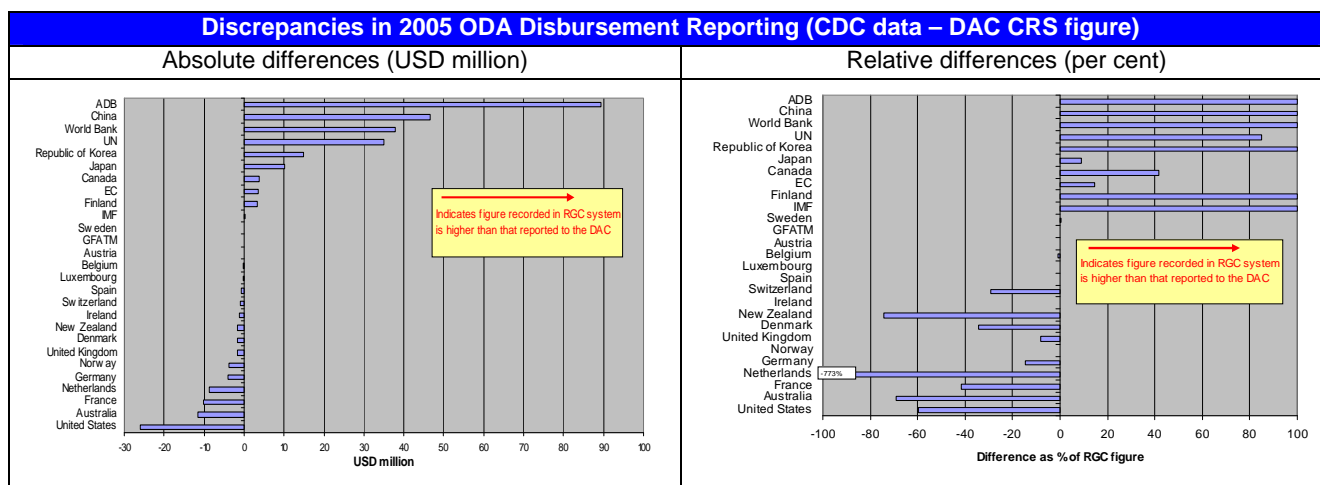
How good is our data?

Before policy measures can be prescribed, it is necessary to consider the quality of the data that has been used in the preparation of this Report.

The starting point is to take a macro view that compares data collected in Cambodia to that of the most reputable global source for ODA data, i.e. the OECD/DAC Creditor Reporting System (CRS). Although data for 2006 is not yet available in the CRS, figures from 2005 can be compared to provide a useful insight into the quality of the data.

The charts below show disbursements by Cambodia's main multilateral and bilateral development partners, recorded by both the OECD/DAC and the CDC Database. Key points to note are:

- CDC records data not appearing in the DAC database. The DAC data does not record disbursements made by some of the most important providers (in financial terms) of development assistance. This includes the Asian Development Bank (reporting disbursements of USD 89.4m in 2005 to CDC), the World Bank (USD 37.8m), China (USD 46.6m), the Republic of Korea (USD 14.9m) and most UN agencies (only UNICEF and UNAIDS appear in the DAC CRS data).
- Where CDC has over-recorded support this may be because a development partner (including NGOs) has provided funds for a non-ODA activity that would not appear in the DAC CRS.
- DAC records data not appearing in the CDC Database. Some development partners have reported to the DAC but these partners have been unable to record their support in the CDC Database (e.g. Austria, Ireland, Luxemburg, Norway, Spain) while others (USA, Australia, France, Switzerland, Netherlands) have not been able to report fully, often as significant shares of their support are not disbursed through the local representative office. CDC will continue to work with these partners to support them in entering their data.
- Where CDC has possibly under-recorded the figure this may be because disbursements have been made to regional programmes that benefit Cambodia or because disbursements are made for assistance that benefits Cambodia but which is not available for directly funding activities in the country (e.g. scholarship schemes, administration/staff costs).
- Other development partners (e.g. OPEC Fund) are known to provide support through other development partners but their original source of funds is not recorded in either Database.
- The omission of several development partners from the OECD/DAC dataset implies that the degree of competition, which is presented in the analysis in Chapter Two, is significantly understated and that the scale of the 'coordination challenge' is actually greater than that implied simply by the data that is used to inform the fragmentation analysis.
- Only a very few development partners (e.g. the Global Fund, EC, UK, Sweden, Japan and Belgium) are able to demonstrate a consistency in their reporting to both DAC and CDC systems.



Source: CDC and DAC CRS Databases (CDC data is April 2007 and may not be final numbers submitted by partners)

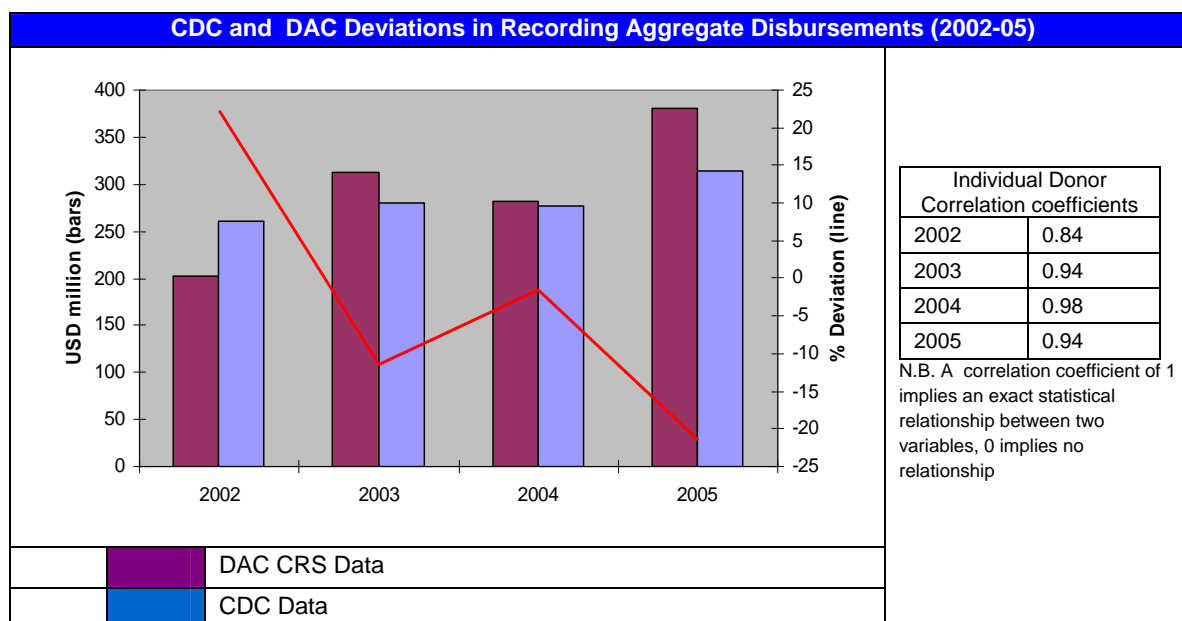
While these numbers compare development partners aggregate disbursements, it should also be noted that total 2005 disbursements to Cambodia recorded by CDC (USD 610 million) are significantly higher than the figure recorded by the DAC (USD 392.3m), even once the DAC non-reporting donors are accounted for, as NGO disbursements from their own sources are recorded in the Database; in 2005 these were estimated to be USD 44.7m.

The comparison of aggregate datasets leads to the conclusion that the CDC database captures significantly more funding than the CRS system and, although this is not without its problems, it means that it is likely that the CDC dataset presents a more complete, and therefore more accurate, picture regarding the availability of external support.

The next step in considering aggregate data quality is to consider data consistency over a longer period of time. To do this, those 15 development partners who report to both CDC and the DAC can be extracted from the data set and analysed separately over an extended time period.

It can be seen in the chart below, that the aggregate disbursement trends move quite closely together, although the within-year discrepancy between the CDC and DAC figures can be as large as USD 50

million. There does not appear to be any systematic relationship in the deviation, however, as in 2002 the CDC Database recorded approximately 20% higher disbursements than the DAC, but this was reversed in 2005. Analysing development partners on a like-for-like basis (comparing the discrepancies for a single partner), the correlation coefficients between their annual disbursements is remarkably high (this is shown in the table to the right of the chart, below). Movements and trends in the respective CDC and DAC datasets on individual partners in individual years are therefore broadly similar, which indicates that the data is of a relatively robust nature even if there are some aggregate discrepancies.



Source: CDC and DAC CRS Databases (showing aggregate disbursement data for Australia, Belgium, Canada, Denmark, EC, France, Germany, GFATM, Japan, Netherlands, New Zealand, Switzerland, Sweden, United Kingdom, United States)

The final consideration with regard to data quality is to move away from an aggregate comparison of disbursements to look more closely at the data reported by each individual development partner. One of the main problems that manifests itself at an aggregate level concerns the number of partners who do not appear to know which sector their support is directed to (USD 42 million, or 6.9% of all disbursements, are categorised as 'other' sector despite multiple sector selections being permitted) or to the correct identification of implementing partner (either Government or NGO).

The data is robust for policy analysis

Given that: (i) the CDC dataset contains more information from more development partners; (ii) across time there is a close correlation between development partner disbursement data in the DAC and CDC datasets; and (iii) the data in the CDC Database, especially the non-financial data, has been cleaned relatively thoroughly, it is possible to conclude that the data used for this Aid Effectiveness Report is of a sufficiently robust nature to inform policy analysis. As the Government and its partners progress on the path toward 'managing for development results' and a more evidence-based aid management, however, additional attention should be paid to improving the quality and coverage of the data.

Measures to improve data collection and quality

There are a number of relatively straightforward practices that can be either strengthened or established to improve the quality of the data and the analysis. It must be emphasised that these practices would not be intended as an end in themselves; they would be directly associated with the effort to improve aid management at an aggregate level with commensurate benefits to NSDP implementation. These potential practices include:

- (i) Moving from an annual data collection exercise to a less intensive quarterly exercise with development partner focal points. This would include training, data entry and validation, and analysis;
- (ii) Consistent with its mandate, as per the Sub-Decree that established CDC, development partners should work more closely with CDC as the aid coordination focal point. At the project formulation/approval stage this would enable increased alignment and coherency while data entry could take place simultaneously so that the PIP and MTEF exercises could be strengthened;

- (iii) All project documents and agreements should be lodged with CDC to allow for independent validation and a reduced burden on the development partners.

Future Data Collection Exercises

By making data collection an integrated part of the development assistance formulation/agreement process the process not only becomes more closely linked to the management of the NSDP, it also becomes much simpler. This should be the objective for future data collection procedures.

Adopting an 'enter as you go' approach will also reduce the intensity of the annual exercise to report on disbursements, allowing for that period to be used for training, awareness raising and a more strategic dialogue on the manner in which the data can inform the 'managing for results' effort. Efficiencies in data collection might also be pursued within Government as data collection exercises can be combined and more use made of data sharing, for example in producing the Sector Profiles that are presented in Chapter Two.

6.2 DISBURSEMENTS BY SECTOR 1992-2006 (USD 000s)

SECTOR	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Total Disbursements: 1992-2006	
																US \$ '000	% distribution
Health	15,483	28,867	20,788	24,877	43,696	32,027	62,969	70,864	67,710	66,081	67,610	83,097	95,867	110,299	109,960	900,196	13.0%
Education	15,763	28,520	28,884	42,336	34,738	48,269	58,251	40,457	40,496	44,983	68,859	75,023	73,421	69,278	71,549	740,827	10.7%
Agriculture	16,875	27,528	24,269	36,650	64,559	18,012	12,428	25,567	44,141	35,381	36,972	37,790	45,261	33,819	25,855	485,107	7.0%
Manufacturing, Mining & Trade	432	10	304	331	2,784	7,498	5,404	957	90	1,543	1,541	1,732	6,953	9,966	10,227	49,771	0.7%
Rural Development & Land Management	35,103	43,548	28,542	70,191	78,097	67,918	63,274	58,087	67,318	61,880	50,049	35,878	60,484	50,005	45,458	815,831	11.7%
Banking and Business Services											0	0	0	12,720	5,681	18,401	0.3%
Urban Planning & Management											0	0	0	3,926	3,138	7,064	0.1%
Post & Telecommunications	860	1,350	2,086	3,936	22,344	16,761	11,010	5,560	677	1,239	1,516	1,172	1,207	857	9,761	80,336	1.2%
Power & Electricity	1,057	7,498	23,702	38,972	13,772	17,335	30,893	28,789	21,364	5,705	6,322	20,270	12,871	15,632	14,632	258,815	3.7%
Transportation	8,682	45,126	57,743	78,299	60,249	37,236	47,072	33,935	47,140	59,712	78,081	65,607	81,959	73,855	53,333	828,028	11.9%
Water and Sanitation (excluding Agriculture and Rural)	2,359	220	0	0	0	164	141	4	15	1	15,050	22,906	4,882	24,494	16,938	87,174	1.3%
Community and Social Welfare Services	5,571	15,802	27,095	41,147	20,828	18,833	33,106	24,747	36,419	69,615	64,133	81,024	43,748	35,324	35,476	552,868	8.0%
Culture & Arts	141,058	53,676	41,602	28,077	12,299	15,829	9,785	47,242	66,915	40,098	14,203	15,937	18,425	4,795	5,712	515,653	7.4%
Environment and Conservation	315	1,236	1,541	1,072	3,349	5,844	3,469	2,842	2,133	979	15,279	18,181	19,586	12,308	13,962	102,097	1.5%
Gender Mainstreaming											0	0	0	2,591	2,789	5,379	0.1%
HIV/AIDS											0	0	0	25,358	31,755	57,112	0.8%
Governance & Administration	6,625	68,510	101,489	147,432	161,367	97,462	95,478	60,659	72,396	84,625	100,971	58,441	46,838	67,347	92,944	1,262,584	18.2%
Tourism											0	0	0	1,242	2,305	3,546	0.1%
Budget/BoP Support and Debt Relief											0	0	0	11,097	17,551	28,648	0.4%
Emergency relief and food aid											0	0	0	3,038	383	3,422	0.0%
Other	0	0	0	0	0	0	0	0	0	0	10,336	22,450	43,889	42,002	25,343	144,020	2.1%
TOTAL	250,183	321,891	358,045	513,320	518,082	383,188	433,280	399,710	466,813	471,842	530,923	539,507	555,392	609,953	594,752	6,946,881	100.0%

6.5 Disbursement to Government and Non-Government Sector (USD Million)

Major Donor	2005									2006								
	Government Sector		Non Government Sector						Total	Government Sector		Non Government Sector				Total		
			Self Imp. Donor		NGOs		Other					Self Imp. Donor		NGOs			Other	
China	46.6	100.0%							46.6	53.2	100.0%						53.2	
Global Fund	18.8	100.0%							18.8	22.2	100.0%						22.2	
Belgium	4.5	38.5%			7.2	61.5%			11.7	7.3	100.0%						7.3	
IMF	0.3	100.0%							0.3	0.2	100.0%						0.2	
ADB	89.2	99.8%	0.2	0.2%					89.4	61.9	99.8%						62.0	
UK	20.4	99.0%			0.1	0.5%			20.6	19.9	99.5%		0.1	0.5%			20.0	
Rep of Korea	14.8	99.3%			0.1	0.7%			14.9	13.1	98.5%		0.2	1.5%			13.3	
World Bank	37.6	99.5%			0.2	0.5%			37.8	25.8	97.0%		0.7	2.6%			26.6	
Japan	98.9	88.5%	5.8	5.2%	3.4	3.0%	3.5	3.1%	111.7	91.7	91.2%	6.0	6.0%	2.8	2.8%		100.5	
UN (core)	36.7	89.3%	4.2	10.2%	0.3	0.7%			41.1	43.6	91.0%	4.0	8.4%	0.3	0.6%		47.9	
Denmark	3.5	72.9%			1.3	27.1%	0.1	2.1%	4.8	5.5	90.2%		0.6	9.8%			6.1	
France	22.4	91.8%	0.8	3.3%	1.3	5.3%			24.4	19.4	88.2%	1.0	4.5%	1.6	7.3%		22.0	
Sweden	11.1	81.6%	0.3	2.2%	2.1	15.4%			13.6	13.7	85.1%	0.3	1.9%	2.1	13.0%		16.1	
Germany	20.6	75.5%			6.7	24.5%			27.3	22.3	73.1%	0.1	0.3%	8.1	26.6%		30.5	
Australia	9.7	57.7%	4.3	25.6%	2.8	16.7%			16.8	10.1	58.4%	4.4	25.4%	2.4	13.9%	0.4	2.3%	
Canada	6.5	71.4%	1.9	20.9%	0.5	5.5%	0.2	2.2%	9.1	3.0	52.6%	1.3	22.8%	0.7	14.0%	0.6	10.5%	
USA	26.4	61.0%			16.8	38.8%			43.3	25.7	50.4%			25.3	49.6%		51.0	
EC	8.3	35.0%			10.3	43.5%	5.1	21.5%	23.7	16.3	46.3%			12.9	36.6%	6.0	17.0%	
New Zealand	0.4	19.0%	0.4	19.0%	1.4	66.7%			2.1	0.6	40.0%	0.4	26.7%	0.5	33.3%		1.5	
Finland	1.4	42.4%			1.9	57.6%			3.3	1.3	37.1%			2.1	62.9%		3.5	
Switzerland	0.2	7.1%			2.6	92.9%			2.8	0.1	4.0%			2.4	96.0%		2.5	
Netherlands	0.8	72.7%			0.3	27.3%			1.1					0.1	100.0%		0.1	
Total Development Partner	479.1		17.8		59.5		8.8		565.2	457.0		17.5		63.0		7.0	544.6	
NGOs (core funds)					44.7				44.7					50.2			50.2	
Total Disbursement	479.1	78.6%	17.8	2.9%	104.2	17.1%	8.8	1.4%	610.0	457.0	76.8%	17.5	2.9%	113.2	19.0%	7.0	1.2%	594.8

6.6 Disbursements by Province 2004 - 2006 (USD 000s)

Province	Donor Group	2004	2005	2006
		USD (000)	USD (000)	USD (000)
Banteay Meanchey	United Nations Agencies	881	1,418	1,806
	Int'l Financial Institutions	2,846	6,255	5,013
	European Union	1,091	1,477	1,649
	Bilateral	282	5,248	1,935
	NGO	834	796	858
	TOTAL	5,935	15,195	11,261
Battambang	United Nations Agencies	682	1,123	2,387
	Int'l Financial Institutions	5,349	5,112	5,323
	European Union	2,228	2,647	4,402
	Bilateral	3,385	4,321	3,745
	NGO	3,583	2,681	3,408
	TOTAL	15,227	15,883	19,266
Kampong Cham	United Nations Agencies	1,506	1,705	1,916
	Int'l Financial Institutions	3,884	3,340	1,310
	European Union	2,794	3,867	4,246
	Bilateral	788	968	3,467
	NGO	2,643	2,557	2,919
	TOTAL	11,615	12,437	13,858
Kampong Chhnang	United Nations Agencies	112	708	1,002
	Int'l Financial Institutions	2,822	2,021	2,177
	European Union	731	885	682
	Bilateral	749	533	404
	NGO	1,537	1,368	1,177
	TOTAL	5,950	5,516	5,442
Kampong Speu	United Nations Agencies	1,655	1,919	2,287
	Int'l Financial Institutions	1,166	2,183	1,256
	European Union	2,395	2,586	2,318
	Bilateral	910	1,521	738
	NGO	1,739	778	1,110
	TOTAL	7,865	8,988	7,709
Kampong Thom	United Nations Agencies	2,785	2,847	2,918
	Int'l Financial Institutions	8,550	10,708	6,305
	European Union	3,236	3,421	4,390
	Bilateral	2,431	780	280
	NGO	1,087	520	940
	TOTAL	18,089	18,275	14,833
Kampot	United Nations Agencies	1,590	1,525	1,223
	Int'l Financial Institutions	5,089	4,413	2,544
	European Union	1,853	1,533	1,925
	Bilateral	2,375	2,370	2,595
	NGO	794	858	789
	TOTAL	11,701	10,700	9,075
Kandal	United Nations Agencies	543	816	833
	Int'l Financial Institutions	572	868	315
	European Union	321	469	461
	Bilateral	4,051	5,235	20,947
	NGO	1,757	1,213	1,332
	TOTAL	7,243	8,600	23,887
Koh Kong	United Nations Agencies	89	214	97
	Int'l Financial Institutions	664	0	69
	European Union	760	608	922
	Bilateral	0	369	685
	NGO	1,267	842	956
	TOTAL	2,781	2,033	2,729
Kracheh	United Nations Agencies	114	240	110
	Int'l Financial Institutions	825	601	359
	European Union	382	520	741
	Bilateral	15,944	8,680	7,163
	NGO	410	456	373
	TOTAL	17,676	10,496	8,745
Mondul Kiri	United Nations Agencies	80	110	35
	Int'l Financial Institutions	123	0	70
	European Union	80	186	514
	Bilateral	13	762	4,375
	NGO	258	343	271
	TOTAL	554	1,291	5,265

		2004	2005	2006
	TOTAL	553	1,402	5,265
Phnom Penh	United Nations Agencies	3,304	4,929	5,398
	Int'l Financial Institutions	7,200	3,556	1,826
	European Union	3,445	4,744	11,066
	Bilateral	36,399	51,698	59,926
	NGO	13,858	13,951	15,163
	Others			
	TOTAL	64,206	78,880	93,379
Preah Vihear	United Nations Agencies	98	207	152
	Int'l Financial Institutions	441	2,484	605
	European Union	385	314	1,053
	Bilateral	3,576	1,485	634
	NGO	666	81	348
	Others			
	TOTAL	5,166	4,571	2,793
Prey Veng	United Nations Agencies	2,431	3,226	3,727
	Int'l Financial Institutions	4,028	4,489	1,642
	European Union	2,292	2,299	1,697
	Bilateral	1,761	2,049	540
	NGO	697	855	692
	Others			
	TOTAL	11,209	12,918	8,298
Pursat	United Nations Agencies	111	255	264
	Int'l Financial Institutions	4,111	3,518	2,932
	European Union	854	1,390	2,332
	Bilateral	1,297	2,058	601
	NGO	245	440	518
	Others			
	TOTAL	6,618	7,661	6,646
Ratanak Kiri	United Nations Agencies	79	103	26
	Int'l Financial Institutions	867	1,960	1,449
	European Union	325	238	397
	Bilateral	368	929	537
	NGO	262	359	312
	Others			
	TOTAL	1,902	3,589	2,720
Siem Reap	United Nations Agencies	1,765	2,591	3,486
	Int'l Financial Institutions	5,141	7,704	5,675
	European Union	2,176	4,706	5,900
	Bilateral	8,655	16,179	4,731
	NGO	11,699	12,276	14,339
	Others			
	TOTAL	29,436	43,457	34,132
Krong Preah Sihanouk	United Nations Agencies	26	115	155
	Int'l Financial Institutions	4,944	2,982	1,462
	European Union	2,519	1,508	2,504
	Bilateral	8,048	4,964	5,065
	NGO	953	357	306
	Others			
	TOTAL	16,490	9,926	9,491
Stung Treng	United Nations Agencies	188	415	236
	Int'l Financial Institutions	783	2,155	1,739
	European Union	1,793	1,816	2,476
	Bilateral	15,902	8,340	6,734
	NGO	326	457	493
	Others			
	TOTAL	18,992	13,182	11,678
Svay Rieng	United Nations Agencies	1,337	1,931	2,185
	Int'l Financial Institutions	4,502	5,540	2,080
	European Union	1,542	1,769	1,059
	Bilateral	891	951	394
	NGO	545	501	502
	Others			
	TOTAL	8,817	10,691	6,220
Takeo	United Nations Agencies	1,200	668	777
	Int'l Financial Institutions	1,994	2,768	1,581
	European Union	825	957	1,322
	Bilateral	1,080	1,369	865
	NGO	2,165	1,720	1,925
	Others			
	TOTAL	7,264	7,482	6,470
Otdar Meanchey	United Nations Agencies	440	772	623
	Int'l Financial Institutions	1,677	4,460	3,487
	European Union	2,638	2,202	3,140
	Bilateral	499	1,022	355
	NGO	890	336	383
	Others			
	TOTAL	6,144	8,791	7,988
Krong Kep	United Nations Agencies	5	6	7

		2004	2005	2006
	Int'l Financial Institutions	318	432	298
	European Union	400	281	676
	Bilateral	0	0	323
	NGO	134	129	124
	Others			
	TOTAL	857	848	1,429
Krong Pailin	United Nations Agencies	85	396	655
	Int'l Financial Institutions	579	408	656
	European Union		0	46
	Bilateral	79	489	1,325
	NGO	602	733	905
	Others			
	TOTAL	1,345	2,026	3,588
Nation-Wide	United Nations Agencies	15,189	12,863	15,561
	Int'l Financial Institutions	59,251	48,998	38,576
	European Union	67,457	82,135	63,059
	Bilateral	118,015	118,776	110,808
	NGO	499	111	22
	Others		18,846	22,174
	TOTAL	260,412	281,730	250,200
Unknown	United Nations Agencies	0	10	0
	Int'l Financial Institutions	747	585	0
	European Union	4,575	8,005	21,848
	Bilateral	6,579	6,077	5,801
	Others			
	TOTAL	11,901	14,677	27,649
	United Nations Agencies	36,294	41,111	47,867
	Int'l Financial Institutions	128,477	127,541	88,750
	European Union	107,098	130,565	140,827
	Bilateral	234,073	247,171	244,972
	NGO	49,449	44,719	50,162
	Others		18,846	22,174
	TOTAL	555,392	609,953	594,752

ANNEX SEVEN

SECTOR AND SUB-SECTOR CLASSIFICATIONS

Sector / Sub-Sector
Social Sectors
<input type="checkbox"/> Health
Sector Policy and Planning
Primary Health (incl maternal; and child nutrition)
Hospitals & clinics
Immunisation and disease control campaigns
Reproductive health
Medical education and research
Other
<input type="checkbox"/> Education
Sector Policy and Planning
Primary and Basic Education
Secondary Education
Tertiary, vocational and higher education
Teacher training
Schools and facilities
Other
Economic Sectors
<input type="checkbox"/> Agriculture
Agriculture sector policy and management
Food/Seasonal Crops: Rice & others
Cash and Export crops
Agriculture water resources
Agricultural inputs
Livestock & veterinary
Fisheries
Extension services
Education, training & research
Post-harvest protection & storage
Agricultural financial services (credits, insurance)
Other
<input type="checkbox"/> Rural Development & Land Management
Rural sector policy and administration
Forestry
Land management and spatial planning
Landmine Clearance
Other
<input type="checkbox"/> Manufacturing, Mining & Trade
Policy and administration
Industrial development
SME policy and development
Mining, minerals and fossil fuel extraction
Trade policy, negotiation and training
Technological research and development
Other
<input type="checkbox"/> Banking and Business Services
Financial sector policy, planning and regulation
Formal sector financial institutions
Informal and semi-formal financial institutions
Business support services
Other

Sector / Sub-Sector
<input type="checkbox"/> Urban Planning & Management
Urban sector policy and administration
Land management and spatial planning
Other
Infrastructure
<input type="checkbox"/> Transportation
Transport policy and management
Road infrastructure & transport
Rail infrastructure & transport
Water infrastructure (ports) & transport
Air infrastructure & transport
Other
<input type="checkbox"/> Water and Sanitation (excluding agriculture & rural)
Sector Policy and Planning
Water supply and sanitation
River development
Waste management
Education and training
Other
<input type="checkbox"/> Power and Electricity
Energy policy and management
Power generation
Power transmission
Energy education, training & research
Other
<input type="checkbox"/> Post & Telecommunications & Media
Post & Telecommunications
Radio / television / print media
ICT
Other
Services & Cross-Sectoral Programmes
<input type="checkbox"/> Gender Mainstreaming
<input type="checkbox"/> Tourism
<input type="checkbox"/> Environment and Conservation
<input type="checkbox"/> Community and Social Welfare Services
<input type="checkbox"/> Culture & Arts
<input type="checkbox"/> HIV/AIDS
<input type="checkbox"/> Governance & Administration
Economic and development policy / planning
Public Financial Management
Public Service Reform
Legal and Judicial Development
Local government administration and reform
Elections
Human Rights
Strengthening civil society
Other
Budget/BoP Support and Debt Relief
Emergency relief and food aid

ANNEX EIGHT

CONCENTRATION AND FRAGMENTATION: A CLARIFICATION

Concentration

A statistical measure that is based on the number of development partners providing support to a country and the relative size of their shares in the overall profile of aid.⁷

Concentration is measured by what is known as the Herfindahl Index (H), calculated by summing the squares of each partner's percentage share (P) of the total aid disbursed (by h number of development partners):

$$H = \sum_{i=1}^h P_i^2$$

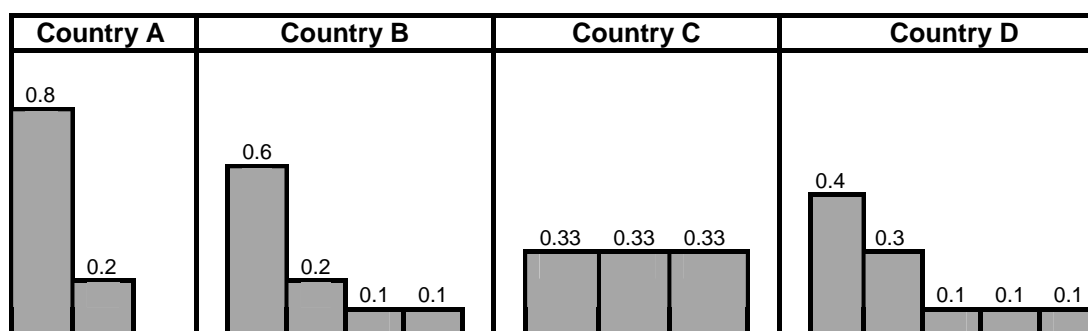
The Herfindahl Index (H) is most commonly used in microeconomics to analyse the structure of an industry for relative degrees of monopoly or competition.

The resulting number (which can range from anything greater than 0 to 10,000) is then indexed so that the median observation is equal to 100. It therefore reflects both the number of partners providing support as well as their relative shares and distribution.

If all aid was provided by a single development partner:

Share = 100%. $H = 100^2 = 10,000$. If this were a market, it would be a perfect monopoly.

Imagine a world with five donors and four partner countries:



Country A has two donors, providing 80% and 20% respectively.

The index for Country A = $80^2 + 20^2 = 6,400 + 400 = \underline{6,800}$

Country B has four donors, providing 60%, 20%, 10% and 10% respectively.

The index for Country B = $60^2 + 20^2 + 10^2 + 10^2 = 3,600 + 400 + 100 + 100 = \underline{4,200}$

Country C has three donors, providing 33.3% each.

The index for Country C = $33^2 + 33^2 + 33^2 = 1,109 + 1,109 + 1,109 = \underline{3,327}$

Country D has five donors, providing 40%, 30%, 10%, 10% and 10% respectively.

The index for Country D = $40^2 + 30^2 + 10^2 + 10^2 + 10^2 = 1,600 + 900 + (3 \times 100) = \underline{2,800}$

After calculations are complete, the series can then be indexed (median observation = 100) so that a higher index ranking indicates a more concentrated 'market' for aid.

Based on globally comparable OECD/DAC data, **Cambodia has one of the worlds lowest index figures**. It must also be noted that, given that many of Cambodia's development partners do not report to the DAC, the figure in the AER 2007 is under-estimated, possibly by quite a significant margin.

Fragmentation uses a similar analysis (combined with average project disbursement across 2005 and 2006) to form a composite indices for each development partner. Sector analysis uses a similar approach.

The point of this analysis is not to prescribe any particular direct action to address concentration but to consider what practices might best address the symptoms of relative concentration/competition

⁷ See also Acharya et al (2004), 'Aid proliferation: how responsible are the donors?' for methodology and further cross-country analysis.