

## AE Feasibility study for EU Joint Programming in Cambodia

As stated in the Council conclusions<sup>1</sup>:

Joint programming is a process whereby the EU takes strategic decisions based on a comprehensive view of European and other donors' support to a given partner country. Joint programming respects Member States' sovereign decisions e.g. on choice of partner countries and level of financial allocations in these countries.

The core elements of joint programming are: (1) **Joint analysis** of a partner country's national development strategy; (2) **Joint response** to a partner country's national development strategy identifying priority sectors of intervention: who is working in which (sub-) sectors, in-country division of labour, indicative financial allocation per sector and (EU) donor.

Joint programming does therefore not encompass bilateral implementation plans. It allows the EU and the Member States to substitute their individual country strategies.

Joint programming is led by the partner country wherever possible, is based on a partner country's national development strategy and is aligned to the partner country's strategy and programming cycles.

Joint programming is kept simple and pragmatic and conducted at partner country level in order to respond to specific needs and the situation on the ground.

Participation by all Member States who are present in a given partner country strengthens the coherence of the EU's action. All other Member States are invited to contribute for the purpose of reinforcing joint EU external action. Joint programming should build on the comparative advantages of all EU donors. While joint programming is not meant to be an exclusive EU process, the EU will act as a driving force.

During the EU HoMs retreat of 15 March 2012,

- 1) Heads of Mission recalled the EU Council conclusions on an Operational Framework on Aid Effectiveness which stated that we "*will increase the participation in joint multi-annual programming based on partner countries' development strategies and use EU joint programming as a pragmatic tool to advance division of labour*"<sup>2</sup>.
- 2) Heads of Mission also recalled that the joint EU position agreed for the Fourth High Level Forum on Aid Effectiveness in Busan in November 2011 committed us to "*implement joint programming at the country level to reduce aid fragmentation and promote harmonisation.*"<sup>3</sup>
- 3) Heads of Mission took note of the joint letter dated January 13, 2012 of HR/VP Ashton and Commissioners Piebalgs and Füle which confirmed "*broad convergence of views on joint programming, coupled with a strong willingness on the part of many Member States to take its implementation forward*" and which stated that countries not identified as pilot could assess Joint programming potential and draft a common opinion on Joint programming and the way it should be carried out.
- 4) Finally, the Heads of Mission recognised the potential gains of joint programming in terms of increased development effectiveness, EU political coherence, influence vis-à-vis Royal Government of Cambodia and other donors, and value for money.

Consequently, EU Heads of Mission decided to mandate the EU Development Counsellors group to draft a feasibility study report on Joint Programming. The EU Delegation was requested to lead the exercise in consultation with EU Member States (resident and non-resident). The feasibility study report will serve (1) the EUDC group to reach a common assessment on Joint Programming perspectives in Cambodia and agree on a 'Joint Programming roadmap'; (2) the EU HoMs to decide whether to formally propose Cambodia as pilot country for Joint Programming to their respective Headquarters.

<sup>1</sup> 3124th FOREIGN AFFAIRS Development Council meeting conclusions, Brussels, 14 November 2011

<sup>2</sup> 2974th EXTERNAL RELATIONS Council meeting, Brussels, 17 November 2009

<sup>3</sup> 3124th FOREIGN AFFAIRS Development Council meeting conclusions, Brussels, 14 November 2011

## *I. State of play regarding Policy Dialogue, donor coordination, and aid effectiveness*

### Trends in Development Cooperation in Cambodia

Cambodia is currently largely dependent on foreign aid. There are 44 development partners active in Cambodia, 38 of which are OECD/DAC donors. Over the last ten years Official Development Assistance (ODA) disbursements have doubled from USD 472 million in 2001 to USD 1,257 million in 2011<sup>4</sup> representing an annual average increase of 11%. Projections for the current year and beyond show that aid disbursements forecasts remain relatively robust<sup>5</sup>. Overall, the grant share of support has been growing over the last ten years from 66% to 75% of all disbursements. However, from 2012 onwards loan-financed cooperation is projected to grow significantly. Non-OECD donors, such as China, are increasing their funding and correspondingly gaining importance.

Rapid economic growth has resulted in Cambodia's GDP increasing from USD 4.2 billion in 2002 to an estimated USD 12.5 billion in 2011. The aid/GDP ratio has been maintaining the downwards trend since 2005 when it fell below 10%. Hence, as Cambodia moves towards middle-income status, aid dependency will likely be reduced as ODA's relative share of financing national development declines even as actual volumes of aid may be broadly unchanged. ODA volumes have been increasing at a faster rate than the population; hence aid per capita ratio has almost doubled from around USD 40 in 2000 to USD 78 in 2010.

### Government - Donor Policy Dialogue in Cambodia

Over the past five years progress has been achieved in formalising structures for coordination and harmonisation, a process lead by the Royal Government of Cambodia (RGC). The Government's policy on managing development partner assistance is articulated in the **Strategic Framework for Development Cooperation Management** which establishes the **Cambodia Rehabilitation and Development Board (CRDB)** as the national aid coordination focal point.

Strategic Framework, which will be reviewed in 2012-13, is supplemented by **National Operational Guidelines for Development Cooperation**. The two documents set out the manner in which Government wishes to manage external development resources in the context of the National Strategic Development Plan and Rectangular Strategy. The **Harmonisation, Alignment and Results Action Plan** provides a basis for monitoring the implementation of priority aid effectiveness activities.

The RGC established a complex coordination structure which consists of three layers and includes 19 **Joint Technical Working Groups (TWGs)**, the **Government - Development Partner Coordinating Committee (GDCC)** which takes place 2-3 times per year, and **Cambodia Development Cooperation Forum (CDCF)** as the highest-level policy dialogue fora that takes place every 18 months.

TWGs serve as Government – Development partners (DPs) technical fora for discussing key policy issues in sectors and the related **Joint Monitoring Indicators (JMIs)**. JMIs are a core element of mutual accountability and the CDCF meetings serve to endorse new JMIs which guide the work of TWGs and GDCC in the periods between CDCFs.

The **TWG Partnership and Harmonisation (TWG P&H)** is a forum for discussing aid management and aid coordination issues specifically. The RGC also established a **TWG Network** in 2007, taking place 2-3 times per year, aiming to provide an opportunity for dialogue, peer-review and cross learning between the TWGs.

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<sup>4</sup> ODA data for 2001 taken from the 2011 Aid Effectiveness Report, data for 2011 extracted from the Cambodia ODA database and NGO database on 19 May 2012.

<sup>5</sup> This data is based on resources committed and programmed not merely indicated in a partner's country programme.

DPs meet monthly in an **Informal Donor Lunch**, chaired by a Lead DP<sup>6</sup>, to discuss issues of common priority, agree joint policy positions when needed and coordinate approaches to the Government's aid coordination machinery. Whilst the monthly informal donor lunches provide a forum for discussion on procedure, policy and issues of technical substance, and the TWG P&H work with Government to review and enhance aid coordination systems, DPs also have regular informal exchanges, usually at the technical level, on a range of coordination and aid effectiveness issues pertinent to the sectors they are active in. At times, DPs also hold specific workshops, such as the workshop 'Enhancing Policy Dialogue' held in October 2011, to facilitate a more in-depth discussion on means to strengthen policy dialogue with the government.

In terms of aid management information systems, RGC has established the **Cambodia ODA Database** with the principal aim of promoting an evidence-based development management system that can effectively support the processes of tracking external funding for the National Strategic Development Plan (NSDP) and national budgeting. ODA Database is accessible online<sup>7</sup> and records details of on-going and planned project and programme assistance provided by all development partners. The database is populated by DPs twice a year and inter alia serves to inform the Aid Effectiveness report produced by the CRDB ahead of CDCF meetings.

The last CDCF took place in June 2010. It was agreed that a coordinated approach across Government, and with DPs, is needed to ensure direct domestic and foreign resources are effectively used to achieve the national development priorities. This was termed a 'whole-of-government approach' supported by a 'whole-of-development partner' approach. Also, more specifically for aid effectiveness, there was an agreement on the key issues of: integration of strategic planning, budgeting and aid management (which is critical for enabling a coordinated approach), promotion of programme-based approaches (as an opportunity to address multiple partnership challenges in order to ensure policy coherence and effective management of development programmes); and an increased use of country systems (using the core governance reforms and Program Based Approach to develop coordinated and harmonised approaches to capacity development). Despite some achievements at policy level, progress towards integrating aid and development effectiveness into the national development planning and the budgeting process is slow.

The existing *aid coordination mechanism* currently faces challenges, notably because the TWGs sector coverage structure do not mirror the NSDP sectors structure [eg. interlinks between the three TWGs Agriculture & Water (TWG A&W), Forestry & Environment (TWG F&E) and Fisheries (TWG-F) cannot be discussed]. Moreover, TWGs' mandates, while formalised in the guidelines, are not always implemented: some TWGs have not been facilitating discussion of certain topics of interest to DPs [e.g Agriculture & Water where the TWG chair refused to put the newly adopted strategy on the agenda], and some TWGs do not meet very often (e.g. PAR or Land) and/or are very formal due to the high-level officials participating (e.g. PFM).

Nevertheless, the existing mechanism is seen as the main structure for dialogue and promoting aid effectiveness. Moreover, participation in coordination structures and processes in Cambodia involves a considerable amount of time and effort and EU partners are therefore keen to avoid duplicating any efforts or processes in this area. The existing structure will be reviewed in 2012-2013, and is part of the agenda of the next GDCC expected in September 2012.

The actual *policy dialogue* practice has been suffering over the past year, especially as high-level policy dialogue has been stalled following the RGC's unilateral 'postponement' in August 2011 of the CDCF (which was scheduled for 24 November 2011) up to early 2014. This may partially be attributed to the strained relationships between the World Bank, who was then lead-DP, and

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<sup>6</sup> As of May 2012, ADB is lead DP, and USAID co-lead DP.

<sup>7</sup> [cdc.khmer.biz/](http://cdc.khmer.biz/)

the Royal Government of Cambodia in 2011. Since the cancellation of the CDCF, RGC has encouraged the TWGs to continue working as 'business as usual' and start preparing the new set of JMIs, without in parallel imposing more stringent reporting procedures. However, as there has been no planned GDCC to discuss the new format or new JMIs and no CDCF to endorse them, the TWG targets and on-going work have been unclear. After a policy dialogue limbo of several months, a GDCC has now been scheduled for September 2012 and a CDCF is proposed to take place in the first quarter of 2014.

### Aid Effectiveness in Cambodia

Progress towards achieving **global aid effectiveness commitments** has been uneven. The 2011 Paris Declaration Monitoring Survey results (see table 1 below) demonstrated the need for more coherent and coordinated programming and implementation at the country-level. As government systems are not fully functional, donor's procedures and Project Implementation Units have been used for the management of external resources. Coordinated technical cooperation has been declining, suggesting that common capacity assessments and tools are necessary to enhance systemic capacity building. Despite PBAs having been formally endorsed as the government's preferred approach for managing support in sectors and thematic areas, further effort is required to identify and implement a more coherent programme of analytical work at sector level.

Uneven progress is in part explained by the weakness of government systems for the management and implementation of development projects, in particular public financial management. Absorption and implementation capacity constraints within the national systems remain a challenge. In this environment, many development partners have kept parallel project management arrangements which increase the development partners' control and short-term efficiency of ODA delivery, but are failing to address the systemic problems in capacity and long-term sustainability<sup>8</sup>. Salary supplements and other financial incentives offered to public officials involved in ODA projects implementation have distorting effects on institutional development. Progress in strengthening sector capacities and systems also depends on implementation of the core reforms – Public Administration Reform (PAR), Public Financial Management (PFM) Reform and Decentralisation Reform 'Sub-National Democratic Development' (SNDD).

*Table 1: Cambodia: Paris Declaration Monitoring Indicators*

No.	Indicator	2005 Baseline (2006 survey)	2007 Status (2008 survey)	2010	2010 Target (revised in 2008)
1	Implementation of national plans and frameworks	C	C	B	B or A
2a	Quality of PFM systems (CPIA rating)	2.5	3.0	3.5	3.5
3	Aid reported in budget exercise	79%	85%	88%	90%
4	Coordinated technical cooperation	36%	35%	27%	50%
5a	Use of country PFM systems	10%	14%	21%	---
5b	Use of country procurement systems	6%	16%	24%	---
6	Parallel PIUs	49	121	66	19
7	In-year predictability of aid flows	69%	96%	90%	84%
8	Untied aid	86%	99%	93%	> 86%
9	Use of programme-based approaches	24%	28%	35%	66%
10a	Coordinated missions	26%	12%	19%	40%
10b	Coordinated country analytical work	58%	17%	35%	66%
11	Sound performance assessment framework	C	C	C	B or A
12	Reviews of mutual accountability	Yes	Yes	Yes	Yes

<sup>8</sup> Findings from a study – 'National Structures and Systems for Aid Implementation in Cambodia' – commissioned in 2010 by the development partners of the European Union. in coordination with the Partnership and Harmonisation Technical Working Group.

## ***II. Description of the current level of coordination and harmonisation among EU partners in Cambodia***

There are currently **12 EU partners who are funding programmes in Cambodia**<sup>9</sup>. Six are based in Cambodia (Denmark, EU Delegation, France, Germany, Spain and Sweden). Danida will close its office at the end of 2012. Five Member States – Belgium, Czech Republic, Finland, Ireland and Netherlands – are not resident in Cambodia, however Czech Republic is planning to place a development cooperation representative in Phnom Penh by early 2013. DFID office was closed in January 2011 although their funding to health sector will remain until 2013.

Together EU partners provided USD 224 million in 2011 (18% of overall aid to Cambodia) making EU, as a group, the largest grant donor in Cambodia. EU support is overwhelmingly dominated by the funding for: (i) Government & Administration; (ii) Health; (iii) Education; (iv) Agriculture; (v) Energy, power & electricity; and (vi) Rural development (including Land). EU provided the largest share of overall ODA to Cambodia for: Gender; Culture & Arts; Government & Administration; Energy, power & electricity; Manufacturing, Mining & Trade; Climate Change; and Rural development (including Land).

EU partners active in Cambodia have formulated an **EU Road Map for Increased Aid Effectiveness** in Cambodia which was adopted initially in December 2006 and has since been updated annually. The Road Map is accompanied by the Road Map Action Plan which details specific prioritised actions with related indicators and time-lines, identified jointly, which represent the focus for the EU aid effectiveness work. EU Development Counsellors hold **annual EU Retreats** to discuss key issues pertinent to development cooperation and assess progress against the Road map indicators.

There is a regular **formal EU coordination mechanism**, primarily through the monthly EU Development Counsellors meetings and EU Human Rights Group meetings, both of which provide inputs for the monthly EU HoMs meetings. All the meetings are chaired by the EU Delegation.

EU group also engages in frequent and effective exchanges at technical level and agreeing **joint EU positions** on all policy issues for dialogue with the RGC or with other DP. Joint positions that have already been developed by the EU group include position on the Merit-Based Pay Initiative (MBPI) in 2008; on Priority Operating Costs (POC) and cross-reform Joint Monitoring Indicators (JMIs) in 2011, and more recently on the strategic issues for policy dialogue with the RGC in 2012. EU partners are currently working with other DPs to develop a number of policy briefs to support dialogue on prioritised strategic issues (Land, PAR/Compensation Reform, Legal & Judicial Reform, Budget Transparency, and Cross-Reform JMIs).

EU partners are conscious not to limit their coordination solely to the EU group, hence they are active in wider coordination foras e.g. EU DPs act as **facilitator/co-facilitators in 8 of the 19 TWGs** (see Table 2 below).

Outside of TWG set up, within the wider coordination foras, EU partners are represented by the EU Delegation.

**Co-financing of programmes and delegated cooperation** at sector level is increasingly the norm for EU partners. 'Joint' programmes exist in decentralisation sector (Sweden, EUD, Germany), education sector (EUD, Sweden), Climate Change and Adaptation (EUD, Denmark, Sweden), and Gender (Spain, Germany). EU partners also noted that, in co-financed programmes, the leverage with the Government by speaking with one voice 'has been strong'. Experience

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<sup>9</sup> Belgium, Czech Republic, Denmark, EU Delegation, Finland, France, Germany, Ireland, Netherlands, Spain, Sweden United Kingdom

from joint working methods such as delegated cooperation have been found to be administratively onerous in practice and to have involved significant delays in getting funding online. The EU partners have also been increasingly engaging in joint missions<sup>10</sup> and joint country analytical work<sup>11</sup>.

*Table 2: EU DPs Co-facilitators of TWGs*

<b>TWG</b>	<b>Chair/Co-Chair(s)</b>	<b>DP/Co- DP Facilitator(s)</b>
<b>Decentralisation &amp; De-concentration</b>	Ministry of Interior	ADB – SWEDEN
<b>Fisheries</b>	Fisheries Administration, Ministry of Agriculture, Forestry and Fisheries (MAFF)	<b>EUD</b>
<b>Forestry and Environment</b>	Forestry Administration, MAFF	<b>DENMARK</b> (EUD as of 09/2012)
<b>Land</b>	Ministry of Land Management, Urban Planning and Construction	<b>GERMANY</b> (+ EUD as co-F as of July 2012)
<b>Legal &amp; Judicial Reform</b>	Secretary General of Secretariat General of Council of LJR	<b>DENMARK</b> (until December 2012)
<b>Partnership &amp; Harmonisation</b>	CRDB/CDC	UNDP – SWEDEN
<b>Public Administrative Reform</b>	Council for Administrative Reform	WB – GIZ
<b>Public Financial Management Reform</b>	Ministry of Economy and Finance	WB – EUD

### ***III. Perspectives (potential and constraints) for Joint EU Programming in Cambodia***

Joint Programming is:

- A single EU country analysis and response strategy for each country. The strategy would provide the overall rationale and direction for aid provided by the EC and EU MS as well as saying which European donor would work in which sector and their indicative funding allocation to it.
- The strategy would limit itself to saying which sectors each donor would work in and what a particular sector definition encompasses. It would not go into the details of how this work would be carried out, i.e. aid modalities or individual initiatives to be pursued. These would instead be left to each donor's bilateral implementation plan, to be developed as they saw fit. Each donor would therefore still be free to pursue whichever aid modalities they wished and to undertake either bilateral or joint initiatives.
- The strategy, and individual donors' bilateral implementation plans, would be aligned to the period of the national development plan in each country.

This section will therefore follow the three key elements of joint programming as set out in the Annex II of the Council Conclusions on Busan<sup>12</sup>: (i) *Joint analysis of and joint response to a partner country's national development strategy identifying priority sectors of intervention*; (ii) *In-country division of labour: who is working in which (sub-) sectors*; and (iii) *Indicative financial allocation per sector and (EU) donor*.

<sup>10</sup> For example, EUD/Sweden/Germany joint mission to design a new EU co-funded programme to support the implementation of RGC's National programme for Sub-National Democratic Development from June 2012 onward and to evaluate the first phase of the EU SPACE Programme 2010-June 2012

<sup>11</sup> For example, the Public Service Governance Reform (PSGR) study organised in 2011 by DFID, Irish Aid and Sida on behalf of the OECD/DAC and managed by Sida in Cambodia. Also, the above mentioned study on the 'National Structures and Systems for Aid Implementation in Cambodia' which commissioned in 2010 by the EU group and funded by Sweden.

<sup>12</sup> 3124th FOREIGN AFFAIRS Development Council meeting conclusions. Brussels. 14 November 2011

## Joint Analysis of and Joint Response to Cambodia's NSDP

The National Strategic Development Plan (NSDP) is a unified national strategy for growth and poverty reduction, which synthesises and operationalises existing strategies, including the Rectangular Strategy. It provides a framework in which policy dialogue and the alignment of external assistance can take place.

The **National Strategic Development Plan (NSDP) Update 2009-2013** is the successor of the NSDP 2006-2010 which came officially to an end in 2008. The two important reasons for the early renewal of the NSDP were, firstly, the need to synchronise the time period covered by the NSDP Update with the term of the Fourth Legislature of the Royal Government (national elections due in June 2013) and the overarching Rectangular Strategy cycle. Secondly, NSDP Update took account of the impact of the global economic downturn on the economy of Cambodia. The NSDP remains at a fairly general level, however, and is further elaborated through sectoral, thematic and regional strategies. The next NSDP is expected to cover 2014-2019, to be drafted during the year 2013, for an adoption in early 2014.

The processes around the NSDP planning and formulation needs to be strengthened. There is also a need to strengthen the linkages between the NSDP, medium term expenditure framework (MTEF) and the national budget. The articulation with the longer term vision that Cambodia is currently preparing for the next Government mandate will also be crucial, in particular as Cambodia has the ambition to become a Middle Income Country in the coming years, with a much lower dependency on donors.

Government's preference for development partners' assistance to be aligned with the national development strategy and priorities is expressed in the Strategic Framework for Development Cooperation Management. Moreover, the National Operational Guidelines for Development Cooperation specifically encourage DPs to *'coordinate among themselves and prepare joint country assistance strategies in order to<sup>13</sup> enhance joint programming by development partners in close consultations with national stakeholders; reduce administrative burdens on the Government; allocate responsibilities and program components in accordance with each development partner's comparative strength; eliminate duplication and overlap of development partner support; and optimize the provision of resources to a sector or national program'*. At the third CDCF meeting in June 2010, RGC and development partners endorsed the Programme-based approaches (PBAs) as the RGC's preferred way of working.

The central requirement for launching the joint programming process is **the synchronisation of the EU partners' programming cycles** to that of the RGC's planning period. Currently, EU partners programming cycles vary as indicated in the Table 3 below.

According to the study on EU Joint Multi-annual Programming conducted in 2011<sup>14</sup>, four of the EU DPs with existing country strategies<sup>15</sup> for Cambodia (France<sup>16</sup>, Germany, Spain, and Sweden) are procedurally able to adjust their programming cycle to match that of the partner country. Since this study was completed, new EC Programming Guidelines have been finalised stipulating that, from 2014 onwards, the EC's Country Strategy Papers can be of different lengths in different countries, thereby allowing EU Delegation to also synchronise its planning cycle.

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<sup>13</sup> See National Operational Guidelines for Development Cooperation – Grant Assistance, Section 3 on Identification and Formulation of Development Cooperation Activities, p.9

<sup>14</sup> O'Riordan, A., Benfield, A. and de Witte, E. (2011) Joint Multi-annual Programming, Study on European Union donor capacity to synchronise country programming (and joint programming) at the country level, HTSPE, March 2011

<sup>15</sup> Denmark will not be referred to in the further text due to their planned closure of programmes at the end of 2012

<sup>16</sup> AFD's expected support is mainly through loans and demand-based.

The timing of the existing EU partners' country strategies, most of which end in 2013, with the exception of Germany's strategy which ends in 2014, are favourable towards starting a new joint EU strategy from 2015, with an interim period for the year 2014. The fact that most of the partners would start with their respective analysis and formulation of new programmes at a similar time during 2013, would facilitate their engagement in joint analysis and joint response. The new NSDP will be formulated during 2013, thus enabling EU to contribute to the NSDP process while starting its joint analytical work.

Table 3: EU Development Partners' programming cycles

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
RS II										
NSDP										
Denmark							Exit			
EUD										
Finland <sup>17</sup>										
France										
Germany <sup>18</sup>										
Spain <sup>19</sup>										
Sweden										
ADB										
UN										
WB										

All EU partners with programmes in Cambodia are procedurally able to sign a joint programming document with other EU donors, that “sets out shared analysis and objectives and then divides implementation activities among donors”<sup>20</sup>. All could also sign joint programming documents that include non-EU donors. Moreover, all partners with the exception of Czech Republic are procedurally required to consider the use of Joint Programming before drafting their respective Country Strategies.

### In Conclusion

Joint EU programming would be possible on the basis of the new NSDP covering 2014-2019, as the current plan expires in 2013. The new NSDP which is expected to be adopted early 2014 would need to be analysed before formulating a joint EU response, hence joint response could therefore be effective from 2015 onwards. Should EU partners decide to proceed with joint programming, they will need to consider the options for ‘bridging the 2014 gap’ e.g. by extending those strategies which are ending in 2013 to the end of 2014. In addition, the strategic and coordinated engagement of the EU in the NSDP formulation process will need to be given a high priority.

### In-country division of labour: who is working in which (sub-) sectors?

In 2011 there were 655 ODA-funded projects implemented in Cambodia, including 231 by the EU development partners. The latter covered 19 (of 22) sectors, as defined by the Government. As mentioned earlier, existing multiple projects and the number of PIUs perpetuate aid fragmentation.

<sup>17</sup> Finland does not have a multi-year programming cycle with individual partner countries and its programme in Cambodia is considered a part of the Regional Mekong Programme. Finland is in the process of preparing a new Regional Mekong Strategy (2012-16) to be finalised by mid-July, which will provide overall guidance for its programme in Cambodia.

<sup>18</sup> Germany currently does not have a Country Concept Note for Cambodia and the programme is planned through biennial programming cycle and operationalise through two priority area strategies.

<sup>19</sup> Spain currently has the Basic Agreement of Cooperation in place, which is valid for 5 years. However, their Country Partnership Framework (i.e. Country Strategy) has not yet been agreed.

<sup>20</sup> Cf. footnote 14, p. 5

Since 2007, the EU group in Cambodia has been actively pursuing the **Division of Labour (DoL)**. Cambodia was initially included in the DoL Fast Track Initiative (FTI), however in 2010 EU group conducted a stock-taking exercise on DoL and concluded that the Government's preference to manage diversity as opposed to reducing the number of development partners in a given sector impacts on the potential of a comprehensive approach to DoL. It was concluded that without RGC pursuing a country-led DoL process, further sector concentration and related transaction costs would remain limited to the EU group. In view of this stock-taking analysis and RGC position on DoL, EU group recommended that Cambodia be excluded from DoL FTI group of countries. Moreover, EU group agreed to promote DoL at the sector level by taking the TWG-framework into consideration and adopting a two-pronged approach: (a) Reporting on DoL progress on the basis of Cambodia ODA sector definitions; and (b) Implementing EU sector concentration on sector basis.

Most recent mapping exercise was conducted in February 2012 and included mapping of the forecasted support for the period 2012-2015 (see Table 4 below) which noted that EU interventions will cover the following<sup>21</sup>:

- 8 main sectors: Health (Germany), Education (EUD, Sweden), Agriculture (EUD, France), Rural development including Land (Germany, Finland – maybe EUD) and rural roads (Germany), Urban Plan & Management (France), Trade & SMEs (EUD and France), Banking & Business Services (Spain), Energy – Power transmission (Germany); – and
- 8 main cross-sector/thematic areas: Environment and Conservation (EUD/thematic, Sweden), Climate Change (EUD/thematic, Sweden), Culture and Arts (France); Gender (Spain), Human Rights (Sweden, EUD/thematic), Governance, covering Decentralisation & De-concentration (EUD, Germany, Sweden), Public Finance Management (EUD, Sweden), Public Administration Reform (Germany).

### ***In Conclusion***

A joint EU strategy could offer a response to reducing aid fragmentation and ensuring aid delivery supports coherent capacity and systems development. Developing this joint EU strategy however will also require consideration of the EU partners' comparative advantages for intervening in certain sectors. A joint EU strategy could provide an “umbrella”, allowing EU partners to credibly show that they are contributing to a range of sectors as part of a holistic EU strategy, even if they may not be providing a specific bilateral contribution to each of those sectors.

EU partners are working with different implementation modalities – budget support, decentralised management, delegated cooperation, basket/trust funds, and project approach. The joint strategy would not go into details on how the EU partners work would be carried out in each sector. Hence, while aiming at better harmonising their different approaches, each EU DP would decide independently on aid modality for their respective parts of the joint strategy (through for example bilateral implementation plans).

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<sup>21</sup> For the European Commission funding it comprises both bilateral and thematic programmes

Table 4: Mapping of projected EU DP support 2012-2015 (per Cambodia ODA Database Sector and Sub-Sector Classification)

EU SECTOR POSITIONING – FORWARD LOOKING	BE	EUD	CZ	DE	DK	ES	FI	FR	IE	SE	UK
	2012-2015										
<b>SOCIAL SECTORS</b>											
Health	EXIT		B→	B-13M€/2Y				EXIT 2013			EXIT 2013
Education		B - 31M€/3Y						B→		B - 14M€/3Y	
<b>Economic Sectors</b>											
Agriculture		B - 20M€/4Y			EXIT 2013		B 2M€/2Y				
Rural Development (includes Land)		IF B, THEN 17M€/4Y		B-18M€/2Y	EXIT 2013		B-2M€/1Y		B→		
Urban Plan & Management								B↗			
Manufacturing, Mining & Trade	B→	B - 21 M€/6Y						B↗			
SME Policy and Development	B→	B - EXIT 2013						B↗			
Trade Policy, Negotiation		B (PBA) - 12.5M€/6Y									
Banking and Business Services	B→					B↗					
<b>Infrastructure</b>											
Transportation											
Water and Sanitation								B-6M€/1Y			
Energy, Power and Electricity		TH (renewable)	TH↗	B13M€/2Y							
Information and Communications											
<b>Services &amp; Cross-Sectoral Programme</b>											
Community and Social Welfare	TH→		TH→	TH→		B↗					
Culture & Arts								B→			
Environment and Conservation		TH↗				TH↘				B↘	
Climate change (adaption & mitigation)		TH↗								TH→	
Gender		TH→				B 4M€/2Y					
Governance & Administration		B - 27M€/4Y		B - 6M€/2Y	EXIT 2013		TH↗			B-45M€/3Y	EXIT 2012
Economic & Development Policy/Planning										B↘ 5M€/3Y	EXIT 2012
Human Rights		TH 1.2M€/Y			TH↘					TH→4M€/2Y	EXIT 2012
Legal and Judicial		B - EXIT 2013		B→2M€/2Y						B↘	
Decentralisation & Deconcentration		B↗ 15M€/4Y		B↘ 2M€/2Y						B↘32M€/3Y	
Public Financial Management		B↗ 12M€/4Y		[SUPPORT NAA]						B→3M€/3Y	
Public Administration Reform				B↘ 1M€/2Y						B↘	
Civil Society					B↘		TH↗	TH→	TH↘		EXIT 2013
Other			TH→								
<b>OTHER</b>											
Other				B 13M€/2Y	EXIT 2013						
Number of sectors	2	B: 4 OR 5 TH: + 2 CROSS	1 B, +1 CROSS	4, + 1 CROSS		1 B, +2 CROSS	3	4B, +1 CROSS	1	2B, +2 CROSS	

Note: B – Bilateral programme, Th- Thematic/cross-cutting programme (e.g. CSO funding for a particular theme)

Color code: Red: Focal sector; White: exit or less than 0.75M€/year ; Light grey: between 0.75M€ and 2M€/year; Dark Grey: between 2 and 4M€/year; Very Dark Grey: >4M€/year

## Indicative financial allocation per sector and (EU) donor

The Cambodia ODA Database contains data on funds committed for on-going and planned projects. EU partners currently commit funds in varying periods; from 1 to 7 years (see Table 5). Most of the development partners, however, are able to exceptionally extend financial commitments, which can facilitate better alignment with NSDP and allow participation in joint programming

*Table 5: Period EU partners commit funds in programming documents:*

	Current period of committing funds in Cambodia	Maximum period able to commit funds <sup>22</sup>	Frequency of reviewing allocations
Czech Republic	1 year	1 year	Annually
EU Delegation	7 years	7 years	Mid-term
Finland	2 years	No formal limits <sup>23</sup>	Annually
France	3 years <sup>24</sup>	5 years	Mid-term
Germany	2 years	8 years <sup>25</sup>	Annually
Spain	5 years	5 years	Annually
Sweden	2 years	No formal limits <sup>26</sup>	When developing new strategy

### ***In Conclusion***

The joint EU strategy should include an indication for each EU partner of the amounts of bilateral ODA available for each sector (using Cambodia definition of sectors), subject to budget appropriations made available by the respective Government and Parliament. The strategy would not include (although individual partners may want to indicate) the contributions for the other forms of assistance e.g. top-down thematic budget lines, funds for civil society decided at the headquarters, etc.

DPs in Cambodia are sensitive to the rising power of non-traditional donors and the corresponding decrease in their own influence. In 2011 EU partners provided 18% of overall ODA to Cambodia. China's share of ODA was 17%. With Government's increasingly turning towards China for assistance when it does not get what it wants in negotiations with individual DPs (or when faced with conditions on aid or concerns about governance or human rights), a common EU strategy could provide an increased leverage in dialogue with the Government.

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<sup>22</sup> Cf. footnote 14, p. 37

<sup>23</sup> There is no formal limit to how long Finland can commit funds for, however commitments are applied for in budget preparations and binding decisions on their use must be made during the fiscal year for which the authority is granted

<sup>24</sup> French Document d'orientation pou la coopération (DCP) entre la France et le Cambodge is valid for 3 years, but it does not commit funds per se and is rather an indicative envelope for ODA to Cambodia.

<sup>25</sup> Germany can commit funds for a maximum of 8 years, however programme progress will impact disbursements. New allocations provided through intergovernmental negotiations are given every 2 years.

<sup>26</sup> There is no formal limit to how long Sweden can commit funds for as long as Parliament delegates authority to enter commitments.

#### ***IV. Conclusion with proposal for a way forward (including draft roadmap).***

Cambodian Government stated its preference for partners' to synchronise their cycles with the NSDP, to engage in programme-based approaches and develop joint strategies (see page 8).

There are no procedural barriers that would prevent EU partners with existing bilateral programmes in Cambodia from synchronising their in-country programming cycles with the NSDP cycle. Moreover, all partners (with the exception of Czech Republic) are procedurally required to consider the use of Joint Programming before drafting their respective country strategies.

Considering the timing of the existing EU partners strategies cycles, as well as the preparation planning of the next National Strategic Development Plan 2014-2019, (expected to be prepared in 2013 and adopted early 2014), Joint Programming could start from 2015 onwards. The EU Joint strategy would then cover the period 2015-2020.

Proposed Road Map for joint programming would include the following steps:

- (i) Agree on JP potential, and agree on level of opening to non-EU donors. The EU commitments made to date state that EU synchronisation and joint programming processes should be open to other donors. [EU group may want to keep the process within the EU initially, or open to like-minded partners/Switzerland and/or other partners could be invited to join as the process unfolds].
- (ii) Recommend EU HoMs to formally propose Cambodia as pilot country for Joint Programming to their respective Headquarters. If agreed, draft a 'common opinion' letter.

#### ***If EU Joint Programming option is confirmed by the headquarters:***

- (iii) Ensure Cambodian Government involvement. RGC should be informed of the plans for joint EU programming and encouraged to provide inputs – and steer meaningful consultation during the NSDP drafting process.
- (iv) Carry out Analytical Studies. *All analytical work should build upon relevant existing data. It would therefore be recommended to conduct a mapping of all the analytical work relevant to the agreed scope of joint strategy, and identify the gaps.*
  - a. Joint Country Analysis: This would consist of a brief country profile (economic, social, governance, environmental, gender, etc.) analysis followed by an examination of where strengths and interests lie in order to establish where efforts should focus.
  - b. Sectors/Reforms analysis. A set of joint analytical studies should be agreed, for example sector reviews for the main areas already covered by EU, and country profiles (environmental, governance, gender profiles, CSO mapping, etc.).
  - c. National Strategic development Plan 2014-2019 Analysis
- (v) Contribute to a **strategic overview** – political and development - challenges faced by the country, with the EU Delegation and EUMS Missions (Embassies and Aid agencies) combining forces to complete a single strategic paper for Cambodia that all may use as a reference. This overview (not more than 5 pages) will be an internal EU and MS document.
- (vi) Draft a **Joint strategy/Joint Programming document**, fully aligned to the next NSDP, this should constitute the country strategy for all EU partners operating in Cambodia. It will comprise the following tasks: Define the scope and content, Define the format, Define sectors of engagement, level of engagement, division of labour. *This work will be informed by the other Joint programming experiences started in other countries.*