



1. Country Context

Cambodia has achieved impressive socio-economic progress with an average annual growth rate of 7% over the last two decades. Poverty has been greatly reduced from 53.2% in 2004 to 13.5% in 2014. With a population of 15 million (2015) and a GDP per capita of US\$1,218 (2015), Cambodia has now moved up to become a lower middle-income economy and aspires to reach the status of an upper middle-income country by 2030.

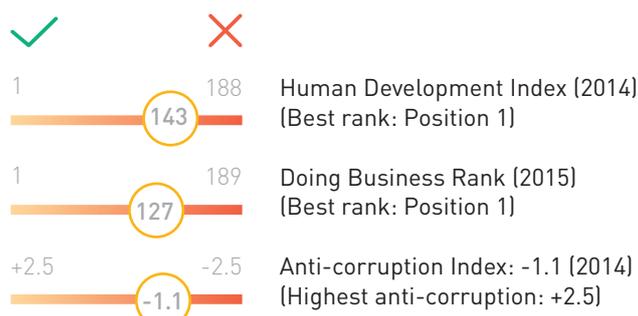
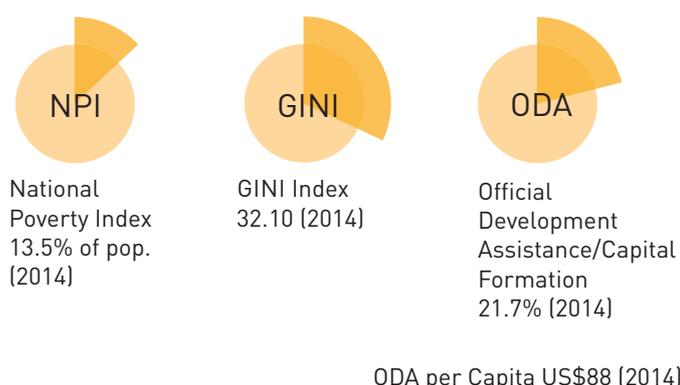
Nonetheless, Cambodia is still categorized as a Least-Developed Country with a low human development, ranked 143rd in the 2015 Human Development Index. Moreover, a high level of vulnerability for rural households, notably due to climate change shocks, remains a significant issue in pursuing more inclusive growth. Extreme climatic events, mainly droughts and some floods, hit Cambodians again in recent years.

According to the data captured in this year's monitoring round, development co-operation with Cambodia amounted to US\$1,117 million in 2015, with China (29%), the Asian Development Bank (12%) and Japan (12%) being the most important partners.

Quick Facts



Key Development Indices:



Inflows (% Gross Domestic Product)

LATEST YEAR AVAILABLE



Key Development Challenges

Thanks to consistent annual growth of around 7% in the past years, Cambodia has made social progress in health and education. Its garment sector is highly competitive and the overall economy, including in agriculture and tourism, might further benefit from integrating into the ASEAN Economic Community. Cambodia still faces persistent rural poverty and high vulnerability of rural households. The country is looking into ways of scaling up foreign direct investments in key sectors of future growth. Climate change poses a particular challenge, with a relatively high risk of disaster, especially in poor rural areas.

2. Efforts to Implement the Effectiveness Principles

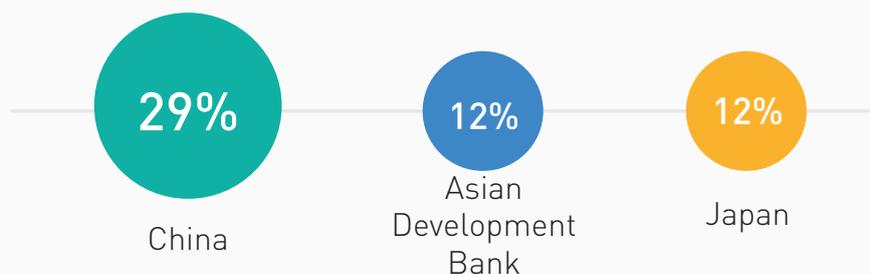
A. Policies and Tools for Partners' Alignment

The medium-term development policy is outlined in the National Strategic Development Plan (NSDP), which includes a monitoring framework. The 2014-2018 NSDP is guided by the Rectangular Strategy Phase 3, which focuses on growth, employment, equity and efficiency

to reach the status of an upper middle-income country. Cambodia continues to employ a macroeconomic framework to maintain macro-stability and to provide the foundation for growth-oriented planning and budgeting. Under the NSDP, Cambodia implements sector plans and reforms, for

instance in education, health and public finance, with Joint Monitoring Indicators (JMIs) providing mutual accountability between RGC and development partners. The Sustainable Development Goals are currently being incorporated into national planning and budgeting processes.

Major Development Partners of this Round (by Reported Disbursements)



Participation in 2014 Monitoring

Yes



Existence of a National Co-operation Policy

Yes

B. Governance and Management of Development Finance and Co-operation

To support the implementation of the NSDP 2014-2018, the Royal Government of Cambodia (RGC) is using the Development Cooperation and Partnerships Strategy (DCPS), which covers government entities, development partners, the private sector, NGOs and regional actors. South-South and triangular cooperation are highlighted in the DCPS as having potential to be more effectively used in future development effectiveness efforts. Cambodia has been a constant pioneer in monitoring development effectiveness and relies on highly consolidated co-operation governance with high-level dialogue (Cambodia Development Co-operation Forum), policy consultation with development partners, private sector and civil society, as well as sector-level

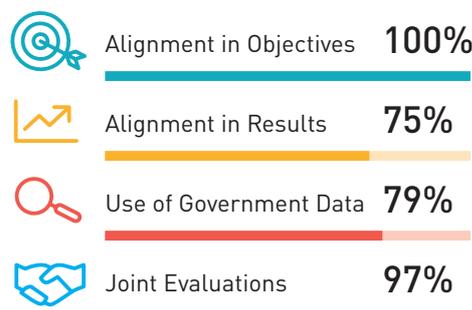
operationalization through technical working groups. Since 2005, the RGC has used the Cambodia ODA Database to capture co-operation data project-by-project. In the first half of 2016, this AIMS covers 769 projects of development partners and 451 projects of foreign and domestic NGOs. The Database is updated and validated twice a year and managed by the Council for the Development of Cambodia (CDC), the RGC's lead coordination and resource mobilization agency for development cooperation. Currently, Cambodia is conducting a Development Finance Assessment to improve institutional arrangements for an integrated approach that might capture all development finance, including South-South co-operation.

3. Country Ownership

Indicator 1: Partners' Alignment and Use of Country-Led Results Frameworks

Reported development cooperation is fully aligned (100%) with the objectives of the NSDP 2014-2018. Seventy-five percent of captured interventions uses country-led results frameworks, 79% relies on national M&E systems, both outlined in the Joint Monitoring Indicators. Partners making most extensive use of country results and M&E include the Global Fund, the Asian Development Bank, Japan, Switzerland

and the World Bank Group. Occasional use is reported by Australia, the EU/EC and UNDP, while, among more important players, GAVI, the United States and the Republic of Korea plan and implement outside government frameworks. An ex-post evaluation is planned in only 45% of projects, but the government will at least define the scope in 97% of these cases.

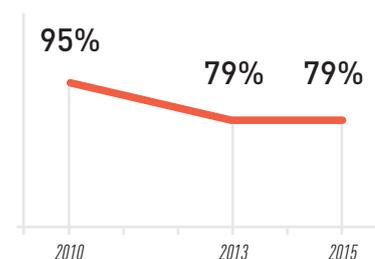


Indicator 6. Development Co-operation is on Budget (Subject to Parliamentary Scrutiny)

Remaining stable since 2013, an average of 79% of official development finance in 2015 is recorded in the government budget. There are substantial disparities among development partners. China and the Global Fund reported that 100% of their support is recorded in the national budget. Also, the World Bank Group (94%), the Asian Development Bank (90%) and Japan (89%) are very advanced, as their loans

are fully recorded in the budget, while the Republic of Korea (46%), Germany (33%) and Australia (4%) still need to improve, in some cases recovering their favourable performance in the previous monitoring round. There are still substantial challenges for technical assistance to be adequately reflected on budget, despite its weight in recurrent public expenditure.

Percentage on Budget



Indicators 9 and 10. Use of Country Systems

The use of Cambodia's public financial management systems has significantly improved since the first monitoring round (48% in 2015 compared to 32% in 2013), especially in financial reporting and auditing, which notably rose from around 16% each in 2013 to 54.5% in 2015. However, the use of national budget

procedures stagnates at 59.2% (59.8% in 2013) and development partners make less use of national procurement systems (23% in 2015 versus 35% in 2013). The RGC and development partners are exploring options to further collaborate on strengthening domestic procurement. PFM systems might require further efforts

as Cambodia moves into a lower middle-income status, with a CPIA that has remained stable at around 3.50 over the past years. In 2015, untied official development finances has comprised 79% of development cooperation (excluding non-OECD/DAC members), a significant inter-annual decrease from the 85% in 2013.

| | Budget (ideal: 100%) | Financial Reporting (ideal: 100%) | Auditing (ideal: 100%) | Procurement (ideal: 100%) | CPIA* (maximum: 6) | Untying (ideal: 100%) |
|------------------------|-------------------------|---|---------------------------|------------------------------|-----------------------|--------------------------|
| INDICATOR 9B. | 59% ▼ | 55% ▲ | 54% ► | 23% ▲ | | |
| INDICATORS 9A & 10. | | | | | 3.4 ▼ | 79% ▼ |

* Country Policy and Institutional Assessment

4. Inclusive Partnerships for Development

Indicators 2 and 3. Fostering Inclusive Partnerships for Development

Civil society organizations (CSOs) and the private sector are closely involved in official development planning and country-led institutional arrangements, showcasing fluid and solid partnerships across organizational boundaries. On behalf of the RGC, the Ministry of Planning conducts regular consultations with CSOs and development partners on the NSDP and sector plans through annual monitoring and mid-term reviews. The Technical Working Groups – shared with government, NGOs and development partners – are the key avenue for

operational coordination at the sector level. The Government-Private Sector Forum (G-PSF), chaired by the prime minister, enables dialogue with national and foreign companies, e.g., around the 2015 Industrial Development Policy. Multi-stakeholder dialogues require further capacity development, especially for national CSOs facing financial shortages and private enterprises new to complex government processes. CSOs are supported by three umbrella organizations (Cooperation Committee for Cambodia, NGO Forum on Cambodia and MediCam)

and the private sector is well organized in Chambers of Commerce. Summarizing: as the two main success factors, Cambodia builds inclusive partnerships through constant dialogue fully endorsed at the highest political level and uses strong institutional arrangements for operational coordination. Key challenges for the future relate to capacity gaps at the sector level and regarding CSO engagement in these forums, while there is also need for improved transparency and accountability, for which the RGC is currently preparing a Law on Access to Information.

Indicator 8. Gender Empowerment

Cambodia is currently preparing a gender tracking system for public expenditure. The RGC is committed to increasing investment in gender equality and analysing the impact of public spending on

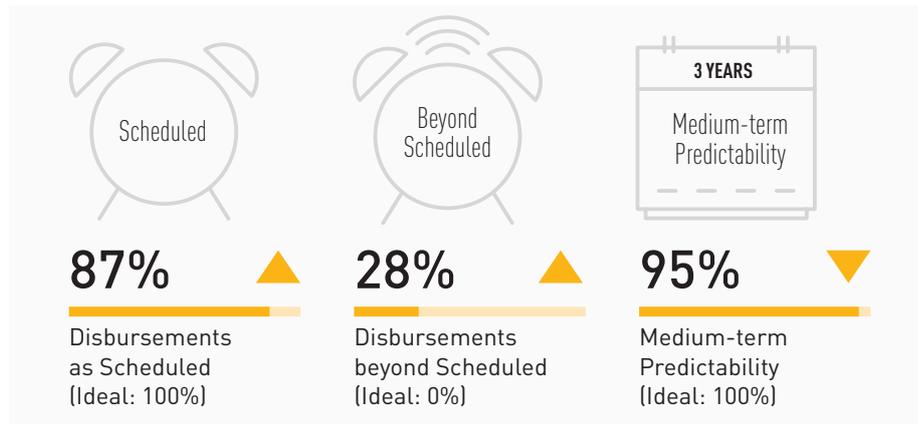
gender equality. CDC already uses its ODA Database to track gender disbursements as well as efforts to mainstream gender across sectors. In some sectors, Gender Mainstreaming Action Plans are used

for budget allocations. Finally, every five years, RGC conducts a gender assessment in key sectors.

5. Transparency and Accountability

Indicator 5. Development Co-operation is More Predictable

Predictability has remained high. Annual predictability has improved from 84% in 2013 to 87% in 2015. However, medium-term predictability, while remaining extremely satisfactory, has marginally decreased from 98% in 2013 to 95% in 2015. The RGC's Multi-Year Indicative Financing Framework and the ODA Database, both of which are part of the Cambodia Development Coordination Forum, have been critical ingredients for this favourable performance.



Indicator 7. Mutual Accountability

Under the umbrella of the Development Cooperation and Partnerships Strategy 2014-2018, the RGC and development partners use a shared results framework, complemented by a set of 20 Joint Monitoring Indicators for major sectors,

themes and reforms. Progress against these JMIs was assessed and discussed in October 2015 and results are available online. In 2015, the Joint Technical Working Groups were given stronger guidelines to meet their goals in improving development

effectiveness. Despite complex political processes, national CSOs are closely involved, but parliamentary oversight is still limited.

National Priorities Going Forward

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The Royal Government of Cambodia is now committed to using the impressive development effectiveness foundations to localize, implement and monitor the 2030 Sustainable Development Agenda. The framework for promoting resource mobilization, alignment and results, principally the Technical Working Groups and the Joint Monitoring Indicators, will be adapted and strengthened to ensure that the SDGs are implemented in line with national development priorities and plans. Of particular importance in Cambodia's next stage of socio-economic development is the implementation of the Industrial Development Policy, which provides a roadmap for moving Cambodia up the global value chain and providing improved livelihood opportunities for Cambodia's young population. Establishing broad and effective multi-stakeholder partnerships, extending beyond development partners and NGOs to include the private sector and South-South partners will be key to mobilizing the resources and delivering the results required to attain higher middle-income country status by 2030. Priority is also placed on addressing inequality and insecurity as well as climate change and on incorporating principles of sustainable development into all RGC policies and plans.

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