Story of Significant Change: Building the Royal Government of Cambodia Capacity in Developing the Annual Budget Documentation

“With the training by and working closely with the ACCESS PFM [Public Financial Management] team, we gained a good understanding about the guidelines and templates required by MEF [Ministry of Economy and Finance]. The extra support from PFM team contributed to improve our communication with MEF, the quality of our budget and to complete the MEF requirements on time.” MoSVY [Ministry of Social Affairs, Veterans, and Youth Rehabilitation].
The budget formulation cycle involves preparation of a three-year rolling Budget Strategic Plan (BSP) and an annual Program Budget (PB). Estimates for the first year in the BSP serve as the foundation for the annual PB. The BSP and PB documentation utilise a structure of programs, sub-programs and activity clusters to allocate resources. The BSP document submitted to MEF in mid-May presents information only down to the sub-program level, while the annual PB includes information about allocations to the activity cluster level. In the BSP 2019-2021, prior to ACCESS engagement, the MoSVY BSP document had DWPD [Department for Welfare of Person with Disabilities] and DAC [Disability Action Council] combined into one sub-program, with each entity represented by a single activity cluster. The BSP document is also required to present non-financial performance indicators, with outcome indicators expected for the program level and output indicators to be specified for the sub-program (and activity cluster) level.

The Timeline of the MoSVY Budget Process is Mapped Out Below.

<table>
<thead>
<tr>
<th>Step</th>
<th>Date</th>
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<tr>
<td>Budget development in MoSVY before ACCESS started</td>
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<tr>
<td>The Finance Directorate leads consolidation of the MoSVY budget data</td>
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<td>and documentation for submission to the MEF, with the Technical</td>
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<td>Directorate having an active role for preliminary consolidation</td>
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<td>and review of submissions from all entities incorporated into</td>
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<td>Program 1, which includes both the DWPD and DAC. PWDF [Persons</td>
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<td>with Disability Foundation] is a PAE [Public Administration Entity</td>
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<td>and as such is included in MoSVY Program 2, together with the two</td>
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<td>other PAEs within the MoSVY program structure. Within the Finance</td>
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<tr>
<td>Directorate, the MoSVY Finance Department consolidates the</td>
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<td>information required for the MEF templates and tables from all</td>
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<td>entities funded through the MoSVY budget, including all of the</td>
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<td>MoSVY technical departments (including DWPD) and national councils</td>
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<td>(including DAC) classified within Program 1, as well as the three</td>
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<td>PAEs comprising Program 2 (including PWDF).</td>
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<td>The MoSVY budget process is vulnerable to fragmentation, with the</td>
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<td>quality of engagement and coordination varying across MoSVY entities</td>
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<td>The quality of engagement in the internal MoSVY budget process has</td>
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<td>been relatively weaker for DAC (a national council) than for DWPD</td>
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| (a technical
department of MoSVY). Among the factors contributing to the relatively weaker coordination and engagement by DAC has been the limited involvement from the DAC management and senior programmatic technical staff. DAC budget preparation had been largely left to the DAC Finance Officer, who would make relatively minor changes to the costings of routine activities from year to year. To a significant extent, the pattern in MoSVY budget preparation, including DAC, could be characterised as an input-based approach focused on incremental annual adjustments. This approach reflects the way budget decisions are made both at senior management level within MoSVY, as well as the nature of negotiations with and decisions by MEF. There has been very little focus on either activities or non-financial performance indicators as a measure of achieved or expected results. In other words, there has been little attention to a strategic results-based approach to budgeting. This constraint has also applied to the scope of attention given to budgeting for the resources required to support the active ongoing role DAC needs to play to support NDSP [National Disability Strategic Plan], including inter-ministerial advocacy, coordination and monitoring and evaluating, as well as reporting on its implementation.

At a ministry-wide level, the 2019-2021 MoSVY BSP developed in 2018 was assessed as not meeting (not being consistent with) a number of key requirements set out in MEF guidelines, including the requirement for program-level outcome indicators. Reflecting a misunderstanding of outcome indicators, which should capture expected medium-term impacts at the program-level for the 2019-2021 horizon, MoSVY’s ‘outcome’ indicators were instead the calculated sums of annual sub-program-level ‘output indicators’, combining the reported annual achievement levels for 2017 and targets for 2018 and 2019.

Changes in Formulation Process and Documentation for MoSVY’s BSP 2020-2022 and Annual PB 2020

"With the support from PFM team of ACCESS, we have done really well as we followed the process with a clearer understanding of MEF requirements, supported by detailed explanation from the ACCESS team. However, again, I did not see any significant change to be elaborated at this moment as it was too early.

Even though we developed our BSP more precisely, we were still unable to increase our annual budget for 2020, since MEF decided the budget in which they agreed almost the same activities as the previous year. But I can conclude, the process of preparing the BSP is improved and of better quality.”

DAC Government Official.

During 2019, some steps were taken to improve MoSVY (including DWPD) and DAC budget preparation processes, which in turn helped to improve the quality of budget documentation, a result reflecting improvements in staff capacity. Key changes included:

- Increased capacity within MoSVY for development of the budget documentation which meant that the final BSP document was more compliant with the MEF guidance than in previous years.
MoSVY officials reported that it was much easier to complete the BSP 2020-2022 documentation in 2019 and that their officials had learnt more about the process. In particular, capacity improvements for DWPD were noted, including that ACCESS had supported them to break down the cluster program into some specific activities and to focus on formulating indicators that relate to the NDSP. ACCESS PFM team reported that the MEF’s assessment of MoSVY’s BSP 2020-2022 document indicates that there was an improvement in their understanding of output and outcome indicators. MEF, while noting that there was still some room for improvement, also commented that the quality of the BSP had improved.

- **A more efficient and timely BSP development process.** MoSVY officials reported that the process for preparing the BSP 2020-2022 in 2019 had been completed more efficiently and on time. Officials noted that DWPD, with support from ACCESS, had improved its capacity and was more pro-active, providing an example for other departments within MoSVY. Workshops delivered by ACCESS brought together management and technical staff in MoSVY to engage directly with MEF on its guidance for formulation of both the BSP and for the annual PB. In relation to DAC, the ACCESS PFM team observed that there was a much more focused engagement on the part of senior programmatic management and staff in a process of rethinking how to express DAC’s mission in a more strategic way. The greater level of engagement by senior program management in the budget process then contributes to enhanced capacity to advocate for DAC’s budget proposals at critical stages of the BSP and PB formulation process within MoSVY.

- **A more strategic budget structure for DAC.** As a result of this engagement with DAC management and senior staff, the ACCESS PFM team believe DAC was able to review and restructure their program activities to be more effectively aligned with three strategic DAC objectives: i) public awareness, ii) formulation of the legal framework and policy development and iii) advocacy, monitoring and reporting for NDSP. Utilising this structure based on strategic objectives, ACCESS believes DAC has more flexibility to identify specific activities best suited to meet these core strategic objectives.

**How ACCESS Supported the Changes in the Budget Process**

ACCESS delivered two MoSVY-wide workshops to develop capacity for BSP and PB preparation. ACCESS facilitated the participation of the MEF Budget Formulation Department management and technical officers for both workshops, with sessions for MEF to present and explain their guidance for BSP and PB formulation. Both workshops were well attended, with around 70-80 attendees from all MoSVY technical departments and other entities, including national councils under Program 1 (e.g. DAC) and PAEs in Program 2 (including PWDF). In addition to providing an opportunity to MEF to present their guidance and a Question and Answer session from MoSVY officials, the second half of the workshop included practical exercises focusing on strengthening understanding of output and outcome indicators for the BSP and PB documentation. ACCESS, through its governance mechanisms, has also increased engagement between MEF and MoSVY, as demonstrated in the Steering Committee discussion in March 2019 which documents RGC stakeholders discussing the need for additional funding to be

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1 Feedback provided to ACCESS team when presenting PFM engagement strategy and workplan to MEF. Meeting notes, 9 April 2019.
allocated in support of the implementation of NSDP II priorities.\(^2\)

The ACCESS PFM Advisor and PFM Specialist then worked on an ongoing basis through BSP and PB formulation processes until the submission was made to MEF. They provided hands-on technical support to DAC and worked together with UNICEF to support DWPD during development of their respective BSP and PB documentation, consulting with the MoSVY Finance Directorate and working directly with the technical teams to assist with:

- Restructuring the overall budget documentation to better align with DAC’s strategic objectives;
- Formulating DAC’s activity proposals and costings for those activities;
- Providing strategic support for the development of indicators within the disability sector and more broadly across the Ministry consistent with MEF’s technical guidance, including the correct use of output and outcome indicators.

\(^2\)ACCESS Steering Committee Meeting Minutes, 7 March 2019.
Assessment of how ACCESS Contributed to Changes in Budget Processes and Documentation

ACCESS was the only source of support to the DAC during the budget development process and as described above worked closely with the DAC team to provide guidance while they developed their budget documentation. DAC however noted that they also have a strong relationship with UNDP. However, in supporting DWPD to develop its budget documentation and in the broader review of disability sector and other MoSVY non-financial performance indicators, ACCESS worked closely alongside UNICEF. Therefore, the technical support provided by ACCESS was a contributing factor in the overall support for changes in these elements of the DWPD and in the broader MoSVY budget preparation process. MoSVY officials interviewed noted that without support from ACCESS and UNICEF, the budget development process would have been slower, with poorer quality and more challenges due to limited human resources and some confusion about the MEF templates and requirements. There was positive feedback to the ACCESS Team Leader from the Secretary General of DAC about the technical advice being provided by the ACCESS team. MEF noted the importance of ongoing capacity building where there is staff turnover and agreed that ACCESS had supported incremental improvements, while also noting the inputs of other donors and MEF itself.

Lessons Learnt and Future Focus of ACCESS

As part of PFM technical support provided in 2019, ACCESS worked with MoSVY and DAC to restructure the BSP and PB structures at the sub-program and activity cluster levels respectively, including establishment of DAC and DWPD as separate sub-programs, each having three activity clusters, instead of both entities being within a single sub-program and each having a single activity cluster within the single subprogram. That structure was maintained through the July technical negotiations with MEF. However, following the high-level negotiations with MEF in early September, DWPD and DAC were again combined into a single sub-program in the final budget. DAC officials noted that ACCESS support had helped MoSVY senior officials to ‘argue’ in support of their changes with MEF about their budget allocations. However, in the process for negotiating the PB 2020, MoSVY senior managers were not able to effectively argue to MEF to retain this and so they only had one activity cluster in the final BP. MoSVY and DAC officials noted their disappointment that these changes weren’t maintained and that they didn’t receive a budget increase. MEF noted that the proposed changes had exceeded overall budget ceilings, and so were not able to remain. MEF also noted that it was important to consider the appropriateness of the budget increase, along with the type of institution (i.e. whether the institution is responsible for coordination and policy making versus executing policies and service provision).
The ACCESS PFM team however have seen instances where MEF has approved budget increases above the budget ceilings for programs which are political priorities. It therefore seems important to raise the political profile of the work of DAC around disability coordination. This strategy seems consistent with the reflections of DAC, who noted that they thought it was important to organise a senior-level meeting to raise awareness of NDSP and to mainstream disability within MEF as part of advocating for a greater budget allocation.

The learning from this attempt at change that was not sustained is that the Cambodian budget process is complex, involving many stakeholders acting according to a wide range of both formal and informal processes. There is also a lack of transparency or explanation for how or why specific decisions are made by MEF and amongst MoSVY senior management responsible for budget finances. Many factors influence the final budget resource allocations/decisions, most of which ACCESS cannot (easily) directly influence or reach. This was acknowledged by RGC staff as well. Successes will most likely involve incremental changes representing the results of long-term capacity building, but improved budget outcomes must also have clear political backing and policy commitment/prioritisation from MEF. While MoSVY, DAC and MEF officials welcomed ACCESS’ technical support, those in the MoSVY and DAC noted disappointment that they had not been able to influence the overall budget outcome. MEF also emphasised the importance of ensuring capacity building activities were in response to requests from Line Ministries officials and matched needs. In future, PFM support will focus on engaging where there is political will and building on opportunities where ACCESS has previously successfully influenced the budget process. The team will aim to provide support over the full budget lifecycle, including MoSVY’s preparation for budget negotiations with MEF and, if possible, during the process of final budget allocation decisions made jointly by MoSVY senior management together with MEF management assigned to help resolve final distribution of sub-program-level budget allocations within MoSVY following completion of the “high-level” bilateral MEF-MoSVY budget negotiations.

**Significance of the change**

The significance of the change is judged to be significant. In relation to sustainability, the changes in capacity of MoSVY and DAC staff may outlast ACCESS funding, making them significant. However, in relation to impact, the change was not significant as it will have a marginal impact on the overall budget at this stage, as reported by MoSVY and DAC officials. Using the overall rubric, an overall rating of ‘significant’ is therefore achieved.

**Level of ACCESS contribution**

The level of ACCESS contribution to the change is assessed as significant. Without ACCESS, the reported change may not have happened. While UNICEF also contributed to the changes in the DWPD budget process, ACCESS was the sole contributor to changes in DAC budget preparation capacity and documentation.
1.2 The Strength of the Data Informing the Story of Significant Change

The overall strength of the evidence in support of the survey is judged to be moderate. The information for this story is based on interviews with ACCESS staff, analysis of documented meeting notes and interviews with key RGC stakeholders, both in MoSVY and DAC, as well as in MEF.

1.3 Data Sources

2. ACCESS Steering Committee Meeting Minutes, 7 March 2019.
3. Interview with ACCESS PFM team for SSC story development, conducted by ACCESS MEL team, 25 February, 2010.
4. Meeting Note: First Meeting of Disability Workstream, Disability workstream meeting on January 23, 2020 at Phnom Penh Hotel (Carnation Room)
5. Interview Notes, interviews with two MOSVY Officials, April 2020

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3This judgement is based on a three-point scale of low, moderate or high evidence strength. Low strength of evidence signifies evidence that is written in a text provided by a third party, relies on a single independent respondent’s claim, and or relies on internally produced documents or opinions. Further research is likely to change the sufficiency rating.
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