

SIGNATURE PAGE

Country: Cambodia

UNDAF 2006-2010 Outcome(s):

Outcome 1: Increased participation of civil society and citizens in decision-making for the development, implementation and monitoring of public policies

Outcome 5: Increased efficiency and effectiveness of the public administration to deliver basic services.

Country Program Expected Outcome(s) / Indicator(s):

Outcome 1.5.: Increased efficiency and effectiveness of the public administration and decentralized governance structures to deliver basic services

SRF/MYFF goal and service line _____

Project Strategic Objectives (Output(s) Components):

Objective 1: Strengthen sub-national government institutions (introducing organizational and procedural changes in the sub-national governance and administration system that facilitate decentralized management of pro-poor local development)

Objective 2: Increase investments in local development to improve the quality, accessibility and equity of infrastructure and services, manage natural resources and increase economic activity at the sub national level; and

Objective 3: Develop a more effective policy, legal, and regulatory framework that enhance the role of sub-national authorities in the fight against poverty and give the poor greater voice in local-level public policy formation and implementation.

Implementing partner: National Committee for Management of Decentralization and Deconcentration (NCDD) Secretariat
(Designated institution for execution)

Other Partners: Danida and UNDP, DfID, SIDA (through support to PSDD)

Program Period: CCF period 2006-2010

Program Component: Fostering Democratic Governance

Project Title: IDLD

Project Code: _____

Project Duration: 24 months over 3 FY (2006- 2010)

Source	US\$
Total budget	2,051,165
- UNCDF (own resources) (incl. agency fees)	1,551,165
- Danida (parallel financing)	250,000
- Others (TBD)	250,000

Approved
Government

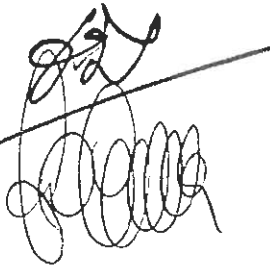
Name/Title
HE Mr. Keat Chhon, Senior Minister
Minister of Economy and Finance
First Vice-Chairman of the CDC

Signature  Date

02 MAY 2008

Implementing
Partner

HE Mr. Sar Kheng
Deputy Prime Minister
Minister of Interior
NCDD Chairman

 28/04/2008

UNCDF

Ms. Henriette Keijers
Executive Secretary AI

8/5/08



ROYAL GOVERNMENT OF CAMBODIA

DRAFT NOT APPROVED

**INNOVATIONS FOR DECENTRALIZATION AND LOCAL DEVELOPMENT
(IDLD)**

Draft Project Document

This UNCDF-supported project Innovations for Decentralization and Local Development (IDLD) is conceived as complementary to the larger UNDP/DFID/SIDA-supported PSDD. The Goal, Purpose and strategic objectives of this project are the same as those of the PSDD.

The IDLD project goal is to reduce poverty in Cambodia. Its purpose is pro-poor local development (including an improvement in coverage and quality of local infrastructure and services, better local-level natural resources management and accelerated and broad-based local economic development). Its outputs fall into three major categories, each corresponding to a strategic objective: (i) Strengthening sub-national government institutions, (ii) Increasing investments in local development; and (iii) developing a more effective policy, legal, and regulatory framework (prior to, and following, the enactment of the organic law on D&D). As much of development financing for LD activities is provided by other donors both within and outside the PSDD, the IDLD focuses essentially on institutional and policy development outputs, with only minor elements of capital financing, as they may be needed, for testing the proposed policy and institutional innovations.

The project aims to take advantage of emerging opportunities to advance the decentralization reforms process and builds on UNCDF past experience and institutional innovation mandate. The project is structured in 3 components and will aim at achieving the following:

1. Promoting local innovations, thereby deepening the ongoing "District Initiative" and supporting the emergence of a 2-tier Local Authorities system
2. Advancing the Fiscal Decentralization reforms process
3. Management Support to MOI and NCDD Secretariat.

The total cost is estimated at US\$ 2,051,165 (including fees) over the FY 2008 -2010

IDLD will be managed by the Program Support Team of the Secretariat of the National Committee for the Management of Decentralization and Deconcentration (NCDDSPST).

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Minister of Economy and Finance
First Vice-Chairman of the CDC

Implementing Partner
HE Mr. Sar Kheng
Deputy Prime Minister
Minister of Interior
NCDD Chairman

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Mr Richard Weingarten
Executive Secretary

Signature

Date

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Acronyms

APR	Annual Performance Review
AWPB	Annual Work Plan and Budget
C/SC	Commune Sangkat Council
CSF	Commune Sangkat Fund
DANIDA	Danish International Development Agency
D&D	Decentralization and Deconcentration
DOLA	Department of Local Administration
DFID	Department for International Development (UK Government)
DLF	Department of Local Finance (MEF)
DRILP	Decentralized Rural Livelihoods Improvement Project
DSP	Decentralization Support Project (UNDP)
ExCom	Executive Committee (of M/PRDC)
FD	Fiscal Decentralization
FSDP	Fiscal Decentralization Support Project
IFAD	International Fund for Agricultural Development
IMC	Inter-ministerial Committee
LAU	Local Administration Unit (PRDC ExCom)
MDG	Millennium Development Goals
M&E	Monitoring and Evaluation
MEF	Ministry of Economy and Finance
MOI	Ministry of Interior
MOP	Ministry of Planning
MWVA	Ministry of Women's and Veteran's Affairs
M/PRDC	Municipal/Provincial Rural Development Committee
NCDD	National Committee for the Management of Decentralization and De-concentration
NCDDS	NCDD Secretariat
NCSC	National Committee to Support the Communes
NRM & L	Natural Resources Management and Livelihoods Program
NSDP	National Strategic Development Plan
PFM	Program for Financial Management
PIF	Provincial Investment Fund
PLG	Partnership for Local Governance (Sida, DFID, UNDP)
PRDC	Provincial Rural Development Committee
PSDD	Project to Support Democratic Development through Decentralization and De-concentration
RGC	Royal Government of Cambodia
RILG-1	Rural Infrastructure and Local Governance, phase 1 (A WB-supported project)
SF D&D	Strategic Framework for Decentralization and De-concentration
Sida	Swedish International Development Agency
Seila	A Khmer language word approximating for "foundation stone"
STF/S	Seila Task Force / Secretariat
SNDD	Sub-national Democratic Development
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Program
UNICEF	United Nations Children Fund

1 SITUATION ANALYSIS

Socio-economic environment

- 1.1 In recent years, substantial progress on economic reforms has been made in Cambodia, leading to rapid overall growth of the country's economy. From 2001 to 2004, the economy grew at an average rate of 6.4%, driven largely by an expansion in the garment sector and tourism. In spite of the expiration in January 2005 of the WTO Agreement on Textiles and Clothing, which exposed Cambodia-based textile to greater regional and global competition, a better-than-expected garment sector performance led to about 13.4% growth per year in 2006. Tourism also continues to grow rapidly, and foreign visitors surpassed 1 million for per year beginning in 2005. Also in 2005, raising both expectations of accelerated growth, and concerns over risks of economic policy mismanagement, exploitable oil and natural gas deposits were found beneath Cambodia's territorial waters, representing a new potential revenue stream for a government whose official fiscal resources are currently comparatively very low at about 10% of the GDP.
- 1.2 However, recent economic growth has been associated with deepening income inequalities and a growing urban-rural gap in living conditions. Actually, the economy's growth has not yet made much of a difference for the poor, particularly the rural poor. Poverty remains high, affecting about 35% of the population. The key challenges are (i) the provision of employment opportunities at the high rate needed to absorb a rapidly growing labor force (more than 50% of the population is less than 21 years old), and (ii) an improvement of basic infrastructure and services delivery in the rural inter-land, where 70% of the population lives. Over the next decade and beyond, maintaining high rates of growth will remain essential, but spreading the benefits of such growth through decentralization policies that encourage local economic development and investments in rural infrastructure and services, will be equally critical for the sustainability of the Cambodia's economic and social development.

Background and recent advances of the decentralization reforms process

- 1.3 According to its Constitution, the Kingdom of Cambodia is a constitutional monarchy under a democratic regime established in the 1991 peace accord¹. The executive branch includes the King, as head of state and the Prime Minister as head of government. The legislative branch includes a National Assembly and a Senate. Cambodia is a unitary state with its territory divided into provinces and municipalities. Provinces are divided into districts and districts into communes and municipalities are divided into khans and khans are divided into sangkats².
- 1.4 Cambodia's decentralization is relatively new and unique. Following elections brokered by the United Nations in 1993, the national level reclaimed power from the provincial governors in order to impose discipline on the intergovernmental system. Chapter 13 Article 146 of the Constitution of the Kingdom of Cambodia provides that: "*provinces/municipalities, district/khan and commune/sangkat shall be managed in accordance with an organic law*". This Organic Law is currently under development and shall provide the basic legal framework for the implementation of the decentralization and deconcentration (D&D) strategy in Cambodia³.

¹ East Asia Decentralizes. Making Local Government Work. The World Bank, 2005.

² In Cambodia there are 20 provinces, 4 municipalities, 171 districts, 14 khans, 1,510 communes and 111 sangkats.

³ Royal Government of Cambodia. Strategic Framework for Decentralization and Deconcentration. May 2005.

- 1.5 Currently sub- national management systems are divided into three levels: province/municipality, district/khan and commune/sangkat. At the province/municipality level the system of management is centralized with sector departments implementing policies and plans of the line ministries and institutions at the national level. The governor as the representative of the Royal Government has duties to maintain security and social order and is delegated powers by the national level to support and provide legality controls on the activities of the commune/sangkat. The management system does not have coherence in planning, budgeting and personnel management in provinces/municipalities. However the Provincial Budget Law of 1998 provides modest provincial fiscal powers. At the district level coordination and management is weak and the system of accountability is implemented by vertical lines at each sector. Some ministries do have staff and offices at the district/khan level and others operate outside the district/khan administration system and have developed their own (health, forestry being two examples).
- 1.6 At the commune/sangkat level 1,621 Commune/Sangkat Councils were established by free and fair elections in February 2002 and again in April 2007. Regulations subsequent the first election of Commune/Sangkat Councils have enabled the preparation of plans and budgets and the provision of small intergovernmental discretionary transfers - without formal service responsibilities or own source revenues. This approach focused on meeting some immediate community needs and developing trust between citizens and government, as a first step in a decentralization process.
- 1.7 The RGC priority development goals are defined in the National Strategic Development Plan (NSDP) 2006-2010. This key policy document outlines a strategy to reduce poverty and achieve Cambodia's Millennium Development Goals (MDGs). Good governance is central to this strategy. Taking steps to "make decentralization and deconcentration more effectively" is portrayed in the strategy as a prerequisite for poverty reduction, as well as a principle means to advance the RGC's agenda on anti-corruption, and public administration and public finance reform.
- 1.8 Building on positive experiences with the commune/sangkat councils elected in 2002, the RGC has announced through its Strategic Framework for Decentralization and Deconcentration (June 2005), that it intends to devolve responsibilities to indirectly elected councils (details still to be determined) at province/municipality and district/khan (urban district) levels. All councils will be resourced to prepare and implement their own plans and budgets so as to improve infrastructure and services, regulate natural assets, and create local employment opportunities. RGC will structure the system to create sub-national council performance incentives, increase accountability and social inclusiveness, and promote positive pro-poor, gender and environmental outcomes. Such improvements can occur through multiple channels—citizen empowerment in decision making; processes, services and opportunities targeted to particular groups; regulatory mechanisms for more equitable/sustainable natural resource management, etc.
- 1.9 Decentralization and deconcentration are thus intended to play a key role in RGC's strategy to realise Cambodia's MDGs. In the past couple of years, the RGC has taken a number of specific steps to extend and further develop D&D.
- First, a *Strategic Framework for Decentralization and Deconcentration* reforms was approved by the Councils of Ministers in June 2005. This defines the goal of D&D as "democratic development", and outlines objectives, priorities, phasing and arrangements to achieve this goal.
 - Second, the Ministry of Interior has begun drafting a comprehensive *organic law* for D&D that is meant to comprehensively define and regulate the sub-national structures and systems of governance and public administration.
 - Third, the RGC released in June 2006 a preliminary draft *Implementation Framework for Sub-national Democratic Development (Preparatory Phase, 2006-07)* and has subsequently refined it. Such document represents a first attempt to outline the nature and scope of a *national D&D program* to implement the D&D strategic framework

- Fourth, there has been some progress on harmonization and alignment of D&D activities, including the *Declaration by the RGC and Development Partners on Harmonization and Alignment*, December 2004; the *RGC Framework for Harmonization, Alignment and Results Management*; *Action Plan for 2006-2010*; and formal RGC endorsement of an *Independent Study on Donor Support for Decentralization and Deconcentration*, which strongly advocated harmonization, in May 2006.
 - Finally, a Royal Decree in August 2006 established the *National Committee for the Management of Decentralization and Deconcentration* (NCDD), to take charge of D&D until a more permanent successor agency is created by the anticipated organic law. NCDD is now the entity responsible for drafting D&D laws and regulations, preparing a national D&D program, and coordinating and aligning a wide range of donor financed projects based in various ministries.
- 1.10 The decision to empower districts and provinces has forced a change in thinking on some of the roles initially envisaged for communes and sangkats. For example, the Law on Commune/Sangkat Administrative Management, recognizing that many communes were too small to be viable fiscal and service delivery units, called for study of options to amalgamate communes into larger units. This has never happened, and it is likely that this approach will be even politically more difficult to pursue after a second round of commune elections was held in 2007 reinforces the role of the communes as basic political units. Therefore, placing greater emphasis on the districts as service providers/coordinators may equally well serve the purpose of commune consolidation.
- 1.11 Importantly, the RGC decision to strengthen the role of districts, and their connection with communes and enhance their services delivery responsibilities and capacities, provides, as it will be discussed below, a unique opportunity for UNCDF to draw on its general comparative advantage as a UN investment agency and its expertise in local development and piloting policy-relevant innovations, and on its specific experience and expertise in this regard in Cambodia.

The last decade of UNCDF assistance: Two rounds of support to Decentralization and Local Development

- 1.12 UNCDF has been supporting decentralization reforms and local development in Cambodia since the mid-1990s. The introduction of the UNCDF-supported “Local Development Fund” (LDF) concept in the 1990s, was closely linked to and influential on the main programs of support for sub-national development in Cambodia (CARERE I and II) that ran from 1993-2000 and supported RGC’s own “local development” program (the “Seila” Program). During this first round of assistance, the UNCDF-funded project (the 1996-2000 “LDF”) became an integral part of the multi-donor supported Seila program.
- 1.13 After the completion of the UNCDF Local Development Fund Project, at UNDP request, UNCDF, in partnership with UNDP, has continued to support the Cambodia decentralization reforms process through a “Fiscal Decentralization Support Project” (FDSP) conceived as a component of the larger UNDP-supported Decentralization Support Project (DSP) with DSP being executed by the Ministry of Interior (MOI). In the end, because of its specialized nature and its institutional location in the Ministry of Economy and Finance (MEF) the FDSP maintained only a tenuous and formal connection with the DSP and somehow strived to remain connected with the other UNDP-supported project (the “Partnership for Local Governance”–PLG) which continued to assist in the implementation of the national Seila Program. The FDSP was executed by the Ministry of Finance. The UNCDF funding to the FDSP has recently been extended and will close by the end of 2007.
- 1.14 Through the FDSP, UNCDF has focused on two main substantive areas. The first is support of the Ministry of Economy and Finance on the development of fiscal decentralization. This was done by placing an international resident advisor in the MEF (since mid-2005), carrying out regular short term missions of several UNCDF staff and consultants and providing a national finance advisor and general support to the Department of Local Finance. In summary the FDSP:
- Developed a number of proposals (including the draft of the required MEF regulations and guidelines) to move forward the FD agenda by piloting (i) own source revenue and tax sharing instruments, (ii) the decentralization and streamlining of treasury functions and (iii) the use of commercial banks for

Commune treasury operations. As elaborated below, the “freezing” of any real movement in decentralization reforms in the last two years, pending the approval of the Organic Law, did not allow any actual implementation on the proposed field pilots, bringing to a halt a process that had made substantial progress in the preceding 2001-2004 period.

- Strengthened the capacity of the Local Finance Department and the broader Ministry of Economy and Finance,
- Secured the inclusion, and supported the implementation, of a fiscal decentralization component in the Public Finance Management (PFM) program.

These activities directly built on work done by UNCDF in setting up fiscal transfer and local financial management mechanisms to support the Communes/Sangkats both prior to, and after, the creation of elected Commune/Sangkat councils in 2001.

- 1.15 The second area of recent UNCDF support is initial background work on local service delivery and sectoral decentralization through studies and consultations conducted by UNCDF staff and consultants and contracted staff of the Phnom Penh-based Cambodia Resource Development Institute (CDRI). This has been a newer area of engagement in Cambodia for UNCDF and will continue to be an important area in moving forward with the decentralization reforms process in Cambodia. To date, the focus has been largely on building governance credibility and basic operating systems and capacities at Commune/Sangkat level, with no formal decentralization of any major service responsibilities. As the system matures and D&D efforts extend to districts and provinces, there will increasingly be formal delegation or devolution of service functions to various levels. The sectoral decentralization support efforts of UNCDF were intended to provide information and ideas on which to build the service decentralization process when it eventually will emerge, as it must, as a policy priority.

Reflecting on UNCDF past experiences: achievements and limitations

- 1.16 The impact of UNCDF support to decentralization in Cambodia has been generally positive but uneven. Clearly UNCDF support of the LDF pilot was influential and successful. Equally important was the substantial contribution UNCDF made in helping:
- (a) Assistance to design the planning, budgeting and financial management systems and procedures used, as the communes and sangkats became into formal local governments;
 - (b) To transform the LDF into the Commune Sangkat Fund (CSF) a formula-driven transfer program institutionalized into the RGC intergovernmental finance system; and
 - (c) To shape the development of the larger D&D strategy that underlies the current efforts to develop a national D&D program and Organic Law;
 - (d) To support the inclusion of the fiscal decentralization agenda into the RGC Program on Financial Management (PFM);
 - (e) Capacity building within the Department of Local Finance and the broader Ministry of Economy and Finance (MEF).
- 1.17 It has, however, been more challenging to advance specific fiscal decentralization reforms in recent years. Some of the proposals articulated in Fiscal Decentralization Support Project (FDSP) (e.g. to pilot Commune commercial banks accounts or Commune own-source revenue instruments) did not receive strong support from the Treasury or Tax Departments of the MEF. But, more fundamentally, since mid-2005, any progress on these fiscal decentralization agenda activities were made difficult by the uncertainties surrounding the sub-national structures and systems that the Organic Law under preparation was meant to define (particularly the roles of Provinces and Districts).
- 1.18 An evaluation of the UNDP and UNCDF's FDSP was undertaken from 9-26 May 2007 and a report titled: *Cambodia, Evaluation of Fiscal Decentralization Support Project* was provided in June 2007. The evaluation reports that the accomplishments of the FDSP components indicate mixed results. For example, Component 1, dealing with improving the capacity of the MEF to develop intergovernmental fiscal policies and fiscal decentralization, demonstrated good success through the expansion of the D & D Working Group in the MEF,

the training that was developed and delivered in MEF structures, particularly the Economics and Finance Institute, and the sending of five staff to the Duke University course on Fiscal Decentralization and Local Governance. Plus the use of field visits by MEF staff to the provincial, district and commune level brought the actual situation and revealed problems in the transfer of funds that were also capacity building efforts with practical impacts.

- 1.19 Achievements in Component 2, dealing with development of fiscal decentralization policy and strategies, were less successful. For example, the input to the development of the Organic Law with financial provisions was limited, due to not having access to the structures of the Inter-ministerial Committee of the Ministry of Interior (which had the responsibility to prepare the Organic Law). However, the project did develop policy studies on subnational finance provisions, subnational budgeting strategy and implementation schedule for fiscal decentralization. These policy documents may still be utilized if there are further developments of the decentralization policy effort.
- 1.20 Component 3 achievements rated excellent in terms of immediate impact of the activities on improving the financial situation of the communes. The component was directed at improving the legal framework and procedures for the subnational financial systems and through field visits certain problems were identified in the flow of funds from the national treasury to the provincial treasury and subsequent improvements were identified. The other impact of this component is the support given in increasing the resource allocations to the communes in the Commune/Sangkat Fund. The percentage of funds allocated from the national budget have substantially increased and there are improvements in the estimation of the allocation amounts and the flow of information to the communes on what their allocation will be for the coming year.
- 1.21 Some recommendations were provided for future continuation of the decentralization support by UNDP and UNCDF. These include overall improved coordination of decentralization support for the development partners. It is hoped that this can be achieved to a greater degree though the formulation and introduction of the National Program to Support Sub-national Democratic Development.

Emerging Opportunities for a Third Round of UNCDF assistance

- 1.22 However, by late 2006 the situation had somehow changed and new opportunities have emerged for advancing the decentralization reforms and for UNCDF to contribute to such advancement. Two key developments are critical in this respect:
 - (a) The first is the commitment of the NCDD Secretariat to proceed with the preparation and implementation of a “Sub-National Democratic Development” (SNDD) program. Most importantly, this program is seen not only as the instrument to pilot and support the establishment of the new sub-national structures and systems to be defined by the Organic Law but will also include the channeling to sub-national authorities of the financial, technical and logistic resources that they need to deliver local development outcomes and play a critical role in the national effort for poverty reduction⁴. In other words, the SNDD Program will aim at implementing the RGC Strategic Framework for Decentralization and Deconcentration, including the further development and implementation of the Organic Law, and developing democratic and efficient structures and systems of sub-national governance and administration, with its ultimate purpose and goal on (i) sub-national development and (ii) poverty reduction.
 - (b) The second is that, while most details of the architecture of the sub-national structures and system remain to be defined by the Organic Law, there is a growing consensus that, immediate attention should be given to re-structure and strengthen the *sub-provincial* (District/Commune) system of governance and public administration. Such re-structuring and strengthening, which should build upon the ongoing “District Initiative”, as elaborated below, should enhance the services delivery and development management role of the Districts while strengthening the democratic governance potential of the Communes.

⁴ This role is clearly set out in The Preliminary Implementation Framework for Sub National Democratic Development, and the Preliminary Draft Organic Law on sub National Democratic Development, October 4th 2006, respectively.

- 1.23 As elaborated below, both the decision by RGC (i) to move forward with the SNDD Program formulation and (ii) to strengthen the role of districts and their connection with communes, provide a unique opportunity for UNCDF to embark in a third round of financial and technical assistance supporting innovations in local governance and development.
- 1.24 Finally, after some years of relatively uncoordinated donor activity there is now a move towards increased coordination and alignment of development partner support behind the NCDD. This itself provides opportunity for UNCDF support to be more effective and, particularly, for local innovations to have greater potential leverage, for informing policy and chance for upscale. Specifically:
- (a) The main development partners supporting D&D are now all providing support through the NCDD and its Secretariat, and through an integrated NCDD-led annual work-planning and budgeting process;
 - (b) The PSDD – as a key part of this assistance, supported by UNDP, DFID and SIDA – will ensure continuation of core financial and capacity-building support at national and sub-national levels, which IDLD can build upon and which also provides a vehicle for future national roll-out of successful IDLD innovations;
 - (c) The World Bank has just recently negotiated a grant funded package for US\$ 36.25M which will provide funding support through the Commune Sangkat Fund (78% of the grant) and support a variety of technical assistance to support fiscal decentralization policy development by NCDD and MEF – this too will provide an important complement to the IDLD local financing innovations and will better ensure that positive lessons are translated into development of the policy and regulatory framework for sub-national government financing and public expenditure management.

2 STRATEGY

Focus of Proposed Support

There is currently a substantial amount of development partner support being provided to NCDD to promote the D&D agenda, through the PSDD and other projects, and it makes no sense for UNCDF to duplicate this. What is proposed is to bring in UNCDF's comparative advantage, expertise and global experience in decentralization and local development – specifically in the piloting of local “policy-relevant” innovations, in leveraging their wider policy lessons, and in supporting the development of more appropriate fiscal decentralization policy frameworks. These activities should now be the more effective in light of the recent opportunities and developments highlighted in the preceding paragraphs.

Results Framework

This UNCDF-supported project called : Innovations For Decentralization and Local Development, (IDLD) is conceived as complementary to the PSDD. Its logical framework (see Table 1 below) therefore reflects a sub-set of the PSDD strategy (see Annex 2). The Goal, Purpose and strategic objectives, which define the components (or major categories of outputs) of this project are the same as those of the PSDD.

- 2.1 The **goal** of PSDD/IDLD is to reduce poverty in Cambodia.
- 2.2 The **purpose** of IDLD is pro-poor local (sub-national) development (including an improvement in coverage and quality of local infrastructure and services, better local-level natural resources management and accelerated and broad-based local economic development)
- 2.3 The IDLD project purpose complements the entire set of outputs of the PSDD, as described in the PSDD log-frame⁵. These outputs fall into three categories, each defined by a strategic objective. These are:
- (i) Strengthening sub-national government institutions (introducing organizational and procedural changes in the sub-national governance and administration system that facilitate decentralized management of pro-poor local development)

⁵ Note the executive summary from the PSDD document – is provided in Annex 2.

- (ii) Increasing investments in local development that improve the quality, accessibility and equity of infrastructure and services, manage natural resources and increase economic activity at sub national level; and
- (iii) Developing a more effective policy, legal, and regulatory framework (prior to, and following, the enactment of the organic law on D&D,) to enhance the role of sub-national authorities in the fight against poverty and give greater voice to the poor in local-level public policy formation and implementation.

2.4 Within the above categories, the specific outputs that the IDLD should produce are summarized on the following page (Fig.1), which also introduces an additional classification of such outputs (by components) and illustrates the relationship of the outputs to be produced by IDLD to the achievement of the strategic objectives of the PSDD. All components and outputs are discussed in further sections below.

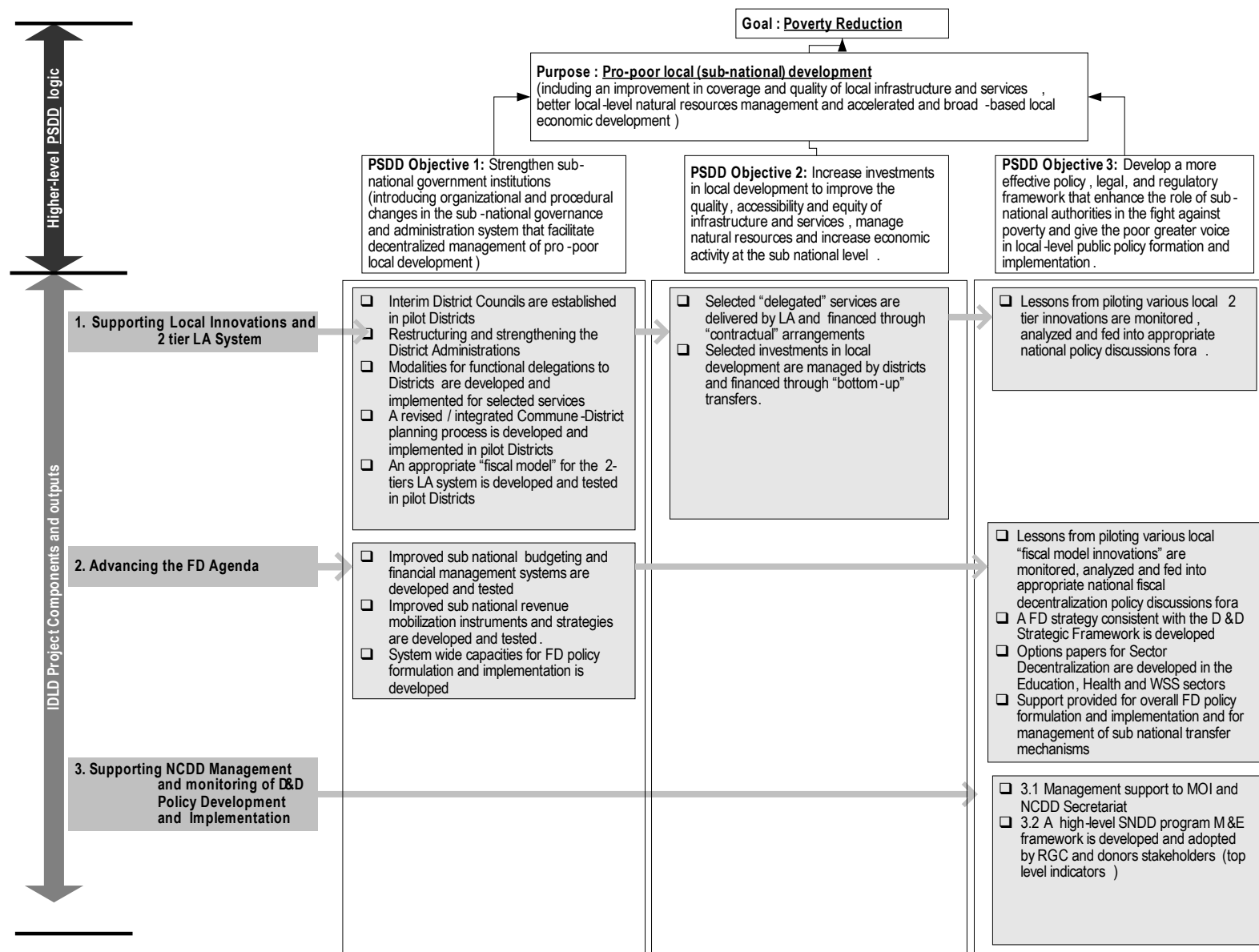
Coordination & Linkages

2.5 In order to better achieve these results, IDLD activities will be identified and planned within the broader NCDD annual work-planning process (see below under Section 4.) and mutually supportive linkages will be developed with related and complementary activities funded under PSDD and other projects, and especially those collectively part of the “District Initiative”.

Phasing IDLD into Program Support

IDLD is proposed and will be managed for the time being as a separate project instrument, but so as to be complementary to - and to provide innovative value-added to - PSDD and to the other D&D support projects managed under the NCDD. The transition details for IDLD will need to be prepared by UNCDF together with other NCDD partners in late 2008 or in 2009. However, once the Sub-National D&D Program has been developed and adopted by NCDD, the IDLD project and indeed the PSDD itself and other project instruments will all need to be realigned as components in support of this national program. Therefore it is foreseen that some of IDLD 2009 expenditures and possibly activities, will need to be rephrased into 2010.

Figure 1- Overview of the IDLD and its contribution to PSDD strategic objectives



Component 1 – Supporting Local Innovations

Context

- 2.6 Administratively, Cambodia is divided in 20 Provinces (*Khett*) and 4 Municipalities (*Krong*). The latter include the capital city of Phnom Penh, and the towns of Sihanouk-Ville, Kep and Pailin. Provincial and Municipal administrations, include departments of national line ministries and are led by Governors appointed by the Prime Minister. Below provincial/municipal level there are 171 Rural Districts (*Srok*) and 14 Urban Districts (*Khan*). District administrations, in which only some of the provincial line departments are represented (district offices), are led by a District Chief appointed by the Ministry of Interior upon recommendation of the provincial Governor. Below the District level are the 1,621 lowest-level administrative jurisdictions, including 1,510 Rural Communes (*Khum*) and 111 urban neighborhoods (*Sangkats*). They range in size from 325 to 70,000 people averaging 8,000. This project will only be working in rural Districts and Communes.
- 2.7 With the creation in February 2002, of democratically elected Councils in all Communes/Sangkats (CS), these have become the first tier of autonomous Local Authorities in Cambodia. But the Law regulating the newly created local authorities, while giving them a broad mandate for the welfare of their constituencies, did not specify, with the exception of a few administrative services, any positive list of social and economic services delivery functions that they should have assumed either in full or in a shared manner with central government agencies. One of the reasons for such lack of specific mandates was that the relatively small size of the CS and the perceived difficulties in developing capable administrations in all of them, raised concerns about the viability and sustainability of many CS, as fiscal and service delivery units. The need for some consolidation and/or inter-jurisdictional cooperation arrangements was therefore immediately noted.
- 2.8 Envisioning a multi-level system of sub-national authorities, the Strategic D&D Framework adopted by the RGC in 2005, foresees the establishment of indirectly elected councils at both Provincial and District levels as well as the re-structuring of administrations at these levels as “horizontally integrated” administrations led by a Provincial or District Governor and ultimately accountable to the respective sub-national Councils. However, within this broad vision of Provinces and Districts emerging as new tiers of local authorities, the role of the Districts is certainly the least well developed in the Strategic Framework, as uncertainties continued to exist, at the time of its adoption, with respect to the Districts’ relationship with Provinces on one end and Communes on the other.
- 2.9 Within the above context, in 2006, the MOI launched a “District Initiative” (initially concerning 24 districts, one in each province or municipality, and later extended to 94 districts in 2007) to address and resolve, through practical experimentation, the ambiguities affecting the districts’ role, developing a new role for the Districts, that ultimately could inform, and be reflected in, the Organic Law.

As described in a recent NCDD document⁶, the District Initiative (DI) program attempts to:

- a) Move the role of district/ Khan closer to the communes/ Sangkat in order they can easily provide support to the communes/ Sangkat rather than move the role of the district/ Khan closer to the province/ municipality as representative or agency of the province/ municipality only.
- b) Strengthen the concept that district/ Khan is an important level in facilitating preparation of plans for providing public services and it is a significant level in facilitating and consulting ideas with Commune/ Sangkat Councils.
- c) Motivate and encourage Provincial Line Departments to de-concentrate more responsibilities to their District Line Offices in accordance with their capacity in process of formulating plans and identifying priority problems.
- d) Make the role of the district/ Khan clear in identifying and initiating ideas for facilitation and support to inter-Commune/ Sangkat problems.

⁶ Guidelines on Implementation of District Initiative Program for 2007 – NCDD October 2006

- e) Enhance the role of the district/ Khan in facilitating and addressing problems related to management and use of natural resources in an effective and sustainable manner.

2.10 Undoubtedly, the District Initiative represents a major step forward in the experimentation of the sub-national structures and systems that must be put in place to implement the vision of the D&D Strategic Framework (and the expected further elaboration of such vision, by the Organic Law). Yet, for the time being the DI experimentation is essentially limited at replicating at District level a process of project identification, selection and financing (through discretionary transfers) similar to the one that has been carried out at Commune/Sangkat level since 2002.

IDLD Support

2.11 There is therefore scope to deepen the DI experimentation and make it more directly relevant to the development of a future system of local authorities where Districts could become the prime providers of support, facilitation and administrative implementation capacity to the Communes, acting principally as agents of the Communes, and only to a lesser degree (in the frame of service “delegation/contractual” arrangements) as agents of the provinces, while keeping in mind that the District may also have own functions as the OL may decide

2.12 Deepening the DI experimentation, will require designing and testing a 2-tier (Commune/District) local authority system in which, to use a simplified image, the bulk of the governance and policy making functions are carried out at Commune/Sangkat level, while the bulk of the administrative and district-wide service delivery functions are carried out at District/Khan level. Careful development and testing of such system, should lead to an effective division of labor between the two tiers of local authorities, and effective rules for interaction and accountability, and ultimately to an optimization of both democratic participation and efficient and responsive service delivery and development management.

2.13 Deepening the DI initiative (initially in a limited/manageable number of districts) could require introducing, on a test basis a number of further institutional innovations, including:

- Establishing District Councils – DC
- Restructuring and strengthening the District Administrations
- Piloting “delegation arrangements” between Provincial Departments and District Authorities for the delivery of selected services for example in the Health, Education, Agriculture, and Water Supply and Sanitation sectors
- Revising the Commune Planning Process and developing an integrated District/Commune procedure
- Developing and testing an appropriate “fiscal model” for the emerging 2-tier LA system where the District is acting as the implementing agency of the inter-communal cooperation development initiatives (infrastructure and/or services) as they emerge from the integrated District/Commune planning process.
- Defining accountability mechanisms.

The above (non-exhaustive) list of proposed innovations are all intended outputs of the proposed IDLD project. They are briefly described below. In each case they will be designed so as to test local innovations in institutional or financing arrangements which can inform policy development at the national level. They will therefore need to be actively monitored by both NCDDs and – in the case of innovations in local fiscal/financing arrangements – by MEF.

2.14 **Establish District Councils (DC).** The “piloting” of the district structures foreseen by the Strategic Framework and Organic Law, will require that an indirectly elected District Council be established on an experimental basis and become a source of authority for development planning and management in the District. The composition of such District Councils will have to be approved by NCDD on the basis of an MOI proposal. This project will support the development of guidelines for the set up and operation of such District Councils - DC⁷. Once the

⁷ During formulation of the Prodoc a draft proposal for the District Council and Administration structure and functions has been provided to MOI.

DCs are created, the project will focus on strengthening their capacities to interact in an informed way with the district governor and administration (including the Line Offices) and Communes. It is intended that this will be a step in the local representation system as envisioned in the D&D Strategic Framework.

- 2.15 **Restructuring and Strengthening the District Administration** The vision of the Strategic Framework of sub-national administrations “horizontally integrated” might be realized first at District (rather than Province) level and should be tested at this level. Here the current weaknesses of the district administrations, which often are limited to a few officers, could be turned into an opportunity and new and more efficient “models” of district administration, not necessarily reproducing the provincial one, could be developed and tested. IDLD will support NCDD to carry out a diagnostic and analysis of the current functions, capacity and operation modalities of district administrations (District Gov. Office/*Salasrok* and Line offices) in pilot districts. It will also support the development and assessment of alternative models of District Administrations and support the preparation and implementation, on a test basis a re-organizing of District Administrations in selected districts. This will also need to include proposals to staff the district structure in these pilot districts. Essentially the revised functions will determine the structure as well as the resourcing arrangements.
- 2.16 **Testing “delegation arrangements” for service delivery**. The project will support the testing of delegation (and related “contractual” financing) arrangements between Provincial Departments and District or Commune Sangkats for the delivery of selected services in the Health, Education, Agriculture, and Water Supply and Sanitation sectors. In particular the project will support the carrying out a service-delivery baseline survey in the pilot districts, focused on the above sectors. It will review options emerging from international and regional experience, with delegation / contractual assignment of services delivery responsibilities, which are potentially relevant for Cambodia. It will then support selected Ministries and Provincial departments to help design, negotiate and test assignments (to district/C/S), for selected education services (e.g.: pre-schools, primary schools, non-formal education, support to needy students, teachers performance monitoring.) water supply and sanitation services (e.g.: construction and management of rural wells and ponds, small-scale piped water systems), agricultural extension services (building on the ongoing experience with the IFAD-supported program managed by the NCDD Secretariat) and health services.
- 2.17 **Developing an integrated District/Commune planning procedure**. The project will support the Ministry of Planning to develop integrated District/Commune Planning procedures. It will then develop training materials and train selected staff members of the District Administration as District Planners/ Commune Planning Facilitators.
- 2.18 **Developing and testing an appropriate “fiscal model” for the emerging 2-tier LA system**. The project will work with the MEF to develop an appropriate fiscal/financial model for the emerging 2-tier LA system, including options, based on the assigned functions, for the assignment of specific sources of income to each tier and for establishing inter-tier revenue sharing arrangements if any, as well as other public expenditure management arrangements to better connect the two levels., and related accountability mechanisms. This output is closely linked with the improvement of sub-national budgeting and financial management systems and the development of own-source revenue instruments covered under Component 2 below.
- 2.19 **Other Possible Areas of Innovation**. In addition, depending on resources available and on the evolving policy debate on Districts and Communes, there may be scope or need for IDLD to develop and test other local innovations such as sector-conditional grants or performance-based grants to District authorities and Communes, or arrangements to promote greater District accountability.

2.20 **Start-Up Phase.** The outputs and the activities outlined indicatively above will be developed and specified during the start-up phase of IDLD, to support which UNCDF will provide a **Program Management Adviser** to the NCDD. In developing these activities care will be taken to ensure consistency with the broader set of activities undertaken by NCDD under the District Initiative. Care will also be taken to ensure that all innovations to be tested are potentially “mainstreamable” (ie that they do not require excessive capacity or resources to be sustained), that they are “legal”, and that they are not implemented in any way that might preempt future policy or legislative options.

Component 2 – Advancing the Fiscal Decentralization (FD) agenda

Context

2.21 Between 2001 and 2004 the RGC made substantial progress in addressing the FD dimensions of the newly established system of elected local authorities at commune/sangkat (CS) level. This included the development of policies and procedures for budgeting and financial management at CS level and the establishment of the Commune Sangkat Fund (CSF) to provide a modest but predictable level of locally programmable funds as general purpose transfers.

2.22 Because of the uncertainty surrounding the direction of the broader D&D reforms, (see sect. 1.13 above), further progress has been difficult. A number of issues, which are critical for a well developed FD system, remain to be addressed. These include the institutional mechanism to manage the CSF (and possibly other centre-local fiscal transfers), the own, tax and non-tax, revenue sources of the sub-national authorities, the sharing of national taxes across the multi-level system of governance and public administration, the efficiency of local treasury structures and functions and a system for effective monitoring and oversight of the local authorities finances.

2.23 While progress of FD, in the last two years, has been limited, it is nevertheless noticeable that, under the, parallel process of Public Finance Management (PFM) reforms managed by the MEF, Fiscal Decentralization was made an integral part of the PFM reform program. This created an internal organizational incentive for the MEF to take a more proactive role in articulating a national fiscal decentralization strategy. This is now being recognized in MEF which is increasingly aware of its responsibility to develop ideas and proposals that contribute to the national debate on FD.

2.24 Moreover, with the establishment in August 2006, of the National Committee to Support Decentralization and Deconcentration, an important mechanism has now been put in place to proceed with FD reforms. It is anticipated that the NCDD will establish a Finance Subcommittee under the chairmanship of the Ministry of Economy and Finance (MEF) which would be responsible for further developing an overall FD strategy and a new set of FD measures consistent with the D&D vision articulated in both the 2005 Strategic Framework and the forthcoming Organic Law.

2.25 It is also expected that some support for advancing the fiscal decentralization policy agenda will be provided by the World Bank (through a support package under the RILG Project additional financing was successfully negotiated in May 2007 and whose approval is scheduled for July 2007). This support will likely comprise:

- fielding of a full-time FD adviser to MEF (enabling continuation of the support hitherto provided by UNDP/UNCDF under FDSP). This adviser will take the lead in developing proposals for a fiscal decentralization framework consistent with the emerging D&D policy and legislation;
- support for several policy-analytic studies;
- some limited operational support which includes the purchase of a vehicle to support the work of the Local Finance Dept of MEF.

IDLD Support

2.26 The IDLD will therefore complement this support (through the NCDD secretariat, MEF and the work of the NCDD Finance Sub-Committee), by focusing on the following outputs:

- Fiscal decentralization-related policy lessons derived from the various piloting activities undertaken under Component 1.
- Improved Centre-Local transfer mechanisms and procedures (e.g. in CSF operations) are developed and adopted.
- Improved sub-national budgeting and Financial Management systems are developed and adopted.
- Appropriate sub-national Revenue Mobilization instruments are developed and tested.
- A strategy developed to facilitate shift by donors towards local authority budget support (initially through the CSF mechanism).
- Options/strategic papers developed for sector decentralization in Education, Health and WSS sectors.
- MEF and NCDD Finance Committee capacity is improved on issues of fiscal decentralization.

The above proposed activities are all intended outputs of the proposed IDLD project. They are briefly described below. More generally and as needed, support and facilitation may also be provided by IDLD to activities funded by the World Bank to ensure the formulation and implementation of a comprehensive fiscal decentralization policy framework, and for the management of sub-national fiscal transfers.

2.27 Policy lessons derived from Local Innovations. Several of the innovations to be implemented under Component 1 will have lessons relevant for the broader fiscal decentralization agenda. Support will thus be provided to both NCDD and MEF to actively monitor (including field visits) and analyse the effectiveness and appropriateness of these lessons, and to distil their possible implications for development of the policy, legal and regulatory framework for fiscal decentralization, consistent with the Strategic Framework for D&D and the expected provisions of the future Organic Law.

2.28 Improving Central-Local Transfer mechanisms and procedures. Policy and operational work will be undertaken to improve the efficiency and equity of the central-local fiscal transfer mechanism. This work will be structured to support the expected work activities funded under the World Bank RILG Project referred to above.

2.29 Improving sub-national budgeting and Financial Management systems. This is essential to ensure transparency, accountability and the efficiency in the use of public funds. Support will be provided by the IDLD to the MEF and NCDD in several key areas:

- Assess and improve the types and quality of information used in preparing CS budgets
- Assess and improve the procurement process used for CS level projects
- Explore the extent to which priorities identified through the participatory Commune Development Planning (CDP) process are included in the CS budget and the reasons for major discrepancies
- Continue to work with NCDD/MEF to explore option to improve CS financial management through possible introduction of district treasuries and/or using commercial banks
- Monitor CS Budget revenue and expenditure pattern for policy and procedural analysis
- Develop options for introducing autonomous and appropriate budgeting and financial management procedures at the provincial and district levels.

2.30 Designing appropriate Sub-national Revenue mobilization instruments. The ability of local authorities to draw a meaningful part of their resources from their own sources, is essential for accountable local governance. In addition to receiving central-local transfers, sub-national administrations need to be responsible and accountable for and to have flexibility to mobilize revenues through user fees, administration charges, levies, and taxes. As the D&D institutional structure is clarified, support will be provided to develop the policy and operational options for sub-national revenue mobilization. The IDLD support will focus on, amongst others :

Identifying and piloting, administrative fees and user charge options for local authorities,
Identifying and piloting sub-national tax revenue policy and administration options, including property-based revenues.
Identifying and piloting appropriate revenue raising instruments at the provincial and district levels.

2.31 A strategy developed to facilitate shift by donors towards local authority budget support. Donors seem to hesitate to provide resources in the form of local authority budget support for various reasons. In part this is due to the as yet incomplete policy and legal framework for sub-national government, in part to more or less legitimate fund-use concerns or impact tracking requirements of donors, and in part to real (or perceived) fiduciary risks⁸ associated with such an arrangement. In order to facilitate a shift in the direction of budget support (at least to the Commune Sangkat Fund for the time being) the IDLD will assist development of a strategy which includes an agreed analysis of possible fiduciary risks and other obstacles, and an agreed timeline toward removing these obstacles.

2.32 Sector Decentralization Policy Options/Strategy Papers developed in Education, Health and WSS sectors. As the D&D agenda moves ahead it will be critical to develop policy options in regard to decentralization of functions and financing in the key service sectors, and to do so in full consultation with the concerned Ministries and other stakeholders – who have so far not been active in the D&D debate. Support will be provided by IDLD for these activities.

2.33 MEF and NCDD Sub-committee on Finance capacity on fiscal decentralization is improved. Formalized and on-the-job training will be provided to improve MEF and the NCDD Subcommittee on Finance capacity on issues of fiscal decentralization through the work of the national local finance advisor, short-term international technical advisors and specific training activities. With the Department of Local Finances (DLF), the focus will be on continuing to build up its capacity for support and supervision of the local authority's fiscal and financial practices. This will require (i) strengthening the analytical and monitoring capacity of DLF officials, on issues of CS fund flows, own source revenues and local level budgeting and financial management, among others, as well as (ii) setting up and implementing an effective DLF-managed system for monitoring and oversight of local authorities revenues and expenditures.

2.34 General support for FD capacity development, policy formulation and implementation. The IDLD national finance advisor and short-term international technical advisors will provide strategic support, as appropriate, on issues such as expenditure and revenue assignments, central-local transfers and other fiscal decentralization and local finance policy and operational issues. The IDLD will also provide capacity development operational support on FD issues to the NCDD and MEF to complement the support being funded through the World Bank RILG additional financing on FD activities. As needed/requested, IDLD will provide support to complement/facilitate the World Bank funded fiscal decentralization support on issues related to FD policy formulation and implementation.

⁸ This refers to concerns that funds provided for local authority budget support may (a) not be used for the intended purposes, and/or (b) not be efficiently used or provide value for money and/or (c) not be properly accounted for or reported on.

Component 3 – Management Support to MOI and NCDD Secretariat

Context

2.35 The Forthcoming National D&D Program. The NCDD Secretariat has confirmed RGC's commitment to the immediate development of a National D&D Program (also referred to as the "Sub-National Democratic Development – SNDD – Program). An initial outline was then produced in June 2006 by MOI under the title "Implementation Framework for Sub-national Democratic Development" and draft Terms of Reference for the national and international experts were also prepared. The above documentation is being reviewed by the NCDD Secretariat in order to:

- (i) establish the scope of the Program, indicating whether such scope should be limited to the outputs and activities required to implement the Organic Law (i.e. implement the legally mandated changes in sub-national structures and systems through the necessary policy refinements, regulatory framework and institutional development and training) or if it should be more comprehensive to implement the Strategic Framework for Decentralization and De-concentration (SFD&D) and aim at local (sub-national) development for poverty reduction, thus including among its outputs, greater and more effective investments and operations by sub-national authorities, to improve infrastructure and services delivery, manage natural resources and promote local economic development.
- (ii) Define the operational approach, procedures and timeframe applicable to the preparation of the program and develop the contractual documentation (a "Request for Proposals"- RFP- under International Competitive Bidding – ICB – modalities, or equivalent instrument) to secure the appropriate policy and technical advisory services, in a format acceptable to both the NCDD Secretariat and its development partners.

The World Bank has just recently negotiated an additional assistance package under a RILGP extension until 2010, to the total cost of US\$ 36.25M. Of this amount an allocation of approximately \$810,000 has been set aside to fund of consultant expert services for the formulation of this Program. These funds will be managed under the authority of the NCDD which will assume full direction of the Program formulation process.

2.36 Management Support to NCDD Secretariat and Development of M&E Framework There is a need for both the RGC and its development partners to agree on a common M&E and reporting framework that focuses on the achievements of local development results as well as on the intended policy, institutional and sector outputs for all NCDD supported projects. An M&E advisory group has been set up and a systems analysis of all existing development databases at commune and provincial level was recently completed. The findings highlight some lack of overlap of these systems in terms of quality of data and reports and a need for an outcome focus in reporting. The study, does not conclusively establish whether the recommended changes can be achieved through technically feasible and moderately costly enhancements of the current systems, or require a major conceptual and technical re-design of such systems. However, the current consensus in the NCDD Secretariat is that the full potential of the existing systems should be explored first. Under PSDD an M&E adviser is being fielded to support NCDD-S in developing this framework.

IDLD Support

IDLD will provide long and short term advisory resources to NCDDS in order to support its overall management capacities. This in part aims to support capacity to:

- Strengthen NCDDS management capacity to manage and monitor the programs under the NCDD, and assist, the NCDDS as requested, to manage the SNDD Program formulation process described above;
- Supporting development of an M&E framework for NCDD and for the future SNDD Program, and the design and implementation of an MIS to support this framework

- Provide assistance to MOI in the design and operation of an M&E in respect of its mandate for support and supervision of sub-national authorities

2.37 Strengthening NCDD Management Capacity. Support will be provided to the NCDD Secretariat to manage the overall NCDD program. Specifically this will involve supporting the process of developing the SNDD Program in an effective and timely manner. IDLD will therefore provide support to NCDD for these tasks through the provision of a Program Management Adviser, whose ToR are detailed in Annex 1.

2.38 Technical Support to Development of the M&E Framework and MIS. Under this component, the scope of the IDLD will be limited to the provision of technical support services to the NCDD Secretariat and to the NCDD M&E Adviser fielded under PSDD, and to the recently established NCDD Technical Advisory group on M&E. This assistance will be provided to support the development of an overall M&E framework for the NCDD. On the basis of consultations possible activities may be as follows:

- Assisting to draft an M&E policy paper
- Assisting in the design of M&E systems and procedures

2.39 Support to MOI Provide assistance to MOI in the design and operation of an M&E in respect of its mandate for support and supervision of sub-national authorities: Under this component, at the request of the MOI, IDLD will assist to undertake an institutional assessment which will identify the broad and specific M&E functions and current arrangements in regard to sub-national authorities; and to assist MOI to develop a sound, effective framework for fulfilling its specific M&E functions.

3 RESULTS AND RESOURCES FRAMEWORK

The following matrix presents the IDLD project's Results and Resources Framework (RRF). The first Annual Work Plan and Budget (AWPB) will be prepared during the start-up mission following the approval of the project. From 2008, the AWPB will be jointly undertaken within the NCDD Annual Work-planning & Budget process.

IDL D RESULTS AND RESOURCES FRAMEWORK

The following matrix presents the IDLD project's Results and Resources Framework (RRF).

The first Annual Work Plan and Budget (AWPB) will be prepared during the start-up mission following the approval of the project.

From 2008, the AWPB will be jointly undertaken with the NCDD

UNDAF 2006-2010 Outcome(s):

Outcome 1: Increased participation of civil society and citizens in decision-making for the development, implementation and monitoring of public policies

Outcome 5: Increased efficiency and effectiveness of the public administration to deliver basic services.

Intended Outcome as stated in the Country Programme Results and Resource Framework

Outcome 1: Increased participation of civil society and citizens in decision-making for the development, implementation and monitoring of public policies.

Outcome 5: Increased efficiency and effectiveness of the public administration to deliver basic services

Outcome indicators as stated in the Country Programme Results and Resources Framework

Outcome 1.5.: Increased efficiency and effectiveness of the public administration and decentralized governance structures to deliver basic services

Applicable MYFF Service Line:

Partnership Strategy: UNCDF and DANIDA, and indirectly: SIDA, DFID, UNDP (through PSDD)

Project title and ID (ATLAS Award ID): – Innovations for Decentralisation and Local Development (IDL D)

Project summary:		Total Net budget US\$	2008	2009	2010
Goal	Poverty Reduction in Cambodia				
Purpose	Pro-poor <u>local (sub-national) development</u> (including an improvement in coverage and quality of local infrastructure and services, better local-level natural resources management and accelerated and broad-based local economic development). By strengthening SN institutions, increasing domestic and external resource flows and developing more effective policy, legal and regulatory framework. (PSDD objectives)	1,977,300	1,229,950	747,350	-
Component 1 IDLD	<u>Supporting Local Innovation & Development and Experimentation of a "2-Tier Local Authority System"</u>	881,300	511,150	370,150	-
Component 2 IDLD	<u>Support to the formulation and implementation of Fiscal Decentralization reforms (PFM-Activity 4.2)</u>	616,600	319,000	297,600	0
Component 3 IDLD	<u>Management Support to MOI and NCDD Secretariat</u>	479,400	399,800	79,600	0

Outcomes	Output Targets	Measurable Output Indicators	Indicative Activities	Inputs	Donor	Indicative Cost US\$	2008	2009	2010
Component 1 Supporting Local Innovation & Development and Experimentation of a "2-Tier Local Authority System"						881,300	511,150	370,150	
Functions and accountabilities of DCs defined	1.1 District Councils (2nd-tier) are established in pilot districts	Records of District Councils establishment	1.1.1 Develop guidelines for the set up and operation of District-level policy-making structures with members from DCs	Resident Advisor, national consultants, misc	UNCDF	46,800	30,000	16,800	
		Number of district Councilors trained	1.1.2 Support the establishment of District Councils (DC) in pilot districts		UNCDF	7,500	7,500		
			1.1.3 Strengthen the DC capacities to interact in an analytical and informed way with the district governor and administration		UNCDF	11,500	5,750	5,750	
Functions and accountabilities of DCs and district administrations defined	1.2 Integrated models of district administration are developed and piloted in selected districts	Percentage of time district line agents spend on projects/activities managed by District Governor	1.2.1 Carry out a diagnostic of the current capacity and operation modalities of district administrations (District Gov.Office and Line agencies) in pilot districts	International and national consultants, procurement	UNCDF	40,000	40,000		
			1.2.1 Develop and assess alternative models of District Administrations		UNCDF	20,000	20,000		
			1.2.2 Prepare and start implementing a medium-term plan for re-engineering of District Administrations in pilot districts		UNCDF	10,000	10,000		
		Equipment inventory	1.2.3 Underake an assessment of basic equipment/repairs required for the 4 districts and provide necessary equipment for pilot (eg basic repairs, motos, desks, computers)		UNCDF	40,000	40,000		
Functions and accountabilities of DCs and district administrations and line departments defined	1.3 Delegation arrangements, between provincial departments and interim district authorities, for services delivery are developed and implemented in pilot districts	Volume of contractual financing of delagation arrangements	1.3.1 Carry out a service-delivery baseline survey in 6 pilot districts, focused on Health, Education and WSS services	Resident Advisor, national and international consultants, contracted company	UNCDF	96,800	82,400	14,400	
			1.3.2 Review options emerging from international and regional experience for delegation of services in the Health, Education and WSS sectors and assess their relevance for Cambodia		UNCDF	37,500	19,500	18,000	
			1.3.3 Design, negotiate and pilot delegation arrangements for selected education services (e.g.: pre-schools, primary schools, non-formal education, support to needy students, teachers performance monitoring.)		UNCDF	39,600	22,000	17,600	
			1.3.4 Design, negotiate and pilot delegation arrangements for primary health care services, Agricultural extension services and selected water supply and sanitation services (e.g.: construction and management of rural wells and ponds, small-scale piped water systems)		UNCDF	46,800	23,400	23,400	
			1.3.5 Design, negotiate and pilot delegation arrangements for selected water supply and sanitation services (e.g.: construction and management of rural wells and ponds, small-scale piped water systems)		UNCDF	64,800	30,600	34,200	

Outcomes	Output Targets	Measurable Output Indicators	Indicative Activities	Inputs	Donor	Indicative Cost US\$	2008	2009	2010
Component 1 (continued) Supporting Local Innovation & Development and Experimentation of a 2 tier Local Authority System									
Integrated district/C/S plan implemented	1.4 An integrated Commune/District planning process is developed and implemented in pilot districts	Integrated plan documents	1.4.1 Review the CDP process and develop integrated District/Commune Planning procedures	International consultants, training and logistics	UNCDF	20,000	20,000		
			1.4.2 Train District Planners/Facilitators as members of the District Administration		UNCDF	40,000	20,000	20,000	
Two tier fiscal model implemented	1.5 A fiscal model for the two-tiers Local Authority system is developed and implemented in pilot districts	Records of establishment of districts revenue instruments	1.5.1 Work with NCDD/MEF to develop options for developing fiscal/financial model for the integrated extended district initiative	National Local Finance Advisor and (WB) FD Advisor	UNCDF, TBD	20,000	20,000		
Delegation of service delivery functions prepared and piloted	1.6 Delegated Services are satisfactorily delivered	Percentage of citizens assessing positively delivery of delegated services	1.6.1 Extend financing to Provincial line agencies for piloting delegation arrangements with Districts and Communes for services delivery in the Health, Education, Agriculture and WSS sectors	Grants	UNCDF	100,000		100,000	
Projects agreed to through the DC processes are implemented	1.7 Priority infrastructure investments are satisfactorily delivered by District authorities	Percentage of commune and village stakeholders appreciating district delivery of infrastructure	1.7.1 Extend supplementary funding for Commune financing of District-managed investments	Grants	UNCDF	240,000	120,000	120,000	

Outcomes	Output Targets	Measurable Output Indicators	Indicative Activities	Inputs	Donor	Indicative Cost US\$	2008	2009	2010
Component 2 : Support to the formulation and implementation of Fiscal Decentralization reforms (PFM-Activity 4.2)						616,600	319,000	297,600	
Development of a fiscal decentralization policy commented	2.1.1 System-wide capacity for FD policy formulation and implementation is developed	Percentage of members of NCDD Finance sub Committee and PFM group trained in FD	2.1.1 Assist MEF to design and implement capacity development workshops for NCDD and NCDD Subcommittee and PFM Working Group on on FD issues	National Local Finance Advisor and (WB) FD Advisor. Workshops, training, DLF support.	UNCDF	53,200	26,600	26,600	
			2.1.2 Assist MEF to design and implement capacity development workshops and discussions with MEF DLF on FD and DLF operational activities, including field monitoring visits	Int. W'shops, local w'shops, DLF support	UNCDF	90,000	45,000	45,000	
Improvements in CS Fund execution documented	2.2.1 Assist to improve sub-national transfer mechanism of the C/S Fund	Percentage of actual vs. predicted transfers	2.2.1 Work with MEF to review CSF policy and operational framework improve monitoring and oversight with CSF information system and field visits, and evaluate options for developing a broader intergovernmental fiscal policy management mechanism.	National Local Finance Advisor and (WB) FD Advisor, International consultants	UNCDF	20,000	10,000	10,000	
Improvements in S/N budgeting and financial management documented	2.3.1 Improved S/N Level Budgeting and Financial Management	Percentage of CS budgets reflecting CDP priorities	2.3.1 Work with NCDD and MEF to study information used in preparing the C/S budgets and the extent to which CDP priorities are included in the C/S budget	National Local Finance Advisor (30%) and (WB) FD Advisor, piloting field work.	UNCDF				
		Percentage of CS completing acceptable financial reports on time.	2.3.2 Assist MEF/NCDD to explore pilot options to improve CS financial management through district treasuries and/or using commercial bank options	International consultants National Local Finance Advisor (30%)	UNCDF	20,000	20,000		
		Percentage of citizens assessing positively impact of CS expenditures in sample survey	2.3.3 Using CS budget financial information database and information from National/Provincial Treasury, assist MEF/MOI conduct office/field monitoring and evaluation of the revenue and expenditures of the CS budgets, as appropriate	International consultants National Local Finance Advisor ,piloting field work	UNCDF	14,000	7,000	7,000	
			2.3.4 Work with NCDD/MEF to develop options for introducing subnational budgeting and financial management at the provincial and district levels	National Local Finance Advisor and piloting field work	UNCDF	30,000	15,000	15,000	
S/N revenues documentation improved and yields increased	2.4.1 Improved S/N Level Revenue Mobilization	Percentage of CS revenue from non-tax own sources	2.4.1 Working with MOI and MEF, assist in identifying administrative fees and user charge options for local authorities, design and implement pilot project	National Local Finance Advisor (30%) and Int Advisor, piloting field work.	UNCDF	20,000	20,000		
		Percentage of CS revenue from local taxes	2.4.2 b Working with MEF (DLF and Tax Department), develop subnational revenue policy and administration systems options, including property-based revenues, including development of pilot projects as appropriate	National Local Finance Advisor and (WB) FD Advisor, Int Advisor	UNCDF	20,000		20,000	
			2.4.3 Work with NCDD/MEF to develop options for identifying and introducing subnational revenue alternatives at the provincial and district levels.	Piloting field work.	UNCDF	20,000	10,000	10,000	

Outcomes	Output Targets	Measurable Output Indicators	Indicative Activities	Inputs	Donor	Indicative Cost US\$	2008	2009	2010
Component 2 : (continued) Support to the formulation and implementation of Fiscal Decentralization reforms (PFM-Activity 4.2)									
FD strategy is linked to other reforms	2.5.1 A FD strategy consistent with the D&D Strategic Framework is developed	Record of NCDD approval of FD strategy paper.	2.5.1 Working with MEF/NCDD, develop draft FD strategy document which incorporates the D&D strategic framework and PFM objectives	International Consultants, workshop	UNCDF	20,000	20,000		
			2.5.2 Assist to facilitate national workshop on FD, incorporating various stakeholders, linked to DD and PFM reforms	National workshops	UNCDF	9,000	5,000	4,000	
Sector options papers developed	2.6.1 Options papers for Sector Decentralization are developed in the Education, Health and WSS sectors	NCDD approval of sector policy papers	2.6.1 Facilitate drafting of Education sector policy paper by the MEYS	International Consultants, resident advisor, misc	TBD	100,000	40,000	60,000	
			2.6.2 Draft options paper for Decentralization of Health, Agriculture and WSS Services	International Consultants	TBD	150,000	75,000	75,000	
			2.6.3 Support MOI dialogue with sector ministries through policy development workshops	Resident Advisor	UNCDF	50,400	25,400	25,000	

Outcomes	Output Targets	Measurable Output Indicators	Indicative Activities	Inputs	Donor	Indicative Cost US\$	2008	2009	2010
Component 3 : Management Support to MOI and NCDD Secretariat						479,400	399,800	79,600	0
Functions for M&E of S/N level defined	3.1 Management support to MOI and NCDD Secretariat	Management functions undertaken by MOI and NCDD	3.1.1 Assessment of MOIs M&E functions	International Consultants	UNCDF	44,000	44,000		
			3.1.2 Technical backstopping as required to develop TORs, review consultant reports, M&E system	UNCDF LG Advisor	UNCDF	46,800	20,000	26,800	
		Trained data administrator	3.1.3 Logistic and equipment support	Vehicle, computer and peripherals	UNCDF	40,000	40,000		
			3.1.4 Support to NCDDS/IDLD		UNCDF	45,600	22,800	22,800	
			3.1.5 Review existing databases and assess the suitability of the UNCDF-developed MIS to cover existing information gaps	DB software development contract	DANDIA	20,000	20,000		
			3.1.6 Development of Central Database	DB software development contract	DANDIA	230,000	230,000		
			3.1.7 Training of Central data administrator and M&E staff of the MOI Management structure	International Consultants	UNCDF	10,000	10,000		
M&E framework for SNDD program	3.2 A high-level SNDD program M&E framework is developed and adopted by RGC and donors stakeholders (top level indicators)	NCDD approval of SNDD MIS framework	3.2.1 Develop a background paper identifying potentially relevant indicators based on the general logframe of the SNDD	UNCDF Technical Advisor (HqS)	UNCDF	8,000	8,000		
			3.2.2 Animate a national workshop with MOP/MOI/MEF/Aid Agencies to agree on development results, outcomes and indicators to include in the SNDD MIS	UNCDF Technical Advisor (Field)	UNCDF	5,000	5,000		
External evaluation of IDLD completed	3.3.1 Evaluation of IDLD	External evalaution report	3.3.1 TORs prepared and evaluation undertaken	International Consultants	UNCDF	30,000		30,000	
GRAND TOTAL						1,977,300	1,229,950	747,350	-

4. Management arrangements

Execution and Implementation responsibilities

- 4.1 UNCDF will join the PSDD and other NCDD development partners and will be represented in their meetings and deliberations by the Bangkok-based UNCDF Regional Technical Advisor or his/her delegate as necessary.
- 4.2 Pending the formulation of the SNDD program and the establishment of its management structures, the NCDDS-PST will be the **executing agency** of this project, and, as such, it will be responsible for all substantive decisions on all aspects of the project's execution and on the allocation of the project's resources within the limits of the approved budget. It is critical that NCDDS-PST work closely with relevant MEF officials in these processes, especially for activities under Component 2.
- 4.3 The oversight and approval authority roles (normally played by a steering committee) will be undertaken by NCDDS, or by a senior-level NCDD working group delegated with this authority by NCDD, which will approve IDLD plans and budgets and which will be a forum where project progress and results achievements will be reviewed and where major issues of IDLD strategy will be tabled and resolved. Here too it is critically important that MEF senior officials be associated in oversight and approval processes, especially for activities under Component 2.
- 4.4 UNCDF will be designated **implementation support agency** under the terms of the enclosed Standard Letter of Agreement which applies to the provision of services of a UN Agency for the implementation of a Nationally Executed (NEX) project. UNCDF role would be that of facilitating the execution of the NCDDS-PST substantive decisions on all aspects of the project execution and in particular of procuring all inputs financed under this project, in close consultation with NCDDS-PST. A Program Management Advisor (PMA), funded by UNCDF and reporting to the NCDDS-PST Manager will be based within the NCDD Secretariat. The PMA will assist the NCDDS-PST to ensure timely and effective procurement of all goods and services within the limits of the approved budget. In performing his/her duties the PMA will be assisted by both the UNCDF Regional Unit of Bangkok and the UNDP Country Office in Cambodia, as appropriate - a separate MoU between UNDP and UNCDF will define these arrangements.

Project Team

4.5 The resident UNCDF project team will be composed of:

- An international local development specialist, acting as **Program Management Advisor** (PMA). The PMA will be selected by and based in the NCDDS and will be fully integrated within the existing PSDD advisory team, thus contributing to strengthen its capacity. While focusing on the activities funded under the UNCDF contribution, the PMA will contribute to the broader implementation of NCDD activities, as feasible, upon request of the NCDDS-PST Manager. Detailed TORs are enclosed in Annex 3.
- A National **Local Finance Adviser** (LFA) The LFA will be based in MEF (Department of Local Finance). S/he will support activities under Component 2 and will also support the Fiscal Decentralization Advisor and other FD-related activities funded by the World Bank through RILG, in order to develop policy and to build capacity in the department. Detailed TORs are enclosed in Annex 4.

5. Monitoring and evaluation

UNCDF considers that independent evaluation of its programs plays the following critical roles:

- *Results Based Program Management and Decision-making*: promotes the quality of individual pilot programs by providing objective, independent reviews that feeds into program management decision-making and program improvement;
- *Accountability*: holds UNCDF accountable for results and the utilization of its own/partner funds;
- *Knowledge management*: contributes to organizational learning, practice development, and refinement of the local development program/inclusive financial sector approach;
- *Support to Policy Impact and Replication*: Aims to establish, credibly, for UNCDF, UNDP and their LDC and co-funding partners, the viability and desirability of the extension, replication and scaling up of the UNCDF pilots, and helps to establish the validity or otherwise of pilot experiences and lessons as a basis for adjusting national policy, regulatory and legal frameworks; creates a trigger and basis for discussion in the LDC on inclusive financial sector development/local development and decentralization progress and options;

The program will therefore be subject to an independently conducted final evaluation, in compliance with the UNCDF mandatory evaluation requirements in the UNDP Evaluation Policy. This will be conducted during the last year of a program, focus on program performance with respect to results achievement (effectiveness), the efficiency with which results are achieved, the sustainability of results achieved, lessons from program design, implementation arrangements, management and partnerships and reflect on the strategic justification for the future role, if any, of UNCDF in the program country.

Success in carrying out development evaluation requires partnerships in evaluation with national and international actors. In the context of wider efforts to improve the efficiency and added value of the UN's development operations, opportunities for collaboration on evaluations with UNDP and other development partners are actively sought. Opportunities will be sought for collaboration with other development partners supporting the D&D agenda in conducting the evaluations.

An amount of US\$30,000 has been allocated for Final Evaluation in the project budget specifically, an Atlas Activity item identified as 'Evaluation – final' has been included for this project.

The UNCDF Evaluation Adviser is responsible for ensuring that UNCDF-managed program evaluations are undertaken in accordance with the Evaluation Policy and related Evaluation Quality Standards, as well as the UN Norms and Standards for Evaluation in the UN System.

An assessment of the risks and a risk mitigation plan has been prepared and included in Annex 5 of this document. These risks need to be monitored and reassessed as part of the overall M&E plan for the IDLD.

6. Legal context

6.1 This project document shall be the instrument referred to as such in article 1 of the Standard Basic Assistance Agreement (SBAA) between the Royal Government of Cambodia and the United Nations Development Program. The host country-implementing agency shall for the purpose of the SBAA refer to the Government cooperating agency described in that document. The following types of revisions may be made to this project document with the signatures of the UNDP Resident Representative only, provided he is assured that the other signatories of the document have no objections to the proposed changes or Revisions in, or additions to, any annexes of the project document:

- Revisions which do not involve significant changes in the immediate objectives, outputs or activities of the project, but are necessitated by rearrangement of inputs already agreed, or by cost increase due to inflation.
- Mandatory annual revision, which re-phase the delivery of agreed project inputs or expert or other costs due to inflation or take into account expenditure flexibility.

7. Project Budget and Financing Plan

- 7.1 The project budget, and financing plan, are reflected in Annex 1 and contain details on the partner financing.
- 7.2 The budget is a summary version of the results and resources framework - RRF (Part 3 above). Both present the total budget and the annual expenditure predictions, per output and per target. .
- 7.3 The tables which follow provide summaries of the budget by input, outputs and total budgets by fund sources.
- 7.4 The total cost of the project (including agency fees) is estimated at US\$ 2,051,165 (including fees). The net project cost is US\$1,977,300 of which \$1,477,300 should be covered from UNCDF own resources. The remaining amount should be covered as follows:
- US\$ 250,000 will be made available as “parallel financing” from a DANIDA contribution covering the bulk of expenditures to support M&E under Component 3 of this project.
 - US\$250,000 needs to be mobilized from other sources. They are needed to fund sector decentralization selected activities under Component 2 of this project.

Table 1 IDLD Total and Net Budget by Fund Source and Summary by Component

IDLD Total Budget

	Total	UNCDF	TBD	DANIDA
Net	1,977,300	1,477,300	250,000	250,000
<i>CDF proc.</i>				0
<i>RGC proc.</i>				250,000
Fees (5%)	73,865	73,865		
Total	2,051,165	1,551,165	250,000	250,000

IDPD Budget by Component

	US\$	%
Component 1	881,300	45
Component 2	616,600	31
Component 3	479,400	24
Total	1,977,300	100

IDLD Output Budget

OUTPUTS	Account Code	Description	Unit	Qty	Unit Cost	Total US\$	2008	2009	2010
Component 1 : Supporting Local Innovation & Development and Experimentation of a "2-Tier Local Authority System"									
<u>Sub total component:</u>						881,300	511,150	370,150	0
1.1 District Councils (2nd-tier) are established in pilot districts	71300	Int. consultant	p/m	2.6	18,000	46,800	30,000	16,800	
	71300	National Consultant	p/m	3	2,500	7,500	7,500		
	74500	Misc.	LS			11,500	5,750	5,750	
1.2 Integrated models of district administration are developed and piloted in selected districts	71300	National Consultants	p/m	8	2,500	20,000	20,000		
	71200	Int. Consultant (Local Admin)	p/m	2.5	20,000	50,000	50,000		
	72200	Equipment for districts	LS	4	10,000	40,000	40,000		
1.3 Delegation arrangements, between provincial departments and interim district authorities, for services delivery are developed and implemented in selected districts	72100	Contract Consult. Services	LS	1	50,000	50,000	50,000		
	71200	Int. consultant	p/m	11	18,000	198,000	78,400	119,600	
	71300	National Experts (3)	p/m	3	2,500	7,500	4,500	3,000	
	71200	Int. Consultants	p/m	1.5	20,000	30,000	15,000	15,000	
1.4 An integrated Commune/District planning process is developed and implemented in selected districts	71200	Int. Consultant (PEM)	p/m	1	20,000	20,000	0	20,000	
	71600	Training Costs	LS		40,000	40,000	20,000	20,000	
1.5 A fiscal model for the two-tiers Local Authority system is developed and implemented in selected districts	71200	Int. consultant	p/m	1	20,000	20,000	20,000		
	71300	National LFA	p/m	0	2,000	-	0	0	
1.6 Delegated Services are satisfactorily delivered	72600	Capital grants				100,000	50,000	50,000	
1.7 Priority infrastructure investments are satisfactorily delivered by District authorities for C/S	72600	Capital grants				240,000	120,000	120,000	

OUTPUTS	Account Code	Description	Unit	Qty	Unit Cost	Total US\$	2008	2009	2010
Component 2 : Support to the formulation& implementation of Fiscal Decentralization reforms (PFM-Activity 4.2)									
<u>Sub total component:</u>						616,600	319,000	297,600	
	71300	National Local Finance Advisor	p/m	24	1,800	43,200	21,600	21,600	
2.1 System-wide capacity for FD policy formulation and implementation is developed	71600	Local Training W'shops	LS		10,000	10,000	5,000	5,000	
	71600	Int'l W'shops	LS		40,000	40,000	20,000	20,000	
	74500	DLF Office Support	LS		50,000	50,000	25,000	25,000	
2.2 Assist to improve sub-national transfer mechanism of the C/S Fund	71300	National LFA	p/m	2		-	-	-	
	71200	Int. consultant	p/m	1	20,000	20,000	10,000	10,000	
	71200	Int. consultant	p/m	1	20,000	20,000	20,000		
2.3 Improved S/N Level Budgeting and Financial Management	71600	Field Piloting Work	LS		44,000	44,000	22,000	22,000	
	71300	National LFA							
2.4 Improved S/N Level Revenue Mobilization	71200	Int. consultant	p/m	2	20,000	40,000	20,000	20,000	
	71600	Field Piloting Work	LS		20,000	20,000	10,000	10,000	
2.5 A FD strategy consistent with the D&D Strategic Framework is developed	71200	Int. consultant	p/m	1	20,000	20,000	20,000		
	71600	National Workshops	LS		9,000	9,000	5,000	4,000	
2.6 Options papers for Sector Decentralization are developed in the Education, Health and WSS sectors	71200	Int.l Consultant (Educ.Dec.Spec)	p/m	9	25,000	210,000	95,000	115,000	
	74500	Misc.	LS			40,000	20,000	20,000	
	71300	Int. consultant	p/m	2.8	18,000	50,400	25,400	25,000	

OUTPUTS	Account Code	Description	Unit	Qty	Unit Cost	Total US\$	2008	2009	2010
Component 3 : Management Support to NCDD Secretariat and Development of M&E Framework.									
<u>Sub total component:</u>						479,400	399,800	79,600	
3.1 Management support to MOI and NCDD Secretariat	71200	Int. consultant	p/m	2.2	20,000	44,000	44,000		
	71200	Resident UNCDF LG Advisor	p/m	2.6	18,000	46,800	20,000	26,800	
	72200	Equipment, vehicle	LS	1	40,000	40,000	40,000		
	72100	DB Development contract	LS			250,000	250,000		
	71300	Admin support, local staff				45,600	22,800	22,800	
3.2 A high-level SNDD program M&E framework is developed and adopted by RGC and donors stakeholders (top level indicators)	71200	UNCDF HQ and field		0.65		13,000	13,000		
	71200	Int. consultant	p/m	0.5	20,000	10,000	10,000		
3.3 Evaluation of IDLD	71200	Int. consultant	LS		30,000	30,000		30,000	
GRAND TOTAL						1,977,300	1,229,950	747,350	

Table 3**IDLD Input Budget****Budget of UNCDF**

Account Code	Account Description	Total US\$	2008	2009	2010	Totals	%
71200, 71100	International Consultants (inc UNCDF TA)	535,500	320,000	215,500		535,500	36%
71300	National Consultants	166,800	90,400	76,400		166,800	11%
71600	Travel, training, workshops (inc Int. advisor travel)	240,000	135,000	105,000		240,000	16%
72200	Equipment, communications	80,000	80,000			80,000	5%
72600	Grants	340,000	170,000	170,000		340,000	23%
74500	Miscellaneous	65,000	34,300	30,700		65,000	4%
72100	Contracting services	50,000	25,000	25,000		50,000	3%
TOTAL		1,477,300				1,477,300	100%

Budget of Danida

Account Code	Account Description	Total US\$	2008	2009	2010	Totals
71200	DB Software Consultant	20,000	20,000		0	20,000
72100	DB Development contract	230,000	100,000	130,000	0	230,000
TOTAL		250,000			0	250,000

Budget of TBD

Account Code	Account Description	Total US\$	2008	2009	2010	Totals
71200	International Consultants	210,000		210,000		210,000
745000	Miscellaneous	40,000		40,000		40,000
TOTAL		250,000				

Grand Total

1,977,300

Annexes:

- 1 – Project Budget and Financing Plan, by output and source of funds.
- 2 Executive Summary of – Cambodia: Project to Support Democratic Development through Decentralization and Deconcentration (PSDD)
- 3 Local Development Adviser and IDLD Project Leader (int.) – job description
- 4 Local Finances Adviser (nat.l) – job description
- 5 Risk Analysis and Risk Mitigation
- 6 MoU between UNDP and UNCDF detailing roles in implementation.

Annex 1 – Project Detailed Budget and Financing Plan, by output and source of funds

OUTPUTS	ACTIVITIES	Donor	Input								FINANCING PLAN			
Description	Description		Description	Unit	Qty	Unit Cost	Total	2008	2009	2010	UNCDF	DANIDA	TBD	
Component 1 : Supporting Local Innovation & Development and Experimentation of a "2-Tier Local Authority System" (2T-LAS)														
								881,300	511,150	370,150	0	881,300	0	0
1.1 District Councils (2nd-tier) are established in pilot districts	1.1.1 Develop guidelines for the set up and operation of District-level policy-making structures with members from DCs	UNCDF	UNCDF LG Advisor (5%)	p/m	2.6	18,000	46,800	30,000	16,800		46,800	0		
	1.1.2 Support the establishment of District Councils (DC) in pilot districts	UNCDF	National Consultants (inc travel)	p/m	3	2,500	7,500	7,500	0		7,500	0		
	1.1.3 Strengthen the DC capacities to interact in an analytical and informed way with the district governor and administration	UNCDF	Miscellaneous expenditures	LS			11,500	5,750	5750		11,500	0		
1.2 Integrated models of district administration are developed and piloted in selected districts	1.2.1 Carry out a diagnostic of the current capacity and operation modalities of district administrations (District Gov.Office and Line agencies) in pilot districts	UNCDF	National Consultants	p/m	8	2,500	20,000	20,000			20,000	0		
		UNCDF	Int. Consultant (Local Admin) (inc travel)	p/m	1	20,000	20,000	20,000	0		20,000	0		
	1.2.2 Develop and assess alternative models of District Administrations (degree of horizontal integration and functional clustering)	UNCDF	Int.Consultant (Local Admin) (inc travel)	p/m	1	20,000	20,000	20,000	0		20,000	0		
	1.2.3 Prepare and start implementing a medium-term plan for re-engineering of District Administrations in pilot districts	UNCDF	Int. Consultant (Local Admin) (inc travel)	p/m	0.5	20,000	10,000	10,000			10,000	0		
	1.2.4 Underake an assessment of basic equipment/repairs required for the 4 districts and provide necessary equipment for pilot (eg basic repairs, motos, desks, computers)	UNCDF	Procurement for 4 pilot districts	LS	4 sets		40,000	40,000			40,000			

OUTPUTS	ACTIVITIES	Donor	Input								FINANCING PLAN		
Description	Description		Description	Unit	Qty	Unit Cost	Total	2008	2009	2010	UNCDF	DANIDA	TBD
1.3 Delegation arrangements, between provincial departments and interim district authorities, for services delivery are developed and implemented in pilot districts	1.3.1 Carry out a service-delivery baseline survey in 6 pilot districts, focused on Health, Education and WSS services	UNCDF	Contract Consult. Services	LS			50,000	50,000	0		50,000	0	
		UNCDF	UNCDF LG Advisor (10%)	p/m	2.6	18,000	46,800	32,400	14,400		46,800	0	
	1.3.2 Review options emerging from international and regional experience for delegation of services in the Health, Education and WSS sectors and assess their relevance for Cambodia	UNCDF	National Experts (3)	p/m	3	2,500	7,500	4,500	3,000		7,500	0	
		UNCDF	International Consultants (inc travel)	p/m	1.5	20,000	30,000	15,000	15,000		30,000	0	
	1.3.3 Design, negotiate and pilot delegation arrangements for selected education services (e.g.: pre-schools, primary schools, non-formal education, support to needy students, teachers performance monitoring.)	UNCDF	UNCDF LG Advisor (15%)	p/m	2.2	18,000	39,600	22,000	17,600		39,600	0	
	1.3.4 Design, negotiate and pilot delegation arrangements for primary health care services, Agricultural extension services and selected water supply and sanitation services (e.g.: construction and management of rural wells and ponds, small-scale piped water systems)	UNCDF	UNCDF LG Advisor (15%)	p/m	2.6	18,000	46,800	23,400	23,400		46,800	0	
	1.3.5 Design, negotiate and pilot delegation arrangements for selected water supply and sanitation services (e.g.: construction and management of rural wells and ponds, small-scale piped water systems)	UNCDF	UNCDF LG Advisor (15%)	p/m	3.6	18,000	64,800	30,600	34,200		64,800	0	

OUTPUTS	ACTIVITIES	Donor	Input								FINANCING PLAN		
Description	Description		Description	Unit	Qty	Unit Cost	Total	2008	2009	2010	UNCDF	DANIDA	TBD
1.4 An integrated Commune/District planning process is developed and implemented in pilot districts	1.4.1 Review the CDP process and develop integrated District/Commune Planning procedures	UNCDF	Int. Consultant (Local PEM specialist) (inc travel)	p/m	1	20,000	20,000	20,000	0		20,000	0	
	1.4.2 Train District Planners/Facilitators as members of the District Administration	UNCDF	Training Costs (Personnel/logistics)	LS			40,000	20,000	20,000		40,000	0	
1.5 A fiscal model for the two-tiers Local Authority system is developed and implemented in pilot districts	1.5.1 Work with NCDD/MEF to develop options for developing fiscal/financial model for the integrated extended district initiative	UNCDF	International Advisors (inc travel)	p/m	1	20,000	20,000	20,000			20,000	0	
		UNCDF	National Local Finance Advisor	p/m	0	2,000	-	0	0		-	0	
1.6 Delegated Services are satisfactorily delivered	1.6.1 Extend financing to Provincial line agencies for piloting delegation arrangements with Districts and Communes for services delivery in the Health, Education, Agriculture and WSS sectors	UNCDF	capital grants				100,000		100,000		100,000		
1.7 Priority infrastructure investments are satisfactorily delivered by District authorities	1.7.1 Extend supplementary funding for Commune financing of District-managed investments	UNCDF	capital grants				240,000	120,000	120,000		240,000	0	

Component 2 : Support to the formulation and implementation of Fiscal Decentralization reforms (PFM-Activity 4.2)

OUTPUTS	ACTIVITIES	Donor	Input								FINANCING PLAN		
Description	Description		Description	Unit	Qty	Unit Cost	Total	2008	2009	2010	UNCDF	DANIDA	TBD
							616,600	323,016	301,618	4,020	366,600	0	250,000
2.1 System-wide capacity for FD policy formulation and implementation is developed	2.1.1 Assist MEF to design and implement capacity development workshops for NCDD and NCDD Subcommittee and PFM Working Group on on FD issues	UNCDF	National Local Finance Advisor (pm)	p/m	24	1,800	43,200	21,600	21,600		43,200	0	
		UNCDF	Local Training Workshops	LS			10,000	5,000	5000		10,000	0	
	2.1.2 Assist MEF to design and implement capacity development workshops and discussions with MEF DLF on FD and DLF operational activities, including field monitoring visits.	UNCDF	Int'l Workshops	LS			40,000	20000	20,000		40,000	0	
		UNCDF	DLF Office Support	LS		50,000	50,000	25,000	25,000		50,000	0	
2.2 Assist to improve sub-national transfer mechanism of the C/S Fund	2.2.1 Work with MEF to review CSF policy and operational framework improve monitoring and oversight with CSF information system and field visits, and evaluate options for developing a broader intergovernmental fiscal policy management mechanism.	UNCDF	National Local Finance Advisor	p/m	2							0	
		UNCDF	International Advisors (inc travel)	p/m	1	20,000	20,000	10,000	10,000		20,000	0	

OUTPUTS		ACTIVITIES	Donor	Input						FINANCING PLAN		
Description	Description	Description	Unit	Qty	Unit Cost	Total	2008	2009	2010	UNCDF	DANIDA	TBD
2.3 Improved S/N Level Budgeting and Financial Management	2.3.1 Work with NCDD and MEF to study information used in preparing the C/S budgets and the extent to which CDP priorities are included in the C/S budget	National Local Finance Advisor (30%)										
	2.3.2 Assist MEF/NCDD to explore pilot options to improve CS financial management through district treasuries and/or using commercial bank options	UNCDF International Advisors (inc travel)	p/m	1	20,000	20,000	20,000			20,000	0	
	2.3.3 Using CS budget financial information database and information from National/Provincial Treasury, assist MEF/MOI conduct office/field monitoring and evaluation of the revenue and expenditures of the CS budgets, as appropriate	UNCDF Field Piloting Work	LS		14,000	14,000	7,000	7,000		14,000	0	0
	2.3.4 Work with NCDD/MEF to develop options for introducing subnational budgeting and financial management at the provincial and district levels	UNCDF National Local Finance Advisor (30%) UNCDF Field Piloting Work	p/m LS		30,000	30,000	15,000	15,000		30,000	0	
2.4 Improved S/N Level Revenue Mobilization	2.4.1 Working with MOI and MEF, assist in identifying administrative fees and user charge options for local authorities, design and implement pilot project	UNCDF National Local Finance Advisor (30%) UNCDF International Advisors (inc travel)	p/m	1	20,000	20,000	20,000			20,000	0	
	2.4.2 Working with MEF (DLF and Tax Department), develop subnational revenue policy and administration systems options, including property-based revenues, including development of pilot projects as appropriate	UNCDF National Local Finance Advisor (pm) UNCDF International Advisors (inc travel)	pm	1	20,000	20,000		20,000		20,000		
	2.4.3 Work with NCDD/MEF to develop options for identifying and introducing subnational revenue alternatives at the provincial and district levels.	UNCDF Field Piloting Work	LS		20,000	20,000	10,000	10,000		20,000	0	

OUTPUTS	ACTIVITIES	Donor	Input							FINANCING PLAN			
Description	Description		Description	Unit	Qty	Unit Cost	Total	2008	2009	2010	UNCDF	DANIDA	TBD
2.5 A FD strategy consistent with the D&D Strategic Framework is developed	2.5.1 Working with MEF/NCDD, develop draft FD strategy document which incorporates the D&D strategic framework and PFM objectives	UNCDF	International Advisors (inc travel)	p/m	1	20,000	20,000	20,000			20,000	0	
	2.5.2 Facilitate national workshop on FD, incorporating various stakeholders, linked to DD and PFM reforms	UNCDF	National Workshops	LS			9,000	5,000	4,000		9,000	0	
2.6 Options papers for Sector Decentralization are developed in the Education, Health and WSS sectors	2.6.1 Facilitate drafting of Education sector policy paper by the MEYS	TBD	Int.l Consultant (Educ.Dec.Specialis t)	p/m	3	20,000	60,000	20,000	40,000			0	60,000
			Miscellaneous expenditures	LS			40,000	20,000	20,000			0	40,000
	2.6.2 Draft options paper for Decentralization of Health, Agriculture and WSS Services	TBD	Int.Consultants (inc travel)	p/m	6	25,000	150,000	75,000	75,000			0	150,000
	2.6.3 Support MOI dialogue with sector ministries through policy development workshops	UNCDF	Resident UNCDF LG Advisor (20%)	p/m	2.8	18,000	50,400	25,400	25,000		50,400	0	

Component 3 : Management Support to MOI and NCDD Secretariat.

OUTPUTS		ACTIVITIES	Donor	Input						FINANCING PLAN			
Description	Description		Description	Unit	Qty	Unit Cost	Total	2008	2009	2010	UNCDF	DANIDA	TBD
							479,400	399,800	79,600	0	229,400	250,000	0
3.1 Management support to MOI and NCDD Secretariat	3.1.1 Institutional assessment of MOI on legality control and M&E functions	UNCDF	Int.Consultants (inc travel)	p/m	2.2	20,000	44,000	44,000			44,000		
	3.1.2 Technical backstopping as required to develop TORs, review consultant reports, M&E system	UNCDF	Resident UNCDF LG Advisor (5%)	p/m	2.6	18,000	46,800	20,000	26,800		46,800	0	
	3.1.3 Logistic and equipment support	UNCDF	Vehicle, computer and peripherals	LS			40,000	40,000			40,000		
	3.1.4 Support to NCDD/IDLD	UNCDF	Driver	p/m	24	400	9,600	4,800	4,800		9,600		
		UNCDF	Admin support	p/m	24	1,500	36,000	18,000	18,000		36,000		
	3.1.5 Review existing databases and assess the suitability of the UNCDF-developed MIS to cover existing information gaps	DANIDA	DB Software development Consultant	p/m	1	20,000	20,000	20,000	0		0	20,000	
	3.1.6 Development of Central Database	DANIDA	DB Development contract	LS			230,000	230,000	0		0	230,000	
	3.1.7 Training of Central data administrator and M&E staff of the MOI Management structure	UNCDF	Int.Consultants (inc travel)	p/m	0.5	20,000	10,000	10,000	0		10,000	0	
3.2 A high-level SNDD program M&E framework is developed and adopted by RGC and donors stakeholders (top level indicators)	3.2.1 Develop a background paper identifying potentially relevant indicators based on the general logframe of the SNDD	UNCDF	UNCDF Technical Advisor (Hqs)	p/m	0.4	20,000	8,000	8,000	0		8,000	0	
	3.2.2 Animate a national workshop with MOP/MOI/MEF/Aid Agencies to agree on development results, outcomes and indicators to include in the SNDD MIS	UNCDF	UNCDF Technical Advisor (Field)	p/m	0.25	20,000	5,000	5,000	0		5,000	0	
3.3 Evaluation of IDLD	3.3.1 External evaluation of IDLD arranged and undertaken	UNCDF	Int.Consultants (inc travel)	LS		30,000	30,000		30,000		30,000		
TOTALS							1,977,300	1,237,982	755,386		1,477,300	250,000	250,000

Annex 2 PSDD Executive Summary (taken from project document)

Cambodia only recently emerged from a protracted period of conflict and faces great challenges in furthering social, economic and political development. Progress has been uneven, poverty remains high and public accountability is limited.

Under the National Strategic Development Plan (NSDP) 2006-2010, which is the equivalent of Cambodia's Poverty Reduction Strategy Paper (PRSP), decentralisation and deconcentration (D&D) is considered a prerequisite for poverty reduction.

The Royal Government of Cambodia (RGC) faces two key challenges in implementing D&D. First, in the early stages of reform, RGC must minimize disruption to current arrangements for delivering support to sub-national levels, while implementing significant reforms defined by the current draft organic law when it is enacted. Second, RGC needs to harmonise and operationally align a wide range of development partner activities with the national D&D program as it emerges.

The Project to Support Democratic Development through Decentralisation and Deconcentration (PSDD) is designed to assist RGC to meet these D&D reform challenges. In so doing it will help RGC maintain the delicate balance between continuity and change, while continuing to strengthen service delivery and access in poor rural areas. The underlying principle of the PSDD is to support a government-led reform process. It is designed to be flexible and to respond to RGC's D&D reform programme as it evolves. Key milestones, such as passage of the organic law on D&D and formulation of the national programme, will trigger an appraisal of the PSDD and, where appropriate, adjustment of the programme so that it is in line with, and does not pre-empt, RGC policy.

The goal of the PSDD is to reduce poverty in Cambodia through support to D&D reform. The specific purpose of PSDD is to improve governance, service delivery and development for the rural poor. Progress will be realized by a focus on three objectives:

- Objective 1: strengthening local government systems and structures to enable better pro-poor investments;
- Objective 2: improving the quality, accessibility and equity of services at the subnational level; and
- Objective 3: prior to and following enactment of the organic law on D&D, supporting a more effective policy, legal, political, institutional and administrative framework that will give the poor greater access to and benefits from local services.

The project is jointly funded by Sida, DFID and UNDP. Approximately US\$34.8 million will be provided over a three-year period (2007-9). In the interim period before the establishment of the RGC D&D Fund, PSDD resources will be managed under a Basket Fund.

The project builds on the successes of the first generation of support – known as the Partnership for Local Governance (PLG) - provided by the same three partners under the RGC's Seila programme. Like PLG, the new programme will support the financial and managements systems and fiduciary assurances that enable RGC and an array development partners to target investments in service delivery and infrastructure at the subnational level. Over \$200mn from some ten donors was enabled by PLG support under the Seila framework between 2001 and 2006. By adopting common systems, the core advisory services provided under PLG have been able to provide harmonised support for the programming, budgeting, financing, implementation, monitoring, reporting and accountability for all sources of funds. The savings in technical assistance over the same period is conservatively estimated at \$12 million.

In the first year of the new programme, PSDD will enable some 14 donors to provide some \$55mn for improved service delivery and infrastructure in poor rural areas. It is estimated that approximately \$2 million will be saved by the continuation of harmonised programme support and technical advisory services facilitated by PSDD.

The new project will also continue to provide direct support to the local level through the RGC's Commune Sangkat Fund (C/S Fund), Provincial Investment Fund and the pilot District Initiative.

The CS Fund adopts many of the principles of general budget support and is one of the most efficient and transparent components of the national budget. The allocation formula developed for the Commune Sangkat Fund (C/S F) is a model for equitable distribution of investments. C/S F funds reach every commune in the country and flow in greater proportion to poorer areas. This is in line with the NSDP and has potential as a model for other development spending (for example the proposed District Development Fund). PSDD remains critical to its continued operation by supporting the Ministry of Economy and Finance's annual programme of the CS Fund allocations to individual communes, the National and Provincial Treasuries' financial accounting and reporting, the Ministry of Interior's design of annual training plans and national supervision of the Fund and the provincial advisers who provide technical support to all 1,621 commune councils throughout the year.

Responsibility for PSDD policy direction and implementation will rest with the National Committee for the Management of Decentralisation and Deconcentration Reform (NCDD), which is comprised of the Deputy Prime Minister and Minister of Interior (Chairman), the ministers of Council of Ministers, Economy & Finance, Rural Development, Planning, and Women's Affairs, Secretary of State of Secretariat of Public Functions, and Secretary of State of MOI.

PSDD implementation and management will be the responsibility of the Programme Support Team, including administration of sub-agreements with the NCDD working group or other national ministries/agencies, PSDD development partners, and sub-national authorities. PSDD will be managed by the Programme Support Team under NCDD secretariat and classified as a nationally implemented project. The Chair of Programme Support Team will be the *National Project Director* who will be responsible for the overall management of the development cooperation activities and for ensuring that the PSDD Project and other projects which it supports are managed in an effective and accountable manner including mobilization of inputs (personnel, goods and services).

PSDD will rely on NCDD resource management systems and procedures. The NCDD Annual Workplan and Budget (AWPB) is the resource allocation tool for programming D&D funds from RGC, PSDD, and other development partners. NCDD budget execution and expenditure management will be based on activity and output based contracts executed at various levels. Internal and external audit will be conducted. The joint Semi-Annual Performance Reviews (SAPRs) will be a key accountability mechanism for PSDD resources and will also provide feedback to levels of government, citizens and development partners on the AWPB performance and other D&D matters.

These mechanisms collectively provide some of the key information needed for monitoring and evaluating PSDD. The M&E system which is currently under revision will occur at three levels. First, monitoring efficiency of PSDD resource use will focus on efficiency in converting PSDD funds into activities. Second, M&E of the effectiveness of systems and resources utilised will assess AWPB execution and contribute to analysis during the six-monthly reviews of D&D performance. Third, impact evaluation will assess D&D impacts on sub-national governance and development and how these outcomes impact accountability, service delivery and poverty reduction.

Annex 3 Terms of Reference
Innovations for Decentralization and Local Development (IDLD)
Program Management Advisor

Post:	IDLD Program Management Advisor
Post number:	
Grade / Salary:	
Location:	Ministry of Interior, National Committee for the Management of Decentralization and Deconcentration Reforms (NCDD) Secretariat, Phnom Penh Cambodia
UNDP supervision	Overall supervision - UNDP Resident Representative
Local Technical Supervision	Ministry of Interior, Deputy Director General of the Directorate of Local Administration of MOI
UNCDF HQ Supervision:	Senior Technical Adviser New York
UNCDF Local Supervision	Regional Technical Advisor, Bangkok
Duration:	One year renewable
Duty station	Phnom Penh

Main purpose

To lead the UNCDF contribution to the Royal Government of Cambodia by supervising and supporting the implementation of the IDLD project through the NCDD Secretariat.

Key tasks:

1. Assist the NCDDS, Ministry of Interior (MOI) and the Ministry of Economy and Finance (MEF) to implement and monitor the IDLD project.
2. Contribute to national policy fora as requested, initiated, as well as required by the project document.
3. Advise and assist as required NCDDS on all aspects of decentralization policy, in the context of the Ministry's responsibility for policy co-ordination.
4. Represent UNCDF in-country and coordinate with Development Partners and in particular through the D&D Technical Working Group.
5. Develop a detailed workplan for the implementation of all IDLD components and activities, for approval by the NCDD Secretariat (NCDDS) and for inclusion in the NCDD Annual Workplan and Budget for 2008, 2009 and 2010.
6. For component 1- Promoting local innovations, thereby deepening the ongoing "District Initiative " and supporting the emergence of a 2-tier Local Authorities system:
 - Identify the pilot Districts and carry out a detailed design of the activities to be implemented under Component 1 of the IDLD including :
 - Develop the guidelines and procedures for the establishment of Interim District Councils (IDC)
 - Developing the models, rules of operation and incentives to be applied for the establishment of "horizontally integrated administrations" in pilot districts
 - Identifying opportunities in pilot districts for "delegation" of responsibilities from provincial departments to districts/communes for the delivery of specific services in the Education, Health, WSS and Agriculture sectors.
 - Supervise a study to develop an integrated Commune/District planning, programming and budgeting process.
 - Assist in the piloting of the "fiscal model" of the 2-tiers local authorities system, (tax assignments, transfers reform, development of district treasury capacity, use of commercial banks accounts by local authorities, etc.)
 - Develop TORs for short term consultancies necessary to implement component 1 and supervise the same.

- Provide training and supervision as required to the pilot districts and undertake regular field visits.
 - Develop detailed workplans for the pilot districts and coordinate the overall implementation with PSDD.
7. For component 2 - Fiscal decentralization:
- Assist with developing and implementing a workplan with the Ministry of Economy and Finance to coordinate IDLD activities and other fiscal decentralization activities funded through other sources: eg the World Bank.
 - Work with the NCDD and MEF to prepare TORs for short term consultancies and provide technical guidance to the advisers.
 - Assist the MEF to coordinate fiscal decentralization strategies and activities within the Public Financial Management Reform Program, the D&D Working Group of the MEF and with the NCDD Fiscal Decentralization Sub-Committee.
 - Provide supervision to the UNCDF Local Finance Advisor based in the MEF.
 - Coordinate with other policy advisors to the Royal Government on fiscal and financial decentralization issues.
- 5 For component 3 – Management Support to MOI and NCDD Secretariat:
- Work with the NCDD to ensure that overall management support is provided as required and the M&E activities are implemented.
- 6 General tasks:
- Prepare progress reports and presentations as required.
 - Liaise with the assigned UNCDF Program Manager (BKK) on all matters concerning the financial management of the program.
 - Liaise with the assigned UNDP Program Assistant on matters concerning the implementation through Atlas of the program.
 - Assist the UNCDF Program Manager (BKK) to revise the first year's UNCDF annual work plan and budget (AWPB in ATLAS), then prepare and revise each subsequent year's AWP.
 - Prepare budget revisions to the AWPB as required and coordinate with the UNCDF Program Manager (BKK) to have revisions entered and approved in ATLAS.
 - Perform any other duties, reasonably expected of a UNCDF project leader.
 - Provide assistance to other UNCDF efforts in the Asia/Pacific region as required.

Minimum qualifications and experience

- Master's degree in a social science or related subject, illustrating some knowledge of the technical role to be performed.
- At least ten years of professional experience in government reform, decentralization and local development, with at least four years in explicit 'reforming' work.
- Demonstrated ability to engage senior level decision-makers in policy dialogue regarding decentralization.
- Demonstrated ability to consult and work cooperatively with development partners.
- Some recent experience in project management and implementation.
- Fluency in written and spoken English essential.

Desirable additional knowledge and experience

- Advanced knowledge of decentralization and local development.
- Prior experience/knowledge of decentralization and sub-national finance in the Cambodian context is highly desirable.
- Working level knowledge of Khmer an advantage

Annex 4 Terms of Reference
Innovations for Decentralization and Local Development (IDLD)
National Local Finance Adviser

Post:	IDLD National Local Finance Advisor
Post number:	
Grade / Salary:	
Location:	Department of Local Finance (DoLF), Ministry of Economy and Finance, Cambodia and IDLD project office
Counterparts	Department of Local Finance (DoLF), Ministry of Economy and Finance.
UNDP supervision	Overall supervision - UNDP Country Office Programme Manager
UNCDF HQ Supervision	Senior Technical Adviser, BKK
UNCDF Local Supervision	IDLD Program Management Advisor
Duration:	One year renewable
Duty station	Phnom Penh with field work

Main purpose

The purpose of assignment will be to provide support in the implementation of the fiscal decentralization reforms and the district innovation components of the IDLD, and to assist the UNCDF IDLD Program Management Advisor and facilitate international consultants' interventions.

Key tasks:

- Provide support to the IDLD Program Management Advisor
- Provide support to the UNCDF short-term advisors to facilitate their work, as necessary.
- Provide support to the Ministry of Economy and Finance, Department of Local Finance (DLF) and prepare a joint workplan to implement IDLD fiscal decentralization activities as well as the WB funded activities on fiscal decentralization for 2008 and 2009.
- Ensure the workplan above is also discussed and agreed to with the NCDD and incorporated into the NCDD AWP 2008 and 2009.
- Assist the DLF to monitor and review their workplan on a regular basis (at least 6 monthly).
- Provide support to the Department of Local Finance (MEF) by compiling and analyzing commune-sangkat budget data, building both capacity within the Department of Local Finance as well as to draft the Commune-Sangkat Fiscal Review reports (namely the 2002-2006 CS Budget Fiscal Review and the draft 2007 Commune-Sangkat Annual Fiscal Review report).
- Strengthen Department of Local Finance by organizing and accompanying DLF officials (with MOI officials) to the field for monitoring the local level operations related to the Commune-Sangkat Fund and Commune-Sangkat financial management and service delivery.
- Provide support to the PFM Working Group on D&D.
- Assist in designing the national Fiscal Decentralization Seminar to be held in 2008.
- Assist in drafting and translating into Khmer all policy papers and technical documents developed under the responsibility of the UNCDF resident and non-resident advisors.
- Coordinate with the Ministry of Interior, the NCDD and other governments departments concerned with the decentralization reforms and facilitate the UNCDF advisors' contacts with them.
- Prepare monthly reports and provide these to the IDLD Programme Management Adviser as well as the DLF.
- Assist in reviewing and preparing TORs and providing comments on consultant's reports.
- Act as a link between UNCDF and UNDP Country Office.
- Other duties as requested by the IDLD Programme Management Adviser.

Minimum qualifications and experience

The suitable candidate for the position should have the following qualification and experience:

- University degree in finance, public administration, or economics
- At least 5 years of experience in the field of public finances
- Excellent inter-personal communication and facilitation skills and proficiency in the English language, and Khmer both written and oral.
- Ability to work in a multicultural, multidisciplinary team.
- The candidate should be a Cambodian National.

Desirable additional knowledge and experience

- Experience in fiscal decentralization an added advantage – either policy or operational levels.

Minimum qualifications and experience

- The suitable candidate for the position should have the following qualification and experience:
University degree in finance, public administration, or economics
- At least 5 years of experience in the field of public finances
- Excellent inter-personal communication and facilitation skills and proficiency in the English language, both written and oral.
- Ability to work in a multicultural, multidisciplinary team.
- The candidate should be a Cambodian National.

Desirable additional knowledge and experience

- Experience in fiscal decentralization an added advantage – either policy or operational levels.

Annex 5 Risks and Risk Mitigation

This table examines the risks and identifies some risk mitigation measures associated with the implementation of the IDLD project.

Potential risks	Risk Mitigation Measures	Risk Rating
i) The enabling regulation to describe the parameters of the IDLD project as well as permit the experiment are not prepared nor passed prior to project start up.	Maintain high level communications with MOI officials once the IDLD is approved by NCDD. Some start up activities such as studies can commence if there is a delay in the regulation.	M
ii) Delegation of functions to pilot districts, such as budgeting and financial reporting take longer than anticipated.	Maintain high level communications with MOI and MEF officials once the IDLD is approved by NCDD. These functions could initially be incorporated into the "enabling regulation".	
iii) SNDD program takes longer than projected to be formulated and finalized. This risk has been recorded as the IDLD project is funded for 2 years with a provision to be extended and realigned with the new national program for Sub-national Democratic Development (SNDD) when it is formulated in 2008. In addition the PSDD is funded until the end of 2009.	Maintain high levels of communication with PSDD and NCDD to ensure that UNCDF's piloting of innovations are incorporated into the design of the national program for SNDD. If there are delays of the formulation of the national program for SNDD, beyond 2010, then UNCDF will need to re-evaluate its financing and commitments to Cambodia.	M
iv) Capacity development and key staff positions at the district level are not present	Seek agreements with MOI that key positions are identified and staff are available. Explore possibilities of relocating staff from provinces to districts.	S
v) NCDD sub-committee on finance issues is not functioning and coordination of RILG extension and IDLD fiscal decentralization activities and inputs is not achieved.	Provide capacity development and support to the NCDD sub committee.	S
vi) The fiscal/financial model is approved, piloted, modified and revised	The fiscal/financial model is agreed to by MOI and MEF. Work closely with MEF, Treasury and MOI to describe and implement the objectives and technical details of the model.	S
vii) Service delivery pilots do not result in any tangible delegation of functions, staff or budgets.	Link the IDLD service delivery pilots to the UNDP, UNICEF and UNCDF regional study as much as possible. Make sure that service delivery pilots are agreed by respective Ministries.	M
viii) The National Election in 2008, delays the start-up and implementation of IDLD. Key staff in Ministries, provinces and districts could be less available for IDLD work during 2008.	Monitor the environment and maintain high level communications with senior RGC officials.	M

Rating: H (High); S (Substantial); M (Modest); N (Low or Negligible)

Annex 6 MOU Between UNDP and UNCDF

Memorandum of Understanding

Between

United Nations Capital Development Fund

and the

United Nations Development Program – Cambodia

This Memorandum of Understanding is concluded between the United Nations Capital Development Fund (UNCDF), represented by its Executive Secretary, and the United Nations Development Program (UNDP), represented by the Resident Representative of UNDP Cambodia, herein after known as the Parties. It covers the agreements between UNDP and UNCDF which relate specifically to support services provided by UNDP Cambodia country office, to enable UNCDF to implement projects.

Whereas, UNCDF agreed with the Royal Government of Cambodia to fund the Innovations for Decentralization and Local Development (IDLD) project for a period of 2 years from 2008 - 2009 to the amount of \$2,051,165. The IDLD will engage in the following 3 components/objectives:

1. Design and test a two-tier (Commune/District) model of local authority system
2. Advance the fiscal decentralization reform agenda
3. Provide management support to MOI and NCDD Secretariat and development of M&E framework.

Whereas, UNCDF is implementing this project with its own resources as well as cost share from Danida, some services will be required from the UNDP Country Office to ensure the overall implementation of the IDLD.

Now therefore the Parties agree to the following:

1. UNCDF agrees to finance the IDLD in accordance with the figures of the project document and for 2008 in accordance with annual workplans.
2. UNCDF with the NCDD Secretariat will manage the overall implementation of the activities outlined in annual workplans.
3. UNCDF will remunerate UNDP for the provision of services as outlined in the attachment in Annex 1, in accordance with the UNDP Universal Price List.
4. UNCDF will agree to cost share the salary of a UNDP based Program Assistant up to 25% of the total annual gross salary for 24 months during 2008 and 2009 by transferring the cost share to the UNDP account. This will enable coordination of the UNCDF - IDLD through the UNDP country office as well as provide support for the ATLAS functions as identified in Annex 2 to be undertaken by the UNDP country office on behalf of UNCDF.

In Witness Whereof, the duly authorized representatives of the parties affix their signatures below:

For UNCDF

For UNDP

Executive Secretary


Resident Representative, Cambodia

Date:

Date:

Annex 1 UNDP 2006 Universal Price List

Valid as of 1 February 2006



UNDP 2006 UNIVERSAL PRICE LIST
FOR COUNTRY OFFICE SERVICES TO UN AGENCIES AND PROGRAMMES

(FOR COUNTRY OFFICE COST BANDS REFER TO PAGE 3 OF THIS DOCUMENT)

(All prices are USD)

Service ¹ (see service notes overleaf)	High Cost	Mid-High Cost	Mid-Low Cost	Low Cost	Liaison
Payment Process ²	19.02	12.19	9.44	6.16	39.60
Issue check only (Atlas Agencies)	5.45	3.49	2.70	1.76	11.38
Vendor profile only (Atlas Agencies only)	8.67	5.56	4.29	2.78	18.20
Staff selection and recruitment process	292.73	188.80	143.06	90.01	639.78
Advertising (20%)	58.55	37.76	28.61	18.00	127.96
Short-listing (40%)	117.09	75.52	57.22	36.01	255.91
Interviewing (40%) ³	117.09	75.52	57.22	36.01	255.91
Staff HR & Benefits Administration & Management ⁴ (one time fee, per staff. Service incl. contract issuance, UNJPF/MIP enrollment, payroll setup - Starting 2006 this price applies to the separation process as well)	108.02	69.14	53.73	35.23	223.14
Recurrent personnel management services: Staff Payroll & Banking Administration & Management ⁵ (per staff, per calendar year)	264.40	170.77	128.79	80.41	583.61
Payroll validation, disbursement (35%)	92.54	59.77	45.08	28.14	204.26
Performance evaluation (30%)	79.32	51.23	38.64	24.12	175.08
Extension, promotion, entitlements (30%)	79.32	51.23	38.64	24.12	175.08
Leave monitoring (5%)	13.22	8.54	6.44	4.02	29.18
Consultant recruitment	119.90	76.76	59.61	39.03	248.15
Advertising (20%)	23.98	15.35	11.92	7.81	49.63
Short-listing & selection (40%)	47.96	30.71	23.84	15.61	99.26
Contract issuance (40%)	47.96	30.71	23.84	15.61	99.26
Issue/Renew IDs (UN LP, UN ID, etc.)	23.04	14.75	11.44	7.48	47.80
Local driver's licenses (full process)	29.73	19.03	14.78	9.69	61.47
Accreditation w. government	29.73	19.03	14.78	9.69	61.47
Vehicle registration (full process)	29.73	19.03	14.78	9.69	61.47
Visa request (excl. government fee)	20.55	13.18	10.17	6.58	43.21
Ticket request (booking, purchase)	25.01	16.04	12.39	8.05	52.33
Travel authorization	20.55	13.18	10.17	6.58	43.21
Hotel reservation	11.15	7.13	5.57	3.68	22.79
F10 settlement	13.67	8.77	6.77	4.39	28.66
Procurement process involving CAP (and/or ITB, RFP requirements)⁶	232.55	149.64	114.28	72.84	499.65
Identification & selection (50%) ³	116.28	74.82	57.14	36.42	249.83
Contracting/issue purchase order (25%)	58.14	37.41	28.57	18.21	124.91
Follow-up (25%)	58.14	37.41	28.57	18.21	124.91
Procurement not involving CAP (low value procurement, local)	71.02	45.54	35.18	22.84	148.77
Identification & selection ⁴ (50%)	35.51	22.77	17.59	11.42	74.39
Issue purchase order (25%)	17.75	11.39	8.79	5.71	37.19
Follow-up (25%)	17.75	11.39	8.79	5.71	37.19
Disposal of equipment ³	98.51	63.28	48.59	31.25	209.11
Custom clearance	36.38	23.37	17.94	11.54	77.28
Shipment arrangement	61.43	39.34	30.52	19.95	127.47
Fellowship package (per participant)	66.84	42.90	33.04	21.35	140.98
AR Management Process (create/apply receivable pending item-Atlas Agencies Only)	7.68	4.92	3.81	2.49	15.93

Annex 2

Tasks/Activities in Accordance with IDLD Workplan for 2008	Who/Agency	Where	<u>Additional Roles and responsibilities in ATLAS UNCDF BU</u>
<u>National short term consultants</u>			
- TOR preparation	UNCDF PM and CTA	BKK and PNP	
- advertising post	UNCDF PM and UNDP PA to HR	BKK and PNP	Advertising post through HR and or UNDP BKK
- recruitment	UNCDF PM and UNDP PA → HR	BKK and PNP	
- management of contract	UNCDF PM and UNDP HR	BKK and PNP	
- performance evaluation	UNCDF PM and CTA	BKK and PNP	
- in country logistics - eg vehicle hire, others	UNDP PA	PNP	UNCDF PM BKK provides COA to UNDP PA. UNDP PA raises PO in UNCDF BU and requests UNCDF PM BKK to approve.
- if new vendor – vendor raised by	UNCDF	BKK	If new vendor in CMB, UNDP PA complete vendor Form send to UNCDF BKK for approval
- if new vendor – vendor approved by	UNCDF	NY	
- monthly payment	UNCDF and UNDP PA and Finance	BKK and PNP	UNCDF requests monthly payment through UNDP CO. UNDP PA raise JV for UNCDF in BKK approval
- local travel and DSA payments	UNCDF and UNDP PA and finance	BKK and PNP	UNCDF PM BKK provides COA to UNDP PA. UNDP PA raise JV for UNCDF in BKK approval. UNCDF approves travel requests and DSA payments and requests payments through UNDP CO.
<u>Workshops and training</u>			
- local travel and DSA payments, air tickets	UNCDF and UNDP PA and finance	BKK and PNP	UNCDF PM BKK provides COA to UNDP PA for JV. UNCDF approves travel requests and DSA payments and requests payments through UNDP CO.
- in country logistics - eg vehicle hire, venue hire	UNDP PA	PNP	UNCDF PM BKK provides COA to UNDP PA. UNDP PA raises requisition and JV in UNCDF BU and requests UNCDF PM BKK to approve.
<u>International short term consultants</u>			
- TOR preparation	UNCDF PM and CTA	BKK and PNP	
- competitive review and CAP as required	UNCDF PM	BKK	BKK send to NY if > \$30,000
- recruitment	UNCDF PM	BKK	
- management of contract	UNCDF PM	BKK	
- performance evaluation and COP	UNCDF PM and CTA	BKK and PNP	
- in country logistics - eg vehicle hire	UNDP PA	PNP	UNCDF PM BKK provides COA to UNDP PA. UNDP PA raises JV in UNCDF BU and requests UNCDF PM BKK to approve.

- if new vendor – vendor raised by	UNCDF	BKK	
- if new vendor – vendor approved by	UNCDF	NY	
- payments	UNCDF	BKK	
- local travel air tickets and DSA payments	UNCDF and UNDP PA and finance	BKK	UNCDF PM BKK approved travel and cc to UNDP PM. COA provided by UNCDF to UNDP PA. UNCDF approves travel requests and DSA payments and requests payments through UNDP CO.
<u>Procurement goods (low value, local)</u>			
- specification	UNCDF PM/CTA	BKK and PNP	
- identification and selection	Through UNDP procurement unit	PNP	UNCDF PM BKK provides COA to UNDP PA. UNDP PA raises JV in UNCDF BU and requests UNCDF PM BKK to approve.
- raise requisition	UNDP PA/Procurement Unit to dispatch to PO	PNP	Approve the above by UNCDF in BKK
- follow up	UNDP PA	PNP	
- inventory	UNDP PA	PNP	Reporting to UNCDF PM in Bangkok
<u>Staff recurrent HR management</u>			
- monthly time sheets of staff on UN contracts and payroll validation	UNDP CO HR	PNP	
- performance evaluation	UNCDF PM /CTA	PNP	Complete the evaluation Form by UNCDF PM
- leave monitoring	UNDP HR	PNP	UNDP CO HR keep all records
<u>Communication</u>			
Support Donors Report processes	UNCDF CTA and UNDP PA	PNP	Maintenance of update records on relevant cost-sharing agreement to facilitate the identification of contributions and the submission of progress, financial and financial reporting to donors.
Communication Roles on Project Operation	UNDP PA	PNP	Reporting to UNCDF PM /CTA, timely response to ad-hoc request for information from UNCDF
Maintenance of filing system and use of automated filing system for the project.	UNDP PA	PNP	Maintenance of records on Partnership interactions. Sharing the automated filing system with UNCDF PM/CTA on regular basis
<u>Project Financial Management</u>			
Timely Project Budget in ATLAS	UNCDF PM	BKK	Responsible for all ATLAS project budget revisions and share with UNCDF PM and UNDP PA. UNCDF TA approves the revised budget.
ATLAS Reporting (project balance, details expenditures)	UNDP PA	PNP	Reporting to UNCDF PM /CTA