



Royal Government of Cambodia



Cambodia

United Nations Development Programme
European Commission

STRENGTHENING DEMOCRATIC AND DECENTRALIZED LOCAL GOVERNANCE IN CAMBODIA: BUILDING LOCAL CAPACITY THROUGH NETWORKING AND LOCAL - LOCAL COOPERATION

Brief description

The project aims to contribute to poverty reduction in Cambodia by strengthening democratic and decentralized local governance institutions, systems, mechanisms and processes. It intends to strengthen local democratization and development processes through co-operation between commune councils and other stakeholders for more effective and responsive local governance policies and greater local ownership, participation, civic engagement, and implementation of pro-poor inter-commune projects.

The project will be implemented through UNDP who will be directly responsible and accountable to the EC for the achievement of project objectives, and the proper use of financial resources contributed by EC to the project. A partnership approach to implementation will be pursued as a general approach, developing partnerships with various stakeholders involving national and sub-national government entities, CSOs/NGOs, private sector, and local citizens or user groups, and donors implementing similar D&D initiatives.

Implementation partnership will be developed principally with the Ministry of Interior (MOI), in particular with the Department of Local Administration (DoLA). As the principal implementing partner for this project, MOI will be responsible for ensuring the consistency of the project outputs to the RGC D&D reform program. This implementation partnership shall be assessed at the end of the first year of project implementation and updated once the D&D reform institutions are established by the organic law(s) currently formulated and expected to be passed during the project's first year of implementation.

Total Cost: **Euro 10.5 million**
Duration of project: **60 Months**

November 2005

SIGNATURE PAGE

Country: Cambodia

UNDAF Outcome(s)/Indicator(s): By 2010, achieve significant progress towards effective participation of citizens, accountability and integrity of Government in public decision making and policy implementation for the full realization of human rights, and meeting the country MDGs.

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

(5) Increased efficiency and effectiveness of the public administration to deliver basic services.

Indicator (s): (1) 600 communes practicing participatory planning;
(5) 1621 Communes deliver public goods and services

Expected Output(s)/Annual Targets: The project will use commune councils as entry point to achieve three complementary expected results, namely:

- Clearly defined and operational mechanisms and increased capacity put in place for good communication, accountability, dialogue, and partnership between commune councils and all other stakeholders to address issues of local governance;
- Network of commune/Sangkat councils (CC) established with institutional guidelines, and long-term objective to create a National League of Commune/Sangkat Councils (NLC/S), for improved co-operation among commune councils and other actors and promotion of good conduct and practices;
- Local area development needs addressed through implementation of pro-poor inter-commune projects as a means of developing good management capacity, processes and practices.

Implementing Partner: The Ministry of Interior (MOI)

Other Partners: Commune/Sangkat Council Associations (NLC/S & PAC/S)

Programme Period: 2006-2010
 Programme Component: Fostering Democratic Governance
 Project Title: **BUILDING LOCAL CAPACITY THROUGH NETWORKING AND LOCAL-LOCAL COOPERATION**
 Project ID: _____
 Project Duration: 2006-2010
 Management Arrangement: Government Implementation

Budget	in Euro
General Management Support Fee 7%	
Total budget:	10.5 million
Allocated resources:	...
• Government	in-kind
• UNDP's Regular	0.5 million
• Other (EC):	10 million
• In kind contributions	_____
Unfunded budget:	

Agreed by:

Government : H.E. Mr. Keat Chhon, Senior Minister
 Ministry of Economy and Finance,
 First vice-chairman of the CDC.....

Implementing Partner : H.E Mr. Prum Sokha,
 Secretary of State
 Ministry of Interior.....

UNDP: Mr. Douglas Gardner
 Resident Representative.....

05 JAN 2006

THE PROJECT

1. DESCRIPTION

1.1 Title: STRENGTHENING DEMOCRATIC AND DECENTRALIZED LOCAL GOVERNANCE IN CAMBODIA: BUILDING LOCAL CAPACITY THROUGH NETWORKING AND LOCAL - LOCAL COOPERATION

1.2 Location(s): Nationwide with piloting in selected communes of five provinces; Phnom Penh/Kandal; Sihanoukville; Battambang; Siem Reap and Kampong Cham, serving as “regional centers” for further geographical expansion.

1.3 Summary

The project aims to contribute to poverty reduction in Cambodia by strengthening democratic local governance institutions, systems, mechanism and processes.

This will be achieved by strengthening the role and capacity of commune councils (CCs) through the setting up of a network of commune council; the establishment of functioning voice and accountability mechanisms, and the promotion of inter-commune cooperation.

Partnerships will be developed with various stakeholders in the decentralization process through joint implementation, advocacy, information exchange and resource sharing.

The project’s coverage is national in scope with pilots implemented in selected provinces. The expansion of implementation coverage will be in phases and informed by results of pilot initiatives in selected provinces.

The project is for a period of 5 years commencing **January 2006 until end of 2010.**

1.4 Objectives and project purpose

The general objective of the project is to contribute to poverty reduction by strengthening democratic and decentralized local governance institutions, systems, mechanisms and processes.

To strengthen local democratization process and development through co-operation between commune councils and other stakeholders for more effective and responsive policies, greater local ownership, participation, civic engagement, and implementation of pro-poor inter-commune projects.

1.5 Justification

i) Background and analysis of situation

The Royal Government of Cambodia (RGC) views the promotion of good governance as an essential prerequisite to sustainable socio-economic development and social justice. One of the key policies in the government’s reform agenda is decentralization. Decentralization is a relatively new policy reform process in Cambodia. It was formally adopted as a priority reform agenda of the RGC in 2001 with the enactment of two complementary laws on: the *Law on the Election of Commune / Sangkat*

Councils and the Law on Administration and Management of Communes/ Sangkat or “Commune Law”. The Commune Law establishes commune councils as legal entity¹ and defines the roles, powers and functions, structure, and mechanisms established by the RGC to regulate the affairs of CCs. The election of commune councils (CCs) in February 2002 marked the first ever local election in the country’s history since the 1950s.

The first two years of decentralization can be characterized as an establishment phase in a country with no previous experience of democratic governance at the local level. During this period, various policy guidelines, systems, procedures, and structures to support the implementation of decentralization were introduced.

While much progress has been achieved the reform process confronts a number of continuing and emerging challenges. The following paragraphs highlight some of the specific key challenges facing decentralization process in Cambodia that are of direct relevance to the present project proposal.

Weak capacity. Weak capacity of the public sector is a major and continuing challenge in Cambodia. It is pervasive in all levels of the bureaucracy. The problem is compounded by the low level of public sector salaries, average between riels 80,000 and 120,000 a month (\$20-\$30 a month/16-24€ a month), which makes it extremely difficult to hire and retain qualified staff in the civil service. The capacity of commune councils, in particular, is generally low. Majority of commune council members lack sufficient educational qualifications and skills to enable them to effectively perform their mandated tasks. Although councilors are required by law to be literate, many of them are not at a level that is functional. While intensive training has been conducted the past two years to develop the capacity of councilors as well as commune clerks and national, provincial and district staffs, continuing training remains a critical priority.

In order to enhance the effectiveness of training activities, a number of issues have to be addressed. One is the lack of permanent training arrangements. Training activities conducted the past two years were gap filling and short-term in orientation. There is no comprehensive training approach based on a long-term capacity development strategy framework. From a more general type of training, training activities need to be targeted to specific individuals who actually perform specific tasks. Training also needs to be increasingly oriented to developing skills and competency of CC members to address local concerns. Since the training is based on existing administrative or procedural requirements as contained in the various regulations, simplifying these various regulations can help simplify the training content. Capacity development should not be limited to training per se but should cover a broad range of capacity development activities such as activities aimed as enhancing the understanding and level of awareness on both policy and development issues, facilitating exchange of information, and strengthening the capacity of various stakeholders for civic engagement through dialogues and voice mechanisms, among others.

Lack of effective mechanisms for development dialogue. The weakness of CCs also results from inadequate access to information on development issues. The existing mechanism for policy development for decentralization is centralized and top down. The direct inputs of the general public into policy making, the poor in particular, is extremely limited. Indeed, the kind of systematic internal consultations or opportunities for suggestions from lower tiers of administration which are found in

¹ The Constitution divides the territory of Cambodia into provinces and municipalities. There are currently 20 provinces (khett) and four municipalities (krong). Each province / municipality is divided into districts (*srok*), and each district into communes (*khum*). Each municipality is divided into sections (*khans*); each section into quarters (*sangkat*). The Constitution stipulates that provinces, districts, sections, communes and quarters be governed according to an organic law. At present only the national government and communes, are governed by an organic law – the *Law on Administration and Management of Commune/ Sangkat (Commune Law)*

other countries are rare if not totally absent in Cambodia. There are efforts to institutionalize citizens' participation in local planning and public sector management. The commune council planning and budgeting committee is an example. Other examples include local participatory fora set up to provide input into local resource and service management (e.g. Village Health Committees, District Management Committees) and to discuss issues and coordinate initiatives among NGOs and sub-national authorities (e.g. Provincial Development Forum). But these initiatives are ad hoc, fragmented and not systematically linked to national policy processes. There are no structured mechanisms and opportunity for commune councils to exchange views on their respective experiences, and to provide feedback to issues that affect them. Commune councils have very limited opportunities to interact with sub-national authorities, civil society organizations let alone national policymaker to discuss issues and articulate their needs. The absence of effective mechanisms that are linked to national processes blocks opportunities for valuable lessons learned from the ground to inform the design of policies in general, and decentralization in particular.

Inadequate financial resources. The Commune / Sangkat Fund (CS Fund) is the inter-governmental fiscal transfer mechanism to support the implementation of commune level investment projects identified through a participatory planning process. Own-sources of revenues and the system for their implementation is yet to be developed. Thus, CCs rely exclusively on fiscal transfers through the CS Fund. In 2003 the CS Fund budget was riels 51,419 million around \$12.8 Million (10,5 million €) or an average of riels 31,720,542 around \$7,930 per commune (5,747 €) of which, national budget contribution was riels 43,619 million around \$10.8 million and donors contribution (UNDP/DfID/Sida) through the Seila program was \$2 Million – this is the currency used; the bank account is in USD – ref. annex 10. The average size per commune is considered low and inadequate relative to the needs of communes. This is further compounded by the delayed release in CS Fund allocation due to the government's fiscal problems. As end 2003, only 43% of the CC allocation for development activities was released. The situation has created much frustration both among CCs and local contractors. International development experience demonstrates convincingly that decentralization that is not backed by reliable financial resources (through transfers and own revenue) will not succeed.

The present allocations to CCs are only for commune-level projects. Many development issues are inter-commune in nature and require inter-commune cooperation. Examples include land disputes, resource management, and various service deliveries such as health, education, and agricultural extension, among others. Supporting inter-commune undertakings can facilitate local area development by improving local economic infrastructure, improve access to markets and can generate potential revenues to communities. The implementation of inter-commune activities also facilitates capacity development for civic engagement through dialogues and interaction among stakeholders. An important aspect of the engagement is that it provides an opportunity to develop leadership qualities and or develop local leaders.

ii. Reasons for UNDP assistance

UNDP views decentralization reform as a key entry point to strengthening the foundation for democratic governance. Decentralization reform in Cambodia is at an early stage. It is in the process of consolidation. This process is supported by a number of donor initiatives and programs aimed at further strengthening the capacity of commune councils and deepening the reform process.

UNDP has a long history and partnership with the RGC in supporting local governance reform and decentralization. This partnership dates back to the CARERE2 project in 1996 which helped support the development of the Royal Government's Seila program. UNDP in partnership with the United Nations Capital Development Fund (UNCDF) and later on with GTZ was instrumental in the

development of the legal framework for commune council election (Commune Election Law) and the Commune Law.

Under the on-going Partnership for Local Governance (PLG) project (2001-2005), UNDP in partnership with Sida and DfID is supporting the implementation of decentralization through the development of policies, systems, procedures, structures and mechanism, and the mobilization of resources through the Seila program. The PLG provides the core advisory and implementation support to the Seila program through its network of teams advisors in all provinces.

Through the Decentralization Support Project (DSP), UNDP is supporting the Ministry of Interior inter alia: (i) lay the groundwork for the establishment of a national association of commune council; (ii) pilot inter-commune joint undertakings; and (iii) support the formulation of policy framework for provincial/municipal governance system.

Among donors in Cambodia, UNDP is uniquely positioned to support the implementation of the proposed project in view of its experience and insights. Its on-going initiatives on decentralization which are of direct relevance to the proposed project and other initiatives on governance and economic management provide strong platform for the proposed project to build on and leverage the project results.

1.6 Project Strategy

Strengthening democratic and decentralized local governance requires a multi-faceted approach. In the context of Cambodia where the governance system is characterized by weak governance institutions, poorly functioning systems and structures, serious capacity constraint at all levels, and dominated by a strong and highly centralized state, strengthening the governance system requires a combination of interventions at various levels. These interventions should be aimed at enabling, directly or indirectly, the various elements of the system to exercise their functions by facilitating the creation of an environment that promotes practices, behavior, and results that are associated with good governance.

To address the identified gaps, the UNDP strategy for the proposed project will use commune councils as entry point to implement three complementary interventions, namely:

- the creation of voice and accountability mechanisms to improve dialogues, promote partnerships and accountability, and facilitate capacity development
- the creation of a network of commune councils at the provincial and national levels as an institution to strengthen the role of CCs in the decentralization process; and
- support to pro-poor inter-commune projects or joint undertakings to contribute to local area development.

To provide a structured venue for engagement and dialogue among CCs and their constituencies as well as other stakeholders the project will support the establishment of various 'voice' mechanisms in the form of multi-stakeholder, national and provincial and or district forums. These voice mechanisms are expected to strengthen capacity for civic engagement by facilitating broad interaction, promoting dialogue, partnership, accountability and learning among various different actors, namely, national and local authorities, civil society organizations / non-government organizations (NGOs), private sector, CCs, and local citizens. Learning and interaction through peer-to-peer exchanges in the form of cross-visits or local study tours will be supported and facilitated. Exchange visits are an effective mechanism for learning and problem solving because councilors can learn from the experiences of their peers who face similar problems and constraints.

In addition, to promote and encourage local initiatives and innovation a recognition system that highlights ‘innovations’ and or initiatives that are introduced to address local concerns will be developed and tested. These initiatives may involve single commune initiatives, user groups, and or in partnership with other communes, civil society organizations, and other stakeholders. A recognition system can help promote good local governance practices by increasing the level of awareness of citizens to local developments. Experience in other countries, for instance, the Philippines, suggests that citizens are able to demand greater accountability and improved performance from local officials if they have access to information that demonstrate how other local officials / governments are able to effectively respond to local concerns. This generates or creates pressure for improved performance and accountability from local officials.

The project will facilitate the establishment of a network of provincial commune councils leading to the establishment of an autonomous national association of commune councils (NACC). To develop a NACC, a step by step (district, province, national) approach will be taken to develop and build the capacity of network of commune councils at the provincial level. As the network is developed, it is expected to provide an organizational structure for the CCs to communicate, cooperate with and learn from each other. The network will be the organizational mechanism for representing and articulating the needs and interest of commune councils in the policy process. The incremental or step-by-step development of an association of CC will provide communes with the mechanism to identify and address their needs through improved flow of communications, training resources, and services.

Support to inter-commune joint undertakings will provide an opportunity for communes to address common concerns and foster cooperation. Moreover, there maybe undertakings that provide opportunities for generating revenues which can only be viable at an inter-commune level because of various reasons such as economies of scale or because of jurisdictional or territorial issues. Pilot-testing systems for supporting the implementation of inter-commune projects will be valuable in informing the envisaged reforms at the provincial level. Lessons learned from implementing inter-commune investment projects or inter-commune cooperation can help inform the existing systems and procedures for provincial planning, programming, budgeting, and the support structure for implementing inter-commune projects. Responsibility for inter-commune investment projects and cooperation are potential functions that the RGC may consider in the formulation of a policy framework and organic law for the province.

Capacity development is integrated in all the proposed interventions. It will take various forms. It includes the acquisition of knowledge through training at the individual level as well as developing institutional capacity of the network of CCs, and the various national and sub-national bodies supporting the decentralization reform process.

Project activities of all the three components will build on relevant experience acquired by the UNDP implemented projects DSP and PLG and will complement each other activities for increased impact on functioning decentralization process towards poverty reduction.

1.7 Detailed description of activities

This section describes the activities to be undertaken to achieve the expected results of the project. Links to on-going projects of other donors, and NGOs will be identified and discussed.

- **Result 1. Clearly defined and operational mechanisms and increased capacity put in place for good communication, accountability, dialogue, and partnership between commune councils and all other stakeholders to address issues of local governance**

Activities:

- 1.1 Organize and facilitate the conduct of District and Provincial Forums of CCs and among CCs & sub-national authorities, CSOs/NGOs, citizens & other stakeholders**
- 1.2 Undertake a pilot implementation of a recognition system for good local governance practices & innovations for CCs and other stakeholders**
- 1.3 Establish, organize and facilitate the implementation of a local-to-local exchange program for CCs, local authorities, CSOs, and local citizens**

This component of the proposed project aims to establish various voice, accountability and learning mechanisms to strengthen civic engagement and facilitate capacity development. Structured district and provincial forums will be established as venue for dialogue, to discuss policy issues, generate insights from local level experience, and as mechanisms for resolving issues that require multi-stakeholder discussion and partnerships. Local forums will consist of multi-stakeholder forums involving CCs, provincial and district authorities, civil society organizations, private sector and local citizens. Suggested policy recommendations, refinements in the regulatory framework (e.g. roles and functions of commune committees, reporting requirements, etc) and other relevant issues generated from these forums will be synthesized and feed into the national congress of CCs and in the relevant national policy process. These forums will be also provide valuable feedback mechanism on the implementation of the decentralization reform and the dissemination of information on new regulations and good practice experience.

A recognition system for local governance will be developed based on consultations with CCs and local bodies. It will be pilot tested and adapted to take into account the local governance situation in Cambodia. Good local governance initiatives will be identified and recognized. These practices will be documented, disseminated and promoted through various means, e.g. newsletters, electronic website, forums, exchange visits and or through video and radio. The latter has been found to be an extremely effective instrument for information dissemination and advocacy given the predominantly oral tradition of the Cambodian society. Exchange visits between CCs and local authorities will be promoted and supported. Exchange visits if designed properly are effective mechanisms for learning and adoption of innovations. The effects of these mechanisms in promoting dialogues, enhancing civic engagement, promoting learning and capacity development will be assessed to draw lessons learned.

Activities implemented in this component will be linked with and build on complementary initiatives under the Commune Council Support Project (CCSP), the Working Group on Decentralization Partnership, and Decentralization Forum coordinated by PACT, the EC-fund Asia Urbs projects (Konrad Adenauer Foundation), and activities on local governance implemented by GTZ in the two provinces of Kampot and Kampong Thom.

- **Result 2. Network of commune councils established with institutional guidelines, and long-term objective to create a NACC, for improved co-operation among commune councils and other actors and promotion of good conduct and practices**

Activities:

- 2.1 Establish a functioning network promotion and support unit (NPSU) to support the activities of the network of CCs**

- 2.2 Undertake activities for the formation of a Network of Commune Councils at the Provincial / Municipal levels in support of the establishment of at National Association of Commune Councils (NACC) in Cambodia**
- 2.3 Develop the capacity of members of commune council network and NPSU for policy dialogue and advocacy, promotion of inter-commune cooperation, exchange of information, management and implementation of network of CC affairs, etc**
- 2.4 Organize and facilitate the conduct of Provincial and Annual National Congress of Commune Councils**

This component will initiate the formation of a provincial network of commune councils through a step-by-step approach. Consultations with various stakeholders both at the national and provincial levels will be held. A review of their capacity will be conducted to assess potential for partnership with the proposed project. Results from these consultations will help inform the formulation of a strategy for initiating the establishment of CCs network.

An initial 5 provinces / municipalities will be selected as pilot provinces. These provinces / municipalities are Battambang, Siem Reap, Kampong Cham, Phnom Penh/Kandal and Sihanoukville. These provinces / municipalities serve as ‘regional centers’ with large population centers and urban characteristics (See Map of Cambodia). They will serve as potential nodes for future expansion in neighboring provinces. In these provinces, commune council chiefs with adequate qualifications, potential leadership qualities and willingness to be ‘champions’ for the network of CCs will be identified. These provincial champions will be tapped for the advocacy work and recruitment of commune councils to build up the membership base of the network. The provincial network will be supported by a secretariat (called network promotion and support unit –NPSU). Staff recruited by the project will form the core staff of the NPSU. The NPSU staff will coordinate the implementation of the activities of the provincial networks. Provincial champions and NPSU staff will be supported by the project through in-house mentoring by advisors, training and related capacity development activities such as exposure visits in other countries to learn about local government associations and develop network with their counterparts. The NPSU, with the technical supervision from advisors will formulate and implement a policy research agenda, information and communication strategy, and an advocacy and networking strategy in support of the network of CCs.

To establish the organization framework of the national association of CCs (NACC), internal rules and working procedures, guidelines for the selection of provincial network members and officials, and a draft charter will be developed and discussed with network members through various provincial consultations. A program and financing strategy will be formulated to identify options for the establishment of a national association and its secretariat as an autonomous body.

Provincial forums of CCs will be organized in all provinces to discuss issues, exchange experiences, suggest recommendations on the implementation of the Commune Law, as well as articulate local needs. These results will be synthesized into a common agenda framework and presented at the annual National Congress of Commune Council. The National Congress of Commune Councils will serve as the venue for policy dialogue between the national government agencies and commune councils.

Project activities will be linked with the EC-supported Asia Urbs Project in the provinces of Siem Reap and Battambang. Links with the International Union of Local Authorities (IULA) and similar national association of local governments in Asia and other countries (e.g. Denmark/NALAD)

will be established to develop network and possible twinning arrangements to develop capacity of the NCC and the NPSU.

- **Result 3. Local area development needs addressed through implementation of pro-poor inter-commune projects as a means of developing good management capacity, processes and practices**

Activities:

- 3.1 Develop and undertake adaptation of systems and procedures for identifying, formulating, implementing, monitoring and evaluating pro-poor inter-commune projects and joint undertakings**
- 3.2 Conduct capacity development activities for support to and implementation of pro-poor inter-commune projects**
- 3.3 Identify, fund and implement pro-poor inter-commune development cooperation project**
- 3.4 Conduct analytical studies and policy analysis to identify issues, develop policies and options to further advance decentralization reform implementation and improve coordination between the RGC, local authorities, donors, CSOs, CCs and other stakeholders.**

The activities to be implemented under this component are aimed at promoting local development through the implementation of inter-commune development projects and cooperation. Inter-commune cooperation involves not only building local economic and social infrastructure projects, e.g. rural roads, small scale irrigations, school building, health centers. They also cover activities such as conflict resolution, natural resource management, waste management, disaster management and mitigation, and land disputes, among others. Example of inter-commune projects identified in the two pilot DSP provinces (Kandal and Sihanoukville) includes mostly local economic infrastructure such as laterite rural roads, protected dams, irrigation, school building and vocational training center, among others. DSP has pegged \$25,000 (20,525 €) as ceiling for inter-commune projects. Majority of the projects funded under the Seila program Provincial Investment Fund (PIF) are in the range between \$15,000 to \$50,000 – this is the currency used, ref. above. \$25,000 per inter-commune project appears to be reasonable indicative level. However, flexibility should be provided to allow support to bigger projects with potentially significant impact on local communities. Assuming a range of EUR. 20,525- EUR. 41,000 or around \$25,000- \$50,000 as ceiling per project and assuming an indicative allocation of EUR. 5.38 million for inter-commune projects, the project can potentially support between 130-250 inter-commune projects over five years.

Project activities will involve review of the existing system and regulations for commune planning, financing and implementation, and identify ways of introducing adaptation for implementing inter-commune projects (see attachment 9). The review and adaptation will be informed by the on-going pilot in the two provinces under the UNDP Decentralization Support Project, as well as insights from the experience of the Seila program. Based on the results of these review, the project will need to address such issues as: the types of projects to be supported, ceiling per project, capacity development activities that need to be conducted, the roles and functions of various CCs, citizens, and agencies, and the financial mechanism used to disburse funds, etc.

The existing financial transfer mechanism for commune council investments is the CS Fund mechanism. An alternative mechanism put in place within the Seila program framework is through

commercial banks with the financial management implemented by the finance unit of the Provincial Rural Development Committee. The project will assess the suitability of these options for inter-commune projects. Particular attention will be on accountability issue and avoiding the creation of parallel mechanism.

In considering the financial disbursement mechanism, it is important that the project keeps an eye on the RGC's envisaged reforms on the public financial management system. In this regard, it is important that the project links with a number of existing projects (UNDP/PLG, DSP and with the Public Financial Management Reform initiatives supported by ADB, WB, DfID, IMF and UNDP) to ensure the project is always to anticipate developments and adjust accordingly.

The project will also support analytical work and policy analysis. The policy analysis will be used to provide inputs into the policy development process to support decentralization reform. It is expected that there will be fundamental policy changes during the project life. These include envisaged reforms in the provincial and municipal system, the development of own-source revenues, the definition of the role of communes in service delivery, and possible changes in commune boundary through amalgamation. Preparatory ground work are already being conducted on these issues. All these have important implications on the project. Accordingly, it is important that the project is designed with sufficient flexibility to respond to emerging policy concerns by actively informing the development of decentralization policy.

1.7 Methodology

i. Overall management and implementation arrangement.

The project will be managed by UNDP who will be directly responsible and accountable to the EC for the achievement of project objectives, and the proper use of financial resources contributed by EC to the project.

A partnership approach to implementation will be pursued as a general approach since it offers a number of advantages and benefits. Developing partnerships with various stakeholders involving national and sub-national government entities, CSOs/NGOs, private sector, and local citizens, will assist in broadening the base of constituency for reforms. It will strengthen the CCs network advocacy and enhance its policy influence to higher levels of government.

Second, developing partnerships will enable the project to take advantage of the existing local or in-situ capacity and experience that potential partners such as NGOs have developed over the years. It will facilitate the implementation of project activities, makes for a more cost-effective alternative, and will provide an opportunity for developing and or sustaining local capacity development activities.

To help guide and provide overall direction to the project as well as mobilize support, a project steering committee will be formed. The project steering committee shall consist of representatives of UNDP, European Commission, MOI, selected ministries, invited members from NGOs / Civil Society Organizations (e.g. CCSP) and or academic / policy research institute involved on governance and decentralization, and selected commune council chiefs (nominated by the 3 political parties). The role of the steering committee is to: (i) provide perspective and guidance in the overall direction and or formulation of planned activities of the project; (ii) provide feedback to ensure that the project activities and process promote national ownership and capacity development; support the RGC decentralization reform process, and respond to priority concerns; and (iii) serve as links to key institutions or sectors in which the project is working.

To coordinate the various envisaged activities of the project, a Project Management Team (PMT) shall be created. The PMT will be attached to the MOI, and will work in close collaboration with the relevant departments and units to ensure close coordination of activities, as well as to develop the capacity of the relevant units to effectively support the implementation of decentralization reform.

The PMT will: (i) set up and develop the capacity of the Network Promotion and Support Unit (NPSU) to enable it to evolve and serve as the core secretariat of the association of commune council in the future when such a entity is legally established; (ii) assist in developing the capacity of the network of commune councils, government agencies and partners (e.g. local NGOs) to enable them to effectively support the decentralization process; (iii) provide policy advisory support to the RGC through MOI which is the government institution charged with direct supervision and oversight of CC affairs, (iv) provide technical and implementation support to partners, as necessary; (iv) coordinate the planning, programming, implementation, monitoring and evaluation of project activities including compliance of substantive and financial reporting requirements to EC; and (iv) contribute to improved donor coordination and management through information sharing, joint work planning and assessment, and partnership. The PMT will be headed by a Senior Program Advisor/ Coordinator and assisted by resident advisors, technical specialists and other staff to be recruited shall which provide policy advisory, technical, managerial oversight and direct implementation support to the various project activities.

ii. Methods of implementation.

The three project components will be implemented using various modalities of implementation arrangement. Considering that there already similar on-going initiatives and or planned by other stakeholders, tie-ups and linkages will be established with potential partners for joint implementation, sub-contract the implementation of capacity development activities, build networks for support and advocacy, and or foster collaborative arrangement.

The following paragraphs highlight modalities of implementation arrangement that can be pursued for each component. Given the project's envisaged starting date as well as the on-going developments in the country, it is not possible at this point to identify specific institutions, especially NGOs which can be tapped to implement specific activities.

Result 1. Clearly defined and operational mechanisms and increased capacity put in place for good communication, accountability, dialogue, and partnership between commune councils and all other stakeholders to address issues of local governance

This component will be implemented using combination of implementation modalities. For the provincial/district forum, local NGOs with the requisite experience and capacity can be sub-contracted to organize, facilitate and document proceedings of the local forums. This can be implemented in partnership with PoLA which is tasked, under the recently issued MOI guideline to provide '*support to provincial/ municipal and districts cooperate with various sectors, NGOs and institutions to support communes*'.

The development of the proposed recognition system will be implemented by the NPSU with support from and facilitated by PMT. The development of the concept and the design of its implementation arrangement require insights from similar international experience. The setting up of a recognition system will involve the creation of an independent and objective panel tasked with drawing up the guidelines, and screening potential awardees. Partnership arrangement will be explored with CCSP which is planning to implement a similar system.

Result 2. Network of commune councils established with institutional guidelines, and long-term objective to create a NACC, for improved co-operation among commune councils and other actors and promotion of good conduct and practices

This component will be implemented directly by the PMT. Direct implementation by PMT is proposed since the network of CCs is expected to evolve into an autonomous legal entity in the future. The PMT will recruit and train personnel that will form the core staff of the network promotion and support unit. The NPSU will be responsible for implementing the activities of the network of commune councils. Specific activities such as organizing workshops for the provincial network of CCs, can be sub-contracted to local NGOs which have the capacity, competence and local presence in the areas. In the case of twinning arrangements with other local government associations in other countries, PMT will assist in building the network and explore twinning arrangements to develop the capacity of the network members and the NPSU.

In the absence of a functioning national association of commune councils, PoLA units and the MOI and DoLA at the national level will be the key implementing partners for these activities. This will be in collaboration with the NPSU supported by the PMT.

Result 3. Local area development needs addressed through implementation of pro-poor inter-commune projects as a means of developing good management capacity, processes and practices

The implementation arrangement of this component will be informed by the results of the pilot on inter-commune joint undertaking. As indicated in earlier section there are currently two financial mechanisms for the disbursement of funds, one using the CS Fund / Treasury, and the other using commercial bank branches in the provinces. These options will be explored with the view that the implementation arrangement will address transparency and accountability concerns; reinforce or strengthen existing capacities within the mandated agencies; and will not result in the creation of parallel structure(s) and incentive system.

iii. Partnership and Donor coordination

The project will be coordinated closely with other initiatives supported by various donors and international and national NGOs. Coordination should include sharing of project work plans, joint assessment missions, debriefings on project missions related consultancies, etc. It is envisaged that the Government –Donor working group tasked to formulate a D & D Strategy Framework and Action Plan could serve as an interim mechanism to coordinate various donors initiatives on decentralization including the proposed project pending the planned establishment of a Joint Government/ Donor Technical Working Group (TWG) on Decentralisation. On the donor side, an Informal Donor Working Group on Decentralization has already been created mirroring the ToRs of the future joint Government/ Donor TWG on Decentralisation.

With regards to coordination with NGOs, this will be done through regular interaction and participation in NGO activities in the immediate term and through possible participation of NGOs in the Joint Government/ Donor Technical Working Group on Decentralization in the long term

v. Monitoring & Evaluation

Regular / periodic monitoring will be undertaken on the project activities based on annual work plan and project indicators at the purpose, output and activity levels. Monitoring will be conducted by the PMT through periodic field visits. Benchmark information and a database will be established by the

project to track progress of activities, and the effects of the project interventions during the course of the project. An annual accomplishment report in accordance with requirement of EC will be prepared and discussed in an *annual review meeting* to be held during the 1st quarter of the succeeding year with the members of the project steering committee. A *mid-term review* will be undertaken at the 3rd year of project implementation to assess overall progress and identify, where appropriate, adjustment(s) in the project components, in the implementation arrangements, and in the overall project focus. A **final review** will be undertaken.

Assessments / evaluation through short-term consultancy engagements shall be commissioned to provide in-depth assessment and analyses on specific aspects of project interventions and operations. These assessments are indicated in the logical framework under the section Means of Verification.

Annual financial audit will be conducted to ensure proper use of funds. Annual financial report shall be submitted to EC in accordance with the Financial and Administrative Framework Agreement (FAFA) between the European Community (EC) and the United Nations (UN). The EC will be informed in advanced to enable it to participate in project related assessment and will be provided with the appropriate information on all aspects related to the project implementation and performance.

1.8 Duration and action plan

The proposed project will be implemented over a period of 5 years. Upon approval of the Action by EC, project implementation is envisaged to commence on the 3rd quarter of 2005. In accordance with Financial and Administrative Framework Agreement (FAFA) between the European Community (EC) and the United Nations (UN), detailed annual work plans will be submitted by UNDP to the EC, updating as necessary the logical framework, implementation schedule, and specifying detailed project activities, annual budgets, updated objectives and indicators of achievement to be used for annual monitoring.

2. INPUTS

The total inputs to the project is estimated at Euro 10.5 Million, of which, the European Commission contribution is Euro 10.0 Million and UNDP contribution is Euro 0.50 Million.

In terms of the distribution of the total inputs by project components, around 37 percent or Euro 3.8 Million will be used to support Components 1 & 2 (National and Provincial Forum, Recognition System, and Local Exchange Program and Establishment of Network of CCs). Euro 5.8 Million, equivalent to 56 percent of total project cost will be used to support pro-poor inter-commune projects and undertakings including capacity building for the implementation of inter-commune projects. The balance, around 7 percent of the total project cost is for Administrative Support Cost.

The utilization of the inputs will be in accordance with the Financial and Administrative Framework Agreement (FAFA) signed between the European Community and the United Nations.

For details on the input, see **Annex 2 – Indicative Budget Breakdown**

3. SUSTAINABILITY

Implementation system. To address the issue of parallel structures and systems through projects the project will also seek to work with the existing mandated institutions and use nationally adapted structure and system developed by the Seila program to support the pilot implementation of inter-commune joint undertakings. The existing system provides for a uniform application of tested

procedures² and structure which can be modified to take into account the results from the DSP pilot initiative for inter-commune joint undertakings now underway. By utilizing this mechanism, the project will also contribute to further strengthening existing national capacities of the various agencies involved in supporting the decentralization reform implementation, and avoid the creation of parallel structures and incentive system for project implementation. The existing systems may undergo significant changes and or some adjustment during the course of the project in view of changes already being planned. Accordingly, the proposed project should be flexible by keeping options open and adjust to changes in the institutional environment.

Capacity development. To help develop capacity and address the potential negative effects on the long-term sustainability of the project, the project will help develop capacity in the mandated institutions. Lessons from development experience in Cambodia suggest that capacity development is most effective on incremental learning through a ‘learning by doing’³ approach taking into account existing level of capacity as starting point. This should be coupled with the shift in mind frame through the promotion of good governance practices. Local institutions and human resources will be employed especially locally recruited qualified staff rather than expatriate staff to the extent possible. The latter is an important concern since the success of governance interventions depends on clear contextual analysis and appropriate adaptation to local context.

Project financial sustainability. In the context of the project’s focus on decentralization reform, the project will support inter-commune pilot initiatives which have potential for generate sources of revenues for CCs. These include for instance user fees from small scale irrigation canals, use of common property resources such lakes, eco-tourism projects, and common service facilities such as road construction / repair equipment. The project will also explore options on how inter-commune joint undertakings can be mainstreamed in the regular budget of line departments and or salakhet (provincial governor office). This can be facilitated by the project by informing the evolving policy through analytical work and policy advisory support.

4. Logical Framework

The project’s development objectives, purpose, expected results, activities, indicators and means of verification are summarized in the project’s logical framework (**Annex I**).

Annexes:

- I. EC-UNDP Project’s Indicative Logical Framework
- II. EC-UNDP Project’s Indicative Budget (ALA-approved)

Appendices

1. EC-UNDP Project’s First Annual Work Plan – 2006
2. EC-UNDP Project’s Indicative Work Plan – 2006
3. EC-UNDP Project’s Budget by Activity – 2006

² These procedures initially developed by the Seila program have been the subject of several audits over the years, and have been found to be in general reliable and effective in promoting transparency and accountability. These are the same procedures used in implementing IFAD and WB loans and a number of bilateral project activities, e.g. DANIDA.

³ For analysis of the Seila program experience and other rural development programs in Cambodia, see Chim Charya, et al. ‘Learning from Rural Development Programs in Cambodia’, CDRI Working Paper No. 4, June 1998; UNDP, ‘Peace building from the ground up: A case study of UNDP’s CARERE program in Cambodia, 1991-2000’ March 2001, Jan Rudengren and Joakim Ojendal, “Learning by Doing: An Analysis of the Seila Experiences in Cambodia”, Sida, August 2002.