



Cambodia: Decentralized Public Service and Financial Management Sector Development Program (Subprogram 2)

Project Name

Decentralized Public Service and Financial Management Sector Development Program (Subprogram 2)

Project Number

41392-023

Country / Economy

- Cambodia

Project Status

Active

Project Type / Modality of Assistance

- Loan

Source of Funding / Amount

Loan 3414-CAM: Decentralized Public Service and Financial Management Sector Development Program (Subprogram 2) (Project Loan)

Source	Amount
Asian Development Fund	US\$ 20.00 million

Loan 3415-CAM: Decentralized Public Service and Financial Management Sector Development Program (Subprogram 2) (Policy-Based Loan)

Source	Amount
Asian Development Fund	US\$ 15.00 million

Strategic Agendas

- Inclusive economic growth

Drivers of Change

- Gender Equity and Mainstreaming
- Governance and capacity development
- Knowledge solutions

Sector / Subsector

- **Public sector management** / Decentralization - Public expenditure and fiscal management

Gender

Effective gender mainstreaming

Description

The Decentralized Public Service and Financial Management sector development program is based on a programmatic cluster approach. The program cluster comprises two subprograms enveloped by a medium term results-based framework. The DPSFM has a policy-based loan and a project loan. Subprogram 2 of the cluster approach is structured around seven major outputs: (i) the development and regular update of a gender sensitive policy and regulatory framework for decentralization; (ii) the establishment of institutions for efficient coordination of SNDD policies; (iii) the definition of clear service delivery responsibilities of SNAs; (iv) assignment of efficient tax and non-tax revenue sources to subnational administrations; (v) the implementation of fiscal transfers that ensure comparable levels of service delivery across SNAs; (vi) the development of capacities for efficient decentralized public financial management; and (vii) the design and implementation of accountability mechanisms for SNAs to their constituencies.

The project loan linked to subprogram 2 will support establishment and operations of the Sub-national Investment Fund (SNIF). The project will allocate \$20 million dollar equivalent to the SNIF, a national government grant mechanism for local investment projects. Of the proposed amount, approximately \$8 million will be allocated to financing civil works and equipment for SNAs (of an average project value of around \$70,000), and approximately \$1 million will be allocated to equipment and consultancy services of the SNIF Secretariat between 2016 and 2018. Consultancy services will include: a) training of SNIF Secretariat and SNAs; b) annual performance assessments of SNAs; c) annual evaluation and audit of investments; d) external audit of SNIF finances; and e) technical backstopping support for the SNIF Secretariat. Eligible SNAs will submit project proposals from a positive list of subsectors for investment decided by the SNIF Board. The SNIF Secretariat will evaluate the proposals and submit for approval of the Board. Eligible SNAs will pass the annual performance assessment against a number of criteria including, without limitation, financial management and procurement capacity.

Project Rationale and Linkage to Country/Regional Strategy

The Government of Cambodia is aware of large regional inequalities. Reforms aim to improve the management capacity of local administrations, and to involve citizens in the decision-making processes, enabling more efficient public service delivery which fits local needs and reduces these regional inequalities.

Subprogram 2 of the Decentralized Public Service and Financial Management Sector Development Program aims to improve access to and coverage of basic services by helping to implement an efficient system of intergovernmental fiscal relations. The program will also facilitate development of: (i) revenue sources for subnational administrations (transfers, tax and non-tax revenues) that can be used for decentralized service delivery; (ii) capacity for efficient decentralized public financial management; and (iii) social accountability systems to ensure adequate interaction between district administrations, their councils, and local constituents.

Impact

Access to and coverage of basic services across the country improved.

Project Outcome

Description of Outcome

An efficient system of intergovernmental fiscal relations that assists service delivery by subnational administrations

Progress Toward Outcome

A total of 14 civil works contracts covering 81 subprojects across the country have been implemented. The SNIF is in its final cycle of implementation with 1 of the 3 civil works packages being implemented. Under cycle 4, the project also successfully expanded to cover projects in municipalities and khans, in addition to districts.

Implementation Progress

Description of Project Outputs

Program outputs 1-7: completed by July 2016

1. Institutions for efficient coordination of subnational democratic development policies established.
2. A gender-sensitive policy and regulatory framework for decentralization developed and regularly updated.
3. Clear service delivery responsibilities of subnational administrations defined.
4. Efficient tax and nontax revenue sources to subnational administrations assigned.
5. Fiscal transfers that ensure comparable levels of service delivery across SNAs implemented.
6. Capacities in support of efficient decentralized public financial management developed.
7. Accountability mechanisms for subnational administrations to their constituencies designed and implemented.

Project output

Sub-National Investment Fund established and operations started.

Status of Implementation Progress (Outputs, Activities, and Issues)

A. PROGRAM OUTPUTS-(completed in July 2016) The government implemented coaching and mentoring systems, including the completion of technical manuals for subnational council meetings and public forums, training and the establishment of targets for the recruitment of trainers and coaches to increase the share of women. The government implemented coaching and mentoring systems, including the completion of technical manuals for subnational council meetings and public forums, training and the establishment of targets for the recruitment of trainers and coaches to increase the share of women. 100% of female councilors trained District charters

have been adopted by 185 districts and the NCDD-S has approved a Social Accountability Framework for subnational administrations, including a supporting implementation plan. Permanent regulations covering human resources management by subnational administrations have been completed, including a Draft Royal Decree covering subnational administration personnel and a final Sub-decree on the Delegation of Power to Sub-National Administrations to Appoint, Move and Terminate Civil Servants Working at the subnational level. NCDD-S is adequately staffed, with female staff representing approximately 20% of the total, and has received a stable national budgetary allocation for its operating expenditures. Approximately 30% of SNA advisors and staff are women. Approved and draft regulations governing the management of SNA personnel incorporate recruitment quotas which target the proportion of women in newly recruited civil servants at 20%50%. Based on NCDD-S AWPB for 2014 and 2015, NCDD-S gets an annual allocation of \$125,000 from RGC. The allocation formula for the D/M Fund was revised to increase its size and improve its structure, and was subsequently incorporated into the D/M Fund subdecree to provide full disclosure, including data sources and weight factors, to all districts and municipalities. Conditional grants have been designed to support the rural water supply projects of subnational administrations and, based on service delivery standards, are being implemented through the SNIF. The MEF, through the General Departments of Procurement, Treasury and SNAF, conducted training for municipal and district officers on all relevant implementing regulations of the Subnational Finance Law and financial management procedures (Female officer represented 18% of trainees). Under a government subdecree, four ministries have completed their proposals for the reassignment of functions to Districts and Municipalities (rural development, education, environment and social affairs) and an additional two have completed their mapping functions (Health and Agriculture).The government has begun the decentralization of solid waste management and has started the pilot decentralization of Rural Water Supply service. Pilot in Battambang have also been implemented. Subdecree on strategy for functional assignments to subnational administrations approved.

B. PROJECT OUTPUT SNIF was established in 2016 under a sub-decree. Under cycle 1, construction of the 22 subprojects for road rehabilitation in 22 districts across 5 provinces were completed by December 2020 with projects with a total value of \$1.2 million. The districts that were not successful in the first cycle of projects are supported to resubmit in the next cycle with civil works expected to commence in Q3 2021. During the projects midterm review mission concluded in October 2020, SNIF-S confirmed they would continue to be responsible for procurement for the overall project. The subprojects for each package will be consolidated and will be procured using national competitive bidding following the outlined procedures as updated in the Standard Operating Procedures for Implementing All Externally Financed Projects/Programs dated 2 December 2019 (as amended from time to time). This approach would be more efficient for overall contract management during project implementation for civil works and would help avoid delays incurred from monitoring the capacity of the districts to adhere to procurement guidelines and processes. Districts would therefore focus their efforts on the development of their investment project proposals (IPPs) and on monitoring and implementation of their infrastructure projects on the ground. For further efficiency gains, additional staffing is proposed across safeguards and procurement for implementation and oversight. The SNIF revised operations manual was also completed in October 2020 and subprojects for 50 eligible districts at key locations across the country are at procurement stage. The

SNIF is in its final cycle of implementation (cycle 4) and progress is on track.

Geographical Location

Safeguard Categories

Environment

B

Involuntary Resettlement

C

Indigenous Peoples

C

Summary of Environmental and Social Aspects

Environmental Aspects

The proposed Project loan (with multiple subprojects) will support small-scale infrastructure investments such as schools, health clinics, village roads and bridges, irrigation systems, markets, and water supply. Most subprojects will be in the cost range of US\$ 25,000 to 100,000 and may cause temporary, reversible and readily mitigated adverse environmental impacts. An environmental assessment and review framework has been prepared to guide SNIF subproject selection, screening, categorization, environmental assessments, and preparation and implementation of environmental management and monitoring plans of subprojects. The expected subprojects will have limited safeguard impacts.

Involuntary Resettlement

Under the proposed Decentralized Public Service and Financial Management Sector Development Program, Subprogram 2 (DPSFM I) the Sub-National Investment Fund will provide eligible rural Districts with grants for local investment projects. The project location is selected based on the criteria that there will be no private land acquisition and the available public land is free from any kind of encumbrances. This will be included as a loan covenant as part of the loan agreement. All land to be used will have clear titles and are free of all encumbrances. These lands are not occupied or productively used. The subproject selection criteria ensures that any proposed subproject with any involuntary resettlement will not be included as part of the project. Thus, no land acquisition will be involved and the project will not trigger any involuntary resettlement.

Indigenous Peoples

The proposed Decentralized Public Service and Financial Management Cluster Sector Development Program (DPSFM 2) seeks to assist improved local public service delivery by supporting the development of sub-national administrations accountable to their citizens, through the implementation of the Royal Government of Cambodia's (the Government) Decentralization and De-concentration (D&D) reforms. The proposed second subprogram, for the DPSFM program will include a policy loan and a project loan. Under the proposed subprogram 2 (DPSFM I) will provide eligible rural Districts with grants for local investment projects. The subproject selection criteria ensures that any proposed subproject with any indigenous peoples impacts will not be included as part of the project.

Stakeholder Communication, Participation, and Consultation

During Project Design

The design included several rounds of consultations to a broad range of civil society organizations. Drafts of the concept paper and policy matrix were shared and feedback from CSOs sought. The draft Sector Assessment on Public Sector Management reforms was presented to CSO representatives. A large number of Government agencies participated in the design and implementation of the program, including the Ministry of Interior, Ministry of Economy and Finance, the National Committee on Sub-national Democratic development, etc. District and municipal administrations are consulted regularly on all aspects of project implementation.

During Project Implementation

Business Opportunities

Consulting Services

Annual Performance Assessment (firm)

SNIF Website Development & Maintenance (firm)

International Project Manager

National Infrastructure Expert

National Finance Expert

National Safeguards Expert

National Procurement Expert (2)

Procurement

Procurement of Goods

Civil Works

Contact

Responsible ADB Officer

Thomas, Jhelum Tini

Responsible ADB Department

Sectors Group

Responsible ADB Division

Public Sector Management and Governance Sector Office (SG-PSMG)

Executing Agencies

National Committee for Sub-National Democratic Development Secretariat

Timetable

Concept Clearance	05 Mar 2012
Fact Finding	27 Apr 2015 to 05 May 2015
MRM	16 Jun 2015
Approval	18 Aug 2016
Last Review Mission	-
Last PDS Update	28 Sep 2023

Funding

Loan 3414-CAM

Milestones

Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
18 Aug 2016	06 Oct 2016	20 Dec 2016	30 Jun 2022	30 Jun 2024	-

Financing Plan

Total (Amount in US\$ million)	
Project Cost	30.70
ADB	20.00
Counterpart	10.70
Cofinancing	0.00

Loan Utilization

	Date	ADB	Others	Net Percentage
Cumulative Contract Awards	24 Apr 2024	17.07	0.00	89%
Cumulative Disbursements	24 Apr 2024	15.22	0.00	79%

Status of Covenants

Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	-	Satisfactory	Partly satisfactory	Unsatisfactory	-	Unsatisfactory

Loan 3415-CAM

Milestones

Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
18 Aug 2016	06 Oct 2016	20 Dec 2016	30 Jun 2017	-	13 Feb 2017

Financing Plan

Total (Amount in US\$ million)

Project Cost	15.00
ADB	15.00
Counterpart	0.00
Cofinancing	0.00

Loan Utilization

	Date	ADB	Others	Net Percentage
Cumulative Contract Awards	24 Apr 2024	14.38	0.00	100%
Cumulative Disbursements	24 Apr 2024	14.38	0.00	100%

Status of Covenants

Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	-	Satisfactory	Partly satisfactory	Unsatisfactory	-	Unsatisfactory

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