



Concept Paper

Project Number: 49266-001
July 2015

Proposed Programmatic Approach, Policy-Based Loan, and Project Loan for Subprogram 1 Cambodia: Second Decentralized Public Service and Financial Management Sector Development Program

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 15 June 2015)

Currency unit – riel/s (KR)
KR1.00 = \$0.000243
\$1.00 = KR4,109

ABBREVIATIONS

ADB	–	Asian Development Bank
LGTI	–	local government training institute
MEF	–	Ministry of Economy and Finance
NCCD-S	–	National Program for Subnational Democratic Development
PFM	–	public financial management
SNA	–	subnational administration
SOE	–	statement of expenditures
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars.

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PROGRAM AT A GLANCE

1. Basic Data		Project Number: 49266-001	
Project Name	Second Decentralized Public Service and Financial Management Sector Development Program, Subprogram 1	Department /Division	SERD/SEPF
Country Borrower	Cambodia Government of Cambodia	Executing Agency	National Committee for Democratic Development at Subnational Level
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Public sector management	Decentralization		60.00
		Total	60.00
3. Strategic Agenda		Climate Change Information	
Subcomponents	Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project Low
4. Drivers of Change		Gender Equity and Mainstreaming	
Components	Governance and capacity development (GCD)	Anticorruption Civil society participation Institutional systems and political economy Organizational development Public financial governance	Effective gender mainstreaming (EGM) ✓
	Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas Pilot-testing innovation and learning	
	Partnerships (PAR)	Civil society organizations Implementation Private Sector	
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Nation-wide	High
6. Risk Categorization:		Complex	
7. Safeguard Categorization		Environment: C Involuntary Resettlement: C Indigenous Peoples: B	
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		60.00	
Sovereign SDP - Program loan: Asian Development Fund		60.00	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		60.00	
9. Effective Development Cooperation			
Use of country procurement systems		Yes	
Use of country public financial management systems		Yes	

I. THE PROGRAM

A. Rationale

1. Unequal geographical access to basic social services is a major constraint to inclusive growth in Cambodia. Increasingly, quality service delivery will rest on skilled and accountable subnational administrations (SNAs), for which substantive investments in capacity development are required. The proposed Second Decentralized Public Service and Financial Management Sector Development Program will help improve the capacity of SNAs for local service delivery, as required under the 3-year implementation plan of the National Program for Subnational Democratic Development (2015–2018) (NCCD-S). The design and monitoring framework is in Appendix 1; the problem tree is in Appendix 2.¹

2. **Development problem: large rural–urban disparities in poverty levels and access to services.** While poverty has decreased substantially in Cambodia, vulnerability is high and large regional differences persist. The national poverty rate fell from 22.9% in 2009 to 18.9% in 2012,² but some provinces along the Tonle Sap and in the northwest still reported poverty rates of well over 30%. Only 37% of the rural population has access to improved sanitation and 44% has access to clean water sources, in contrast to over 70% in urban areas. National gains in access to health services also conceal broad provincial disparities, and several provinces will not reach the Millennium Development Goal targets for infant and maternal mortality rates.

3. **Binding constraints: inefficient delivery of services and weak capacity of subnational administrations.** A weak regulatory environment, lack of adequate funding for service delivery, unclear responsibilities for service delivery across levels of administration, and weak accountability mechanisms between government and citizens can explain the observed differences in coverage and quality of basic services. The government has begun to devolve the responsibilities for core service delivery to districts and municipalities.³ The decentralization will challenge these SNAs since they operate in fledgling local governance systems and under weak resource endowments. Total spending by SNAs in Cambodia represented 7% of overall public spending in 2014, of which districts and municipalities (the focus of decentralization efforts) accounted for 20%.

4. **Large investment needs to boost the skills of subnational administrations.** Progress on expenditure and revenue decentralization needs to be coupled with substantial investments in capacity development of the local civil service, to allow for efficient service delivery and responsible financial management. Over 10,000 staff working in district and municipal administrations in Cambodia require skills development in a broad range of areas. This calls for interagency coordination and adequate funding.

5. **Sustainable reforms threatened by weak local revenue bases.** Since 2013, SNAs have been assigned nontax revenue sources (fees and charges) plus fiscal transfers. Despite this substantive progress, much remains to be done to build solid and broad-based revenue bases for SNAs. This involves (i) assigning tax revenues to SNAs, an essential element of accountability between SNAs and local citizens; (ii) ensuring equitable distribution of fiscal transfers; and (iii) implementing efficient user fees and charges for local public services.

¹ The program is included in Asian Development Bank (ADB). 2014. *Country Operations Business Plan: Cambodia, 2015–2017*. Manila. Project preparatory technical assistance will be provided (Appendix 3).

² Ministry of Planning. 2013. *Poverty Assessment*. Cambodia.

³ National Committee for Subnational Democratic Development. 2015. *3-Year Implementation Plan, Phase II (2015–17) of the National Program for Subnational Democratic Development (IP3-II)*. Cambodia.

6. **Fledgling local governance systems and social accountability mechanisms.** To support service delivery, district and municipal administrations need efficient accountability systems. The implementation of the social accountability policy is paving the way for it.⁴ It includes systems for information disclosure by SNAs, mechanisms for transparent interaction with citizens, and channels for citizens' monitoring of SNAs. A pilot program to decentralize rural water supply and solid waste management⁵ presents an opportunity to assist the implementation of the social accountability policy in the pilot districts and shape local administration that are accountable and responsive to their citizens.

7. **ADB's past interventions.** The first Decentralized Public Service and Financial Management Sector Development Program (2012–2015)⁶ of the Asian Development Bank (ADB), currently under implementation, articulates ADB's support to decentralization reforms, including policy reforms and assistance to the construction of district offices in rural areas. The first program helped develop the basic regulatory framework for decentralization by (i) drafting reform implementation plans, (ii) preparing regulations for the management of SNA personnel, (iii) designing pilot decentralization of services to SNAs, (iv) defining tax and nontax revenue sources, (v) designing and implementing fiscal transfers, and (vi) developing financial management systems to oversee subnational finance. ADB sector interventions, as in the case of solid waste management and rural water supply, are increasingly designed in alignment with decentralized government systems. The second stage of reforms, to be assisted under this program, will focus on the implementation of the aforementioned regulatory framework, with emphasis on capacity development of SNAs for service delivery.

8. **Coordination with public financial management reforms.** The program will be closely coordinated with ongoing public financial management (PFM) reforms⁷ because (i) the PFM reform committee oversees and eventually approves all major decentralization policy decisions, (ii) the leading government counterparts in both reform initiatives overlap, and (iii) technical issues will be discussed between mission leaders and with other development partners. The current emphasis of PFM reform on program budgeting will assist the devolvement of functions from national ministries.

9. **Program modality: sector development program.** The implementation of the first program showed the benefits of combining policy-based and project loan assistance, because it allows coordination and sequencing of policy reforms and support to strategic reform initiatives.⁸ The proposed policy-based loan will assist the implementation of reforms anchored on the 3-year implementation plan.⁹ The programmatic approach will also allow the government to flexibly sequence reforms between the subprograms and sustain the reform agenda beyond the term of the current administration. ADB's earlier assistance benefited from the strong presence of the National Committee for Subnational Democratic Development and the Ministry of Economy and Finance as implementing agencies, and the program is structured to give both agencies a leading role again. The program is included in ADB's country partnership strategy, 2015–2018 and country operations business plan 2015–2017 for Cambodia.

⁴ Government of Cambodia. 2013. Strategic Plan on Social Accountability for Subnational Democratic Development, National Committee for Subnational Democratic Development. Phnom Penh.

⁵ The pilot is a Government initiative assisted by ADB TA-8159 CAM.

⁶ ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach, Policy-Based and Project Loan for Subprogram 1 to the Kingdom of Cambodia for Decentralized Public Service and Financial Management Sector Development Program*. Manila (Loans 2886-CAM and 2887-CAM).

⁷ Reforms started in 2003 and have received sustained ADB support.

⁸ ADB. 2010. Program Lending. *Operations Manual*. OM D4/BP. Manila.

⁹ ADB. 2009. *Staff Instructions on Program Lending*. Manila.

B. Impact, Outcome, and Outputs

10. The program's impact will be more efficient and more equitable services to citizens through decentralization of power to SNAs. The outcome will be improved capacity of SNAs for service delivery. This outcome will be achieved through the implementation of the following outputs under the policy-based loan:¹⁰

11. **Output 1. Capacity of subnational administrations for decentralized service delivery strengthened.** Policy reforms expected under this output include the: (i) full implementation of regulations on decentralizing human resource management to SNAs; (ii) devolvement of functions from key ministries such as health, rural development, and environment; and (iii) establishment of capacity development systems for SNAs. Under this policy output, technical assistance (TA) will be provided to develop: (i) a regulatory framework for the capacity development of subnational civil servants that reflects government gender policies, (ii) a proposal for gender-sensitive curricula of subnational civil servants, and (iii) full design and feasibility study for a local government institute.

12. **Output 2. Adequate revenue sources for subnational administrations to fulfill their mandates granted.** Policy reforms expected under this output include the assignment of tax revenue sources to SNAs, the rationalization of the system of transfers, and sustained PFM reforms at the SNA level. The project preparatory TA will help develop an implementation strategy for the decentralization of the property tax to districts and municipalities, the most efficient and viable option to assign own revenue sources to districts and municipalities.

13. **Output 3. Accountability systems for subnational administrations established.** Policy reforms under this output involve (i) implementing guidelines for the accountability of governors to their councils, (ii) implementing the social accountability framework, and (iii) designing and implementing inspection systems for SNAs. TA activities will assist the implementation of the social accountability framework in selected districts. This includes the implementation of disclosure policies for SNAs, participatory planning and budgeting by local citizens, and accountability systems between SNA councils and their constituents.

14. **Indicative project outputs.** Once the reforms and activities described in output 1 are implemented, a project may be designed for the establishment of a national institute for local governments, covering a full institutional design, operating systems, and startup.

C. Program Costs and Financing

15. The cost of the overall cluster is estimated at \$60 million. The cost of subprogram 1 is currently set at \$30 million, including a policy-based loan for tentatively \$20 million and a project loan for \$10 million, financed through an Asian Development Fund loan. The project loan will provide support to the establishment of the national institute for local governments.

Table 1: Tentative Financing Plan

Source	Amount (\$ million)		Share of Total (%)
	Output 1	Output 2	
Asian Development Bank (policy-based loan)	20.0	30.0	100.0
Asian Development Bank (project loan)	10.0	0.0	
Total	60.0		100.0

Source: Asian Development Bank.

¹⁰ ADB. 2015. *Updated Design and Monitoring Framework Guidelines*. Manila.

D. Indicative Implementation Arrangements

16. The Secretariat of the National Committee for Subnational Democratic Development will be the executing agency. The Ministry of Economy and Finance, and the Ministry of Civil Service will be implementing agencies. The implementation period is 1 September 2015–30 June 2017 for subprogram 1, and 1 September 2017–June 2019 for subprogram 2. No advanced contracting is planned. A mix of firm-based and individual consultants will be engaged under the project preparatory TA. The firm will be chosen using quality- and cost-based selection (90:10). The project preparatory TA will be implemented over 24 months, between September 2015 and August 2017.

II. DUE DILIGENCE REQUIRED

17. Due diligence for the program will include: (i) a governance assessment of institutions that coordinate decentralization and deconcentration policies; (ii) financial sustainability and procurement management assessments for the project component; (iii) technical institutional capacity assessments of the proposed local government institute; (iv) a program impact assessment; (v) review of impacts on the environment, involuntary resettlement, and indigenous peoples; and (vi) preparation of a gender action plan. The initial poverty and social analysis is in Appendix 5. A matrix of potential environmental and social impacts of each policy action with mitigation measures will be prepared with the report and recommendation of the President.

III. PROCESSING PLAN

A. Risk Categorization

18. The program is in principle categorized as complex since the combined programmatic approach amounts to \$60 million. Proposed safeguards categorization is C.

B. Resource Requirements

19. Processing will be aided by the associated TA of \$800,000, to be financed from the Technical Assistance Special Fund (TASF-V). An estimated 25 person-months of international consultants and 50 person-months of national consultants will be required. ADB will engage the Individual consultants in accordance with its Guidelines on the Use of Consultants (2013, as amended from time to time). Details of the proposed TA activities are in Appendix 4.

C. Processing Schedule

20. The processing schedule is outlined in Table 2.

Table 2: Proposed Processing Schedule

Milestones	Expected Completion Date
Concept Clearance	30 June 2015
Loan fact-finding mission	17–28 April 2017
Management review meeting	21 June 2017
Loan Negotiations	13–14 July 2017
Board consideration	28 September 2017

Source: Asian Development Bank.

IV. KEY ISSUES

21. Agreement on a regulatory framework for capacity development and curricula for SNA personnel is required before approving assistance to the establishment of the local government institute.

DESIGN AND MONITORING FRAMEWORK

Impact the program is aligned with: the government's objective to provide more efficient and more equitable services to citizens through decentralization of power to subnational administrations, as defined in the National Program for Subnational Democratic Development (2010–2019).

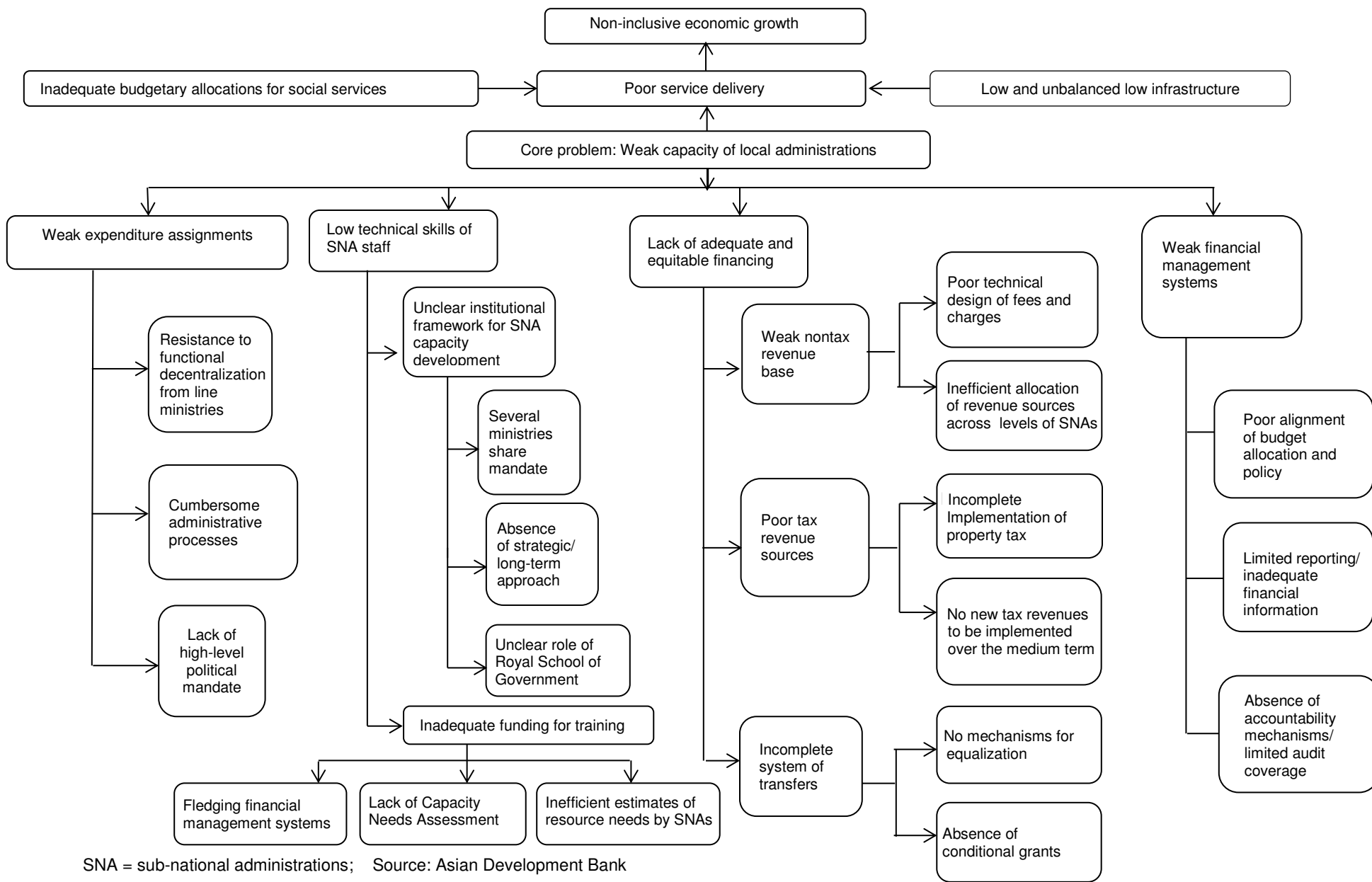
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<p>Outcome Improved capacity of SNAs for service delivery</p>	<p>By 2020:</p> <p>a. SNA share of public expenditure increases to 10% of total public expenditure (2013 baseline: 5.5%)</p> <p>b. At least 20% of the general staff of the district and municipal administrations undergo core training as per approved curriculum (2015, baseline: 0)</p>	<p>MEF budgets and financial reports on SNA expenditures</p> <p>Reports from NCDD-S, Ministry of Interior, and Ministry of Civil Service on training of SNA civil servants</p>	<p>Turf wars among national ministries may jeopardize the implementation of reforms.</p>
<p>Policy Outputs 1. Capacity of SNAs for decentralized service delivery strengthened</p>	<p>By 2019:</p> <p>1a. Regulatory framework for SNA personnel completed, and reflective of gender-equity government policies (2015 Baseline: NA)</p> <p>1b. Gender-sensitive curricula for SNA personnel approved (2015 Baseline: NA)</p> <p>1c. Feasibility study and full design for the local government institute completed and submitted to NCDD-S (2015 Baseline: NA)</p>	<p>Reports from Ministry of Civil Service and Council of Ministers</p> <p>Project reports</p> <p>Project reports</p>	<p>Electoral cycle starting in 2016 may slow the pace of reforms.</p> <p>Slow process on functional decentralization in the absence of mandate from the Council of Ministers</p> <p>Delayed approval of the subdecree on tax revenue assignments to SNAs</p>
<p>2. Adequate revenue sources for SNAs to fulfill their mandates granted</p>	<p>2a. District and Municipal Fund distributes 1% of domestic revenues (2014 baseline: 0.8%).</p> <p>2b. Nontax revenues represent 5% of district and municipal revenues (2014 baseline: 0)</p> <p>2c. Regulation on nontax revenues for SNAs reviewed by MEF (2015 Baseline: NA)</p> <p>2c. Implementation plan for the decentralization of the property tax submitted to MEF.</p>	<p>Annual report on SNA finances by the General Department of SNA Finance (MEF)</p> <p>Annual report on SNA finances by the General Department of SNA Finance (MEF)</p> <p>MEF</p> <p>Project reports</p>	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
3. Accountability systems for subnational administrations established	<p>3a. At least 20 districts pilot systems of citizens' access to information and local budgets. (2015 Baseline: NA)</p> <p>3b. Strategy developed for district information centers, incorporating clear gender indicators (2015 Baseline: NA)</p> <p>3c. Staff from at least 20 districts undergo budget literacy training, including all women officers (2015 Baseline: NA)</p> <p>3d. Community scorecards developed and piloted in at least 20 districts, including gender-related indicators (2015 Baseline: NA)</p> <p>3e. Citizens and nongovernment organizations trained on local policy and budget reports in at least 20 districts, including women and children's committees (2015 Baseline: NA)</p>	<p>MEF</p> <p>NCDD-S reports</p> <p>NCDD-S reports</p> <p>NCDD-S reports</p> <p>NCDD-S reports</p>	
<p>Key Activities with Milestones</p> <p>Policy milestones will be included in the policy matrix.</p> <p>1. Capacity of SNAs for decentralized service delivery strengthened.</p> <p>1.1 Finalize royal decree on the particular statute of SNA personnel (September 2015).</p> <p>1.2 Recruit and deploy consulting team (September 2015).</p> <p>1.3 Regulatory and policy framework for SNAs personnel career development and training completed (July 2016)</p> <p>1.4 Evaluation of capacity of existing training institutions for training of SNA personnel completed</p> <p>1.5 Draft policy paper on capacity development of SNAs (March 2016).</p> <p>1.6 Draft curriculum for SNA personnel (June 2016).</p> <p>1.7 Full design and feasibility study for the local government institute (December 2016).</p> <p>1.8 Government decision on the establishment on the local government institute (March 2017)</p>		<p>Inputs</p> <p>ADB: \$30 million subprogram 1:</p> <p>(i) \$20 million policy-based loan</p> <p>(ii) \$10 million project loan</p> <p>Inputs</p> <p>\$30 million subprogram 2</p> <p>Technical Assistance</p> <p>ADB: \$800,000 Technical Assistance Special Fund (TASF-V)</p>	

<p>2. Adequate revenue sources for SNAs to fulfill their mandates granted.</p> <p>2.1 Draft subdecree on tax revenue assignments for SNAs submitted to NCDD-S (December 2015).</p> <p>2.2 Implementation plan for the subdecree on revenue assignments submitted to public finance management reform committee (June 2016).</p> <p>2.3 Review Circular on nontax revenues for SNAs and draft proposals for reform (June 2016).</p> <p>3. Accountability systems for subnational administrations established.</p> <p>3.1 Approve the implementation plan for the social accountability framework (June 2015).</p> <p>3.2. Roll out the social accountability framework to at least 20 districts (June 2016).</p> <p>3.3 Train councilors on budget literacy and start capacity development activities under the social accountability framework for citizens (March 2016).</p>	
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ADB = Asian Development Bank, MEF = Ministry of Economy and Finance, NCDD-S = Secretariat of the National Committee for Subnational Democratic Development, SNA = subnational administration.
Source: Asian Development Bank.

PROBLEM TREE



SNA = sub-national administrations; Source: Asian Development Bank

PROJECT PREPARATORY TECHNICAL ASSISTANCE

A. Justification

1. The National Program for Subnational Democratic Development 2010–2019 aims to promote and sustain democratic development, including public representation; local autonomy; responsiveness and accountability to local constituents; promotion of quality of life of local residents and equitable development; and measures to fight corruption and abuse of power. The implementation of the National Program for Subnational Democratic Development is coordinated by the Secretariat of the National Committee for Subnational Democratic Development (NCDD-S). The second 3-year implementation plan of the National Program (IP3-II) 2015–2017 has been approved and has three main goals: (i) improve service delivery through decentralization of power to subnational administrations (SNAs), i.e., districts and municipalities; (ii) expand the resource envelope of SNAs; and (iii) increase SNAs' accountability, initiative, and local autonomy. The Asian Development Bank (ADB) has supported decentralization reforms in Cambodia already with the Decentralized Public Service and Financial Management Sector Development Reform Program (2012–2015), focused on assisting the development of the policy and regulatory framework for decentralization. Among Cambodia's priorities for the next phase of reforms, developing the capacity of SNAs ranks highest, along with clear responsibilities for service delivery and an adequate resource framework. The proposed Second Decentralized Public Service and Financial Management Sector Development Program, with its associated project preparatory technical assistance (TA), aims to assist the implementation of these reforms and provide continuity to reform efforts.

B. Major Outputs and Activities

2. The TA will deliver three major activities: (i) proposals for the regulatory framework, curriculum, and delivery mechanisms for capacity development of SNAs in Cambodia; (ii) support to the preparation of an implementation plan for the draft subdecree on tax assignments for SNAs; and (iii) pilot implementation of social accountability systems in selected districts. Formulation of a capacity development strategy for SNAs (including the proposal for the local government institute) will be the result of a consultative effort, led by the NCDD-S and the Ministry of Interior, with all relevant stakeholders. The proposal for the local government institute will outline options and recommendations for (i) physical location and organic structure; (ii) financing strategy; (iii) staffing, operation, and maintenance; (iv) curriculum development; and (v) institutional accountability. Major outputs and activities are summarized in Table A3.1.

Table A3.1: Summary of Major Outputs and Activities

Major Activities	Expected Completion Date		Major Outputs	Expected Completion Date
1. Capacity development of SNAs	September 2016	1.1	Draft policy paper and regulatory framework	February 2016
		1.2	Draft curriculum and consultation with stakeholders	June 2016
		1.3	Proposals on delivery mechanisms for capacity development of SNAs	September 2016
		1.4	Draft feasibility study and design of the Local Government Institute.	January 2017
2. Expanding revenue sources for SNAs	June 2016	2.1	Draft implementation plan of the subdecree on tax revenue assignments to SNAs, including: (i) outline of draft <i>prakas</i> . (ii) capacity development plan.	May 2016

Major Activities	Expected Completion Date	Major Outputs	Expected Completion Date
		(iii) roles of GD-SNAF and other MEF departments	
3. Pilot implementation of social accountability systems	December 2016	3.1 Draft plan of activities on the basis of the I-SAF.	November 2016
		3.2. Select pilot districts for implementation	November 2016
		3.3 Deliver capacity development activities	June 2016

GD-SNAF = General Department of Subnational Administration Finance, GDT = General Department of Taxation, I-SAF= Implementation Plan for the Social Accountability Framework, MEF = Ministry of Economy and Finance, prakas = an administrative order issued by government agencies, SNA = subnational administration.

Source: Asian Development Bank.

C. Cost Estimates and Proposed Financing Arrangement

3. The TA is estimated to cost \$1,000,000, of which \$800,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-V). The government will provide counterpart support in the form of counterpart staff, provision of office space, communication facilities, and other in-kind contributions. The detailed cost estimates are in Table A3.2.

Table A3.2: Cost Estimates and Financing Plan

(\$'000)

Item	Total Cost
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (25 person-months)	450.0
ii. National consultants (50 person-months)	125.0
b. International and local travel	80.0
c. Reports and communications	25.0
2. Equipment (computer, printer) ^b	15.0
3. Workshops, training, seminars, and conferences ^c	
a. Facilitators	20.0
b. Training program	15.0
c. Logistics (venue, equipment rental, and stationery)	30.0
4. Miscellaneous administration and support costs	0.0
5. Contingencies	40.0
Total	800.0

Note: The technical assistance (TA) is estimated to cost \$1,000,000, of which contributions from the Asian Development Bank are presented in the table above. The government will provide counterpart support in the form of counterpart staff, provision of office space, communication facilities, and other in-kind contributions. The value of government contribution is estimated to account for 20% of the total TA cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-V).

^b Equipment: four computers for \$10,000 and two printers for \$5,000 (custody and ownership will remain with the Ministry of Economy and Finance during implementation and after TA closing).

^c Workshops, training, seminars, and conferences for consultations on capacity development strategy, regulatory framework, and local institute in Phnom Penh and provinces.

Source: Asian Development Bank.

D. Consulting Services

4. A mix of firm-based and individual consultants will be engaged, indicatively for 25 person-months of international inputs and 50 person-months of national inputs. ADB will select and engage consultants in accordance with its Guidelines on the Use of Consultants (2013, as amended from time to time). The firm will be selected using the fixed-budget selection

method. Some of the contingency funds will remain unallocated for individual consultants, to be identified as needed. Upon completion of the TA, equipment procured under the TA will be transferred to the executing agency. The outline terms of reference for the project preparatory TA consultants are described in paras. 5-14.

1. Output 1. Capacity Development for Subnational Administrations
(firm, international, 20 international and 20 national person-months)

5. An internationally recruited consulting firm will make available the right mix of international and national experts with postgraduate degrees in business administration, economics, finance, or other related fields, and at least 10 years of proven expertise in (i) the design and implementation of policy and regulatory frameworks for civil service capacity development systems; (ii) the design and implementation of curricula for civil service career development; and (iii) the institutional design of training institutes, research centers, or similar institutions. The team of consultants will include a capacity development expert and team leader, a public finance specialist, and institutional development specialist, and an architect for international input. The consultants will report to the NCDD-S and ADB.

6. **Capacity development expert and team leader** (international). The expert will (i) research and draft a policy paper on a strategy for the capacity development of SNAs in Cambodia, (ii) outline the draft regulatory documents for the implementation of the strategy, (iii) draft a curriculum for the training and overall capacity development of SNAs, and (iv) lead the full institutional design and feasibility study of the proposed local government institute. The expert will have a postgraduate degree in public administration, education, economics, public policy, or a similarly relevant field; and at least 15 years of international experience in the public administration and/or education sector in managerial positions or as a professor.

7. **Public finance, and monitoring and evaluation specialist** (international). The specialist will draft financing options for the Local Government Training Institute, procurement processes, monitoring and evaluation systems, and operation manuals as needed. The specialist must have a postgraduate degree in economics, finance, business administration, or another relevant field; and at least 10 years of experience in project financing, and public administration reforms.

8. **Institutional development specialist** (international). The specialist will identify and develop institutional options for the LGTI, including institutional placement, accountability relations, organizational structure, and coordination mechanisms with other suppliers of capacity development. The specialist will have a postgraduate degree in public administration, education, public policy, or another relevant field; and at least 10 years of international experience in public administration and institutional development.

9. **Architect** (international). The architect will contribute to the preparation of the civil works component of the project in terms of the physical location of the local government institute and have a high-level experience in similar assignments, and will have appropriate qualifications in architecture and building design and good performance record in construction management, as proven by at least 10 years of experience and a broad portfolio of projects.

10. **Project design and costing expert** (national). The expert will contribute to the preparation of a feasibility study for the LGTI under the guidance of the architect, and will have appropriate qualifications in architecture and building design, and a good performance record in construction management.

11. **Institutional and capacity development expert** (national). The expert will provide technical input to all deliverables required for the design of the institutional and organizational structure of the LGTI, and for the proposal for curriculum development, and will have a graduate degree in public administration, education, or another relevant field; and at least 10 years of experience in capacity development. **Social development and gender specialist** (national). The specialist will provide input to all stages of the proposed initiative, from regulatory development to curriculum design to the proposal for the national institute.

2. Output 2: Expanding Revenue Sources for Subnational Administrations, and Output 3: Social Accountability

12. **Senior tax policy specialist** (international, 5 person-months). The specialist will prepare the implementation plan for the decentralization of the property tax to district and municipal administrations, and will have a postgraduate degree in economics or public policy and over 10 years of experience in similar assignments.

13. **Financial management expert** (national, 10 months). The expert will assist the work of the international senior tax policy specialist, and must have a graduate degree in economics or public finance and at least 8 years of experience. The expert will conduct a financial management assessment of the relevant entities for the ensuing project and, based on such assessment, design the fund flow and disbursement mechanisms and evaluate the need for an imprest fund and statement of expenditures (SOE) procedures. If the imprest account and SOE procedures are envisioned, the expert will conduct assessments of the capability of the executing and implementing agencies to manage the imprest fund and SOE procedures.

14. **Local governance specialists** (2 national consultants, 20 person-months). The specialists will assist the preparation and delivery of a plan for the implementation of the social accountability framework in selected districts. The specialist will have a graduate degree in public administration, excellent experience in similar projects with government agencies, development partners, or nongovernment organizations.

E. Implementation Arrangements

15. The NCDD-S is the executing agency for this TA and the Ministry of Interior will be the implementing agency responsible for formulating the strategy for the capacity development of SNAs. The Ministry of Economy and Finance will be the other implementing agency. Consultants will be recruited as individuals in conformity with ADB’s Guidelines on the Use of Consultants (2013). A total of 75 person-months of services will be required over 24 months. The proposed TA processing and implementation schedule is listed in Table A3.3. For outputs 2 and 3, workshops, training, and seminars will be largely undertaken by consultants. For similar activities under output 1, the executing agency will advance funds, or an advanced payment facility will be established.

Table A3.3: Technical Assistance Processing and Implementation Schedule

Major Milestone	Expected Completion Date
Technical assistance approval	30 June 2015
Inception	September 2015
Consultant reports	December 2015–December 2016
Technical assistance financial closure	December 2016

Source: Asian Development Bank.

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Cambodia	Project Title:	Second Decentralized Public Service and Financial Management Sector Development Program
Lending/Financing Modality:	Sector development program, including policy-based and project loans	Department/ Division:	Southeast Asia Department/ Public Management, Financial Sector, and Trade Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

Cambodia's most recent poverty profile shows a large drop in poverty rates from 47.8% in 2007 to 18.9% in 2012. Consistent with earlier analysis, poverty rates continue to be highest in rural areas, and non-income indicators of poverty, such as access to basic services (health, clean water, and sanitation) display large territorial differences. Vulnerability to falling back into poverty is high, with 72% of Cambodians living on less than \$3 dollars a day when the poverty rate is set at \$1.25 dollars. The country partnership strategy, 2014–2018^a of the Asian Development Bank for Cambodia identifies low access to health services and water and sanitation, especially outside Phnom Penh, as major constraints to inclusive growth. Increasingly, subnational administrations (SNAs) in Cambodia are assuming more responsibilities for service delivery, and pilot decentralization of rural water operations, sanitation, and basic health services is currently under way. The government goals through decentralization, as stated in the National Program for Subnational Democratic Development, 2011–2019, are to (i) expand the coverage of basic services to underserved areas, (ii) allow for efficient delivery thanks to the proximity of local administrations to citizens, and (iii) expand the revenue base of SNAs through the assignment of tax and nontax revenue sources. The proposed Second Decentralized Public Service and Financial Management Sector Development Program aims to assist efficient local service delivery, and thus inclusive growth, by helping develop the capacity of SNAs for service delivery. The program will also facilitate the development of new revenue sources for SNAs, which can be used for expanded service delivery, and will assist the development of social accountability systems to ensure adequate interaction between district administrations, their councils, and the local constituents.

B. Poverty Targeting :

General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2 etc.)

The implementation of the proposed outputs under the project preparatory technical assistance (TA) and the ongoing policy reforms will benefit the country at large since the reforms supported and the institution to be designed will have national outreach. Work on the pilot implementation of social accountability systems will have a more specific geographical target, but the government plans include the national rollout of the approach.

C. Poverty and Social Analysis

1. **Key issues and potential beneficiaries.** Despite success in reducing overall poverty rates (10% of Cambodians with less than \$1.25 per day and 41% with less than \$2 per day in 2011), disparities in access to social services are stark in Cambodia. Only 37% of the rural population has access to improved sanitation and 44% has access to clean water sources, compared with over 70% in urban areas. National gains in access to health conceal broad provincial disparities, and some provinces will not reach the Millennium Development Goal targets for infant and maternal mortality rates. Lack of capacity of SNAs, coupled with weak revenue envelopes and fledgling local governance systems, limits their potential for service delivery. The proposed project preparatory TA supports the government's ambitious reform efforts and comprehensive institutional reforms to implement sustainable capacity development systems for SNAs. The direct beneficiaries of this will be the more than 10,000 local employees of SNAs, but indirectly also the population across the country because it will have more efficient local administrations.

2. **Impact channels and expected systemic changes.** With better-skilled SNA staff, an expansion of local revenue bases, and stronger local accountability mechanisms, the program aims to reach local citizens across the country with broader coverage and better quality of service delivery. In particular, assisting the participation of excluded and disadvantaged groups through the piloting of social accountability frameworks and its eventual rollout to the national territory will establish channels of interaction between the elected authorities, their executives, and their citizens.

3. **Focus of (and resources allocated in) the project preparatory TA or due diligence.** The project preparatory TA builds on existing reforms and will be anchored on careful analysis of local capacity development needs. Important aspects to consider are sustainable access to capacity development activities by the civil service from the

^a ADB. 2014. *Country Partnership Strategy: Cambodia, 2014–2018*. Manila.

poorest rural areas as well as prioritization of rural districts for the piloting and development of social accountability systems. In addition, the expansion of revenue bases will aim to be progressive, focusing tax pressure on those with adequate income or property endowments.

4. Specific analysis for policy-based lending. The regulatory framework for decentralization reforms was largely implemented under the first Decentralized Public Service and Financial Management Sector Development Program (2012–2015). The first program allowed for the pilot decentralization of service delivery by SNAs, the design of transfers to district and municipal administrations, and the implementation of public financial management systems. The proposed Second Decentralized Public Service and Financial Management Sector Development Program will support the second round of policy reforms in the medium term. For the program components, a policy matrix will be agreed with the government reflecting the emphasis of the second round of reforms on service delivery capacities, stable local revenue sources, and efficient local governance. Direct beneficiaries of the capacity development activities include the staff of SNAs, while the population at large will indirectly benefit from more efficient administrations and service delivery.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program?
– Gender aspects are particularly important for the sector, e.g., measures to ensure access to capacity development for female staff of local administrations, development of gender-sensitive curricula, active participation of women in social accountability systems, and their overall presence as councilors and part of the executive, among others.

2. Does the proposed program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?

Yes No – It will do so by improving women's participation in local governance. A gender action plan will be prepared during project preparatory TA to ensure that these aspects are properly covered and strategized.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?
 Yes No – In fact, the program will serve to promote gender equity and female empowerment through capacity development.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity) EGM (effective gender mainstreaming)
 SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.

– Local civil servants, the local population at large, national government agencies. Consultative mechanisms will be put in place to facilitate the gathering of views and the active participation of stakeholders. No group is expected to be disadvantaged.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable, and excluded groups? What issues in the project design require participation of the poor and excluded?

– The pilot implementation of social accountability systems is, in itself, a direct strategy toward the engagement of all population groups in local governance. An implementation plan is already drafted with a view to improving the access of the poor and vulnerable to local government information and documents, training on how to evaluate and assess such information, and on the available channels to convey their views and preferences.

3. What are the key, active, and relevant civil society organizations (CSOs) in the project area?

– Depending on the final selection of districts for the piloting of social accountability systems, suitable CSOs will be identified and approached.

What is the level of CSO participation in the project design?

H Information generation and sharing H Consultation M Collaboration L Partnership

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? Yes No

– The implementation plan for the social accountability framework has received widespread feedback and has been thoroughly discussed with nongovernment organizations and civil society representatives with a view to facilitating the participation of the poor. Project preparatory TA resources will be assigned to plan the implementation of these activities in the selected districts.

IV. SOCIAL SAFEGUARDS
A. Involuntary Resettlement Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
<p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>– The project will offer options for the physical location of the proposed local government institute on the basis of its designed role and functions. Through the implementation of project activities, the Asian Development Bank and the government will consider the possibility of supporting, beyond the design and soft components of the institute, the physical infrastructure required. If such support were to be agreed, civil works would be conducted only on land for which legal land titles are provided, and free of encumbrances of any kind.</p>
<p>2. What action plan is required to address involuntary resettlement as part of the project preparatory TA or due diligence process?</p> <p><input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input checked="" type="checkbox"/> Social impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p>
B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
<p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No – The project design will make sure that territories of indigenous people are not considered for civil works, if any.</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No – The project will have no negative impact on indigenous communities by design.</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the project preparatory TA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input checked="" type="checkbox"/> Social Impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p>
V. OTHER SOCIAL ISSUES AND RISKS
<p>1. What other social issues and risks should be considered in the project design?</p> <p><input type="checkbox"/> Creating decent jobs and employment <input type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment</p> <p><input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability</p> <p><input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability</p> <p><input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p> <p>– None of these will apply</p> <p>2. How are these additional social issues and risks going to be addressed in the project design? – Not applicable.</p>
VI. PROJECT PREPARATORY TECHNICAL ASSISTANCE OR DUE DILIGENCE RESOURCE REQUIREMENT
<p>1. Do the terms of reference for the project preparatory TA (or other due diligence) contain key information needed to be gathered during TA or due diligence to better analyze (i) poverty and social impact, (ii) gender impact, (iii) participation dimensions, (iv) social safeguards, and (v) other social risks. Are the relevant specialists identified?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No – The terms of reference for the project preparatory TA include information on gender and participation, as well as on the social impact of policy reforms.</p>
<p>2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analyses, and participation plan during the project preparatory TA or due diligence? – All consultants are requested, as part of their respective terms of reference, to address the gender and social aspects relative to their tasks. Specific budgetary allocation is earmarked for the hiring of national experts on local governance to assist implementation of the social accountability framework on selected districts.</p>

Source: Asian Development Bank.