



United Nations Development Programme/Cambodia

Project to Support Democratic Development through Decentralization and Deconcentration (PSDD)

01-02-2007 – 30-06-2011

FINAL PROGRESS REPORT:

JANUARY TO JUNE 2011

Project ID : 00054656 and 00054664

Project Title: Project to Support Democratic Development through Decentralization and Deconcentration (PSDD)

Duration: 1 February 2007 to 30 June 2011

Total Budget: \$ 1,578,790 (2011), \$ 56,190,480 (2007-2011)

Implementing Partners/Responsible parties: National Committee for Democratic Development and SIDA.

Country Programme Outcome: Improving the delivery of social services and increasing participation of the poor in decision making

Table of Contents

I. Executive Summary	3
II. Implementation progress	5
III. Financial status and utilization	8

..

I. Executive Summary

At the request of the NCDD and in agreement with development partners, in December 2010 the PSDD Project was extended to 31 March 2011 at no additional cost. The extension enabled the remaining balance of funds at the scheduled end of the project, approximately \$ 1.4 million, to be programmed in support to activities related to preparation, appraisal and inception of the IP3. Subsequently, at the final Steering Committee Meeting on 24 March 2011, it was agreed that the no-cost extension would run to end June 2011 to enable the completion of final project accounting.

This report describes the activities carried out over the six month period with the following summary of highlights.

IP3 Appraisal: A joint appraisal of the IP3 was carried out in January/February and a Global Appraisal Workshop with all DPs held on 23 February 2011. While requesting some modest revisions to the main IP3 document and some additional appendices to be added, DP's expressed their general satisfaction and agreed that after two and a half years of design it was time to commence implementation. While not directly involved, PSDD advisers played a backstopping role within the NCDDS.

2011 Annual Work Plan and Budget: The 2011 AWPB for the first year of the IP3 was developed in December 2010 and circulated to DPs. While there was very little discussion on the document during appraisal further work within the NCDDS was carried out during the quarter. Draft MoU's with all six Implementing Agencies and 24 Provinces/Capital will be finalized by the end of March containing detailed work plans and budgets. The system for managing and monitoring AWPB implementation was also under design during the quarter. PSDD advisers developed the TOR and provided the main guidance to the consultant hired by EU-SPACE to carry out this work.

Orientation to the IP3: Various IP3 orientation events were designed and implemented during the first quarter beginning with the National Workshop on 5 January attended by all Provincial Council Chiefs, Governors, senior SNA officials and senior PSDD advisers and focused on the IP3 design and transition planning.

Policy Formulation: PSDD advisers working with the EU-SPACE recruited, policy consultant, organized several internal meetings focused on the key policy issues that will need to be addressed in finalizing the regulatory framework and manuals for the SNA. Two policy orientation sessions were all also organized, one for the NCDDS Policy Division and one for senior, sub-national advisers, focused on the policy implications of the Organic Law, the NP-SNDD and the IP3 in the short to medium term. The consultant prepared an outline of a District/Municipal Charter for review and decisions by the NCDD on preparation of guidance materials for the District/Municipal levels.

Implementation of the new SNA Planning Guidelines: The new SNA planning guidelines were introduced during the quarter beginning with a National TOT supported by JICA and PSDD and followed by Provincial and District level training. It is anticipated that the first five year provincial and district development plans will be prepared by May/June.

Gender Mainstreaming: The final report on Gender Mainstreaming in the IP3 by a PSDD funded consultant was completed during the quarter and disseminated to all DP's in March. In addition to the Gender Mainstreaming Strategy that was incorporated as an appendix to the IP3 document, the report provides: a Situation Analysis; a proposed work plan of activities by Sub-Program; an outline for establishing a Gender Baseline; and a Gender Communications Strategy.

Design of the IP3 M&E System: During the quarter, important work was carried out with the EU-SPACE contracted M&E specialist with regards to finalizing the 2011 AWPB, drafting 30 MoUs with implementing agencies and provinces; preparatory work on the IP3 M&E and reporting system; and re-programming of certain NCDD data bases.

Survey on CS budget allocations for CCWC/Social Development: An internal national survey was undertaken in early March 2011 to ascertain the degree to which CS Councils prepared allocations for social development. The results were highly encouraging as 99% of the 1,621 Councils (all but 18) included CCWC operational support and budgets for social activities within their 2011 budgets. In aggregate, \$ 1.25 million was allocated with an average of \$ 1,080 per C/S; even higher than the 2010 earmarked contribution. This is a considerable achievement after only one year of piloting through an earmarked contribution.

Staffing and Recruitment for the IP3: Job descriptions were prepared in the first two months of the year for all advisers, contract staff and POC positions under the IP3. As a matter of priority, recruitment for the District/Municipal Adviser began first with advertisements at district/provincial levels; short-listing of candidates for each location by the NCDDS; training on the interview process; interviews by panels at the sub-national level and submission of recommended candidates to NCDDS for final approval and contracting. Quality assurance was provided by the NCDDS and PSDD advisers with several candidates rejected on the basis of qualifications. By the end of March, it is expected that well over 90% of the 193 advisers will have been contracted. Recruitment of national and sub-national advisers commenced in mid-March and was largely completed by early May.

Closure/Revision of Projects under NCDD: As designed, PSDD has been supporting the implementation of a large number of DP projects that use the NCDD systems and structures for implementation. The Danida NRM in D&D program and the World Bank RILG Project were completed at the end of December 2010 and considerable support was provided during the quarter to properly close these projects including: preparation of final reports/facilitation of consultants preparing final reports/assessments; final project accounting and transfer of assets. Two ongoing IFAD Projects were successfully revised to transfer responsibility to the Ministry of Agriculture including contracting of former PSDD advisers.

UNDP HACT Assessment: Towards the end of the first quarter, UNDP commissioned an assessment of the Harmonized Advance Cash Transfer (HACT) modality for eight projects in Cambodia executed by government agencies including PSDD. The assessment covered the NCDDS financial management system and HR management procedures. Of all eight projects, the assessment concluded that the NCDDS/PSDD systems had the lowest risks. While conducted in the anticipation that further UNDP financing of the National Program would materialize, the positive assessment was nevertheless an independent confirmation of the viability of the systems established in the NCDDS that continue to be used for financing of the IP3.

Project Delivery: The carryover funds from 2010, amounting to \$ 1,403,447 million and new funds added by UNDP in 2011, amounting \$175,000, was mostly allocated to continuing technical assistance under UNDP direct management and included an allocation of \$ 237,451 (17%) to the NCDDS. Following the agreement signed between NCDDS and Danida for bridge financing of \$ 1.9 million, certain adjustments to the PSDD allocation were made. By end of March the remainder of funds under the NCDDS allocation was transferred back to UNDP. UNDP provided an additional allocation of \$50,625, in order to cover remaining international TA costs, resulting in a total project budget for the period January to June of \$1,578,446.84 million all of which was disbursed.

Key Implementation Issues/Challenges: Considerable constraints were faced during the quarter due to transitional issues; the scale and complexity of the IP3 design; the enormous amount of detail needing to be clarified, approved and then disseminated; the uncertainty of funding; and the continuing dissonance amongst DPs. The bridge funding from PSDD and Danida combined with in-kind contributions from JICA, EU SPACE and ADB did enable a moderate level of momentum to be maintained nevertheless. It is imperative that the NCDDS structure be reviewed and that additional, capable staff be recruited to manage the growing work load. The slower than anticipated progress on the drafting of the Law on Sub-National Finance, the design of a district financial system and the recruitment of a Fiscal Decentralization Advisor within MEF is a concern given the importance of fiscal decentralization to the overall D&D reform. Finally, the cancellation of all incentive schemes late in the year threatens the ability to maintain momentum and move forward with reforms during first formative year of the NP-SNDD.

Part II: Narrative Report on First Quarter 2011 Outputs

Output 1: Cambodian-owned sub-national structure agreed and in place that promotes voice, responsiveness, delivery capacity and accountability.				
1.1	1,621 CS Councils finalize their 2011 budgets, complete feasibility studies for 2011 projects and contractor lists prepared	delivery <i>exceeds</i> plan	delivery <i>in line</i> with plan x	delivery <i>below</i> plan
		As of end February 2011, provinces had reported that all CS 2011 budgets had been finalized and undergone legality controls. Feasibility studies for 2011 projects were in process during the quarter but owing to the uncertainty of the future for the Technical Support Officers, the percentage completed was lower than in previous years. Finally, as the first step in the prior review process, most of the provinces had completed the preparation of eligible contractor lists which are posted on the NCDDDS website in preparation for project bidding which commenced in the second quarter of the year.		
1.2	All 1,621 CS Councils include allocations for ongoing support to CCWCs and CMDG-related activities within their 2011 CS Fund budgets.	delivery <i>exceeds</i> plan x	delivery <i>in line</i> with plan	delivery <i>below</i> plan
		Beginning in June 2010, all CS Councils were informed that in 2011 there would no longer be an earmarked contribution for the CCWC and CMDG related activities. CS Councils were encouraged to continue the work begun through budget allocations within their regular CS Fund allocations. An internal national survey was undertaken in early March 2011 to ascertain the degree to which CS Councils prepared allocations for social development. The results were highly encouraging as 99% of the 1,621 Councils (all but 18) included CCWC operational support and budgets for social activities within their 2011 budgets. In aggregate, \$ 1.25 million was allocated with an average of \$ 1,080 per C/S; even higher than the 2010 earmarked contribution. This is a considerable achievement after only one year of piloting through an earmarked contribution.		
1.3	Pilot on Private Technical Support Consultants finalized/reviewed	delivery <i>exceeds</i> plan	delivery <i>in line</i> with plan x	delivery <i>below</i> plan
		The extension of the Technical Support Consultant pilots, funded under WB/RILG to the end of December 2010, was completed during the first quarter. The pilot, which engaged both private engineers and engineering firms to provide technical support to the CS Councils, showed very promising results. It is hoped that in the near future, CS Councils with support from the District, will directly procure technical services through their own budgets to support the design, implementation and technical oversight to small scale infrastructure.		
1.4	Organization Development Manual drafted	delivery <i>exceeds</i> plan	delivery <i>in line</i> with plan x	delivery <i>below</i> plan
		The draft Manual on Organizational Development was completed in April in both English and Khmer. Within the 2011 AWPB, the inception training on Organizational Development is scheduled for early in the third quarter and to be thereafter implemented on a continuous basis focused on the strengthening of the organization capacity of SNAs through a variety of methodologies.		
1.5	Design of TOR for NCDDDS and Job Descriptions for all posts, advisers and contract staff at national and sub-national levels	delivery <i>exceeds</i> plan x	delivery <i>in line</i> with plan	delivery <i>below</i> plan
		During the first quarter a detailed TOR for the entire NCDDDS Structure was prepared as well as detailed job descriptions for all officials, advisers and contract staff working within the structure as well as advisers and contract staff working at the sub-national level. In total, this work covers the roles, responsibilities and lines of reporting for over 1,000 posts under the IP3. While the Job Descriptions are expected to be further developed they are considered sufficient for the purposes of assignment and recruitment which has commenced.		
1.6	NCDDDS/Policy Team prioritizes policy agenda	delivery <i>exceeds</i> plan	delivery <i>in line</i> with plan x	delivery <i>below</i> plan
		PSDD advisers, working closely with the EU-SPACE-recruited policy consultant, focused considerable attention on clarifying the policy agenda for the NCDDDS Policy Division through several internal meetings/workshops. The outline of a District/ Municipal Charter or Governance Compact prepared by the consultant emerged by the middle of March and will be subject to review and decisions on the way forward.		

1.7	IP3 accounts established and bridge financing for first five months of 2011 programmed/under implementation	delivery <i>exceeds</i> plan x	delivery <i>in line</i> with plan	delivery <i>below</i> plan
		PSDD advisers assisted the NCDDS to program the bridge financing provided through PSDD and Danida; establish new, MEF-authorized IP3 accounts at national and sub-national levels; and transfer initial allocations to 24 provinces/capital for ongoing support/facilitation to CS Councils, SNA planning training and minimum operations budgets.		
Output 2: Systems Developed and Integrated into new National Structures and Systems				
2.1	Sub-National planning system guidelines introduced through training and facilitation	delivery <i>exceeds</i> plan	delivery <i>in line</i> with plan x	delivery <i>below</i> plan
		The new SNA planning guidelines were introduced through a National TOT in Phnom Penh funded by JICA/PILAC2 with PSDD national advisers contributing to the design of the training curricula and materials. This was followed by Provincial TOT's also funded by PILAC2 and facilitated by PSDD sub-national advisers. The training of the districts/municipalities commenced in March and the formulation of the first 5-year development plans is expected to be completed in the second quarter.		
2.2	IP3 M&E and Reporting System formulated	delivery <i>exceeds</i> plan	delivery <i>in line</i> with plan x	delivery <i>below</i> plan
		PSDD advisers working closely with the EU-SPACE M&E consultant and the NCDDS M&E Unit to review best practices to date, current data base designs, IP3 M&E results framework, inter-activity between budget and progress reporting systems and formulated a work plan to complete the IP3 M&E system design over the next 3-4 months. The consultant confirmed the very positive features of the current NCDD MIS design while identifying certain re-programming issues which will need to be carried out for maximum integration.		
2.3	Sub-National finance system revisions and district finance system introduced through training	delivery <i>exceeds</i> plan	delivery <i>in line</i> with plan x	delivery <i>below</i> plan
		The Sub-National Finance Law was approved by the Council of Ministers and submitted to the National Assembly for adoption in February. The Law was subsequently enacted in June 2011. The draft Sub-decree on the DM Fund and the modeling of an allocation formula were completed in the quarter supported by UNCDF and ADB advisers. PSDD advisers worked with the NCDD Secretariat on preparing options for the number of DMs that will be included in the first phase of implementation in the third quarter of the year.		
2.4	NCDD MIS further developed	delivery <i>exceeds</i> plan	delivery <i>in line</i> with plan x	delivery <i>below</i> plan
		The NCDD MIS prototype was being tested during the quarter for further refinement before being launched. In addition, the PSDD IT advisers worked closely with the EU-SPACE M&E specialist to review all data bases and support platforms as a first step towards integrating financial accounting with AWPB progress reporting.		
Output 3: Investment Funds Delivered through Mechanisms that Promote Accountability and which Enable Debate.				
3.1	Final retention payments on all PSDD sub-national projects paid	delivery <i>exceeds</i> plan	delivery <i>in line</i> with plan x	delivery <i>below</i> plan
		Under the NCDDS implementation manual, all infrastructure projects include a 20% retention to be paid after six months of project completion to ensure quality control of the output. As of the end of December 2010 a small number of projects had retention payments remaining and by agreement with the NCDDS all payments were all made by the end of March.		

Output 4: Aid Effectiveness Mechanisms in Place.				
4.1	IP3 2011 AWPB finalized and MoU's prepared for 6 national implementing agencies and 24 Provinces/Capital	delivery <i>exceeds</i> plan	delivery <i>in line</i> with plan x	delivery <i>below</i> plan
		The 2011 AWPB, submitted to development partners in December 2010, has undergone further revision owing to the delays in start up of the IP3 and further reality checks on what is possible to achieve in the first year. Draft MoU's for the six implementing agencies at national level were drafted and sent in March to the institutions concerned for their further refinement and finalization. In addition, draft MoUs for the 24 provinces/capital consolidating the sub-national activities and budgets under each province/capital were prepared. Following the signing of the MoU with Sweden on financing of the IP3 in May all 30 AWPBs were finalized and approved in June.		
4.2	NP-SNDD POC scheme prepared for implementation in second quarter	delivery <i>exceeds</i> plan	delivery <i>in line</i> with plan x	delivery <i>below</i> plan
		Documentation required for approval of the IP3 POC scheme was drafted in the first quarter. The Government of Sweden provided a letter to the NCDDDS confirming their willingness to finance the POC scheme through the middle of 2012. The IP3 POC scheme was eventually approved by the government in June 2011.		
4.3	Gender Mainstreaming Strategy for NPDD formulated	delivery <i>exceeds</i> plan	delivery <i>in line</i> with plan x	delivery <i>below</i> plan
		The final report on Gender Mainstreaming in the IP3, prepared by the PSDD-financed consultant, was completed during the quarter and disseminated to all DP's in March. In addition to the Gender Mainstreaming Strategy that was incorporated as an appendix to the IP3 document, the report provides: a Situation Analysis; a proposed work plan of activities by Sub-Program; an outline for establishing a Gender Baseline; and a Gender Communications Strategy.		
4.4	Joint Audit of 2010 accounts for WB/RILGP, Danida NRM in D&D; IFAD/RPRP; IFAD/RULIP and UNICEF/Seth Koma implemented. Audit of CS Accounts, 2007-2010, implemented by NAA Audit of 2010 accounts for PSDD implemented. HACT Assessment undertaken	delivery <i>exceeds</i> plan	delivery <i>in line</i> with plan x	delivery <i>below</i> plan
		The audit of the 2010 Accounts for WB/RILG, IFAD/RPRP, IFAD/RULIP, UNICEF/Seth Koma and Danida NRML by Ernst and Young was conducted in the first quarter and was completed by end March. PSDD advisers assisted with all aspects of the audit including preparation of meetings and field visit schedules; provision of relevant documentation; briefings and explanations on the NCDD financial management system; and discussions on specific problems identified. The final reports were made available to the respective DPs in April/May.		
		The National Audit Authority was separately contracted by the World Bank to carry out an audit of CS Accounts over the period 2007-2010. While the report had not been finalized as of June, in a wrap up session with the NCDDDS no major issues were reported.		
		UNDP commissioned KPMG to audit the 2010 PSDD accounts and the audit was successfully undertaken between February and April 2011. No qualified findings were reported and the follow up to previous years audit findings was considered to be satisfactory.		
Finally, UNDP commissioned the firm Lochan & Co from India to conduct an assessment of the Harmonized Advance Cash Transfer (HACT) system which covered: the NCDD's financial control systems to determine the adequacies of the accounting and internal control systems, authenticity and transparency of the accounting returns and effective and efficient use of fund resources. In addition, a comprehensive SWOT analysis was undertaken of the NCDD covering all major policies and procedures and identifying the healthy areas as well as those which offer scope for improvement. Most of the areas assessed				

		were scored at Low Risk while the overall rating was moderate. It is noted that Lochan & Co considered the NCDDS to be the best amongst the eight government entities they assessed in the country.		
4.5	IP3 Communications Strategy Formulated	delivery <i>exceeds</i> plan	delivery <i>in line</i> with plan	delivery <i>below</i> plan x
		A consultant was recruited in August 2010 to assist the NCDDS to formulate a Communications Strategy for the National Program. The consultant unfortunately got very sick and had to be medically evacuated to Bangkok and then Sweden. This has delayed the finalization of the strategy into 2011. In March 2011, the draft of the Communications Strategy was delivered by the consultant to the NCDDS. Further work will be required before the strategy is fully owned by government, incorporated into the IP3 and reflected in AWPBs.		
4.6	Formulation of NCDD Admin/Finance Manual	delivery <i>exceeds</i> plan	delivery <i>in line</i> with plan x	delivery <i>below</i> plan
		During the first quarter, the existing NCDD Admin/Finance Manual was reviewed and the drafting of the revised manual for the IP3 commenced. This work was completed by June and was pending approval by the NCDD. In the interim, the existing manual is still being used with improved features responding to audit findings.		

III. Financial Status and Utilization

Table 1: PSDD Contribution Overview : February 2007 to June 2011

Donor	2007	2008	2009	2010	2011	Total
UK/Dfid	4,767,875	4,996,548	6,348,019	0	0	16,112,441
Sweden	3,489,873	5,323,631	7,888,438	10916,461.90	1,403,790	29,022,194
Others				6,653		6,653
UNDP	1,875,492.84	2,307,731.20	3208,217.89	3011289	175,000	10,577,731
PSDD Total	10,133,241.20	12,627,909.89	17,444,674.50	13,934,404	1,578,790	56,190,480
NCDD Total	59,167,222	77,937,170	82,508,674	92,269,982	70,000,000	381,883,048
% PSDD	17%	16%	21%	15%	2%	14.5%

Table 2: Annual Expenditure by Budget Line: January to June 2011

No.	Budget Line	Approved Budget (Sida funds)	Revised Budget	Actual Expenditure	Delivery
1	DM Advisors Salaries	95,323	0	0	0%
2	Technical Support Consultants	15,543	15,543	12,636	81%
3	NCDDS Advisers/Contract Staff	73,600	73,468	76,496	104%
4	Retention Fees for SNA Contracts	100,000	149,192	148,319	99%
	Total NEX Budget	284,466	238,204	237,451	100%
5	International Advisers	258,218	255,566	270,317	106%
6	Separation Package for ITA (UNDP funds)	0	175,000	175,000	100%
7	National Advisers	664,848	696,013	683,003	98%
8	Gender Consultant	50,000	50,000	49,012	98%
9	M&E Consultant	25,000	0	0	0%
10	Audit/HACT Assessment	20,000	31,776	31,776	100%
11	Workshops	7,908	0	0	0%
12	Travel/Mission	500	903	903	100%
13	Miscellaneous	1,000	0	0	0%
14	Capacity Development/Communica.	0	39,514	39,514	0%
15	GMS	91,850	91,814	91,814	100%
	Total UNDP Budget	1,119,324	1,340,586	1,341,339	100%
	Grand Total	1,403,790	1,578,790	1,578,790	100%