



Kingdom of Cambodia
National Religion King



National Committee for Sub-National Democratic Development

**3 YEAR IMPLEMENTATION PLAN,
PHASE II (2015-17)
OF THE NATIONAL PROGRAM FOR SUB-
NATIONAL DEMOCRATIC
DEVELOPMENT
(IP3-II)**

December 2014

FOREWORD

The first, four-year phase of the ten-year National Program on Sub-National Democratic Development (NP-SNDD) was completed at the end of December 2014. Over the seven month period, June to December 2014, the Secretariat of the National Committee on Sub-National Democratic Development (NCDDS) facilitated a consultative process to review performance and design a second, three-year phase of the national program. This involved a three stage approach beginning with the design of a program framework, establishing the outcomes and expected outputs to be achieved; followed by the identification of the implementation strategies necessary to produce the agreed outputs; and finally the drafting of the full document including a detailed budget, results framework and implementation arrangements. At each step of this process, consultative workshops were held with senior officials from national Ministries, Councilors and Governors from Sub-National Administrations (SNAs), and representatives from development partners and civil society in order to develop a consensus around the next steps in the far reaching democratic development reforms. This document, the second, three-year implementation plan of the national program, or the IP3-II, represents the agreement reached by all stakeholders in the design process. The document was submitted, discussed and approved by 10th NCDD's meeting on 19th December 2014.

Under the first phase of the NP-SNDD, the IP3-I, the regulatory framework for sub-national democratic development was largely completed and reformed administrative structures and systems have been established and are functioning at all levels of the sub-national administration. Important preparatory work was carried out by several Ministries to map out and review the various functions under their mandates in advance of assigning functions to SNAs. The District/Municipal Fund was established and became operational, the Commune/Sangkat Fund continued implementation across the country and preparatory work on establishing the Sub-National Investment Fund (SNIF) was advanced. A separate statute for SNA Personnel was drafted which, when approved as expected in early 2015, will enable SNAs to effectively manage their own staff. Finally, a three-year plan for Implementation of the Social Accountability Framework (ISAF), 2015-2017, was designed, field tested and ready to be rolled out under the IP3-II.

While the achievements over the past four years have been impressive in laying the foundation for the democratic development reforms, many critical issues remain and are the focus of the IP3-II. Of primary importance, substantial functions need to be transferred from Ministries to SNAs, along with the associated human and financial resources, bringing service delivery closer to the people who in turn can contribute to improved accountability and performance. The District/Municipal (DM) Fund needs sufficient financing to enable DMs to contribute to local development through their general mandate and the DM financial system needs revision to remove excessive controls and become more efficient. The SNIF needs to become operational and own source revenue developed for SNAs. The powers and responsibilities of the SNA Councils and their Board of Governors need further clarification both in regulations and in practice in order for democratic accountability to be reinforced. The Associations of SNA Councils need to develop effective mechanisms to ensure that their collective voice is heard by policy makers and that peer learning around best practices is promoted. Greater interaction and partnerships between SNAs and civil society need to be developed both to promote social accountability and to contribute to local development. Finally, a new strategy for demand-based, capacity development for SNAs that draws upon a wide range of CD service providers within government, civil society and the private sector needs to be established through provincial resource facilities.

The vision of the Organic Law and the NP-SNDD require an ambitious policy agenda for the Royal Government of Cambodia facilitated by the NCDD. We believe the IP3-II design document reflects this ambition. The NCDD must now actively promote the policy debate, ensure that consultations with the highest level of government lead to policy decisions and regularly oversee program performance.

On behalf of the Royal Government and the NCDD, I would like to express appreciation for the time and effort taken by senior officials and technical staff from cooperating Ministries; SNA Councilors, Governors and Directors of Administration; representatives from our development partners and civil society; various consultants and particularly the NCDD Secretariat who have contributed to the formulation of this three-year implementation plan, the IP3-II.

Phnom Penh, 31st December 2014
Deputy Prime Minister, Minister of Interior
and Chairman of the NCDD

Sar Kheng

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ABBREVIATIONS

ABBREVIATION	DESCRIPTION
ADB	Asian Development Bank
AWPB	Annual Work Plan and Budget
BOG	Board of Governors
CCC	The Cooperation Committee for Cambodia
CD	Capacity development
CDB	Commune Database
CMDG	Cambodian Millennium Development Goals
CPDB	Commune Planning Database
CS	Commune/Sangkat
CSO	Civil Society Organization
DM	District/Municipality
DMK	District/Municipality/Khan
DP	Development partner
EU	European Union
EU-SPACE	EU program to Strengthen Performance, Accountability and Civic Engagement of Democratic Councils
GiZ	Deutsche Gesellschaft fuer Internationale Zusammenarbeit GmbH (German implementation agency for international cooperation)
HR	Human resources
IEC	Information, Education, Communication
IP3	First three-year Implementation Plan of National program
IT	Information Technology
JMI	Joint Monitoring Indicators of the TWG for SNDD
LED	Local Economic Development
MCS	Ministry of Civil Service
M&E	Monitoring and Evaluation
MDG	Millennium Development Goals
MEF	Ministry of Economics and Finance
MIS	Management Information System
MOI	Ministry of Interior
MOP	Ministry of Planning
MOWA	Ministry of Women's Affairs
NAD	National AWPB Database
NCDD	National Committee for Democratic Development
NCDDS	Secretariat of NCDD
NGO	Non-governmental Organization
NLCS	National League of Commune/Sangkat Councils
NP	National Program for Sub-national Democratic Development
OD	Organizational Development
OL	Organic Law
PC	Provincial/Capital
PDoWA	Provincial Department of Ministry of Women's Affairs
PID	Project Implementation Database
PITO	Provincial IT Officer
RGC	Royal Government of Cambodia
Sida	Swedish International Development Agency

ABBREVIATION	DESCRIPTION
SNA	Sub-national Administration(s)
SNDD	Sub-national Democratic development
SNIF	Sub-national Investment Facility
TA	Technical Assistance
TWG	Technical Working Group
UN	United Nations
WB	World Bank
WG	Working Group

TERMINOLOGY / DEFINITIONS

TERM	DEFINITION
Accountability	The obligation of power-holders to answer for their actions, to an authority that may impose a penalty for failure
Activity	Actions taken or work performed through which inputs, such as funds, technical assistance and other types of resources are mobilized to produce specific outputs
Capacity Development	A process leading to either: (i) skill upgrading, (both general and specific), (ii) procedural improvements and/or (iii) organizational strengthening. Capacity development refers to investment in people, institutions, and practices
Civic Engagement	A community-based process, where citizens organize themselves around their goals at the grassroots level and work individually or together through non-governmental community organizations to influence the decision-making process
Community Organization / Civil Society Organization	Non-governmental and not-for-profit organizations that have a presence in public life, expressing the interests and values of their members or others, based on ethical, cultural, political, scientific, religious or philanthropic considerations
Deconcentration	When central government redistributes decision making authority and financial and management responsibilities to lower levels of the central government bureaucracy or hierarchy.
Delegation	When central government transfers responsibility for decision-making and administration of public functions to local governments (or other independent agencies or organizations) not wholly controlled by the central government, but ultimately accountable to it. Control is exerted through a "contractual" (principal-agent) relation.
Devolution	When central government transfers responsibility for decision-making and administration of public functions to local governments who are primarily accountable to their electorate, and who operate at arms-length and largely outside the direct control of central government.
Evaluation	To judge the value, merit or worth of something; a periodic assessment of efficiency, effectiveness, impact, sustainability and relevance in the context of stated objectives
Governance	The traditions and institutions by which authority in a country is exercised; the way in which power and authority influence public life, especially economic and social development
Impact	Positive and negative, primary and secondary long-term effects produced by (caused by) a development intervention, directly or indirectly, intended or unintended; or, in a log-frame: significant long-term developmental change induced in the user of a service or product
Indicator	Quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of a development actor
Input	The financial, human, and material resources used for the development intervention
Institutions	An established law, practice, or custom
Milestone	An important or key activity tagged or singled out for special monitoring in terms of progress or completion.
Monitoring	The systematic and continuous collecting, analyzing and using of information for the purpose of management control and decision-making
Outcome	A direct, but intermediary change or improvement in the welfare of the customer or beneficiary as a result of the use of a service (or output).
Output	The final products, capital goods and services which result from a development intervention; may also include changes resulting from the intervention which are relevant to the achievement of outcomes. Organizations are accountable to produce outputs on time, of the desired quantity and quality (QQT)

TERM	DEFINITION
Policy (a public policy)	A purposeful, consistent course of action, principles, or set of decisions: (i) produced as a response to a perceived problem, (ii) formulated by a specific political process, and (iii) adopted, implemented, and enforced by a public agency.
Program/Program	A time-bound intervention that differs from a project in that it usually cuts across sectors, themes and/or geographic areas, uses a multi-disciplinary approach, involves more institutions than a project, and may be supported by different funding sources
Results Based Management	A life-cycle approach to management that integrates strategy, people, resources, processes, and measurements to improve decision making, transparency, and accountability. The approach focuses on achieving outcomes, implementing performance measurement, learning, and adapting, as well as reporting performance.
Transparency	Provision of timely, relevant and reliable information, accessible to all relevant stakeholders

CHAPTER 1. PROGRAM OVERVIEW

1. INTRODUCTION

The Royal Government of Cambodia (RGC) recognizes the value of decentralized local government, its people and its institutions, and the crucial role they play in both the delivery of services and the reduction of poverty. Starting with Commune/Sangkat in 2002 and then expanded to all other Sub-national administrations (SNA) in 2009, significant progress has been realized in the promotion of decentralization and deconcentration.

Sub-National Administrations (SNAs) provide citizens a first point of contact and they ensure local decision making, resolve local conflicts, and promote local participation. Through elected Councilors, SNAs are answerable and responsive to citizens. Increasingly, SNAs promote local development, provide essential social and municipal services and invest in small-scale infrastructure which makes a difference in people's lives.

In 2010, the government designed and approved the 10-Year National Program for Sub-National Democratic Development (NP-SNDD, 2010-2019). This provides a road map for the implementation of D&D reform. The strategy to strengthen SNAs described in the National Program aims to promote and sustain democratic development based on the following key principles:¹

- Public representation;
- Local autonomy;
- Consultation and participation;
- Responsiveness and accountability;
- Promotion of quality of life of local residents;
- Promotion of equity;
- Transparency and integrity;
- Measures to fight corruption and abuse of power

The National Program is divided into three phases, coordinated by the NCDD (National Committee for Sub-National Democratic Development). The first phase, the 3-Year Implementation Plan (IP3, 2010-14), focused on developing SNA operational systems and procedures and ends in December 2014.

This document describes the second phase of the National Program covering the period 2015-2017. It explains the rationale of the reforms and what the Government, working with its development partners and civil society, expects to achieve. Following a program overview, chapter 2 describes the program's five outcomes (reform management, democratic accountability, human resource management and development, service delivery and functions, and fiscal decentralization). The program logic takes an integrated approach. Cross cutting issues like social equity and results management were developed as part of each outcome; background, achievements and challenges from the first IP3 are assimilated into Chapter 2. Each outcome contains targets, outputs, justifications, strategies, budgets, risk mitigation, and implementation responsibilities. Chapter 3 details program implementation arrangements.

Figure 1: Background on SNAs

Cambodia is a unitary state, with SNA established at Provincial, Capital, Khan, Municipal and District levels (by the Organic Law of 2008). When considered together with CS Councils established by the Law on CS Administration (2001), two general types of sub-national governance and administration systems emerge: provincial administrations and local systems (for Capital, Municipal and District levels) and local two-tier systems (District-Commune/Sangkat and Municipality-Sangkat) and one 3-tier system (Capital-Khan/Sangkat). Currently, there are 24 Provinces, 1 Capital, 26 Municipalities, 159 Districts, and 1,633 CSs. There are 14,147 villages, whose chiefs are elected by CS Councils.

The reform process envisions a gradual but decisive transfer to DMs and their constitutive CSs the bulk of national service delivery responsibilities, while strengthening provincial capacities for strategic planning, coordination, support, and oversight of lower tiers.

¹ Law on Administrative Management of the Capital, Province, Khan, District and Municipality, 2008, Articles 11 and 12.

Because some readers many wish to focus on particular elements of the program logic—for example, results measurement, social equity, or challenges from the first IP3, the plan has been summarized and rearranged into a series of annexes, including:

- Annex 1, a brief overview of the reform history and legal framework, together with a brief summary of the achievements and challenges of the first IP3
- Annex 2, a results framework
- Annex 3, a CD strategy
- Annex 4, a strategy to promote and support social equity and inclusiveness
- Annex 5: a risk management strategy
- Annex 6, a detailed budget and financial information

Key governance and results terminology can be found on page vi.

2. VISION, PROGRAM OVERVIEW AND STRATEGIC DIRECTION

The vision for the second phase of the National Program is that:

SNAs provide more and improved services to citizens

A strategic focus will continue to be placed at the District and Municipal level while the program will work with all tiers of SNAs. The structures, systems and procedures developed during the first phase will be applied to improving SNA service delivery and governance. The changes at the end of this phase are intended to be more concrete and more visible to citizens. Service delivery is expected to improve through:

- **Decentralizing the delivery of core services** from Ministries and Provinces to Districts and Municipalities. Transferring functions will enhance local decision making and the accountability of service providers both to citizens and to the elected councils who represent them
- **Increased SNA accountability:** Three types of accountability will be strengthened: (i) SNAs' accountability and responsiveness to citizens ("social accountability"); (ii) accountability of the BOG to implement Council decisions and by-laws ("administrative accountability") and (iii) SNAs accountability to comply with Central Government regulations. A system of oversight will replace administrative controls, allowing SNAs to exercise their autonomy and to be accountable for the results of their actions within a clearer regulatory framework
- **Increased SNA initiative and local autonomy** in decision making, in developing local regulations, in the processes used to deliver services and in the management of human and financial resources
- **Expanding SNAs' resource envelopes.** In order to undertake their mandates, the transfer of functions will be accompanied by the transfer of resources and staff. SNAs will also be provided increased access to resources through the DM Fund (for local development), own source revenues (which will also strengthen accountability to citizens), and the Sub-National Investment Facility (which will allow larger projects, spanning multiple years)

In each of these areas, the program will strengthen and develop a policy, legal and regulatory environment that strongly enables SNAs. It will ensure the regulatory environment is clear, consistent and empowering, and that it is developed, based on evidence, in a participatory and transparent fashion, including the input of civil society. In each of these areas, SNA capacity will be developed primarily on a demand driven basis. As described below, using an integrated, mainstreamed approach, the program will empower women, youth and other groups who may have been traditionally neglected, whose needs may differ from the general population, and whose participation requires alternative approaches. The program aims to unleash

the potential of these groups to more significantly contribute towards, and benefit from, development outcomes.²

3. STRUCTURE OF THE PROGRAM

The program is divided into five outcomes. These contain outputs and strategies to be implemented by a range of parties. Key implementers include the Ministry of Economy and Finance (MEF); Ministry of Interior (MOI); Ministry of Planning (MOP); Ministry of Civil Service (MCS); Ministry of Women's Affairs (MOWA); the NCDDS; several sector Ministries involved in the transfer of functions; SNAs (at all tiers), the Secretariat of SNA Council Associations; and NGOs and Civil Society Organizations (CSOs).

Each outcome area has a main outcome it wishes to achieve, which contributes towards the program's overall goal and purpose. The five outcome areas are:

OUTCOME AREA	MAIN OUTCOME
1. Reform management	■ Improved management of the Democratic Development reform process geared towards management of change
2. Democratic Accountability	■ SNAs function as autonomous, local democratic and accountable institutions, including accountability of the BOG to the Council, accountability of Councilors to citizens, and accountabilities of SNAs to comply with national laws and standards
3. HR management and development	■ SNAs autonomously and effectively manage and develop their staff in order to meet their service delivery mandates and priorities
4. SNA service delivery and functions	■ SNAs are enabled to meet citizens' service delivery expectations and to provide meaningful services at the level of government closest to citizens
5. Fiscal Decentralization	■ Financial resources are well planned, well managed, and adequate for DMs to meet their service delivery mandates

4. DRIVERS OF CHANGE: OPPORTUNITIES FOR REFORM

The opportunities for reform and the conditions for implementing the second IP3 are extremely favorable.³ First, Cambodia has achieved peace, political stability, and economic growth during the past two decades. The results of the political negotiation after the 5th general election have reinforced this with freedom, multi-party democracy and rule of law emerging as a key driver to advance the Sub-national Democratic Development Reform

Decentralization requires important and high level political decisions on the allocation of responsibilities and resources between local and central government. **The political incentives for reform are now much stronger.** There is improved political space, there is more opportunity to govern, there is less uncertainty, and there is increased political competition to demonstrate results to citizens.

There is a strong momentum for reform established under the first phase. Key systems and legal instruments were created including: procedures to guide the operation of councils; the development of the DM fund and the financial management systems needed to support it; a program for social accountability; a draft Statute was prepared to decentralize HR management and development; and initial procedures for implementing a compliance inspection process were created. Sector Ministries have become increasingly committed to decentralizing service delivery. Important analytical work was completed in establishing fiscal decentralization mechanisms like the SNIF and own source revenues. A vision for an improved planning system was created. There is a stronger impetus towards civil service reform, especially in the decentralization of HR management. The IP3 was firmly embedded in national development priorities through the NSDP. Associations of Councils were established and strengthened. Important lessons were

² While maintaining a strong emphasis on gender equality and women's empowerment, the scope has been expanded to encompass social equity and inclusiveness more broadly to better reflect the overall goal of inclusive and equitable development central to the goal of the NP-SNDD.

³ A "change driver" is an external stimulus which influences the Program's justification and design.

learned in terms of how to better manage the program and results, how to mainstream gender, and how to get more value for money from capacity development. In implementing the IP3, partnerships between government, development partners and civil society were significantly strengthened.

During the last decade two developments have fundamentally changed the way governments operate. First, the public sector, all over the world, is being increasingly expected to be **accountable for results** and to report these results to the public. Second, there is a strong push towards “open government” and the provision of real-time information to citizens on how their monies are being spent. Related to this, the ICT (**Information Communication Technology**) revolution offers tremendous opportunities for SNAs to improve their decision making, the efficiency of their operations, and how they interface with citizens. During the first phase, computerized systems were strengthened, and first steps in decentralizing and making existing web-enabled systems more timely and more relevant to decision makers have been taken.

5. HOW IS THIS PHASE DIFFERENT?

The second phase has been designed to address four main challenges from the first IP3.⁴ First, it will better **manage the complex nature of the reforms**. The NCDD, with its sub-committees, will meet more regularly and will increasingly serve as a truly inter-ministerial decision making body. Ownership will be strengthened across government institutions. More opportunities will be provided to debate and to reach consensus. The planning process will be improved to be more flexible and to ensure ownership of targets, milestones and outputs. Communication and transparency will be strengthened. The program will clarify the vision of reform and intensify understanding at national and subnational levels. A small set of clear targets will focus implementation and will be used to track performance and manage results. Mechanisms for SNAs to learn about service delivery successes from each other will be designed and implemented. The participation and feedback of end-users will be more actively promoted, with regulatory instruments and IT designed in a more bottom-up approach. Policy development processes will be improved to make them more participatory, to more consistently begin with an analytical phase, to review best practice, and to better identify strategic options.

Second, a **fresh approach to Capacity Development** will be taken. A more demand driven methodology will be used and SNA Resource Facilities will be established to ensure advisors are used for capacity development instead of capacity substitution. Councilors will be empowered to decide and act on behalf of their constituents. This will be done through a focus on skills such as communication, consultation, and problem solving, which cannot be acquired through standard training. Through a combination of direct support and sub-contracting, facilities will: (i) mentor and coach, support, advise, provide information, and help with problem solving; (ii) respond to immediate queries and requests for information through IT communications; (iii) facilitate organizational development; (iv) provide training on request; (v) create regular learning activities across and between peer groups, and, (vi) roll out any necessary training on new legislation or administrative systems.

Third, there will be **greater participation of civil society**. CSOs will increasingly provide capacity development services. They will empower communities and citizens to participate in the development process and they will advocate, engage, monitor progress, and participate in the development of policy. Civil society will increasingly become a partner for development. CSOs and national NGOs are the main implementers of a Social Accountability program which figures prominently in this phase. They are expected to substantially contribute towards the development and implementation of DM charters, public forums, complaints handling, and the mobilization of citizen contributions to SNA projects. SNAs will be facilitated to enter into service delivery partnerships with civil society organizations as well with as the private sector.

Finally, there will be a **renewed focus on service delivery**. There is now a stronger drive to transfer functions from Central Government to SNAs. The process of functional reassignment will be adjusted to make it simpler and more effective and to better facilitate political decision making. More clarity on the general mandate will be created and SNAs will be encouraged to innovate in terms of the nature of the

⁴ Other challenges are described in Chapter 2 and summarized in Annex 1.

services they provide and the processes they use to deliver them to citizens. Service delivery partnership arrangements between SNAs, central government, CSOs and the private sector will be forged. There will be an expansion and deepening in the provision of administrative services developed under the one window service office.

6. PROCESS OF DEVELOPING THIS DOCUMENT

This document carries forward the reasoning and principles of the NP-SNDD and the first IP₃ both of which remain relevant. Owing to the delayed start in IP₃ implementation and the overly ambitious targets that were set, a one year extension of the first phase was agreed to following a concerted effort to better prioritize outputs and implementation strategies. During early 2014 a team of five consultants (3 international and 2 national) were hired to facilitate the process of formulating the second phase with the work beginning in April 2014.

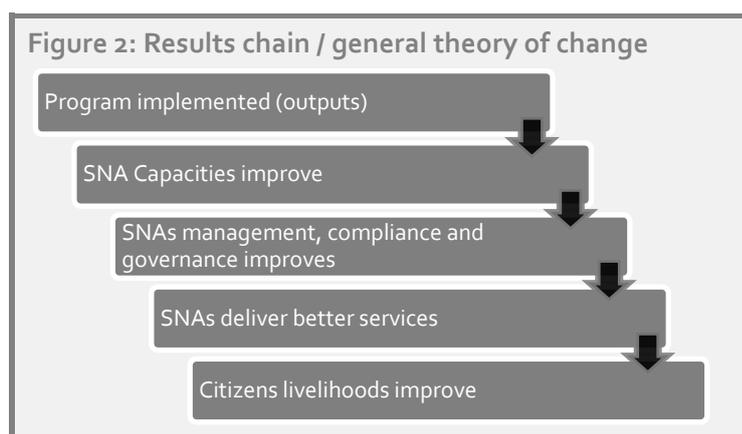
As an input, several analytical reviews were completed. NCDSDS completed an internal review of M&E and conducted a gender audit. Results were discussed in workshops with IP₃ implementers, DPs, and civil society. A strategy to promote results based management was developed. A review (and recommendations for) functional reassignment was prepared by an EU SPACE consultant. In the MEF, a team of ADB consultants began developing a strategy for fiscal decentralization. An extensive review of the capacity development strategy was undertaken by the formulation team and during September 2014 and a consultancy, financed by the Asia Foundation (TAF), drafted a strategy to ensure management information systems better meet the needs of sub-national decision-makers.

To ensure ownership across government and consensus between stakeholders, the formulation process held a series of facilitated consultations. The process aimed to result in a simplified, prioritized, realistic, and results-based plan and was developed in stages. First, a 5-page **framework** was developed in June. This outlined the main thrust of the reforms and its objectives and outputs.⁵ Internal workshops debating the framework were held in July.⁶ In September 2014 NCDSDS, based on inputs from the formulation team, prepared a 15 page **strategy**. This described the five outcomes and their justification, outputs, and strategies. The strategy was discussed in a large workshop on 12 September 2014 attended by government officials from national and sub-national level and representatives from development partners and civil society. DPs and civil society (through CCC) provided written comments on the strategy on 16 September.

During September/early October 2014 the **final design document** was prepared including targets, a budget plan, social equity considerations and taking into account the intermediate formulation results and written comments from development partners and civil society. In November the program design document was widely consulted upon through internal and external meetings and workshops.

7. AN OVERVIEW OF RESULTS

The *Results Framework* (Annex 2) describes expected achievements and how achievements will be measured and assessed. **In this document, results are defined from the perspective of central**



⁵ Gender and M&E were integrated from the start. A strategic planning approach was intended, working back from priority targets (capturing the desired, most significant changes to be realized by the end of the phase). This proved difficult and targets were developed as part of the design document.

⁶ For logistical reasons, and due to a lack of consensus, the framework document was not presented to NCDD as originally planned.

government implementers.⁷ The logic and broad theory of change is that the program produces policies, systems and CD activities; that these strengthen SNA capacity; that in applying this capacity SNAs will be better managed and governed; that improved management and governance will lead to better SNA service delivery; and that better service delivery will improve citizens' livelihoods. Each step of the chain takes into account social equity and inclusiveness and is measured by a series of indicators (see Figure 2).

A. RESULTS UNDER EACH OUTCOME AREA

Each outcome area contains more specific versions of Figure 2 (theories of change or impact pathways). For most pathways⁸ specific targets have been agreed upon. These include all JMI and NSDP targets. For example, the following impact pathway:

Functions reassigned → SNAs are more innovative, accountable, and responsive to citizens for the management and delivery of transferred functions → Decentralization results in improved service delivery,

would measure the last step by comparing service delivery indicators before and after functional transfer.

B. PROGRAM GOAL AND PURPOSE; THE MONITORING STRATEGY

The program goal describes the benefits for citizens (improved livelihoods) while the program purpose describes improvements in SNA performance (better management, governance, and service delivery). To measure these,⁹ broad based indexes will be collected through revised versions of the governance survey, DMK capacity assessment, and compliance inspection. These indexes consist of hundreds of underlying measures and are more robust than single indicators. Program results and indicators are as follows:

Table 1: Measuring the Program's goal and purpose

Result	Indicator to measure the result	TARGETS			Source
		2015	2016	2017	
GOAL: Improve the welfare and quality of life of all local residents of SNAs; to locally empower citizens (from all social groups) through political and other processes to ensure equality, fairness and the protection of basic rights	CDB-CMDG1 Poverty Rate	19.5%	14.9%	13.9%	1
PURPOSE: Improve the capacity, management, governance, and service delivery of SNAs, to ensure they meet their democratic development mandate	SNA Service Delivery Satisfaction Index	72.38	74.19	76.00	2
	Governance Index	56.39	57.80	59.21	2
	DMK Capacity Index	49.26	50.49	51.72	3
	SNA Compliance Inspection Score	N/A	N/A	N/A	4
	Index of decentralization/autonomy	N/A	N/A	N/A	5

NOTE: N/A = not available. Targets were derived as an increase of 25% by 2020 (from 2011). Sources: [1] MOP using CDB data; [2] governance survey; [3] from the DMK Capacity Assessment; [4] Inspection processes are being developed as is [5] an autonomy and policy satisfaction survey

8. FINANCIAL OVERVIEW

This section provides a summary of estimated budget requirements for the IP3-II with more details provided in an Annex. At the time of preparation of this document, specific information on the contributions from the variety of DPs expected to support the program still required confirmation. Understandably, some development partners require further consultations both with the NCDD and with their own headquarters before indicative allocations can be made public in official documents. In other cases, approval of additional contributions will only be processed later in 2015 through internal board meetings. As such, summary information on available resources and projected shortfalls are not presented. In the final consultations on this document, and through specific meetings to be organized with development partners in late 2014, it is expected that budget tables may be prepared on indicative budget availability.

⁷ Outputs include the implementation of policies, systems and CD activities; anything central government can do by decree and can enforce—for example the transfer of functions or resources—is fully under the control of central government and is an output. SNAs are the main "client" of the reform; it is their "behavior" that the program aims to affect. An SNA's behavioral change is considered an outcome. Citizens are more indirect beneficiaries and considered "clients of clients."

⁸ Several outputs may converge to a common pathway and some results are not easily measured or worth the cost of measurement.

⁹ Generally conclusions about the program cannot be made from these monitoring indicators; causality can only be established using independent impact evaluation techniques establishing a counterfactual: see Annex #2.

The cost of the second IP₃ is broken down into two main categories: program costs and fiscal transfers to SNAs. Program costs represent investments in capacity, the development of policies and systems and the costs of reform management. Fiscal transfers represent the budget from government and funds from external donors that are transferred to and directly managed by the CS, DM and PC SNAs.

A. PROGRAM COSTS

Total program costs, comprising the direct costs of producing the outputs described in this document, technical assistance and operating costs, are estimated at \$US 57.7 million of which roughly \$ 22 million is committed and \$ 36 million remains to be mobilized. Expected program costs are documented below.

Table 2: Estimates of Program costs

ITEM	2015	2016	2017	TOTAL
A. PROGRAM NEEDS				
Outcome #1 (Reform management)	\$22,486,145	\$19,265,906	\$15,990,402	\$57,742,453
Outcome #2 (Democratic accountability)	\$3,129,525	\$2,855,325	\$2,905,325	\$8,890,175
Outcome #3 (HR management and development)	\$2,680,597	\$5,378,577	\$5,332,877	\$13,392,050
Outcome #3 (HR management and development)	\$14,464,633	\$9,025,864	\$5,676,060	\$29,166,558
<i>Outputs 3.1 to 3.4</i>	\$6,524,516	\$5,988,980	\$5,676,060	\$18,189,557
<i>Output 3.5: Construct 34 Districts Offices</i>	\$7,940,117	\$3,036,884	\$0	\$10,977,001
Outcome #4 (SNA service delivery and functions)	\$1,177,170	\$1,690,920	\$1,840,920	\$4,709,010
Outcome #5 (Fiscal decentralization)	\$1,034,220	\$315,220	\$235,220	\$1,584,660
B. COMPOSITION (NEEDS BY EXPENDITURE TYPE)				\$0
Activities [1]	\$16,288,924	\$13,610,341	\$10,771,757	\$40,671,021
Technical Assistance [2]	\$5,464,841	\$4,923,185	\$4,486,265	\$14,874,291
Operations [3]	\$732,380	\$732,380	\$732,380	\$2,197,140

NOTES: [1] Activities are the direct costs of reform outputs and are based on estimates of the inputs required. This includes workshops, meetings and training sessions, as well as systems management and program monitoring costs. Direct costs of producing all outputs is provided in Chapter 2 and is summarized in Annex 6; [2] Staff (TA) costs, includes the costs of advisors and support staff hired on annual contracts and focused on supporting the achievement of specific outputs; [3] Operational costs, are allocated to national and sub-national implementers, to cover their overheads related to vehicle maintenance, office supplies and communications which are not specifically tied to an event or output.

B. FISCAL TRANSFERS

MEF will develop a strategy on SNA fiscal decentralization, including medium term expectations for SNA revenues and expenditures. Based on the targets found in this document, preliminary estimates of SNA finances can nevertheless be made and reflect a shift of significant resources to SNAs, especially DMs. As documented below the current level of DM financing (\$US 16.7 Million in 2014), is expected to rise to \$US 106 Million by 2017. This increase is expected to include \$US 15.9 Million in the DM Fund Development Component; \$US 65.6 Million in conditional grants; and \$US 3.4 in own source revenues. The SNIF will provide \$US 6 Million to Districts during 2016 and 2017.

Table 3: Estimated Fiscal Transfers and SNA requirements (in \$US Millions)

ITEM	2014	2015	2016	2017	% INCREASE	% REVENUES	NOTE
1. DMs	20.73	19.19	63.40	106.41	595%	2.92%	
1.1. DM Fund	16.70	19.19	30.34	34.32	124%	0.94%	
1.1.1. Administration	11.30	14.50	16.55	18.46	63%	0.51%	[1]
1.1.2. Development	9.43	4.69	13.79	15.86	296%	0.43%	[2]
1.1.2.1. RGC	5.40	4.69	8.27	13.25		0.36%	
1.1.2.2. DPs	4.00	0.00	5.52	2.61		0.07%	
1.2. Conditional Grants	0.00	0.00	28.5	65.60		1.80%	[3]
1.3. Own Source Revenues	0.00	0.00	1.52	3.43		0.09%	[4]
1.4. SNIF	0.00	0.00	3.00	3.00		0.08%	[5]
2. CS Fund	58.58	67.37	77.47	89.09	52%	2.44%	[1]
3. PC budget	158.20	181.93	209.22	240.60	52%	6.60%	[1]
TOTAL	232.08	268.48	350.09	436.10	88%	11.96%	
% contributed by RGC	98.28%	100.00%	98.42%	99.40%			

NOTES: [1] % increase is from 2014 to 2017. % budget is % of domestic revenues. Assumptions: [1] increase by 15% per year from 2014; [2] 0.5% of national revenues, ring-fenced, but including contributions of DPs; [3] 0.9% of national budget in 2016; 1.8% in 2017; [4] 5% of DM Fund in 2016; 10% in 2017; [5] Estimates by ADB

The second IP₃ focuses on freeing up funds to be used by DMs for development which is considered a priority. To do so, a target of 0.5% of the domestic revenues raised in the previous year will be ring-fenced for the DM Fund development component. Responsibilities for financing the DM Fund development component are shared between the RGC and DPs, but will increasingly be taken over by the RGC. Additional calculations for the DM Fund can be found in the annex (Table 26 page 77).

C. GOVERNMENT CONTRIBUTIONS

The RGC finances 99% of the funds accessed by SNAs with fiscal transfers expected to exceed \$US 1 billion from 2015 to 2017. This includes over \$26 Million of RGC financing of the DM development component.

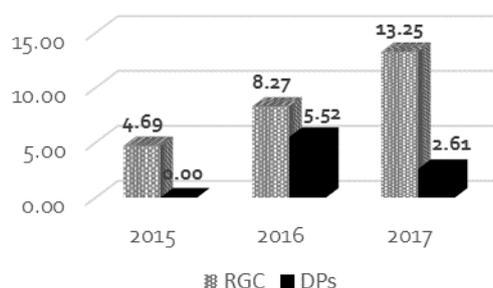
In addition to fiscal transfers, the Government often assumes responsibility for implementing program activities upon their completion. For example, OWSOs and Social Accountability activities are increasingly expected to be financed through government budgets. The implementation of reforms tends to increase RGC future obligations.

Excluding fiscal transfers, the RGC contributes toward program costs in three main ways. First, it directly funds core reform activities. During this phase preliminary estimates are that the RGC will contribute \$US 3.8 Million, a significant increase from the first IP₃. Second, the RGC borrows funds to finance core reform initiatives. For example, it has borrowed funds from the ADB to finance technical assistance in fiscal transfer and functional reassignment, the development and management of the SNIF, and the construction of district offices which are considered integral components of the reforms. When earmarked funds are taken into account, the Government's contribution to the core reform is expected to be approximately 1/3 of all core (non-fiscal transfer) reform costs. Finally, the Government funds indirect expenditures including salaries and overhead administrative costs¹⁰ for NCDDs, whose staff will almost exclusively devote their time to the implementation of the second IP₃.

D. TECHNICAL ASSISTANCE (TA)

To improve ownership of the reforms and to strengthen program sustainability, levels of technical assistance will be reduced gradually over time. This will ensure an increasing proportion of the work load is undertaken by civil servants. TA is provided at national and sub-national level, through advisors and contract staff. Contract staff undertake routine work and in the future the plan is to integrate them into government structures and have them paid through unconditional grants. Current projections are that TA costs will be reduced by \$ 1.5 over the duration of the second phase from the current level of \$US 5.9 Million in 2014 to \$US 4.5 Million in 2017.¹¹ A summary of expected TA budgets over time is provided below.

Figure 3: Financing the DM Development Component (in \$US Millions)



¹⁰ The cost of SNA staff and administrative expenses are including in the calculations for fiscal transfers.

¹¹ Figures assume all positions are held for 12 months during the year; actual TA costs are typically less than budgeted ones.

Table 4: The composition of technical assistance

ITEM	2015	2016	2017	TOTAL	%
TOTAL	\$5,494,841	\$4,953,185	\$4,516,265	\$14,964,291	
1. BY OUTCOME					
1.1. #1 Reform Management	\$1,229,525	\$1,195,325	\$1,195,325	\$3,620,175	24%
1.2. #2 Democratic Accountability	\$234,180	\$187,260	\$148,260	\$569,700	4%
1.3. #3 HR management and development	\$3,399,996	\$2,939,460	\$2,541,540	\$8,880,996	59%
1.4. #4 Services and Functions	\$460,920	\$460,920	\$460,920	\$1,382,760	9%
1.5. #5 Fiscal decentralization	\$140,220	\$140,220	\$140,220	\$420,660	3%
2. BY LEVEL OF GOVERNMENT					
2.1. National	\$1,715,921	\$1,649,465	\$1,649,465	\$5,014,851	34%
2.2. Sub-National	\$3,778,920	\$3,303,720	\$2,866,800	\$9,949,440	66%
<i>Estimated SNA Resource Facilities TA costs</i>	\$3,103,200	\$2,815,080	\$2,537,160	\$8,455,440	57%
3. BY SNA LEVEL					
3.1. PC	\$2,342,520	\$2,283,720	\$2,239,800	\$6,866,040	46%
3.2. DMK	\$1,436,400	\$1,020,000	\$627,000	\$3,083,400	21%
4. BY TYPE OF STAFF					
4.1. Contract officer	\$2,564,940	\$2,073,900	\$1,680,900	\$6,319,740	42%
4.2. Advisor	\$2,929,901	\$2,879,285	\$2,835,365	\$8,644,551	58%

NOTE: % = % of the total

CHAPTER 2. OUTCOMES OF IP3-II

This chapter describes the 5 key outcomes of the second phase of the IP3. The five outcomes are

OUTCOME AREA	MAIN OUTCOME
1. Reform management	■ Improved management of the Democratic Development reform process geared towards management of change
2. Democratic accountability	■ SNAs function as autonomous, local democratic and accountable institutions, including accountability of the BOG to the Council, accountability of Councilors to citizens, and accountabilities of SNAs to comply with national laws and standards
3. HR management and development	■ SNAs autonomously and effectively manage and develop their staff in order to meet their service delivery mandates and priorities
4. SNA service delivery and functions	■ SNAs are enabled to meet citizens' service delivery expectations and to provide meaningful services at the level of government closest to citizens
5. Fiscal decentralization	■ Financial resources are well planned, well managed, and adequate for DMs to meet their service delivery mandates

Each outcome contains an introduction, targets, expected outputs, budgets and risks. For each output, this chapter describes the justification (or rationale), key strategies, how issues of social equity and inclusiveness will be addressed, and implementation responsibilities.

1. OUTCOME #1: REFORM MANAGEMENT

A. INTRODUCTION, OBJECTIVES AND TARGETS

The success of the second IP₃ depends on how well the reforms and the processes of change are managed. Based on management lessons learned during the first IP₃, the next phase is expected to:

- Better address the **political nature of the reforms** with an emphasis on facilitating policy discussion and decision making at the highest political levels. The NCDD and its sub-committees will meet more regularly, increasingly serve as an inter-ministerial decision making body and, as necessary, actively seek guidance and decisions from the highest level of government.
- **Strengthen ownership** across key government institutions. More opportunities will be provided to debate and reach consensus in the development of regulatory instruments which is expected to improve implementation. Technical assistance levels will be gradually reduced and TA processes more directly focused on the transfer of skills. . Annual planning and budgeting processes will be more flexible and better facilitated ensuring that implementers commit to priorities and targets they themselves establish
- **Improve communication and transparency.** The vision of the reform will be clarified and a common understanding of that vision strengthened. NCDDS will improve the flow of information to and between the center and program implementers. Meetings will be more regular to manage performance and exchange views. A clearer set of messages will be created and an awareness (social marketing) campaign aimed at changing the behavior of key stakeholders will be implemented. Civil society will be more actively involved.
- **Manage change.** Decentralization reallocates power and resources and represents a significant change. As central government increasingly provides more autonomy to SNAs, its role will move from implementation to policy-making and regulation. Similarly, NCDDS will adopt more of a facilitative role. Overcoming resistance and changing attitudes will be essential element of the second IP₃
- **Manage results.** Results Based Management (RBM) is an approach that integrates strategies, people, resources, processes, and measurements to improve decision making, transparency, and accountability. It will be used by implementers to identify their goals and priorities and then to identify actions and allocate resources to ensure these objectives are met. It will: (i) promote a culture and willingness to learn; (ii) develop clear targets, priorities and organizational goals based on problem analysis and client needs; (iii) strengthen accountability for results and align organizational and individual goals; (iv) develop processes to openly and transparently discuss and debate performance, (v) make clear public statements about performance, and (vi) develop systems and processes that ensure information on progress in achieving targets and goals are collected in a timely and accurate manner
- **Learn better.** New systems will be developed in stages, with increased testing and feedback from users at the earliest possible points. Piloting and phasing will be frequently used. This will ensure systems are relevant and practical, meet the needs of their users, and demonstrate success
- **Policy development processes will be improved;** as described in Chapter 3, policy development will be more participatory and will rely more heavily on evidence and international best practice. Stakeholders will be involved from the start and before important strategic decisions have been made

B. OUTCOMES AND TARGETS

Five outputs have been identified. These will strengthen the reform management capacities and performance of NCDD, NCDDS, Ministries and SNAs. They are expected to contribute to the outcome:

Improved management of the NP-SNDD reform process geared towards management of change

The logic is that a series of new management processes will be developed and used. These cover performance management, communication, planning, policy development and other key areas. These outputs are expected to result in improved management, better ownership and awareness, and more efficient implementation (the outcomes). The table below describes this reasoning and establishes a limited set of targets the IP3-II will work towards.

Table 5: Targets for reform management (all outputs)

PROGRAM LOGIC	TARGETS TO BE MET BY 2017
Improved reform management processes developed and implemented (outputs)	<ol style="list-style-type: none"> 1. NCDD holds at least 3 meetings per year. In at least 2 of these meetings performance against targets is debated and in at least one of these meetings social equity issues are discussed. 2. Expenditure on TA decreases to reach less than \$4.5 Million by 2017. 3. A social marketing campaign, defining clear behavioral change and undertaken in partnership with Civil Society, is implemented each year and reaches at least 100,000 people per year.
↓	
Management improves including, but not limited to improved: (outcome) <ul style="list-style-type: none"> ▪ Improved awareness of the reforms ▪ Improved program ownership ▪ Improved implementation efficiency 	<ol style="list-style-type: none"> 4. At least 70% of all program milestones and targets are completed on time. 5. At least 50% of all program implementers are satisfied with planning, policy development and financial management procedures coordinated by NCDD. 6. Statement(s) by PM strongly supporting functional assignment 7. At least 5 sector Ministries make public statements strongly supporting decentralization.

C. OUTPUTS

The remainder of this section describes each output (including their justification, implementation strategies, approach to social equity and implementation responsibilities) the budget requirement and risks.

Output #1.1: NCDD leads the political process of reform and manages program performance to ensure implementation of the Organic Law

JUSTIFICATION

Sub-national democratic development reform is complicated and involves nearly all government institutions. As such, it requires: strong support and guidance from the highest political level to make key decisions; a great deal of consensus and collaboration between Ministries to ensure that decisions are implemented; and a performance based management system to ensure that implementation is achieving the intended results.

STRATEGIES

- 1.1.1. Options for strengthening the interaction between the NCDD and the highest political authority on key reform decisions to be developed;
- 1.1.2. A mandatory number of three NCDD meetings per year with a meeting schedule developed in advance focusing on key policy issues and decisions;
- 1.1.3. A mandatory annual meeting of each Sub-Committee to review past performance, set future policy direction with clear targets and issue a report to the NCDD; and
- 1.1.4. Develop a short format for reporting on program performance against agreed results/ priorities to be submitted to the NCDD on a regular basis.

SOCIAL EQUITY AND INCLUSIVENESS

The second IP3 will ensure issues surrounding social inclusion are periodically discussed at NCDD meetings, both in term of policy and managing results related to social equity.

IMPLEMENTATION RESPONSIBILITIES

- NCDD is responsible for coordinating policy and quality assurance; for overseeing the implementation of the second IP3 and; for making and enforcing decisions across government to ensure performance

- NCDDS is responsible for organizing meetings and developing all inputs needed to facilitate NCDD decision making

Output #1.2: NCDDS facilitates and coordinates program implementation and management by all implementers, progressively changing its role from operational to strategic

JUSTIFICATION

In the second IP₃, strengthening ownership across government while facilitating program coordination will present a considerable challenge to the NCDDS. Efforts need to be made where possible to transfer implementation responsibilities to other government institutions and SNAs and increase the efficiency of support to them while maintaining sufficient authority under the NCDD to ensure coherence in program management and strategic monitoring.

STRATEGIES

- 1.2.1 NCDDS structure, TOR, staffing and technical assistance compliment reviewed to reflect the strategic reform priorities in the next phase;
- 1.2.2 The capacity development of NCDD 's staff will continue to ensure effectiveness in coordinating policy development and program management
- 1.2.3 A mandatory quarterly meeting chaired by NCDDS with the responsible authorities appointed by implementing agencies to agree on annual implementation plans, track progress throughout the year and resolve key issues arising from implementation;
- 1.2.4 Processes related to policy development, communication and learning, support to sector functional transfer, reform budgeting and M&E reviewed and strengthened;
- 1.2.5 A results based management approach strengthened to monitor and evaluate program implementation and impact;
- 1.2.6 Financial management and procurement system revised to reduce delays and inefficiencies experienced during the first phase;
- 1.2.7 AWPB processes improved to ensure ownership of plans and targets and that social equity and inclusiveness is substantially incorporated;
- 1.2.8 Technical assistance processes revised to better promote the transfer of skills and knowledge to civil servants and reduce the requirement of technical assistance over time; and
- 1.2.9 Internal NCDDS meetings and communication strengthened.

SOCIAL EQUITY AND INCLUSIVENESS

In implementing its role as facilitator, NCDDS will pro-actively support the recruitment and appointment of women in the NCDDS (civil servants, advisors and contract staff) into technical positions (i.e., not just administration and finance).

IMPLEMENTATION RESPONSIBILITIES

- NCDDS is responsible for developing and improving the management practices in use during this phase
- All SNAs and Ministries are expected to: efficiently implement the program through improved planning, reporting, and policy development; and identify and respond to social equity and inclusiveness concerns in program implementation (with guidance and support from NCDDS and MoWA).

Output #1.3: A Communication Strategy is in use focusing on information sharing between government institutions and between government and the public in a way that clarifies key messages and determines the best way to deliver them to different stakeholder groups

JUSTIFICATION

The vision of the SNDD reforms, both in the longer and medium term, needs to be more broadly disseminated and understood at national and subnational level and with the public. The distribution of legal documents and lengthy manuals is not sufficient for SNAs to understand what the reforms are about and what actions they are mandated to undertake. Efforts need to be made to review and simplify communication processes and information materials for specific stakeholder groups in order to promote independent initiative at all levels. A stronger social marketing approach is required (for communicating both with SNAs and citizens), and where possible implemented with Civil Society.

STRATEGIES

- 1.3.1. Existing Communication Strategy and practices reviewed and a comprehensive strategy developed and adopted addressing all communication needs for the coming phase;
- 1.3.2. Systems that facilitate regular and open consultation and information exchange between key stakeholders groups are established and put into practice at national and sub-national level; and
- 1.3.3. A behavioural change communication component of the strategy identifies the most effective methods and tools to help empower Councillors to act within their mandates.

SOCIAL EQUITY AND INCLUSIVENESS

All components of the communication strategy will address how to broaden awareness of social equity and inclusiveness concerns in sub-national democratic development within NCDDDS senior management, and among all other key actors. During strategy formulation, consideration will be given to whether or not communication with women, and about women's issues, need to be communicated in specifically different ways and, if so, how.

IMPLEMENTATION RESPONSIBILITIES

- NCDDDS is responsible for developing the communication strategy while it may be implemented by multiple parties including CSOs. NCDDDS is responsible for developing procedures that will ensure central government Ministries have an accurate view of the key constraints and issues facing SNAs
- SNA Council Associations will support all elements of the communication strategy

Output #1.4: Ministries have enhanced ownership of and participation in the reform process**JUSTIFICATION**

Functional transfers are critical to SNDD and this will require Ministries to institutionalize the reform process within their structures and within their policy, planning, budgeting and M&E processes. While D&D Working Groups within Ministries have served the initial purpose of catalyzing dialogue around functional reviews, in the future the reforms will need to be further mainstreamed and integrated into the 'daily' work of the institution. This will require the active intervention of the Minister and senior management.

STRATEGIES

- 1.4.1. Line ministries further institutionalize the roles and resources of their current D&D working group into their policy, planning, budgeting and M&E processes so that tasks relating to functional assignment and capacity development become part of their annual mainstream activities;
- 1.4.2. Regular internal meeting conducted by each line ministry to raise awareness and review progress relating to D&D reform;
- 1.4.3. Regular meetings organized by the NCDDDS with line Ministries to ensure mutual understanding of the policies and goals of the SNDD reforms; and
- 1.4.4. Public statements and information supporting the reform increasingly made by each line ministry.

IMPLEMENTATION RESPONSIBILITIES

- NCDDDS is responsible for developing procedures that facilitate broad ownership of the reforms
- Ministries are responsible for institutionalizing the reforms within their Ministries

SOCIAL EQUITY AND INCLUSIVENESS

- All ministries will raise awareness on social equity and inclusiveness in order to mainstream these into their policy and program frameworks.

Output #1.5: SNAs have increased ownership of the reform process and increasingly make progress in shaping the reforms to their specific needs**JUSTIFICATION**

The current reform process needs to be decentralized so that not only service delivery but also the reform process itself is better owned by SNAs. Reform tasks need to be institutionalized into the mainstream structure and work of SNAs, with increasing funding support from their own budget. The relationship between different tiers of SNAs should also be clarified and improved, and collectively their voices need to be better heard and represented in the decision making process at central level.

STRATEGIES

- 1.5.1. A channel created and institutionalized to enable the collective voice of the SNAs to be better represented by the Associations of SNA Councils to the NCDD and its Secretariat on how reforms can be better designed and implemented
- 1.5.2. The roles and budgets of the PC and DMK reviewed, revised and strengthened to enable activities formerly undertaken by advisors to be increasingly taken over by civil servants or contract staff
- 1.5.3. Provinces providing support and backstop the establishment of SNA Resource facilities.

SOCIAL EQUITY AND INCLUSIVENESS

- SNAs will raise awareness on social equity and inclusiveness in order to mainstream these into their policy and program frameworks.

IMPLEMENTATION RESPONSIBILITIES

- NCDD is responsible for developing procedures that facilitate ownership of the reforms
- SNAs are expected to take actions internally to ensure a much wider awareness of the reforms; they are expected to devote resources, from their own budgets, to implement reform initiatives
- SNA Resource Facilities, through their CD and change management activities, and SNA Council Associations through their interaction with SNAs, are expected to support and promote ownership

D. BUDGET SUMMARY FOR OUTCOME #1: REFORM MANAGEMENT

The cost of this outcome from 2015 to 2017 is estimated at \$US 8.9 Million.

Table 6: Outcome #1 total budget (2015-17)

OUTPUT	BUDGET	FUNDING
1.1 NCDD leads the political process of reform and manages program performance to ensure implementation of the Organic Law	\$345,000	Basket
1.2 NCDD facilitates and coordinates program implementation and management by all implementers, progressively changing its role from operational to strategic	\$3,370,000	Basket
1.3 A Communication Strategy is in use focusing on information sharing between government institutions and between government and the public in a way that clarifies key messages and determines the best way to deliver them to different stakeholder groups	\$1,250,000	Basket
1.4 Ministries have enhanced ownership of and participation in the reform process	\$75,000	Basket
1.5 SNAs have increased ownership of the reform process and increasingly make progress in shaping the reforms to their specific needs	\$230,000	Basket
TA ESTIMATE	\$3,620,175	Basket
TOTAL	\$8,890,175	

NOTE: TA estimates allocated to each outcome are indicative only; operational costs for central government are allocated to output 1.2

E. RISKS IN OUTCOME #1: REFORM MANAGEMENT

Some of the principal risks identified, along with proposed measures to mitigate them are outlined below.

Table 7: Risks and their mitigation (Outcome #1: reform management)

RISK	LEVEL	MITIGATING FACTORS / MEASURES
1. NCDDS FACILITATION: NCDDS continues to function as an implementer rather than facilitating the development of policy, regulation, and capacity	MEDIUM	<ul style="list-style-type: none"> ■ Planning and policy development processes will be reviewed and revised ■ Mechanisms to better listen to the constraints and issues facing SNAs and program implementer will be used
2. DELAYS IN IMPLEMENTATION. The Program is overly ambitious and reaching policy consensus and managing performance proves problematic. Ownership of the decentralization reforms continues to be inadequate	MEDIUM	<ul style="list-style-type: none"> ■ NDDD roles will be revised; meetings will be more frequent and performance more actively managed ■ More implementer meetings focusing around performance are planned; clearer targets are in place to manage performance ■ The vision of decentralization will be more clearly communicated
3. FINANCING: DPs reduce their financial contribution	LOW	<ul style="list-style-type: none"> ■ An open dialogue with DPs will continue, especially under the Trust Fund Review Committee ■ The program will continue to focus on improving its management of results to maintain external support

2. OUTCOME #2: DEMOCRATIC ACCOUNTABILITY

A. INTRODUCTION

The development of democratic institutions of local government, which represent and respond to the needs of citizens, is a primary objective of the National Program. While good governance is likely to contribute towards local development it is also important in its own right. Citizens value the process of participation and engagement and value their ability to choose their leaders and hold them to account.

Several forms of accountability are widely in use in Cambodia's system of sub-national administration. Since 2002, CS Councilors--drawn from competing political parties--have been elected every five years. The CS Councilors subsequently elect the DMK and PC Councilors. Councilors perform representational, legislative and oversight functions. During the first IP₃, procedures for DMK Councils to develop and approve by-laws, to hold council meetings and consultative forums, to engage with citizens and CSOs, and to promote local economic development were designed. Most of these procedures are now in use. The Boards of Governors (BOG), who head the executive branch, manage the administration and oversee day to day operations of PCs and DMKs. The BOG is accountable to their Council for implementation of by-laws and decisions with the most important of these decisions being the allocation and use of resources through plans and budgets. As the SNA Personnel Statute¹² comes into force, Councils, through their decisions, will be provided control over the recruitment, appointment and disciplining of some cadres of administrative staff.¹³ During the first IP₃, and in order to support councilors to undertake these functions, a wide range of training, coaching and mentoring activities were undertaken. Independent Council Associations were established to represent and advocate for the collective interests of Councils. Despite the substantial progress made, the legislative, decision making and oversight powers and capacities of the Council remain weak or inadequately defined. As such the Boards of Governors continue to assume a strong leadership role.

Councilors at CS level commonly interact with citizens while at the DM level such interaction is less frequent. Meetings are both formal and informal.¹⁴ To strengthen the interaction between citizens and SNAs, and improve SNA responsiveness to citizens, under this outcome: a social accountability program will be implemented; DM-Citizen Forums will be supported; and complaints handling mechanisms will be revised and strengthened. During the first IP₃, a social accountability framework and strategic plan were developed, approved and its major elements tested. Full implementation will begin in 2015. Social accountability will ensure that: information on Commune, School and Health Center performance, rights, standards and finances are provided to citizens in an easy-to-understand, accessible fashion; that citizens monitor and assess performance; and that weaknesses in service delivery are discussed and then addressed jointly by communities, districts, and commune level service providers. Activities will be jointly implemented by the government and civil society in a spirit of constructive engagement.

The Organic Law and National Program envision SNAs as having high degrees of autonomy. Though autonomous, SNAs are still responsible and accountable to obey laws, to follow procedures, and to meet service delivery standards established by Central Government. These accountability relationships—and how they are managed and enforced through a process of inspections—is currently being developed.

B. OUTCOMES AND TARGETS

Four outputs will be produced. These are expected to contribute to the outcome:

¹² The "Royal Decree on Particular Statute for Sub-National Administration Civil Servants")

¹³ Since Boards of Governors are both executives of SNAs and serve as representatives of the State, Councils have limited powers in the selection and disciplining of BOGs.

¹⁴ During 2013, 9% of citizens contacted CS councilors informally; 10% attended council meetings and 16% attended village planning meetings. Figures for interaction with DM councilors were on the order of 2.5% (Governance Survey, 2014)

SNAs function as local democratic and accountable institutions, including accountability of the BOG to the Council, accountability of Councilors to citizens and accountabilities of SNAs to comply with national laws and standards

Three types of accountability are addressed. First, the accountability of the BoG to their Councils will be increased through: further strengthening of the national regulatory framework (i.e. for planning/budgeting decisions); the adoption of DM Charters and the provision of better information to councilors through web-enabled computerized systems. Logically, these initiatives result in increased accountability of the BOG to councilors, improved initiative of Councilors in establishing the strategic direction of the Council, and better Council decision making (through information). Secondly, the responsiveness of SNAs to citizens will be improved social accountability initiatives, complaints handling mechanisms and DM forums. The outcome of these initiatives is that citizens will increasingly interact with SNAs; they will demand information, monitor SNA performance, engage SNAs to improve performance, and complain when they are dissatisfied. Thirdly, the accountability of SNAs to operate within the national rules and regulations will be strengthened through the design and implementation of an inspection system. As a deterrent, these aim to encourage compliance to national rules and regulations. The table below describes this reasoning and establishes a limited set of targets the IP3-II will work towards.

Table 8: Targets for democratic accountability

PROGRAM LOGIC	TARGETS TO BE MET BY 2017
EMPOWERMENT OF COUNCILS (OUTPUTS 2.1 AND 2.4)	
Activities completed to empower Councilor and Councils (outputs)	<ol style="list-style-type: none"> 1. The regulatory framework is strengthened to ensure more effective council oversight and decision making powers, especially in terms resource allocation and use 2. All DMs adopt and implement a DM charter (*) 3. At least 3 DMK Council meetings per year discuss information generated through a web-based DMK MIS / M&E system¹⁵
↓	
Accountability of the BOG to the council strengthened: (outcome) <ul style="list-style-type: none"> ▪ The BOG is increasingly accountable to implement council decisions and by laws; ▪ Councilors have increased powers in determining the direction of the SNA ▪ Councils increasingly use information in decision-making 	<ol style="list-style-type: none"> 4. 80% of all DM councilors believe their powers vis a vis the BOG are significantly stronger than they were in the past
RESPONSIVENESS/ACCOUNTABILITY TO CITIZENS (OUTPUT 2.2)	
Social accountability initiatives, complaints handling mechanisms and DM forums designed and implemented (outputs)	<ol style="list-style-type: none"> 5. All rural communes in 120 Districts will have posted information to the public (according to disclosure of information regulations), will have participated in citizen monitoring exercises, and will have developed social accountability action plans (JAAPs) to improve service delivery (*) 6. A second phase social accountability program is developed to cover other services and levels of SNAs
↓	
Accountability (responsiveness) of SNAs to citizens strengthened (outcome) <ul style="list-style-type: none"> ▪ Citizens actively engage SNAs ▪ Citizens complain when they are dissatisfied ▪ SNAs are more responsive to citizen demands 	<ol style="list-style-type: none"> 7. During 2017 CSs collect and manage 3,000 complaints and DMKs collect and manage 1,200 complaints 8. 100,000 Citizens and 900 CSOs attend DM forums during 2017 9. Through their JAAPs, Communes contribute \$500,000 to address issues raised during engagement with citizens through social accountability initiatives (from 2015 to 2017)
↓	

¹⁵ The MIS will be designed to meet SNA needs, allow data entry at DM level, and ensure information is timely for decision makers

PROGRAM LOGIC

TARGETS TO BE MET BY 2017

Service delivery improves due to increased SNA responsiveness	10. Service delivery (measured by I4C indicators and citizen scorecards) improves in Communes where social accountability is implemented
COMPLIANCE (OUTPUT 2.3).	
Compliance inspection mechanisms designed and implemented	11. At least 40% of all PCS and DMKs have been inspected for compliance with SNA laws and regulations and have received a satisfactory assessment ¹⁶ (*)



Inspections serve as an effective deterrent, reducing misuse of resources and ensuring good governance	
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NOTE: not all results are meant to have targets. NSDP targets have an asterisk; all JMI indicators come from the NSDP so have been included

The remainder of this section describes each output (their justification, strategies and approach to social equity), risks, and the budget and implementation arrangements.

C. OUTPUTS

Output #2.1: Clear roles and lines of accountability between SNA Councils and Boards of Governors are established and implemented

JUSTIFICATION

While the regulatory framework is meant to clearly reflect the respective roles and lines of accountability between SNA Councils and Boards of Governors, this has proved difficult in practice due to: the high volume and complexity of regulations received from national level; the dual role of the Governors as representatives of the Central Government and head of the Executive Branch of SNAs; capacity issues and insufficient support systems; prevailing attitudes; and lack of discretionary resources with which to make decisions and be held into account. SNAs across the country vary widely in terms of capacity and the degree to which Councilors are currently implementing their legislative, decision making, and oversight functions. There is both a need to clarify the regulatory framework and to allow local Councils and their Administrations the opportunity to develop a consensus on their respective roles and functions.

STRATEGIES

- 2.1.1. Template for DM Charter and guideline on DM Charter preparation and approval procedures are finalized and approved. The Charter will serve as the DM's "Constitution." The DM Charter includes:
 - a) provisions in the Organic Law on the separation of powers between Councils and Board of Governors;
 - b) clarification of *State Functions*, for which Governor acts as representative of the State, from *Local Functions*, for which Governor executes decisions by the Council; and
 - c) decisions on the development goals of the Council to be pursued through specific permissive functions.
- 2.1.2. Systems and procedures reviewed to ensure that the role of the Council is consistent with the Organic Law and that Councilors' legislative, decision making, and oversight functions are strengthened.

SOCIAL EQUITY AND INCLUSIVENESS

As part of the process to facilitate the development of DM Charters, Councils will be encouraged to explicitly discuss and include issues around social equity and inclusiveness in the charter, to ensure that service delivery is planned and implemented in an equitable manner.

IMPLEMENTATION RESPONSIBILITIES

- NCDDDS will take the policy lead in finalizing the template and the process for deliberation and adoption of the DM Charters

¹⁶ Compliance will also cover project implementation. Results will be publically available. The target covers both levels of results (carrying out the inspection and compliance to rules and regulations)

- SNA Resource Facilities will facilitate DMs to develop their charters
- DMs will develop, adopt and implement their charters and DM councilors will increasingly implement their legislative, representational and oversight functions
- CSOs may participate in the development of charters, for example, consulting on draft charters

Output #2.2: Voices of citizens and civil society organizations are better reflected in DM and CS decision-making processes

JUSTIFICATION

Elected Councils are accountable to citizens and need to ensure that the views of stakeholders are taken into account in decision making. Civil society plays an essential role in facilitating and enabling citizens to engage with SNAs. While citizens actively participate in SNA planning, their participation in monitoring performance requires strengthening. There is a strong unmet demand for simple, easy-to-understand, public information from SNAs. While complaints handling mechanisms have been developed, they are not widely used. Strengthening citizens' demand for information and improved performance is expected to contribute significantly to local development.

STRATEGIES

- 2.2.1. Implementation of the Social Accountability Framework (ISAF), approved by the NCDD, is progressively rolled out to DM and CS throughout the country and evaluated and strengthened over time. By 2017 a second phase, social accountability program is developed to cover other services and levels of SNAs
- 2.2.2. Public Forums are regularly organized by SNAs in accordance with approved guidelines;
- 2.2.3. Complaint handling mechanisms at all SNA levels are established, strengthened and used;
- 2.2.4. The Civic engagement technical document is disseminated

SOCIAL EQUITY AND INCLUSIVENESS

All steps in the social accountability process involve citizens' participation, including creation of awareness, the development of citizen understanding of the importance and interpretation of performance information, citizen monitoring, and citizen engagement with commune level service providers. In each of these steps the participation of women, youth and other disadvantaged groups will be promoted; in each step the different perspectives and ambitions of these groups will be addressed. Of the community accountability facilitators (CAFs), at least 50% will be women and at least 25% will be under the age of 35. Indicators will be disaggregated to facilitate a discussion on how service delivery may impact different groups.

IMPLEMENTATION RESPONSIBILITIES

- A Joint Steering Committee, under the TWG on D&D and consisting of NCDDS, NGOs and development partners, will act as a governing body for the program. An implementation working group, consisting of NCDDS and NGO representatives, will ensure coordination of implementation between the supply and demand side as well as the development of social accountability instruments;
- Civil Society, Communes, Schools, Health Centers, Districts and District Line Offices of Health and Education will implement social accountability activities;
- M&E and training support for social accountability will be provided externally
- MOI will lead the development of complaints handling mechanisms
- SNAs will implement improved complaints handling systems; DMKs will hold forums
- Resource Centers will provide CD support throughout

Output #2.3: Institutionalized, transparent SNA compliance inspection mechanisms in place

JUSTIFICATION

As progressively more functions and resources are transferred to sub-national level, the national government must ensure that SNA's act in accordance with laws, regulations, systems and procedures in managing their responsibilities. Compliance inspections are independent, unbiased assessments as to whether legal and regulatory procedures are being adhered to. They aim to minimize interference in the day-to-day operations of SNAs. They are intended to systematically collect evidence (after the fact) and create incentives, based on the inspection, to deter the misuse of funds and to encourage good governance. Once inspection processes are in place, it is possible, for example, to factor compliance scores into the allocation of unconditional grants or to create accountability frameworks for SNA staff which result in disciplinary actions where inspection results are unfavorable.

STRATEGIES

- 2.3.1 Design and adopt a system of inspection to periodically monitor SNA compliance with the regulatory framework determining: the scope of the inspection, the institutional responsibilities for implementation, the capacity development requirements and the methodology for applying sanctions if necessary. The inspection system is expected to cover governance, human resources, finance and procurement, and administration; it is expected to be implemented jointly across multiple Ministries and for its results to be made available to the public and to be discussed in Council meetings.
- 2.3.2 Implement a dissemination campaign for SNAs on the purpose and methodology of the inspections;
- 2.3.3 Progressively roll out the inspection system across the country
- 2.3.4 Investigate the feasibility of linking SNA compliance to resource allocation and other incentives

SOCIAL EQUITY AND INCLUSIVENESS

Where there are regulatory requirements for the employment, participation or the implementation of other measures promoting women and other groups, these requirements will be part of the inspection system.

IMPLEMENTATION RESPONSIBILITIES

- MOI will develop and implement the inspections; there may be participation of other Ministries and the private sector
- NCDDDS will ensure results are publically available

Output #2.4: SNA Administrative, IT, and M&E Systems strengthened**JUSTIFICATION**

Under the first IP₃, operational systems and procedures were developed for DMK SNAs. These systems describe: how each office should undertake their functions; how DMKs should report, monitor and evaluate performance; and how DMKs should implement projects. Capacities were strengthened in all these areas, including information technology. Though significant progress was made, these systems have not been fully developed, require periodic upgrade and extension, and need to clearly define lines of accountability in reporting to SNA Councils.

During this next phase, the program will concentrate on developing web-based DMK Management Information (MIS) and M&E systems. These systems will: (i) be developed with the full participation of DMKs, in order to meet their needs, (ii) be used to implement management processes (i.e. be "live" systems), (iii) decentralize data collection to the DMK level, (iv) be flexible, allowing indicators and data to be defined dynamically, (v) result in the production of timely and easy-to-understand reports which can form a basis of discussion during Council meetings, and (vi) facilitate increased data availability to the public, and their NGO representatives

STRATEGIES

- 2.4.1. Review and revise SNA administrative and operational systems, especially at DMK level.
- 2.4.2. Develop and implement an integrated M&E system for SNAs, especially at DMK level.
- 2.4.3. Strengthen SNA capacities and systems of IT and MIS

SOCIAL EQUITY AND INCLUSIVENESS

Through the data collected, systems will support decision making which affects social equity. The needs of Women's and Children's Affairs Committees will be taken into account during the design process.

IMPLEMENTATION RESPONSIBILITIES

- NCDDDS will lead the development of MIS systems for DMKs using a participatory, "agile" process that ensures DMK needs are met and ensure that programmers will be provided the time, space and resources they need to focus on this work
- NCDDDS and MOI, based on consultation, will revise operational systems as need arises
- SNAs will use the systems
- Civil society will disseminate publically available information found in DMK M&E systems

D. BUDGET SUMMARY FOR OUTCOME #2: DEMOCRATIC ACCOUNTABILITY

The total cost of this outcome, from 2015 to 2017, is estimated to be \$US 13.4 Million.

Table 9: Budget Overview (2015-17) and responsibilities in Outcome #2

OUTPUT		BUDGET	FUNDING
2.1	Clear roles and lines of accountability between SNA Councils and Boards of Governors are established and implemented	\$130,000	Basket
2.2	Voices of citizens and civil society organizations are better reflected in DM and CS decision-making processes	\$12,143,000	Basket, Civil Society, Trust funds
2.3	Institutionalized, transparent SNA compliance inspection mechanisms in place	\$363,200	Basket
2.4	SNA Administrative, IT, and M&E Systems strengthened	\$186,150	Basket
	TA	\$569,700	
	TOTAL	\$13,392,050	

NOTE: The TA estimate is indicative only.

E. RISKS FOR OUTCOME #2: DEMOCRATIC ACCOUNTABILITY

Some of the principal risks identified, along with proposed measures to mitigate them are outlined below.

Table 10: Risks and their mitigation (Outcome #2)

RISK	LEVEL	MITIGATING FACTORS / MEASURES
1. POLITICAL RISKS: The transfer of powers to Councilors, the development of DM charters and the provision of information to citizens can be interpreted as a political risk. Decision making may therefore take longer than anticipated	MEDIUM	<ul style="list-style-type: none"> ■ The legal framework makes strong statements advocating provision of information and engagement with citizens. The Social Accountability framework was endorsed at high levels of government. ■ Activities undertaken with civil society are being implemented in a spirit of cooperation and constructive engagement; in the improved political climate there are benefits to successfully respond to citizens' needs
2. COORDINATION WITH CIVIL SOCIETY: In social accountability, demand and supply side activities support one another. Instruments need to be agreed by both sides. Transparency and trust is required, coordination and communication essential. Many issues arising through citizen engagement (like insufficient teachers) must be solved nationally ³⁷	LOW	<ul style="list-style-type: none"> ■ NCDDDS and Civil society have successfully cooperated on the development of the SAF, translation, training, and creating information packets ■ Regular coordination meetings have been designed which aim to collect information and discuss issues ■ Some of the implementation pressure on NCDD will be lessened if, as expected, third party implementers will undertake a significant amount of M&E and training ■ Adequate TA is now in place at NCDDDS to implement the increased workload from social accountability
3. COUNCILOR INITIATIVE: the envisioned changes assume councilors will actively embrace their role as SNA leaders.	MEDIUM	<ul style="list-style-type: none"> ■ CD interventions and a communication strategy will be designed to encourage attitudinal change.

³⁷ A full set of risks can be found in the Social Accountability Action Plan and Budget.

RISK	LEVEL	MITIGATING FACTORS / MEASURES
4. ADMINISTRATIVE CONTROL: Moving towards a legality control, inspection aims to provide SNAs with operational space. This represents a major change and may take time to implement	MEDIUM - HIGH	<ul style="list-style-type: none"> ■ Inspection routines will be built up over time, with the involvement of each Ministry. ■ Supporting CD will emphasize both attitudinal change and the importance of principles as well as a greater understanding and acceptance of the new approach
5. DEEPER POLITICAL REFORMS: Changes in governance, aimed at strengthening Councilors may not address some underlying root causes of the imbalance of powers between the BOG and Councilors, in particular the BOG serving also as a representative of state and the indirect election of DMK and PC Councilors through party lists	LOW - MEDIUM	<ul style="list-style-type: none"> ■ Even without drastic changes, there remains enormous room to promote Councilors. Resources will be available to DM Councils to implement development activities and demonstrate results to citizens. Strategically, it is sensible to solve some of the easier problems first, through CD and local initiatives, like the Charter ■ The program is flexible; if required, and during the latter years of this phase, further analysis of constraints to Councilors taking more initiative can be addressed

3. OUTCOME #3: HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT

A. INTRODUCTION

SNAs consist of elected Councilors, appointed Governors, and administrators.¹⁸ The number of staff an SNA has, their composition, their skills and competencies, their attitudes, the incentives that motivate them (including pay), and the degree to which they can be flexibly managed by the SNA, are key factors in how well SNAs function. The objective of the National Program is that SNAs will increasingly manage their own staff. They will recruit, appoint, discipline, promote, organize, control and develop them, within a national framework and under a new civil service statute for SNA personnel. During the first IP3, temporary measures were undertaken to require SNA staff to report to their Boards of Governors (sub-decree 497), while still retaining their employment with the Ministry of Interior. An SNA Personnel Statute¹⁹ was drafted during 2014, and when this comes into force SNAs will be provided strong decentralized powers to manage their human resources.

During the first IP3, the CD (capacity development) strategy at sub-national level was based on:

- Developing the capacity of CD teams drawn from the different Divisions of the Provincial Administration so that they are able to build the capacity of DM Administrations;
- Providing facilitators to SNA Councils for coaching and on the job learning; and
- Using a methodology of cascade training whereby national trainers train provincial CD teams who then train the DM Councils and Administration

Although significant capacity was developed, assessments, both internal and external, have determined that this strategy has not been as successful as intended, because:

- Advisors and Mentors were too frequently diverted from their focus on capacity development to perform capacity substitution tasks of the administration
- The lack of incentives for the CD teams to conduct training, the low capacity of some CD team members and the priority they gave to other work of their Division led to a reduced volume and quality of capacity development
- While the 'top down' training from the center has been necessary to introduce new systems/ regulations, demand based training is now the priority

Now that much of the SNA regulatory framework and systems are in place and organizational development (OD) activities have been developed and implemented, the second IP3 will shift towards a more demand driven approach with capacity development support focused directly on the prioritized needs of each SNA. Technical assistance (TA) will continue to represent a substantial portion of program expenditures but the primary purpose of the TA will be to transfer skills and knowledge to SNAs. In order for this to be achieved, current constraints will be addressed and a new approach adopted. During this phase, an SNA Resource Facility will be established in each Province which will incorporate advisors and mentors into one center focused exclusively on capacity development.

The facility is conceived of as a team, with a common goal, and access to finance, rather than a "building." Each facility is expected to have two sections: one of Mentors leading support to PC and DMK Councils (output 2.2) and the other of Advisors leading support to DMK Administrations (output 2.3). The teams will be based in the same location and will have access to common IT resources; legal documents, manuals and

¹⁸ Councilors are the legislative branch, the BOG the executive branch. Some administrative staff are on contract while others are civil servants. In general, civil servants are "appointed" through a decision of an authorized public institution in accordance with the civil service law. As such they are technically employees of the state and have a constitutional role. The intent is to balance the requirement that these employees be responsive to the government of the day or to the organization they "work for," with the parallel requirement that they respect and maintain state institutions over time. Once appointed, there are many constraints on their dismissal.

¹⁹ The "Royal Decree on Particular Statute for Sub-National Administration Civil Servants"

guidelines; training and communication materials; office equipment and transport. The two teams, and all support staff, will report to a Facility Manager.

Based on Organizational Development Plans developed with SNAs, identifying the demand for CD, and a survey of potential capacity development providers within the administration, private sector and NGOs, annual capacity development plans, to be financed through the IP3-II, will be developed by Resource Facilities with guidance from national level. CD interventions will include: ongoing coaching support to councils; provision of information materials and documents; quick responses to questions through telephone and email; facilitation of workshops and forums; the organization of specific training on request of the SNAs either directly or through other capacity development providers; training requested from central level on new legislation or systems; and learning activities such as workshops for Councils to exchange experiences and lessons learned. Resource centers will implement and support all supply driven CD initiatives implemented under other outcomes.

B. OUTCOMES AND TARGETS

Five outputs will be produced. These are expected to contribute to the final outcome:

SNAs autonomously and effectively manage and develop their staff in order to meet their service delivery mandates and priorities

This phase will develop the regulatory environment for decentralized HR management and will roll-out new HR systems to SNAs. The logic is that SNAs will increasingly recruit, manage and discipline their staff and that they will become responsible for ensuring the active recruitment of women into management positions. Through SNA Resource Facilities, a large investment will be made in capacity development; the approach will be increasingly demand driven and gender will be addressed at leadership level. A successful CD program is expected to lead to improved knowledge, skills and attitude; improved job performance; and ultimately improved delivery of SNA services. Measuring these changes is expected to be both challenging and expensive. In the case of DMK councilors, their improved capacity should be evident in increases in the number of by-laws passed and decisions made. The table below describes this reasoning and establishes a limited set of targets the second IP3 will work towards.

Table 11: Targets in terms of HR management and development

PROGRAM LOGIC	TARGETS
DECENTRALIZATION OF HR MANAGEMENT (OUTPUT 3.1)	
HR management functions are decentralized and rolled out to SNAs (outputs)	<ol style="list-style-type: none"> 1. All SNA administrative staff are recruited, appointed, and disciplined based on Council decisions 2. SNA appraisal system established and 95% of all PC and DMK management staff have their performance appraised by their immediate superiors 3. TOR/job descriptions of all SNA staff developed and followed
↓	
SNA HR management improves (outcomes) <ul style="list-style-type: none"> ▪ SNAs recruit and promote the most qualified staff and proactively manage diversity ▪ SNA staff are accountable for their performance 	<ol style="list-style-type: none"> 4. 16% of PC administration directors and division heads are female and 22% of DMK administration directors and division heads are female (*)[see the results framework for disaggregation of this target]

PROGRAM LOGIC**TARGETS**

SNA STAFF CAPACITY DEVELOPMENT (OUTPUT 3.2 and 3.3)	
Efforts to develop SNA staff capacities are undertaken, increasingly on a demand driven basis (outputs)	5. All SNA Resource Facilities provide a range of support including: (i) Advisors; (ii) help hotlines; (iii) resource materials; (iv) staff and materials to deliver training on demand and manage/coordinate training inputs from other ministries, and (v) facilitation of organization development activities and action learning 6. 95% of all PC and DMK governors and Council chairpersons complete mandatory annual training in gender mainstreaming 7. 80% of all Councilors, SNA administrative staff and BOG feel their training adequately prepared them to undertake their job functions 8. At least 50% of all CD interventions are demand driven by 2017
The knowledge, skills and attitudes of SNA staff improves ²⁰ Councilors increasingly implement their legislative, representational and oversight functions	9. On average DMKs pass 1 by law per year and the number of decisions taken in DMK Council meetings increases by 50%
Improved job performance leads to better service delivery	

NOTE: not all results are meant to have targets. NSDP targets have an asterisk; all JMI indicators come from the NSDP so have been included.

C. OUTPUTS

The remainder of this section describes outputs (their justification, strategies and approach to social equity), risks, the budget, and implementation arrangements. Annex #3 reproduces the CD strategy.

Output #3.1: SNA HR management decentralized and strengthened**JUSTIFICATION**

Reinforcing the autonomy and accountability of the SNAs requires that they manage their own human resources including those civil servants transferred to the SNA following functional assignment. SNAs will take the lead in recruiting, appointing and disciplining administrative staff according to guidelines provided by national level. To achieve these objectives, the General Principles for Civil Service Arrangements and the Royal Decree on Particular Statute for Sub-National Administration Civil Servants are expected to be adopted by the end of 2014 with implementation beginning in 2015. A national effort will be required to ensure that over the course of the next three years, these decentralized SNA HR arrangements are implemented. Specific attention will be given to ensuring that gender issues and the promotion of women will be integrated into policy and practice.

STRATEGIES

- 3.1.1. Develop legal instruments for implementation of the statute for SNA personnel;
- 3.1.2. In a phased approach, new, decentralized SNA HR management processes are introduced and implemented by relevant grades of SNA personnel with these systems and processes later expanded to ensure national coverage and incorporated into the compliance inspection process
- 3.1.3. SNA staff performance appraisal system is developed and implemented
- 3.1.4. To support HR management, a computerized personnel database system are designed and adopted
- 3.1.5. Based on analysis and gender audits, interventions are designed and implemented to increase the percentage of women in management positions and to better mainstream gender in SNA management processes

²⁰Typically this is measured through staff appraisal processes, but because these processes are new, rating and scores are not likely to be an accurate measure of staff performance

- 3.1.6. Each year, all SNA leaders and upper level managers will be required to complete a dynamic and mandatory training on analyzing gender issues, mainstreaming gender, and promoting women in leadership and diversity

SOCIAL EQUITY AND INCLUSIVENESS

It is important for SNA management to consider a diversity of views. Having a higher proportion of women staff is expected to improve the degree to which SNAs consider women's needs and mainstream gender into their work. The target is for 16% of PC administration directors and division heads to be female and for 22% of DMK administration directors and division heads to be female. This goal is a priority within the NSDP. During this phase a wide range of initiatives will be implemented to promote women's employment in SNA management positions.²¹ All members of the BOGs and heads of line offices will be provided with an orientation on social equity and inclusiveness issues in sub-national development (i.e., poverty reduction, gender equality and women's empowerment, and protecting the rights of women, children, and the disabled, the elderly and ethnic minorities).

IMPLEMENTATION RESPONSIBILITIES

- MCS will develop regulations and guidelines promoting decentralized HR management;
- MOWA and NCDDES will develop procedures and programs to encourage employment of women in SNA management positions
- SNAs will implement decentralized HR management and development processes
- SNA Resource Facilities will provide CD support

Output #3.2: Demand-driven capacity/organizational development and advocacy support systems for SNA Councils and Councilors in place at provincial level

JUSTIFICATION

Elected Councilors play an essential role in implementing Cambodia's vision of Sub-national Democratic Development. Because this role is new, a significant investment in strengthening councilors' capacities is required. As politicians, a wide range of interventions are required, including formal training, mentoring, learning by doing, and other approaches. To best implement this diverse range of capacity development, a dedicated and responsive resource facility is required.

STRATEGIES

- 3.2.1. Design a SNA Resource Facility at provincial level with one section focused on functions of Councils and clarify the management arrangements at national and sub-national levels;
- 3.2.2. For the Council Section, develop operational guidelines and redeploy Council mentors as a pooled team with materials and IT available to respond to specific requests of Councils for facilitating capacity development;
- 3.2.3. Conduct a survey in each province of potential capacity development service providers within and outside government who may be called upon to support specific interventions;
- 3.2.4. Establish linkages with the Secretariat of SNA Council Associations to promote collective advocacy for reform at national level.
- 3.2.5. Ensure gender and women empowerment is adequately addressed and mainstreamed into all capacity development efforts.

SOCIAL EQUITY AND INCLUSIVENESS

Advisors will ensure social equity and inclusiveness issues are addressed in all work they undertake with Councilors. Attention will be given to ensuring that female officials get both individual and group mentoring support to empower them to act.

²¹The promotion of women in SNA management positions is also described in the Ministry of Civil Service's Strategy 4 "Mainstreaming of Gender" its *Policy on Human Resource Management and Development for Sub-national Administrations*.

IMPLEMENTATION RESPONSIBILITIES

- SNA Resource Facilities will coordinate all CD support, implementing some initiatives directly and sub-contracting other initiatives to other training organizations, the private sector, or civil society
- Ministries, especially MOWA, may support Resource Centers in the development of materials and programs, when technical input is required

It is possible NGOs will provide and pay for some of the CD activities managed through Resource Centers. How the centers will be managed and governed is described in more detail in Annex 3.

Output #3.3: Demand-driven capacity and organizational development support systems for SNA Boards of Governors and Administration staff at provincial level developed

JUSTIFICATION

The establishment of a new regulatory framework in the first phase of the National Program required a high volume of cascade training from national level to SNA administrations. While some of this will continue, capacity development in the second phase must shift to a more demand driven approach with interventions designed to meet the specific and different needs of SNAs identified through the organizational development methodology.

STRATEGIES

- 3.3.1. Design a SNA Resource Facility at provincial level with one section focused on functions of SNA Administrations and clarify the management arrangements at national and sub-national levels as noted above;
- 3.3.2. For the Administration Section, develop operational guidelines and redeploy sub-national advisors as a pooled team with materials and IT available to respond to specific requests of SNA Administrations for facilitating capacity development;
- 3.3.3. Conduct surveys in each province of potential capacity development service providers within and outside government who may be called upon to support specific interventions;
- 3.3.4. Ensure gender is adequately addressed and mainstreamed into all capacity development efforts²²

IMPLEMENTATION RESPONSIBILITIES

- SNA Resource Centers will coordinate all CD support, implementing some initiatives directly and sub-contracting other initiatives to other training organizations, the private sector, or civil society
- Ministries, especially MOWA, may support Resource Centers in the development of materials and programs, when technical input is required.

Output #3.4: A resourced plan for a permanent local government training institute and long-term capacity development in place and ready for implementation

JUSTIFICATION

While ongoing efforts in short term capacity development will continue, to ensure that SNAs are managed and staffed by qualified and competent personnel in the future, a longer term approach is required. Similar to the role played by the Royal School of Administration, the establishment of a dedicated institute focused on both SNA Councilors and SNA staff should be developed.

STRATEGIES

- 3.4.1. Through dialogue between the key concerned national institutions (MOI, MEF, MCS) a policy decision will be taken on the lead role for establishing the training institute

²² Social equity is addressed in a similar way for outputs 3.2 and 3.3 as are implementation responsibilities, so they are not repeated under output 3.3.

- 3.4.2. Options and recommendations prepared for establishing the institute including: budget estimates, staffing, operations and maintenance and curriculum development
- 3.4.3. Key stakeholders reach consensus and a more detailed implementation plan developed, deliberated and approved
- 3.4.4. Funding and other resources to implement the plan are secured
- 3.4.5. A comprehensive set of curricula are developed in collaboration with all relevant line Ministries, institutions and external resource persons

IMPLEMENTATION RESPONSIBILITIES

- The plan will be developed by MOI in consultation with key stakeholders especially the Ministry of Civil Service and the NCDDDS

Output #3.5: Construct 34 Districts Offices to improve the working environment for staff

JUSTIFICATION

Facilities at PC level are reasonably well developed, while those in DMKs require significantly more work. With ADB support, a project to upgrade District offices was designed (including a feasibility study, priority lists, preliminary designs and budgets to construct, repair, and equip) and is operational.²³

STRATEGIES

- 3.5.1. Complete the design and preparation of procurement documents for all offices and procure contractors for all offices
- 3.5.2. Construct offices and monitor work

IMPLEMENTATION RESPONSIBILITIES

- The project is managed by MOI, financed through an ADB loan
- Districts are responsible for procuring services and contactors

D. BUDGET FOR OUTCOME #3: HR MANAGEMENT AND DEVELOPMENT

The total cost of this outcome, from 2015 to 2017, is estimated to be \$US 29.1 Million.

Table 12: Budget (2015-17) and responsibilities in Outcome #3

OUTPUT	BUDGET	FUNDING
3.1 SNA HR management decentralized and strengthened	\$400,000	Basket
3.2 Demand-driven capacity/organizational development and advocacy support systems for SNA Councils and Councilors in place at provincial level	\$3,295,710	Basket
3.3 Demand-driven capacity and organizational development support systems for SNA Boards of Governors and Administration staff at provincial level developed	\$3,295,710	Basket
3.4 A resourced plan for a permanent local government training institute and long-term capacity development in place and ready for implementation	\$120,000	RGC (ADB Loan)
3.5 Construct 34 Districts Offices to improve the working environment for staff	\$10,977,001	RGC (ADB Loan)
TA	\$8,880,996	Basket
General Operations	\$2,197,140	SNAs
TOTAL	\$29,166,558	

NOTE: TA costs are an indicative estimate only. Outputs 3.2 and 3.3. are derived as 75% of existing SNA transfers. They are divided equally.

²³ During 2012 the state of these offices was assessed. Construction of CS offices is covered by the RGC,

E. RISKS FOR OUTCOME #3: HR MANAGEMENT AND DEVELOPMENT

Some of the principal risks identified, along with proposed measures to mitigate them are outlined below.

Table 13: Risks and their mitigation (Outcome #3)

RISK	LEVEL	MITIGATING FACTORS / MEASURES
1. HR STATUTE APPROVAL: There may be delays in the approval of the Statute; this would prevent SNAs from actively managing their HR and would prevent staff from being transferred to SNAs following functional reassignment	LOW	<ul style="list-style-type: none"> ■ The Statute was discussed extensively at the September meeting of the NCDD and the development of the Public Administrative Reforms have provided strong support for its finalization. Through high level political channels NCDD is ensuring the Statute continues to move forward
2. HR STATUTE INTERPRETATION: though HR management functions would be legally transferred through the Statute, subsidiary administrative procedures and guidelines may continue to provide strong central participation in HR management, against the spirit of the Organic Law and the Statute	MEDIUM	<ul style="list-style-type: none"> ■ Through the NCDD, the next phase will promote the consistency of policy and regulations ■ SNAs will be provided increased opportunity to voice their concerns about the regulatory environment under which they work
3. RESOURCE CENTER MANAGEMENT: Due to management constraints, resource centers may not function effectively and may not be able coordinate demand and supply side activities through a work plan	LOW - MEDIUM	<ul style="list-style-type: none"> ■ Resource Centers work plans will coordinate the competing needs for its CD services. Once central government institutions "book" a time for supply side training, that time frame will not change. Organizations that are late developing new systems for supply side training will have to wait until the next year or a budget revision to be provided second opportunities to roll out their new products

4. OUTCOME #4: SNA SERVICE DELIVERY AND FUNCTIONS

A. INTRODUCTION

The first IP₃ established the foundations necessary for DMK operations. With capacity now largely in place, this phase enables SNAs to meet the service delivery demands of their jurisdictions. The move from systems to services places outcome #4 at the forefront of the reform effort.

GENERAL MANDATE AND PERMISSIVE FUNCTIONS

The regulatory framework provides SNAs a general mandate to improve the welfare of citizens in their jurisdictions. General mandate functions are “permissive” and discretionary; to be chosen by SNAs. Under the general mandate, an SNA may autonomously act to:

- Develop and enforce local regulations on a wide range of economic and social matters
- Promote good governance and citizen participation
- Promote local economic development
- Secure social protection services for the poorest and most vulnerable in their constituencies
- Undertake any function not exclusively under the mandate of another public sector organization
- Undertake any function with the regulatory “permission” of other public sector agencies, following the rules and standards established by that agency, independently or in partnership with that agency. To deliver services, the general mandate allows SNAs to enter into partnerships with the community, other SNAs, central government institutions, the private sector, or civil society. SNAs have a “right of initiative” and are expected to be proactive and provide a wide range of services according to the needs of their constituencies. Different constituencies are expected to have different priorities. The general mandate is supported through unconditional inter-governmental fiscal transfer arrangements, including the CS Fund, the DM Fund, and the PC State budget.

To date, innovation under the general mandate has been limited owing to: insufficient guidance and promotion from the national level; hesitancy to take initiative at SNA level; and lack of DM Fund resources. Many functions typically considered under the general mandate (i.e. development of small roads, refuse collection) have not been assigned to specific tiers of SNA. As DMs increasingly access development funds, potential overlaps in service delivery responsibility will need to be addressed to create a clearer line of accountability between SNAs and citizens. During the first IP₃, experiences of other countries were studied, general mandate functions were identified, and a sub-decree was drafted.

FUNCTIONAL REASSIGNMENT AND OBLIGATORY FUNCTIONS

As described in the Organic Law, the RGC wishes to transfer powers and functions from central sector government Ministries to SNAs. These functions are considered “obligatory” in the sense that once they are transferred, together with resources in the form of a conditional grant, they must be provided. In a delegated (principal-agent) system, the center sets the standards and provides SNAs extensive day-to-day operational autonomy. Service delivery and governance is expected to improve through the delegation of functions because:

- Policy and executive functions are separated. This focuses Ministries on facilitating a conducive operating environment, developing policy and standards, regulating, and ensuring standards are met. Decision making is spread out, reducing the risk of conflict of interest and abuse of power
- Local accountability is strengthened. Delegating functions to SNAs ensures decision making takes place at the lowest possible level and that there is a clear link between service delivery performance and the demands of citizens. A “shorter route” to accountability is created because decisions to improve service delivery can be made locally, more quickly, with a minimum of bureaucracy, and with more direct interaction between local politicians, citizens, and citizens’ representatives
- The composition and nature of services provided can be better aligned to local conditions and priorities. Through their more frequent interaction with citizens, SNAs may have a better

understanding of their jurisdiction and may have better access to information; decision making is expected to improve and resources more efficiently allocated

- Decentralization may spur innovation, especially where services are not highly standardized (i.e. differ between jurisdictions) providing more choice between jurisdictions

In the long run, it is expected most executive functions currently implemented by Ministerial District Line Offices will be transferred to DMs. DMs are expected to be the main sub-national service provider. A transfer of functions will be accompanied by a transfer of staff and resources; the transfer changes lines of accountability, with staff formerly accountable to line Ministries (through the chain of command) made accountable to locally elected Councilors.

Figure 4: Accountability before transfer

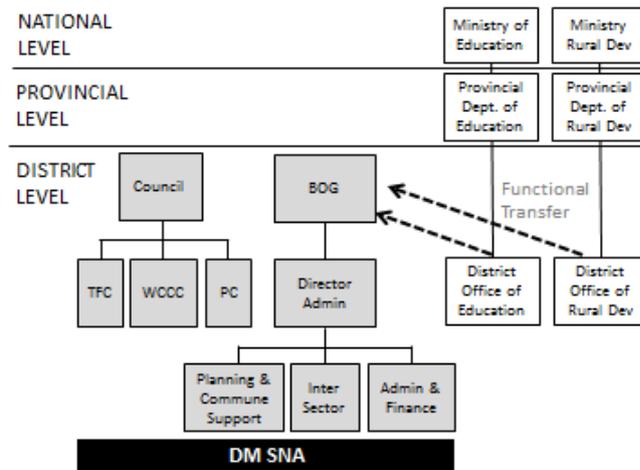
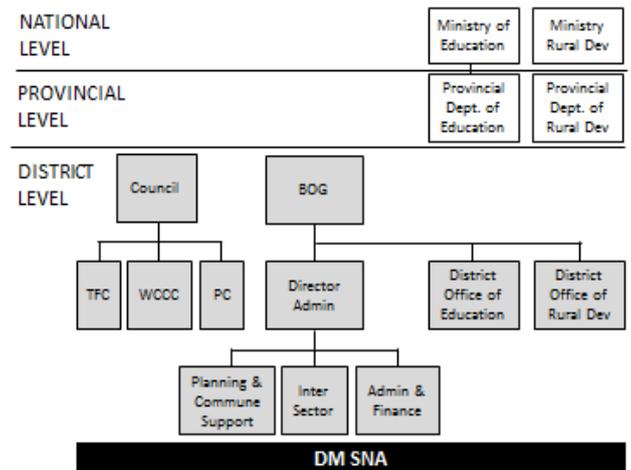


Figure 5: Accountability after transfer



During the first IP3, the process²⁴ for deciding which functions to transfer using a whole of government approach was established; it involves an analytical stage ("functional mapping"), a decision making stage ("functional review"),²⁵ and an implementation stage (where laws are amended, staff and resources are transferred, and capacities are developed). This process was implemented in five Ministries: (i) the Ministry of Education, Youth and Sports (MOEYS); (ii) the Ministry of Health (MOH); (iii) the Ministry of Agriculture, Forestry and Fisheries (MAFF); (iv) the Ministry of Rural Development (MRD) and (v) the Ministry of Social Affairs (MSA).

During this next phase, NCCDS will ensure an improved understanding amongst participants, the use of a shorter process providing a wider range of analysis, and a focus on larger executive functions currently undertaken by Ministerial District Line Offices. It will better facilitate political decision making.

B. OUTCOMES AND TARGETS

Five outputs will be produced. These are expected to contribute to the outcome:

SNAs are enabled to meet citizens' service delivery expectations and to provide meaningful services at the level of government closest to citizens

Clarifying the general mandate and transferring functions to SNAs are both expected to expand the range of functions currently implemented by SNAs. This phase will reassign functions from central government to DMKs and from Provinces to DMKs. The outcome of functional reassignment includes: improved local decision making, stronger accountability and responsiveness to citizens, and improved service delivery. By

²⁴ Processes are in the May 2012 Sub-Decree on General Processes of Transfer of Functions and Resources to SNAs (No. 68); the September 2012 Functional Mapping Guideline and the May 2013 Functional Review Guideline.

²⁵ According to the OL (Article 200), the criteria for transferring functions is that they are relevant, manageable, practical, beneficial, useful, and have a major impact; the transfer of functions is to be accompanied by a transfer of staff, resources, and accountability

promoting the general mandate (the outputs), SNAs are expected to be more innovative, to provide a wider range of services and to increasingly learn from each other's' successes (the outcome). Expanding administrative services and promoting OWSOs is expected to result in increased efficiency and improved citizen access to services (i.e. less travel, and more timely delivery of administrative services) The table below describes this reasoning and establishes a limited set of targets the second IP3 will work towards.

Table 14: Targets in terms of Services and functional reassignment

PROGRAM LOGIC	TARGETS
FUNCTIONAL REASSIGNMENT (OUTPUT 4.2 and 4.3)	
Functions reassigned (outputs)	<ol style="list-style-type: none"> 1. At least an additional 1.8% of the national budget is transferred to DMs as a result of functional reassignment (*) 2. At least 5 DMs have been transferred the functions, staff and resources from at least 2 large District Line Offices 3. All DMs have been transferred the functions, staff and resources from at least 3 small²⁶ District Line Ministry Offices 4. At least 10 Municipalities have been transferred the functions, staff and resources for urban services²⁷
↓	
SNAs are more innovative, accountable, and responsive to citizens for the management and delivery of transferred functions (outcome)	
↓	
Decentralization results in improved service delivery	<ol style="list-style-type: none"> 5. An independent evaluation concludes service delivery improved when functions were decentralized from central government to SNAs and from provinces to municipalities
GENERAL MANDATE & SERVICE DELIVERY PROCESSES (OUTPUT 4.1)	
SNAs promoted to provide a wider range of innovative services, often through partnerships (output)	
↓	
Services improved (outcomes). SNAs: <ul style="list-style-type: none"> ▪ Provide a wider range of services ▪ Innovate and improve their service delivery processes, often in partnership with others ▪ Learn from each other and replicate successes 	<ol style="list-style-type: none"> 6. Expenditures from the CS fund on social services triples 7. CSs and DMs experiment and innovate to provide 25 new (never tried before) services using the CS and DM Funds 8. At least 50 cases of SNAs replicating other SNA success stories can be documented 9. During 2017 CSs and DMKs enter into at least \$3 Million each of service delivery partnerships with central government, CSOs and the private sector
↓	
By providing a wider range of services, SNAs better meet citizens expectations	<ol style="list-style-type: none"> 10. A majority of citizens are satisfied with the delivery of new, innovative services
ADMINISTRATIVE SERVICES (OUTPUT 4.4).	
SNA service delivery of administrative services expanded, rationalized and streamlined (outputs)	<ol style="list-style-type: none"> 11. Coverage expands to include 10 OWSO at DMK level and 3 OWSO at Province level 12. Service delivery procedures and services revised and operational in all SNAs
↓	
SNAs provide administrative services in an efficient manner Value for money in SNA service delivery improves	<ol style="list-style-type: none"> 13. The number of different services provided and the number of citizens served per OWSO increases by 15%

NOTE: not all results are meant to have targets. NSDP targets have an asterisk; all JMI indicators come from the NSDP so have been included.

²⁶ Small is an district office having 1-3 staff

²⁷ Including refuse collection, sewerage, management/development of markets and recreational areas, and at least 2 other services.

C. OUTPUTS

The remainder of this section describes each output (its justification, strategies and approach to social equity), risks, and the budget and implementation arrangements.

Output #4.1: SNAs taking more initiative to implement permissive functions under their general mandate

JUSTIFICATION

The general mandate provides SNAs freedom to undertake a wide range of activities aiming at reducing poverty and encouraging local economic development. SNAs are permitted to provide services not under the mandate of other public agencies or to implement functions regulated by other agencies, with the permission of that agency.

There are several reasons why SNAs are not fully implementing their permissive functions. First, SNAs are unsure about the full range of services they can provide under the general mandate. Second, procurement and other regulations may skew service delivery towards infrastructure development and away from social services. Third, partnership arrangements for the delivery of services, between SNAs and central government, CSOs, and the private sector have not been fully explored. Fourth, incentives need to be strengthened to encourage SNAs to innovate and to take risks. Finally, mechanisms for SNAs to learn about service delivery successes from other SNAs need to be further developed.

STRATEGIES

The following strategies will be used:

- 4.1.1. The general mandate, including partnership and cost-sharing arrangements between central government and SNAs will be clarified and disseminated
- 4.1.2. Public information and awareness campaigns will be implemented to provide a clear and consistent message for SNAs to take more initiative
- 4.1.3. Incentives for SNAs, especially for CSs and DMKs to provide social services will be strengthened and biases towards providing infrastructure will be addressed
- 4.1.4. DPs financial support to social services and climate change adaptation will be increasingly channeled through the CS and DM Funds
- 4.1.5. Incentives, resources and a program to encourage and disseminate SNA innovations in service delivery will be developed and implemented
- 4.1.6. DM Charters will be used to further promote the general mandate

SOCIAL EQUITY AND INCLUSIVENESS

The program will identify models for how DMs are responding to gender-based violence as a permissive function, in partnership with the Ministry of Women's Affairs.

IMPLEMENTATION RESPONSIBILITIES

- NCDDs will take the policy lead, defining and promoting the general mandate and implementing activities to further SNA innovation
- SNAs will implement their general mandate
- SNA Resource Facilities will develop capacity on the general mandate
- CSOs will promote innovation and help share success stories

Output #4.2: Specific and appropriate functions transferred from Ministries to SNAs

JUSTIFICATION

In the long run, it is expected that most of the functions at DM level will be transferred to the DM SNA who will be the main sub-national service provider. Transferring functions downwards to DM level will enhance

the accountability of service providers both to citizens and to the elected councils who represent citizens. Only executive functions will be transferred with Ministries responsible for policy, the development of standards and the enforcement and monitoring of these standards. Existing staff and resources of line offices will be transferred with the functions to DM SNAs so that there will be no net loss of capacity or resources. Service delivery functions will benefit from having the added value of the Council and Board of Governors authority. These changes in accountability relationships, responsiveness and local autonomy are expected to improve the delivery of services.

STRATEGIES

The following strategies will be used:

- 4.2.1 Transfer specific functions and related resources from key sector ministries to SNAs, beginning with the five ministries which have completed their functional review process. Clearly define implementation strategies and the time frame for the transfer of these functions along with the related resources
- 4.2.2 Concerned ministries develop and implement capacity development plan for SNAs on the management and implementation of the functions the have been transferred
- 4.2.3 Assess the implementation of functions being piloted, make decisions on the permanent transfer and develop work plans for expansion to other SNAs
- 4.2.4 Conduct feasibility studies for transferring functions and line offices at DM level to the DM SNA and prepare plans for the actual transfer
- 4.2.5 Provincial Departments, with support from their Ministries and financing from the program, will develop capacity to monitor and inspect DM SNA and to enforce standards for functions transferred

SOCIAL EQUITY AND INCLUSIVENESS

The Ministries selected in the first round of functional reassignment have a large impact on women: health, education, and social affairs. The transfer of Ministerial District Line Offices of Social Affairs and later Women's Affairs is considered a priority since these offices are small, are usually under-funded and would benefit through the interaction of Councilors with communities on issues of social equity and inclusiveness.

IMPLEMENTATION RESPONSIBILITIES

- NCDDDS will take the policy lead
- Ministries will decide which functions to transfer and will implement the functional transfer
- SNAs (usually DMs) will receive, manage and implement the new functions
- CD services on the management, supervision and monitoring of functions will be assisted by Resource Centers, supported by sector Ministries

Output #4.3 Transfer urban services from Provinces to Municipalities

JUSTIFICATION

Provincial administrations and line departments currently provide numerous urban services, including sanitation, street lighting and the management of markets and public spaces. Provinces, however, include both rural and urban areas, Districts and Municipalities. Transferring functions downwards to Municipal level will enhance the accountability of service providers to citizens and to the elected councils who represent them. It also ensures the revenues paid by citizens for these services remain exclusively within the jurisdiction they reside.

STRATEGIES

The following strategies will be used:

- 4.3.1 Complete a functional analysis of urban services in Provinces, identifying which services, staff and resources can be transferred to Municipalities from Ministries and/or Provincial Administrations;
- 4.3.2 Transfer urban services, using a phased approach and developing the capacities of Municipalities to manage the services and to enter into public-private partnerships in the provision of urban services.

SOCIAL EQUITY AND INCLUSIVENESS

The program will ensure the interests of women and children are taken into consideration in the management of municipal services, particularly those related to sanitation, markets and public spaces.

IMPLEMENTATION RESPONSIBILITIES

- NCDDS will take the policy lead
- Provinces will decide which functions to transfer and will implement the functional transfer
- Municipalities will receive, manage and implement the new functions
- CD services on the management, supervision and monitoring of functions will be assisted by Resource Centers

Output #4.4: Expand Administrative Services developed under the One Window Service Offices**JUSTIFICATION**

One Window Service Offices provide citizens and businesses administrative services in one place. These services, for example licensing, were formerly under different Ministries, but have since been transferred to DMKs. The OWSO has made service delivery more convenient to users and by working under elected DMKs can further strengthen accountability to the service user. Currently OSWOs operate in 37 Municipalities and Khans. During this phase, the focus will be on providing more services to the OWSOs, on extending specific administrative services to rural Districts and Communes (to make them more accessible to rural people), and on strengthening their organizational structures and accountability under DMK SNAs.

STRATEGIES

The following strategies will be used:

- 4.4.1. Identify and transfer additional administrative services from Ministries to the DMK OWSO
- 4.4.2. Establish new OWSOs in selected DMKs
- 4.4.3. Establish administrative service delivery mechanisms in all SNAs

SOCIAL EQUITY AND INCLUSIVENESS

OWSO will ensure more convenient access to administrative services particularly benefits those who have had difficulties in accessing such services due to travel or cost constraints.

IMPLEMENTATION RESPONSIBILITIES

- MOI will provide support, leadership, and quality assurance
- SNAs will provide services through OWSOs

Output #4.5: Implement service delivery partnerships between SNAs and CSOs and the private sector**JUSTIFICATION**

Under the general mandate SNAs will be encouraged to enter into service delivery and other partnerships with CSOs and the private sector. These partnerships can enable SNAs to greatly expand the services they provide and the resources they have influence or control over. In implementing service delivery partnerships SNAs may also gain valuable insight and experience in the management of these services. It may encourage them to branch out into new services. Second, on a grant basis, CSOs may wish to provide inputs, training, technical, and staff assistance to SNAs. In order to tap this unused potential, it will be necessary to strengthen the legal and regulatory environment and to pursue national contracts and agreements.

STRATEGIES

The following strategies will be used:

- 4.5.1. As part of the guidelines on the general mandate, develop mechanisms to promote service delivery partnership between SNAs, CSOs and the Private Sector.

- 4.5.2. Hold discussions and sign MOUs with national NGOs, Chambers of Commerce and other organizations identifying areas of cooperation in terms of SNA capacity development and service delivery

SOCIAL EQUITY AND INCLUSIVENESS

DM partnerships with civil society are expected to focus on social service delivery and improved engagement with citizens. This is expected to have a positive impact on social equity and inclusiveness.

IMPLEMENTATION RESPONSIBILITIES

- NCDDDS will define the nature of the partnerships and develop policy through extensive consultation with CSOs and the private sector
- SNAs, CSOs, and the Private sector will enter into partnerships
- CD will be assisted by Resource Centers
- CSO and Private sector associations will promote the idea amongst their stakeholders

D. BUDGET SUMMARY FOR OUTCOME #4: SERVICE DELIVERY AND FUNCTIONS

The total cost of this outcome, from 2015 to 2017, is estimated to \$US 4.7 Million.

Table 15: Budget (2015-18) and responsibilities for outcome #4

CODE	OUTPUT	BUDGET	FUNDING
4.1	SNAs taking more initiative to implement permissive functions under their general mandate	\$630,000	Basket
4.2	Specific and appropriate functions transferred from Ministries to SNAs	\$1,506,250	Basket, Ministries
4.3	Transfer urban services from Provinces to Municipalities	\$490,000	Basket
4.4	Expand Administrative Services developed under the OWSOs	\$600,000	Basket, RGC
4.5	Implement service delivery partnerships between SNAs and CSOs and the private sector	\$100,000	Basket
	TA	\$1,382,760	Basket, some ADB
	TOTAL	\$4,709,010	

E. RISKS FOR OUTCOME #4: SNA SERVICE DELIVERY AND FUNCTIONS

Some of the principal risks identified, along with proposed measures to mitigate them are outlined below.

Table 16: Risks and their mitigation (SNA service delivery and functions)

RISK	ASSESSMENT	MITIGATING FACTORS / MEASURES
1. NON-TRANSFER OF FUNCTIONS: A clear consensus on what functions to transfer does not emerge leading to the transfer of only unfunded functions or small, mostly irrelevant ones	MEDIUM - HIGH	<ul style="list-style-type: none"> ■ The Prime Minister has made public statements about the intention to transfer essential services; ■ NCDD will increasingly be used to review performance on functional transfer ■ Functional transfer processes will be improved
2. SNAs UNABLE TO MANAGE FUNCTIONS TRANSFERRED: Capacity of SNAs to undertake transferred functions is low and this causes a disruption in service delivery	LOW	<ul style="list-style-type: none"> ■ Functions will be transferred together with staff and resources; this essentially moves the capacity to implement the function from central to local government ■ The capacity to manage the function (amongst Councilors, the BOG, and administrators) will be strengthened as will the capacity of Ministries to take a more regulatory role

RISK	ASSESSMENT	MITIGATING FACTORS / MEASURES
<p>3. CONDITIONAL GRANT DELAYS: Delays are encountered in implementing functional transfers arising from the development of supporting instruments such as conditional grants, staff transfers and revised legal frameworks</p>	<p>LOW</p>	<ul style="list-style-type: none"> ■ Draft guidelines on implementing functional transfers have been prepared; these guidelines anticipate some of the supporting changes that will be required in order to implement the functional transfer ■ Where piloting takes place, temporary arrangements will be used and these will be formalized during the pilot process ■ Under outcome #5, templates for conditional grant mechanisms will be prepared as a matter of priority

5. OUTCOME #5: FISCAL DECENTRALIZATION

A. INTRODUCTION

The Organic Law describes how Sub-national Administrations will “appropriate financial resources” to fulfill their duties and perform their assigned functions (Article 242). It identifies own source revenues and fiscal transfers from the State in the form of “conditional and unconditional” grants. Unconditional grants can be used at the discretion of SNAs (to undertake permissive functions and cover administrative costs) while conditional grants are provided to SNAs for services delegated to them by Central Government. For example, if primary education is transferred to DMs, DMs will receive conditional grants to provide primary education.²⁸ Project financing has been identified as a means to coordinate and raise funds from non-government sources. During the first IP₃, the following instruments were developed or were in use:

- The CS Fund is an unconditional grant, set at 2.8% of recurrent domestic revenue. Allocation to each CS is formula based, factoring in population and poverty. The fund is divided into administrative and local development components. Due to increases in salaries, the administrative component reached nearly 45% in 2014. The CS Fund has been in operation since 2002. During 2014 its budget was \$58.5 Million, or roughly \$35,900 per CS. Due to increases in national revenues, the size of the CS Fund has expanded rapidly; from 2003 to 2014 its budget increased at an annual rate of 15.3% (or 13.5% per capita). In 2014 the CS fund was over 4 times larger than it was in 2003. The CS fund is predominantly used to develop small-scale economic infrastructure though small scale social development activities are supported in the majority of CS. Between 2003 and 2010, 77% of all infrastructure contracts were rural roads, 15% were irrigation, and 5% were the supply of water. Due to constraints in disbursement, the timing of the rainy season, and other factors, projects are not typically completed during the calendar (budget) year and are rolled over. As part of the work on the general mandate under outcome #4, efforts will be made to promote the provision of social services using the CS Fund, as social services and social protection are likely to become the comparative advantage of CSs once the DM Fund Development Component comes into effect.
- The DM Fund is also an unconditional grant. During 2014 it was budgeted at \$21 Million, or roughly \$114,000 per DM; of this budget, \$17 Million is provided by the RGC (largely administration and salaries) with the remaining \$4 Million financed by Sida and earmarked for development (\$21,600 per DM). During the first IP₃, all regulatory instruments establishing the DM fund were completed,²⁹ staff members were trained, and procurement committees and units were established. The new sub-decree on the DM Fund (2015-19) will increase the allocation from the national budget from

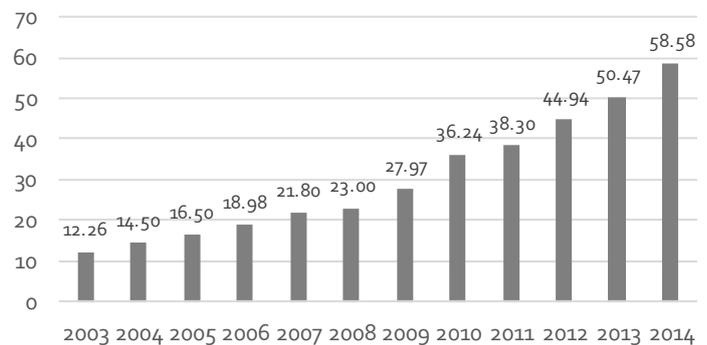


Figure 6: The CS Fund Budget over time, in Millions of \$US

²⁸ Fiscal transfers are discussed in Article 247, own source revenues in Article 246, grants in Article 249, unconditional grants in Article 251, conditional grants in Article 250.

²⁹ The DM Fund was established by Sub Decree 36 of March 2012 (*Sub-Decree on The Establishment and Functioning of Municipality/District Fund*). Subsidiary instruments include: (i) Prakas #285 on SNA budget classification (MEF), approved June 2012; (ii) Prakas #452 on SNA chart of account (MEF), approved June 2012; (iii) Prakas 324 on the procedures on the establishment and functioning of PC and DMK Procurement Committees and Procurement Units (MEF/MOI), approved April 2013; (iv) Prakas 583 on the DM budget formulation and implementation (MEF), approved July; (v) Prakas on the delegation of power to Capital and Provincial Governors for verification of the request for the transfer of DM fund (MOI), approved July 2013; (vi) Circular # 2 on the implementation procedure of the Municipal/District Payment and Accounting System (MEF), approved July 2013; (vii) Prakas on DM Procurement Rules and Procedures, approved January 2014.

0.8% to 1% and will divide the fund into administrative and development components. *Channeling sufficient development resources via the DM Fund is the main fiscal priority of this phase.*

- The Provincial Budget is a mix of shared national revenue sources and state budget contributions. During 2014, it was \$158 Million. As part of the next phase the budgeting process will be revised to make it more equitable and transparent. It will be based on a fair and sound formula. Although not established in regulation, for the last two years funds have been allocated to PCs based on a temporary formula. The formula is still being improved based on regular feedback by PCs
- Own-source revenues will consist of tax and non-tax revenues, revenue sharing arrangements between national and sub-national government and voluntary contributions. Although the amounts collected may not at first be significant, own source revenues will provide high levels of autonomy in terms of use and will re-enforce accountability between elected SNA councilors and citizens. During the IP3, policy analysis was completed focusing on property taxes and reallocating shares of non-tax revenue to SNAs
- Conditional grants: all SNAs will receive conditional (purpose-specific) funding to meet the costs of implementing specific functions assigned or delegated to them. Mechanisms already exist to allocate funds from Central Government, via Provinces, to Ministerial District Line Offices. Adjustment of the current system is not expected to entail significant change
- The SNIF (Sub-national Investment Facility) will allow SNAs to access finance for local infrastructure. Its rationale is to: (i) relieve the pressure to use unconditional grants for major infrastructure projects, freeing unconditional grants to be increasingly used for governance, local economic development (in partnership with the private sector), social services, and the provision of social protection services to the vulnerable and poor; and (ii) to improve the appraisal process of infrastructure investments, allowing an assessment of projects on their merits in terms of development impact. The SNIF may have different investment “windows” dealing with infrastructure, natural resources management, climate change and local economic development. As part of the first IP3, options for the SNIF were analyzed and work proceeded on developing its legal framework and institutional arrangements.

During the first IP3 DM financial management systems were developed and are currently in use. These cover budgeting, accounting, procurement, fund transfers, and reporting. To lead the budget process, a draft policy on SNA planning was developed. When finalized, the policy will (i) distinguish between “jurisdictional plans” and “corporate plans;”³⁰ (ii) categorize and differentiate the planning of different territorial subsystems (iii) integrate all planning horizons and activity types, including investments, service delivery operations, regulatory measures and governance / administrative activities and (iv) develop a streamlined planning process for corporate plans, covering strategic priorities, goals and objectives, projects, services, and regulations, and clearly identifying their results and linking the plan to budget.

B. OUTCOMES AND TARGETS

Fiscal decentralization measures are expected to contribute to the outcome:

Financial resources are adequate, well planned and well managed enabling DMs to meet their service delivery mandates

MEF will design and implement fiscal transfer mechanisms which will increase SNAs’ access to financial resources. Financial management and planning systems will be developed and reviewed which are expected to provide SNAs increased autonomy, to reduce delays in disbursement of funds, and to facilitate SNAs to develop and implement plans which are comprehensive, clearly state strategic goals, and are led and overseen by Councilors. The table below describes this reasoning and establishes a limited set of targets the second IP3 will work towards.

³⁰ Jurisdictional plans are mechanisms to coordinate activities between multiple actors in a single geographical location. Corporate plans are instruments of accountability; they describe what an organization will do using the resources at its disposal. The emphasis will be placed on improving organizational, “corporate” plans for PCs and DMKs, ensuring the autonomy of their plans

Table 17: Targets in terms of fiscal decentralization, financial management and planning

PROGRAM LOGIC	TARGETS
FISCAL DECENTRALIZATION MECHANISMS DESIGNED AND IMPLEMENTED (OUTPUTS 5.1 to 5.6)	
Fiscal decentralization mechanisms—which are adequate, flexible, and fair—are designed and implemented	<ol style="list-style-type: none"> 1. The DM development component is at least 0.5% of the national recurrent budget each year from 2016-8 2. DMs raise at least 10% of their income through own source revenues (*) 3. Community contributions for CS and DM projects reach \$2 Million/yr. 4. No delays are encountered in implementing the functional transfer due to the development of conditional grant mechanisms 5. The SNIF will have channeled at least \$US 6 Million to local development projects (*)
↓	
SNAs allocate resources to citizens' priority development needs; Service delivery improves because of additional resources and flexibility and discretion in expenditure choice	
PLANNING AND FINANCIAL MANAGEMENT SYSTEMS (OUTPUTS 5.7 and 5.8)	
Planning and financial management systems are (re) designed, revised and implemented	<ol style="list-style-type: none"> 6. Delays faced by SNAs, due to disbursement of funds, are reduced by 50% 7. All PCs and DMKs are using planning systems which distinguish between corporate and jurisdictional plans, which cover all services delivered and which facilitate Council oversight of performance
↓	
SNAs are autonomous in planning and managing finances. Plans outline a clear strategic goal, are comprehensive, and are led and overseen by councilors	

NOTE: not all results are meant to have targets. NSDP targets have an asterisk; all JMI indicators come from the NSDP so have been included

C. OUTPUTS

Output #5.1: DM fund operational with 0.5% of national recurrent revenues ring-fenced for development activities

JUSTIFICATION

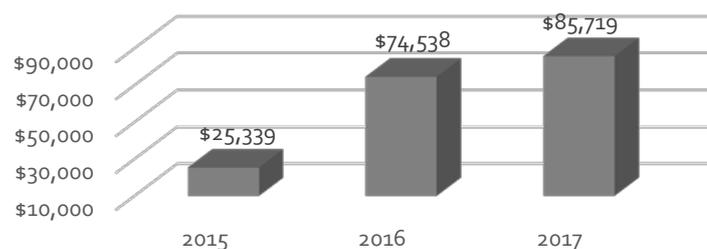
At present the average DM Fund allocation (from the RGC) is 0.8% of recurrent revenue, or roughly \$US 92,000 per DM. This is used mostly to cover salaries and operational costs. For DMs to become viable service delivery organizations, contributing to national development, they will need to have access to discretionary resources to be used exclusively for development. A figure of \$US 60,000 on average (equivalent to about 0.5% of current domestic revenues) is considered to be a minimum requirement in the short term for them to provide meaningful services to citizens. Projections are summarized above and provided in more detail in Annex 6.

Table 18: DM Fund projections (all figures in \$US Millions)

	2015	2016	2017	TOTAL	NOTE
ADMINISTRATIVE COMPONENT	14.50	16.55	18.46	49.51	
Salaries	13.02	13.93	14.28	41.23	[1]
Operations	1.48	2.61	4.18	8.28	[2]
DEVELOPMENT COMPONENT	4.69	13.79	15.86	34.34	[3]
RGC	4.69	8.27	13.25	26.21	
DPs	0.00	5.52	2.61	8.12	
% of Dev. Component	0%	40%	16%		
TOTAL (ADMIN + DEVELOPMENT)	19.19	30.34	34.32	83.84	[4]

NOTE: [1] based on salary projects plus a 5% reserve for increases; [2] 24% of all allocations minus salaries; [3] 0.5% of revenues; RGC [4] RGC contribution is 0.8% of the previous year's domestic revenues in 2015, 0.9% in 2016 and 1% in 2017.

Figure 7: Growth of DM Development Component per DM (in \$US)



STRATEGIES

- 5.1.1. Review and revise the DM fund allocation formula to ensure adequate funds for DM development
- 5.1.2. Negotiate with development partners interested in providing budget support for the development component of the DM Fund over the three year period, 2016-2018, and agree on a specific percentage of domestic revenue that will be 'ring fenced' for development;
- 5.1.3. Utilize DP budget support to finance the development component until such time as the increasing volume of domestic revenue is sufficient to cover the requirements.

SOCIAL EQUITY AND INCLUSIVENESS

One rationale for giving DMs a discretionary budget for development funding is that this will allow them to address locally important (social) development concerns.

IMPLEMENTATION RESPONSIBILITIES

- MEF is responsible for developing DM Fund regulatory instruments
- DM fund resources are used by DMs

Output #5.2: Conditional grant mechanisms in place to support functional transfer**JUSTIFICATION**

Mechanisms are currently in place to allocate and transfer funds from Provinces to District Line Offices, for a range of functions. As these offices and functions are transferred to DM SNAs, these existing transfer mechanisms will need to be revised. As part of the revision process, the efficiency and transparency of existing formulas will be reviewed. The design of conditional grant mechanisms is expected to begin as early as possible so not to delay the actual transfer of functions.

STRATEGIES

- 5.2.1. Review existing conditional grant mechanisms of: (i) line departments and offices under the five Ministries completing functional analysis during the first phase; (ii) line departments and offices under other Ministries; and (iii) Provincial administrations implementing urban services;
- 5.2.2. Prepare amended grant procedures in anticipation of transferred functions and have them agreed by all relevant stakeholders;
- 5.2.3. Implement, monitor and evaluate conditional grant mechanisms once functions and offices are transferred.

IMPLEMENTATION RESPONSIBILITIES

- MEF is responsible for developing conditional grant instruments, in consultation with Ministries and NCDDs
- Conditional grant transfers are executed by MEF and received by SNAs

Output #5.3: Develop a medium term vision and targets for SNA revenues and expenditures**JUSTIFICATION**

An overall fiscal decentralization framework is required to set out the desired revenues and expenditures for each tier of SNA. On the revenue side, realistic targets and a coherent strategy are required to balance the allocation of discretionary grants, conditional sector grants, own source revenue, and SNIF in a realistic, fair and equitable manner. On the cost side, staffing and administrative costs will need to be rationalized to ensure SNAs provide value for money in the delivery of services.

STRATEGIES

- 5.3.1. Complete a financial analysis and review the efficiency of SNA operations. This will identify, over the medium to long term, the optimal number of staff and administrative structures required to supply services in the most efficient way possible. In rationalizing costs, the objective will be to channel expenditures away from administration and into service delivery
- 5.3.2. Develop a fiscal decentralization strategy outlining a medium term vision and targets for SNA revenues and expenditures. The strategy will ensure fiscal decentralization is moving forward in a holistic manner and with clear strategic sequencing. It will reflect the spirit of the Organic Law and the NP-SNDD in which the DM is expected to become the service provider. It will ensure there are realistic targets for revenues (according to each broad category) and based on the operations and efficiency review, expenditures for each level of SNA. It will distinguish between rural and urban SNAs, taking into account own source revenue potentials and spending needs. The targets it derives will be important in any revision of the allocation of unconditional grants, so that some equalization of finances for service delivery is realized. The strategy will identify areas in which piloting and phasing are required and will spell-out all relevant interventions, further analytical work, systems design requirements, and the time lines needed to achieve targets

SOCIAL EQUITY AND INCLUSIVENESS

Social equity, for example poverty, will be taken into account in any revision of allocation systems, criteria and formulae, or any targets on administration and expenditure.

IMPLEMENTATION RESPONSIBILITIES

- MEF is responsible for developing the medium term vision, in consultation with many actors
- Many parties will be involved in its dissemination. MEF, MOI, Associations of Councilors, DPs, NGOs, and other stakeholders will be keen to reach a consensus regarding SNAs' expected financial future

Output #5.4: SNAs collect own source revenues**JUSTIFICATION**

Although the amounts collected through own source revenues and revenue sharing may not at first be significant, own sources provide two main advantages to SNAs: (i) they allow high levels of autonomy in terms of their use, and (ii) they re-enforce accountability between elected SNA councilors and citizens.

STRATEGIES

- 5.4.1. Identify viable own source revenues streams for each level of SNA including the collection of voluntary contributions;
- 5.4.2. Pilot and evaluate SNA own source revenues;
- 5.4.3. Create a legal and regulatory environment allowing nationwide implementation of some own source revenue streams.

SOCIAL EQUITY AND INCLUSIVENESS

Own source revenues are likely to have different impacts on different social groups. For example, market fees may disproportionately affect women. The development of own source revenue rates and bases will take into account how social equity is affected and how rural and urban differences are approached.

IMPLEMENTATION RESPONSIBILITIES

- MEF is responsible for developing the regulatory instruments (assigning or re-assigning revenue streams)
- Own source revenues are collected by SNAs
- Many actors may disseminate information; civil society is likely to engage citizens on policy changes, rates, etc.

Output #5.5: Sub-National Investment Facility (SNIF) established and implemented

JUSTIFICATION

The SNIF will allow SNAs to access funding in a competitive manner which will both encourage better quality and more strategic investment projects, and also better overall public finance management by SNAs. The competitive nature of access to SNIF funds will therefore have an important wider leverage effect on SNA capacities and performance.

STRATEGIES

- 5.5.1. Develop the regulatory framework required to establish the SNIF institutional and financing framework;
- 5.5.2. Establish SNA eligibility criteria for SNIF funding which will promote SNA compliance with the legal & regulatory framework concerning sound PFM in particular and good local governance in general;
- 5.5.3. Establish procedures and protocols whereby eligible SNAs prepare and submit project proposals for funding; whereby these are screened, appraised and approved for SNIF funding; and whereby SNAs implement these projects when funding is approved;
- 5.5.4. Establish key institutions and organizations responsible for managing the SNIF;
- 5.5.5. Mobilize national and international funding for the SNIF;
- 5.5.6. Establish and implement the SNIF on a phased basis.

SOCIAL EQUITY AND INCLUSIVENESS

Appraisal criteria will take into account not only overall project quality and cost-efficiency but also the expected impact of the project on social equity (gender & minority groups), and the environment.

IMPLEMENTATION RESPONSIBILITIES

- MEF is responsible for developing the SNIF in consultation with sector Ministries and DPs who may contribute
- An inter-Ministerial Committee is expected to set policy on SNIF financing and provide oversight while a Secretariat to the Committee, based in MEF, will manage the grant making process including appraisal of proposals and monitoring of performance
- SNIF projects are implemented by SNAs and in some cases in partnership with other organizations

Output #5.6: Budget Allocation for Provinces/Capital reviewed, revised and implemented

JUSTIFICATION

The method for allocating national budget resources to the province/capital should be based on a transparent and equitable formula that takes into account local revenue and expenditure needs.

STRATEGIES

- 5.6.1. Review the potential and capacity of PCs in collecting own source revenues as well as their expenditure needs;
- 5.6.2. Identify the criteria and indices for developing a formula for Provincial/Capital budget allocations including incentives which will promote SNA revenue collection;
- 5.6.3. Develop and approve a regulation on the revised budget allocation process and apply the process for the 2016 budget.

IMPLEMENTATION RESPONSIBILITIES

- MEF is responsible for developing the formulas with feedback from Provinces; MEF executes the transfer of funds
- Provinces implement their activities using the budget provided

Output #5.7: SNA Financial management systems strengthened

JUSTIFICATION

While financial management systems are in place for the DM and CS Funds, the systems still require strengthening and delays in budgeting, reporting and the disbursement of funds persist. As additional financial resources are expected to be placed under the authority of DMs (including conditional grants, own source revenues, etc.) it is essential that DM financial management systems be strengthened to facilitate timely access to funding for planned activities while maintaining high standards of transparency and accountability.

STRATEGIES

- 5.7.1. Complete analytical work identifying constraints and exploring options to remove bottlenecks in the disbursement and availability of funds to SNAs, particularly at DM and CS levels ;
- 5.7.2. Complete analytical work reviewing the financial autonomy of SNAs, especially DMs, exploring options to increasingly decentralize their financial management processes so that they have increased control over their own budget;
- 5.7.3. Based on this analytical work, demand from stakeholders and changing circumstances, revise and improve SNA financial management systems.
- 5.7.4. Strengthen the framework and operating systems for monitoring and reporting of SNA finances including: revisions to existing financial reporting systems; the responsibilities assigned to central and subnational officials; and the scope of monitoring, reporting and evaluation of SNA finances by MEF, as required, to support the new framework.
- 5.7.5. Produce and make publicly available an Annual Report on SNA Finance providing an assessment of trends and the current status of fiscal decentralization and local finances and serving as a mechanism to improve transparency of both decentralization policies and local financial activities, and to support accountability to all stakeholders.
- 5.7.6. Design and implement SNA gender responsive budgeting;

SOCIAL EQUITY AND INCLUSIVENESS

Systemic integration of gender / social equity based budgeting, poverty-based budget allocation need to be built into the planning and budgeting processes. In particular the activities related to the CWCC/WCCCs have been negatively impacted by existing financial management practices at the D/M level. Streamlining the systems should make it easier to access approved funding for social service priorities identified by the WCCC and CWCC.

IMPLEMENTATION RESPONSIBILITIES

- MEF is responsible for developing financial management systems. For gender based budgeting, MOWA will provide support
- SNAs will use the systems
- SNA Resource Facilities will help develop SNA capacity to use the systems

Output #5.8: SNA Planning Systems revised in a manner that strengthens oversight and accountability roles within the SNA and between the SNAs and line departments/offices

JUSTIFICATION

SNA planning processes are defined in the Organic Law (Article 39) and supported by subsidiary legislation and guidelines. However, these instruments were developed quickly in 2009 to ensure SNAs complied with their legal obligations to prepare 5-year Development Plans and 3-year Rolling Investment Programs. During the IP3, an assessment of the current planning process was completed. The assessment recommended significant changes in terms of the types of plans required, how plans should be made, and what type of information plans should contain.

STRATEGIES

- 5.8.1. Policy on SNA Planning, approved in late 2014, transformed into guidelines for the preparation of both territorial plans (integrating all plans/budgets within the SNA jurisdiction) and corporate plans (focused on the SNA's own budget). The guidelines will reflect the different types of SNAs (Capital, Province, Municipality/Sangkats and rural Districts/Communes) and the different participatory processes to be followed in preparing plans/budgets;
- 5.8.2. Reinforce the link between plans and budgets, and strengthen the oversight role of the DM Council in preparation and implementation of the corporate plan through the DM Charter and the revised SNA planning/budgeting guidelines;
- 5.8.3. Promote and enable DM Councils to engage with line offices regarding plans and performance for services delivered within their jurisdiction through the revised planning/budgeting guidelines on the territorial plan;
- 5.8.4. Together with key stakeholders, develop and revise computerized planning tools to support the planning process.

SOCIAL EQUITY AND INCLUSIVENESS

Planning systems will promote the participation of women and other groups. The analytical process and data used for decision making will be sufficiently disaggregated to design projects and activities and assess their potential impact on different groups

IMPLEMENTATION RESPONSIBILITIES

- MOP is responsible for developing planning systems
- SNAs will use the systems
- SNA Resource Facilities will develop SNA capacity to use the systems

D. BUDGET SUMMARY FOR OUTCOME #5: FISCAL DECENTRALIZATION

The total cost of this outcome, from 2015 to 2017, is estimated at \$US 2.3 Million.

Table 19: Budget (2015-17) and responsibilities in Outcome #5

OUTPUT		BUDGET	FUNDING
5.1	DM fund operational with 0.5% of national revenues ring-fenced for development activities	\$40,000	ADB
5.2	Conditional grant mechanisms in place to support functional transfer	\$74,000	ADB
5.3	Develop a medium term vision and targets for SNA revenues and expenditures	\$60,000	ADB
5.4	SNAs collect own source revenues	\$130,000	ADB
5.5	Sub-National Investment Facility (SNIF) established and implemented	\$300,000	ADB
5.6	Budget Allocation for Provinces/Capital reviewed, revised and implemented	\$50,000	ADB
5.7	SNA Financial management systems strengthened	\$160,000	Basket
5.8	SNA Planning Systems revised in a manner that strengthens oversight and accountability roles within the SNA and between the SNAs and line departments/offices	\$350,000	Basket
	TA Estimate	\$420,660	Basket, ADB
	TOTAL	\$1,584,660	

E. RISKS FOR OUTCOME #5: FISCAL DECENTRALIZATION

Some of the principal risks identified, along with proposed measures to mitigate them are outlined below.

Table 20: Risks and their mitigation (Outcome #5)

RISK	LEVEL	MITIGATING FACTORS / MEASURES
1. DM FUNDING: Without funds, DMs will find it difficult to implement their mandates. Staff will continue to be demoralized.	LOW	<ul style="list-style-type: none"> ■ With the cooperation of DPs, steps have been taken in the design of this phase to ensure finances are available to implement development activities. The RGC remains committed to increasingly channel funds into the DM Fund development component
2. DELAYS IN DEVELOPING CONDITIONAL GRANTS. Without conditional grants mechanisms in place, agreements on functional transfer might not be implemented	LOW	<ul style="list-style-type: none"> ■ Based on results from the functional mapping and function review exercises completed during the IP3, preliminary estimates are available for which functions are likely to be transferred and what their time lines are. The development of conditional grant mechanisms, based on existing procedures for transferring funds to Ministerial District Line Offices will begin in early 2015

CHAPTER 3. IMPLEMENTATION ARRANGEMENTS

This chapter outlines key implementation arrangements and processes, including program management responsibilities, policy development, planning, financial management and governance. The final section lists the responsibilities, in terms of outputs, for each implementing agency.

1. PROGRAM MANAGEMENT AND COORDINATION RESPONSIBILITIES

NCDD is an inter-ministerial decision making body which provides policy guidance, authorization and oversight to the program. According to the Organic Law (OL), NCDD is responsible for ensuring the OL is implemented (Article 202), for reviewing functions (Article 200), and for approving plans, budgets and reports (Article 211). Since the OL is implemented through the National Program (NP), the NCDD is ultimately responsible for program performance.³¹ NCDD is chaired by the Deputy Prime Minister and will:

- Provide policy guidance; approve key legislative instruments, make inter-ministerial decisions and approve plans, budgets and reports
- Provide oversight and actively manage performance

NCDDS supports the NCDD in managing day-to-day implementation of the NP.³² NCDDS will:

- Move towards a more facilitative role, providing analysis and developing processes which promote participation, transparency, debate, the timely exchange of information, and the reaching of consensus on strategic issues. It will increasingly support the role of other actors to undertake their mandates in promoting sub-national democratic development
- Promote a clear vision of the reform
- Lobby for decentralization, both within and outside government
- Facilitate the planning process, making sure it is strongly owned, realistic, results based; ensure resources are allocated transparently and efficiently
- Facilitate the development of policy which consistently promotes SNA autonomy and the principles of sub-national democratic development
- Monitor and evaluate according to the results framework; report results openly; ensure learning, based on evidence
- Liaise with DPs to raise funds and ensure the program is well governed
- Ensure financial management procedures are timely, efficient and guarantee value for money
- Ensure two-way communication, which better facilitates the center to learn from experience on the ground; identify, listen to, prioritize and address constraints SNA leaders face³³
- With MOWA, promote gender mainstreaming and the empowerment of women and socially disadvantaged groups in all program activities

³¹ Other Ministries and units are responsible for implementing decisions made by the NCDD (Article 206). NCDD can request legal amendments and decisions from government (Articles 204, 205)

³² NCDDS is led by a chairperson with 3 deputies as assistants. Its structure consists of 4 divisions and 2 groups: the Policy Analysis and Development Division (PADD), the Monitoring, Evaluation and Information Division (M&EID), the Program Management and Support Division (PMSD), the Administration and Finance Division (AFD), the Internal Audit Group and Assistance Group.

³³ This may include third party "observatories" who regularly visit SNAs and identify constraints they face, or holding forums to listen to the challenges confronting SNAs. The process will identify a short list of specific, relevant, priority and urgent actions.

2. POLICY DEVELOPMENT

In developing policy, evidence and process are very important. During this phase, NCDDS will take an increasing facilitative role. During the first IP3 several policy development challenges were encountered and sometimes: (i) processes took a very long time; (ii) it was difficult to reach consensus, and therefore to ensure quality and consistency; (iii) consultation, especially with external stakeholders was inadequate. During this phase, NCDDS will develop processes, formats, and guidance to ensure policy instruments:

- Are consistent with the principles of democratic development, in particular the decentralization of powers and functions to SNAs
- Are complete and answer all strategic questions in the area the policy affects
- Are based on evidence and high quality information, derived from a variety of sources including: expert knowledge; existing local, national and international research; best practice in other countries and contexts; and evaluation of previous policies
- Appraise options; consider the possible impact of the policy on different groups; identify a range of possible courses of action and compare their relative merits, including costs, benefits and
- Are feasible; funds are sufficient for implementation and the policy or regulation can be enforced
- Are short, to the point, and can be clearly communicated and understood by all affected parties
- Have actively engaged and included stakeholders from the start in order to help develop solutions which will work and gain acceptance in practice
- Have monitoring and evaluation of their effectiveness built in, from the start
- Where possible, ensure ideas have been tested prior to finalization

3. PLANNING AND THE ALLOCATION OF FUNDS

NCDDS will design a flexible annual planning process. Implementers will be facilitated to understand the outcomes, targets and outputs in this plan, and then to design a series of activities that will ensure underlying objectives are met. Resources and TA will be allocated based on these emerging priorities. Therefore, this document is not a blue-print; it is a strategic description of the direction to be taken and the desired results to be achieved by program's end.

Implementers will invest time analyzing, designing and adjusting interventions to realize these types of results. A more strategic, management of change approach will be adopted.³⁴ As has been the case in the past, during the annual planning process milestones or quick wins will be developed. These will gauge intermediate progress during the AWPB period.

JOINT DECISIONS (JD)

The planning process will result in the signing of joint decisions. JD formats were developed during the first IP3 and will be revised during the 2015 AWPB formulation period. Joint Decisions:

- Are signed between the Chairman of NCDD and the head of each implementing agency. They broadly specify rights, obligations, financial, operational, and reporting modalities
- Describe the activities to be undertaken, together with their budgeted costs and time frames
- Describe the performance measures or indicators the implementing agency is accountable for
- Describe rules and limits on the reallocation of funds between activities, line items, etc.
- Identify which activities will be paid through the implementer's accounts and which can be paid centrally from NCDDS accounts

³⁴The "rapid results" approach works this way and requires a result has a (i)action, (ii) impact variable, (iii) scope, (iv) measurement, (v) time frame.

4. CRITERIA FOR INCLUDING PROJECTS IN THIS PROGRAM

In the past, a large number of projects wished to be considered part of the IP3 and its AWPBs. Though activities were often implemented at sub-national level, some projects were poorly integrated and operated in isolation or did not learn and document lessons learned that could be adopted by government in the development of policy, upon their completion. In addition, some projects used IP3 technical assistance but did not financially contribute towards overhead TA costs. The following criteria will be used to include stand-alone projects in this phase:

- The project clearly works toward the meeting of program targets, and can show how its activities have been directly designed or have been changed and refined to meet these targets
- The project has allocated resources to learning and disseminating lessons that can be directly used in the development of D&D policy
- The project makes a financial contribution, either in cash or in kind, to the overall TA requirements or the running costs of the program. In the case of TA, the management of the TA will be clearly under the program

5. FINANCIAL MANAGEMENT

Financial management and procurement procedures will be implemented according to a revised version of the *NCDD Finance and Administration Manual*. The revised manual will ensure financial management is sufficiently decentralized and some of the inefficiencies, bottlenecks and delays encountered during the first IP3 in terms of procurement, accounting, disbursement of funds, reporting, and financial management are removed

A. ACCOUNTING AND FLOW OF FUNDS

All accounting practices shall adhere to the procedures set out in the *NCDD Finance and Administration Manual*. NCDDS, and its internal audit group, will be responsible for ensuring adherence to these principles; it will develop accounting systems and tools to be used by all implementers.

Concerning the disbursement of funds:

- NCDD-S shall mobilize and manage financial resources contributed to the execution of the program through a bank account. The Phase I accounts shall be closed and new accounts opened;
- At the same time, each national implementing agency will be required to open a bank account (the *Implementer's NP Imprest Account*)
- The PC and DM Administrations will open bank accounts at a duly licensed banking institution. Based on annual work plans and budgets and approved joint decisions, funds will be transferred to SNA accounts and used exclusively for agreed purposes.
- Based on the agreed AWPB, NCDDS will use the *NP Main Account* to: (i) transfer resources into the various *Implementers NP Imprest Accounts* (national level); (ii) transfer resources into the *PC and DM Imprest Accounts*, and (iii) where applicable, make direct payment to suppliers of goods or services to be procured by the implementing agency
- NCDDS will transfer in the beginning of each year an advance into the above NP Imprest Accounts and then replenish the accounts upon the receipt of acceptable financial and performance reports
- Implementing agencies at national and SNA levels will be responsible for making payments out of their respective Imprest Accounts, and account for these payments in accordance with the NP's financial rules and procedures.

B. AUDIT

Fiduciary safeguards will include internal control mechanisms as well as regular independent audit of accounts.

Internal control mechanisms will be implemented by the NCDDS Administration and Finance Division and its Internal Audit Group. It will include efforts to: (i) protect resources and assets from waste, fraud, and unauthorized use; (ii) promote accuracy and reliability in the accounting records and financial statements; and (iii) enforce compliance with established management procedures. The Internal Audit Group will undertake periodic inspections and investigations, will report the results of its work to management, and will make recommendations of any refinements to existing work procedures in order to strengthen control, prevent risks and errors in the accounting system, and improve the efficiency of operations.

The independent audit of the program's operation and accounts (core "basket fund" and supporting projects executed by NCDDS) will be contracted out to a professional auditing firm through a competitive bidding process. In the past, IP3 audits have always been favorable. Based on existing practice the following arrangements will be applied:

- An Audit Committee will be set up under the program's management structure (NCDDS), including: the NCDDS Chairman (or his representative) as Chair of the committee and 2 representatives of the Development Partners supporting the program
- The Audit Committee would be responsible for: (i) setting the program's audit policy; clearing the terms of reference for the selection of the independent auditor; and (iii) reviewing audit reports and recommendations.
- The scope of the independent audit is to: (i) ascertain the fairness with which the accounting records and statements present the correct financial position of IP3 operations and accounts; and (ii) evaluate the consistency and integrity of the internal control system;
- Where DPs have slightly different audit requirements attempts will be made to harmonize approaches and reduce audit costs

In principle, implementing agencies will be empowered through their implementation agreements to execute the annual working plan and budget and settle related payments through their respective accounts. Implementing agencies will be provided autonomy and freedom to manage their own finances, consistent with normal financial checks and balances and reporting arrangements.

C. PROCUREMENT

Procurement will adhere to the rules and regulations found in the *NCDD Finance and Administration Manual*. During this phase, and based on a review of the first IP3, efforts will be made to ensure procurement is completed in a timely fashion and that it results in the selection of the most qualified candidates possible. Responsibility for the procurement of TA/staff and contracted service providers shall be shared between NCDDS and concerned implementing agencies as follows:

- The implementer shall prepare and submit to NCDDS , prior to advertisement, draft Terms of Reference (ToR) and contracting modalities
- NCDDS shall review the draft ToR and, once agreed, issue a "No Objection" notification to the implementing agency
- The selection of the TA / service provider shall be made by a panel of reviewers to be set up by the concerned Implementing Agency, and including a representative of NCDDS;
- Selected TA providers shall be contracted by NCDDS on behalf of the implementing agency
- The implementing agency shall be responsible for monitoring the execution of the contracts, and authorizing payments to the concerned service providers
- Payments of TA providers' fees and bills shall be made by NCDDS, through the payroll database, by drawing on the resources allocated to the concerned implementers. NCDD-S shall keep Implementing Agencies informed on all payments made in respect of TA services contracts.

6. GOVERNANCE, REPORTING, AND COMMITMENTS TO TRANSPARENCY

A. GOVERNANCE

A joint **Technical Working Group on Sub-National Democratic development** (TWG-SNDD) will meet at least two times per year. This will be chaired by NCDDDS and will include all DPs involved in the program, civil society representatives and central government implementing agencies. The TWG approves plans and reports and increasingly it will debate policy and evaluative work.

Every year, two **Trust Fund Review Committee Meetings** will be held. These will be chaired by NCDDDS and attended by all DPs contributing to the program through basket fund arrangements. TORs were agreed during 2014 and two meetings were conducted. The meetings: (i) are fiduciary requirements of the DPs; (ii) have a smaller setup and allow a more informal and open discussion of issues and results many of which are particular to the basket fund and therefore differ from topics discussed in TWG meetings³⁵ (iii) allows a discussion and official approval of plans and semi-annual and annual reports prepared by NCDDDs; (iv) through dialogue aims to agree on ways to remove any constraints and bottlenecks affecting the program. An independent mid-term review will be designed by the Trust Fund Review Committee in consultation with the TWG.

B. REPORTING

The formats and content used during the IP3 will be modified. As agreed with DPs as part of the review of M&E during February 2014:

- Semi-annual reports will be short and will focus on milestones, targets and budgets. They will highlight key emerging issues and challenges
- The annual report will be longer. It will review outcomes over time and summarize evaluative work. It will describe implementation in terms of milestones, targets, outputs, and budgets, ensuring greater explanation and analysis for cases of under-performance. Formats will resemble existing ones but will provide a more strategic description of challenges and constraints and will include more analysis than has been the case in the past

C. COMMITMENTS TO TRANSPARENCY AND THE SHARING OF INFORMATION

The NCDD website is very well developed and contains a wealth of policies, regulatory instruments, reports and data that can be useful to stakeholders, researchers, and civil society. The following will be provided:

- Policies, statutes, decrees, and sub-decrees; within 3 months of their approval.
- Annual and semi-annual reports, by April and October, respectively
- Governance surveys, capacity assessments, compliance inspection and other evaluative work assessing progress towards program goals and objectives (within 4 months after the completion of data collection)
- Increased access and timeliness to underlying data, including, but not limited to the CDB, PID, NAD and other web-enabled systems. The revision of these systems is described under Outcome #2.

7. TECHNICAL ASSISTANCE ARRANGEMENTS AND HR MANAGEMENT

The vision for Sub-national human resources is of a mix of civil servants and privately contracted staff, primarily funded from regular budgets, with new scales for SNA remuneration of civil servants which are comparable to national Civil service rates. In the second phase the capacities of Civil Servants will continue

³⁵ DPs in the Trust Fund report the results of the meeting leading into TWGs

to be strengthened by Sub-national advisors while efforts have been made to: rationally reduce the investment in TA; redirect TA from PCs to DMKs; and to further withdraw from capacity substitution to focus on directly on CD.

8. IMPLEMENTATION RESPONSIBILITIES

Chapter 2 listed all outputs to be produced in the second IP₃, together with their key implementers. The table below summarizes these responsibilities for each implementing agency (IA). The mainstreaming of social equity and inclusiveness, described in Chapter 2 and consolidated in Annex 3, is the responsibility of the IA for each output with guidance, support and oversight to be provided by MoWA and NCDDS.

Table 21: Implementation responsibilities for each output

CODE	OUTCOME AND OUTPUT
NCDD	
OUTCOME 1	Improved management of the NP-SNDD reform process geared towards management of change
Output 1.1	NCDD leads the political process of reform and manages program performance to ensure implementation of the Organic Law
NCDDS	
OUTCOME 1	Improved management of the NP-SNDD reform process geared towards management of change
Output 1.2	NCDDS facilitates and coordinates program implementation and management by all implementers, progressively changing its role from operational to strategic
Output 1.3	A communication Strategy is in use focusing on information sharing between government institutions and between government and the public in a way that clarifies key messages and determines the best way to deliver them to different stakeholder groups
OUTCOME 2	SNAs function as local democratic and accountable institutions, including accountability of the BOG to the Council, accountability of Councilors to citizens and accountabilities of SNAs to comply with national laws and standards
Output 2.1	Clear roles and lines of accountability between SNA Councils and Boards of Governors are established and implemented
Output 2.2	Voices of citizens and civil society organizations are better reflected in DM and CS decision-making processes
Output 2.4	SNA IT and M&E Systems strengthened
OUTCOME 3	SNAs autonomously and effectively manage and develop their staff in order to meet their service delivery mandates and priorities
Output 3.2	Demand-driven capacity/organizational development and advocacy support systems for SNA Councils and Councilors in place at provincial level
OUTCOME 4	SNAs are enabled to meet citizens' service delivery expectations and to provide meaningful services at the level of government closest to citizens
Output 4.1	SNAs taking more initiative to implement permissive functions under their general mandate
Output 4.2	Specific and appropriate functions transferred from Ministries to SNAs
Output 4.3	Transfer urban services from Provinces to Municipalities
Ministry of Economy and Finance	
OUTCOME 5	Financial resources are well planned, well managed, and adequate for DMs to meet their service delivery mandates
Output 5.1	DM fund operational with 0.5% of the national recurrent budget revenues ring-fenced for development activities
Output 5.2	Conditional grant mechanisms in place to support functional transfer
Output 5.3	Develop a medium term vision and targets for SNA revenues and expenditures
Output 5.4	SNAs collect own source revenues
Output 5.5	Sub-National Investment Facility (SNIF) established and implemented
Output 5.6	Budget Allocation for Provinces/Capital reviewed, revised and implemented
Output 5.7	SNA Financial management systems strengthened
Ministry of Interior	
OUTCOME 1	Improved management of the NP-SNDD reform process geared towards management of change
Output 1.4	Ministries have enhanced ownership of and participation in the reform process
OUTCOME 2	SNAs function as local democratic and accountable institutions, including accountability of the BOG to the Council, accountability of Councilors to citizens and accountabilities of SNAs to comply with

CODE	OUTCOME AND OUTPUT
	national laws and standards
Output 2.3	Institutionalized, transparent SNA compliance inspection mechanisms in place
Output 2.4	SNA Administrative Systems strengthened
OUTCOME 3	SNAs autonomously and effectively manage and develop their staff in order to meet their service delivery mandates and priorities
Output 3.3	Demand-driven capacity and organizational development support systems for SNA Boards of Governors and Administration staff at provincial level developed
Output 3.4	A resourced plan for a permanent local government training institute and long-term capacity development in place and ready for implementation
Output 3.5	Construct 34 Districts Offices to improve the working environment for staff
OUTCOME 4	SNAs are enabled to meet citizens' service delivery expectations and to provide meaningful services at the level of government closest to citizens
Output 4.4	Expand Administrative Services developed under the One Window Service Offices
Sector Ministries	
OUTCOME 1	Improved management of the NP-SNDD reform process geared towards management of change
Output 1.4	Ministries have enhanced ownership of and participation in the reform process
OUTCOME 4	SNAs are enabled to meet citizens' service delivery expectations and to provide meaningful services at the level of government closest to citizens
Output 4.2	Specific and appropriate functions transferred from Ministries to SNAs
Output 4.3	Transfer urban services from Provinces to Municipalities
Ministry of Civil Service	
OUTCOME 3	SNAs autonomously and effectively manage and develop their staff in order to meet their service delivery mandates and priorities
Output 3.1	SNA HR management decentralized and strengthened
Ministry of Planning	
OUTCOME 5	Financial resources are well planned, well managed, and adequate for DMs to meet their service delivery mandates
Output 5.8	SNA Planning Systems revised in a manner that strengthens oversight and accountability roles within the SNA and between the SNAs and line departments/offices
Sub-National Administrations	
OUTCOME 1	Improved management of the NP-SNDD reform process geared towards management of change
Output 1.5	SNAs have increased ownership of the reform process and increasingly make progress in shaping the reforms to their specific needs
OUTCOME 2	SNAs function as local democratic and accountable institutions, including accountability of the BOG to the Council, accountability of Councilors to citizens and accountabilities of SNAs to comply with national laws and standards
Output 2.1	Clear roles and lines of accountability between SNA Councils and Boards of Governors are established and implemented
Output 2.2	Voices of citizens and civil society organizations are better reflected in DM and CS decision-making processes
OUTCOME 3	SNAs autonomously and effectively manage and develop their staff in order to meet their service delivery mandates and priorities
Output 3.5	Construct 34 Districts Offices to improve the working environment for staff
OUTCOME 4	SNAs are enabled to meet citizens' service delivery expectations and to provide meaningful services at the level of government closest to citizens
Output 4.1	SNAs taking more initiative to implement permissive functions under their general mandate
Output 4.5	Implement service delivery partnerships between SNAs and CSOs and the private sector

ANNEX #1: SNA REFORMS AND THE FIRST IP3 ACHIEVEMENTS AND CHALLENGES

1. INTRODUCTION

In recognition of the centrality of the role of Sub-National Administration in the nation's development, significant investments have been made to establish the legal and regulatory framework in which SNAs operate and subsequently to strengthen their capacities. Strategically, efforts first centered on Communes and Sangkat (CS), the lowest of Cambodia's three tiers of local government. The 2001 *Law on Commune and Sangkat Administrative Management* established democratic, decentralized management at CS levels. It recognized Communes and Sangkats as legal entities with legislative and executive powers, derived from multi-party elections, but acting in line with central government laws. CS councils focus on supporting national policies, representing the state, and addressing basic local needs, such as security and public order, citizen well-being, social and economic development, preserving the environment, civic registration and reconciling conflicts. They are financed through the Commune Sangkat Fund. Commune-level reforms were initially developed under the Seila Program with support mechanisms transferred to the NCDD in 2007.

In June 2008 the *Law on Administrative Management of the Capital, Province, Khan, District and Municipality* (the Organic Law) was adopted.³⁶ The Organic Law created a framework to (i) establish PC and DMK subnational administrations, each with elected councils; (ii) centrally appoint Boards of Governors to act as chief executives of PCs and DMKs as well as serve as representatives of the State; (iii) enable councils to appoint their own staff; (iv) enable councils to be responsible for their own financial management, using resources transferred from the Central Government, including the establishment of an unconditional grant mechanism for DMs; and (v) establish the NCDD to implement the Organic Law. The Organic Law does not assign specific functions to SNA, though it establishes criteria for which functions should be transferred (most importantly functions which are relevant, manageable, beneficial and likely to have an impact; Article 220). The Organic Law established Districts/Municipalities as autonomous administrations (rather than branches of Province and the Capital) as was previously the case. In May 2009, the ten-year National Program for Sub-National Democratic Development (NP-SNDD) was approved and in May 2010 the first three-year (2011-13) implementation plan (IP3) was approved. The first IP3 was extended for an additional year, to cover 2014.³⁷

2. THE FIRST IP3

A. BACKGROUND

The first IP3 focused on establishing and developing the capacity of Districts and Municipalities as institutions for both local governance and local development, consisting of:

- A policy and legal environment that shapes and supports the reforms set out in the Organic Law, in particular: (i) supporting and enabling the exercise of local autonomy and regulatory oversight; and (ii) widening the scope of the reforms to allow, over time and in an orderly fashion, the reassignment of functions from national to sub-national administrations;
- Autonomous SNAs, as institutions (organizations and procedures) with related organizational, human and financial capacities to transform the sub-national system of governance and public administration and: (i) enable democratic local governance institutions to deliver services and other

³⁶ This was based on the June 2005 "Strategic Framework for Decentralization and De-Concentration Reforms," which is considered the Decentralization Policy for Cambodia.

³⁷ For a detailed discussion on the nature of the reforms see the IP3 document or Niazi, T. H. "Deconcentration and decentralization reforms in Cambodia: Recommendations for an institutional framework." Mandaluyong City, Philippines: Asian Development Bank, 2011.

outputs to local citizens; and (ii) provide motivation for their own consolidation by making possible a “learning-by-doing” process of capacity development;

- A framework and system of oversight, including legal, regulatory and strategic instruments, exercised by National authorities with the capacity to enforce them, replacing the current system of administrative control, and thereby allowing SNAs to exercise their autonomy and to be accountable for the results of their actions within an overall national framework.

B. ACHIEVEMENTS AND CHALLENGES IN TERMS OF REFORM MANAGEMENT

REFORM MANAGEMENT: ACHIEVEMENTS DURING THE FIRST IP₃

1. The EU and SDC entered the IP₃'s basket funding arrangements, joining Swedish Sida;
2. 48 government officials were appointed to and now work at the NCDD Secretariat. They manage and implement the reforms on a day-to-day basis;
3. M&E systems were in use according to the results framework; governance surveys and DMK capacity assessments were regularly undertaken and their results publicized; a computerized reporting system against the AWPB (NAD) was developed and in use; several impact assessments, using econometric methods were drafted; and targets for the NSDP were developed and are in use;
4. Gender was successfully mainstreamed into the program's activities and targets for female employment in SNA management positions were developed and agreed upon as part of the NSDP process. A gender audit and gender mainstreaming manual were completed. A wide range of training, monitoring and IEC (information, education and communication) was completed at both national and sub-national level (with assistance from UNICEF, UNFPA and Women for Prosperity -WFP). This included leadership training for female leaders, WCCCs, and CEDAW;
5. All program fiduciary responsibilities were satisfactorily met in terms of planning, reporting, mid-term evaluation, program extension, program governance, and external audit.

REFORM MANAGEMENT: CHALLENGES/RECOMMENDATIONS FROM THE FIRST IP₃

- Better address the political side of decentralization and strengthen political decision making;
- Strengthen ownership of the reforms amongst all implementers;
- Improve the management of results and promote program learning at all levels;
- Improve the quality and timeliness of policy instruments and ensure they rely more heavily on evidence and international best practice and that stakeholders are involved from the start. Simplify the regulatory framework to ensure better understanding by implementers;
- Streamline financial management procedures to remove delays but maintain value for money;
- Strengthen the planning process to: make it more flexible; ensure better understanding and ownership of the intended activities and results and; better prioritize expenditures so they are more in line with targets and milestones;
- Improve communication and awareness and more actively use communication to: change behavior; clarify the vision of the reforms; improve the flow of information to and between the center and program implementers and; better involve civil society in communications;
- Ensure technical assistance processes better promote the transfer of skills and knowledge to civil servants and that TA requirements are reduced over time. Ensure greater participation of women and other groups, especially in management;
- Ensure NCDDs moves towards more of a facilitative role rather than direct implementation. Decentralize reform management and reform processes and mainstream reforms into the structure and work of SNAs with increased funding support from own budgets;
- Implement better and faster and implement quick wins or other methods to improve performance;

C. ACHIEVEMENTS AND CHALLENGES IN TERMS OF ACCOUNTABILITY

ACCOUNTABILITY: ACHIEVEMENTS DURING THE FIRST IP₃

1. Councilor operational systems were developed and in use. These covered procedures for DMK Councils to develop and approve by-laws, to hold council meetings and consultative forums, to engage with citizens and CSOs and to promote local economic development.
2. A template for DM charters was prepared and plans for its introduction developed.
3. In a joint effort between civil society organizations, the World Bank and government, a social accountability strategy and action plan was developed. This involved extensive consultation and was based on a detailed World Bank-financed study of voice, choice and decision-making in local communities. During July 2013, the Deputy Prime Minister/NCDD Chairman approved the Social Accountability Strategic Plan. Key products developed included: (i) a full set of training materials, (ii) citizen scorecard and service provider self-assessment tools, (iii) data collection instruments for government to provide access to information, and (iv) posters and handbooks, which provide citizens simple, easy-to-understand, user-friendly information on their rights, service delivery standards, budgets and performance. Procedures were twice tested to get citizen feedback on their usefulness. PACT implemented similar social accountability activities in 7 Districts. Funding for demand side activities was identified and pursued.
4. A draft compliance inspection process was developed
5. Two tiers of Council Associations were formed: (i) the Association of Capital and Provincial Councils (a "Regional Council Association"); and (ii) Associations of DMK and CS Councils ("Local Council Associations"), established in each PC. The Regional Council Association was officially established on May 16th 2013 as a legal entity, registered with the MOI. With official approval from MOI (no 1697) all 25 Provinces and Capital have established Associations of DMK and CS Councils. A wide range of capacity development initiatives were completed to strengthen the Secretariat of these Associations.

ACCOUNTABILITY: CHALLENGES/RECOMMENDATIONS FROM THE FIRST IP₃

- Strengthen Councilors powers vis a vis the BOG; strengthen Councilors' leadership; strengthen Councilors' capacities in terms of decision making, legislation and oversight; and empower Councilors to hold the BOG accountable for implementing by laws and council decisions.
- Improve SNAs responsiveness to citizen's needs and priorities.
- Provide more and better information to citizens and to council decision makers.
- Improve the timeliness and use of information collected through various computerized management information systems; decentralize data collection to lower levels of Government; facilitate increased data availability to the public and NGOs; and make better use of ICT especially to support the implementation of management processes.
- Increase the use and effectiveness of complaints handling mechanisms.
- Ensure that SNA's act in accordance with laws, regulations, systems and procedures in managing their responsibilities; move away from a system of administrative control towards one of regular compliance inspection where expectations are clearly understood; and ensure SNA staff members are held accountable for their performance in a way that is transparent and fair yet ensures value for money.
- Strengthen the lobbying power of Council Associations to represent councilors' interests.
- Enhance civil society participation in the program at all levels.

D. ACHIEVEMENTS AND CHALLENGES IN TERMS OF HR MANAGEMENT AND DEVELOPMENT

HR: ACHIEVEMENTS DURING THE FIRST IP₃

1. A draft Statute for SNA personnel was prepared to decentralize HR management and development and revised salary scales and grades for SNA personnel were also drafted.

2. SNA operational systems were developed and are largely in use. Project preparation guidelines, which were necessary for implementation of the DM Fund development component, were completed and SNAs were trained on their use. District operational procedures, covering administration, HR management and all major functions under each DM office were drafted.
3. A wide range of training and mentoring services were provided to SNAs. Organizational Development processes were implemented and capacity assessments and TNA were regularly in use.
4. A strong contingent of capable and experienced advisors has been in place.

HR: CHALLENGES/RECOMMENDATIONS IDENTIFIED DURING THE FIRST IP₃

- Increase SNA autonomy and powers in the management and development of their human resources. Decentralize HR management and minimize central government interference in the day to day management of HR.
- Ensure CD meets the needs of SNAs; ensure advisors are developing capacity rather than substituting for capacity and that they are responding to their counterparts' CD needs; improve the value for money of CD (make it more efficient) and take a broader approach to CD (i.e. less formal training).
- Improve work conditions especially buildings and offices.

E. ACHIEVEMENTS AND CHALLENGES IN TERMS OF SERVICE DELIVERY AND FUNCTIONS

SERVICE DELIVERY AND FUNCTIONS: ACHIEVEMENTS DURING THE FIRST IP₃

1. Five Ministries implemented the functional reassignment process and: identified and analyzed their functions (called "functional mapping"); assessed the feasibility of re-assigning functions; and began making decisions about which functions to transfer (called "functional review"). A sub-decree and a guideline were developed to lead the process with options for moving the process forward. A set of recommended options—based on a detailed review and international experience—was prepared in late 2013.
2. Pilots for the functional reassignment of some health and urban sanitation services were designed and under implementation.
3. A sub-decree on the general mandate was drafted based on experiences of other countries.
4. OSWOs operated in 37 Municipalities and Khans.

SERVICE DELIVERY AND FUNCTIONS: CHALLENGES/RECOMMENDATIONS FROM THE FIRST IP₃

- Increase SNA initiative and local autonomy in the delivery of services; ensure SNAs provide a full range of more diverse services, especially social services and services which support disadvantaged groups; and clarify the general mandate and ensure there is no bias away from social services.
- Rationalize service delivery responsibilities between different tiers of SNA so that the tier where services best overlap the function are providing the service. Remove any overlap of accountabilities for service delivery and infrastructure development between tiers of SNAs.
- Increase the participation of the private sector, CSOs and the community in SNA service delivery.
- Ensure significant and essential functions are transferred from central government to SNAs and implement a functional transfer process which is shorter and more analytical.
- Ensure service delivery successes are replicated.
- Expand OSWO service delivery and increase the sustainability of these offices.

F. ACHIEVEMENTS AND CHALLENGES IN TERMS OF FISCAL DECENTRALIZATION

FISCAL DECENTRALIZATION: ACHIEVEMENTS DURING THE FIRST IP₃

1. The DM Fund was established by Sub Decree 36 of March 2012. By January 2014 all subsidiary regulations enabling DM Fund implementation were completed³⁸ and by April 2014 all training and capacity development on DM procurement had been concluded. Procurement committees and units were established in all DMs. A sub-decree for the Government's contribution for the DM Fund from 2015 to 2019 was drafted. In it, the allocation, from 2017 onwards will increase from 0.8% of the previous year's recurrent national budget to 1%.
2. Although not established in regulation, since 2013 funds have been allocated to PCs based on a formula. The formula is still being improved, based on regular feedback by PCs
3. Policy analysis was completed focusing on property taxes and reallocating shares of non-tax revenue to SNAs
4. Options for the SNIF were analyzed and work proceeded on developing its legal framework and institutional arrangements
5. DM financial management systems were developed and are currently in use. These cover budgeting, accounting, procurement, fund transfers, and reporting.
6. To lead the budget process, a draft policy on SNA planning was developed; this establishes a clear vision for an improved planning system was created.
7. Fiscal transfer mechanisms were implemented, with the CS fund reaching \$58.5 Million during 2014; the CS fund supported the implementation of thousands of CS level projects

FISCAL DECENTRALIZATION; CHALLENGES DURING THE FIRST IP₃

- Increase SNAs' resource envelope so they can meet their mandates; shift resources from central to local governments
- Develop own source revenues so, in the long run, SNAs are less dependent on fiscal transfers and simultaneously strengthening accountability relationships with citizens
- Strengthen financial management to reduce delays in budgeting, reporting and the disbursement of funds. This will become increasingly important as additional financial resources are placed under the authority of DMs
- Reduce SNA overhead and administrative costs to channel more funds to development
- Develop a planning system which is comprehensive, distinguishes between jurisdictions and resources under the control of the SNA, and which is clearly linked to the budget, for example, through outputs

³⁸ Subsidiary instruments include: (i) Prakas #285 on SNA budget classification (MEF), approved June 2012; (ii) Prakas #452 on SNA chart of account (MEF), approved June 2012; (iii) Prakas 324 on the procedures on the establishment and functioning of PC and DMK Procurement Committees and Procurement Units (MEF/MOI), approved April 2013; (iv) Prakas 583 on the DM budget formulation and implementation (MEF), approved July; (v) Prakas on the delegation of power to Capital and Provincial Governors for verification of the request for the transfer of DM fund (MOI), approved July 2013; (vi) Circular # 2 on the implementation procedure of the Municipal/District Payment and Accounting System (MEF), approved July 2013; (vii) Prakas on DM Procurement Rules and Procedures, approved January 2014.

ANNEX #2: RESULTS FRAMEWORK

1. INTRODUCTION

This phase modifies the indicators used in the first IP₃, but retains its over-riding principles and strategies. This annex describes expected achievements and how achievements will be measured and assessed. Results frameworks are always from a particular point of view, since terms like “output” or “outcome” are relative. Results are defined from the perspective of central government implementers, where:

- Program outputs include the implementation of policies, systems and CD activities; anything central government can do by decree and can enforce—for example the transfer of functions or resources—is fully under the control of central government and is an output.
- SNAs are the main “client” of the reform; it is their “behavior” that the program aims to affect.
- SNA behavioral change is considered an outcome.
- Citizens are more indirect beneficiaries and are considered “clients of clients.”

The logic and broad theory of change is that program outputs will strengthen SNA capacity; that applying this capacity SNAs will be better managed and governed; that improved management and governance will lead to better SNA service delivery; and that better service delivery will improve citizens’ livelihoods. Each step of the chain is measured by a series of indicators or targets. Chapter 2 describes:

- Impact pathways, outlining the program logic and expected sequence of change³⁹
- Targets for most of steps in the impact pathways.⁴⁰ Targets are stated as desired end results to be realized by 2017 (for example: “DMs raise at least 10% of their income through own source revenues by 2017”). They cover a mix of outputs and outcomes

2. PROGRAM GOAL AND PURPOSE

The results framework consists of program level results (goal and purpose) as well as results specific to each of the 5 outcome areas. The goal describes the benefits for citizens (improved livelihoods) while the purpose describes improvements in SNA performance (better management, governance, and service delivery). To measure these, the monitoring strategy employs broad indexes, where possible generating them through existing processes (capacity needs assessment, compliance inspection). The 3 main instruments are:

- A governance survey: this measures citizen and councilor perceptions across 200+ indicators. Surveys sample 1,400+ citizen and were carried out in 2011, 2013 (every two years).
- A DMK capacity assessment, with 492 indicators covering all DMK functions. This is undertaken every two years.
- A compliance inspection routine: this is currently under development and will measure the degree to which SNAs adhere to rules and regulations

The structure of these instruments has remained fixed over time (allowing trend analysis) and results are publically available on the NCDD website. However, these instruments have gaps in how they assess the policy environment, and therefore how they measure institutional capacity. During the first IP₃ initial steps were undertaken to develop instruments to measure policy satisfaction and the degree to which the regulatory environment promotes decentralization and autonomy.⁴¹

³⁹ For example, the functional reassignment logic is: Functions reassigned ->SNAs are more innovative, accountable, and responsive to citizens for the management and delivery of transferred functions -> Decentralization leads to improved service delivery

⁴⁰ Several outputs may converge to common outcomes and some results are not easily measured or worth the cost of measurement.

⁴¹ This would be more specific, but in line with the DeLOG comparative decentralization assessment framework: see http://www.delog.org/cms/upload/pdf/lgd/An_analytical_framework.pdf

3. ACCOUNTABILITY

At the higher end of the results framework (i.e. program goals and purpose), the program is not fully accountable for realizing the indicators. Accountability levels are outlined below.

Table 22: Accountability to achieve higher level indicators

Result	Indicator to measure the result	Accountability to achieve the indicator
GOAL: Improve the welfare and quality of life of all local residents of SNAs; to locally empower citizens (from all social groups) through political and other processes to ensure equality, fairness and the protection of basic rights	CDB-CMDG1 Poverty Rate	None
PURPOSE: Improve the capacity, management, governance, and service delivery of SNAs, to ensure they meet their democratic development mandate	SNA Service Delivery Satisfaction Index	Low - Medium
	Governance Index	Low - Medium
	DMK Capacity Index	Medium - High
	SNA Compliance Inspection Score	High
	Index of decentralization/autonomy	High

Similarly, while not all the targets described in chapter 2 will be met, each outcome will be actively managed to achieve targets and to continuously analyze, justify, learn, and report progress transparently against them. Targets have been developed to be both challenging and realistic; several of the targets (with minor revision) are already included in the NSDP (National Strategy Development Plan) and JMIs.

4. EVALUATION AND CAUSALITY

The monitoring indicators contained in the results framework cannot establish whether results were caused by the program or were caused by other factors. There is a strong international initiative for impact evaluation (3ie) based on accepted standards for establishing counterfactuals. To conclude changes are due to a program intervention (rather than external factors) requires the comparison of performance over time and between treatment and control groups.⁴² During the first IP3 all policies and interventions were applied uniformly, preventing the use of scientific evaluation methods. It is intended that during the second IP3, 3ie techniques will be used to assess service delivery improvements resulting from functional reassignment and from social accountability interventions.

5. THE ANNUAL PLANNING PROCESS

The annual planning process will be more flexible than it was in the past. Implementers will review their targets and revise and redesign their outputs and strategies to ensure targets are met; resources and TA will be flexibly allocated to these emerging priorities. As has been the case in the past, during the annual planning process intermediate milestones will be developed. These will ensure the program is on track to meeting its targets; during this second IP3 milestones will be more actively managed. In summary, targets take precedence, and annually, outputs, strategies and the allocation of resources are expected to be significantly changed and revised, based on analysis and extensive and transparent consultation.

6. INDICATORS AND TARGETS IN THE RESULTS FRAMEWORK

The table below lists expected results, their indicators and desired value of the indicator from 2015 to 2017. At the outcome level, the table reproduces the targets found in Chapter 2. An asterisk signifies that indicator is a JMI/NSDP indicator while two asterisks identifies is use in the EU Program Estimates.

⁴² See <http://www.3ieimpact.org/> or <http://www.povertyactionlab.org>. Establishing trend is not enough. Poverty decreased in Cambodia from 2011 to 2012 but it is not possible to attribute this to the IP3. Similarly, the Governance index went down from 2011 to 2013 but the counterfactual may be that the index may have decreased more if the IP3 was not implemented (i.e. a trend may be negative but the impact of a program positive). A treatment group is where a policy or intervention has been implemented while a control group is where an intervention was not implemented.

Table 23: Results Framework, matrix of indicators

Program Narrative/Result	Indicators	Baseline / Year	Target 2015	Target 2016	Target 2017	Data Source, Note, Disaggregation
Goal: To improve the welfare and quality of life of all local residents of SNAs; to locally empower citizens through political and other processes to ensure equality, fairness and the protection of basic rights	1. CDB-CMDG1 Poverty Score					CDB CMDGs
Purpose: To improve the capacity, management, governance, and service delivery of SNAs, to ensure they meet their democratic development mandate	2. Service delivery satisfaction index (**)		74.19	76.00	77.81	Governance survey; disaggregated gender, poor/non-poor, etc.
	3. Governance index (**)		57.80	59.21	60.62	As above
	4. DMK capacity index (**)		50.49	51.72	52.95	Capacity assessment; disaggregated by DM, function, office, gender
	5. SNA compliance inspection score (**)	N/A		+5%	+10%	
	6. Index of decentralization and SNA autonomy	N/A		+5%	+10%	
Outcome #1: Improved management of the NP-SNDD reform process geared towards management of change	7. Has NCDD held at least 3 meetings per year; debated performance management in at least 2 and discussed social equity in at least 1?	NO	YES	YES	YES	
	8. Expenditure on TA (\$US Millions)	5.9	5.5	4.5	4.0	
	9. Number of people reached in Social marketing campaigns (undertaken with CSOs) (in thousands)	0 (2014)	100	100	100	
	10. % of program implementers satisfied with NCDDs planning, policy development and financial management procedures		50%	60%	70%	Survey of program implementers
	11. % of program milestones and targets met on time (**)	14%	50%	60%	70%	
	12. Cumulative number of sector Ministries making public statements strongly supporting decentralization	0	1	2	5	
Outcome #2: SNAs function as local democratic and accountable institutions, including accountability of the BOG to the Council, accountability of Councilors to citizens and	13. The regulatory framework is strengthened to ensure more effective councilor oversight and decision making powers, especially in terms of resource allocation and use		Yes	Yes	Yes	
	14. Number of DMs adopting and implementing DM charters (*)	0	50	185	185	
	15. 80% of DM councilors who believe their powers vis a vis the BOG are SIGNIFICANTLY stronger than they were in the past		20%	50%	80%	Governance survey; disaggregated by type of DM, gender, etc.
	16. Number of DMK council meetings using information generated through a web-based DMK MIS / M&E system	0	100	300	591	DMK Capacity assessment; target is for 3 meetings / year in 2017

Program Narrative/Result	Indicators	Baseline / Year	Target 2015	Target 2016	Target 2017	Data Source, Note, Disaggregation
accountabilities of SNAs to comply with national laws and standards	17. Number of districts where all communes posted information to the public (according to disclosure of information regulations), participated in citizen monitoring exercises, and developed (JAAPs) to improve service delivery (*)	0	20	70	120	
	18. A second phase social accountability program developed to cover other services and levels of SNAs	NO	NO	NO	YES	
	19. Number of complaints collected and managed by CSs	0	0	1,000	3,000	About 2 per CS
	20. Number of complaints collected and managed by DMKs	0	0	500	1,200	About 6 per DMK
	21. Number of citizens attending District Forums	0	5,000	7,000	9,000	About 50 persons / forum
	22. Number of CSOs attending District Forums	0	500	700	900	About 5 CSOs/DM
	23. Financial contribution of Communes to the JAAP	0	\$100,000	\$250,000	\$500,000	
	24. Impact evaluation completed using control and treatment groups and showing improvement on I4C indicators	NO	NO	NO	YES	
	25. % of all PCS and DMKs have been inspected for compliance with SNA laws and regulations and have received a satisfactory assessment (*)	0	20%	30%	40%	
Outcome #3: SNAs autonomously and effectively manage and develop their staff in order to meet their service delivery mandates and priorities	26. % of targeted SNA administrative staff who are recruited, appointed, and disciplined based on Council decisions and without prior central government approval or participation	0%	100%	100%	100%	DMK capacity assessment
	27. % of PC and DMK management staff have their performance appraised by their immediate superiors	0%	50%	75%	95%	DMK Capacity assessment
	28. % of PC administration directors who are female (*)	0.3% (2013)	8.18%	12.12%	16.06%	To reach 20% by 2018.
	29. % of PC division heads who are female (*)	0.3% (2013)	8.20%	12.13%	16.07%	As above
	30. % of DMK administration directors who are female (*)	18% (2013)	16.23%	19.15%	22.08%	To reach 25% by 2018
	31. % of DMK administration division heads who are female (*)	17% (2013)	21.03%	22.36%	23.68%	As above
	32. % of SNA Resource Facilities providing all 5 types of CD	0%	100%	100%	100%	
	33. % of leaders completing mandatory annual training in gender mainstreaming	0%	95%	95%	95%	Governors and Council chairpersons for PCs and DMKs
	34. % of all Councilors, BOG and SNA Staff feel their training adequately prepared them to undertake their job functions	N/A	20%	50%	80%	Various surveys
	35. % of CD interventions that are demand driven	N/A	30%	40%	50%	
Outcome #4: SNAs are enabled to meet citizens' service delivery expectations and to	36. Average number of by-laws passed by DMKs		.5	.75	1	
	37. % increase in the number of decisions taken in DMK Council		10%	25%	50%	
	38. % of the national budget transferred to DMs as a result of functional reassignment (*)		0.5%	1%	3.6%	
	39. Number of DMs transferred all the functions, staff and resources from at least 2 large District Line Offices		0	2	5	

Program Narrative/Result	Indicators	Baseline / Year	Target 2015	Target 2016	Target 2017	Data Source, Note, Disaggregation
provide meaningful services at the level of government closest to citizens	40. Number of DMs transferred all functions, staff and resources from at least 3 small ⁴³ District Line Ministry Offices		5	50	185	
	41. Number of Municipalities which have been transferred the functions, staff and resources for urban services ⁴⁴	0	0	3	10	
	42. An independent evaluation concludes service delivery improved when functions were decentralized from central government to SNAs and from provinces to municipalities				YES	
	43. % increase of CS fund expenditures on social services from 2014		50%	150%	300%	
	44. Number of never tried before services produced using CS and DM Funds		2	10	25	
	45. Number of cases of SNAs replicating other SNA success stories		2	10	50	
	46. Value of service delivery partnerships signed by CSs and DMKs with central government, CSOs and the private sector (\$US Millions)	0	0.5	3	9	Expected to be around 10% of DM and CS fund budgets
	47. % of citizens satisfied with the delivery of new, innovative services		50%	50%	50%	
	48. Number of new SNAs providing OWSO services.		6	12	18	
49. % increase in the number of different services provided and number of citizens served per OWSO		5%	10%	15%		
Outcome #5: Financial resources are well planned, well managed, and adequate for DMs to meet their service delivery mandates	50. DM development component as a% of the national revenues	0%	0.5%	0.5%	0.5%	
	51. % of DM revenues raised through own sources	0%	0%	2.5%	10%	
	52. Community contributions to CS and DM projects (\$US Millions)		0.2	0.5	2	
	53. Were delays are encountered in implementing the functional transfer due to the development of conditional grant mechanisms		NO	NO	NO	
	54. Value of projects implemented through the SNIF (\$US Millions)		0	3	3	
	55. Reduction in the number of delays faced by SNAs in the disbursement of funds		10%	25%	50%	
	56. % of PCs and DMKs using new planning systems which have clear corporate plans overseen by councilors	0%	100%	100%	100%	

⁴³ Small is an district office having 1-3 staff

⁴⁴ Including refuse collection, sewerage removal and disposal, the management and development of markets and recreational areas, and at least 2 other services.

ANNEX #3: CD STRATEGY, WITH A FOCUS ON RESOURCE CENTERS

1. RATIONALE

A key feature of the IP₃ capacity development approach was cascade training on courses initiated and produced at national level, primarily related to the regulatory framework. Master trainers trained teams of provincial level staff who were expected to deliver the required training to Councilors or SNA personnel. This approach was seen as the only feasible way to ensure that the high volume of new regulations, systems and procedures were understood by thousands of SNA Councilors and civil servants in a cost effective and timely manner. While successful in some ways, significant challenges were encountered. Firstly, there are no incentives to motivate provincial staff to take on a training function and so they have not engaged well with the cascade training initiative. Because the provincial level trainers would always give priority to their own work, Advisors have frequently needed to step in and deliver scheduled training. Secondly, it has often proved difficult to attract the intended target audiences to attend the training events. In summary, the roll out of new legislation has largely been achieved, but despite the considerable level of resources invested in this approach, the supply driven nature of the training has not produced the capacity results.

The second key aspect of the IP₃ capacity development was to have Mentors supporting Councils and Councilors, and Advisors working with the SNAs. Mentors and Advisors, both those with a provincial mandate and those attached directly to D/M Councils and SNAs respectively, now have significant knowledge, skills and understanding about the functioning of the Councils and SNAs and how to provide appropriate capacity development support. However, there have also been challenges in this side of the capacity development approach. In particular, Advisors, and sometimes Mentors, feel unable to resist the frequent requests to do work outside their mandate. Thus this group of resource personnel has been used for capacity substitution, which in the long term contributes very little to creating sustainable capacity of SNAs.

In keeping with the long-term goal of the reform program and building on progress to date, the focus in the second phase is to work more directly on improving SNA service delivery and governance. The need for capacity development remains strong but the approach must reflect a shift away from establishing foundations towards strengthening governance and operational capacity. In addition to formal training, there will be a need for other types of capacity development support. The new approach will, therefore, reflect changing needs together with learning from the results of the IP₃ capacity development activities, consolidating what has worked best into the coming phase. A key point in this learning is that it is going to take a considerable time to establish sufficient capacity at provincial level for those staff to be able to lead capacity development support to the DM level, which would jeopardize the momentum of the reform program.

Councilors need to be empowered to decide and act on behalf of their constituents. This calls for a focus on skills such as communication, consultation, analysis, and problem solving, which cannot be acquired through standard training processes. This type of capacity is best acquired through supported learning-by-doing, using approaches such as coaching and mentoring, exposure to good practice, peer learning, and exchange activities. For the second phase this support will be provided through continuation and extension of the work that the Mentors did in IP₃. Councils also need to know how to exercise appropriate oversight of planning and budgeting processes, and so training and follow up support will be provided when necessary.

The capacity needs of BOG and SNA personnel are more technical in nature. They need to be knowledgeable about legislation in order to advise the Councils, and skilled in administration, finance and human resource management in order to ensure efficient and effective service delivery. Future needs will be for the BoG and SNA to learn about and implement new legislation and management systems as they are rolled out. While training will provide the initial learning, follow-up support will be important to ensure

effective implementation of the learning into everyday SNA work practices. Post-training coaching provided by Advisors will be the best way to give this support. Advisors providing opportunities for BoG and SNA personnel to participate in facilitated peer learning events about shared issues and challenges will also contribute to SNA capacity.

2. PURPOSE

The creation of Provincial Resource Facilities, staffed by Mentors and Advisors with knowledge and experience from phase-1, will ensure that the capacity acquired during IP3 is consolidated and used as the foundation for capacity development support to Councils and SNAs in the coming phase-2. This will serve to make capacity development support both more effective and more locally demand driven.

The purpose of creating SNA Resource Facilities is to:

- Create, at the most efficient local level, a consolidated human resource and materials facility, to serve the ongoing and emerging capacity development needs of Councils and SNAs during the second phase NP-SNDD implementation;
- Provide more effective capacity development support by shifting from the focus on cascade training to more demand led and responsive approaches;
- Enhance coordination of all capacity development activities across all providers;
- Rationalize allocation of staff and other resources to increase the cost benefits of capacity development provision; and,
- Create a bridge between the current system and the intended institutes for long-term capacity development support of both Councilors and SNA personnel.

3. SERVICES TO BE PROVIDED BY RESOURCE FACILITIES

The primary function of the sections will be to provide, as requested by Councils and SNAs:

- Mentoring and coaching support, advice, information, help with problem solving, etc.;
- Responses to immediate queries and requests for information on a 'help hotline';
- Facilitation of organization development activities; and,
- Training on request.

Additionally the sections would take the initiative to:

- Create regular learning activities across and between their groups of constituents, for example a six-monthly provincial forum for Councillors to exchange experiences and learn from each other; and,
- Roll out any necessary training on new legislation or administration systems. (See section on training below)

While the two sections within each Center will have specific areas of work serving their own target groups, they will also work collaboratively on issues of mutual interest to both Councils and Administrations.

A key activity during the process of setting up the SNA Resource Facilities will be a mapping exercise to identify civil society and private sector organizations within each geographic area that could offer support to Councils for service delivery and capacity development. Once the data is in place the Resource Center sections will support the Councils to leverage available support by initially acting as brokers between Councils and or SNAs and suitable organizations or companies, and then supporting the processes of contracting and managing any initiatives undertaken by external service providers.

4. OVERVIEW OF ROLES, RESPONSIBILITIES AND ARRANGEMENTS

A. INTERNAL STRUCTURE

The human resources within each SNA Resource Facility will be organized into two sections, the Council Section staffed by Mentors and the Administration Section staffed by Advisors. The Sections will be based in the same building. To support their work both sections will have access to the same IT resources, plus a range of legal documentation, training and communication materials made available from national level and other sources such as NGOs. The two sections, and any support staff, will report to a Resource Facility Manager.

While the overall structure will be the same for every Facility, the detailed staffing complement for each will be decided in the design phase following a thorough mapping exercise to identify the level of needs within each province and depending on the size of the province and number of D/M Councils. The design process will also explore how SNA Resource Facility staff can best work collaboratively with the Provincial Human Resources Division in order to support their capacity development work at provincial level and in so doing, also contribute to the long-term capacity of the Division. Resource Facility Managers will have sufficient status to be able to resist requests for Mentors and Advisors to undertake tasks outside their mandate so that the work of the Facilities is focused solely on capacity development and not on capacity substitution. The relevant ministries will negotiate and agree the appropriate mechanism for this to happen.

B. TRAINING

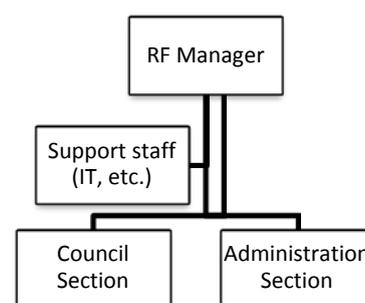
While the need for training will continue in the next phase, it is unlikely that there will be so much new legislation as during IP₃. The training function will therefore be embedded within the two sections, which will decide internally how to respond to training requests and to the need for roll out of new legislation and systems. Options will include: training delivery being shared among all section members; some staff having lead responsibility for training in different subjects; and, creating a dedicated training team from within their own number. The option to outsource training may also be considered if appropriate service providers and budget are available. SNA Resource Facilities will not take on any aspect of technical capacity development relevant to transferred functions. They will, however, be responsible for coordinating and supporting capacity development activities undertaken by line ministries.

The training teams in Provincial Human Resources Divisions will continue to be responsible for provincial level capacity development and will work cooperatively with the SNA Resource Facilities as necessary.

C. LINES OF MANAGEMENT AND ACCOUNTABILITY

Given that the SNA Resource Facilities will serve both Councils and Administrations the management arrangements will need to ensure both neutrality and independence. Facilities are expected to be accountable to their clients for services provided as well as accountable to the national level for their overall performance. So each Facility will be semi-autonomous, even though operating at provincial level, and possibly within the provincial compound. The main stakeholders at national level are NCDD-S, MOI, and Secretariat for Council Associations (SCA). A management arrangement held within NCDD-S with the involvement of SCA and MCS, and other key stakeholders, formalized through a management committee or working group would serve the needs of ownership, coordination and transparency. The SNA Resource Facility Managers will report and be held accountable within this management arrangement.

The capacity development staff and advisors currently working at national level, specifically but not exclusively in NCDD-S and DOLA, will come together to form a capacity development support unit under a senior manager within NCDD-S, so it is linked to the management arrangement, again with a clear mechanism for key stakeholders to be involved. The unit will focus on: ensuring that SNA Resource Facilities have the resources and support they need to fulfill their mandate; monitoring capacity needs and the effectiveness of different types of response; and, liaison with the capacity development sections in line ministries and any other relevant



stakeholders. (The role of the national unit will not be to produce or commission courses for cascade training programs.) As with the SNA Resource Facilities it will be important for the national level manager to have sufficient seniority to negotiate authoritatively with line ministries and other relevant stakeholders.

The SCA and MOI-DOLA will contribute to the provision of support and resources for the Centers. Additionally SCA and MCS will work to ensure clear links and cohesion in relation to the establishment of permanent training facilities for Councilors and SNA staff.

D. RESOURCE REQUIREMENTS

The resource requirements for the Centers are as follows:

- Building: depending on availability, options to be considered include a) locate in current provincial premises or, if no suitable building is available, b) rent a low cost building, office space only, no training room (no new construction);
- Mentor/Advisor costs: no net addition as compared to current arrangements; possibly a small reduction in total staffing establishment over time
- Manager and support staff: to be decided;
- Activity budgets; decisions will need to be made about where they will be held, and how allocated and accessed:
- Equipment: IT, office furniture;
- Supplies/materials: office and for training and other events;
- Communications: including help hotlines; and,
- Travel costs.

5. THE FUTURE OF SNA RESOURCE FACILITIES

For the short to medium term SNA Resource Facilities are to be regarded as an interim measure created to bridge to longer term arrangements. Decisions about the future of the Facilities will be made taking into account the following considerations. Firstly, the creation of sections using Mentors and Advisors is, effectively, an unsustainable parallel structure. This links to another aspect of the reforms in the coming phase that aims to increase government capacity to support SNAs so as to rationalize and reduce the current level of technical assistance. Considerations about the future and staffing of the SNA Resource Facilities will be included in the processes that review technical assistance.

The second area of consideration will be the relationship between the SNA Resource Facilities and the planned permanent institute for training Councilors and SNA personnel (Output 2.4). The mandate of the institute will be different, and it will never be able to fulfill all the needs that the SNA Resource Facilities will meet, but there will likely be some overlap that requires the scope and nature of work of the SNA Resource Facilities to be reviewed as the institutes become fully operational.

6. STRATEGIES TO ESTABLISH THE SNA RESOURCE FACILITIES

- Design a SNA Resource Facility at provincial level with one section focused on functions of Councils and the other focused on SNA Administration, and clarify the management and budget arrangements at national and sub-national levels;
- For the Council Section, develop operational guidelines and redeploy Council Mentors as a pooled section;
- For the Administration Section, develop operational guidelines and redeploy sub-national Advisors as a pooled section
- Make available the materials and IT necessary to respond to specific requests of Councils and SNA Administrations for facilitating capacity development;
- Conduct a survey in each province of potential capacity development service providers within and outside government who may be called upon to support specific interventions;

- Establish linkages with the Secretariat of SNA Council Associations to promote collective advocacy for reform at national level; and,
- Ensure gender is adequately addressed and mainstreamed into all capacity development efforts.

ANNEX #4: STRATEGY FOR PROMOTING AND SUPPORTING SOCIAL EQUITY AND INCLUSIVENESS IN NP-SNDD PHASE 2

1. INTRODUCTION

Inclusive and equitable development is central to the overall goal of the National Program for Sub-National Democratic Development (NP-SNDD) building on commitments made in numerous national policies⁴⁵ and international conventions to which Cambodia is a signatory.⁴⁶ This includes poverty reduction; gender equality and women's empowerment; protection of the rights of women, children, disabled persons, the elderly and ethnic minorities; and, engagement with and responsiveness to the interests of the poor, women, children and particularly vulnerable groups in national development.

Central to achieving inclusive and equitable sub-national development is insuring that the overall goal of the NP-SNDD is firmly integrated into sub-national policies, planning and budgeting processes, operational procedures, monitoring and evaluation processes and the mindset of key decision makers at all levels.

The expected outcomes and outputs of NP-SNDD Phase 2 included in this document are the 'mainstream' into which social equity and inclusiveness should be integrated. The identification of key social equity and inclusiveness measures is directed at guiding the design of NP-SNDD Phase 2 and AWPBs.

This Strategy for Promoting and Supporting Social Equity and Inclusiveness builds on the principles and approaches reflected in the NP-SNDD's Annex 2 on Gender Mainstreaming in SNAs⁴⁷ and the IP3's Appendix 3 on Gender Strategy for IP3⁴⁸ as well as the substantial experience of the RGC in establishing mechanisms and procedures for ensuring mainstreaming of gender and effective representation of women in D&D reform over many years before the NP-SNDD was approved.

While maintaining a strong emphasis on gender equality and women's empowerment, this strategy has been expanded to encompass social equity and inclusiveness more broadly to better reflect the overall goal of inclusive and equitable development central to the goal of the NP-SNDD.

2. KEY MEASURES

Key measures related to social equity and inclusiveness in sub-national democratic development for Phase 2 are presented within the framework of the five expected outcomes and 27 expected outputs identified for NP-SNDD Phase 2 as follows:

⁴⁵ This would include the Constitution of the Kingdom of Cambodia, RGC Rectangular Strategies, Cambodia Millennium Development Goals (CMDGs), National Strategic Development Plans (NSDPs), the Strategic Framework for Decentralization and De-concentration, the Organic Law, MoWA's Strategic Plans (Nearly Rattanak), and the Law on the Protection and the Promotion of the Rights of Persons with Disabilities and other related policy commitments

⁴⁶ This would include RGC signatories to the Millennium Development Goals (MDGs), Convention on the Elimination of all forms of Discrimination Against Women (CEDAW), Beijing Platform of Action (BfA), Convention on the Rights of the Child (CRC)

⁴⁷ National Program for SNDD 2010-2019, Phnom Penh, 28 May 2010, Annex 2 (pp. 85-90).

⁴⁸ The First Three-Year Implementation Plan of the National Program on Sub-national Democratic Development (2011-2013) of NP-SNDD (IP-3), Phnom Penh, 30 November 2011, Appendix 3 (pp. 88-98).

Table 24: List of Social Equity and Inclusiveness Measures in each Outcome

OUTCOME / OUTPUT	SOCIAL EQUITY AND INCLUSIVENESS MEASURES
OUTCOME 1: REFORM MANAGEMENT	
Output 1.1: NCDD leads the political process of reform and manages program performance to ensure implementation of the Organic Law	<ul style="list-style-type: none"> ■ Broaden awareness of social equity and inclusiveness concerns in sub-national democratic development within the NCDD. ■ Ensure that social equity and inclusiveness perspectives are represented in each sub-committee. ■ Ensure that the results-based management and reporting formats appropriately address social equity and inclusiveness issues.⁴⁹
Output 1.2: NCDD/S facilitates and coordinates program implementation and management by all implementers; its role is progressively changed from operational to strategic	<ul style="list-style-type: none"> ■ Broaden awareness of social equity and inclusiveness concerns in sub-national democratic development within NCDD/S senior management. ■ Pro-actively support the recruitment and appointment of women in NCDD/S (civil servants, advisors and contract staff) into technical program positions (<i>i.e.</i>, not just admin and finance). ■ Strengthen and support MOWA's role in reviewing legal instruments and AWPBs, developing capacity development materials, supporting SNA capacity development, etc. together with the NCDD/S
Output 1.3: A Communications Strategy is finalized and operational focused on information sharing between government institutions and between government and the public in a way that clarifies key messages and determines the best way to deliver them to different stakeholder groups	<ul style="list-style-type: none"> ■ All components of the communication strategy should address how to broaden awareness of social equity and inclusiveness concerns in sub-national democratic development within NCDD/S senior management, and among all other key actors. ■ Strategy formulation should address whether or not communications with women and about women's issues, need to be communicated in specifically different ways, and if so how.
Outcome 1.4: Ministries have enhanced ownership of and participation in the reform process	<ul style="list-style-type: none"> ■ Mechanisms in place to support better integration of the overall goals of D&D reform into mainstream policy, planning, budgeting and M&E processes of line ministries, including the social equity and inclusiveness priorities of the D&D reform and linkages to line ministry gender mainstreaming action groups. This is particularly important related to MEF and line ministries expected to transfer functions to the sub-national level during NP-SNDD Phase 2.
Outcome 1.5: SNAs have increased ownership of the reform process and increasingly make progress in shaping the reforms to their specific needs	<ul style="list-style-type: none"> ■ Ensure that the voices of women members of SNA councils, BOGs and staff are well represented in the review of roles and budgets of PCs and DMKs and representation of SNA Councils to the NCDD and its Secretariat on how reforms can be better designed and implemented
OUTCOME 2: SNA DEMOCRATIC GOVERNANCE	
Output 2.1: Clear roles and lines of accountability between SNA Councils and Boards of Governors are established and implemented	<ul style="list-style-type: none"> ■ As part of the facilitation by SNA Resource Facility staff in preparing DM Charters, councils will be encouraged to discuss and include issues around social equity and inclusiveness to ensure that service delivery is planned and implemented in an equitable manner; the Charter Development Facilitation Kit prepared for council mentors should include provisions for this. ■ MoWA, as well as NGOs which have been actively promoting and supporting gender equality, women's empowerment and social equity at the C/S level, should be actively involved in the preparation of the facilitation kit.
Output 2.2: Voices of citizens and civil society better reflected in D/M and C/S decision-making processes	<ul style="list-style-type: none"> ■ Decision-making processes provide opportunities for a broad range of voices to be heard, including women, children and disadvantaged groups. ■ Clarify to councils that CSO/NGOs can be represented on the WCCCs.

⁴⁹ The social equity and inclusiveness measures included in this document could be used as the framework for monitoring progress in responding to social equity and inclusiveness in 'short-form' reports to NCDD members. A suggested reporting format will be provided to the NCDD Secretariat in a separate document.

OUTCOME / OUTPUT	SOCIAL EQUITY AND INCLUSIVENESS MEASURES
Output 2.3: Institutionalized, transparent D/M compliance inspection mechanisms in place	<ul style="list-style-type: none"> ■ D/M compliance inspection mechanisms include compliance with social equity and inclusiveness provisions integrated into planning, budgeting and other decision-making processes.
Output 2.4: SNA administrative, IT and M&E systems strengthened	<ul style="list-style-type: none"> ■ Gender audits systematically conducted as part of the M&E system. ■ Relevant monitoring statistics are sex-disaggregated and evaluations include perspectives of women, children and particularly disadvantaged groups.
OUTCOME 3: SNA HR MANAGEMENT AND DEVELOPMENT SYSTEMS	<ul style="list-style-type: none"> ■ At the sub-national level it is widely believed that the CCWCs, WCCCs, female deputy governors and sub-national offices of MOWA are responsible for all women and children's issues. Understanding of basic gender concepts amongst men in SNAs is limited. As new functions are transferred to D/M SNAs, it will become increasingly important that male members of D/M councils and WCCCs understand and take responsibility for facilitating engagement with a broad range of stakeholders and responding to social equity and inclusiveness concerns.
Output 3.1: SNA HR management decentralized and strengthened	<ul style="list-style-type: none"> ■ Support and monitor implementation of guidance from the MCS on gender equity in the recruitment of new civil servants as set out in Strategy 4 'Mainstreaming of Gender' of the Policy on Human Resource Management and Development for Sub-national Administrations. ■ Interventions are designed and implemented to increase the percentage of women in management positions. ■ On an annual basis, all SNA leaders and upper level managers will be required to complete a dynamic and mandatory training on managing gender and diversity.
Output 3.2: Demand-driven capacity/organizational development and advocacy support systems for SNA Councils and Councilors in place	<ul style="list-style-type: none"> ■ All councilors to be provided with an orientation on social equity and inclusiveness issues in sub-national development. ■ Ensure that female councilors get both individual and group mentoring support to empower them to act. ■ Ensure gender is adequately addressed and mainstreamed into all capacity development efforts; mentors to ensure that social equity and inclusiveness issues are appropriately addressed when they are working with councils.
Output 3.3: Demand-driven capacity and organizational development support systems for SNA Boards of Governors and Administration staff developed	<ul style="list-style-type: none"> ■ All members of the BOGs and heads of line offices to be provided with an orientation on social equity and inclusiveness issues in sub-national development. ■ Ensure gender is adequately addressed and mainstreamed into all capacity development efforts; advisors to ensure that social equity and inclusiveness issues are appropriately addressed in all they do with SNAs. ■ Attention to be given to ensuring that female officials get both individual and group mentoring support to empower them to act
Output 3.4: A resourced plan for a permanent local government training institute and long-term capacity development in place and ready for implementation	<ul style="list-style-type: none"> ■ Social equity and inclusiveness issues will be addressed in all curricula for both male and female councilors; the curriculum to include leadership and advocacy training for female SNA councilors and staff. ■ As institutional mechanisms are put into place to expand training for councilors and civil servants at the sub-national level, attention will be paid to ensuring that women have equitable access to this training and gender equity is taken into account in the staffing and management of the institution(s).
OUTCOME 4: FUNCTIONS	
Output 4.1: SNAs taking more initiative to implement permissive functions under their general mandate	<ul style="list-style-type: none"> ■ Incentives for SNAs, especially for CSs and DMKs to provide social services will be strengthened and biases towards providing infrastructure addressed ■ DPs financial support to social services will be increasingly channeled through the C/S and D/M Funds ■ Incentives, resources and a program to encourage and disseminate SNA innovations in service delivery will be developed and implemented; this will include identification and dissemination of models of how D/Ms are responding to gender-based violence as a permissive function.

OUTCOME / OUTPUT	SOCIAL EQUITY AND INCLUSIVENESS MEASURES
Output 4.2: Specific and appropriate functions transferred from Ministries to SNAs	<ul style="list-style-type: none"> ■ Ensure that D/M councils/BOGs/staff are aware of social equity concerns related to the transfer of functions. ■ Ensure CCWCs and WCCCs are not unduly overburdened by transferred functions.
Output 4.3: Transfer urban services from Provinces to Municipalities	<ul style="list-style-type: none"> ■ Ensure that the functional analysis of urban services includes gender and social equity analysis. ■ Ensure that the interests of women and children are taken into account in the management of municipal services, particularly related to sanitation and public spaces
Output 4.4: Expand Administrative Services developed under the One Window Service Offices	<ul style="list-style-type: none"> ■ More convenient access to administrative services particularly benefits those who have difficulties in accessing them due to travel or cost constraints (e.g., women, the elderly, persons with disabilities and marginalized groups) and is thus in itself responsive to social equity concerns.
Output 4.5: Implement service delivery partnerships between SNAs and CSOs and the private sector	<ul style="list-style-type: none"> ■ Ensure guidelines for SNA engagement with civil society and the private sector for public service delivery include consideration of social equity and inclusiveness concerns.
OUTCOME 5: FISCAL DECENTRALIZATION	
Output 5.1: DM fund operational with 0.5% of the national budget ring-fenced for development activities	<ul style="list-style-type: none"> ■ Part of the rationale for giving DM SNAs a discretionary budget for development funding is that this would provide the SNAs with at least some resources to respond to locally important social development concerns. ■ Social equity variables are built into DM Fund allocation systems, criteria and formulae. ■ DM Fund monitoring systems able to track use of funds for social development.
Output 5.2: Conditional grant mechanisms in place to support functional transfers	<ul style="list-style-type: none"> ■ Ensure conditional grant mechanisms incorporate gender/social equity-responsive budgeting principles
Output 5.3: SNAs collect own source revenues	<ul style="list-style-type: none"> ■ Include gender/social impact analysis in the evaluation of own source revenues.
Output 5.5: Sub-National Investment Facility (SNIF) established and implemented	<ul style="list-style-type: none"> ■ Integrated social equity variables into the criteria for SNIF grants ■ Ensure that gender equity is addressed in the staffing and management of the SNIF.
Output 5.6: Budget allocations for Provinces/Capital reviewed and revised	<ul style="list-style-type: none"> ■ Integrate incentives which recognize and reward innovation in responding to social equity concerns into the formula for allocating funds to P/Cs
Output 5.7: SNA financial management systems strengthened	<ul style="list-style-type: none"> ■ Activities related to CCWCs/WCCCs have been reported to be negatively impacted by existing financial management practices at the D/M level including cumbersome disbursement procedures and weak support from some C/S clerks. Streamlining the systems should make it easier to access approved funding for social services, and monitoring and supporting CCWCs. ■ Design and implement SNA gender responsive budgeting and SNA financial management accountability frameworks consistent with the Policy on GRB in sub-national development. ■ Ensure financial management systems and related training enable timely access to funds allocated for social services at the sub-national level
Output 5.8: SNA Planning Systems revised in a manner that strengthens oversight and accountability roles within the SNA and between the SNAs and line departments/offices	<ul style="list-style-type: none"> ■ Appropriate provisions included in SNA planning and budgeting guidelines to ensure effective representation of the interests of women, children and particularly vulnerable groups in planning and budgeting processes. ■ Councilors encouraged by SNA Resource Facility council mentors to include explicit consideration of the interests of the poor, women, children and youth, the elderly, the disabled and ethnic minorities in their planning and budgeting deliberations and decision-making processes. ■ Commune database reports by D/M and C/S available as analytical tools to support planning processes and priority setting.

ANNEX #5 RISK MANAGEMENT STRATEGY

The implementation of the second IP3 is an ambitious program and not without risks. Some of the principal risks identified, along with proposed measures (or factors) to mitigate them are outlined below.

Table 25: Risks and their mitigation (Outcome #1: reform management)

RISK	LEVEL	MITIGATING FACTORS / MEASURES
OUTCOME #1: REFORM MANAGEMENT		
1. NCDDS FACILITATION: NCDDS continues to function as an implementer rather than facilitating the development of policy, regulation, and capacity	MEDIUM	<ul style="list-style-type: none"> ■ Planning and policy development processes will be reviewed and revised ■ Mechanisms to better listen to the constraints and issues facing SNAs and program implementer will be used
2. DELAYS IN IMPLEMENTATION. The Program is overly ambitious and reaching policy consensus and managing performance becomes problematic. Ownership of the decentralization reforms continues to be inadequate	MEDIUM	<ul style="list-style-type: none"> ■ NDDDD roles will be revised; meetings will be more frequent and performance more actively managed ■ More implementer meetings focusing around performance are planned; clearer targets are in place to manage performance ■ The vision of decentralization will be more clearly communicated
3. FINANCING: DPs reduce their financial contribution	LOW	<ul style="list-style-type: none"> ■ An open dialogue with DPs will continue, especially under the Trust Fund Review Committee ■ The program will continue to focus on improving its management of results
OUTCOME #2: DEMOCRATIC ACCOUNTABILITY		
1. POLITICAL RISKS: The transfer of powers to Councilors, the development of DM charters and the provision of information to citizens can be interpreted as a political risk. Decision making may therefore take longer than anticipated	MEDIUM	<ul style="list-style-type: none"> ■ The legal framework makes strong statements advocating provision of information and engagement with citizens. The Social Accountability framework has been endorsed at high levels of government. ■ Activities undertaken with civil society are being implemented in a spirit of cooperation and constructive engagement; in the improved political climate there are benefits to successfully respond to citizens' needs
2. COORDINATION WITH CIVIL SOCIETY: In social accountability demand and supply side activities support one another. Instruments need to be agreed by both sides. Transparency and trust is required, coordination and communication essential. Many issues arising through citizen engagement (like insufficient teachers) must be solved nationally ⁵⁰	LOW	<ul style="list-style-type: none"> ■ NCDDS and Civil society have successfully cooperated on the development of the SAF, translating documents, training, and creating information packets ■ Regular coordination meetings have been designed which aim to collect information and discuss issues ■ Some of the implementation pressure on NCDD will be lessened if, as expected, third party implementers will undertake a significant amount of M&E and training ■ Adequate TA is now in place at NCDDS to implement the increased workload from social accountability
3. COUNCILOR INITIATIVE: the envisioned changes assume councilors will actively embrace their role as SNA leaders.	MEDIUM	<ul style="list-style-type: none"> ■ CD interventions and a communication strategy will be designed to encourage attitudinal change.
4. ADMINISTRATIVE CONTROL: Moving towards an oversight, legality control, inspection system aims to provide SNAs with operational space. This represents a major change and may take time to implement	MEDIUM - HIGH	<ul style="list-style-type: none"> ■ Inspection routines will be built up over time, with the involvement of each Ministry in the design of systems. Supporting CD will emphasize both attitudinal change and the importance of principles as well as a greater understanding and acceptance of the new approach

⁵⁰ A full set of risks can be found in the Social Accountability Action Plan and Budget.

RISK	LEVEL	MITIGATING FACTORS / MEASURES
5. DEEPER POLITICAL REFORMS: Changes in governance, aimed at strengthening Councilors may not address some underlying root causes of the imbalance of powers between the BOG and Councilors, in particular the BOG serving also as a representative of state and the indirect election of DMK and PC Councilors through party lists	LOW - MEDIUM	<ul style="list-style-type: none"> ■ Even without drastic changes, there remains enormous to promote Councilors. Resources will be available to DM Councils to implement development activities and demonstrate results to citizens. Strategically, it is sensible to solve some of the easier problems first, through CD and local initiatives, like the Charter ■ The program is flexible; if required, and during the latter years of this phase, further analysis of constraints to Councilors taking more initiative can be addressed
OUTCOME #3: HR MANAGEMENT		
1. HR STATUTE APPROVAL: There may be delays in the approval of the Statute; this would prevent SNAs from actively managing their HR and would prevent staff from being transferred to SNAs following functional reassignment	LOW	<ul style="list-style-type: none"> ■ The Statute was discussed extensively at the September meeting of the NCDD and the development of the Public Administrative Reforms have provided strong support for its finalization. Through high level political channels NCDD is ensuring the Statute continues to move forward
2. HR STATUTE INTERPRETATION: though HR management functions would be legally transferred through the Statute, subsidiary administrative procedures and guidelines may continue to provide strong central participation in HR management, against the spirit of the Organic Law and Statute	MEDIUM	<ul style="list-style-type: none"> ■ Through the NCDD, the next phase will promote the consistency of policy and regulations
3. RESOURCE CENTER MANAGEMENT: Due to management constraints, resource centers may not function effectively and may not be able coordinate demand and supply side activities through a work plan	LOW	<ul style="list-style-type: none"> ■ Resource Centers work plans will coordinate the competing needs for its CD services. Once central government institutions "book" a time for supply side training, that time frame will not change. Organizations that are late developing new systems for supply side training will have to wait until the next year or a budget revision to be provided second opportunities to roll out their new products
OUTCOME #4: SERVICES AND FUNCTIONS		
1. NON-TRANSFER OF FUNCTIONS: A clear consensus on what functions to transfer does not emerge leading to the transfer of only unfunded functions or small, mostly irrelevant ones	MEDIUM - HIGH	<ul style="list-style-type: none"> ■ The Prime Minister has made public statements about the intention to transfer essential services; ■ NCDD will increasingly be used to review performance on functional transfer ■ Functional transfer processes will be improved
2. SNAs UNABLE TO MANAGE FUNCTIONS TRANSFERRED: Capacity of SNAs to undertake transferred functions is low and this causes a disruption in service delivery	LOW	<ul style="list-style-type: none"> ■ Functions will be transferred together with staff and resources; this essentially moves the capacity to implement the function from central to local government ■ The capacity to manage the function (amongst Councilors, the BOG, and administrators) will be strengthened as will the capacity of Ministries to take a more regulatory role
3. CONDITIONAL GRANT DELAYS: Delays are encountered in implementing functional transfers arising from the development of supporting instruments such as conditional grants, staff transfers and revised legal frameworks	LOW	<ul style="list-style-type: none"> ■ Draft guidelines on implementing functional transfers have been prepared; these guidelines anticipate some of the supporting changes that will be required in order to implement the functional transfer ■ Where piloting takes place, temporary arrangements will be used and these will be formalized during the pilot process ■ Under outcome #4, templates for conditional grant mechanisms will be prepared as a matter of priority

RISK	LEVEL	MITIGATING FACTORS / MEASURES
OUTCOME #5: FISCAL DECENTRALIZATION		
1. DM FUNDING: Without funds, DMs will find it difficult to implement their mandates. Staff will continue to be demoralized.	LOW	<ul style="list-style-type: none"> ■ With the cooperation of DPs, steps have been taken in the design of this phase to ensure finances are available to implement development activities. The RGC remains committed to increasingly channel funds into the DM Fund development component
2. DELAYS IN DEVELOPING CONDITIONAL GRANTS. Without conditional grants mechanisms in place, agreements on functional transfer might not be implemented	LOW	<ul style="list-style-type: none"> ■ Based on results from the functional mapping and function review exercises completed during the IP3, preliminary estimates are available for which functions are likely to be transferred and what their time lines are. The development of conditional grant mechanisms, based on existing procedures for transferring funds to Ministerial District Line Offices will begin in early 2015

ANNEX #6: FINANCIAL CALCULATIONS AND A DETAILED BUDGET

This annex provides additional calculations on DM Fund requirements and the financial resources expected to be received by SNAs. These projections are preliminary and are expected to change upon the development of a medium term fiscal decentralization strategy under outcome #5. The final section presents a detailed budget.

1. DM FUND CALCULATIONS

The table below calculates RGC contributions to the DM Fund. DP contributions are calculated as a residual, to ensure the DM Fund Development component reaches 0.5% of domestic revenues.

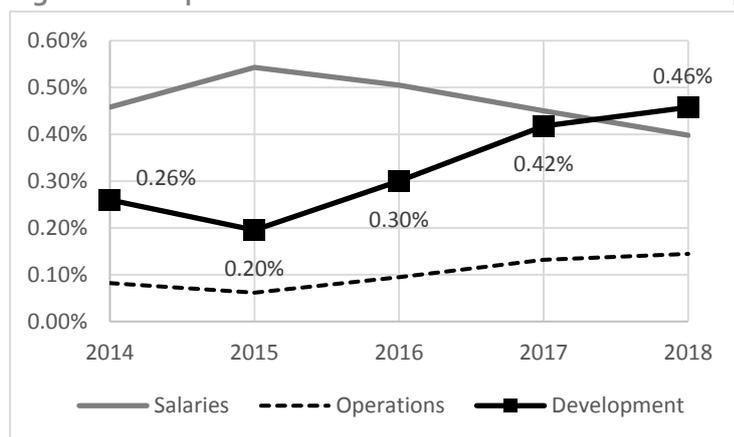
Table 26: RGC Contributions to the DM Fund (Projections: all values in \$US Millions)

ITEM	2014	2015	2016	2017	2018	NOTE
A. Domestic Revenue	2,398	2,758	3,172	3,647	4,194	[1]
B. Total DM Fund	16.74	19.19	24.82	31.72	36.47	[2]
C. Salaries	9.59	13.02	13.93	14.28	14.52	
Base Salaries	9.59	12.06	12.69	12.69	12.69	[3]
% increase		26%	5%	0%	0%	
Reserve: 5% of DM		0.96	1.24	1.59	1.82	[4]
D. Operations (24% of B minus C)	1.72	1.48	2.61	4.18	5.27	[5]
E. Development Component	5.44	4.69	8.27	13.25	16.69	[6]

Notes: [1] Assumes a 15% annual increase. [2] In 2015 = 0.8% of domestic revenue; in 2016 = 0.9%; in 2017 and onward = 1%; [3] based on projected salaries and employment; [4] 5% of the DM Fund, set aside in case of salary increases, as a reserve; [5] 24% of row B minus row C; [6] Row B minus row C minus row D.

The figure below shows the composition of RGC contributions to the DM Fund. It shows increasing allocations to the development component.

Figure 8: Composition of RGC contributions to the development component



2. BUDGET SUMMARY

Table 27: Summary of expected costs

Code	Output	2015	2016	2017	TOTAL
Outcome #1 (Reform Management)		\$3,129,525	\$2,855,325	\$2,905,325	\$8,890,175
1.1	NCDD leads political process / manages reform program performance	\$115,000	\$115,000	\$115,000	\$345,000
1.2	NCDDS coordinates program management / Role moves from operational to strategic	\$1,250,000	\$1,060,000	\$1,060,000	\$3,370,000
1.3	Communication Strategy	\$450,000	\$400,000	\$400,000	\$1,250,000
1.4	Ministries enhanced ownership/participation in reform	\$25,000	\$25,000	\$25,000	\$75,000
1.5	SNAs increased ownership of reforms and shape them to their specific needs	\$60,000	\$60,000	\$110,000	\$230,000
	TA	\$1,229,525	\$1,195,325	\$1,195,325	\$3,620,175
Outcome #2 (Democratic Accountability)		\$2,680,597	\$5,378,577	\$5,332,877	\$13,392,050
2.1	Clear roles and lines of accountability between SNA Councils and Boards of Governors are established and implemented	\$70,000	\$30,000	\$30,000	\$130,000
2.2	Voices of citizens and civil society organizations are better reflected in D/M and C/S decision-making processes	\$2,207,167	\$4,992,917	\$4,942,917	\$12,143,000
2.3	Institutionalized, transparent D/M compliance inspection mechanisms in place	\$92,200	\$114,400	\$156,600	\$363,200
2.4	SNA Administrative, IT and M&E Systems strengthened	\$77,050	\$54,000	\$55,100	\$186,150
	TA	\$234,180	\$187,260	\$148,260	\$569,700
Outcome #3 (HR management and development)		\$14,464,633	\$9,025,864	\$5,676,060	\$29,166,558
3.1	SNA HR management decentralized and strengthened	\$180,000	\$115,000	\$105,000	\$400,000
3.2	** Demand driven capacity development for Councils	\$1,098,570	\$1,098,570	\$1,098,570	\$3,295,710
3.3	Demand driven capacity development for Admin	\$1,098,570	\$1,098,570	\$1,098,570	\$3,295,710
3.4	A resourced plan: permanent local government training institute	\$15,000	\$5,000	\$100,000	\$120,000
3.5	Construct 34 Districts Offices to improve the working environment for staff	\$7,940,117	\$3,036,884	\$0	\$10,977,001
	TA	\$3,399,996	\$2,939,460	\$2,541,540	\$8,880,996
	General Operations	\$732,380	\$732,380	\$732,380	\$2,197,140
Outcome #4 (SNA services and functions)		\$1,177,170	\$1,690,920	\$1,840,920	\$4,709,010
4.1	SNAs taking more initiative to implement permissive functions	\$80,000	\$275,000	\$275,000	\$630,000
4.2	Transfer District Line Offices from Ministries to DMs	\$256,250	\$550,000	\$700,000	\$1,506,250
4.3	Transfer urban services from Provinces to Municipalities	\$150,000	\$170,000	\$170,000	\$490,000
4.4	Expand Services developed under OWSO	\$200,000	\$200,000	\$200,000	\$600,000
4.5	Service delivery partnerships between SNAs & CSOs/private sector	\$30,000	\$35,000	\$35,000	\$100,000
	TA	\$460,920	\$460,920	\$460,920	\$1,382,760
Outcome #5 (Fiscal Decentralization)		\$1,034,220	\$315,220	\$235,220	\$1,584,660
5.1	DM fund operational, with 0.5% of the national budget ring-fenced for development activities	\$40,000	\$0	\$0	\$40,000
5.2	Conditional grant mechanisms in place for functional transfer	\$34,000	\$40,000	\$0	\$74,000
5.3	Medium term vision and targets for SNA revenues/expenditures	\$60,000	\$0	\$0	\$60,000
5.4	SNAs collect own source revenues	\$90,000	\$40,000	\$0	\$130,000
5.5	SNIF established and implemented	\$300,000	\$0	\$0	\$300,000
5.6	Provincial/Capital Budget Allocation process revised	\$50,000	\$0	\$0	\$50,000
5.7	SNA Financial management systems strengthened	\$100,000	\$30,000	\$30,000	\$160,000
5.8	SNA Planning/Budgeting System revised	\$220,000	\$65,000	\$65,000	\$350,000
	TA	\$140,220	\$140,220	\$140,220	\$420,660
GRAND TOTAL		\$22,486,145	\$19,265,906	\$15,990,402	\$57,742,453
	ACTIVITIES	\$16,288,924	\$13,610,341	\$10,771,757	\$40,671,021
	TA	\$5,464,841	\$4,923,185	\$4,486,265	\$14,874,291
	OPERATIONS	\$732,380	\$732,380	\$732,380	\$2,197,140