



A Capacity Assessment of the Partnership for Local Governance Project

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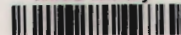
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List of Abbreviations

ADB	Asian Development Bank
CAR	Council on Administrative Reform
CARERE	Cambodia Reconciliation and Rehabilitation Project
CDC	Cambodian Development Council
DFID	Department for International Development (United Kingdom)
DFT	District Facilitation Team
DOLA	Department of Local Administration
DOP	Department of Planning
IFAD	International Fund for Agricultural Development
LAMCS	Law on Administration and Management of Communes and Sangkats
NGSC	National Council for Support to Communes
NGO	Non-Governmental Organization
M&E	Monitoring and Evaluation
PAG	Permanent Advisory Group (CARERE)
PDRD	Provincial Department of Rural Development
PFT	Provincial Facilitation Team
PLG	Partnership for Local Governance
PMG	Priority Mission Group
PRDC	Provincial Rural Development Committee
RGC	Royal Government of Cambodia
SIDA	Swedish International Development Agency
STF	Seila Task Force
STF-S	Seila Task Force Secretariat
SURF	Sub-regional Resource Facility (UNDP)
TA	Technical Assistance
TSS	Technical Support Staff
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNOPS	United Nations Office for Project Services
UNTAC	United Nations Transitional Authority for Cambodia
WFP	World Food Programme

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Key Findings and Conclusions

1. The Seila Programme has been effective as a mechanism for delivering rural infrastructure projects in a manner that has included local participation in decision-making. The CARERE project established effective mechanisms for ensuring that the Seila Programme is accountably managed and products are delivered.
2. The macro framework for local governance is evolving rapidly. The completed laws and regulations support the ability of the project to achieve its objectives. However, the lack of an integrated policy framework for decentralization and deconcentration opens the possibility for conflicts at several levels that could hinder program sustainability.
3. Government human resource capacity exists to undertake Seila Programme implementation. Government officials at all levels have the knowledge and skills to carry out their functions. The combination of PLG advisors with RGC staff enables the programme to operate effectively.
4. A major constraint on the utilization of available capacity is the low motivation and reward system for Government officials due to the very low salaries that are offered and the seeming lack of confidence to undertake Seila systems without technical assistance support. Salary supplements paid by PLG and other donors are necessary to keep the Seila systems operating.
5. The Seila Programme in its present form is not sustainable by the Government. This is due mainly to the introduction, mainly by international advisors, of regulations and systems that are beyond the capacity of the Government and elected officials to carry out within the financial and technical resources available to them in the long term.
6. The main donors to the PLG project and the Seila Programme have conflicting views regarding the role of the PLG project in support of Seila. One set of views casts PLG in the role of the implementing unit for the Seila Programme; the other sees PLG as a project whose primary purpose is to develop self-sufficient capacity within Seila and related Government agencies to eventually utilize project outcomes without external assistance.
7. Another conflict exists on the substantive level. Namely, whether the objective of Seila is (or should be) designed to emphasize poverty alleviation or the development of local governance capacity. The position taken on this issue has major implications for the nature of PLG capacity development activities. If donors are interested in using Seila as a vehicle for collaboratively financing the construction of small-scale rural infrastructure, then Seila is an excellent managed option. If donors are interested in addressing root causes of poverty through support to local governing institutions, serious thought needs to be given to shifting to a more efficient, demand driven mode of operation.
8. The complete integration of PLG within the Seila Programme makes it difficult to assess the efforts of PLG and the Seila Programme independent of one another.
9. The Seila Programme is no longer the only institution engaged in decentralization policy development. There is a need for constructive engagement among the various interested Government entities and donors with a view to harmonization of efforts.
10. The value of the snapshot approach to external advisory services appears limited as several conclusions and recommendations offered by this mission were noted by earlier missions. The shift to a client-centered change management methodology appears warranted.

Summary of Recommendations and Action Plan

Issue	Recommendation	Page in text	Implement by date	Responsible Party
	General Management Recommendations			
Key recommendation on the national management of PLG	No significant alteration in the implementation arrangements currently in effect within the Scila/PLG nexus should be undertaken before January 2004 allowing sufficient time for on-going institutional transitions to be completed.	11	Jan 04	UNDP
External observers have limited impact on project management style	Shift from external observation teams to a client-centered change management based approach to identify capacity gaps and implement interventions	12-13	Discuss in debriefing session	UNDP
Recognize that indigenous capacity exists	More attention needs to be paid to optimizing the utilization of existing indigenous capacities rather than focusing attention on 'capacity development' needed to carry out technocratic solutions.	13-14	Discuss in debriefing session	UNDP & cost sharing donors, STF
	PLG Project Recommendations			
Strengthening National Management capacities	The Scila Task Force should appoint a deputy or assistant Secretary General tasked with assisting the Secretary General with PLG project management and administration as soon as possible.	19-22	March 2002	RC/C/STF
	The PLG Program Manager position should be formally re-designated as the Chief Technical Advisor.	19-22	Feb 02	UNDP
	Job descriptions for PLG personnel should be re-written to clarify supervisory relations with CTA.	19-22	Mar 02	PLG STF-S
	PLG personnel should retain leading operational roles in the preparation of project work plans in consultation with concerned STF-S and provincial personnel. All project plans, budgets and financial reports must be reviewed and approved by the Project Director, in consultation with UNDP.	19-22	continuous	PLG STF-S UNDP

Issue	Recommendation	Page in text	Implement by date	Responsible Party
	<p>Job descriptions for PLG advisors should be reviewed and revised to place emphasis on specific capacity building outputs.</p> <p>After the transitional arrangements for the Seila Programme have been clarified and put into operation – in about 18 months time- the Government should review its options regarding implementation arrangements. UNOPS and the UNDP could develop competing service proposals for review by the STF-S based on cost, experience, technical backstopping capability, and capacity to deliver services efficiently and effectively.</p> <p>The mission strongly supports the inclusion in the 2002 PLG Work plan of value for money audits for both ministerial and departmental contracts.</p>	<p>19-22</p> <p>19-22</p> <p>19-22</p>	<p>June 2002</p> <p>September 2003</p> <p>Jan 2003 & annually thereafter</p>	<p>PLG & STF/s</p> <p>RGC UNDP UNOPS</p> <p>PLG</p>
Building Capacity to Support Democratic Self-Governance	<p>To effectively incorporate democratic local self-governance into the Seila Programme policy support framework, the PLG project could add a specialist in democratic local self-governance to its policy team. Alternatively, PLG could collaborate with other donor initiatives in decentralization to acquire the necessary expertise. The UNDP Decentralization Support Project is one obvious choice.</p> <p>Modify the Commune Database to seriously limit the information collected at the village level (to perhaps 10 variables), adopt a data collection format that allows for household information recording and introduce simple methods for enabling local assessment of village conditions.</p>	<p>22-23</p> <p>23-24</p>	<p>June 2002</p> <p>Jan 2003</p>	<p>PLG UNDP/DSP</p> <p>PLG STF-s</p>
Citizen-Centered Feedback Methodology	<p>PLG should collaborate with other donors, government institutions and interested NGOs to design and implement a participatory feedback mechanism that will allow the commune citizens to express their views and concerns on how their Councils are using their new knowledge and techniques and to provide the STF with an on-going, comparative assessment of the efficacy of the myriad development approaches extant in the Cambodian countryside.</p>	<p>24-25</p>	<p>Develop methodology by April 02 First field review by June 2002</p>	<p>PLG, STF, other RGC & interested donors</p>

Issue	Recommendation	Page in text	Implement by date	Responsible Party
Sustainability of Systems and Processes Developed by PLG:	Allow local governing units to collaborate in the design of the planning guidelines, rather than compelling them to implement an approach that they had no role in designing.	25-27	May 2002	PLG
A <u>Complexity of Systems and Processes.</u>	Demonstrate the versatility of Seila methods so that partners recognize that participation tools can be used to generate solutions in a wide variety of problem areas	25-27	initiate by June 2002	PLG
	Ultimately, the STF should task PLG to design and test simpler, more appropriate local planning methodologies for possible inclusion in revised regulations. (This is the same recommendation made by the UNDP/SIDA Joint Evaluation Mission in March 2000.)	25-27	February 2003	STF PLG
B <u>Direct Support Costs.</u>	PLG should work with concerned administrative reformers to incorporate salary supplements now funded by the project into a new Government salary supplement plan, such as PMGs. Operating costs of the Seila Programme should be shifted to Government budgets in a phased manner over the coming years.	27	Initiate phased implementation by February 2003	STF CAR PLG
C <u>Technical Assistance Approach.</u>	PLG should design and implement a shift from supply-driven to demand-driven technical assistance to provincial departments. This approach should be extended to contracts with central ministries as well. The terms of reference for the provision of technical assistance by PLG advisors should be written as capacity building tasks that produce clear and discrete outputs.	27-28	Design by Aug 02 Pilot test in Jan 03 Full implementation by Jan 2004	PLG
	Celebrate successes to deepen the willingness of partners to take on increasingly difficult tasks	27-28	Ongoing, periodic	PLG
<u>Clarifying Accountability</u>	The immediate objectives of the PLG should be revised to cover its three main thrusts: provision of technical assistance, provision of direct support for programme operations, and provision of investment funds (if necessary). In addition, PLG should utilize a single consistent work-planning framework for recording project implementation tasks addressing issues of redundancy and inconsistency use of terminology in the 2002 work plan.	28-29	Incorporate into 2003 work planning process (by Nov 2002)	PLG

Issue	Recommendation	Page in text	Implement by date	Responsible Party
Role in Resource Mobilization and Accommodation of Donor Priorities	STF should develop criteria for resource mobilization from donors and the acceptance of donor funds that clearly set out the necessary linkage between additional donor resources and the design and implementation of local participatory planning systems.	34	Concept by Aug02 Review & approve by Jan 2003	PLG STF
Differences on the rationale for the programme	Seila donors and the STF-S should engage in a series of open, facilitated dialogs regarding the objectives and purpose of the Seila Programme and PLG project. This should lead to a revised Seila Programme document and a revised PLG project document modified on the basis of collective experience in the first two years of implementation.	35	Dialog series from June -September 2003 Revised and agreed documents by November 2003	STF STF/S PLG UNDP other associated donors
Provincial Investment Funds	STF should institute a set of criteria that mandate the use of the (PLG-financed) PIF to be limited to supporting sector-specific requests arising from the communes.	36	Guidelines completed by June 2002	STF STF/S PLG

1 Introduction

1.1 *Purpose of the Mission*

In January-February 2002, the UNDP fielded a mission to assess the capacity of the Royal Government of Cambodia to execute the multi-donor Partnership for Local Governance Project (PLG) in support of the government's Seila Programme. The mission was given the objective to 'undertake a comprehensive assessment of national project execution and implementation capacity of the Seila Task Force (STF), STF-Secretariat, concerned line ministries and departments and other concerned institutions at all levels of project implementation'.

The purpose of the mission was to ascertain whether the current PLG project management systems and structures are sufficient and appropriate to achieve the objectives of the project, to identify critical capacity gaps and recommend a strategy to strengthen national execution capacity.

The mission comprised two international consultants. One, Robert Griffin, has extensive experience assessing UNDP national execution modalities in numerous settings. The other, Paul Lundberg, has extensive experience in designing and managing democratic local self-governance capacity building projects in Asia.

One of the critical points for the mission to clarify at its outset was: What objectives is the project trying to achieve? This proved to be an insurmountable task given the strong views of the donors involved in funding PLG. The PLG project is a newly constructed vehicle its principal donors to jointly support the objectives of the national Seila Programme. In addition, several other donors channel their funds for rural development activities through the project management structure. As such, the project faces several difficulties resulting from differing, and sometimes conflicting, agendas of the associated donors. The primary issue relates to the intrinsic nature of the PLG project and its relation with the Seila Programme, the recipient of its assistance.

UNDP, the managing donor, is of the opinion that the PLG project is designed to build capacity in the STF-Secretariat and other associated national, provincial and commune institutions to execute and implement the Seila Programme. This appears not to be the case with the other donors, especially SIDA, who feel that PLG is the management mechanism for implementing the Seila Programme rural development activities. This difference caused the team to face considerable difficulty in ascertaining whose capacity was to be assessed in relation to the production of what output. On advice from UNDP the mission has reviewed capacity issues affecting the Seila Programme and the PLG project. This confusion of objectives is raised at several points in the body of this report.

1.2 *National Management of Development*

The mission was tasked to address national management capacity issues on two levels: the Seila Programme and the PLG Project. The Seila Programme is directed by the Seila Task Force (STF), an inter-ministerial policy making body. Its policies were formerly carried out by the CARERE project directly, the predecessor to the PLG Project. Currently, that management responsibility is carried out by the STF Secretariat with assistance from PLG. The PLG Project is also now under national management. The head of the STF Secretariat acts as Project Director with advisory support and assistance from the PLG Chief Technical Advisor and other PLG staff.

National management of the development process is essential to ensure full commitment of the Government to the implementation of development policies and activities. In Cambodia, the Khmer Rouge destroyed established institutional capacity and human resources during 1975-79. Many other educated people fled the country. During the large programme of relief and rehabilitation carried out under the umbrella of the United Nations during the 1980s, programme management responsibilities were carried out by international personnel as Government capacity was slowly rebuilt. The legacy of this period lingers on, even though the Government has substantially restored its human resources if not its full financial and institutional capacities.

Since 1992, UNDP has been aggressively promoting "national execution" of its development projects on a global basis. While national execution is UNDP's first choice for management of its projects, national capacities must be taken into account so other options for management remain possible. The purpose of making national execution (NEX) its priority method for project management is to ensure the full commitment of recipient governments to the objectives and implementation of the development cooperation activities. In Cambodia, the shift to national execution for development cooperation is only now beginning to occur. UNDP Phnom Penh is actively seeking to ensure that the Royal Government of Cambodia exercises full decision-making authority in regard to development assistance received from UNDP. Given its long history, extensive preparations, the highly qualified national project director and the experienced team of advisors, the PLG Project is the first UNDP-funded project to be approved for national execution in Cambodia.

Key recommendation on the national management of PLG

Although the team identified several potential capacity gaps that relate to the long-term sustainability of the Seila programme objectives, the question of current management capacity was quickly dealt with. The PLG project, and its CARERE predecessor, according to all accounts, even those of its detractors, have been well-managed projects. The joint management team comprised of STF-S staff and PLG advisors form an appropriate mix, well suited to delivering the outputs of the project.

In keeping with the above, the Mission members wish to preface all of their conclusions and recommendations with the admonition that no significant alteration in the operational arrangements currently in effect within the Seila/PLG nexus should be undertaken until January 2004. The national governance framework is in a process of transition at several levels. Many new actors at the national, provincial and commune levels are taking on increasing importance in this project. The potential capacity gaps identified in this macro institutional arena greatly overshadow the internal organizational and management issues identified. Thus, the question for this mission to answer became whether the acknowledged management capabilities existent in the PLG team could become institutionalized at the relevant levels of RGC so that project outcomes could be sustained after the end of the project.

1.3 A Note on Methods and Results

Upon arrival, the mission assessed the situation and decided that the complexity of the project and overlapping relationship with the Seila programme required that a broad based institutional analysis methodology would be the most appropriate for this situation. This methodology was selected for two reasons:

1. The TOR called for the assessment of capacity of all institutions associated with the project

2. The mission noted that there were several interlaced institutional transitions facing project management in the near term.

The methodology employed, referred to as institutional capacity analysis, was carried out at two distinct levels: the external institutional environment, which encompasses the overall socioeconomic environment, the national governance framework, civil services issues, and inter-organizational relationships and (b) the micro-institutional environment encompassing: internal organization and distribution of functions, management style and procedures, physical and financial capacities and internal personnel and development of beneficiaries skills. These elements of capacity have been roughly reviewed to give the mission a picture of the gaps between capacity required and that currently available. After undertaking this rapid assessment of national execution capacity, the mission identified several issues that should be addressed to enhance the existing capacity to sustain project outcomes.

The mission suggests that this institutional capacity assessment methodology can be used as a guide for carrying out periodic capacity assessments to ascertain progress over time. It will be particularly critical for the capacity issues identified in the institutional environment to be carefully monitored in order to give the STF and its associated donors correct signals on when modifications in the operational structures and systems could be introduced with minimal negative impact on programme goal achievement.

To implement this methodology, the mission members met frequently with UNDP, the STF-S, the PLG project management and staff, the other PLG donors, NGOs associated with Seila and decentralization, other relevant government agencies and donors. In addition, the mission undertook a one-week field visit to Battambang, Banteay Meanchey and Otdar Meanchay where they had a further opportunity to meet with government officials and project staff. Altogether the mission perused over 90 documents pertaining to Seila, government policy and legislation, and the general situation of Cambodia.

The mission faced a rather unique limitation in its ability to assess the capacity of national management to implement the PLG project. The team was unable to observe the project activities in the field. Due to the Commune Council elections that happened during the mission, all field activities related to commune planning, bidding, implementation and reporting had ended before the arrival of the team and the main community institution, the Commune Development Committee, had been put into hibernation. In addition, the mission faced difficulty in assessing the capacity of individuals working in the STF-S as almost all of them had only recently taken up their positions and thus were still in the process of being oriented to the complexities of the Seila Programme. At present, it is impossible to address the technical capacity building needs of the STF-S until transitional arrangements for the transfer of Seila functions are clarified, the role of the STF-S and what work its personnel should do remain unclear. Finally, we admit to the inherent limitations of one-shot missions comprised of consultants who enter a place for the first time and attempt to come to grips with a complex web of activities like Seila. Given these limitations, and recognizing the processes of human psychology, the mission members fully admit that perhaps 20% of the ideas contained in their conclusions and recommendations are based upon newly acquired information while the other 80% is heavily influenced by their combined experience designing, managing and assessing development projects in other countries.

Even so, when reading, late in the mission, some of the earlier evaluation reports (such as the 1998 CARERE Midterm Evaluation and the 2000 SIDA UNDP Joint Evaluation Mission) we

noted several recommendations similar to ours, especially related to the need to simplify the planning, and M&E systems. Perhaps, rather than fielding more external missions in the future, the national management and PLG donors may wish to consider a more effective route to change management, one that introduces a philosophical "paradigm shift" in attitude by viewing capacity from the perspective of the end beneficiaries not external observers.

2 Overview

2.1 *The National Context*

The Cambodian socio-economic situation

The first category of capacity enabling issues, the national socio-economic situation, encompasses elements that affect the very heart of the institutional environment in which development activities take place. The surprising capacity issue that arose out of a brief review of various Cambodian situation analyses is that conditions are not as bad as one would expect after a lengthy period of protracted civil conflicts. The CDRI 2001 Economic Review notes: "Given the extent of the destruction of Cambodia's physical, administrative and social infrastructure, the country has made remarkable progress in the seven or eight years." In fact, several aspects of Cambodia's socioeconomic situation are better than those of countries in South Asia, which have not experienced such disruptive internal conflicts, and, in many respects, Cambodia is clearly improving at a faster pace.

Some comparative figures include:

- Cambodia's Human Development index is low, it ranks 136 out of 174 countries, but it is not classed as a 'Low human development' country.
- Female literacy (>15 years) is 42% versus 28% for Pakistan
- The percentage of economically active children (aged 10-14) in Cambodia is similar to that of neighboring Thailand and is far less than recorded in Bhutan, Nepal, Bangladesh and Pakistan.
- Annual population growth rate of 1.8% is significantly lower than that found in much of South Asia
- Per capita aid received is only 40% that received in Laos
- Total debt service is 1.5% of exports; Pakistan's rate is 27% of export value
- Reportedly, nearly 100% of primary age children are enrolled in primary school
- Although the total daily per capita caloric intake was lower in 1997 than in 1970 and overall life expectancy is still only 55, the same as Laos and lower than Nepal, the percentage of the population in poverty declined over the course of the 1990s (while it increased sharply in Pakistan—a country with twice the per capita income).

The point of this scatter gun of statistics is not to show how bad or how good Cambodia is doing in comparison to other countries in Asia. Comparisons are always of dubious value, there are always those who have achieved more in some area, but clearly the socioeconomic situation in Cambodia has improved markedly over the past decade. The purpose then is to point out that nothing in this rapid review indicated to the mission that there are underlying socioeconomic conditions that will negatively affect capacity for national management of PLG. In fact, this review, and informal observations in the field, prompted the team to question why so many people interviewed by the mission immediately mentioned 'lack of capacity' as the major

stumbling block to development in Cambodia, and thus, seemingly, the need for numerous resident international NGOs and advisors to carry on development tasks. The mission wonders whether this is a legacy of UNTAC, giving rise to the belief that Cambodia could take care of itself. A serious recommendation from this mission is that donors, and the Seila Programme in particular, should focus more attention on enabling the use of indigenous capacity rather than always talking about the need for 'capacity development' to carry out imported technocratic solutions. The comments below on governance issues raise the question of whether it is capacity that is lacking or suitable incentives to induce the utilization of existing capacity, especially in reference to government personnel. If it is the latter, then all the training programmes in the world won't make any lasting difference.

National Governance Framework

Governance reviews of Cambodia regularly refer to the lack of transparency in decision making, the poor links between national budget formulation and execution, the significant leakages in the public expenditure management system, and the fact that minimal central resources reach the local level for development purposes. The iPRSP notes that corruption has been identified as Cambodia's leading problem.

The RGC has embarked on an ambitious programme, the Governance Action Plan, to address these and myriad other governance issues. The second GAP is now in draft. Observers note that while the provisions of GAP I were not all completed, substantial progress has been made.

Social scientists increasingly recognize that if political stability and sound, competent economic management are keys to successful economic development, then more participatory forms of governance are critical to sustain progress in the long term. This is precisely the situation the mission found upon arrival in Cambodia. On 3 February 2002, Cambodia completed a nationwide set of party-based elections for Commune Councils. According to historian, Henri Locard, this is apparently the first time these Councils have been elected through universal suffrage on a nationwide basis, although some local elections did take place under earlier regimes. These elections were enabled by the passage in early 2001 of the Law on Administration and Management of Communes and Sangkats (LAMCS). This Law distinguishes the role of the local councils as the representatives of their constituents and as an agent of the central state. This is a landmark legislation that possibly will prove to be a catalyst for further opening of governance practices at all levels.

Several Asian democracies (Nepal, Mongolia, Pakistan, Philippines, Indonesia, Thailand) have created elected local governing institutions during the past decade. However, it is rare that the process has seen such a high level of political and bureaucratic support as is evidenced in Cambodia. The LAMCS has been supplemented by a Sub-decree on the Establishment of the "Communes & Sangkats Fund" that will enable the RGC to make annual revenue transfers to this tier of government. This has been followed with draft rules on financial management and local development plan preparation. Rules to guide the provincial and district governors on their relationship with the new communes also exist in draft. A potential threat to the devolved nature of the new system lies in the inordinate powers granted to the Ministry of Interior to remove a Council Chairman or an entire Council. No provision for appeal is evident in the law. In addition, a threat to the representativeness of the Council lies in the power granted to the political parties to expel a councilor for not following party dictates, thus causing him to lose his seat on the Council.

The LAMCS also brought into being two new institutions that have been given the mandate to oversee the implementation of the Law. A temporary body, the National Committee for Support to Communes/Sangkats (NCSC) has been created to further articulate decentralization policy while the Department of Local Administration (within the Ministry of Interior) has been created to oversee the administrative operations of the communes and the organization of capacity building measures.

A major governance issue that has the potential to limit the development impact of the LAMCS is the fact that the central government has not yet moved forward on its policy for 'deconcentration' of authority to the provinces. Cambodia is a unitary state and provincial governors are appointed by the Royal Government as its representatives. Currently, their decision making powers are limited and their control over line departments located in their territories are weak.

These governance transitions present both positive and negative capacity issues. In this case, it is clear that the Cambodian constitution and relevant legislation (primarily the LAMCS), and the associated rules and regulations thus far produced, fully support the objectives of the project. However, several of the implementing rules have yet to be finalized and their final content is not yet known. More important, however, is the seeming lack of an integrated policy framework for deconcentration and decentralization. Until this institutional capacity gap is removed, the potential remains for serious disharmony between the communes and provinces and between the provinces and the line departments. This disharmony can have negative consequences on the ability of PLG to achieve its objectives within the time frame of the project and to produce sustainable results.

Civil Service System

A third, and thus far insurmountable, capacity issue deals with civil service issues, especially personnel policies and reward systems. The Seila programme operational modality includes innovations in technology, governance processes, management and administration. This requires highly qualified managers, professionals, technical personnel and skilled support staff. But existing RGC personnel are ill paid and poorly motivated. To address this problem, the programme provides substantial supplements to their salaries as an inducement to perform the tasks required. It is recognized by all involved that this situation is not sustainable. This represents a significant capacity gap that must be addressed fully and completely, otherwise, the sustainability of project outcomes may be in jeopardy. In fact, the CDRI study on Technical Assistance for Capacity Building states that salary supplements are a primary factor undermining sustainable development in Cambodia: "Unless donors develop a coherent strategy (rather than competitive project-related salary supplementation) to deal with this situation, the record of TA in developing the capacity of government will continue to be disappointing, and an escape from aid dependence will be postponed."

In response to this capacity gap, the RGC, under the leadership of CAR, has created a 'Strategy to Rationalize the Civil Service, 2002-2006' to address this complex issue. The first step in this strategy has been to provide an across the board 38% salary increase effective January 2002. The elimination of 'ghost employees' and computerization of the payroll largely offset the cost of this increase. Over the next five years the Government plans to substantially increase the total civil service wage bill, reduce the total number of civil servants while simultaneously increasing the percentage employed in the education sector.

Despite efforts to improve the remuneration of government employees, their general attitude and behavior remain inconsistent with the objectives of the project. A recent governance review published by ADB mentioned that there is nothing in the experience of a local official that prepares him for participatory rural development. A World Bank financed study on good governance noted that the general perception of participation among civil servants was that senior government officials should decide policy in the best interest of the people.

Inter-organizational Relations

A further capacity issue relates to the distribution of responsibilities among entities in charge of the decentralization process. It is apparent that the network of institutional relationships is not yet fully organized to facilitate the activities of the project. Clearly, the achievement of Objective Two of the 2002 PLG Work Plan ('Efficient and effective services and investments provided for local development') will largely be dependent upon the activities of the new commune councils that are not yet in place and thus they cannot be said to be fully informed about the content, nature and scope of their responsibilities or how they will be accountable for results. This is a temporary situation that the project management has carefully considered. Several steps, noted below, have been taken to ensure a smooth transition from the project created Commune Development Committees to the elected Commune Councils. Also, PLG is collaborating with other donor projects supporting DOLA to prepare a joint orientation and training curriculum for communes.

Many aspects of the programme will require common action by two or more entities. Currently, there are growing differences of opinion on the way forward on decentralization among the STF-S, NCSC, DOLA, CAR-S and MRD which raise a number of practical issues for Seila policies and operations. However, it is rare that one encounters such a high level of awareness of and concern for the issues necessary for the successful implementation of a national decentralization policy. Typically, the national bureaucratic response in other Asian countries has been to let a decentralization policy die from internal inconsistencies. Here, despite the differences of approach among the major actors, all appear to be serious about their mission to ensure the system succeeds.

As mentioned above, the lack of a deconcentration policy opens the door for potential conflicts between Provincial & District Governors (and their staffs) and Commune Council Chairmen. Additionally, the LAMCS is vague on the relationship between the Commune Council and any existing Village Chairmen. It merely states that this will be specified later. Seila/CARERE, the predecessor to PLG, put considerable effort into the creation of Village Development Committees. These have served as conduits for first level participatory issue/needs aggregation in the planning process. Continuation of a solid relationship between these institutions and the new Commune Councils will be important to the project's role in fostering democratic local self-governance.

The issue of donor relations, both among those within the PLG financed framework and others associated, directly and indirectly, with the implementation of the decentralization and deconcentration policies deserves note. The mix of agendas that the donors bring to any developing country is often overwhelming. However, rarely have the mission members noted such a preponderance of resident and intermittent international advisors so heavily engaged in policy preparation and implementation. Significant conflicts have become apparent among some of these advisors, perhaps because they subscribe to the same patronizing definition of participation as that ascribed above to civil servants. These conflicts have the potential to

undermine the ability of the RGC officials to carefully prioritize national aspirations and determine the most suitable course of action for the government.

A brief review of the donor resource flow into Cambodia indicates the likelihood that the creation of technical assistance systems that are heavily dependent upon donors' financial assistance may not be a rational choice. According to the May 2000 Development Cooperation Report of the CDC, the amount disbursed by bilateral donors peaked in 1995 at \$328,000,000. It had fallen to \$192,000,000 in 1999. Similarly, multi-lateral agency disbursements peaked in 1996 at \$198,000,000, falling to \$154,000,000 in 1999. Conversely, NGOs have steadily increased their resources with \$55,000,000 disbursed in 1999.

Usually NGOs have major complaints about large donor financed rural development projects. The mission found it interesting that among the NGOs interviewed, not one thought Seila was a program that undermined NGO efforts. There were comments about how it could be improved, but no one could name another project that did the same job better, at least on as grand a scale as Seila.

2.2 The RGC Seila Programme

For nearly 10 years the UNDP has been associated with what the ADB/GTZ decentralization consultant, Andy Batkin, referred to as "the most interesting RD methodology in Cambodia because of its innovative and participatory approach and its commitment to development of local government implementation modalities".

The Seila programme, through its implementation vehicle, CARERE (Cambodia Reconciliation and Rehabilitation Project) project, accumulated considerable knowledge on institutional development over its lifetime. This was partly due to the 'evolutionary' approach adopted by programme management; modifying systems to meet changing RGC policies and partly due to the intense level of external observation that the programme, in large part because of its success, has attracted. The mission benefited greatly by the lengthy series of PAG reports, assessments, and mid-term reviews carried out over the past five years. This windfall of information has enabled the programme management to institutionalize the experience gained. The result is that the programme has significant functional management capacity to deal with institutional development issues systematically.

CARERE began in 1991 while the country was still under the administration of the UN Transitional Authority for Cambodia (UNTAC). CARERE initially addressed resettlement and rehabilitation efforts in provinces along the Thai border in western Cambodia in collaboration with UNHCR. The project implemented integrated activities based on requirements identified by communities themselves. Over time, CARERE evolved working with UNCDF to apply its local development planning and finance methodology in Cambodia in view of the inability of the central government to respond to local rehabilitation and development needs.

In 1995, the national Seila ("foundation stone") Programme was established by the Government as a policy experiment in decentralized local development planning, financing and management to be supported by the CARERE project. In 1997, the inter-ministerial level Seila Task Force (STF) was set up to review the policy implications of the Seila experience and develop the national policy framework required for participatory rural development. During 1996-99, with funding and support from the second phase of CARERE, the Seila Programme developed and

implemented \$25 million worth of provincial and community level projects. CAREERE2 attracted significant financial support from SIDA and other donors.

The RGC formally established the Seila Task Force in law in 1999 and included the establishment of the STF Secretariat. The goals of the Seila Programme were set out in terms of contributing to poverty alleviation, designing and operationalizing decentralized planning, finance and management systems for provincial development, and evaluating the effectiveness of these systems. The STF makes the main management decisions for the Seila Programme.

The Seila Programme is primarily implemented at the provincial level. To date, the Programme has operated level under the auspices of the Provincial Rural Development Committee (PRDC) through a management committee, the "Ex-Comm", which is made up of key members of the PRDC. Four units – Finance, Contracts and Administration, Monitoring and Evaluation and Local Capacity Building – whose personnel are drawn from provincial government departments, support the Ex-Comm. Prior to Commune Council elections, these units managed the provincial Seila Programme in support of appointed Commune Development Committees with technical and operational assistance from PLG. These arrangements are now in transition.

Ironically, just as the Seila Programme is being more firmly established, the programme's successes are leading to transfer and institutionalization of some of its key components in new entities of the Government. For example, the new Commune Sangkat Fund Board will assume responsibility for allocation of funds for commune administration and development and the Department of the Treasury will take charge of handling, transfer, accounting and financial reporting for these funds.

The Seila Task Force Secretariat is now in the process of being expanded at the central level to support the STF and provide policy, management, financial and technical support for provincial programme investment activities with assistance from PLG. Most STF-S staff were recruited in November and December 2001 and are just beginning to learn their jobs with training and advice from PLG advisors. The STF-S is the executing agency for PLG, but this management role concerns only a few Secretariat staff: the national project director, other staff who certify project expenditures, and the finance officer who prepares vouchers for payment. Other management and administrative support for the project, including the monitoring of donor funds for Seila Programme investment activities, is provided by PLG advisors and staff.

2.3 The Partnership for Local Governance Project

The Partnership for Local Governance Project (PLG) was established as the successor to CAREERE2, which ended in 2001. PLG provides technical assistance and direct support and serves as a conduit for donor investment funds for the Seila Programme. In addition to UNDP, the Governments of Sweden and Great Britain are large donors to both PLG and Seila.

PLG is now managed by the Government under UNDP's national execution modality. The STF Secretary General acts as the Project Director. He is ably advised and supported by international and national advisors of PLG who provide management and administrative support in the areas of planning, budgeting, resource mobilization, and financial monitoring and reporting.

UNOPS is a PLG implementing agency with responsibility for almost the entire PLG personnel component. At present, there are 8 international and 169 national staff recruited by UNOPS for PLG to support the development and the implementation of the Seila Programme.

At the provincial level, PLG provides a team of national advisors to support the Ex-Com and its technical units. PLG also provides salary supplements for Government personnel working on the Seila programme and funds for equipment, facilities, travel, and operating costs such as fuel and communications. At the national level, PLG and the STF-S share office space. PLG provides international and national advisors and administrative support to STF-S management and technical personnel. PLG also funds STF-S staff salaries and the operating costs of the Secretariat.

PLG also acts as a conduit and fiduciary agent for UNDP, SIDA and DFID funds for Seila Programme investment activities.

Systems successfully developed by CARERE/PLG advisors under the Seila Programme are currently being transferred to permanent Government entities. These entities - DOLA, Treasury and the newly elected Commune Councils - face large new responsibilities. PLG is attempting to facilitate these transitions and define and address the related capacity development needs.

PLG has also facilitated the mobilization of resources from other donors for delivery through the Seila Programme including WFP, IFAD, UNICEF and UNFPA. Discussions are underway with the World Bank in regard to the possible channeling of loan funds through the Seila Programme with implementation support from PLG.

3 Capacity Development Issues Facing PLG

3.1 *Strengthening National Management Capacity*

Background. An assessment of capacity to undertake national execution responsibilities for a UNDP-funded project is normally done as input into the decision-making regarding the project's execution and implementation arrangements. However, in this case, the assessment mission was fielded some months later than originally planned and, in any event, the decision to nationally execute the project had already been taken. Therefore, the mission has examined the arrangements for national execution of the project that are already in place for the purpose of reviewing national execution capacities, clarifying roles and responsibilities, and making recommendations for possible improvements in the arrangements.

The arrangements currently in place for national execution of PLG designate the Seila Task Force Secretariat (STF-S) as the national executing agency. The STF-S is also implementing agency for many project components. The Secretary General of the STF is the Project Director. UNOPS is also a project implementing agency with responsibility for most of the project's personnel component and some subcontracts.

The methodology for this review included interviews with STF-S managers and staff, UNDP, PLG project personnel and scrutiny of operating manuals and procedures.

Findings of the Review. In the last three years, the CARERE project, a UNOPS-executed project with 40 international experts, has been transformed into the nationally-executed PLG project with only 8 international staff and virtually all of its procurement and contracting done within Cambodia. After many years of implementation, CARERE/PLG operating systems are in place and understood by concerned national and provincial officials. Despite the large reduction in international staff over the past three years, PLG international personnel continue to hold key advisory and support positions to ensure that national execution is carried out efficiently and effectively. The extensive preparatory work and the carry over of people and systems have enabled a smooth transition to national execution and should continue to ensure efficient project operations.

The national execution arrangements in place, consisting of strong national management leadership and appropriate supporting assistance from PLG staff for project planning and administration, are satisfactory. The national Project Director has strong leadership, communication and management skills. He is ably advised and supported by the international project team in key areas. However, the Project Director is not only Secretary General of the STF, he also serves as Deputy Secretary General of the Council for Development of Cambodia and Secretary General of the Cambodian Rehabilitation and Development Board. With these large demands on his time and energy, the STF-S is in need of a competent person to fill the vacant Assistant Secretary General's post to relieve the Project Director of some of his project management responsibilities.

The STF-S is divided into two units, Programme Operations and Programme Monitoring and Evaluation. STF-S personnel are almost all new recruits who started work late in the year 2001. These personnel are being trained by PLG advisors to provide support to the Seila Programme. Most of these personnel support the national management of the Seila Programme and do not have roles in the national execution of the PLG. Those that do include the head of the Programme Operations Unit who is a project certifying officer. Others who play some role in PLG management and administration include the Contracts Administration Officer, the Financial Administration Officer, and the Monitoring and Evaluation Officer. As newly hired personnel, their performance on the job has not yet been assessed. However, it is possible to assess the extent to which the background and qualifications of these personnel fit their job descriptions. The unit heads are both experienced and well qualified to carry out their roles. Most other STF-S personnel have qualifications appropriate to their job descriptions; in some cases, credentials and experience are indeed outstanding. However, these discrepancies were noted: the Contracts Administration officer has no experience in law or contract administration; the Financial Administration officer has experience in accounting but not in financial systems; the Monitoring and Evaluation officer is a skilled trainer, but has no background in monitoring and evaluation. None of these deficiencies is fatal, however, as PLG has an extensive cadre of advisors and assistants to support these line positions in the STF-S.

STF-S management systems have been developed with PLG and CARERE assistance and codified in the Seila Operations Manual and the STF Financial Management Manual. In addition to this UNDP-sponsored mission, other donors have reviewed Seila and PLG management and operating systems and found them to be reliable and effective. In regard to financial management, the STF-S has established appropriate segregation of the certification and approval functions for internal control purposes. The project is only beginning to receive advances of funds from UNDP, but so far, the financial management arrangements are running smoothly. PLG and the STF-S are being relieved of some financial management responsibility in the near future when the Treasury will assume responsibility for handling, transfer and reporting on project funds earmarked for the Commune Sangkat Fund.

The contracting methodology and process has been extensively utilized and refined as the key instrument for the planning and disbursement of Seila Programme funds for both investment projects and sectoral programme activities. Virtually all transfers of project funds to Government entities require some kind of contract agreement. This device has been introduced to formalize the commitment of Government entities receiving project funds to carry out duties and tasks that have been mutually agreed. PLG personnel continue to support Seila Programme monitoring and reporting on contracts at the provincial and national levels to ensure effective implementation.

STF-S monitoring focuses on Seila Programme implementation and is now done informally in the course of staff missions to the provinces. The current provincial system of monitoring is overly complex and fragmented. PLG relies on its own provincial advisors to ensure that essential monitoring and reporting are done.

PLG project personnel play important roles in supporting national execution of the project by the STF Secretariat. Key areas of support include project planning, budgeting, financial reporting, and donor relations. PLG provincial personnel also provide advice and support for monitoring and financial reporting at the provincial level. These supporting roles are critical and should be maintained for the time being in view of the large number of new staff at the STF-S. In addition, the long-term future of the STF-S is unclear. As Seila Programme functions are being internalized in line agencies of Government, the role of the STF and the STF-S is diminishing. Some donors see the Seila Programme ending in four years time. If this scenario plays out, further investments in national execution capacity at the STF-S would not build any long-term institutional capacity in Government, particularly as many STF-S staff have been externally recruited and have no posts in Government agencies.

The relationships of PLG personnel to STF-S personnel require some clarification. The head of the PLG team is referred to as the Program Manager, an inappropriate title given that both the PLG project and the Seila Programme are managed by the Government. Job descriptions for other PLG staff often use the phrase "advise and assist" in describing their responsibilities. "Assisting" is still required in certain areas and these should be clearly delineated. But in general, assisting connotes doing the job for Government not building Government capacity to do the job. Most job descriptions, particularly for positions at the national level, should be revised to sharpen the capacity building roles, focussing on specific outputs to the extent possible, and correspondingly reducing direct support activities. Supervision and reporting relationships for PLG personnel lack sufficient clarity. PLG advisors are to be supervised by both senior PLG staff and senior STF-S staff, creating ambiguity regarding accountability for their job performance.

UNOPS has performed satisfactorily in its implementing agency role and has reduced its charges for administrative and operational support costs to the project. Nevertheless, questions have been raised about the need to continue UNOPS as a PLG implementing agency. UNDP is emerging as the UN systems' lead agency on governance issues. Given UNOPS' lack of institutional capacity to provide technical backstopping, an alternative to the present arrangements would be full national execution. The UNDP country office could provide implementation support through its Service Centre mainly for international recruitment and contracting or as requested by the Government. More importantly, the country office could facilitate direct access to UNDP's regional and global technical backstopping capacity on governance through the Bangkok SURF advisors and consultant rosters and the Governance unit at UNDP headquarters. In addition to providing substantive value-added, other supporting arguments put forward for this option

include lower overhead costs and the possibility of daily face to face contact with the implementation support service provider in Phnom Penh.

Project funds are utilized for a large number of contracts with Government ministries and departments. Given the large number of these contracts and some complaints about lack of transparency in the use of project funds, regular compliance audits should be supplemented with a sample of value for money or performance audits to provide additional data on project performance. This methodology dovetails with the suggested shift to output-based provision of technical assistance outlined below. (See also Annex 4 for details on a Service Contracting modality for TA and Annex 5 for additional information on value for money auditing.)

Recommendations:

1. The Seila Task Force should appoint a deputy or assistant Secretary General tasked with assisting the Secretary General with PLG project management and administration as soon as possible.
2. The PLG Program Manager position should be re-designated as the Chief Technical Advisor. As such, this person should have full responsibilities for supervision and management of all PLG personnel on the basis of work plans, terms of reference or job descriptions that have been agreed with the Project Director. Job descriptions for PLG personnel should be re-written to clarify this supervisory role.
3. PLG personnel should retain leading operational roles in the preparation of project plans in consultation with concerned STF-S and provincial personnel, project budgeting and financial reporting. All project plans, budgets and financial reports must be reviewed and approved by the Project Director, in consultation with UNDP.
4. Job descriptions for PLG advisors should be reviewed and revised to place emphasis on specific capacity building outputs.
5. In the face of a number of ongoing transitions regarding the institutional arrangements for the Seila Programme, any major change in the implementing agency agreement with UNOPS would be unnecessarily disruptive at this time. However, after the transitional arrangements for the Seila Programme have been clarified and put into operation – in two years time, the Government could review its options regarding implementation arrangements. UNOPS and the UNDP could develop competing proposals for service provision based on cost, experience, technical support, and capacity to deliver services efficiently and effectively for review by the STF-S.
6. The mission strongly supports the inclusion in the 2002 PLG Work plan of value for money audits for both ministerial and departmental contracts.

3.2 Capacity to Support Democratic Self-Governance

Democratic Local Self-Governance. The mission members (and the UNDP Poverty Report 2000) agree that building responsive local government is a must for creating an enabling environment for people to deal with the symptoms of poverty (such as lack of rural infrastructure). At the same time, we believe that PLG has gone farther in this regard than other efforts that we heard of in Cambodia. However, if Seila intends to expand its mandate (within the sphere of decentralization and deconcentration policy implementation) beyond the creation and dissemination of financial and planning mechanisms, then PLG needs to look at democratic local

self-governance in a broader context than simply producing plans and completing projects on time. The following is premised on the assumption that Seila will extend its mandate into these broader issues, and the belief that this move would be beneficial to the rapid development of local governing institutions necessary to achieve the Seila objectives.

What is democratic local self-governance? This is simply defined as the structured (but often uncoded) ways communities organize themselves to solve collective problems, achieve common aspirations and resolve conflicts. The project management argues that if the systems developed by the project were not in place, accountability for financial transfers (especially those provided by the project donors) could not be guaranteed. This may be so. The mission had no opportunity to observe project operations in the field. Certainly, numerous governance reports point to a high level of 'leakage' in the national financial management system. However, the mission raises the question whether these elaborate, expert created, planning, monitoring and reporting systems are really what are required to enable villagers to participate in and have an influence over their own development processes. There are undoubtedly numerous problems that are resolved (and structures built) by communities in Cambodia. Are these indigenous processes documented? Are there indigenous processes that can result in transparent decisions and accountable actions? H.E. Prum Sokha, Secretary of State in the Ministry of Interior, suggested that development experts should spend time learning about the self-governance processes already existent in Cambodia. We believe that by expanding its writ to include understanding existing community efforts to resolve local problems, Seila may learn how to improve its own methods by linking them to existing local practice.

Commune Database: Democratic local self-governance is not, ultimately, about making plans and carrying out projects; it is about opening pathways of communication in order to solve problems. If the Commune Council system is to be effective, it must lead to increased and more meaningful interaction between the governed and their representatives resulting in the formation of strong working relationships both within and among communes. The institutional arrangements built on that social capital would provide the foundation for future sustainable human development. Improved communication, especially when it is based on open access to information, increases transparency and accountability in all aspects of local life. Clearly, the Seila Programme has opened the communication channels in many communes where it has operated. If it continues to spread its planning and management systems to communes around the kingdom it will have provided a valuable contribution to the process of developing the foundations of democratic local self-governance in Cambodia. If, however, it acquires the mandate to enter deeper into the total functioning of the Commune Councils influenced by its planning and management system the objectives of the project stand a greater chance of being achieved and sustained.

- **Recommendation:** To effectively incorporate democratic local self-governance into the Seila Programme policy support framework, the PLG project could add a specialist in democratic local self-governance to its policy team. Alternatively, PLG could collaborate with other donor initiatives in decentralization to acquire the necessary expertise. The UNDP Decentralization Support Project is one obvious choice.

The structure, process of completion and utilization of the Commune database does not appear to support the poverty reduction objectives for which it was designed. Communicating without being able to inform is not a valuable use of time and energy. The Seila Programme has stressed the introduction of a range of skills centered on the acquisition and use of information. Local authorities influenced by the program now have significantly expanded knowledge of the

basic development conditions of their areas, the people who inhabit them, and ways and means to address identified problems. This increased competence has resulted from an awareness of the use of participatory planning methods, maps, and statistics in formulating development plans. However, improving the ability of commune leadership to follow rules without altering prevailing behavioral patterns can often be counterproductive. The mission had no opportunity to investigate the depth of local ownership in Seila projects. If local authorities acquire specialized knowledge about how to prepare Commune Development Plans, but use that information in a manipulative way, the end result will be a degradation of the previously existing stock of social capital.

Recommendation: Modify the Commune Data base to seriously limit the information collected at the village level (to perhaps 10 variables), adopt a data collection format that allows for household information recording and introduce simple methods for enabling local assessment of village conditions. At present, the database does not appear to serve the purposes of ascertaining the varying level of poverty among village households and to enable local leaders & CSOs to assess whether development benefits are equitably accessible to all households.

Citizen-Centered Feedback Methodology. A basic principle of institutional development is that multiple levels of participation need to be supported simultaneously. Good governance does not require a single center of power, and governments at any level should not claim an exclusive responsibility for resolving development issues. Instead, development should be envisioned as an activity that goes on in many arenas simultaneously, and at many scales of aggregation. The movement of the RGC towards both decentralization (the mission would prefer the term devolution) at the Commune level and deconcentration of decision making authority at the provincial level are appropriate steps in the direction of an appropriate governance structure. There are, in fact, decisions that are being made every day at many points in Cambodia, both within and outside government, that affect the lives of individuals living in the communes. A heightened awareness and understanding of the ways this political economic web of interaction operates in and around the new Commune Councils could be seen as vital for future work in PLG (whether or not the Seila Programme takes on an expanded mandate).

The foregoing notwithstanding, it is clearly understood that the central government in Cambodia will remain a major player in the design and implementation of a strategy for human development throughout the country. For the foreseeable future, spontaneous community action will remain limited in scope (especially outside the area influenced by the Seila Programme). For this reason, it is proposed that an interactive policy implementation research method be developed to generate independent feedback on how decentralization policy is playing out.

The main purpose of a feedback methodology on decentralization would be to provide a timely, feedback on the policy, administrative, and political adjustments that would be needed to ensure the vision and goals for democratic local self-governance laid out in the LAMCS are achievable. Such a feedback mechanism could also indicate which parts of the Kingdom require different sorts of assistance to properly implement the letter and spirit of the Law. This feedback can serve as a mechanism to bring the perspectives of communes and provinces to the national government. Perhaps more importantly, the feedback can provide an independent venue for citizen issues to be aggregated and fed back to Commune Councils in a non-confrontational manner. Thus, the feedback could become a venue for dialogue between national and local governance levels on matters that pertain to decentralization reform.

Recommendation: PLG should collaborate with other donors, government institutions and interested NGOs to design and implement a participatory feedback mechanism that will allow the commune citizens to express their views and concerns on how their Councils are using their new knowledge and techniques and to provide the STF with an on-going, comparative assessment of the efficacy of the myriad approaches extant in the Cambodian countryside.

3.2 Sustainability of Systems and Processes Developed by PLG

The Government is in the process of internalizing in its line agencies key elements of decentralized systems for commune level planning and finance that have been developed under the Seila Programme. The Commune Sangkat Fund will become the main instrument of fiscal decentralization to the commune level. The Commune Fund Board will manage the fund and the Treasury Department of the Ministry of Economy and Finance will be responsible for financial management of fund resources. With regard to capacity building for local development planning and implementation, the Department of Local Administration (DOLA) will become the representative of the Ministry of Interior assigned to support the Commune Councils. DOLA will ensure the provision of capacity building and support services for communes from the provincial government. The provincial Departments of Planning (DOP) will provide capacity building advice and training for Commune Councils on the local development planning process that is embedded in enabling regulations for the Commune Sangkat Fund.

The new Commune Councils are categorically unique in the Cambodian governance framework. The councils are elected bodies with their own independent powers, far different entities from their predecessors, the Commune Development Committees that were creatures of the Seila Programme. While some of the members of appointed CDCs may have been elected to the new councils and thus will bring some experience with the Seila Programme to their council, many members will have little or no background in commune development planning and implementation.

The capacity of these Government entities to take up their newly assigned responsibilities is clearly limited. None of these organizations is prepared to assume their new responsibilities and they all can readily identify their weaknesses and needs.

The overall issue regarding sustainability is: Can the communes and supporting Government departments sustain the operating systems and processes developed by CARERE/PLG without continued direct support and technical advisory services from PLG? Three subordinate issues are manifest:

1. Are the systems and processes developed by CARERE/PLG appropriate in the current context in primarily rural Cambodia, particularly use by elected Commune Councils?
2. How and when can direct support costs currently being financed by PLG be absorbed by the Government?
3. How can the technical assistance approach of PLG effectively transfer knowledge and skills to recipient entities and when can this support be phased out?

These issues are addressed in turn below.

Complexity of Systems and Processes. The mission believes that systems fostered by CARERE/PLG for commune development planning and implementation are unnecessarily complex, inappropriate for participants, and inconsistent with the promotion of sound local governance practices. The 2000 joint evaluation mission of Carere 2 also expressed its skepticism as follows; "We question whether some of the technical analyses add much to what CDC members already know, or significantly affect decisions on use of funds." That mission also recommended further simplification of the local planning process.

The eleven-step commune planning process now unfortunately embedded in regulations, requires the implementation of a number of planning and analytical activities and the drafting of associated documents. These efforts ultimately are incorporated into a Community Investment Plan and a Community Development Plan. While some useful consultation and participatory activities could occur within communes in the implementation of this methodology, the use of this process – driven by data collection and analysis – demands a high level of external technical support and supervision. Thus, the key question at this point is not how to build capacity at the commune level to implement the mandated planning process, but whether this system remains appropriate for the new context of commune self-governance and decision-making. Simpler participatory planning and consultative decision-making processes that address this basic task would be much more appropriate for the current commune governance context and the competencies of commune leaders and citizens. The essential outputs of a local planning process are the definition of local priorities to be addressed with the resources available, a timetable for implementation and specifications for the related contracts.

It is unfortunate that the over-engineered local planning process has been consolidated and integrated into regulations at precisely the time that communes have been empowered by the election of Commune Councils. This should be a time for experimentation and learning for Commune Councils and for local self-government, not regimentation.

Recommendations:

1. Allow local governing units to collaborate in the design of the planning methods to be employed, rather than compelling them to learn an approach that they had no role in designing. Provide the Commune Council Planning and Budgeting Committee with an introduction to the LAMCS Planning Sub-decree. Engage them in a dialog on the ways in which the commune could use locally understood decision-making methods into the process. Incorporate appropriate indigenous methods into the model, allowing for diversity of approaches within a standardized framework. Share these local innovations with other communes. Likewise, both communes and provinces should be engaged in a participatory evaluation process to assess the efficacy of the introduced systems. This will be particularly critical when other projects and national programmes introduce other planning and management systems in association with their own implementation regimes. If the Seila systems are to have long-lasting utility then they must be perceived as consistent and supportive of local decision making processes and not as impositions to be used merely to access development funds.
2. Demonstrate the versatility of Seila methods so that partners recognize that participation tools can be used to generate solutions in a wide variety of problem areas. Democratic local self-governance is not limited to plans and projects. The participatory methods introduced by Seila should be introduced to the communes in

manner that enables them to recognize their value for facilitating decision making processes outside the realm of Seila support, and enable them to use these without resorting to technical assistance. The CDC members interviewed by the mission stated unequivocally that there would be no sense in operating the Local Planning Process if there were no Seila funds to be accessed.

3. Ultimately, the STF should task PLG to design and test simpler, more appropriate local planning methodologies for possible inclusion in revised regulations. Such methodologies should rely less on collection of statistics, sophisticated analytical procedures (e.g., feasibility studies) and preparation of written documents and more on oral consultative processes within communes, participatory feedback mechanisms, the mobilization of local resources, and the use of appropriate technical expertise as necessary. While the preparation of some kind of commune vision may be a useful exercise, the emphasis on detailed multi-year plans should be reduced. (This is the same recommendation made by the UNDP/SIDA Joint Evaluation Mission in March 2000.)

Direct Support Costs. Another constraint on the achievement of sustainability is the extensive direct support from PLG to motivate and maintain Government participation in Seila Programme operations. The PLG budget pays for salary supplements that go to participating Government personnel, provision of newly constructed facilities, purchase of equipment and operating costs, such as fuel and communications charges. Without this support, Seila operations would quickly come to a halt.

Government is considering schemes for provision of living wages to key personnel through mechanisms such as "Priority Mission Groups (PMGs)".

- Recommendations: PLG should work with concerned administrative reformers to incorporate salary supplements now funded by the project into a new Government salary supplement plan, such as PMGs. Operating costs of the Seila Programme should be shifted to Government budgets in a phased manner over the coming years.

PLG Technical Assistance Approach. The PLG approach to transfer of knowledge and skills is based on the traditional gap-filling, expert-counterpart model. In active Seila Programme provinces, teams of seven full time national advisors are in place. Technical assistance is long-term, labor-intensive and supply-driven. In addition, there is ambiguity about the role of advisors. The job descriptions for many advisors are written in terms of "advising and assisting" government counterparts or as explained to the mission, "helping and doing".

The mission regards the present approach to be expensive and inefficient. The approach also discourages full utilization of existing local capacity in favor of dependence on assistance from advisors. In the context of frequently changing Government counterparts and overly-complex systems, the presence of long-term advisors is being justified as critical to Seila Programme performance.

To stimulate movement towards faster, sustainable internalization of programme responsibilities in provincial authorities, technical assistance should become demand-driven and based on the provision of clearly defined capacity development outputs. In other words, recipient provincial departments should be required to define their own needs for capacity development assistance

rather than have it thrust upon them. In dialogue with PLG advisors, specific capacity development outputs can be identified and defined as the basis for contracts for PLG service provision. The duration of local presence of PLG advisors would depend on the requirements each contract. The most logical approach would involve mobile teams of local experts working in several provinces at specified times to facilitate the completion of specified tasks.

Recommendations:

1. PLG should design and implement a shift from supply to demand driven technical assistance to provincial departments. This approach might to be extended to contracts with central ministries as well. The terms of reference for the provision of technical assistance by PLG advisors should be written as capacity building tasks that produce clear and discrete outputs. A detailed proposal for such an approach is outlined in Annex 4, "Technical Assistance Service Contracting System".
2. Celebrate successes to deepen the willingness of partners to take on increasingly difficult tasks. Considering the length of time that Seila has been in existence, the public information sharing mechanisms appear to be woefully inadequate. All the mission members were able to learn is that a newsletter and analytical reports are produced, but nothing appears to be done with oral or visual media, including radio. Biddulph noted this gap in his study on Seila's experience with civil society and governance. Also, no where in the Seila or PLG work plans did the mission find reference to celebrations at any stage of the process. All people have a need to feel good about their accomplishments. Most also have a strong desire to share their accomplishments with others. Seila should encourage multi-commune gatherings to enable communes to share their experiences with others in an informal atmosphere. Similarly, Seila should support large-scale conferences that involve all provinces (and a selection of high performing communes) to dialog on a wide range of technical issues relating to improving their performance. ExCom staff in several provinces requested the opportunity to meet their counterparts in other provinces to learn how they were handling their tasks. Celebrations and peer experience sharing sessions are quite different from the formal conferences and technical workshops documented thus far.

3.4 Clarifying Technical Assistance Accountability

The PLG project document presents the Seila Programme and the PLG project as having the same objectives. The prevailing view among managers and staff is that PLG and Seila are a single team working together "to get the job done". This integration of the Seila programme of the Government and the PLG project funded by UNDP and other donors is the source of a good deal of confusion. Eliminating this confusion should be reason enough for clearly separating the functions of PLG from those of the Government programme. More seriously, however, is the underlying need to recognize that Seila and PLG do indeed have different roles and functions and that their integration makes it impossible to assess the effectiveness of the Government programme and of the international assistance. A clear separation of the role of Government agencies and the role of development assistance providers is essential for the accountability of all stakeholders. The Seila Programme should have national development objectives. The PLG project should have technical assistance and programme support objectives related primarily to the development of national capacity to plan and implement the Seila Programme. PLG should

also take into account that it is not alone in supporting the Seila Programme. GTZ provides technical assistance and support for Seila in two provinces.

The clarification of PLG's role is complicated by the fact that PLG is not solely a technical assistance provider. The project also provides direct support to the Government for Seila Programme operations and serves as a conduit for investment funds to Seila and to the Commune Sangkat Fund. The latter function supports the argument that PLG and Seila both have the same objectives. However, the continued use of the project as a conduit for donor funds after the successful creation of a Government Fund and fund management system as advocated and assisted by the project is disingenuous and should be discontinued in the near future.

Recommendations: The immediate objectives of the PLG should be revised to cover its three main thrusts: provision of technical assistance, provision of direct support for programme operations, and provision of investment funds (if necessary). The first objective should state PLG's goal for capacity development; the second should define the project's role in the provision of direct support. As soon as possible, investment funds should be provided by donors directly to the Treasury, eliminating the need for the third category of immediate objective. Review of the objectives of the Seila Programme has been recommended separately at the programme level, particularly the relationship of the programme to poverty alleviation. In addition, PLG should utilize a single consistent work-planning framework for recording project implementation tasks to reduce the redundancy and inconsistencies identified in the 2002 programme and project work plans.

4 Challenges and capacity development issues facing the Seila Programme

4.1 *Ongoing transitions in institutional arrangements*

Background: Commune Development Councils were created under the Seila Programme as a vehicle for aggregating development initiatives generated by the Village Development Councils (an institution initiated by the earlier CARERE project). The RGC required that the members of the Seila supported CDCs who wished to run in the Commune Council elections had to leave their posts. A directive was issued detailing the process whereby the original CDC members would hand over control to a slate of temporary members during the election period and the process to be followed subsequent to the election to facilitate a smooth transfer of ownership of the 2002 development project plans from the former CDC to the newly elected Commune Council.

In support of the newly created Commune Councils, the RGC has passed rules and regulations establishing a Commune/Sangkat Fund. This will be the regular conduit for the transfer of funds from the center to the communes. This C/S Fund will replace the direct payments that are now made by the Seila Programme (using PLG donor resources) to finance commune development project costs. However, the rules on management of the Fund have not yet been completed, but a UNDP advisor is working with MOEF on these.

The National Committee for Support to Communes and Sangkats (NCSC) has been established to oversee the detailing of the rules and regulations necessary for the implementation of the Law on Administration and Management of Communes and Sangkats.

A Department of Local Administration has been created within the Ministry of Interior. The Department (and its provincial units once created) will have the mandate to supervise the operations of Commune Councils and to build their capacity to carry out their functions. Once established, the provincial units (POLAs) will take over the role managing the Provincial and District Facilitation Teams under the PRDC now managed by the Ministry of Rural Development. DOLA is being supported by GTZ, Seila and UNDP to prepare and deliver training modules in all communes during the first semester of 2002.

Although the National Assembly passed the LAMCS in early 2001, most of the implementing rules and regulations have not been finalized. The Seila Programme staff and PLG consultants have been closely involved in the drafting of several of the key documents. However, until these are finalized the actual ways and means of operating Commune Councils will remain unclear.

Findings of the Review: All of these transitions represent significant changes in the relationship between the Seila Programme and its primary clients, the communes. The Programme leadership has been diligent in its efforts to ensure that the 2002 implementation schedule will not be hindered by the election. The efforts undertaken by the Programme indicate to the mission the high level of foresight and understanding of local practices that can be ascribed to the Programme leadership.

In keeping with the mandate of the Seila Task Force, the Programme has established close working relations with the NCSC sub-committees on Planning and Finance. This has resulted in the preparation of implementing rules and regulations under the LAMCS that are derived from and substantially consistent with the systems created under the CARERE/Seila regime.

The creation of the C/S Fund by the RGC is in large measure due to the successful controlled experiments in participatory rural development designed and implemented by Seila/CARERE and the careful preparation of a regulatory framework of sufficient rigor to induce confidence in both the central government and the PLG project donors. The Programme has worked closely with the Ministry of Economy and Finance and its Department of Treasury to establish the implementing guidelines necessary to ensure the speedy and accountable transfer of the development funds from the center to commune accounts at the provincial treasuries for payment to contractors in a timely manner (administrative funds, using RGC resources will ultimately be transferred to the communes). However, the Department of Treasury, both at the central and provincial levels, have extremely limited capacity to manage this new responsibility. Provincial Treasury chiefs acknowledged that they lack staff, computer systems, and means of easy funds transfer to facilitate the management of the system. The national Treasury has not begun to computerize its transactional processes. The Deputy Director of the National Treasury told the mission that he felt salary supplements would be necessary to motivate staff to take on this large additional workload.

The management of the Communes and Sangkats Fund will be the most crucial aspect of the transition phase. If the center proves incapable of transferring the funds or the Communes show serious lapses in accountability, the entire value of the decentralization exercise will be undermined. The PLG project is preparing to provide technical and logistical assistance to the

national and provincial Departments of Treasury in order to ensure the system will operate as planned.

The PLG project training advisor is organizing assistance to DOLA in the design and implementation of the Commune Council orientation and training packages on planning and financial management. The collaboration with UNDP/DSP and GTZ is progressing smoothly

Recommendations:

1. The mission noted that PLG has programmed special assistance to Treasury at both national and provincial levels. However, recognizing the critical nature of the C/S Fund to overall programme success and success of the decentralization policy, the STF should advise PLG to carefully assess its provincial programming for 2002 and 2003 to ensure adequate support is provided to the provincial Treasury departments. Use of a mobile team of highly qualified finance professionals may serve provincial capacity needs better than resident financial advisors.
2. The transition from CDC to Commune Council appears to have been well anticipated by Programme leadership. However, despite this preparation, there is no in-country experience to judge how the newly elected Councils will exercise their new prerogatives. The influence of the proportional representation of contending political parties on the Council is perhaps the greatest unknown element. This situation needs to be closely monitored by Programme leadership through their field teams, in association with DOLA representatives as they are fielded, and adjustments in methods and schedules made accordingly. Collaboration in a periodic multi-stakeholder assessment decentralization policy implementation is recommended.

Geographic expansion of the Seila Programme

Background: The expansion of Seila coverage from 509 communes in 2001 to an expected 1216 communes in 2005 necessitates a significant shift in its technical assistance support approach. Currently, both provinces and communes are selected based on external assessments of their conditions, including levels of poverty.

Findings of the review: The mission was pleased to learn that Seila has been tasked with carrying out a rapid nationwide rollout of its methodology. It is rare that small, but effective pilot efforts ever get to "take their show on the road". Donors are usually too worried about maintaining the same level of rigor in each new expansion unit rather than recognizing the power of a critical mass of units to deepen local ownership of a process. David Korten's classic paper on a 'learning process approach' written in 1979, based on the successful expansion of several large scale development efforts in Asia, clearly spelled out the need to first develop an effective system, then make the delivery of that system more efficient before attempting large-scale expansion. Seila has developed a highly effective system. It is, however, mistaken in believing that it has made it more efficient merely by reducing the number of staff present in individual provinces. In order for Seila to deliver its system in a more efficient manner it needs to reconsider the manner in which TA is delivered. Some general recommendations are provided below for reference. These should be read together with the annex on Technical Assistance Service Contracting.

To our knowledge the methodology for managing the expansion is not yet finalized. The mission recognizes, however, that the process has already been conceptualized within the framework of a supply-driven approach. The mission feels it is necessary to note that such an approach, while valid in the early of CAREERE, is not in keeping with the revitalized development landscape and the shift to elected local governing units. The mission believes that this external assessment and selection approach is counterproductive to a expansion process that is intended to be both rapid and effective. Decisions on whether a commune should become an early or later beneficiary of Seila should ultimately rest with the Commune Council, not with Seila at the central level.

Recommendation: In order to greatly increase the chances of sustaining improvements by means of local ownership of what amounts to a 'change management process' Seila should follow an implementation strategy that lays out clear requirements and expected benefits. The STF should issue an instruction to the effect that Commune Councils will hence forth be required to submit a formal application to join Seila, approved by the entire Council, before being selected as a participating institution. It is critical that this process also be carried out on annually with all existing Seila Communes, recognizing the annual nature of the C/S Fund allotment.

Each commune should be offered the choice to join (and remain with) Seila. The requirements to join or continue should include the formal acknowledgement of the benefits to be derived and the costs involved. The District Facilitation Team does carry out this sort of orientation in the communes, but it now takes place after the decision that the Commune will be added to Seila. The mission recommends that for the expansion beginning in 2003, the DFTs should initiate their work with a far larger number of communes than are intended to be added to Seila in that year. The Commune Councils would be provided with information on the benefits of joining Seila and the requirements that must be met in order to be selected. The requirements list would be the same as that at present, including willingness to follow the participatory planning process, to use open bidding in contracting, to prepare progress and completion reports, to contribute a specified percentage of the cost of the projects in cash and in kind, etc. The Council would be advised to discuss the issue with all members and to pass a Council resolution asserting its readiness to comply with all requirements.

Political commitment to the Seila process prior to formal selection (and repeated annually after initial selection) would heighten the sense of local ownership and, thus, commitment. This process would ensure that all councilors (and village chiefs) are aware of the opportunity offered and the demands required in return. The Councils should also be apprised of the possibility that the relationship can be revoked if the Council fails to comply with the agreement. The real possibility of public failure is a significant inducement to heightened performance for political leaders. Councils that do fail to keep their side of the bargain should be allowed to fail, and that failure should be publicized. Adopting an attitude that the project technical assistance must always be ready to step in to 'fill the gap' is not conducive to learning and growth and does nothing to speed internalization of Seila processes. Performance based incentives will always be a more effective means than training for institutionalizing behavior change.

4.2 *Inter-organization relations in the implementation of the decentralization policy*

Background: All relevant observers agree that the LAMCS came about primarily due to the sound, innovative and accountable management regime of the CARERE/Seila programme. With the exception of the creation of Village Development Committees by the Ministry of Rural Development (MRD), prior to the passage of the Law, the field of decentralization was almost entirely Seila's. However, the year 2001 saw a significant expansion in the number of organizations associated with decentralization and new guiding authorities for reform and development. The creation of DOLA and NCSC has been mentioned, as has the designation of the provincial Treasury Departments as the cashier and accountant for Commune Councils in relation to the Commune/Sangkat Fund resources.

Decentralization policy development is no longer within the purview of Seila. This is now handled NCSC and its subcommittees, but Seila is closely involved with several of these. Deconcentration policy rests with CAR, for the time being, although DOLA has indicated its interest to become involved. The Governance Action Plan (the GAP II remains in draft) and the Social Economic Development Plan II were both created in 2001. These two strategy documents overlap and cross-reference.

The Council on Administrative Reform is responsible for monitoring implementation of the Governance Action Plan in full. Tasks for both decentralization (assigned to MoI) and deconcentration (assigned to CAR) are specified in the GAP.

The SEDP II specifies that "the coordination and planning of rural development programs and structures rests with the Ministry of Rural Development". The SEDP II section on rural development references Seila activities, but although the election of commune councils is mentioned, no role for elected commune councils in the rural development strategy is defined. Planning systems different from that now contained in the LAMCS planning sub-decree are also referenced. A potential for a misunderstandings exists.

At the national level, MRD is a key member of the Seila Task Force. At the provincial level, the Ministry of Rural Development is closely involved in Seila activities. The PDRD chief serves as the convener of the PRDC, and the PDRD manages the PFT, DFT and TSS commune support teams. (This arrangement may be altered once DOLA has sufficient operational capacity at the provincial level.) A number of new rural development projects funded by bilateral and multilateral are, or will shortly be, getting underway.

Recommendation:

1. A decision needs be taken at the level of the STF to require the provincial governors in all provinces to ensure that RD projects funded by various donors operate through implementation arrangements that fully support the new authority and integrity of the Commune Councils.
2. Build alliances with a variety of institutional partners both inside and outside government. Currently, PLG is the dominant source of technical assistance for communes in the programme. The project management gives strong reasons for this given the technically complex nature of the systems being introduced. Training is conducted for interested NGOs on Seila systems. However, the mission believes that

PLG would serve the nation's Communes better if it began a concerted effort to reach out to other projects and NGOs that are operating both within and outside the Seila areas and to provide them with training and opportunities to become engaged with the newly mandated planning and financial management efforts. A first step would be to prepare simple TOT manuals for all Seila systems so that a broader set of technical assistance personnel, outside the PLG advisory staff, could carry on the process of spreading and deepening understanding of participatory development processes. Eventually PLG will end and the Communes will still require support, especially as their perception of what they can do grows. Properly trained and experienced NGOs could provide continuing assistance at little or no cost to the Communes. Such partnerships would also be conducive to further incorporation of local practices to further indigenize the development process.

3. The presence of an enabling environment that can provide the foundation for a strong institutional growth is the key to successful development activities. Support the strengthening of coalitions of government, business, and civil society partners focused on common thematic interests. Seila has done much to build a sound practical understanding of the nature of mutually supportive contractual relationships between government and private sector. It may be appropriate at this time for Seila to advise communes on how to encourage private sector to invest in economic development activities in their area. Poverty alleviation will not be achieved in these Communes only through the creation of small rural infrastructure or provision of provincial services. As the initial CARERE project transformed itself into a support entity for the Seila Programme it increasingly focused on structural modifications and subsequent inclusion of governance components in its operations. In the process, both project and government staff have learned that much more is required for successful execution than technically well-defined investment projects. In fact, when project implementation is on schedule and benefits actually obtained, results still may be ephemeral if appropriate institutional measures to sustain the outcomes are not taken in time or are not well integrated into the Commune Councils' overall programmes of action.

Lack of an integrated policy framework for decentralization and deconcentration

ADB's recent governance review of Cambodia carried out prior to the passage of the LAMCS argued that decentralization should not precede the implementation of a policy on deconcentration. This did not happen. The RGC Governance Action Plan (March 2001) states that: "The decentralization of the government will only work if supporting functions are also deconcentrated to the provinces and districts." This has also not been done. There is currently neither a coherent set of draft administrative decrees providing for deconcentrated ministerial powers to sub-national units nor a draft legislation to create provinces as organic entities under the unitary state, although such an organic law is authorized under article 146 of the Cambodian Constitution. Cambodia now finds itself in a curious situation where the discretionary spending and decision making authority for Commune Council Chairmen is more clearly spelled out than it is for provincial Governors. While the GAP clearly specifies that CAR is responsible for deconcentration, MoI has indicated that it intends to begin work on an organic law soon, arguing that it is the mandate of the Ministry to present legislation to the National Assembly. CAR indicated that it does not believe any deconcentration legislation can be passed within the next two years, therefore it is initiating work on a series of administrative sub-decrees to facilitate the deconcentration of ministerial roles and functions to out posted entities.

According to the ADB governance review, Seila's experience has shown that provincial authorities require substantial assistance to organize themselves to address cross-sectoral development issues. However, it noted that Seila also showed where local authorities are "appropriately resourced, supported and supervised, investments in services and infrastructure are better planned and budgeted and more effectively implemented".

The Seila Task Force is the only currently operating government institution with the mandate to support systems at both the commune (decentralized) and provincial (deconcentrated) levels. According to the Strategic Evaluation of the Seila Programme in March 2000, Seila has supported deconcentration by (1) increasing responsibility for line departments to plan their own activities, (2) creating a structure for inter-departmental planning and allocation of sectoral resources, and (3) creating a system for managing funds assigned to the province. The evaluation further noted that the Programme has created a set of techniques for facilitating dialog between government and communities, especially through the creation of the District Integration Workshops. It is clear that maintaining sound relations between provinces and communes is a necessity for the optimal attainment of Seila outputs in 2002 and beyond.

Recommendation: The Seila Task Force sub-decree was issued in August 1999 and amended in April 2000, its membership includes MoEF, CDC, MRD, MOI and CAR, among others. Considerable change has taken place related to decentralization since this Task Force was created. The election of Commune Councils, the creation of DOLA and NCSC and the nationwide expansion of the Seila Programme combined make it imperative that the STF propose to Government appropriate amendments to its current mandate with respect to the evolving situation regarding both decentralization and deconcentration.

4.3 Role in Resource Mobilization and Accommodation of Donor Priorities

STF has successfully mobilized resources from other donors for implementation through the Seila Programme. These donors are often interested in the Seila Programme as a means of implementing their priorities at the provincial and commune levels. This funding is often sectoral in nature and therefore results in contracts between the STF-S and provincial departments for the implementation of activities being promoted by the concerned donors.

The mission was advised that PLG senior advisors devote much time and energy to this resource mobilization and the associated administrative arrangements that seek to accommodate various donor requirements. Though a good deal of time and energy goes into resource mobilization, there does not appear to be an overall rationale or criteria for accepting such contributions in terms of how such funding would contribute to the achievement of Seila Programme objectives.

Recommendations: STF should develop criteria for resource mobilization from donors and the acceptance of donor funds that clearly set out the necessary linkage between additional donor resources and the design and implementation of local participatory planning systems. At the provincial level, the use of such funding should be designed to test models for deconcentration, including standard pilot project methodology and assessment of results to provide input into deconcentration policy-making.

Differences on the rationale for the programme

The mission was unable to completely understand the different donor perspectives on the goals of the Seila Programme. There appears to remain a tension regarding whether the purpose of the programme is to build the basis for transparent and accountable local governance through the guided implementation of rural development infrastructure projects or whether its purpose is to use local governments to produce rural infrastructure intended to reduce the incidence of poverty in the participating areas. While the mission members both come down on the side of the former orientation, it is beyond the scope of this capacity assessment to propose any shift in programme direction. Nevertheless, the mission believes that the lingering confusion may eventually result in serious difficulties when the programme comes up for evaluation. Assuming that both objectives can be achieved within the same project is tantamount to ensuring that neither will be achieved.

Recommendation: Beginning in mid-2003 the combined Seila donors and the STF-S should engage in a series of open, facilitated dialogs regarding the objectives and purpose of the Seila Programme. This should lead to a revised Seila Programme document and a revised PLG project document modified on the basis of collective experience in the first two years of implementation. Ground rules should be set prior to the start of the dialogs such that consensus achieved in the group cannot be unilaterally altered by one party when drafting any revisions to the project document.

Provincial Investment Funds

The mission touched on the implementation issues surrounding the Provincial Investment Funds. The purpose, utilization and results of these funds is not nearly as clear as the Local Development Funds that were used at the commune level. ExCom evaluation teams reported that it was much more difficult to monitor the progress and evaluate the outcomes of the PIF as opposed to the LDF. There does not appear to be a close link between the use of the PIF and the use of the LDF. The current design and implementation of the PIF appears to support the bureaucratic supply-driven model of development. The shift from the LDF to the C/S Fund offers the potential for a clearer link to be forged between these two funding windows and, thus, requiring a shift to a more demand-driven approach. MoI has clearly stated that the decentralization policy of the government was not designed to create autonomous entities at the commune level, but to foster the principle of inter-dependence among all agents of the Royal Government. The Seila-created District Integration Workshop is an innovative mechanism for fostering joint programming between provincial (national) agencies, communes and NGOs that could be used to great advantage in this regard. However, several interviewees reported that national agencies and NGOs rarely, if ever, change their programmes as a result of the interaction with communes at the DIW.

Recommendation: Beginning with the planning for 2003, the STF should institute a set of criteria that mandate the use of the (PLG-financed bottom-up) PIF to be limited to supporting sector-related requests arising from the communes. The range of sectors should not be predetermined by the STF, but should be allowed to vary from province to province depending upon local priorities. The range of services that to be accommodated in the PIF might include technical communication and advisory services, construction materials and supervision, inter-commune development coordination, staff and materials for local sectoral facilities (health posts, schools, veterinary stations, etc.).

In order to accommodate this recommendation, the purpose of the DIW would need to be adjusted. Currently, the sectoral departments arrive at the DIW with their annual plans

essentially complete. In this proposed modification, the DIW would be dominated by discussion of commune plans. The plans would be prepared to indicate which activities are (1) proposed for full funding by the communes (through C/S Fund and own sources), (2) those where the communes are requesting matching-funds from the provincial sectors, and (3) those activities that the communes prioritize, but are unable to contribute either resources or skills. Communes would need to be advised clearly that their planning efforts should expand beyond what they are able to complete with the C/S Funds, and would be promised that although not all of their requests would be able to be accommodated, nothing would be in the resulting PIF proposals that had not been requested by a commune.

The sectoral departments would take the results of these discussions back to the province to finalize their own proposals to Seila. An objective process would be developed wherein all sector proposals would be reviewed to ascertain (1) the level of match with commune plans, (2) links with national agenda (3) the capacity of the agency to carry out the proposal, (4) the total PIF resources available for the province and (5) the availability of technical assistance to provide advice to the agency during proposal implementation. Allocations would be proposed by the PRDC for approval by the STF. After 2003, subsequent allocations would require an assessment of the results achieved for the money provided. Commune leaders would be involved in the assessment of the sectoral implementation.

5 Annexes

Annex 1 List of Persons Interviewed

United Nations Development Programme

Ms. Dominique Ait Ouyahia McAdams, Resident Representative
Mr. Ladislaus Byenkya-Abwooli, Deputy Resident Representative
Mr. Alphonse Nkouka, Governance Unit Chief
Mr. Ernesto Bautista, Governance Advisor
Mr. Ramesh Chandran, Operations Manager
Ms. Mao Moni Ratana, Programme Manager, Governance Unit

SEILA Task Force Secretariat

HE. Chhieng Yanara, Secretary General of CDC
Mr. Keang Sthavuth, Chief of POU
Mr. Kim San, Chief PMEUE
Mr. Men Kunrath, Training and Extension Officer
Mr. Te Sambo, Contract Admin. Officer
Mr. Prok Moream, Finance/Administration Officer
Mr. Moul Phath, Policy/Systems Officer
Mr. Yi Soktha, M & E Officer
Mr. Sreng Kim Srun, Information/Public Relations Officer

Partnership for Local Governance Project

Mr. Scott Leiper, CTA
Ms. Joanne Morrison, Operations Advisor
Mr. Khieng Sobunthoeun, National Monitoring & Evaluation Officer
Dr. Edilberto C. Angeles, Finance & Administration Advisor
Mr. Chhor Jan Sophal, Programme Management Advisor
Mr. Cheng Samnang, Local Capacity Building Advisor
Mr. Julian Abrams, Infrastructure Advisor
Mr. Prum Viratha, M&E Assistant
Mr. Cheng Samnang, LCB Assistant
Mr. Un Bunphoeun, Inf./Com. Assistant
Mr. Cheng Rithy, Inf./Tech. Assistant

United Nations Office for Project Services

Mr. Michael Mersereau, Senior Portfolio Manager

Department for International Development (DFID, UK)

Dr. Daniel Arghiros, Governance Advisor
Mr. Ben Davies, Rural Livelihoods Advisor

Embassy of Sweden

Mr. Daniel Asplund, Counsellor
Ms. Agneta Danielsson, First Secretary

Swedish International Development Cooperation Agency (SIDA)

Dr. Lasse Krantz, Senior Programme Officer

SPM Consultants (Sweden)

Dr. Jan Rudengren, Partner

Government of Cambodia, Phnom Penh

HE Ly Thuch, Minister, Ministry of Rural Development

HE. Sum Manit, Secretary-General, Council for Administrative Reform

HE Prum Sokha, Secretary of State, Ministry of Interior

HE Sak Setha, Director General, General Department of Administration, Ministry of Interior

HE San Arun, Under Secretary of State, Ministry of Women's and Veteran's Affairs

Mr. Chou Kimleng, Deputy Secretary-General, Budget-State Property Public Procurement

Dr. Chea Samnang, Director, Department of Rural Health Care, Ministry of Rural Development

Mr. Chan Thy, Chief of Policy & Planning Division, Ministry of Economy and Finance

Mr. Leng Vy, Director, Department of Local Administration, Ministry of Interior

Mr. Hou Tang Eng, Director-General, Ministry of Planning

Mr. Hiv Sovann, Deputy Director, Treasury, Ministry of Economy and Finance

Mr. Khien Hieng, Chief Accountant, Treasury, Ministry of Economy and Finance

United Nations High Commissioner for Human Rights

Mr. Surya P.S. Dhungel, Officer-in-Charge

The World Bank

Mr. Steven Navon Schonberger, Senior Operations Officer

Asian Development Bank

Mr. Urooj Malik, Resident Representative

Mr. Anthony Jude, Portfolio Manager

United Nations Children's Fund

Ms. Ros Sivanna, Programme Officer

Non-Government Organization (NGO)

Ms. Khou Somatheavy, Assistant Executive Director, Cooperation Committee for Cambodia

Dr. Claudio Schuftan, Public Health Consultant

Mr. Phan Sothea, Capacity Building Support Officer, Commune Council Support Project

Mr. Puch Sothon, Education-Advocacy Officer, Commune Council Support Project

Ms. Thida C. Khus, Executive Director, SILAKA

Mr. Peter Froberg, Advocacy Advisor to Star Kampuchea, Swedish NGO Centre for
Development Cooperation

Ms. Chet Charya, Deputy Director, Star Kampuchea, Swedish NGO Centre for
Development Cooperation

Dr. Sarthi Acharya, Research Director, Cambodia Development Resource Institute

Consultants & Advisors

Mr. Michael Dalton, Programme Management Consultant, Priority Mission Groups, UNDP

Mr. L. de Meester, Local Government & Regional Development Advisor, Support for
Decentralization Measures, GTZ

Mr. Shyam Bhurtel, Decentralization Advisor, UNDP

Provincial Visits

Battambang Provincial Government

Mr. El Say, Director of PDRD

Mr. Tiev Chouloung, Deputy Director, Provincial Department of Planning

Ms. Chournh Sohay, Director, Provincial Department of Women Affair

Ms. Sim Marry, Deputy Director, Provincial Department of Women Affair

Mr. Kak Ravy, Department of Local Administration

Mr. Tith Savuthy, Department of Local Administration

Battambang PLG Advisors & Staff

Mr. Kong Sokuntho, Senior Provincial Programme Advisor

Mr. Kim Chean, LCBU

Mr. Chan Sothy, LCBU

Mr. Hou Chhun Eng, LCBU

Mrs. Yim Sokkimly, LCBU

Mr. Cheng Lay, LCBU

Mr. Choup Loeu, Sector Advisor

Mr. Mao Nanth, Agriculture Advisor

Mr. Svay San Bunna, UNOPS/PLG Battambang

Mr. Lim Chheng, Finance Advisor

Banteay Meanchey

Mr. Ith Loeu, PRDC, Deputy of PDRD

Mr. Ros Sophon, Director, Provincial Department of Planning

Mr. Kao Thong Huor, Director, Provincial Department of Agriculture, Forestry & Fisheries

Mr. Yoth Svitny, Director, Treasury

Mr. Chhim Kriphong, Director, Department of Finance

Mr. Chib Cheavin, Department of Local Administration

Mr. Lor Bunpich, Provincial Government Office

Banteay Meanchey PLG Advisors

Mr. Lath Ponlok, Senior Provincial Programme Advisor

Ms. Khiev Sophant, Deputy Provincial Programme Advisor

Oddar Meanchey Provincial Government

H.E. Mao Tim, First Deputy Provincial Governor (First Deputy Director of ExCom)

Mr. Orn Oeuy, ExCom, Chief of CAU

Mr. Lon Nhanh, ExCom, Chief of MEIU

Ms. Lim Sokhan, Director, Provincial Department of Women Affair

Mr. Svay Hue, ExCom, Staff of MEIU

Mr. Slorm Le, ExCom, Deputy Chief of CAU

Mr. Um Sovanndy, ExCom, Staff of MEIU

Mr. Heng Kim Sun, ExCom, Deputy Chief of LCBU

Mr. Ros Phalla, ExCom, Deputy Chief of FU

Mr. Lim Hak, Second Deputy Director of ExCom, Director of PDRD and Chief of LCBU of ExCom

Mr. Ros Sarith, ExCom, Staff of CAU
Mr. Thon Nol, Chief, Cabinet of Provincial Governor's Office

Oddar Meanchey PLG Advisors

Mr. Seng Pho, Senior Provincial Programme Advisor
Mr. Svay Bun Doeun, Planning/M&E Advisor
Mr. Sun Socheat, Sector Advisor
Mr. Sim San, Local Capacity Building Advisor
Mr. Or. Vibol, LCB Advisor
Mr. Heng Siu, Infrastructure Advisor
Mr. Meas Sam Onn, LCB Advisor

Annex 2 List of Documents Reviewed

Support to Decentralization, UNDP Project Document, 14 September 2001
Cambodia's Annual Economic Report 2001, CDRI Aug 2001
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Annex 3 *Technical Assistance Service Contracting System*

Background

One focus of the PLG Project is to strengthen partnerships between local governments and the private sector. In an effort to further increase local government capability to initiate and manage contracts with the private sector, PLG should pilot an experimental service contracting system between the project, provincial partners, and technical service providers. This method of funding is often referred to informally as a "voucher" for services.

Vouchers, or credits, are payments made on behalf of consumers who may use the payment to secure goods or services from a private sector provider. Optimal implementation of voucher systems requires historical cost information (which is plentifully available in PLG records) about services to be purchased and an adequate number of providers to give consumers a meaningful choice of providers. (It appears likely that competition among providers of Seila TA will probably not be feasible until a later stage. Nevertheless, STF should require PLG to begin training NGOs and other private sector consultants in an effort to reduce the requirement for management of large numbers on in-house staff. Assistance to the creation of one or more private sector consulting firms out of the existing PLG staff should also be considered as an option for ensuring sustained assistance to local governments after the life of this project. PLG may come to an end, but donor and RGC assistance to Commune Councils and rural development will continue in other forms.)

Under the approach proposed here: (1) PLG would issue an annual voucher to each province to support PLG-assisted Seila activities; (2) the province, together with PLG, would identify the necessary assistance required to achieve the program's outputs during the year; and (3) PLG would pay for services rendered. This approach represents a transition designed to eventually prepare provincial partners to directly contract with the voluntary and private sectors for the types of technical assistance services currently delivered through the PLG Project. Based on a pilot experience in selected provinces in 2003, this approach could be incorporated project-wide in 2004 as a technical assistance delivery strategy that better ensures sustainability of assistance after the end of the PLG project.

Under this proposal, the PLG Project management would retain control over the TA contracts. The primary difference would be that the province would have full knowledge of the cost of the technical assistance (ensuring two-way transparency) and would be involved in prioritizing the utilization of the specific TA inputs (and associated support costs). The province would not pay the TA providers directly.

The proposed voucher system would help to enhance service choice for PLG provincial partners and ensure adequate oversight of service providers (whether PLG or otherwise). The following section describes procedures that optimize PLG's oversight mechanisms of the voucher and help guarantee cost-effective service delivery.

Initiating a Service Contract between a Province and PLG

Governance Contract

Currently, all provinces engaged with PLG prepare annual Governance Contracts. It is suggested that the Governance Contract proposal process be transformed into a request to STF for

assistance. Provinces would be advised that continued assistance would not be automatic if they failed to meet agreed performance improvement criteria. The TA (and support cost) Service Contract would become a component of this umbrella contract.

Benchmarking

In order to assist the provinces to prepare a proposal that properly prioritizes technical assistance needs, provinces would be assisted to undergo a standard capacity self-assessment and benchmarking exercise to determine their current performance levels and to define their performance improvement objectives in relation to the Seila mandate. Measurement of objectives and attainment would be compared annually among provinces. Such comparative benchmarking provides a way to improve annual proposals (and their implementation) over time by learning from success, identifying good performers (from among all Seila provinces), and using their experience to improve the performance of others. (Several provincial ExCom staff expressed the desire to meet with their counterparts in other provinces to share lessons learned.)

Scope of Work Development

Once the proposal and benchmarking is completed, reviewed and accepted, a Scope of Work (SOW) would be created to direct the technical assistance provider (PLG in most instances, at least initially) towards the accomplishment of the work necessary to overcome the performance gap identified jointly by the province and the PLG team. The Scopes of Work should contain, but not be limited to, the following information:

- Identification of the intervention's objectives, purpose and background;
- Identification of the work to be performed;
- Identification of deliverables and milestones;
- Identification and description of the reviews to take place; and
- A clarification of responsibilities assigned to provincial agencies and the service provider.

The Scope of Work may best be prepared on a quarterly basis within the framework of the annual proposal.

Cost Sharing

PLG Project support should not be designed to fully finance provincial support activities. They should be used to augment provincial resources in accomplishing the Seila mandate. Part of an annual request to be a part of Seila would be a formal commitment of staff and financial resources. This should include a guaranteed commitment of about 20% of provincial own source revenue to be contributed as cost sharing. (It was unclear, but seemingly there is no current requirement for a province to commit any of its own source revenue to Seila implementation.)

Client involvement in TA assessment

When the client, the province in this case, is involved in the design of a TA input--and especially if they are providing financial or in-kind cost sharing--they should also be involved in a regular assessment of the quality of that input. While it is doubtful that provincial approval for payment would be appropriate in the near term it is worthwhile to engage them in measuring the efficacy of TA inputs.

Developing 'client-based' performance criteria

Many capacity building programs fail because the TA providers have unilaterally determined which of their clients' capacities should be 'built'. Training needs assessments have often been used to legitimize which skills providers have already decided are needed. The best way to ensure long-lasting success is to have the intended customer as involved as possible in determining the arrangement of assistance. One way to initiate this dialog is to conduct a workshop to generate consensus between the provider and the client on the nature of the problem and the capacity gaps that can be addressed through external interventions. The workshop would be used to generate direct inputs from the client in terms of the capacity building product's content and coverage, approaches and costs. This workshop would help to ensure the capacity building products are responsive to the demands and needs of the intended client.

The early adopting Seila provinces already have generated a substantial body of knowledge on how to carry out their Seila mandates and functions, and they have found out for themselves the most and the least effective ways of doing so. Effective capacity building products should be designed with the intent to cut short the 'natural' learning curve and fast track the transfer of knowledge, skills and practices in order that functions are effectively, efficiently and economically carried out.

In order to ensure that a capacity building product is response to the clients needs the learning objectives of the product must first be defined. Learning objectives usually consist of knowledge, attitudes, skills and practices. The client should be assisted in developing these learning objectives to ensure that they do not overlook any critical capacities needed to complete their Seila mandate. Once consensus is reached, the array of capacity gaps identified need to be prioritized to identify both those that are the most difficult to achieve and those that are the most important for the achievement of the Seila objectives. A review of the prioritized capacity gaps should lead to a discussion on the mix of TA approaches that might be employed in the capacity building intervention.

Workshops similar that that outlined above can be conducted immediately in existing Seila provinces. Provinces that will be added to the programme in subsequent years will benefit from attending such workshops and through study visits to operational provinces prior to initiating their own involvement in Seila. All provinces, both new and old, can benefit from peer counseling and inter-provincial networking.

Incentives to reduce TA dependency

Initiating a service contract mechanism has several benefits:

- reducing the cost of TA delivery
- reducing the time spent in delivering standard packages
- heightening the awareness of tradeoffs between continued TA and other opportunities

The third point is perhaps the most interesting. Whenever TA is provided as a conditionality for other resources, it is accepted as a necessary element of a total package. Usually, the cost of the TA is not known (donors rarely engage in two-way transparency) and thus the tradeoffs between continued TA levels and other opportunities are not considered. A negotiated service contract opens the opportunity for the client to assess whether he can attain (and sustain) the necessary level of capacity to accomplish the Seila tasks with a reduced level of TA and apply the remaining resources to other activities. Obviously, the voucher provider is engaged in this relationship because he has ascertained that there are existing capacity standards that cannot be maintained at current capacity levels. The TA recipient no doubt has other ideas for the use of

those resources. Therefore, the relationship that needs to be established should be based upon agreed (and independently audited) standards of behavior on the part of the client, not arbitrarily set levels of TA from the provider.

Utilization of the Voucher with Ministerial contracts

The idea of the service contract does not have to be limited to PLG work at the provincial level. It is even more likely that national ministry leadership would welcome closer involvement in the design and management of TA packages.

Necessity should be the mother of invention. The TA component of PLG has a limited lifespan, but the capacity levels of the provinces to support the demands raised by the newly elected Commune Councils have yet to be tested. Clearly, this is the time to start 'thinking out of the box' when it comes to TA management in PLG.

Annex 4 Value for Money (VFM) or Performance Audit

Definition. A VFM audit is a systematic, purposeful, organized and objective examination of government activities. It provides... an assessment on the performance of these activities; with information, observations and recommendations designed to promote answerable, honest and productive government; and encourages accountability and best practices.

Scope. The scope of a VFM audit includes the examination of economy, efficiency, cost effectiveness.... of government activities; procedures to measure effectiveness; accountability relationships; protection of public assets; and compliance with authorities.

VFM auditing and accountability. Audit is superimposed on an accountability framework. A traditional definition of accountability is the obligation to answer for a responsibility conferred. This definition often is interpreted as implying two distinct and often unequal partners: one who confers and the other who is obliged to answer. In so doing, it does not address well several realities in today's public management. These include:

- the emergence of alternative delivery approaches, such as arrangements between the federal and provincial governments, where responsibilities may not be conferred from a senior party to a junior one, but agreements nonetheless assume accounting for results;
- the call for a much increased focus on performance-based management and results in the public sector; and
- the importance of transparency as an essential feature of public sector accountability.

In light of these new realities, a restatement of the underlying principles, practices and tools of accountability could be: a relationship based on the obligation to demonstrate and take responsibility for performance in light of agreed upon expectations. In this view, accountability is about the requirement to answer for what you have accomplished (or not) that is of significance and of value.

Excerpted from "Value For Money Audit Manual". Office of the Auditor General of Canada, October 2001

Annex 5 Capacity Development Concepts

Capacity development: Creation, improvement or transformation of institutional capability to perform assigned functions

Sustainability: The capacity of national or local institutions to carry out assigned functions over time without support from development aid providers

Performance management: A capacity development strategy that emphasizes the creation or transformation of institutional systems, processes and procedures for an institution's operations within the constraints of its human resource competencies and other supporting resources

Capacity Development Principles

Systems and processes for planning and implementation of institutional functions should meet the needs of users/beneficiaries and be within the financial and human resource means of the concerned institution.

Capacity development is not equal to training. At minimum, capacity development must address institutional structures, operating systems, human resources, leadership and the prevailing organizational culture.

Capacity development exercises should not assume that no capacity exists. Full utilization of existing capacity should be the basis for further capacity development.