

Meeting #8 of the Trust Fund Review Committee
NCDDS Conference Room
28 September 2017
Final Minutes

AGENDA ITEM #1: OPENING REMARKS

H.E. Sak Setha opened the meeting and confirmed the agenda (*Attachment #1*). His remarks are reproduced as *Attachment #2*. He stressed the heavy workload of the NCDDS in light of the formulation of the IP3-III and thanked the DPs for their continued support to the D&D reforms. Following the opening statement, Sida requested a discussion on the update on the analytical work (gender audits and governance surveys).

On behalf of DPs, Mr. Luon March requested that the meeting discuss the key issues to be covered in the next TWG. He thanked the NCDDS for preparing all required documents and for preparing a clear report. He congratulated the NCDD and NCDDS on the completion of key D&D initiatives, including coordination with other reforms, the development of the *Strategy to Promote Women in SNA Management Positions*, ISAF implementation, and the on-going discussions on the transfer of functions. He referred back to some of the issues described in the DP comments, including the treatment of immediate challenges to be addressed in the second half of 2017.

In the minutes below, all agreements have been highlighted in bold.

AGENDA ITEM #2: ENDORSEMENT OF THE 2017 SEMI ANNUAL REPORT

After a short presentation by the NCDDS (this can be found in the annex), an open discussion was held concerning the 2017 semi-annual report. As described by the NCDDS:

- The CS election had little impact on the 2017 AWPB implementation. It was taken into account in the timing of activities. Since the report covers January to June and the election was held in mid-June its consequences are not known
- Immediate challenges (and an analysis of their causes and a discussion of risks) were never discussed in previous reports. The content of past reports had evolved over time, through agreements in Trust Fund Review Committee meetings
- The NCDDS spent a lot of time identifying 29 key challenges, documenting these in the draft IP3-III and developing a program to address them.
- The NCDDS is amenable to having the semi-annual report focus only on immediate challenges and the annual report only on longer term challenges, subject to agreement by the TWG. Reports have traditionally focused on "bigger issues," while immediate responses and challenges might be "minor."
- Since it was a semi-annual report covering the period of January to June, the NCDDS had not reported against activities that had not yet been planned to start, such as the joint visit with DPs to SNAs
- The ratio of expenditure/budget is low in the first half of the year for two reasons: (i) implementation and procurement cannot begin until Joint Decisions between implementers and the NCDD are signed, which takes at least two months and (ii) some of the budget (10-15%) is always carried over to the next year, to fund first quarter activities. Therefore the ratio (expenditure/budget) is a low estimation of implementation.
- In terms of reporting back on which activities each DP contributed to, the NCDDS feels this would be unnecessarily time-consuming as money is spent according to its availability. The purpose of the basket is to pool resources into the entire program, rather than single out a specific DP contribution to a particular activity.

In the view of development partners:

- We should not change the general format and style. The report should remain short, focused, and easy to read. Only minor changes are required.
- The report should describe key actions to be taken in the second half of the year to ensure priorities are on track.
- Comments to the report reflect the many different constituencies and DP preferences including requirements from headquarters. For example, Sida auditors require a discussion of how the program is addressing risk.
- In the past, in some reports, the NCDDDS had a general classification whether a priority was "in progress" or "at risk," and this should be re-instated
- The NCDDDS should review the consistency of budget figures in the AWPB and the semi-annual report.

It was agreed that the Trust fund Review Committee approved the Semi-Annual report, subject to undertaking the following actions

1. The format of the semi-annual report should be adjusted as long as it does not require significantly more time to produce the report (given that the report requires information from 46 direct implementers and in some cases hundreds of SNA) and the focus is not lost by going into too many activities.
2. DPs will identify suggested changes and then meet with NCDDDS technical staff to reach an agreement on what is feasible and desirable; this can then be presented to the TWG. This is likely to focus the semi-annual report on "immediate challenges" and the annual report on "longer-term challenges."
3. This agreement would aim to meet the fiduciary requirements of all key stakeholders
4. Changes will be agreed in the next TWG meeting and implemented in the next semi-annual report (mid 2018).
5. NCDDDS will make changes to the draft report (excluding the discussion of immediate challenges, risks, etc.), and send this to DPs on Friday 29 September.

AGENDA ITEM #3: 2016 AUDIT REPORT

The NCDDDS made a brief presentation on the 2016 external audit report (this can be found in the annex). The presentation outlined the scope of the audit, its findings, the risks identified and a general process to address the risks identified. Financial management was assessed to be satisfactory and in general, the 2016 audit found fewer cases of risk and error than the 2015 audit.

A few general comments were made by DPs. Sida raised the point that page 88 classifies something a high risk if it is not compliant with *UNOPS* procedures or standards yet never defines what *UNOPS* is. SDC noted the improvement in the audit results.

It was agreed that the Trust fund Review Committee approved the audit report 2016, subject to undertaking of the following actions:

1. Sida requires more time to review and assess the report. The approval will be confirmed via email.
2. SDC approved the report, subject to NCDDDS providing an acceptable explanation for some of the minor rounding errors (the "\$2 problems") both in 2015 and 2016. SDC requires an official letter from the NCDDDS elaborating on this.

EU funds were not audited as part of this process.

AGENDA ITEM #4: POLICY ISSUES

The NCDDS made a brief presentation on 4 policy issues, including: (i) IP3-III formulation, (ii) becoming a budget entity, (iii) the MEF budget strategy, and (iv) financial projections and carry overs for the end of 2017.

IP3-III formulation

The NCDDS outlined the schedule for consultation, noting that the time frame was short. They emphasized there were delays in getting the consulting team on board and that an NCDD meeting is scheduled for 19 October. The meeting cannot be pushed back further because an AWPB will also need to be approved. All parties realized the process was very ambitious. The NCDDS described how civil society will be involved through the TWG. The NCDDS committed itself to disseminating the final draft as soon as possible.

Becoming a budget entity

The NCDDS presented the two options of either using program budgeting (as part of MOI) or becoming a budget entity. Currently the Deputy Prime Minister and Minister of Interior is discussing with the MEF on how NCDDS can become a budget entity. The earliest this could happen is 2019 (until then program based budgeting will be used). NCDDS documented some of the delays in disbursement from MEF (taking about 2½ months as well as the possible constraint of not being able to carry over funding across years. Some of the broader organizational issues faced by NCDDS were discussed (that it is not part of the MOI but is perceived to be) and how this is an issue that needs to be addressed in the IP3-III.

As far as EU Budget Support, is concerned, it was agreed having NCDD-S as a budget entity was very important. The EU took note of the NCDD-S report on the status of NCDD-S as a budget entity, which is currently approved by the Deputy Prime Minister and Minister of Interior and is expected to be ready at the earliest 2019 (with program based budget being a transitional mechanism until then). The EU appreciated further update on the ongoing progress of budget entity establishment. The EU also requested more information on the aforementioned Program-based budget. The BS annual budget disbursement is subject to the assessment of eligibility criteria and the actual performance agreed in the PAF. The EU notified the NCDDS that they have requested for the first tranche of 7 Million Euro for 2018 since Sept 26 and the Budget Support Steering Committee will convene on 24 Oct. The EU will keep the NCDDS updated.

MEF Budget Strategy

The NCDDS described the consultation process with the MEF and that in October a cross cutting reform meeting will take place (hosted by NCDDS). This meeting will further discuss the MEF Budget Strategy in relation to decentralization. The NCDDS re-emphasize its goal of better integrating fiscal decentralization into the strategy.

Trust fund projections

The NCDDS described how each year about \$1.5 Million was required to be carried over from the previous year so that expenses could be paid in the first quarter. It is projected the IP3 will carry over about \$US 1.9 Million to cover the first 3-4 months of 2018. It was agreed:

1. The NCDDS will make official requests to both the SDC and Sida for the carry-over of funds into 2017. This is possible for SDC even though it is starting a new program (the existing agreement can be extended)
2. The NCDDS will clarify with the MEF whether budget support funds can be carried over into 2018

AGENDA ITEM #5: ANY OTHER BUSINESS

A very brief discussion on the 3 analytical reports (qualitative governance survey, quantitative governance survey, and gender audit) was held. The NCDDS appreciated the excellent comments received and agreed with almost all of them. The difficulty of disaggregating data in the quantitative governance survey (by gender, urban/rural, poor/non-poor, youth, elderly, etc.) was raised and that this might take between 6-12 months and would entail thousands of calculations.

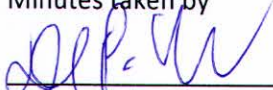
The DPs requested the NCDDS to review whether these instruments were useful or not and suggested the future of these instruments be discussed in the upcoming TWG. The NCDDS noted that there was a strong demand amongst many stakeholders for these reports.

It was agreed:


1. A separate and informal meeting between DPs and the NCDDS will be arranged to discuss the 3 reports
2. In the TWG a brief discussion will be held to reflect on the usefulness of the reports and to discuss other outcome monitoring exercises

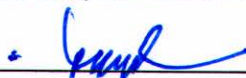
The meeting was closed by HE Sak Seta and he thanked DPs for the frank, positive and fruitful discussion and for their continued support of the reforms.

Minutes taken by



Daniel Kobb
NCDDS Policy Advisor

Meeting chaired by and minutes seen by 

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Sak Seta
Executive Head of the NCDD Secretariat
Chairman of the Review Committee

Date: 09.10.2014

ATTACHMENT #1: AGENDA

Trust Fund Review Committee Meeting

NCDDS Meeting Room

28 September 2017 (9:00-12:00 AM)

1. Brief remarks by chairperson and DPs facilitator
2. Discussion and endorsement of the 2017 semi-annual report
3. Discussion and endorsement of the 2016 external financial audit report
4. Key policy issues (update)
 - a. IP3 Formulation
 - b. NCDDS becoming a budget entity
 - c. MEF budget strategy
 - d. Trust fund financial projections and carry over
5. Any other business

ATTACHMENT #2: OPENING REMARKS BY HE SEK SETHA, EXECUTIVE HEAD OF THE NCDD SECRETARIAT

Good morning Excellencies, Ladies and Gentlemen!

I would like to warmly welcome all of you to our second Review Committee meeting of 2017 and to our eighth meeting overall.

Following my opening remarks, I will call on the SDC to make a statement on behalf of the development partners. Afterwards my colleague Ngan Chamroeun will make a series of presentations. We will endorse the semi-annual report for 2017 and the 2016 external audit report. We will also discuss several key policy issues, including the IP3-III formulation, NCDDS becoming a budget entity, MEF's budget strategy, and projections for expenditure this year as well as the carry-over of funds.

As always we are deeply appreciative of your support to our D&D reforms.

The focus of 2017 has been the development of the IP3-III. We are almost finished drafting it, but as you know the process has required a lot of time and effort from our NCDDS management team.

In terms of management, project support, and M&E this has been an extremely busy year and in making your comments and in discussing various reports I ask you to consider the workload from our side. Over the last 12 months, in addition to normal routine management activities, our team has held 4 TWG and Review Committee Meetings and 2 NCDD meetings. We have prepared and discussed 1 AWPB, 1 semi-annual report, 1 annual report, a qualitative governance survey, a quantitative governance survey, and a gender audit. We have developed and documented PAF indicators and organized and followed up budget support. We have done all this work as we have simultaneously developed the IP3-III and responded to comments on each and every one of these initiatives, both internally and externally. Through all this, we have been reducing TA input, attempting to reallocate funds from management responsibilities to implementation on the ground.

We know we can improve the quality of our documents but we kindly ask you to consider what the costs of doing so might be.

Since all of you have read the semi-annual report, I won't summarize very much in terms of its content. I want to instead emphasize our shared vision of the D&D reforms. I want to reiterate that the Royal Government of Cambodia is intent on improving SNA's implementation of the general mandate, on transferring significant functions so service delivery is more accountable to citizens, on promoting good governance, social equity and inclusiveness, and on transferring adequate resources, and management control of these resources to SNA. Your support in realizing this vision is essential.

I thank you for this opportunity to make these brief introductory remarks. Before I request SDC, on behalf of our DPs to make their opening statement, can we officially agree on the agenda? Are there any additions to make?

Thank you

ATTACHMENT #3: NCDDS PRESENTATIONS

Agenda #2: Semi Annual Report

Slide 1

Response to comments on
the semi-annual report

Agenda #2

Trust Fund Meeting September 2017

[1]

Slide 2

SEMI ANNUAL REPORT

- Short draft report 26 pages
- Completed and shared with DPs end of July
- Focuses on 22 priorities describing all intermediate activities planned for Q1 and Q2
- All priorities being implemented except transfer of primary education
- Also provides an overview of expenditure vs budget
- Structure and content agreed in numerous TWG and Trust Fund Meetings
- 11 pages of comments received, 3 pages from Trust Fund Donors.
- We have incorporated most of the comments and will share after we agree whether major changes in the format are required

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[2]

DP COMMENTS (1)

- Overall we appreciate the DP comments
- Many DP comments were about expanding the scope of the semi-annual report, so that it will:
 - Discuss long term and short term challenges (changes in the second half of the year); this was never done before
 - Discuss risks and risk mitigation
 - Discuss the causes of challenges—this requires a much more detailed analysis
 - Our view: we spent a great deal of time identifying 29 challenges in the IP3-III and designing activities to address them

Trust Fund Meeting September 2017

3

DP COMMENTS (2)

- If DPs wish to expand the scope or change existing reporting arrangements:
 - Should be agreed by the full TWG; trust fund DPs should propose revised reporting specifications
 - Can be implemented in next semi-annual report.
 - Requires additional work from our side

Trust Fund Meeting September 2017

4

CHANGES IN THE REPORT

- We will...
- Address all technical comments and clarifications
- Describe why the expenditure/budget ratio is "low" (this has been done in previous reports)
- Describe that there are no revisions to the AWPB based on Q1 & Q2 implementation

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Agenda #3: External Audit Report

External audit results

Agenda Item #3

September 2017 Trust Fund Meeting: Audit Results

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OVERVIEW

- **Audit completed by Lochan & Co.**
- **Scope**
 - Sample selection: 60% of expenditures. Included IP3-III and LGCC-II
 - The Audit covered: (i) Programme Management; (ii) Financial Management; (iii) Procurement; (iv) HR Management and (v) Asset Management and General Operations
 - Includes a comparison of 2015 and 2016 expenditures (by component)
- **Concludes:**
 - "in our opinion the financial statements of the two programs for the year ended 31 December 2016 are prepared in all material respects, in accordance with basis of accounting and accounting policies described in Note 2 to the financial statements"

RISKS

CASES OF RISK IDENTIFIED

Rating	2015	2016
High-Risk	9	0
Medium-Risk	11	13
Low-Risk	10	9
Total	30	22

- In 2016 no high risk problems were identified and most problems were found in only a few implementers
- The number of risks decreased between 2015 and 2016
- Most of problems came from human error and weak supervision and were not a reflection of systematic weakness

SOME NEW RISKS FROM 2016

Medium Risk:

- * Rate of delivery expenditure compare with budget
- * Withholding tax not deducted on certain payments
- * Procurement procedure not well implemented in certain cases
- * Vacancy not filled as planned for the project

Low Risk:

- * Non-compliance with policy for accommodation rate
- * Wrong budget allocated in financial report
- * Expense related to year 2017 charged in 2016
- * Prior period expense charged in current year financial report
- * Error to prepare timesheets in advance

ACTIONS TO CONTINUE OUR IMPROVEMENT

- Issue a letter to all implementing agencies to take action in avoiding these risks
- Set up a team to work with each implementing agency to follow up each problem
- Set up a regular monitoring schedule for each implementing agency
- Prepare training to regularly review and strengthen procedures
- Coach key staff identified as having weak capacity

16

Agenda #4: Policy Issues

Slide 1

Key Policy Issues

- IP3-III formulation
- NCDDS as a budget entity
- MEF's budget strategy
- Trust fund carry over of funds

AGENDA ITEM #4

Trust Fund Meeting #XX
1

Slide 2

IP3-III FORMULATION

- We are completing the final draft, including its annexes in Khmer and English
 - CD, results framework, social equity, sustainability, partnerships
- Next steps and timeline
 - Confirm some outputs, activities, targets with key implementers (before 4 October)
 - Disseminate final draft (October 4)
 - Hold workshop to present the document (October 5)
 - Hold TWG(October 12)
 - Revise and submit to NCDD (October 19)

Trust Fund Meeting #XX
2

NCDDS AS A BUDGET ENTITY: TWO POSSIBILITIES

1 Program based budgeting

- NCDDS would be like a department of MOI (part of the MOI budget)
- Release: MEF->MOI General Department of Finance->NCDDS

2 Budget Entity

- NCDDS budgeted for like a Ministry
- Release: MEF->NCDDS

Trust Fund Meeting #XX

(3)

STATUS AS A BUDGET ENTITY

• Program Based budgeting

- Agreed by MEF
- Operational in 2018, but with a small allocation of funds

• Budget entity

- NCDDS request to DPM to become a budget entity agreed by the DPM
- DPM to submit request to MEF
- Earliest 2019 (if approved)

Trust Fund Meeting #XX

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MEF BUDGET STRATEGY

- Section 3.6 of the “Budget System Reform Strategy (2017-2025)” concerns SNAs
- An initial consultation was organized by MEF, in which the NCDDS/MOI expressed the importance of improving the link between national and sub-national planning processes
- All parties recognize more consultation is required to ensure consistency with D&D reforms
- NCDDS raised several issues with the strategy in the PFM-TGW meeting of 26th September 2017
- NCDDS/MOI will make detailed written comments and recommendations in October

Trust Fund Meeting #XX

5

TRUST FUND PROJECTIONS

- Key issue: how to fund the first few months of a given year?
- We usually need at least \$1.5 Million for salaries and operations (about 12% of budget) in the first quarter
- But historically, the earliest disbursement has been in March (next slide), because
 - Annual report needs to be finalized
 - Financial report needs to be finalized
 - DPs need to review reports & approve in trust fund meeting
 - Approve minutes & implement disbursement request

Trust Fund Meeting #XX

6

16

TRUST FUND DISBURSEMENTS					
	2013	2014	2015	2016	2017
Jan					
Feb					
Mar		EU \$5.1			SDC \$0.7
April			EU \$4.1		Sida \$2.8
May					
June			Sida \$2.1	SDC \$1.5	
July			SDC \$2.0		
Aug					
Sept					
Oct	EU \$2.9			EU \$0.2; Sida \$2.8	
Nov				SDC \$1.3	
Dec			SDC \$1.3		

Trust Fund Meeting #XX

7

SDC & Sida			
• We project a carry over of \$1,283,181			
	Sida	SDC	Total
Budget (total)	\$3,822,925	\$2,130,290	\$5,953,215
Budget Allocated to Activities	\$3,752,732	\$2,084,810	\$5,837,542
% unallocated	2%	2%	2%
Expenditure to date	\$1,122,823	\$1,130,705	\$2,253,528
%	30%	54%	39%
Projected Expenditure (end year)	\$3,002,186	\$1,667,848	\$4,670,034
%	80%	80%	80%
Projected Balance	\$820,739	\$462,442	\$1,283,181

Trust Fund Meeting #XX

8

EU DISBURSEMENT STATUS 2017

- **NCDD Expenditures**
 - MEF agreed to advance \$US 3 Million to NCDDs
 - \$US 2 Million disbursed
 - \$US 1 Million being confirmed (almost done)
 - All disbursement expected by September
 - Will soon request the next tranche of \$US 2 Million as expenditure has reached \$US 2.7 Million
- **DMs: \$US 2 Million**
 - Averages about \$10,000 per DM, but smaller DMs will receive \$5,000
 - Must be allocated in 2017, so DMs can only implement small projects (RGC money already allocated to projects)
 - Not yet released by the MEF Department of Local Finance

Trust Fund Meeting #XX

10

PROJECTIONS: EU & TOTAL

- EU slightly "over-budgeted" (\$496,666: expenses > budget)
- We project an EU carry-over of \$672,769 and a total carry-over of \$1,840,277 Million

A. Available EU Budget (total)	\$7,350,508
B. EU Budget allocated to NCDD activities	\$5,847,174
C. EU Budget for DM Fund transfer	\$2,000,000
Amount Over-allocated (B+C-A)	\$496,666
% over-allocated	7%
EU Expenditure to date	\$2,779,688
% of Available Budget	48%
D. Projected EU Expenditure (end of year)	\$6,677,739
NCDD Funds (80%)	\$4,677,739
DM Fund (100% disbursed)	\$2,000,000
Projected % of Budget spent (D A)	91%
Carry over EU (A - D)	\$672,769
Total Carry Over (EU, Sida, SDC)	\$1,955,442
% carried over (total)	15%
% spent	85%

Trust Fund Meeting #XX

10