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BACK TO THE FUTURE

Fifth Report of the Sida Advisory Team
on

CARERE2

SPM Consultants

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ACRONYMS AND ABBREVIATIONS

AIT	Asian Institute of Technology
AT	Advisory Team (Sida)
AUSAID	Australian Aid
CARERE	Cambodia Area Rehabilitation and Regeneration Project
CC	Commune Council
CDC	Commune Development Committee
CDC	Cambodian Development Council
CDP	Commune Development Plan
CRD	Cambodian Researchers for Development
DDF	Decentralised Development Fund
DDP	District Development Plan
EXCOM	Executive Committee (PRDC)
EIA	Environmental Impact Assessment
FAO	Food and Agriculture Organisation
IEE	Initial Environmental Examination
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
LDF	Local Development Fund
LPP	Local Planning Process
M&E	Monitoring and Evaluation
MoF	Ministry of Economy and Finance
Mol	Ministry of Interior
MoWAV	Ministry of Women's Affairs and Veterans
MPP	Minimal Package Project
MRD	Ministry of Rural Development
NGO	Non-Governmental Organisation
NPPP	National Professional Project Position
PDP	Provincial Development Plan
PFT	Provincial Facilitation Team
PDIP	Provincial Development Investment Plan
PIMS	Provincial Investment Management System
PPM	Provincial Programme Manager
PRDC	provincial Rural Development Committee
RGC	Royal Government of Cambodia
Sida	Swedish International Development Co-operation Agency
SIP	SEILA Investment Plan
STF	SEILA Task Force
ToR	Terms of Reference
TSS	Technical Support Staff
VDC	Village Development Committee
VDP	Village Development Plan
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme

EXECUTIVE SUMMARY

The second fieldwork of the current Sida Advisory Team (AT) for monitoring of CARERE2 took place during November 7 – 20, 1999. The Team consisted of four international experts and one local consultant. The current monitoring mission was special in several aspects. Firstly, the focus and major work was concentrated to two specific studies – (1) *The role of the commune in rural Cambodia: Views from above and below*, and (2) *The Potential for Private Sector Involvement in the CARERE2 Programme*. Secondly, the monitoring work was basically to update Sida and the team on recent developments in the context of CARERE/SEILA. The Mission visited three provinces: Battambang, Pursat and Siem Reap. The AT also had extensive discussions with CARERE management, ministerial staff, and representatives of donors, NGOs and research communities in Phnom Penh.

Recent developments in CARERE2/SEILA

It has recently been decided that the CARERE/SEILA programme should **expand** into more communes and villages in the current five provinces. Consequently, the number of communes will expand by 56% (from current 141 to 220 communes). In Pursat a total coverage of all communes will occur in year 2000. Moreover, due to the new communes, that are basically the poorest in the provinces, the programme will from year 2000 cover a larger share of poor communes.

In principal CARERE2 has been selected as one of the agencies to implement the pilot phase of the World Bank financed **demobilisation programme**. The Mission finds it natural that the demobilisation programme may utilise and get access to the CARERE/SEILA experience in reconciliation. A prerequisite for CARERE's engagement in the demobilisation programme is that additional TA resources are allocated. Further, CARERE/SEILA should safeguard themselves against any possible negative impacts of organisational problems that the demobilisation programme may have. A failure of the demobilisation programme may otherwise spill over into the last phase of the CARERE2/SEILA programme.

The contract of the **gender** advisor has expired. The implementation of the gender component now rests on the gender NPPPs in the provinces. The AT has previously underlined the importance of sufficient support to these staff to upgrade their status and facilitate their work. There is also a need to maintain the momentum generated to consolidate gender mainstreaming. The AT notes that a short-term training package for gender NPPPs has been decided upon. The AT also noted the implications for gender issues regarding participation as a result of the new LPP. Therefore, a greater focus on the commune is needed.

No major developments have taken place in the area of **Environmental Impact Assessment** (EIA). The Mission found that CARERE2 has not implemented the recommendations from the IFAD/FAO study on the environmental impact to include IEE in the project preparation. Rather, contacts have been taken with the Ministry of Environment to promote training in IEE and EIA of their staff in Phnom Penh as well as in the provinces. It is the view of the Mission that steps should be taken to include IEE in the subproject preparation.

Monitoring and Evaluation (M&E) is still marred with the same problems as discussed in the AT's previous report (June 1999). M&E staff in the CARERE as well as in the PRDC (Planning Department), is still looking for a role and understanding of what M&E is really about. Some parts of the M&E are well developed, while other are missing. However most important, there is only a limited vision of the purpose of the M&E and how the various parts fit into the M&E framework and programme management. One way of rectifying the CARERE/SEILA staff's uncertainties on the role and responsibilities of M&E is to implement the proposed Provincial Investment Management Systems (PIMS). The Mission wants to stress the need for a well functioning M&E system that supports the decentralisation

process. Presently, CARERE is monitoring the work in the provinces and communes. To maintain sustainability after CARERE has left, it is important that a monitoring system is in place, otherwise decentralisation may open for corruption and misuse. The Mission noted with satisfaction that a Programme manual has been produced that sets out and provide guidelines for the various components of the CARERE/SEILA programme, such as structure, reporting, financial system, planning, M&E, LPP, etc.

The new **financial system**, including the system for the Decentralised Development Fund (DDF), came into operation 1 August 1999, one month behind schedule. A manual for the operation of the system has been prepared as well as training of concerned staff. As expected some initial problems have been encountered especially from the line departments. The training of the staff of the Financial Units is completed, but still more backup is needed. It is the view of the Mission that staff of the Financial Units visited can master the new financial system with backup from the financial NPPPs. However, only limited training has been carried out at the commune level. As a result, contractors have experienced long delays. It is necessary that the communes acquire required skills and human resources to master the new financial system. Otherwise they will become too dependent on the province, which may negatively influence the decentralisation policy. Despite the initial complication the new system can be said to be successful. It is much more transparent than the previous ones, imposing work discipline on the line departments – requirements to prepare work plans. Further, many provincial staff reported on less misuse of funds with the introduction of the new system.

There is now a visible move towards a broader concept of planning. **Planning** seems not only to focus on a means of accessing financial resources, but also planning is emerging as a tool for managing the provincial investments. Provincial planning has developed during the implementation of the CARERE and several important developments have taken place:

- The Provincial Development Plan (PDP) will now become a five-year plan.
- The Provincial Development Investment Plan (PDIP) is the main planning document.
- The SEILA Investment Plan (SIP) will not be produced after year 2000.
- A long term-strategic plan has been produced in each of the SEILA provinces.
- The Monitoring and Evaluation Unit is part of the Provincial Planning Department
- A commune data base has been established and streamlined
- A functioning financial management system is in place

All these recent developments in conjunction with previous provincial planning work may now constitute the base on which a Provincial Investment Management System (PIMS) can be developed. The PDIP needs to be modified to also include ongoing provincial projects. With such a new format all provincial public investments can be contained in one single document. Further, the PDIP could become the main planning and investment management tool and be kept as a database for constant updating.

New simplified guidelines have been developed for the **Local Planning Process (LPP)**, which make the process easier and focus on the commune rather than on the village. The LPP now contains five steps and the PRA has in reality been abolished. The coming year will prove if the streamlined LPP is suitable in terms of participation as well as replicability.

There have been some positive developments in **domestic resources mobilisation**. Albeit small, provinces are now officially allowed to raise taxes for their own funds. Perhaps more important is that the RGC has allocated Riel 800 million (USD 200,000) for 1999, and for the year 2000 the allocation will be Riel 2 billion; a considerable increase and an indication that the Government is prepared to financially support the SEILA experiment.

The Mission has noted with satisfaction that the financial situation of CARERE2 has improved substantially. Additional donor funds have come from the Netherlands, the World Bank (for the reconciliation programme), and AUSAID. UNCDF has also agreed on bridging finance for the LDF for year 2000 totalling USD 600,000. IFAD has agreed to utilise the DDF for channelling the funds to the five SEILA provinces.

Planning status of the next phase

It is with concern that the Mission notices that only marginal work has been done regarding the planning of the next phase. The formulation of the next phase is much dependent on the political development of e.g. the commune reforms and the commune election. Many stakeholders consider that the commune law and the commune election law must be approved and adopted before any concrete plans can be made. There are two key items in the planning process that should have been completed by June 1999 and which are basically independent from the political arena: (1) the formulation of the Terms of Reference of planning process, and (2) the alternative scenario analysis. None of these activities has been completed or even initiated.

Before a detailed formulation of the next phase can be done, a broader analysis is needed involving analysis of various strategies and possible scenarios. The first step would be to make an evaluation of a number of strategies by defining critical factors influencing the formulation of the next phase. The establishment of the framework for the next phase should start as soon as possible, thereby ensuring RGC ownership of the planning process.

The framework for the next phase has implications on the focus of the next phase and thereby on the planning of transition from CARERE2 to the new programme. Further, it may serve as an indication to national staff that a continuation of the programme is possible. This type of information is important in ensuring that trained national staff is maintained. The trained staff of the CARERE/SEILA is the most valuable resource for a continuation of the programme.

Conclusions

The CARERE/SEILA is a complex and successful programme in local decentralised development. The programme has made considerable progress since its start, despite the political turmoil and initial lack of institutional support at national level. The Mission noted progress since the previous visit in May this year, and some of the concerns that the AT raised in May have fortunately not become real. The next year will be of great importance not only in terms of planning for the new phase but also in showing that the programme is replicable to other provinces without a huge input of resources. The modified LLP and large expansion into new communes will show whether this is the case.

Major SEILA/CARERE2 achievements during 1999 of the programme are:

- Transfer of the new financial system to the counterparts
- Review and streamlining of the LPP to use the commune as the base rather than the village.
- Completion of the SEILA manual
- Negotiation of the IFAD loan through the SEILA system, which is strategically an important step
- Training programme in M&E
- Establishment of the commune data base
- Allocation formula for IPF from province to commune using criteria on population and poverty derived from the commune database.
- Finalisation of the World Bank reconciliation grant to be channelled through the SEILA structure.

Specific **recommendations** are given in Section 6.2

The preliminary findings of the two **special studies** are summarised in Section 4. These studies will be reported separately in February 2000.

1 INTRODUCTION

The second fieldwork of the current Sida Advisory Team (AT) for monitoring of CAREERE2 took place during November 7 - 20. The Team consisted of four international experts: Dr. Jan Rudengren (Team Leader), SPM Consultants, Stockholm, Dr. Marita Eastmond, University of Gothenburg, Mr. Joakim Öjendal, PADRIGU Consultants, Gothenburg, and Mr. Lars Rylander, SPM Consultants, Stockholm; and one local consultant: Ms. Khou Somatheavy. For two of the core team members, this visit was the fifth visit to Cambodia in their capacity as AT- members of monitoring of CAREERE2. A team of field workers from Cambodian Researchers for Development (CRD) also assisted the AT: Mr Chi Sothy, Ms Youthea and Mr. So Socheat.

The current monitoring mission was special in several aspects. Firstly, the focus and major work was concentrated to two specific studies. Secondly, the monitoring work was basically to update Sida and the team on recent developments in the context of CAREERE/SEILA. The components of the AT missions were as follows:

- Special Study on *The role of the commune in rural Cambodia: Views from above and below*. Terms of Reference are presented in Appendix 1. Responsible AT-members were Dr. Marita Eastmond, Mr. Joakim Öjendal and Ms. Khou Somatheavy (Pursat)
- Special Study on *The Potential for Private Sector Involvement in the CAREERE2 Programme*. Terms of reference are presented in Appendix 2. Responsible expert was Mr. Lars Rylander.
- Updating of recent developments in the CAREERE/SEILA programme. Terms of reference are presented in Appendix 3. Responsible members were Dr. Jan Rudengren and Ms. Khou Somatheavy (Siem Reap)

The Mission visited three provinces: Battambang (all members), Pursat (Eastmond, Öjendal and Khou Somatheavy) and Siem Reap (Rudengren, Rylander and Khou Somatheavy). The AT had extensive discussions with CAREERE management, ministerial staff, and representatives of donors, NGOs and research communities in Phnom Penh. In the visited provinces discussions were held with CAREERE, provincial, district and commune staff as well as with villagers (Appendix 4).

The AT wants to take this opportunity to thank the CAREERE/SEILA management and staff for organising the meetings and the fieldwork and for allocating considerable time and resources to the AT. We are particularly thankful for the open and frank discussions that we had with all CAREERE staff, as well as staff of the PRDCs. We are grateful that the open dialogue can continue. We also want to extend our thanks to the villagers in the selected villages for one of the specific studies for their cooperation and willingness to be interviewed. A thanks is also directed to the small scale contractors and representatives of the Rice Millers Association and Brick and Tile Association.

Below the AT reports on its findings and observations. As this Mission is basically an updating of recent CAREERE/SEILA developments only a few major items are reported. Further, the results of the specific studies and major findings are only summarised in this report (Section 4) as these studies will be reported separately.

This report is written for an audience that is familiar with the CAREERE/SEILA programme. Therefore the report is restrictive regarding background, descriptive and explanatory text. It further builds on the discussions and analyses of the previous reports.

2 RECENT DEVELOPMENTS IN CARERE2/SEILA

2.1 Expansion of the programme

It has recently been decided that the CARERE/SEILA programme should expand into more communes and villages in the five provinces. The expansion of the programme is based on a realisation that there is now capacity to cover more communes, based on a simplified procedure for the Local Planning Process (LPP)¹, to meet the demand from areas that currently are outside the SEILA programme. The number of new communes and villages seems, however, to have been based not only on an assessment and analysis of capacity and needs. According to information to the Mission, it also appears to be partly the result of some kind of competition between the five SEILA provinces; which province could make the largest expansion. As a result, the CARERE/SEILA will from year 2000 cover 220 communes compared to the current coverage of 141 ones (Table 1).

Table 1: CARERE/SEILA coverage 1999 and planned 2000.

Province	TARGET COMMUNES			Expansion %	COVERAGE % of total number of communes
	Current 1999	Expansion in year 2000	Total		
Siem Reap	35	22	57	62,9%	57,0%
Banteay Meanchey	39	12	51	30,8%	72,9%
Batambang	28	16	44	57,1%	49,4%
Pursat	26	23	49	88,5%	100,0%
Ratanakiri	13	6	19	46,2%	38,0%
Total	141	79	220	56,0%	62,7%

Note: Banteay Meanchey includes six communes in the district of Banteay Ampil, which has recently been incorporated into the new province of Oddar Meanchey.

The decided expansion of the CARERE/SEILA programme to encompass 220 communes will have several effects on the poverty orientation of the programme. The criteria for selecting the new communes are: (1) poverty and (2) to achieve coverage of whole districts. Previously, the security criteria in commune selection put limitations on reaching the very poor. As a result of the improved security and government control over the border areas, these poor communes can now be selected. Consequently, the programme will from year 2000 cover a larger share of the poor communes in the five provinces.

2.1.1 Demobilisation programme

Related to the expansion of CARERE/SEILA into more communes is also the matter regarding whether CARERE2 should be the key agency in the implementation of the World Bank financed demobilisation programme. The Mission noted that there is an agreement that CARERE shall play the key role, but the exact formulation of the programme is not yet finalised. The Mission finds it natural that the demobilisation programme can utilise and get access to the CARERE/SEILA experience, especially in terms of reconciliation. However, a prerequisite for CARERE's engagement in the demobilisation programme is that additional TA resources are allocated to CARERE. Existing CARERE TA resources are overstretched as they are, and it would be detrimental if additional work responsibilities were added without addition of adequate TA resources. Further, it may be a risk that the demobilisation

¹ The simplified and streamlined LPP is discussed in Section 2.6.2 below.

programme could negatively influence the CARERE/SEILA work in its final stage, if the demobilisation programme differs significantly in approach and implementation from CARERE/SEILA. Therefore CARERE/SEILA should ensure to safeguard themselves against any possible impacts of organisational problems that the demobilisation programme may have.

2.2 Gender

The contract of the gender advisor² has expired and the gender component of the programme now relies on the gender NPPPs in the provinces. In its previous report, the AT underlined the need for support of these staff, especially from management/PPMs, in order to upgrade the status and facilitate their work. This is of particular importance since the Gender Advisor position has been discontinued. The evaluation of gender sector training (Kusakabe and Chariya, 1999) also emphasised the need to sustain the momentum generated to consolidate gender mainstreaming as well as integration of gender in planning at provincial departments through i.a. continued funding, training of trainers and management support.

The AT notes that a training package for gender NPPPs has been decided upon.. The Gender and Development Training Centre in Holland will provide a training of trainers course funded by the Dutch government. The training is for two weeks and two NPPPs will participate in December and two in March. The fifth Gender NPPP has left the programme to get a Master's degree in Gender and Development at AIT. This is a welcome support to the capacity of these persons are important. However, the AT underlines again that support must also be forthcoming at the home front, in the involvement of management levels and in the daily workings of CARERE/SEILA, to strengthen gender responsiveness and to make use of the capacity and knowledge that many gender NPPPs already possess.

The implications for gender in participation as a result of the new LPP and a greater focus on the Commune needs to be given special attention. The special provisions made for women's representation in CDC's for instance are not consistently adhered to. The issue will be given some consideration in the forthcoming report of the Special Study.

2.3 Environment Impact Assessment

No major developments have taken place in this field. The IFAD/FAO study on the environmental impact and the CARERE/SEILA subprojects and guidelines for Initial Environmental Examination (IEE) was concluded in the early part of 1999. However, the Mission found that CARERE2 has not taken the recommendations onboard to include IEE in the project preparation, but rather contacts have been taken with the Ministry of Environment to promote training in IEE and EIA of their staff in Phnom Penh as well as in the provinces. It is the view of the Mission that steps should be taken to include IEE in the subproject preparation. At this stage, the inclusion of IEE would serve as a mean to increase the awareness of the environmental aspects among provincial and project staff.

2.4 Monitoring and Evaluation

Further developments have taken place in developing databases for LDF projects and the Commune Database. However, the area is basically still marred with the same problems as discussed in the AT's previous report (June 1999). M&E staff in the CARERE as well as in the PRDC (Planning Department), is still looking for a role and a clear notion what M&E is really about. This general lack of understanding may be the result of the current M&E systems having the character of a patchwork. Some parts are well developed, while other are

² The gender advisor is now working in the Ministry of Women's and Veterans' Affairs

missing, but most important there is only a limited vision of the purpose of the M&E and how the various parts fit into the M&E framework.

One way of rectifying the CARERE/SEILA staff's uncertainties on the role and responsibilities of M&E is to implement the proposed Provincial Investment Management Systems (PIMS) – see further Section 2.6.1 below. The PIMS will clearly define the role of the M&E in terms of monitoring the development of the Provincial Development Investment Plan (PDIP). The ongoing projects will be monitored to identify good and insufficient performance. Once a project is completed the M&E unit will also be responsible for a project completion report.

The Mission noted with satisfaction that a Programme manual has been produced that sets out and provide guidelines for the various components of the CARERE/SEILA programme, such as structure, reporting, financial system, planning, M&E, LPP, etc. This is an important step in transferring the systems to the counterparts. On the other hand the management appears to have reached the conclusion that the establishment of the M&E system will be pushed into the next phase. This might be a correct conclusion in the light of what can be achieved in one year and what needs to be done. However, the Mission wants to stress the need for a well functioning M&E system that supports the decentralisation process. Presently, CARERE is monitoring the work in the provinces and communes. To maintain sustainability after CARERE has left, it is important that a monitoring system is in place, otherwise decentralisation will be open for corruption and misuse.

The CARERE/SEILA programme seems to have learned some lessons concerning the needs and problems in establishing a functioning M&E system. The IFAD project that will be channelled through SEILA has already – before the actual programme activities have started – established an M&E system, which the mission noted with satisfaction.

2.5 Financial System

The new financial system came into operation 1 August 1999, one month behind schedule, including the system for the Decentralised Development Fund (DDF). The new financial management follows close the Government system and is described in Chart 1. A manual for the operation of the system has been prepared as well as training of concerned staff, especially those in the Financial Unit of the PRDC/EXCOM.

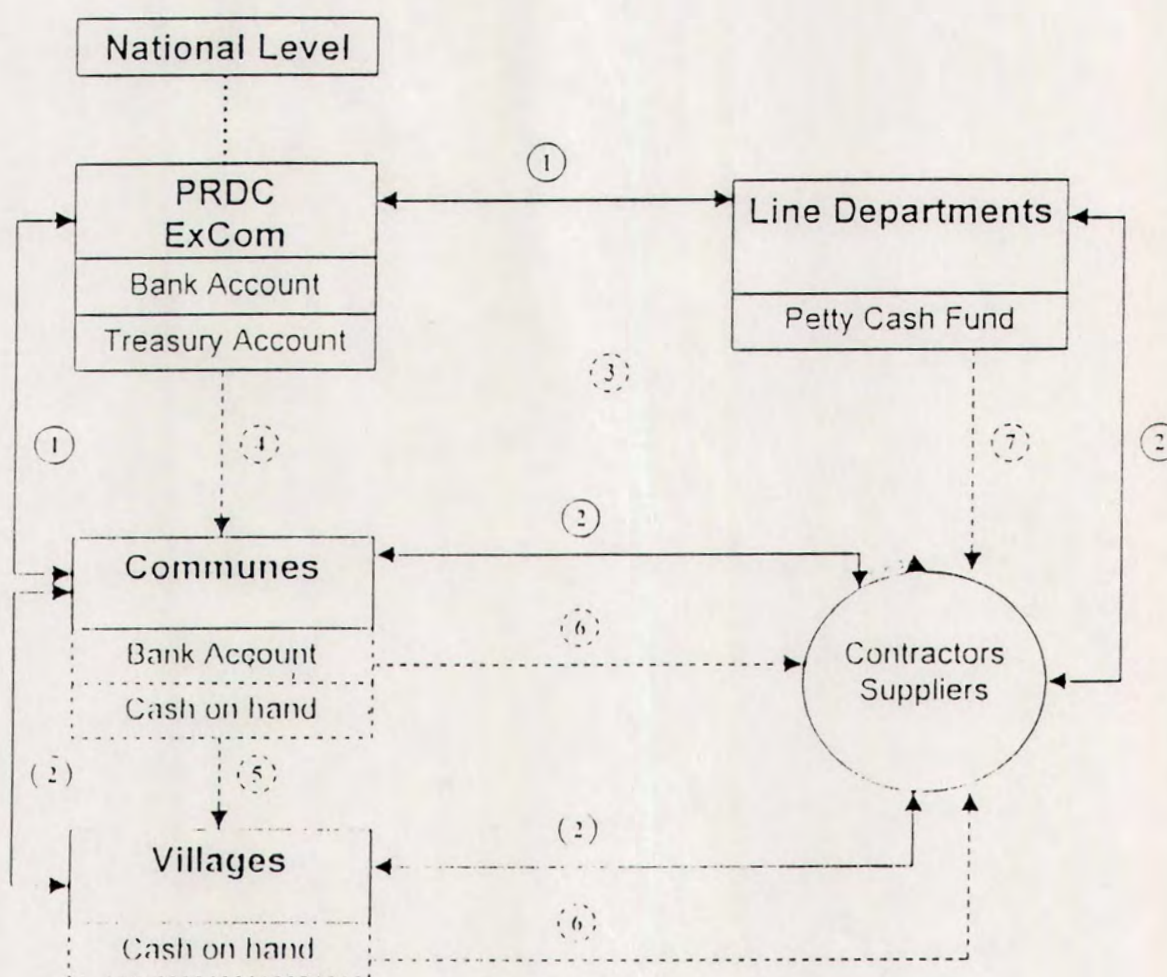
As expected some initial problems have been encountered especially from the line departments. Previously, the departments had their own accounts and direct access to the allocated foreign funds. However, now the funds are in a provincial account held by the EXCOM according to the guidelines and roles of the DDF. For the department to utilise the funds a payment request to the PRDC is required. This procedure is still new and staff has a tendency to fill in the request too late, which means delay in payments. Further, the Governor must approve payments over USD 2000, and he is often out of office on duties, which further delays payments. New procedures for delegation of authorising release of funds are now being considered. For example, line departments can receive advance payments upon submission of work plans³.

The training of the staff of the Financial Units is completed, but still more backup is needed. It is the view of the Mission that staff of the Financial Units visited can master the new financial system with backup from the financial NPPPs. However, only limited training has been done at the commune level. As a result, contractors have experienced long delays from

³ Further discussions and reviews have been made on this issue. As a result it has been decided that the advances will be eliminated. Instead the petty cash will be increased and based on the size of the contract.

Chart 1: The new Financial System

Provincial Financial Structure Funds Flow Chart



- (1) Implementation contracts
- (2) Project/work contracts
- (3) Direct payment of sectoral expenditures
- (4) Advance to communes
- (5) Payment (advance) to villages.
- (6) Payment to contractors
- (7) Sectoral petty payments

— : Contracts
 - - - : Flow of Funds

the communes regarding payments of infrastructure projects implement under the Local Development Fund (LDF), for which the communes are responsible. During the next year direct payments (see Chart 1) will be tested in Battambang, instead of the communes being responsible for the payment of the contractors – which may save time and release the communes of some paper work.

On the other hand, with the likely decentralisation of power to the communes – commune law and commune election – it is necessary that the communes acquire required skills and human resources to master the new financial system. Otherwise they will become too dependent on the province, which may negatively influence the decentralisation policy. A long-term goal of SEILA and the decentralisation process is to make the communes financially independent from the national as well as the provincial level.

Despite the initial complication the new systems can be said to be successful. They are much more transparent than the previous ones, imposing work discipline on the line departments – requirements to prepare work plans – and several in the provinces reported on less misuse of funds.

However, the Mission noted with concern that there is currently insufficient training of the CDCs. While the line department staff have had training and have monthly meetings with staff from the Financial Unit the same staff have not had time to train CDCs. However, such training is an essential part of the successful implementation of the decentralised governance. Consequently, the Mission recommends that sufficient resources are allocated to training of the CDCs in the new financial system – either through the financial assistants (NPPPs) or through staff of the EXCOM Financial Units. For year 2000 there is a surplus of investment funds according to the CARERE budget. Consequently, additional resources can be allocated to training of CDCs without negatively affect the other components of CARERE/SEILA operation.

2.6 Planning

The role and function of provincial planning in the CARERE/SEILA programme have been raised and discussed during all of the AT missions. There is now a visible move towards a broader concept of planning. Planning seems not only to focus on a means of accessing financial resources, but also planning is emerging as a tool for managing the provincial investments.

2.6.1 Provincial planning

Provincial planning has developed during the implementation of the CARERE. A number of recent developments have taken place:

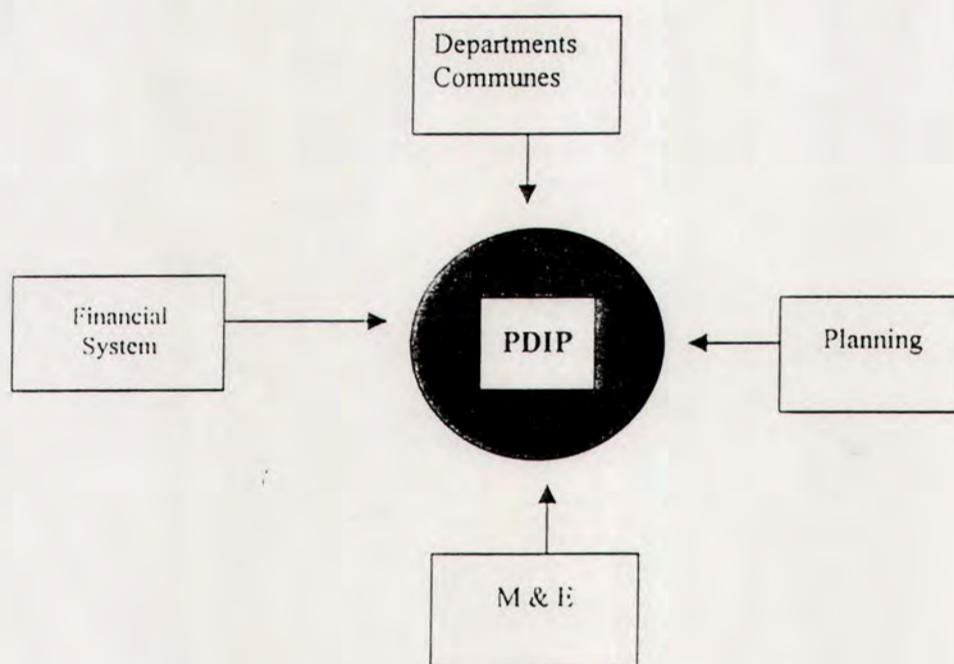
- The Provincial Development Plan (PDP) will now become a five-year plan. Thus, updating will take place every fifth year instead of as currently every second year.
- The Provincial Development Investment Plan (PDIP) is now the planning document that contains all committed, earmarked and priority projects in the province.
- The SEILA Investment Plan (SIP) will not be produced after year 2000.
- A long term-strategic plan has been produced in each of the SEILA provinces.
- The Monitoring and Evaluation Unit is part of the Provincial Planning Department
- Commune data base has been established and streamlined
- A functioning financial management system is in place
- In some provinces the PDP is evaluated – e.g. in Battambang

All these recent developments in conjunction with previous provincial planning work may now constitute the base on which a Provincial Investment Management System (PIMS) can be developed. One modification needs to be done concerning the PDIP to achieve the PIMS.

The PDIP should also include ongoing provincial projects. With such a format all provincial public investments can be contained in one single document. Further, the PDIP should be kept as a database and constantly updated. However, a printed version only needs to be published once a year.

The Financial Unit should report to the Planning Department (to be included in the update of the PDIP) on utilization of the funds. Similarly, the line departments together with the CDCs should provide progress reports on their respective projects to the Planning Department. These reports will be integrated into the update of the PDIP. The reporting to the PDIP and the constant update of the PDIP form the PIMS (Figure 1). Through the PIMS the provincial administration will get an overview of the ongoing as well as committed public investments. The potential donors can also get an up to date overview, including non-funded priority provincial projects. Further, the M&E Unit would, through the PIMS, find a clear role for itself - to monitor the performance of the provincial investments and make project completion reports on completed projects.

Figure 1: Visualisation of a Provincial Investment Management System



The Commune Data Base is an important tool for provincial planning and it is the responsibility of the Department of Planning to maintain the database. The database serves several purposes:

- Ranks the commune, which is the base for development planning and selection of new SEILA communes.
- Identifies areas of needs in terms of public services
- Serve the line departments to assist in their works
- Become the baseline for evaluation of the provincial planning.

It has been noted that the provincial planning in the SEILA provinces is now slowly turning towards public investment management and statistical information and away from the old planning model inherited from the centrally planned economy. However, at national level this

change has not yet taken place. In a medium term perspective it is important that the provincial planning is harmonised with the national planning. This can be achieved through the two provincial planning tools – PDP and PDIP. The first would form a natural part of the national five-year plan, and the latter feeds into the national Public Investment Plan (PIP)⁴. Further, the commune database is a valuable source of information for the Ministry of Planning's statistical work.

2.6.2 Local Planning Process

New guidelines have been developed for the Local Planning Process that make the process simpler and focus on the commune rather than on the village. The LPP now contains five steps and the PRA has in reality been abolished. Instead, village and commune data are collected through the means of the Commune Data Base.

The coming year will prove if the streamlined LPP is suitable in terms of participation as well as replicability. The previous process did accomplish participation compared to other similar programmes, but at the same time it was too resource demanding to be replicable on a national scale. (See further discussion Section 4.2.)

2.7 CAREKEZ's Funding Situation

2.7.1 Domestic resource mobilisation

Domestic resource mobilisation is still low in Cambodia as well as in the SEILA provinces. However, there have been some positive developments beside the local mobilisation of resources as part of the Local Development Fund, which is around some 20%. Albeit small, provinces are now officially allowed to raise taxes for their own funds, from six small taxes such as stamp fees, ferry and slaughter house tax, etc. Perhaps more important is that the RGC has allocated Riel 800 million (USD 200,000) for 1999, to be used for investments in the SEILA provinces. For year 2000 the allocation will be Riel 2 billion, a considerable increase and an indication that the Government is prepared to financially support the SEILA experiment.

2.7.2 Donor funding

The Mission has noted with satisfaction that the financial situation of CAREKEZ – that was of some concern in May 1999 – has improved substantially. Additional funds have come from the Netherlands (USD 4.6 million for 1999-2000⁵), the World Bank to be used for reconciliation programme (USD 1.6 Million)⁶, and AUSAID. UNCDF has also agreed on bridging finance of the LDF for year 2000 totalling USD 600,000. IFAD has agreed to utilise the DDF for channelling the funds to the five SEILA provinces totalling USD 1.8 million for year 2000. Beside the addition funds, the Mission also noted a positive development in terms of a larger number of agencies that now give support to CAREKEZ.

3 PLANNING STATUS OF THE NEXT PHASE

In the previous AT report (June 1999) a time schedule for the planning of the next phase was set out, based on discussions between concerned parties. It is with concern that the Mission notices that only marginal work has been done in this regard. The problems to formulate the

⁴ The Mission has received indication from the SEILA Focal Point at the Ministry of Planning, that a transition to a national system of Investment Management, based on the PIMS idea would be desirable.

⁵ The Netherlands commitment for year 2000 is technically still tentative.

⁶ Payments of the World Bank fund have now started some 8 months late.

next phase and make a detailed planning of a complex programme such as a continuation of support to SEILA are recognised, especially at the early stage in mid 1999. The formulation of the next phase is much dependent on the political development of e.g. the commune reforms and the commune election. Many stakeholders consider that the commune law and commune election law must have been approved and adopted before any concrete plans can be made. Therefore the planning of next phase is to some extent characterised by a "Chicken and Egg" situation. However, there were two key items in the planning process that were to have been completed by June 1999 and which are basically independent from the political arena: (1) the formulation of the Terms of Reference of planning process, and (2) the alternative scenario analysis. None of these activities has been completed or even initiated. Some discussions between the CAREERE2 management and the government, especially SEILA Task Force (STF) and Ministry of Interior (MoI) have been conducted. Some preliminary ideas have been formulated around the option to implement the SEILA model to cover all provinces, as a support to the Commune Councils (CC). The CCs will be elected bodies and need considerable support and resources to function.

The Mission is of the view that maybe the planning process has started at the wrong end. Until detailed formulation of the structure and components of next phase can be formulated, a broader analysis is needed involving analysis of various strategies and possible scenarios. The first step would be to make an evaluation of a number of strategies by defining critical factors influencing the formulation of the next phase. This exercise would establish a framework within which the next phase of SEILA might operate. The establishment of the framework for the next phase should start as soon as possible, involving the STF and few other key stakeholders. By establishing the framework, RGC ownership of the planning process is secured. However, the planning phase needs resources and donors who are willing to support the process should make commitments of financial and TA support. A suitable time to discuss this is at the planned mid term review of CAREERE between Sida and UNDP in mid December 1999.

The framework for the next phase has other implications as well. Firstly, it will give an indication on the focus of the next phase and thereby on the planning of transition from CAREERE2 to the new programme. This may be of great importance in planning the work of the Provincial Programme Managers (PPMs) in year 2000. Secondly, it may serve as an indication to national staff in the CAREERE and SEILA structures that a continuation of the programme is possible. This type of information is important in ensuring that trained national staff maintains a commitment to the CAREERE/SEILA programme. A situation where the national staff may move to other jobs must be avoided, as the trained staff of the CAREERE/SEILA is the most valuable resource for a continuation of the programme.

4 SUMMARY OF THE FINDINGS OF THE SPECIAL STUDIES

4.1 The private sector study

It should first of all be emphasised that CAREERE2 is not a programme aimed at private sector development or having promotion of entrepreneurship as an objective. CAREERE2's development objective is to contribute to the alleviation of poverty and enhanced participation in the development process through decentralised governance.

Nevertheless, activities within CAREERE2 have been undertaken with the purpose to have direct or indirect impact on the private sector, primarily the small and micro business community in the provinces.

During 1997 – 1999 CAREERE2 ran a small unit for private sector development, the PSD Unit. The justification of the Unit was the badly felt need of studying ways and means to

restore and strengthen the capacity of the entrepreneurs in the provinces. The sustainability of a decentralised system for local government is largely subject to an emerging local resource base that increasingly provides a source of income and, hence, taxation.

4.1.1 Micro lending

Even before the PSD Unit was founded, CARERE2 had been instrumental in encouraging the Association of Cambodian Local Economic Development Agencies, better known as ACLEDA, to initiate lending in the provinces where CARERE was active. This move was facilitated by Sida, who supplied funds for the establishment of regional and district offices, in addition to necessary loan capital for the expansion of the loan portfolio in rural areas. Through ACLEDA a substantial number of micro entrepreneurs, of whom an overwhelming majority are women, have got access to working capital in their businesses and training in business planning. In Siem Reap only, around 6 000 entrepreneurs are regular clients to ACLEDA.

4.1.2 Business associations

The PSD Unit started with an attempt of basing its operations on a macro analysis of the small business sector in the provinces, i.e. to determine which the business areas had a growth potential, and what the major hurdles were to a transformation of these businesses to become competitive in a regional set up. The analysis made PSD focus on rice millers and brick and tile manufacturers, and to convince the individual businessmen to start learning from each other and to establish a common understanding that survival necessitates product development and increased negotiating power in relation to both authorities and wholesalers. In late 1999, three associations of rice millers and two associations of brick and tile manufacturers are operational in Battambang and Banteay Meanchey provinces. The PSD Unit has provided these associations with a small start up package, including office equipment for the associations, study visits to the neighbouring countries and establishment of links with the associations there as well as some limited test equipment. The PSD Unit also launched two micro economic studies on the operational and working conditions in the two sectors, which formed the basis for a capacity building in business management. Altogether the five associations organise a couple of hundred entrepreneurs in the two sectors, the ultimate goal being to establish national associations.

Following the successful outcome of this approach, the PSD Unit has been transformed into a national NGO, independent of CARERE2 during the fall of 1999. The NGO, which is now formally incorporated, operates under the name Entrepreneurship Development of Cambodia, EDC. Its main objective is to "promote the development of institutional capacity in the private sector", mainly in the form of formation and support of provincial and regional Business Associations.

4.1.3 Bidding procedures

In 1998 CARERE decided that services for infrastructure projects proposed and approved with financing from the Local Development Funds (LDF) and investment funds for sub-projects, should be procured in the form of bidding by private contractors rather than implemented by public sector institutions. This policy directive has had three major implications:

- (i) It has opened up an important market for small local private contractors operating basically in buildings and roads construction. The Mission's visits in Siem Reap and Battambang gave evidence that the LDF has been used to procure services from small and local contractors, rather than large contractors from Phnom Penh or other provinces. This is ensured by the fact that only provincial contractors are

short-listed and invited and also by the fact that most projects are limited in size (USD 1,000 – 5,000). The contractors' capacity range from 10 – 40 employees, with additional hiring of casual labour when needed, and a limited equipment park.

- (ii) It has promoted better business practises as a consequence of the formal bidding procedures. Contractors are formally invited to submit their bids through TV, radio and information boards in communes and villages, and drawings and other information on the project can be obtained at a token fee. Bidders are invited to the bidding meeting where the bids are formally opened and made public. The bidding committee then ranks the proposals according to set criteria, known also for the bidders, and the winning bid is presented in the presence of the bidders. The process does not ensure a definite exclusion of cartel formation, but it does make the process much more transparent.
- (iii) It has created a value added for the villagers inasmuch as the competition exerts a price squeeze among the bidders. Compared to prices estimated in the feasibility studies, elaborated by the Technical Support Staff, the final project costs have been reduced with 10 – 15 per cent. Money thus saved has been used by the project owner for projects next in priority order. Other actors in some provinces, such as WFP and others, have also initiated the bidding procedure.

4.1.4 Future interaction

It is important that the bidding procedures are maintained in the expansion of the programme in the provinces and into new provinces. Bidding should be the preferred form of procurement even when the local funds become subject for other investments than infrastructure.

EDC should maintain its links with CARERE. One obvious direction for EDC is of course to encourage formation of associations for rice millers and brick and tile manufacturers in other provinces, but another important direction could be to initiate similar concepts among small contractors and in the building material industry in general. It is fairly evident that various forms of infrastructure investments will continue to be a large component in CARERE/SEILA and in the local and regional development in general.

One major bottleneck for the modernisation of the small businesses is the gap in the market for financial services. Presently, a discussion is held between EDC and the Rural Development Bank to open up a facility for the market between the micro clients and the large scale clients served by the regular commercial banks. The process would be much facilitated by the establishment of a guarantee fund that could lift of the credit risk for the commercial banks but maintaining their network for the retailing of these credits.

As a complement to a future support to CARERE/SEILA, Sida should favourably consider financial support both to EDC and to the guarantee fund, should requests be presented to Sida.

In addition to these comments, it should be emphasised that the small and micro business sector will inevitably face a huge task in the national context the forthcoming years. Sensitive and vital issues such as reintegration, demobilisation, an increasing landless population, large numbers of school leavers and urbanisation will demand an enormous amount of jobs in the private sector. The SME sector cannot assume a major responsibility for this, but it has to give its important contribution, not least in the form of self-employment. In this respect it is alarming the government has not yet initiated a discussion of an SME strategy formulation. The time for that is really due.

4.2 *The role of the Commune in Participatory Development*

This study, when initially planned in May 1999, was aimed at exploring the implications of CARERE/SEILA's plan to shift its emphasis to the commune level, with the ambition of retaining a participatory model of development. Since then, the commune level has become the target of a fairly radical decentralization reform launched by the Ministry of Interior (MoI). This reform is likely to be launched during late 2000 and to affect rural Cambodia with full force starting year 2001. This is the year when SEILA will embark on its next phase. Obviously, coinciding both in terms of time and aims, the two efforts cannot be separated, which creates a highly complex situation. Problems to fully coincide and co-ordinate the two processes open up for an array of middle-range solutions.

In this context the study seeks to understand the role, capacity and potential of the commune authority to be an agent for change in the rural areas. We have approached this issue by examining the expectations on the commune from above as well as from below, also exploring conceptions and ideals about local leadership. In addition we have tried to probe into the capacity and motivation of the commune authorities themselves to assume such a role. Pending the results of the full quantitative investigation, still ongoing at the time of writing, this brief account of findings necessarily covers only parts of a much broader analysis. The full report will be delivered separately in February 2000.

4.2.1 *Capability of commune for participatory development*

The overriding concern to be addressed is whether the commune level, through the commune offices (or future commune councils) will be at all capable of generating and managing development that is participatory with respect to the local population. In view of the difficulties even with massive resources and a comprehensive LPP (cf. Biddulph, various years), participation will hardly be more thorough when the responsibility for local development moves to the commune level. On the other hand, viewing governance at the commune level, the functioning of the CDC seems to be the key in maintaining links to the village.

Our observations indicate that the village representatives attend CDC, raise their voices and manage to secure some support for their village. At one CDC-meeting we observed an open and transparent process based on democratic principles, led by a constructive and clever commune chief. While this is probably not the pattern throughout, it shows at least that there is a potential for a local democratic management of development at the commune level. The strengthening and support of this potential would appear to be an important role for the future SEILA.

In the literature, participation and effective management tend to be viewed as contradictory processes (Craig & Porter, 1997:50). This might be a particularly pertinent observation also in this case, given the diminishing resources and increasing tasks of SEILA, and that participation is crucial to the CARERE/SEILA idea. Overcoming this alleged contradiction might be the greatest challenge for CARERE/SEILA in the next phase.

A view from the village was gained through a closer and more systematic study of two villages, one in Battambang and the other in Pursat. They were chosen for relevant contrast, being different in terms of history, stability and resource structure, as well as the time of involvement with SEILA. In both, we found that contact with the commune office/commune chief is limited to cases, which are unresolved at village level (the formal route in legal matters, whether conflict resolution or marriage licences, was via the village chief, also the less expensive route in terms of "fees") or from the visit of commune chiefs to the village. Both have a fairly well known and popular commune chief, a village chief with low legitimacy and a VDC, which plays a pivotal role. (The interrelationship between the

legitimacy of the village chief, the VDC and the commune chief will be examined more closely in the full report). In the one case, the commune chief was fairly new on his post and not as widely known as the other, who has been in office for two decades. The new one also makes visits, mostly to provide information or talk to the village chief, and the VDC would like him to visit with them more frequently. In the other, the commune chief comes often; everybody knows his name and face and appreciates his knowledge about the villagers' condition. In both cases, engaged VDC members made clear that while they considered the shortened LPP process as beneficial to busy villagers (including themselves), they complained about insufficient access to and information about the process at CDC-level. The women representatives are not regularly called to CDC-meetings and pointed out to us that "...even when women are not very active at the meetings, they listen and tell villagers" i.e. they fill an important function in spreading information and facilitating transparency. Thus, upholding or improving the link between VDC and CDC is a recurring point with VDC members and may be vital to sustaining their confidence in commune level processes. VDC members' complaint is that they have invested time in being trained, but are not used to full capacity.

4.2.2 *The changing role of commune leadership*

To assess the potential of the commune chiefs to lead participatory development, we need to examine their changing role, both in terms of mandate and leadership style. In the 1980s and at least until 1992, commune authorities were pre-occupied with local security. They recruited people for the army as well as for occasional forced labour. One commune chief commented: "Then [in the 80s] people were afraid of me. They ran away when they saw me. I do not have that problem anymore. People are not afraid anymore". To our surprise, the commune chiefs we interviewed generally spoke freely about their role in the past and the dilemmas they faced at certain times. Some readily admitted that they used to be very unpopular and even feared, and that they had used 'power' in relation to the villagers – which they did not particularly like. However, they mostly added that this was a passed era and that people had forgotten. Whether people have forgotten or not is as yet an open question. What seems clear is that with a changing mandate, the commune chiefs view themselves, often with seeming relief, as having the chance of assuming a very different and more popular role compared to before⁷. Development was an important priority today with the chiefs we interviewed, on par with other tasks pertaining to Authority (legal, security and administrative duties). The attitude to which some commune chiefs gave voice may be phrased as "'Development' first and 'authority' second".

Contrasting SEILA and non-SEILA communes (albeit in SEILA-provinces), we found that change, when compared to the 1980s, was obvious in both kinds of communes. However, the difference was that development in SEILA communes had a content (although not necessarily of a kind we would prefer), meaning that 'development' was a living process, something concretely experienced by the local leadership, and possible to have visions about. Also in non-SEILA communes the commune chiefs were keen on being seen as focussing on development, although when asked what they meant with 'development', they fell short of an answer. This might be a disturbing observation in light of the discussions of involving a large number of new communes in the year 2000, and moving to scale in 2001, which may mean an arduous process of learning, at best; at worst, implying too far a stretch to go in too short a time.

Leadership and legitimacy thus constitute a core issue, for the local population and for the commune chiefs themselves. Interestingly, the two images implied by "authority" and "development" might be converging: The commune chiefs themselves seem to want to

⁷ 'Before' is in Battambang, before the war ended (i.e. 1997), while in Pursat (and other less violence-stricken areas we suppose) 'before' is before 1993 when the first election was held.

combine firmness with gentleness, where the former is the familiar and thus more natural one, and the latter is more demanding, forming part of the parental dimension of "caring". The commune level leadership constitute the point of intersection between local population (civil society) and state authority, in a way that district and province leaders do not. As a *mee khum* (mother [of] commune) the metaphor of the good parent is a popular one (cf. *mee phum*, mother [of] village). Interestingly, *mee srok* or *mee khet* (mother [of] district and mother [of] province respectively) does not really seem to make sense, especially not the latter. As such, the commune leadership may assume the role of combining the authority of the state with a more care-taking role of local leadership (the paternal ideal seems more often to be connected to the village chief or *mee phum*).

Villagers' view of an ideal *me-khum* (asked to give three criteria or valued qualities) can be grouped under four headings:

- **Caring** (true concern for villagers' problems; tolerance; understanding of villagers' situation; focus on the poorest people);
- **Accessibility** (visibility; cooperation and dialogue rather than strong, does not make himself big);
- **Competence** (des serious work; good management ability; education and/or experience, ability to connect villagers' to outside resources).
- **Trustworthiness** (no corruption; fairness).

The ideals listed can be seen as the moral basis of legitimacy, which of course presupposes a structural one, i.e. in this case the mandate (as elected official) and resources with which to fulfil such criteria. "Accessibility" can be seen as the premise of a more interactive, participatory relation to leadership. When asked to contrast the ideals to the reality of local leadership today, there were a number of shortcomings on all counts – although by and large – the present commune chiefs had fairly high legitimacy, in particular the one with many years of office. Importantly, the village of "his" commune also had a comparatively good resource structure, much less conflicts over land, and had participated in a host of development activities for a much longer time. In both cases, villagers did connect development work with commune, primarily through CDC activities, more so in the village of long CARERE/SEILA involvement than in the more recently included village.

4.2.3 *Supporting a commune-level participatory development process*

While commune chiefs in general are informed about the elections, and are aware that they will be accompanied by a rather thorough commune reform, which implies a new role for them, they have as yet, understandably, no detailed information on this. However, in no other instance was the commune reform opposed, or even criticized, whether discussed with the local intelligentsia, the local political opposition, district or province officials, or with people at large. On the contrary, there seemed to be a general expectation, even an eagerness, to see the commune election and commune reform happening. Needless to say, ordinary villagers knew little about either commune elections or reform; however, they were clearly positive to the idea of being able to elect commune leaders in the future.

In spite of not being too clear about their future role, commune leaders appeared confident both in terms of their own capability in running the commune, in their prospects of remaining/becoming popular and thereby being elected (and in one case at least, in having the necessary resources "from Government" to do the job). Even when confronted with some of the seemingly overwhelming difficulties, which the new Commune Law will impose on the commune administration, they reasserted that they could do the job. This was probably more a statement of motivation and intent, downplaying the problems foreseen in matching existing capacity of the commune office with expected achievements in a reformed commune. It is obvious that the commune – normally keeping its records in a drawer in an office that is rarely open – lacks a wide range of capacities, including the simpler tasks of administration.

What are the pre-requisites for a commune level leadership to fulfil the envisioned role as development agent? What kinds of support should be provided to assist them in fulfilling this role in a participatory manner? Three areas ("the three T:s") suggest themselves, based on the findings reported above:

Training – To acquire the necessary competence and motivation for managing participatory development, including all staff at commune level.

Transparency – To enhance accessibility and accountability, where an effective village link to CDC is vital. Supporting informal channels of communication and dialogue between villagers and commune leadership to increase the sense of understanding and being part of development efforts in the village.

Transfer of Resources – The commune must be able to "deliver the goods" to fulfil the requirements of a caring and competent leadership.

A tentative conclusion, based on the present situation in a small number of communes and villages, is that the commune office - with particular reference to the commune chief - may have both motivation and a reasonable degree of legitimacy among the local population for being the agent of local development. Another conclusion is that the commune office in its envisaged role as development agent needs support and monitoring to build the capacity needed to fulfil this role. Key components for participatory development at commune level are *village representation* in a commune body, such as CDC, and work carried out in a *transparent and democratic manner*. Thus, the design of the LPP might be less important than ensuring that village representatives are competent and committed and have a fair chance of arguing their case at CDC, at the same time as the role of the CDC is safeguarded and strengthened.

5 FOLLOW-UP ON PREVIOUS AT RECOMMENDATIONS

The Mission noted that most of the recommendations in the previous report have been addressed by CARERE/SEILA. However, there are a few exceptions:

- Most work remains regarding development and adoption of IEE guidelines.
- The management framework has partly been done through the Programme Manual. However, there is still need for the Management to make clear how the various parts interact and support each other. This is especially true in the case of M&E.
- There is need for additional allocation of training resources in the new financial system, especially at commune level.
- General staff meetings at the HQ have not been reinstated

It is the view of the Mission that these recommendations should be revisited and addressed as soon as possible, since their implementation would have a positive impact on the performance of the next phase of the programme.

Concerning the recommendations to the donors, the Mission noted that assistance to the government in formulating the framework for the next phase has not yet materialised. The support to the RGC¹ is still pending the formulation of the Government's concept paper.

Regarding the RGC¹, the Mission noted that to date the Government has not taken the lead in the formulation of the next phase. However, positive developments have occurred concerning domestic resource allocation to the SEILA programme.

6 CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

The CARERE/SEILA is a very successful programme in local decentralised development, that has made significant contributions to capacity building at provincial and local levels through human resources development and development and transfer of systems in finance, planning, M&E, etc. The programme has also engaged the civic society and the private business sector and establish transparent and open bidding systems for sub-project and village projects implementation. The programme has made considerable progress since its start, despite the political turmoil and initial lack of institutional support at national level. The latter might in fact have been a blessing in disguise as provincial administration was given greater freedom and responsibilities.

The Mission has noted that progress has been made since the previous visit in May this year, and some of the concerns that the AT raised in May have fortunately not become real. The transfer of the financial system seems to working smoothly at the provincial level. However, more training is needed at commune level. The planning issue appears to come to an end as the system now is set to move into public investment management rather than a means to attract financial resources. The problems that have marred the M&E still largely remain and it appears that the Management now wants to push the solving of the problems into the next phase. Thus, if M&E previously was the "problem child" it now seems to have become the "orphan child". To ensure a functioning decentralisation process a fully working M&E system is central. Therefore, it is important that the "prodigal child" returns home and an M&E system is established and transferred to the counterparts at the earliest possible stage of the next phase.

The next year will be of great importance not only in terms of planning for the new phase but also in showing that the programme is replicable to other provinces without a huge input of resources. The modified LLP and large expansion into new communes will show whether this is the case. It is further important that the next year is devoted to documentation of the SEILA experiment. This is a huge task and CARERE2 might consider requesting additional resources for this exercise, may be by making arrangement with a research institution.

6.2 Recommendations

Besides the renewal of the recommendations as discussed in Section 5 above, the Mission wants give a few recommendations that are related to closing of the CARERE2 programme and planning of the new phase.

Closing of the programme

- Additional resources shall be allocated to the training at commune level in the new financial system.
- Work on the documentation of the unique SEILA experiment shall be done during the next year. A work plan and resource requirements should be discussed and largely agreed upon during the midterm review of CARERE2 between Sida and UNDP in mid December 1999.
- If CARERE2 shall be the lead agent in the demobilisation programme additional TA resources must be allocated. The already scarce CARERE/SEILA resources shall NOT be used for implementation of the demobilisation programme. However, with additional resources CARERE/SEILA is a very suitable organisation to take the lead.

Planning of the new phase

- During the semi-annual review of CARERE2 between Sida and UNDP in mid December 1999, the following items are recommended to be prepared and agreed upon.
 - Terms of Reference of the planning phase
 - Commitments from the donors to support the planning with financial and TA resources
 - Timetable for the preparation of the next phase, including deadlines.
- As soon as possible major stakeholders should establish a framework for the next phase including evaluation of strategies and scenario. This will ensure Government ownership of the planning process.
- The RGC should ensure that the SEILA and the decentralisation process and reforms are compatible.

APPENDIX 1 Terms of Reference

Special Study: The role of the commune in rural Cambodia: Views from above and below.

Terms of Reference (ToR) for the Special Study to be carried out in November 1999. These ToR are based on a general set of ToR dated 1999-03-02 referring to the two-year assignment to SPM to monitor CARERE/SEILA.

1 BACKGROUND

Within the CARERE/SEILA framework, in combating rural poverty as well as in its peace-building efforts, the village has been the main interface between the state and civil society. A number of major changes in the near future challenge the premises of that framework as they move the commune level into focus as the prime area of interaction: First, as CARERE becomes SEILA, extending the project to a national scale is being considered in which case the point of intersection should be at the commune level. Second, the commune reform and commune elections will also concentrate attention to the communal authority.

CARERE/SEILA cannot avoid being part of this reform work. One of the concerns that arises is how to shift attention to commune without losing the grass-roots, participatory approach that has been the hallmark of CARERE since its inception. Is it at all feasible or desirable, and to what extent, to safe-guard and stimulate the village participation by the SEILA programme? Following this, the other key concern is the motivation, competence and legitimacy of the commune and its leadership to assume the roles and responsibilities envisaged in its new development mandate, and to do so in a participatory manner.

2 TASKS

Its overall aim is to carry out a focused study of the implications for the work of CARERE/SEILA of a new development mandate for the commune. The study asks whether it is a feasible idea to let the communes assume the leading role for the participatory part of the CARERE/SEILA project, by eliciting the views and perceptions of actors at different levels (national, communal and village). At the heart of the problem lies perceptions of the nature and capacity of the communal authority.

2.1 Key issues to be explored

The question will be explored in relation to three problem areas and vantage points:

- **The 'national' view of the commune**
What is the role and capacity of communal leadership/administration, as assessed "from above"? How is its current mandate defined, its role in pursuing rural development, and what are the reasons for selecting the commune for reform? Semi-structured interviews will be made at national level along with analysis of relevant laws, decrees and policy papers.
- **The commune's view of itself**
How do the commune authorities (commune chief, administrators) view their current organization, their role in development work, and specifically within the present CARERE/SEILA project? What is their understanding of and reactions to the anticipated changes at commune level?
- **The village relation to and views of the commune**
How is the commune, as an entity including of a number of villages, perceived by villagers? What are the kinds of interaction and experience, if any, of villagers (gender and

social strata considered) with commune authority and how is this authority, its mandate and performance assessed "from below"? How are prospects for village development seen by villagers if focus is moved from village to commune?

3 DESIGN AND METHODS

As shown, the role of the commune will be elucidated from differently positioned perspectives. The social composition and history of communes and villages selected will form the backdrop against which the data will be interpreted. Two communes in two different provinces will be selected for field work on the basis of relevant contrasts, and in concert with CARERE management. Fieldwork will involve two consultants (for two weeks in the field and one week for writing up) and a team of research assistants (for four weeks). A combination of quantitative and qualitative research techniques will be used, exploring understandings of the commune both through a brief anthropological field study as well as a minor survey. A third Province will be involved in the quantitative survey. One consultant will focus on the in-depth issues at local level, while the other consultant will carry out interviews on the other levels of the administration as well as supervising the survey team. The survey is similar to and results will largely be comparable with a previous survey carried out in eight villages in Takeo and Prey Veng by one of the consultants.

Given the scant research on these issues in Cambodia to date, the approach is basically exploratory. Considering the narrow time frame and the small number of villages involved, results cannot be broadly generalised nor conclusive; rather, they will be indicative of the range of issues involved for consideration by CARERE/SEILA in the changes the programme is facing. From the interpretation and analysis of the data, suggestions will be made regarding the consequences of communal reform as well as possible interventions required.

The fieldwork of the two consultants shall be carried out for two weeks, from 8 to 20 November 1999. A final draft report of the study will be presented by February, 2000.

4 TIMING

The field work will be carried out during week 45 and 46.

5 REPORTING

Preliminary findings will be reported and form part of the CARERE2 monitoring report. A draft report on findings and recommendations of the special study will be submitted to Sida in February 2000. Final report will be submitted two weeks after comments have been received on the draft report.

APPENDIX 2: Terms of Reference

Special Study: The Potential for Private Sector Involvement in the CARERE2 Programme

Terms of Reference (ToR) for the Special Study to be carried out in November 1999. These ToR are based on a general set of ToR dated 1999-03-02 referring to the two-year assignment to SPM to monitor CARERE/SEILA.

1 BACKGROUND

There are some 50 000 small and medium sized enterprises (SMEs) in Cambodia. Half of the SMEs are located in rural areas. Most of them operate on a modest level, partly due to lack of access to credit. Yet, they are important source of job creation and income generation and it is estimated that SMEs contribute to roughly 40% of the aggregate household income. It is thus important that SMEs and their conditions are brought into the CARERE/SEILA framework and that various forms of partnerships can be created.

CARERE2 included a Private Sector Development Unit, whose main objective was to strengthen the network of local business associations. CARERE2 also channelled funds for micro lending through ACLEDA, an NGO with ambition to be established as a national micro lending institutions. Further, the investment programme under CARERE2 has supported local construction companies and established tender guidelines for contractors. All these efforts have contributed to the inclusion of the private sector in the development process. However, it is felt that further actions and stimuli can be extended to the private sector to ensure sustainable development and broaden the scope of the development efforts.

Furthermore, it is still vital that CARERE/SEILA avoids becoming a fully public sector driven programme and that various forms of networking and partnerships are further strengthened with the private sector, both in terms of *promoting* policy and institutional conditions of local private sector expansion and *relying* on private sector goods and services in programme implementation.

2 TASKS

The consultant shall perform the following tasks:

- Assess and evaluate the impact and sustainability of the credit schemes for small and micro enterprises in rural areas. Particularly the ACLEDA scheme, but also other micro credit schemes for financing village level activities;
- Assess and evaluate the impact on the private sector from SEILA's system for bidding and contracting of local contractors in the implementation of particularly small infrastructure projects at village and commune level;
- Assess and evaluate the impact of CARERE's work with local business enterprises/ associations and other forms of cooperation with business organisations;
- Explore other forms of interaction between CARERE/SEILA and the private sector in terms of areas of local partnerships and in more organised forms (i.e. definitions of policies, institutional capacity and/or specific instruments that will encourage and strengthen SME development) in order to increase the involvement of the private sector in the development process.

- Analyse the relevance of and possible future support to the private sector in the next phase of SEILA, and provide recommendations for future studies and research in this field.
- Special attention should be given to the possibilities of supporting SME run by women.

3 TIMING

Field work will be done at village level in Siem Reap and Battambang provinces. In these two areas specific focus will be on the tourism sector (Siem Reap) and the more traditional SME sector (Battambang). The field work will be carried out during week 45 and 46.

4 REPORTING

Preliminary findings will be reported and form part of the CARERE2 monitoring report. A draft report on findings and recommendations of the special study will be submitted to Sida in mid December 1999. Final report will be submitted two weeks after comments have been received on the draft report.

APPENDIX 3: Terms of Reference of the Monitoring of the CARERE2 Programme in November 1999

1 BACKGROUND

Sida has supported the CARERE2 programme for rural development in Cambodia since its inception in 1994. A Sida advisory team has been monitoring the programme since 1997, and a midterm evaluation under the auspices of UNDP was conducted in mid 1998.

In 1999 Sida awarded SPM Consultants a two-year contract for monitoring of CARERE2, based on a general set of Terms of Reference dated 1999-03-02. However, for each of the monitoring mission the consultant shall be provided specific Terms of Reference (ToR).

The ToR for the November 1999 Monitoring Mission is based on the general ToR attached to the SPM contract. These ToR are complemented with the specific ToR as indicated below.

2 TASK OF THE CONSULTANTS

The November 1999 monitoring exercise is envisaged to mainly focus on updating recent developments in the CARERE2 programme, and particularly the planning process of the next phase. The work therefore has the character of a mini-monitoring. The tasks of the consultant are to review and assess developments in the following major areas:

- Monitoring and evaluation systems of the CARERE/SEILA programme
- CARERE/SEILA investment planning
- CARERE/SEILA financial management
- The current CARERE/SEILA funding situation, including review of other donor activities, such as IFAD, World Bank, the Netherlands, AUSAID, etc.

Additional tasks of the consultant are to:

- Discuss the SEILA's current ambitions and realist assumptions in increasing local resource mobilisation in the next phase of the SEILA programme, including discussions on actions needed to decrease the dependence on a few donors.
- Preview the planning of the next phase of CARERE/SEILA and discuss the next steps to be taken including time, studies, financial support etc. for each partner e.g. RGC/SEILA, UNDP/CARERE and Sida.
- Preview the planning of the LFA based Ratanakiri workshop
- Discuss the relationship between post CARERE and Ratanakiri. Where is the Sida focus and what is a sustained balance of Sida support to both programmes?

Parallel with the overall monitoring, two specific studies will be carried out that have separate Terms of References. The first concerns the role of commune in rural Cambodia: Views from above and below. The second concerns the role of private sector in the development process and particularly in connection with the CARERE/SEILA programme. The findings of the two studies will be incorporated into the monitoring work.

The results of the monitoring in terms of assessment, identification of problems, lessons learned and recommendations for improvements will form the background material for Sida's discussions with UNDP during the annual review in mid December 1999.

3 TIMING

The field work of the monitoring will take place during week 44 and 46 in Cambodia, in close cooperation with the specific study on the private sector.

4 REPORTING

The report of findings of the monitoring shall be submitted to Sida not later than 6 December 1999.

Appendix 4: Persons met

MEETINGS IN PHNOM PENH

PSU IFAD Project, Ministry of Agriculture
 Tauch Kin Veesna, Chief of Section, External Finance, Ministry of Economy and Finance
 Chou Kimleng, Director of External Finance, Ministry of Finance

Paddy Roome, Consultant (Ministry of Interior on Commune Law)

CARERE

Scott Leiper, Programme Manager
 Joel Charny, Deputy Programme Manager

Sida

Asplund, Daniel, Country Representative, Sida, Phnom Penh

UNDP

Claire Van der Vaeren, Assistant Resident Representative
 Mao Moni Ratana, Programme Officer
 Paul Davenport, Programme Officer

MEETINGS IN BATTAMBANG

Bun Sarin, PFT
 Chaay Chhoeun, DFT
 Chea Sambath, Deputy Secretary, PRDC
 Cheng Lay, Infrastructure Assistant CARERE
 Chhouk Em, M&E focal point, PDoA
 Chuop sa Roeun, Finance Unit, PRDC
 Doeuk Vireak, Finance Unit, PRDC
 Duk Pun, DFT
 El Soy, deputy Chairman, Excom, Director PRDC
 Hem Sovann, TSS
 Hong Chrin, Director of Finance Department
 Irene Pieterse, IPP M&E Advisor, CARERE
 Joan Morrisson, PPM
 Kim Chean, LCB, CARERE
 Kol Ly, Head of M&E Unit
 Kung Munichan, Dept. PPM, CARERE
 Ky Serey, Finance Unit, PRDC
 Nget Sotheara, M&E Assistant, CARERE
 Nuon Kim Lang, LCB, CARERE
 Phay Ou Dary, Chief TSS, PRDC Secr.
 Pheung Summath, DFT
 Prum Bunnavy, M&E Unit
 Ros Thaum Deputy Director, PDoA
 Sam Son, PFT
 Sat Soeung, CDC Chief and Commune Chief, Preaek Loung Commune
 Seng Tha, Finance Officer, PDoA
 Seng Valath, Director Department of Planning
 Set Bony, M&E Unit
 Sin Makora, TSS

Siv Seneh, PFT
 Sornn Kaeub, DFT
 Tat Ny, Deputy PRDC Secretariat
 Tep Damnan, Gender Assistant, CARERE
 Thach Savy, Finance Assistant, CARERE
 Keng Thenh, Finance Officer, Preaek Loung Commune
 Tiev Chouloung, Dept. Director, Dept. of Planning
 Vuthy, Education Ass., CARERE
 Yun You, DFT

Hun Leakhena, Training and Project Coordinator, Krom Akpivat Phum,
 Keat Mearn, Finance officer, Krom Akpivat Phum,
 Lon Ean, Community development worker, Krom Akpivat Phum
 Ok Sokety, Community development worker, Krom Akpivat Phum,
 LCB staff, Battambang
 Commune Chief, Prek Kpob
 Preab Satharith, Development Worker KLD,
 Kao Heap, Development Worker KLD,
 Chet Savan, Development Worker KLD
 Secos Eng, Development Worker KLD
 Rin Saroeung, Development Worker KLD
 Representative for Sam Rainsy Party
 Representative for FUNCINPEC Party
 El Say, Chief PDRD
 Tout Sonnara, District Chief, Ek Phnom, Peam Ek
 Sieng Sothony, District Chief, Svay Por District
 Sang Ran, Peam Ek Commune
 Roy Vuthy (Ex-Commune Chief), Peam Ek Commune
 Som Rom, Headmaster, Peam Ek Primary School.
 Commune Chief, Svay Luong
 Lak Sem, Commune Chief, Kandieng Commune
 Hun An, Deputy District Chief, Kandieng Commune
 Sao Dareoun, District Chief, Kandieng Commune
 Un Bunly, Headmaster, Kandieng Commune

MEETINGS IN PURSAT

Ung Samy, Governor
 Khin Seila, Deputy Governor
 Khoy Sokha, 2nd Deputy Governor
 Chhim Paveth, Deputy Director, PRDC Secretariat
 Chhor Sophal, PPM, CARERE
 Chhun Song, Director, Dept. of Planning
 Samnang, LCB
 Toula Si, LCB
 Orviol, LCB
 Yeap Eng, LCB
 Oun Sareoung, DFT
 Chhor Sophal, PPM
 Chun Song, Director of Department of Planning
 PRDC Pursat
 Excom members Pursat

MEETINGS IN SIEM REAP

Ban Krui, M&E Unit
 Chan Sopha, Director, Department of Economic and Finance
 Hans von Zoggel, PPM
 Julian Abrams, Infrastructure Advisor, CARERE
 Keo Koeun, Senior LCB
 Keo Chan Ratha, Team Leader LPU
 Kao Thao Rith, LPU
 Nim Sopha, M&E Unit
 Nim Van Sam, M&E Unit
 Pech Nareth, M&E Assistant CARERE
 Svati Pisak, Director, Department of Planning
 Um Vanneth, Financial Assistant, CARERE

CDC and VDC members in Kien Sangkea and Lvea Communes