



Unofficial  
Translation

**Royal Government of Cambodia**  
**National Committee for Sub-National Democratic Development**



**NATIONAL PROGRAM**  
**ON SUB-NATIONAL DEMOCRATIC**  
**DEVELOPMENT**  
**PHASE 2 (2021-2030)**

**Approved by the Royal Government of Cambodia**  
**on 9 December 2021**



## MESSAGE

### SAMDECH AKKA MOHA SENA PADEI TECHO HUN SEN PRIME MINISTER OF THE KINGDOM OF CAMBODIA

#### – Dear Compatriots!

The security and stability that has been created by the clear vision and firm commitment of the Royal Government of Cambodia (RGC) is a strong foundation for the restoration and development of the country, which was badly destroyed by chronic civil war for decades.

Having achieved this stability in the late 1990's through the implementation of the Win-Win Policy, we now have the rare and invaluable opportunity to work together in the restoration of the country. We can do this through the development and implementation of national policies, strategic plans, and sectoral reform programs to ensure that this hard-earned peace endures. The goal of these plans is to promote socio-economic development and prosperity in a socially inclusive and equitable manner.

Based on our sharp commitment and effort over the last two decades, our country has shown tremendous growth. The poverty rate has been vastly reduced and in 2021, Cambodia met the criteria to be removed from the Least-Developed Country List of the United Nations. We all must recognize that this is a historic achievement that has been realized during a time of peace in Cambodia.

On behalf of the Royal Government, I highly value the efforts made by leaders, civil servants, military members, development partners, civil society organizations, private organizations, and all the men and women who have supported the formulation and implementation of national policies and reform programs of the Royal Government. Without them, this historic feat would not have been possible.

The Decentralization and Deconcentration (D&D) reform, or the Sub-National Democratic Development Reform (SNDD) is an important governance reform of the Royal Government identified in the national policy and the rectangular strategies. This reform focuses on the reorganization of structures and administrative management systems at sub-national administrations in accordance with the key principles of good governance, namely participation, responsiveness, effectiveness, transparency, accountability, rule of law, social equity, and inclusiveness.

The main objective of the D&D reform is to establish a democratic culture at the local level that promotes the participation of people, the delivery of public services, and local development in order to respond to the needs of the people in each locality. This will eventually improve the quality of life and contribute to the reduction of poverty of the people in a socially inclusive and equitable fashion.

Based on the history of the public management systems and the evolution of politics in Cambodia, the Royal Government foresees that the D&D reform will be a complex process that requires a long period of time to implement. However, the Royal Government remains strongly and clearly committed to implementing this reform to promote local governance and local development with the people's participation. This represents a main foundation in contributing to the development of society and a sustainable national economy that benefits all people in a socially inclusive and equitable manner.

Truly, we have carefully formulated and implemented this reform based on the context of politics, the economy, the society, and the culture of Cambodia. We have adhered to step-by-step and learning-by-doing methods. We have designed and implemented this reform program starting at the sub-national commune/Sangkat (CS) administrations that are located closer to the people. Based on these lessons, experiences and successes at the CS level, we

have expanded the design and implementation of this reform to other sub-national administrations, namely the capital, province, municipality, district, and Khan administrations. Through this reform, powers, responsibilities, functions, and resources have gradually been transferred from the national level to sub-national administrations to “**move decisions in service delivery closer to the people**” and promote the quality and effectiveness of basic public service delivery to the people.

In 2020, we completed the first phase of a 10-year national program (2010-2020). The main achievement was installing functioning sub-national administrations in accordance with the principle of democratic development. Additionally, functions and resources have increasingly been transferred to the sub-national administrations to allow for the management and implementation of obligatory and permissive functions for public service delivery and local development in response to the needs of the people in their jurisdiction. This was carried out in an effective, accountable, socially inclusive, and equitable manner.

The D&D reforms in each phase have provided the sub-national administrations with improved capacity to provide public services as well as address challenges in their jurisdiction with ownership. For instance, when our country faced the difficult situation presented by the serious infectious COVID-19 disease, the Royal Government was required to take necessary and urgent action. Similarly, in the case of disasters such as the floods and droughts that occurred in some areas, we observed that the sub-national administrations independently took the necessary preventive measures in their jurisdiction to help people affected by those disasters in a timely and effective fashion.

In order to deepen the D&D reform, the Royal Government has decided to implement “**The National Program on Sub-National Democratic Development Phase 2**” (NP-2). This 10-year program will last from 2021-2030 and be aimed at strengthening the potential of the sub-national administrations to play a more active role in participating and contributing to the achievement of the vision of the Royal Government “**to advance Cambodia as an upper-middle income country by 2030**”.

On behalf of the Royal Government, I highly appreciate **Samdech Krolahom Sar Kheng, Deputy Prime Minister, Minister of Interior and Chairman of the NCDD**. He has led and coordinated this important reform with gradual progress in accordance with national policies and the commitment of the Royal Government.

The second phase of the National Program on Sub-National Democratic Development is an important priority of the Royal Government. I am, therefore, requesting relevant ministries and institutions at both the national and sub-national levels to continue to support and actively participate in this reform in respect to their roles and responsibilities.

On behalf of the Royal Government, I call on the public, civil society organizations, development partners, private sector stakeholders, and all relevant stakeholders to support and participate in the implementation of this program. With your help, the second phase of the National Program on Sub-National Democratic Development will succeed as planned and contribute to the improvement of society, the economy, and the quality of life of every citizen.

Phnom Penh Capital, 09 December 2021

**SAMDECH AKKA MOHA SENA PADEI TECHO HUN SEN**

## Preface

The National Program on Sub-National Democratic Development Phase 2 (NP-2) was designed as a long-term roadmap for the implementation of the Decentralization and Deconcentration (D&D) reform from 2021 to 2030. Phase 1 of the National Program on Sub-National Democratic Development ended in 2020.

NP-2 was formulated based on the achievements and challenges of the program's first phase as well as policy directions of the Royal Government of Cambodia (RGC) regarding the D&D reform's vision for the next 10 years.

The program's second phase was developed under the leadership and coordination of the National Committee for Sub-National Democratic Development (NCDD) with technical support from a group of national and international consultants as well as with consultations and participation from representatives of ministries, institutions, sub-national administrations, development partners, civil society organizations (CSOs), and other relevant stakeholders. The second phase of the national program was presented at the 19<sup>th</sup> NCDD meeting held on 21 October 2021 prior to submission for review and approval by the RGC.

Essentially, the second phase of the national program describes the vision, goals, and expected outcomes of the D&D reform over the next 10 years and comprises of five components. Each component includes expected outputs, strategies, and priority activities that must be implemented in order to achieve this objective: **“Sub-national administrations will gain increased capacity to provide public services and improve development for the people in a socially inclusive and equitable manner with the aim of making Cambodia an upper-middle income country by 2030.”**

Phase 2 of the national program also describes the need for the formulation and implementation of priority activities in alignment with the Public Financial Management Reform Program, the Public Administrative Reform Program, the Judicial and Legal Reform Program, and other sectoral reform programs. Main goals of the program include gender equality, social equity, inclusiveness, increased resistance to climate change and disasters, and resistance to serious infectious diseases.

Furthermore, the second phase of the national program provides directions for the formulation of work plans and budgets as well as outlining roles and responsibilities for relevant parties. The relevant parties include ministries and institutions, sub-national administrations (SNAs), and non-state actors, all of whom are needed to ensure the success of this program.

On behalf of the NCDD, I truly believe that this document will be useful for Your Excellencies, ministry leaders and staff, institutions, SNAs, non-state actors, researchers, and the public. This document outlines the direction of the reform for the next 10 years. We hope to receive support from all ministries and institutions of the government, political parties, development partners, CSOs, private organizations, and the public.

I would like to express my gratitude to **Samdech Akka Moha Sena Padei Techo HUN SEN, Prime Minister of the Kingdom of Cambodia**, for providing the guiding principles that will move this reform process forward.

On behalf of the NCDD, I deeply thank Your Excellencies, ministry staff and leaders, institutions, SNAs, political parties, development partners, CSOs, private organizations, and all the people who have supported this D&D reform over the past two decades. I would like to call for their continued support and participation to ensure the success of this reform.

Phnom Penh Capital, 01 December 2021  
**Deputy Prime Minister, Minister of Interior  
Chairman of NCDD**

**Samdech Krolahom SAR KHENG**

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## List of Abbreviations

ASAC	Associations of Sub-National Administration Councils
AWPB	Annual Work Programme and Budget
BoG	Board of Governors
BOO	Build-Own-Operate
BOT	Build-Operate-Transfer
BSP	Budget Strategic Plan
BSRS	Budget System Reform Strategy
CCWC	Commune Committee for Women and Children
CDB	Commune Database
CP	Capital/Province
CPF	Capital and Provincial Fund
CS	Commune/Sangkat
CSF	Commune/Sangkat Fund
CSO	Civil Society Organisation
D&D	Deconcentration and Decentralisation
DMF	District Municipal Fund
DMK	District/Municipality/Khan
DP	Development Partner
FAQs	Frequently Asked Questions
FMIS	Management Information System
GDA	General Directorate of Administration of MoI
GDB	General Department of Budget
IP3	Three-Year Implementation Plan of the NP-1
LIR	Legal and Judicial Reform
LJR	Law and Justice Reform
MEF	Ministry of Economy and Finance
MIS	Management Information System
MoEYS	Ministry of Education, Youth and Sport
MoI	Ministry of Interior
MOP	Ministry of Planning
MYIP	Multi-Year Implementation Plan
NCDD	National Committee for Sub-National Democratic Development
NCDDS	Secretariat of the National Committee for Sub-National Democratic Development
NP-1	First Phase of the NP-SNDD 2011-2020
NP-2	Second Phase of the NP-SNDD 2021-2030
NPAR	National Programme for Administrative Reform
NP-SNDD	National Programme for Sub-National Democratic Development
OWSO	One Window Service Office
PDEF	Provincial Department of Economy and Finance
PF	Provincial Fund
PFMR	Public Financial Management Reform
PIB	Performance Informed Budgeting
PIB	Performance-Based Budgeting
PIM	Public Investment Management

PMM	Project Management Manual
PMSD	Programme Management and Support Division of NCDD-S
PPP	Public-private-partnership
PT	Provincial Treasury
RGC	Royal Government of Cambodia
RMS II	Revenue Mobilization Strategy
SAF	Social Accountability Framework
SARMIS	State Asset Registration Management Information System
SCDD	Steering Committee on D&D Reforms of Ministries, CPs and DMs
SNA	Sub-National Administration
SNA-PIM	SNA Public Investment Management
SNDD	Sub-National Democratic Development
SNIF	Sub-National Investment Facility
TFC	Technical Facilitation Committee
TWG-SNDD	Technical Working Group on SNDD
WCCC	Women and Children's Committee

# CHAPTER 1

## INTRODUCTION

### 1.1. BACKGROUND

The Royal Government of Cambodia (RGC) recognizes that governance reform is essential to achievement of its economic and social goals. The main goal is ensure Cambodia becomes an upper-middle income country by 2030 and a high-income country by 2050. Accordingly, the RGC has enacted a broad and deep modernization of the governance system through measures that include the National Program on Sub-National Democratic Development (NP-SNDD), the Public Financial Management Reform (PFMR) Program, the National Public Administration Reform (NPAR) Program, the Legal and Judicial Reform (LJR) Program, and sectoral reforms.

Cambodia's sub-national democratic development reforms began with the establishment of commune/Sangkat (CS) councils, which held their first elections in 2002. Building on the successful reforms at the CS level, the RGC expanded this reform to all sub-national administrations (SNAs) in the country through the establishment of capital/province (CP) and district/municipality/Khan (DMK) councils. The RGC also introduced Decentralization & Deconcentration (D&D) administrative systems in 2009 in accordance with the Law on Elections of the Capital, Provincial, Municipal, District, and Khan Councils and the Law on Administrative Management of the Capital, Provinces, Municipalities, Districts, and Khans.

Recognizing the long-term and complex nature of the tasks required to fully implement the strategic framework, the Law on Administrative Management of the Capital, Provinces, Municipalities, Districts, and Khans, as well as SNDD reforms, the RGC formulated the NP-SNDD as a ten-year program 2010-2020 (NP-1).

The first phase of the NP-SNDD ended in 2020. Major achievements of the program included the establishment of SNA democratic structures and functions, the transfer of functions for public service delivery, and the local development of SNAs. The program also implemented financial decentralization, built the capacity of SNAs, and strengthened the role of women in government processes. Public services were delivered in response to the needs of women and other disadvantaged groups. However, there were challenges to fully implementing the national program, and the full scope of its vision and goals of have not yet been fully met.

Accordingly, the RGC, within the framework of its Rectangular Strategy-Phase 4 for growth, employment, equity, and efficiency, has decided to create a second phase of the program which will last from 2021-2030. The goal of the program is to overcome the challenges encountered in Phase 1 and to continue the SNDD reform process.

This second phase of the national program (to be referred to as NP-2) was formulated by representatives from ministries, institutions, SNAs, development partners, CSOs, and other relevant stakeholders. The program was guided and agreed upon by **Samdech Akka Moha Sena Padei Techo Prime Minister of the Kingdom of Cambodia** on 10 December 2020.

This NP-2 document describes the rationale for SNDD reforms and the achievements of NP-1. It also outlines the challenges to be addressed during NP-2. Finally, it will clarify the objectives and expected outputs of the program and describe its components, implementation strategies, monitoring and evaluation methods, risk management methods, and the estimated resources required to implement NP-2.

NP-2 has been fully developed and will be implemented in phases. The first implementation plan covers a period of five years from 2021-2025 (IP5-I) and the second implementation will cover the

next five years from 2026-2030 (IP5-II). These five-year phases will be formulated separately from this NP-2 document.

## **1.2. RATIONALE**

The Constitution of the Kingdom of Cambodia, adopted in 1993, defines Cambodia as a unitary State. As amended in 2008 in Article 145 (New), the Constitution states that the territory of the Kingdom of Cambodia is divided into Reach Theany (Royal Capital City), khets (provinces), Krongs (municipalities), Sroks (districts), Khans (arrondissements), Khums (communes), and Sangkats (quarters). These divisions are to be administered according to the provisions of organic laws which include the Law on Elections of the Commune/Sangkat (CS) Councils; the Law on Administrative Management of the Communes/Sangkats; the Law on Elections of the Capital, Provincial, Municipal, District and Kahn Councils; and the Law on Administrative Management of the Capital, Provinces, Municipalities, Districts, and Khans.

The Kingdom of Cambodia has three levels of sub-national administration. They include the capital/province (CP), district/municipality/Khan (DMK), and commune/Sangkat (CS) administrations.

Presently, Cambodia consists of one capital and 24 provinces. The capital is sub-divided into 14 Khans, which are further sub-divided into 105 Sangkats. There are 24 provinces. The administrative center of each province, plus four other significant urban centers, are designated as municipalities. These 28 municipalities are sub-divided into 139 Sangkats. The remaining territory of the provinces is divided into 162 districts, which are sub-divided into 1,402 communes. Therefore, in total, there are 25 CP-level SNAs, 204 SNAs at the DMK level, and 1,646 SNAs at the CS level.

Capital, province, district, municipality and Khan administrations consist of a council and a Board of Governors (BoG), plus administrative officers. The CP and DMK councils are indirectly elected by the CS councillors. The BoG of CP and DMK administrations are appointed by the RGC. The majority of SNA officers are appointed by SNAs at their respective levels.

Communes and Sangkats are administered by councils who are directly elected by the people in their jurisdiction. The chair of the council is the head of the administration. CS councils are assisted by a clerk. CS councils may hire additional assistants on a contract basis. Villages do not have administrations, but village chiefs and assistants have the responsibility of assisting CS councils.

SNAs perform their role as representatives of the people in their jurisdiction, providing basic public services and promoting socio-economic development. Additionally, SNAs represent the RGC at the local level and undertake local administrative tasks. From 1993 to 2002, most public services were delivered by technical departments at the CP level and offices at the DMK level. These offices reported directly to their associated ministries. During NP-1, these functions were transferred to SNAs. In late 2019, most DMK offices of ministries were integrated into the management structures of DMK administrations in accordance with the principle of unified administration.

While the D&D reform process established and revised the management structures, systems, and working procedures of SNAs, the D&D reform process has not yet achieved the RGC's full objective for SNAs. This objective is for SNAs to become strong institutions with the capacity, power, and resources to effectively carry out their responsibilities and functions. These functions include providing public services and fostering local socio-economic development in an effective and active manner to improve the livelihoods of the people. The main goal is to contribute to achieving the RGC's strategic objective to establish Cambodia as an upper-middle income country by 2030.

Recognizing this, the RGC has placed the acceleration of governance reform at the core of Rectangular Strategy-Phase 4 (RS-IV). RS-IV states that the strategic objective of governance reform is the modernization of government institutions. The objective also aims to promote inclusive, equitable and just development by exercising political, economic, and administrative power in the governance and management of national affairs. A key element is maintaining the sustainable role

and function of the public administration by focusing on the interests of people and nation-state building. The RGC, as such, will need an efficient and effective public administration system to deliver highly effective and quality public services. A framework will be provided to citizens to ensure their inherent productive and innovative capacities are liberated and promoted.

New policies and the Sub-National Democratic Development (SNDD) reform programs are key components of the RGC's governance reforms. The SNDD reforms seek to improve the efficiency and flexibility of the government to respond to local needs. This can be achieved through the transfer of resources to SNAs to enable them to provide public services and foster local development in an effective, transparent, and accountable manner.

The transfer of functions is guided by the principle of subsidiarity which includes the following three postulates.

- (1) The lower level of societal organizations, which are located closer to the people, always have to be given priority to help them responsibly manage, administer and implement their functions.
- (2) If the respective lower-level societal organization cannot manage to fulfill a function, a higher-level societal organization shall assist in performing these functions in a responsible manner.
- (3) If this system does not lead to a satisfying solution, the higher-level societal organization shall be given the mandate to carry out the function in question.

During NP-1, numerous legislative and administrative steps have been taken by the RGC, ministries, and institutions to bring service delivery closer to citizens and strengthen their participation in planning and decision-making at the local level.

However, this process is far from complete and needs to be appropriately reviewed and revised. The SNA councils that are elected as the representative of the citizens in sub-national governance do not exercise real decision-making powers over the plans and budgets of SNAs or provide legislative oversight of the BoGs and CS chiefs. SNAs do not have full authority in managing, administering, and using their discretionary resources because they are limited by the current legal framework.

Cambodia's graduation to an upper-middle income country will be achieved through the modernization and diversification of all aspects of its economy and society. A dynamic, private sector-led economy based on high value-added industry and services, including the dawn of the Fourth Industrial Revolution or "Industry 4.0", will need to be facilitated and supported by a modern, high-capacity public administration at the national and SNA levels. Human resources and working approaches that have been "good enough" in the past will no longer be sufficient by 2030.

Therefore, decentralization of powers, functions, staff, and budget resources must be matched by a radical improvement in administrative capacity. The SNDD process must include the strengthening of staff recruitment and management systems, the upgrade of staff skills, and the full integration of digital technology into sub-national governance.

Cambodia, like other countries, faces the strategic challenges presented by climate change. This challenge requires action at local and national levels. Additionally, other challenges such as promoting gender equality and creating digital governance systems are also important and need to be addressed by multiple sectors at the national and sub-national levels. In this regard, the design of NP-2 has included these three challenges as cross-cutting issues.

### **1.3. ACHIEVEMENTS**

Under the first phase of the National Program for Sub-National Democratic Development (NP-1), the RGC has achieved the following major results:

- Democratic structures and systems have been established at all SNA levels. Elected SNA councils were established and SNA administrative management methods were restructured. Procedures were developed for the implementation of SNA functions, including council

procedures for conducting meetings and organizing public forums. Financial and administrative procedures were adopted to enhance the capacity of SNAs in providing public services.

- These procedures also ensured that SNAs could foster local development to respond to the needs of the citizens in their jurisdiction in an effective, transparent, accountable, and equitable manner. In 2019, the DMK administrations were restructured to be more unified through the integration of line offices and units of 20 ministries.
- SNA staff management systems have been developed and implemented to empower SNAs in the management, administration, and use of their staff. Approximately 40,000 staff members were transferred to SNAs. To help them better understand their roles and responsibilities and increase their capacity, short course training, workshops, and on-the-job training was provided. The National School of Local Administration (NASLA) was also established to provide capacity-development workshops for SNAs.
- Fifty-five functions in 20 sectors were transferred to DMKs. Functions related to social affairs and the health sector were transferred to CPs following the principle of subsidiarity. The One Window Mechanism was established in CP and DMK administrations to improve citizens' access to administrative services.
- Financial management systems such as the DM and CS financial management system were established to manage, administer, and use financial resources in an effective, transparent, and accountable manner. These systems include unconditional financial resource transfers systems such as the District Municipal Fund (DMF) and the Commune/Sangkat Fund (CSF) Fund. They also include conditional financial resource transfer systems such as the Sub-National Investment Facility (SNIF). A fund transfer mechanism that assisted with the transfer of functions and enabled a tax-sharing system between SNAs was also implemented. As of 2020, the RGC has transferred a total of \$3.8 billion through these reforms to help SNAs respond to the needs of citizens in local communities.
- SNA planning systems have been developed and implemented. These include the SNA five-year development plans and three-year rolling investment programs. The planning systems were designed in accordance with the characteristics of each administration to promote the use of SNA resources and respond to the needs of citizens in their jurisdiction in an effective, accountable, socially equitable, and inclusive manner.
- Democratic accountability mechanisms have been developed and implemented. These mechanisms include the CP and DMK ombudsman offices that have been opened throughout the country. The ombudsman offices function outside of the court system to handle complaints related to the functioning of the SNAs. The Social Accountability Framework (SAF) has been developed in close cooperation with civil society organizations (CSOs) to provide important information related to the use of CS funds and service delivery units. The SAF enables citizens to monitor the CS councils and services provided by sectoral units such as primary schools and health posts in the targeted districts. Citizens can provide feedback on the councils and services to improve their performance.
- With these structures and resources in place, the SNAs have provided around 600 administrative services and implemented approximately 2,000 small-scale infrastructure and social service projects per year. These projects have directly responded to the needs of citizens and contributed to improving their livelihoods.
- The National Committee for Sub-national Democratic Development (NCDD) was established to lead, coordinate, and support the formulation and implementation of the SNDD program. The NCDD has mobilized financial and technical assistance from development partners (DPs), the private sector, and CSOs to support the program. Under the leadership and coordination of the NCDD, SNAs and 23 relevant ministries and institutions have actively

participated in the implementation of SNDD reforms. The National Association of CP Councils and the National League of DMK and CS Councils have also been established. Together, they are comprised of 15,686 members who represent the SNA councils. Their goal is to protect, support, and serve the legal benefits of the SNA councils.

- Regulations to promote women empowerment have been developed throughout the country. Women have been promoted to leadership roles at SNAs, which is in line with gender equality policies for SNDD reforms and the strategic plan to increase the number of women in management positions at SNAs. Gender audits have also been conducted at SNA management systems and CP and DMK management officials have received capacity development training on social equity and inclusiveness. Women and Children Consultative Committees (WCCC) have been established in all CP and DMK administrations, and CS Committees for Women and Children Affairs (CCWCs) serve as important mechanisms to respond to the needs of women, children, and disadvantaged groups at the local level.
- To improve the resilience of people in each locality against climate disaster and serious infectious diseases, the RGC has implemented the use analysis tools in the SNA planning processes. Fifty municipalities and districts located in areas prone to natural disasters and serious infectious diseases have received funds through Performance-Based Climate Resilience Grants. These funds were invested in infrastructure resilient to climate change, capacity development, and institutional strengthening. The Secretariat of the National Committee for Sub-National Democratic Development (NCDDS) has been recognized as the National Implementing Entity of the United Nations Capital Fund's Green Climate Fund. It is recognized as a national entity that mobilizes climate resources, supports activities related climate change adaptation, and reduces greenhouse gas emissions at the SNA level.
- Several policies and regulations related to social and environmental safeguards were developed and implemented. These policies ensure that public investments within the framework of sub-national democratic development do not negatively impact the sustainability of the environment, ecology systems, societies, cultures, traditions, or ethnic minority groups. The policies also prevent negative impacts on health, the economy, gender issues, and any potential negative side effects that may arise because of development interventions.

#### **1.4. CHALLENGES**

Besides the above achievements, remaining key challenges need to be addressed as follows:

- Decentralization and Deconcentration (D&D) reform is an important policy of the RGC that has been underway for nearly two decades. However, government organizations, CSOs, and the public have a limited understanding about these reforms. There is a specific knowledge gap concerning the vision and objectives of these reforms.
- D&D reforms are complex and need commitment from both the political and technical levels of ministries, institutions, SNAs, and other relevant stakeholders. During NP-1, several ministries and institutions were reluctant to transfer their powers and responsibilities regarding functions, finances, and human resources to SNAs in accordance with D&D policies. To make the reform process more effective, ministries and institutions need to strengthen their political and technical commitments.
- Although SNA structures and systems have been continuously reviewed and revised, these systems are not always appropriate for every SNA. Different types of SNAs are required to respond to different administrative needs in metropolitan, urban, and rural areas. Geography, demography and the socio-economic potential of each SNA needs to be taken into account as well.



- During the NP-1, DMK and CS administrations were established and given the important role of providing necessary public services directly to the people. Provincial administrations were intended to become regional administrations responsible for monitoring and supporting local administrations. The provincial administrations were also intended to provide capacity-building activities and develop large-scale infrastructure projects beyond the capacity of local administrations. However, a study on the effectiveness of these regional administrations has not been conducted.
- SNA councils have not fully performed their roles as policy-making bodies aimed at supporting SNA plans and budgets. They have also not proven to be effective representatives of citizens in their jurisdiction. The councils' processes and methods for capacity development need to be improved so that they can perform this role effectively. Although remarkable progress has been made in areas of social accountability and the establishment of ombudsman offices, the citizens still have limited knowledge about their rights and how to hold SNA councils and SNAs accountable to them.
- While substantial progress has been made in transferring the responsibility of providing public services to SNAs, it has still proven difficult for people to access these services. There has been a lack of clarity concerning the division of power and the roles and responsibilities for carrying out these public services. The transfer of service delivery from national administrations to SNAs, and from SNAs to other SNAs, has not been carried out according to the D&D policy "to move public services closer to the people".
- The management and use of DMK discretionary funds have not yet proven effective due to the limited power provided to DMKs by current regulations. In this respect, it is required to review and revise those regulations to provide more power, with necessary measures, to strengthen DMK leadership. DMKs need to be empowered to manage and use their discretionary resources in a transparent and effective manner.
- Although there has been substantial progress regarding the transfer of functions to DMK administrations, the transfer of staff members, financial resources, and assets has been inadequate to carry out these functions. Also, the transfer of these resources has not been smoothly executed.
- The management and implementation of public services supported by fees has encountered challenges. For example, the task of managing urban solid waste that was transferred to the capital, municipal, and district administrations has not yet been properly implemented. This function requires stronger support mechanisms, capacity development services, and a clear outline of the responsibilities of SNAs.
- Although financial resources have increasingly been transferred to SNAs, the amount has been insufficient for SNAs to fully perform their transferred functions and fulfill their responsibility of responding to the needs of the people. Procedures for allocating resources between SNAs are also not clear. There is a need to review the resource transfer mechanism and develop a formula and criteria for allocating financial resources to the SNAs in an equitable manner in order to narrow the gap between urban and rural areas.
- Systems for staff management and human resource development within SNAs have been implemented but the human resources capacity of SNAs is still limited. Many SNA staff still do not clearly understand their functions and responsibilities. Staff lack both general skills and specific training. Motivation of staff needs strengthening and discipline must be strictly implemented to ensure staff performance.
- There have been critical challenges related to cross-cutting issues, such as issues regarding digital governance systems, climate change, gender equality, social equity, and inclusiveness. These challenges have not been uniformly addressed in the work of SNAs. Therefore, NP-2 needs to effectively address these issues.

## 1.5. NP-2 DESIGN PROCESS

The design of the National Program for Sub-National Democratic Development Phase 2 (2021-2030) (NP-2) was facilitated and implemented by the NCDDS with technical assistance from a team of national and international consultants supported by several development partners (DPs).

The design process began in May 2020 and the final draft of the NP-2 was completed in August 2021. NCDD member ministries and institutions, relevant ministries and institutions, SNAs, DPs, CSOs, and other relevant stakeholders consulted on the final draft. The draft was also reviewed at national workshops and NCDD meetings before it was submitted to the head of the RGC for a final review and decision. This NP-2 document was approved by the RGC on 09 December 2021. The process took longer than planned due to problems related to the COVID-19 pandemic.

The NP-2 design process was implemented in the following steps:

- **Step 1:** Development of the draft concept note for the NP-2 design process began in May 2020
- **Step 2:** The NCDDS conducted and facilitated technical meetings with ministries, SNAs, DPs, CSOs and relevant stakeholders from September to November 2020. A national consultative workshop on the draft concept note attended by all relevant stakeholders from national and SNA levels was held on 06 November 2020.
- **Step 3:** Concept note reviewed and approved by the RGC on 10 December 2020
- **Step 4:** Detailed NP2 draft document designed from December 2020 to August 2021
- **Step 5:** Consultative meetings on NP-2 draft with ministries and SNAs held on 09 September 2021
- **Step 6:** Consultative meetings with DPs, CSOs, and relevant stakeholders on the NP-2 draft conducted on 23 September 2021
- **Step 7:** NP-2 draft document submitted to NCDD for review and agreement during the 19<sup>th</sup> NCDD meeting held on 21 October 2021
- **Step 8:** Final draft of the NP-2 document submitted to RGC for review and approved on 09 December 2021.

The NP-2 document was drafted based on the original concept note and approved by the RGC on 10 December 2020. This concluded the design of the NP-2 document.

The following key policy documents were used as a basis for the design of the NP-2:

- The Law on Administrative Management of the Communes and Sangkats (2001)
- The Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khan (2008)
- The RGC's Rectangular Strategy Phase 4 (2018-2023)
- National Strategic Development Plan (2019-2023)
- Cambodia's Sustainable Development Goals Framework (2016-2030)
- Relevant policies, regulations, strategies, plans and reports of evaluations and surveys developed during the NP-1 related to D&D reforms
- National Public Administration Reform Program
- Public Financial Management Reform Program

The NP-2 document was also designed based on the progress and lessons learned from the implementation of NP-1 (2010-2020). The experiences of other countries undertaking similar reforms also influenced the design of the NP-2 document. NP-2 focuses on addressing initiatives that were planned but not implemented during NP-1. The second phase of the program will address all important unresolved challenges remaining from NP-1, as well as any new challenges that arise.

## **1.6. NP-2 STRUCTURE**

The NP-2 document is divided into six chapters and nine annexes.

- Chapter 1 is the introduction.
- Chapter 2 provides an overview of the NP-2.
- Chapter 3 describes the five components of the NP-2 and cross-cutting issues.
- Chapter 4 describes the implementation and management of the program.
- Chapter 5 presents the program's budget plan.
- Chapter 6 is the conclusion.

Chapter 1 introduces the background of the program and describes the design process and structure of NP-2. It also discusses D&D reform policy and key D&D achievements and challenges.

Chapter 2 provides an overview of the national program over the next 10 years. It describes in detail the program's vision, objectives, phases, and key expected results.

Chapter 3 contains most of the key information in the NP-2 document. It describes each of the five components of the NP-2 and the program's cross-cutting issues. Each component includes its rationale, expected outcomes, and key outputs. Implementation strategies to achieve the outputs are discussed, as well as risk management and mitigation strategies. A summary result framework is also provided.

The key outputs and implementation strategies serve as foundations for developing the first five-year implementation phase (IP5-I). Cross-cutting issues related to gender equality, social equity, and inclusiveness are discussed. Other issues covered include climate change vulnerability, disaster risk reduction, and serious infectious diseases. All of these issues are woven into each of the five components.

Chapter 4 describes the methods of implementation for the program. It also describes how the program will be managed, monitored, and evaluated. Finally, the overall risk management of the program is presented.

Chapter 5 outlines an estimated budget for the implementation of NP-2, together with a summary of the source of funds.

Chapter 6 describes the essence of the D&D reform, which is to promote public service delivery and local development at SNAs. The goal is that this reform will eventually contribute to socio-economic development and poverty reduction. Chapter 6 also stresses the need for cooperation among government agencies, SNAs, DPs, CSOs, and the private sector to ensure the success of the program.

Finally, the NP-2 document includes six annexes justifying and explaining in detail the strategies for achieving several key outputs and addressing the cross-cutting issues identified in the main document. These six annexes are organized as follows:

- Annex A: Results Framework
- Annex B: Risk Management Framework
- Annex C: Gender Equality, Social Equity, and Inclusiveness Strategy

- Annex D: Climate Change Vulnerability, Disaster Risk Reduction, and Serious Infectious Diseases Strategy
- Annex F: E-Governance
- Annex G: Lexicon

## CHAPTER 2

### OVERVIEW OF THE NATIONAL PROGRAM

#### 2.1. VISION

The RGC's vision for Sub-National Democratic Development (SNDD) over the next 10 years (2021-2030) is that *citizens have improved access to public services and benefit from local development provided by the SNAs in a socially equitable and inclusive manner. These initiatives will eventually contribute to the achievement of the socio-economic objective of advancing Cambodia to an upper-middle income country by 2030.*

In order for this vision to be achieved, NP-2 will mainly focus on the strengthening and improvement of structures, management systems and functions of SNAs as follows:

- SNA structures, management systems, and functions will be revised in accordance with the specific characteristics of each SNA. The Phnom Penh capital administration will become a metropolitan administration, provincial administrations will become regional administrations, and municipal, district, commune, and Sangkat administrations will become local administrations.
- Major increases in administrative capacity of SNAs will be implemented. This will be achieved by strengthening and improving SNA human resources management and development. Working methods will also be improved and integrated with digital technology (e-governance).
- SNAs will be provided with adequate financial resources made available through increased local revenue and additional transfers from the national level. These activities will be carried out in a transparent and predictable manner and reduce the inequalities between SNAs. Additionally, SNAs will exercise much greater power over creating and using their budgets.
- Mechanisms, procedures, and standards for public service delivery and local socio-economic development will be developed, strengthened, and revised. SNAs will carry out their duties in an effective, transparent, accountable, socially equitable, and inclusive manner.
- SNAs will be able to assess, manage, and effectively respond to climate change vulnerabilities, natural disasters, and serious infectious diseases. These operations will support the people and promote inclusive and sustainable development in SNA localities.
- The powers of the SNA councils will be strengthened and promoted. They will implement policies, review and approve plans, and set budgets and priorities. SNAs will address the requests of the people and ensure they effectively deliver results.

#### 2.2. GOAL

The Goal of NP-2 is to *promote democratic, inclusive, equitable and just development through the modernization of sub-national governance and improved access, quality, and utilization of public service delivery. This will contribute to the elimination of poverty and the improved quality of life for all citizens.*

This goal reflects and updates the goal of the first phase of NP-1 and also integrates the strategic governance objective of the RGC's Rectangular Strategy Phase 4. It emphasizes that sub-national governance systems must be modernized in line with the rapid pace of change in Cambodian society. A modernized government will also help solve the future needs of the nation and help it become an upper-middle income country by 2030.

## 2.3. OBJECTIVE

The objective of the NP-2 is that by 2030 “*structures and systems of sub-national governance are modern, autonomous, effective, transparent, and accountable in their provision of public services and local development. They will respond to the prioritized needs of the people in their jurisdiction in an equitable and inclusive manner. Each type of SNA will have adequate power and capacity to carry out their functions under the oversight of their councils to strengthen accountability to citizens*”.

## 2.4. NP-2 COMPONENTS, CROSS-CUTTING ISSUES, AND OUTCOMES

NP-2 consists of five components and their expected outcomes as described below.

**Component 1: Reform Leadership and Coordination.** Leadership, coordination and support mechanisms of national and sub-national levels must be strengthened. Ministries and institutions will take ownership of the program and fulfill their responsibility to formulate and implement the SNDD reform in an effective and efficient manner.

**Component 2: SNA Administrative Structures and Systems.** Structures, systems, powers and functions of SNAs will be clearly defined according to their level and type. These systems will vary depending on the characteristics of each SNA. For example, urban SNAs will have different characteristics than rural SNAs. Information technology systems will be integrated to promote effective management and improve internal and external communications of SNAs.

**Component 3: Human Resources Management and Development.** SNAs will recruit, manage and deploy their staff based on their workload and financial flexibility. Each SNA will hire staff with professional qualifications and skills appropriate to their roles and responsibilities. SNA staff will benefit from the implementation of systematic, progressive, and professional skills development activities and support.

**Component 4: Fiscal Decentralization and SNA Planning and Budgeting Systems.** SNAs will be provided with predictable and adequate budget resources aligned with mandates and policy priorities. This will give them the power and flexibility to respond to local situations and needs. These needs will be determined in the development plans, investment programs, and budget strategic plans (BSPs) of the SNAs.

**Component 5: Service Delivery and Local Development Component.** Mechanisms, procedures and standards will be implemented to provide public services, foster local development, and improve communication. These processes will be implemented in an effective, transparent, accountable, socially equitable, and inclusive manner. SNAs will be transferred functions and given the responsibility to respond to the needs and problems of the citizens in their jurisdiction.

In addition to the five components above, NP-2 will also focus the following cross-cutting issues:

- **Gender Equality, Social Equity, and Inclusiveness Mainstreaming:** SNAs will recruit and manage staff, and prepare plans and resources. They will also administer public services and foster local development without discrimination based on gender, religion, disability, ethnicity, or other social characteristics. SNAs will work proactively to assist women and disadvantaged groups in an equitable and inclusive manner to overcome the challenges they face in utilizing public services and fully engaging in local development, the economy, and society.
- **Climate Change Vulnerability, Disaster Risk Reduction, and Serious Infectious Diseases.** SNAs will be able to assess, manage, and respond to climate change vulnerabilities. They will also work to reduce the risk of disaster and mitigate the risk of serious infectious diseases in their jurisdictions. These mechanisms will support the welfare and sustainable development of their communities.

## **2.5. NP-2 STRATEGY**

The foundation for implementing NP-2 must be built by multiple sectors of the government and needs public support to achieve the program's vision, goals, and objectives that are clearly defined in this document.

Based on a broad consensus on the vision, goals, and objectives of sub-national governance reforms, NP-2 defines specific and achievable medium- and long-term results. Detailed work plans will combine all the activities, outputs, and intermediate outcomes required to achieve those results.

The five components of NP-2 should not be treated as separate sub-programs as the strategic results of each component can only be achieved if the other components also deliver. The components were designed to align with the responsibilities of different implementing agencies.

NP-2 will be implemented in two five-year phases, known as IP5-I and IP5-II.

In the annexes attached at the end of this document, key results for the program and their methods of monitoring and evaluation are defined. The program results framework will be maintained, monitored and updated as needed. The two five-year phases strongly align with the program framework. Detailed annual work plans and budgets will be developed based on the five-year implementation plans.

Implementation arrangements may vary during the program. The NP-2, therefore, will define the principles for implementation as well as the expected outputs and priority activities for IP5-I and IP5-II.

The NP-2 is a political agenda of the RGC that aims to engage in public sector reform. Success of the NP-2 links with the implementation of the PFMR, PAR and LJR programs, as well as sectoral reforms. Therefore, NP-2 has been designed in such a way to ensure coordination and cooperation with the PFMR, PAR and LJR.

## CHAPTER 3

### NP-2 COMPONENTS

#### 3.1. COMPONENT 1: REFORM LEADERSHIP AND COORDINATION

##### 3.1.1. Rationale

Cambodia's Sub-National Democratic Development (SNDD) reforms are complex and challenging. The ten-year timeframe for NP-2 may prove to be too short to fully achieve each of the reform's objectives. Different institutions will proceed with reforms at different paces according to their role, responsibilities, priorities, and capacity.

However, because the results of actions by one institution may depend on actions by another with regard to SNA reform, sequencing is also important. Equally, delays in one part of the program may lead to delays elsewhere. Additionally, other important reform programs, including the Public Financial Management Reform (PFMR), the Public Administration Reform (PAR), and the Law and Justice Reform (LJR) need to be coordinated with SNDD reforms. This will allow the programs to jointly achieve the vision and enact policies and strategies of the RGC for the development of the whole nation.

Furthermore, because of program's long timeframe, the reforms must respond to a situation that is evolving. Technical shifts may occur. For example, information technology may become prevalent in administrative duties. The size, structure, and economy of towns and cities may also change, necessitating new approaches to administration.

In view of this complexity, strong leadership is needed to maintain a focus on the strategic objectives of the reforms and to ensure that NP-2 activities and outputs are delivered in a coordinated fashion to contribute to those objectives. Leadership of the whole reform program will come from the highest level of government, but effective implementation will need commitment, ownership, and active direction from ministries and agencies at the national level. Leadership will need to be exhibited by the SNAs as well.

Therefore, reform leadership and management does not refer only to the highest level but to leaders in many different agencies at all levels of the government. Leaders of ministries and institutions at both national and SNA levels, as well as other relevant stakeholders and citizens, need to fully understand the strategic vision and purpose of the reform program. Building this understanding through effective communication is a key element of this improved reform leadership.

Management of the reform program requires a leadership and coordination mechanism created by a national committee on behalf of the RGC. Efficient and effective action across all participating ministries and institutions at both the national and sub-national levels is also required.

As the reforms deepen, a national structure with clear roles and responsibilities for overseeing, coordinating, and supporting the SNAs will need to be created. Some functions currently being carried out will need to become permanent functions of one or more government institutions. Ministries that previously were mainly concerned with the direct delivery of public services in their sector will need to revise their current structures and functions.

While these functions will be transferred to SNAs, ministries need to ensure that they continue to provide leadership, develop policies, and provide guidance on regulatory frameworks. Ministries will still be responsible for technical support and capacity development, as well as the monitoring and evaluation of the e SNAs. Key national strategic functions will not be decentralized.

To be fully effective, the reforms need the understanding and active participation of citizens. Within the principles of the SNDD reforms, the elected SNA councils are the primary link between the SNAs



and citizens. Furthermore, the Associations of Sub-National Administrative Councils (ASAC) are primarily responsible for building the capacity and strengthening the power of the councils to perform their roles and duties effectively.

CSOs have an important role to play in ensuring that citizens' concerns are heard by SNAs, their right to access needed information is respected, and they are kept fully informed about SNA developments and service delivery. Although there are excellent examples of CSOs playing this role effectively, for example in connection to the Implementation of the Social Accountability Framework (ISAF), there are also examples of mistrust between SNAs and CSOs and uncertainty about the appropriate framework for CSO engagement.

The NCDD was established under the Law on Administrative Management of the Capital, Provinces, Municipality, District and Khan (2008) as the body charged with strategic direction and coordination of SNDD reforms. The NCDD has established thematic sub-committees that in the past have held the main role of assisting the NCDD to review proposed legislation and regulatory instruments.

The Secretariat of the NCDD, known as NCDDS, has played a central role in the policy and legislative process but also in coordinating and directly implementing activities under the reform program. SNDD Steering Committees have been active in ministries, CP administrations, and DMK administrations.

Responsibilities for the implementation of components and activities of the NP-1 were dispersed between ministries, SNAs, and CSOs. Financial support and contributions to policy dialogues were provided by DPs through the Technical Working Group for Sub-National Democratic Development (TWG-SNDD).

Implementation of the NP-1 was challenging, with important parts of the project facing delays and unexpected challenges. The reforms progressed more slowly than was envisaged at the start of NP-1. The slow progress reflects the complexity of the reform task and the lack of experience conducting similar reforms previously in Cambodia. Agencies responsible for the implementation of NP-1 had to learn by experience and adjust their approach as the program progressed.

However, several delays were caused by a lack of commitment from institutions to the overall strategic direction of the program and its specific activities and outputs. Some institutions did not resist the reforms but lacked clear directions on how to proceed. They also did not view SNDD reforms as a high priority among their other tasks and responsibilities.

A lack of commitment, lack of understanding, and a low prioritization of SNDD reforms among responsible institutions exemplified the relatively low success of NP-1 in communicating the strategic vision and purpose of the reforms.

As a result of the failure to build a strong consensus in support of the reforms, NCDD sub-committees that were very active at the outset of the program later became largely inactive. The committees held fewer meetings and received little engagement from committee members.

NP-1 also faced a major challenge when most DP funding ceased unexpectedly in early 2018. This led to a major reduction in technical assistance deployed to support the reforms and to a loss of funding for some activities. However, the RGC has strengthened its ownership of the program by instructing relevant ministries and SNAs to use their budgets to support its priority activities.

The slow pace of SNDD reforms under NP-1 meant that, with certain exceptions, most citizens remained unaware of the strategic purpose of the reforms. Most citizens did not experience clear improvements in the delivery of public services that could be directly linked to the reforms. If citizens understand the reforms and expect benefits, it will be easier to build support and momentum to overcome difficulties.

In retrospect, NP-1 might also have built greater consensus and support, particularly at the local level, through providing a clearer and stronger framework for the engagement of CSOs and the private

sector. Their engagement in the reform process and the operations of SNAs could have provided a boost to the reform.

The IP3-III (2018-2020) included a Reform Leadership and Management component that includes similar goals the leadership reform objectives of NP-2. Some key goals of IP3-III Component 1 were not achieved and are being considered for implementation in NP-2. These include:

- The restructuring of the Ministry of Interior General Directorate of Administration (MOI-GDA), the NCDDS, and the ministries, in line with decentralized service delivery
- Strengthening ownership of reforms and creating forums to discuss challenges through leadership-level conferences. IP3-III proposed three separate annual conferences for (1) district/municipal governors, (2) capital/provincial governors, and (3) secretaries of state and senior ministerial staff.
- Strengthened communications strategy. IP3-III proposed specific initiatives aimed at changing attitudes towards the reform and proposed organizing at least three communication outreach events per year. It also proposed strengthening the NCDD’s social media presence and website, and incorporating the use of traditional print and broadcast media.
- A strategy of policy experiments and learning programs to demonstrate results and influence policy.
- Strengthening the advocacy role of ASAC to support its members and partnerships with CSOs

### **3.1.2. Overview of Component 1**

#### **3.1.2.1. Outcome**

The expected outcome of Component 1 is that “Leadership, coordination and support mechanisms of national and sub-national levels are strengthened to promote the ownership and responsibilities of ministries and institutions in the formulation and implementation of SNDD reform programs in an effective and efficient manner”.

#### **3.1.2.2. Strategy to Achieve the Outcome**

Component 1 (Reform Leadership and Coordination) of NP-2 will build on the achievements of NP-1 and overcome the challenges experienced during the implementation of NP-1. The design of NP-2 Component 1 takes into account the evolving context of SNDD reforms in a rapidly changing and developing nation, as well as specific leadership and management tasks informed by other components of NP-2.

The leadership role of the NCDD will be strengthened and made more effective with the reactivation of the NCDD sub-committees. NP-2 will make a strong and systematic effort to raise awareness of the strategic purpose and direction of SNDD reforms, communicate their achievements, and promote a strong consensus between stakeholders. The leadership and management of the reforms will be strengthened by ensuring task managers are held accountable for results.

Over the 10-year implementation period, national institutions will be progressively reformed to ensure SNAs adhere to good governance practices in the future. Partnerships with DPs and CSOs will be strengthened, with ASAC participating more in the facilitation of these partnerships.

The leadership and coordination tasks outlined in NP-2 will differ from the tasks designated in NP-1. NP-2 will place more emphasis on building effective public service delivery at the local level and less emphasis on the development of the legislative framework. Cambodia has developed rapidly in all sectors in the past ten years and this pace of change is expected to continue in the future. For example, digital technology will play a much larger role in administrative and communicative efforts between the government and citizens.

Most importantly, the SNDD reforms will transfer powers and responsibilities to SNAs so that they can more effectively serve citizens. This will require SNA leaders who have capacity and confidence to make decisions independently and respond to citizens' needs in a flexible manner. Therefore, developing the leadership and management capacity of SNAs is a one of the most prominent tasks of NP-2.

In addition, NP-2 implementation agencies will need to cooperate closely at a leadership and technical level with other major public sector reform programs of the RGC, including the PFMR, the NPAR, and the LJR.

### **3.1.2.3. Expected Outputs**

The expected outcomes of Component 1 will be achieved through the implementation of five strategic outputs outlined in NP-2 to be delivered by 2030:

- Output 1.1:** Leadership mechanisms of reforms will be strengthened to continue promoting and advancing the SNDD reforms in an equitable and inclusive manner.
- Output 1.2:** The vision, goals, objectives, and achievements of SNDD reforms will be effectively communicated, widely understood, and supported by the national government, SNAs, citizens, and stakeholders.
- Output 1.3:** The goals of NP-2 will be actively, efficiently, and effectively implemented.
- Output 1.4:** National-level structures will ensure that support of the SNAs is strengthened.
- Output 1.5:** The participation of ASAC and CSOs in SNDD reform processes is promoted and supported.

### **3.1.2.4. Strategies and Priority Activities for Implementing Outputs**

#### **Output 1.1: Leadership Mechanisms of Reforms Strengthened to Continue Promoting and Advancing the SNDD Reforms in an Equitable and Inclusive Manner**

NP-2 is a complex program involving activities across many governmental institutions at the national and sub-national levels. To ensure it is a success, strong leadership and coordination of NP-2 tasks is essential. NP-2, therefore, will focus on strengthening the leadership of the NCDD. The NCDD will be promoted as a leading institution of the RGC, and the NCDD will be expected to collaborate with other reform programs and DPs.

To achieve this output, seven priority activities have been identified as follows:

#### **Priority Activity 1.1.1: Strengthening Role and Duties of NCDD in Reform Leadership and Coordination**

This activity will focus on conducting NCDD meetings on a regular basis as determined by law. These meetings will ensure the NCDD takes a leadership role in formulating and revising legal frameworks to facilitate the implementation and evaluation of NP-2 tasks. The NCDD will provide direction to ministries, institutions, and SNAs to support the reform programs. In addition, the NCDD shall report to the RGC on a regular basis to report on the progress and challenges regarding the implementation of SNDD reforms.

#### **Priority Activity 1.1.2: Strengthening the NCDD Sub-Committees to Effectively Perform Their Role and Duties**

Each NCDD sub-committee will meet at least three times per year.

The NCDDs will set the agenda for the sub-committee meetings. The sub-committees will be responsible for performing studies and research on topics related to the reform program. They will also be responsible for monitoring and evaluating the progress of the reform, and recording any challenges associated with the program. Furthermore, the sub-committees will draft legal frameworks

and possible solutions to any potential problems to the NCDD for review and approval. Each NCDD sub-committee shall report to the NCDD on a regular basis.

When necessary, two or more sub-committees will hold joint meetings to ensure the mandate of the sub-committee meetings is aligned with NP-2 components.

Each sub-committee should establish a unit or a working group to assist with sub-committee tasks. This unit or working group shall closely cooperate with the NCDD to ensure it is performing its role as secretariat to the sub-committees.

### **Priority Activity 1.1.3: Review of Organizational Structure of the NCDDS to Strengthen its Capacity, Roles, and Responsibilities**

To ensure the maximum effectiveness of the NCCDS in its role to support the leadership and coordination efforts of the reforms, the organizational structure of NCDDS will be reviewed and changed where necessary. The NCCDS is responsible for reporting to the NCDD and its sub-committees.

A review of the NCDDS structure and its functions will be conducted in the early years of NP-2. Additionally, the capacity of NCDDS staff will also be strengthened. In particular, capacities related to the development of policies and management of the reform program must be developed. The NCDDS will also be expected to effectively carry out its role as secretariat to the NCDD and NCDD sub-committees.

### **Priority Activity 1.1.4: Improving Effectiveness of Leadership Roles of the SNDD Steering Committees in Ministries and SNAs**

To ensure the effective implementation of NP-2, the roles and responsibilities of the SNDD Steering Committees, ministries, institutions, and SNAs will be strengthened to ensure the effective use of the Annual Work Program and Budget (AWPB) for this SNDD reform. The AWPB should clearly define outputs, timelines, and work plans with their corresponding required financial and human resources. The AWPBs of the ministries and SNAs will be agreed upon and signed off by the NCDD to ensure transparency and effectiveness.

This process will be monitored by the NCDDS on behalf of the NCDD. Additionally, the SNDD Steering Committee should review and strengthen its established unit or working group to improve its daily work. The Steering Committee will review and revise its membership by adding members from line departments as necessary. Each SNDD Steering Committee should promptly report to the NCDD on the progress and challenges of their work.

### **Priority Activity 1.1.5: Strengthening the Cooperation Between Governance Reform Programs**

The cooperation between the SNDD reform program and other RGC reform programs will be strengthened through the regular meeting mechanism of secretariats. Secretariats of the PFMR, NPAR and LJR committees will schedule joint meetings to align inter-related tasks to help streamline the success of these reform programs.

In this regard, a joint work plan (which includes inter-related activities of the reforms) of the secretariats will be formulated and updated on an annual basis. This work plan will have clear indicators and outline the agencies responsible for carrying out tasks. The plan will be agreed upon by the chair of each reform committee and widely disseminated within ministries to ensure its effective implementation.

Additionally, a joint concept note on the vision and strategies of the four reform programs will be used as a basis to align tasks and ensure the success of the RGC's reforms. The four reform programs mentioned are the SNDD reform, the PFMR, the NPAR and the LJR.

### **Priority Activity 1.1.6: Organizing Forums and Meetings of SNA Chairpersons and Governors**

The NCDDS, in cooperation with the Ministry of Interior (MOI) and ASAC, will facilitate and support dialogue between SNA leaders at the CP and DMK levels. Council chairpersons and governors will participate at each level and will hold meetings at least once every two years focusing on policy and program management issues.

### **Priority Activity 1.1.7: Closely and Productively Engaging with Development Partners**

This activity will include strong and effective coordination between the NCDDS and representatives of relevant ministries and institutions with DPs. This will be carried out through the TWG- SNDD with the aim of building DP awareness of the reforms. The activities include sharing progress reports and information, collecting inputs, mobilizing DP resources, and providing technical assistance to support the reform program.

### **Priority Activity 1.1.8: Strengthening Gender Equality, Social Equity, and Inclusiveness Mechanisms of Ministries and SNAs**

This activity will ensure that cross-cutting issues are addressed in NP-2's implementation. These issues include responding to the needs of women, children, and vulnerable groups. The gender equality policy for SNDD will be maintained and expanded in NP-2's implementation. In this regard, the Gender Working Group, which includes members from the Ministry of Women's Affairs and the NCDDS, will continue to play an important role in promoting gender equality.

The group will be responsible for mainstreaming gender, social equity, and inclusiveness initiatives in NP-2 and the IP5s. Mainstreaming these cross-cutting issues will be included in the agenda of NCDD meetings. Addressing these issues will be one of the core reform activities of the ministries, the NCDDS, and the SNAs.

## **Output 1.2: The Vision, Goals, Objectives, and Achievements of Sub-National Democratic Development Reforms are Effectively Communicated and Widely Understood and Supported by the National Government, SNAs, Citizens, and Stakeholders**

During NP-1, a communication strategy was formulated and implemented to widely promote awareness about the reform. This strategy, however, was not comprehensive enough and was not fully implemented. As such, NP-2 needs to review and revise the NCDD's communications strategy for each upcoming IP5.

The communications strategy will be implemented by utilizing the expertise of media professionals and make use of various forms of media. The expected result of the Communications Strategy will be measurable changes in the knowledge, attitudes, and behavior of the target audience, not merely the dissemination of information.

To achieve this output, three priority activities have been identified as follows.

### **Priority Activity 1.2.1: Improving and Strengthening the Communications Strategy**

The review and revision of the Communications Strategy will ensure the following results:

- The vision and goal of SNDD reforms are widely understood and supported by stakeholders and citizens
- The purpose of SNDD reforms is widely understood and supported by stakeholders, especially ministries and SNAs within the Government
- The functions and mandates of each type of SNA are widely understood by citizens. Citizens know which services they can expect from their SNAs and how to access these services

- Stakeholders, including citizens, know how they can express their views and priorities concerning SNDD reforms, either directly or indirectly
- There is an effective mechanism to accept and respond to specific grievances related to the implementation of SNDD reforms

The Communications Strategy will define the key messages to be communicated to each of the following target groups, and the most effective communication methods for each group:

- Ministries/institutions and SNA officials
- Councillors
- Civil Society Organisations
- Private sector firms
- Development partners
- Teachers and students
- Citizens

The Communications Strategy will make use of different media including print and broadcast media, knowledge sharing events, and electronic media. Different media will be used to reach different groups. In general, electronic media will be prioritized because it is more cost-effective than traditional media. Money from the communications budget will be spent on print media and workshops only when there isn't a more cost-effective method available.

#### **Priority Activity 1.2.2: Effective Implementation of the Communications Strategy**

The NP-2 communications strategy will be implemented and monitored by the NCDDS with the Monitoring, Evaluation and Information Division (MEID) acting as secretariat.

The MEID may cooperate with commercial communication professionals or relevant CSOs to provide communications about the D&D reform. Additionally, the NCDDS should strengthen the capacity of the communication staff and promote the use of different forms of media.

#### **Priority Activity 1.2.3: Measuring Results of the Communication Strategy**

NP-2 will conduct surveys to measure the effectiveness of the communications strategy, using approaches seen in the private sector to evaluate the cost-effectiveness of publicity campaigns. The effectiveness of different methods of communication will be measured using the results of this survey and communications activities will be modified to reflect the results.

### **Output 1.3: Phase 2 of the National Program is Actively, Efficiently, and Effectively Implemented**

The key instruments for implementation of NP-2 will be:

- Two Five-Year Implementation Plans (IP5): Phase 1 and Phase 2
- Annual Work Plans and Budgets (AWPB) of the NCDD
- Tasks or projects defined by the IP5s, each with defined outputs, timeframes and implementation responsibilities

The IP5 is a medium-term plan and will break the SNDD reform activities into a set of tasks or projects to be achieved within a five-year period.

The NCDD AWPB will be formulated based on NP-2's priorities. The IP5s will consolidate the tasks and projects to be carried out by the implementation agencies at the national and sub-national levels.

The IP5s will also organize and consolidate programs and projects funded by DPs and CSOs related to reforms.

The tasks or projects of each implementation agency concerning SNDD reforms at the national and sub-national levels will fall under the Budget Strategic Plans (BSP) of each respective implementation agency. Budgets for IP5 projects will be set in accordance with the mandate and responsibilities of each implementing agency. Expected outputs, priority activities, timeframes, and budgets will be clearly defined to ensure tasks and projects can be achieved.

Tasks or projects will be listed as sub-programs in the BSP of the lead institution (The NCDDS, a ministry, or an SNA). Therefore, annual planning of NP-2 tasks will be aligned with the program budget preparation cycle that begins in the second quarter of the year preceding the budget year.

External development assistance will be reflected in the NCDD AWPB as DP contributions to the SNDD reform each year. In general, management of budgets financed by DPs will be handled separately in accordance with each DP's agreement with the Ministry of Economy and Finance (MEF).

Task and project formulation, implementation and management, will follow the basic steps and procedures of the NCDD Project Management Manual (PMM). The NCDDS will be responsible for helping implementation agencies follow PMM procedures. It will also be responsible for monitoring implementation of IP5 tasks or projects.

The AWPB will consolidate all sources of funding for SNDD reforms and will set the targets for the year.

Additionally, the NCDD monitoring and evaluation (M&E) mechanisms should be strengthened to monitor the implementation of tasks or projects of implementing agencies. This can be done by ensuring that implementing agencies prepare regular reports. These results will be reviewed and assessed at meetings between the implementing agencies and the NCDD. Evaluation of the outcomes of the reforms is a separate task from monitoring IP5 tasks or project implementations and requires different approaches and capacities.

To help achieve the above outputs, six priority activities have been identified as follows.

#### **Priority Activity 1.3.1: Formulating the Implementation Plans of NP-2 in Each Phase**

This activity focuses on the formulation of five-year implementation plans of NP-2. The first phase will last from 2021-2025 (IP5-I) and the second phase from 2026-2030 (IP5-II). The IP5s will be reviewed and approved by the NCDD.

#### **Priority Activity 1.3.2 Annual Work Plans and Budgets (AWPB) of NCDD Formulated and Implemented**

This activity focuses on the formulation and implementation of NCDD AWPB based on IP5. AWPBs for SNDD reforms will be consolidated by NP-2 implementing agencies. The NCDD AWPB will be reviewed and approved by the NCDD.

#### **Priority Activity 1.3.3: DP Programs and Projects Integrated in Budget Strategic Plans (BSPs) of Implementing Agencies**

This activity focuses on the formulation and integration of DP-funded programs and projects into the BSPs of the implementing agencies.

#### **Priority Activity 1.3.4: Externally Assisted Projects Designed in Alignment with NP-2**

This activity focuses on the alignment of projects funded by DPs and CSOs with NP-2 to contribute to the achievement of the NP-2's vision, goals, and objectives.

### **Priority Activity 1.3.5: Initiatives Developed and Pilot Projects Implemented**

This activity focuses on the development of initiatives and pilot projects of mechanisms and policies related to D&D initiatives. Results will be evaluated, documented, and used as a basis for developing policies, regulations, and mechanisms within the public structures and systems.

### **Priority Activity 1.3.6: Coordinating, Supporting, Monitoring, and Evaluating NP-2 Implementation**

To ensure the effective implementation of NP-2 and achieve its expected results, the NCDDS will assist the NCDD in the coordination, support, monitoring, and evaluation of NP-2 results and priority activities on a regular basis. This includes the results and priority activities of the IP5s and AWPBs.

### **Output 1.4: National-Level to Ensure Strengthening of SNA Support**

This output is concerned with developing a long-term institutional framework for the national government to support and provide oversight of SNAs.

Development of this framework includes a review of roles that is currently assigned to the General Directorate of Administration at the MOI and the NCDDS. This framework will also designate SNA support roles that need to be created in ministries to ensure that service delivery responsibilities are effectively transferred to SNAs.

To achieve the above output, four priority activities are identified as follows.

#### **Priority Activity 1.4.1: Strategic Options Study Completed**

During IP5-I, a major strategic study will be undertaken to define options for strengthening structures and systems of ministries and institutions to ensure that SNAs will receive clear support and oversight from the national government.

#### **Priority Activity 1.4.2: National Structure and System to Support Sub-National Governance Restructured**

Based on the above study and with the approval of the RGC, it is expected that a new or restructured institution will be established during IP5-II.

#### **Priority Activity 1.4.3: Ministry Structures and Systems Reformed to Support SNA Service Delivery**

Within each ministry transferring service delivery roles to SNAs, an organizational analysis will be conducted based on the functions the ministry will implement in relation to SNAs. These functions include the establishment and monitoring of service delivery standards and capacity development. The result of the organizational analysis will lead to restructuring of ministries to efficiently carry out these SNDD-related functions.

#### **Priority Activity 1.4.4: Options Study on Future of NCDD and NCDDS**

Under IP5-II, a further study will be undertaken on the future of the NCDD and the NCDDS beyond the period of the NP-2.

### **Output 1.5: Promoting Participation of ASAC and CSOs in SNDD Reform Process**

The NP-2 will continue strengthening the structure, roles and responsibilities of ASAC to ensure that it has sufficient capacity to effectively contribute to the SNDD reform process. ASAC will be responsible for representing the interests of SNAs, participating in policy dialogues during the policy development process related to this reform, and providing capacity development for the SNAs.

To ensure that ASAC has the sufficient power it needs to carry out its duties, it needs to conduct studies to improve and strengthen its structure. ASAC also needs to clearly define its internal roles and responsibilities to keep in line with promoting the progress of SNDD reforms. Additionally,



partnerships with CSOs will also be improved to promote their participation in the SNDD reform process in an effective and constructive manner.

To achieve the above-mentioned output, four priority activities have been identified as follows.

**Priority Activity 1.5.1: Strengthening the Role of ASAC**

NP-2 will continue to strengthen the role of ASAC in the reform process. ASAC represents the voice of SNAs and protects their benefits. The association will provide comments and inputs to inform the formulation of policies and regulations related to SNDD reforms. It will also play a crucial role as a capacity development provider to SNAs.

**Priority Activity 1.5.2: Conducting Options Study on Structure and Role of ASAC**

In addition to strengthening ASAC, a study will be conducted to assess options for restructuring and revising the role and responsibilities of ASAC. A main focus will be put on assessing the feasibility of combining ASAC with SNA councils and Boards of Governors as a joint association to ensure ASAC fulfils its duty of representing SNAs.

**Priority Activity 1.5.3: Revising the Structure and Role of ASAC**

Based on the study of options mentioned above, ASAC will review and approve methods to create a firm structure and outline of its roles. The new structure will be established during IP5-I of NP-2.

**Priority Activity 1.5.4: Promoting Participation of CSOs in Policy Development Process**

Under the NP-2, the NCDD will continue strengthening mechanisms that ensure a positive working environment for CSOs to constructively participate in strengthening management of the D&D reform process.

**Table 1: Expected Outputs and Priority Activities for Component 1**

<p><b>Outcome:</b> Leadership, coordination and support mechanisms of national and sub-national levels are strengthened to promote ownership and responsibilities of ministries and institutions in the formulation and implementation of the SNDD reform program in an effective and efficient manner.</p>	
<p><b>Output 1.1:</b> Leadership mechanisms of reforms are strengthened to continue promoting and advancing the SNDD reforms in an equitable and inclusive manner.</p>	
Priority Activities for IP5-I	Priority Activities for IP5-II
<p>1.1.1: Strengthening role and duties of NCDD in reform leadership and coordination  1.1.2: Strengthening the NCDD sub-committees to perform their role and duties effectively  1.1.3: Strengthening the capacity, roles, and responsibilities of the NCDDS and reviewing its organizational structure  1.1.4: Improving effectiveness of leadership roles of the SNDD steering committees in ministries and SNAs  1.1.5: Strengthening the cooperation between governance reform programs  1.1.6: Organizing forums and meetings of SNA chairpersons and governors  1.1.7: Closely and productively engaging with development partners  1.1.8: Strengthen gender equality, social equity, and inclusiveness mechanisms of ministries and SNAs</p>	<p>1.1.1: Strengthening role and duties of NCDD in reform leadership and coordination  1.1.3: Strengthening the capacity, roles, and responsibilities of the Review of Organisational Structure of NCDDS  1.1.2: Supporting the NCDD Sub-Committees to perform their roles and duties effectively  1.1.4: Improving effectiveness of leadership roles of the SNDD steering committees in ministries and SNAs  1.1.5: Strengthening the cooperation between governance reform programs  1.1.6: Organizing forums and meetings of SNA chairpersons and governors  1.1.7: Closely and productively engaging with development partners  1.1.8: Strengthen gender equality, social equity, and inclusiveness mechanisms of ministries and SNAs</p>
<p><b>Output 1.2:</b> The vision, goals, objectives, and achievements of SNDD reforms are effectively communicated, widely understood, and supported by the national government, SNAs, citizens, and stakeholders.</p>	
Priority Activities for IP5-I	Priority Activities for IP5-II
<p>1.2.1: Improving and strengthening the communications strategy  1.2.2: Effective implementation of the communications strategy  1.2.3: Measuring results of the communications strategy</p>	<p>1.2.1: Improving and strengthening the communications strategy  1.2.2: Effective implementation of the communications strategy  1.2.3: Measuring results of the communications strategy</p>
<p><b>Output 1.3:</b> NP-2 is efficiently and effectively implemented.</p>	
Priority Activities for IP5-I	Priority Activities for IP5-II
<p>1.3.1: The two IP5s are (IP5-I: 2021-2025, and IP5-II: 2026-2030) formulated and implemented  1.3.2 Annual work plans and budgets (AWPB) of NCDD formulated and implemented  1.3.3: NP-2 implementation tasks integrated in budget strategic plans of implementing agencies  1.3.4: Externally assisted projects designed in alignment with NP-2</p>	<p>1.3.1: The two IP5s (IP5-I: 2021-2025, and IP5-II: 2026-2030) formulated and implemented  1.3.2 Annual work plans and budgets (AWPB) of NCDD formulated and implemented  1.3.3: NP-2 implementation tasks integrated in budget strategic plans of implementing agencies  1.3.4: Externally assisted projects designed in alignment with NP-2</p>

1.3.5: Initiatives and pilot programs developed 1.3.6: NP-2 implementation coordinated, supported, monitored and evaluated	1.3.5: Initiatives and pilot programs developed 1.3.6: NP-2 implementation coordinated, supported, monitored and evaluated
<b>Output 1.4:</b> National level structures are strengthened to ensure support of SNAs.	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
1.4.1: Strategic options study completed 1.4.2: Restructure national structure and system to support sub-national governance 1.4.3: Reform ministry structures and systems to support SNA service delivery 1.4.4: Options study on future of NCDD and NCDDS	1.4.1: Strategic options study completed 1.4.2: Restructure national structure and system to support sub-national governance 1.4.3: Reform ministry structures and systems to support SNA service delivery 1.4.4: Options study on future of NCDD and NCDDS
<b>Output 1.5:</b> Promote participation of ASAC and CSOs in SNDD reform process	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
1.5.1: Role of ASAC strengthened 1.5.2: Options study on structure and role of ASAC conducted 1.5.3: Structure and role of ASAC revised 1.5.4: Promote participation of CSOs in policy development process	1.5.1: Role of ASAC strengthened 1.5.2: Options study on structure and role of ASAC conducted 1.5.3: Structure and role of ASAC revised 1.5.4: Promote participation of CSOs in policy development process

**Table 2: Risk Management for Component 1**

No.	Risk	Impact	Probability	Mitigation Measures
1.	Major change of policy direction by RGC leadership, for example in urgent reaction to external events (e.g., COVID-19 pandemic)	High	Low	➤ Adapt to the new policies of RGC and identify achievable activities for implementation
2.	Resistance to some elements of the SNDD reforms from institutions within government (e.g. transfer of functions of some ministries to SNAs)	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Maintain strong coordination with RGC leadership</li> <li>➤ Purpose and direction of SNDD reforms strongly communicated</li> <li>➤ Maintain active dialogue through NCDD and other forums</li> <li>➤ Identify bottlenecks and follow up promptly</li> </ul>
3.	Budget resources insufficient for some elements of the program	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Integrate budget planning in the program budget/BSP for advance planning</li> <li>➤ Mobilise DP resources selectively for activities that are hard to finance through government budget</li> </ul>
4.	Communication is not effective in creating widespread understanding and support	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Solicit external expertise for communication</li> <li>➤ Monitor effectiveness of communication and adjust strategy as needed</li> </ul>

## **3.2. COMPONENT 2: SNA STRUCTURES AND SYSTEMS**

### **3.2.1. Rationale**

Solid structures and public administrative systems that ensure the effective implementation of reform programs are the most important factors that will contribute to the RGC's objective of advancing Cambodia to an upper-middle income country by 2030.

The improvement and modernization of structures and public administrative systems are priorities during NP-2 (2021-2-30). These improvements will help build institutional capacity, promote integrity in public administration, improve workplace effectiveness and innovation, and streamline the process of providing public services to the people.

Additionally, the functions and public administration responsibilities of each level of SNA must be made clear. Overlapping or mixed responsibilities between different levels of government must be eliminated. The public administration has to provide consistent and effective regulation and deliver quality public services. By doing this, they will provide the citizens with a framework where their inherent productive and innovative capacities are liberated and promoted.

During NP-1, three tiers of SNA structures and management systems were established in accordance with the principle of SNDD. These structures were improved regularly in an effort to promote public service delivery and foster local development in response to the demands of the people.

These SNA structures and management systems, however, need to be further reviewed and revised to fit the different characteristics of each type of SNA. Factors such as geography, demography, and the socio-economic potential of each region need to be considered. The needs of the people must be addressed differently in rural, urban, and metropolitan areas.

In this regard, structures, management systems and functions of administrations in these areas will be established differently to respond to the diverse problems and needs of each area. The transfer of public service delivery from national level administrations to SNAs must be performed with clearly defined powers, roles, and responsibilities. This process must be developed following the RGC's D&D policy "to move public services closer to the people".

The transfer of staff, financial resources and assets to SNAs for implementation of their functions and responsibilities will be done in accordance with the revised structures and management systems of SNAs.

SNA council support mechanisms, including council committees, need to be further improved so that they can effectively fulfill their role as representatives of the citizens in their jurisdiction. These mechanisms will be implemented to cater to each specific SNAs in an effective, transparent, socially equitable, and inclusive manner.

In this sense, the revision and modernization of SNA structures, management systems, and functions will be based on the principle that "functions should be transferred to those administrations located closer to the people". These functions must be effectively implemented to quickly respond to the needs of the people.

### **3.2.2. Overview of Component 2**

#### **3.2.2.1. Outcome**

The expected outcome of Component 2 is "Structures, systems, powers and functions of SNAs are clearly defined and differentiated according to level and type of SNA. These structures will be created in accordance with metropolitan, urban and rural characteristics. SNAs will use

information technology systems to promote effective management as well as internal and external communication”.

### 3.2.2.2. Strategy to Achieve the Outcome

To achieve this outcome, NP-2 will revise and modernize structures and public administration management systems and outline clear definition of powers, functions, roles and responsibilities for ministries, institutions, CP administrations, DMK administrations, and CS administrations.

This will be done in accordance with the D&D policy and the principle of unified administration. SNAs will become an effective instrument of inclusive democracy and a driving force for the successful socio-economic development of Cambodia. These important tasks will focus on re-establishing the structures, management systems and functions of SNAs:

- **Ministries and other agencies** of the national administration will fulfill their core functions related to:
  - (1) Researching and developing innovative solutions in their respective fields
  - (2) Drafting and continuously updating binding policies including laws, regulations, and definition of standards for public service delivery by the lower administrations
  - (3) Provision of technical support for monitoring and evaluating the performance of SNAs in accordance with the standards defined by national-level administration
  - (4) Implementation of key national strategic functions
- **The provincial administrations** will be reorganized as regional administrations in accordance with the principle of unified administration. They will have the functions of:
  - (1) Acting as a representative of the RGC and ministries. This involves maintaining security and public order. It also entails performing various functions delegated by the RGC and ministries
  - (2) Providing technical expertise and capacity development to local administrations. This assistance will be focused on the provision of public services, legality issues, and the monitoring and evaluation of the reform program. Provincial administrations will ensure these functions are carried out following the policies, laws, and standards set by the reform. They will also coordinate with local administrations to formulate regional plans covering their jurisdiction.
  - (3) Taking responsibility for certain province-wide functions or projects in key public sectors that are beyond the capacities of DMK administrations.
- **The municipal, district, commune, and Sangkat administrations will be reorganized as local administrations** with autonomy, capacity and responsibilities to provide public services directly to the people in their jurisdiction. The local administrations will be established with separation of structures, functions and management systems in accordance with potential and different local situations between urban areas and rural areas. The local administrations will be responsible for:
  - (1) Responding to the needs and wishes of the citizens; constantly consulting with citizens and involving them in planning procedures; customizing solutions to the respective local situation; strengthening the implementation of social accountability

- (2) Developing and providing quality services and local development in accordance with the reform's policies, laws and standards
- (3) Arranging effective accountability mechanisms of public administrations through SNA councils; arranging grievance mechanisms for citizens
- **The capital administration will be reorganized as a metropolitan administration** and have special characteristics that differentiate it from provincial and municipal administrations. The management system of Phnom Penh will be established in accordance with the principle of unified administration to ensure that it can perform region-wide functions as well as local functions.

Additionally, the Metropolitan Administration should have sufficient resources to promote quality, effective, and efficient development in its territory as well as sub-regions cut from bordering provinces (these regions are not well-developed as central regions of the capital).

The capital administration's responsibilities will include urban planning, developing public transport and other urban infrastructure, traffic management, garbage and wastewater management, environmental protection, and functions related to peacekeeping and public order.

In addition to clearly defining the authority, functions, roles and responsibilities of the administrations at each level, this strategy also requires the consideration of a number of priority tasks, including:

- 1) Reviewing and improving the working relationship between SNAs, as well as the relationship between SNAs and ministries and institutions at the national level
- 2) Defining the obligatory and permissive functions of SNAs
- 3) Promoting the roles and responsibilities of the SNA councils
- 4) Continuing to enhance the three lines of accountability, namely the accountability of SNAs to higher SNAs and national-level administrations; accountability between SNAs of the same level; and accountability of SNAs to the people
- 5) Improving the inspection mechanism on the performance of SNAs

### **3.2.2.3. Expected Outputs**

This outcome will be achieved through eight strategic outputs as follows.

- Output 2.1:** Strengthening the structures, management systems, and functions of DMK administrations and CS administrations. These administrations will be changed to local administrations in accordance with the specific characteristics of urban and rural areas.
- Output 2.2:** Provincial administrations will be changed to regional administrations. The structure, management systems, and functions of regional administrations are reviewed and revised in accordance with the principle of unified administration.
- Output 2.3:** The Phnom Penh capital administration will be changed to a metropolitan administration. Its structure, management system, and functions will be reviewed and revised to ensure they operate in accordance with the principle of unified administration.
- Output 2.4:** Strengthening, revising, and implementing the working relationships and accountability lines of SNAs

- Output 2.5:** Strengthening the leadership capacity of SNA councils
- Output 2.6:** Enhancing citizen participation to increase peoples' trust in SNAs
- Output 2.7:** Modernizing administrative management systems of SNAs through the development and integration of a digital system
- Output 2.8:** Develop, revise, and implement internal control systems and external systematic inspection mechanisms for SNAs

#### **3.2.2.4. Strategies and Priority Activities for Implementing Outputs**

##### **Output 2.1: Strengthening and Adjusting the Structures, Management Systems, and Functions of DMK and CS Administrations to Ensure they are Operated as Local Administrations in Accordance with Specific Characteristics of Urban and Rural Administrations**

To ensure the achievement of this expected output during the implementation of NP-2, the focus shall be on the following priorities.

##### **Priority Activity 2.1.1: Strengthening the Implementation of Functions and Structures of DMK Administrations**

NP-2 will continue to strengthen the implementation of the functions and structures of DMK administrations in accordance with the principle of the unified administration that was implemented during NP-1 through:

- Establishing a specific mechanism at the national level to support the DMK administrations in managing their roles and fulfilling their responsibilities in accordance with their new functions and structures
- Reviewing the existing functions of the DMK administrations to separate and identify obligatory functions and non-obligatory/permissive functions. Technical guidelines for implementation of the obligatory and permissive functions will be reviewed and revised
- Continuing to strengthen the dissemination and training on the principles and procedures for implementation of the functions of the DMK administrations
- Developing a database on the implementation of functions in a number of key sectors to serve as a basis for monitoring and evaluating the effectiveness of the management and implementation of functions transferred to the DMK administrations
- Continuing to transfer of financial resources, assets, equipment and facilities in accordance with the functions of the DMK administrations
- Continuing to strengthen and improve the human resource management of the DMK administrations to ensure that the DMK administrations have the competent and professional human resources to provide public services to the citizens in their jurisdiction
- Assessment of implementation of the functions of the DMK administrations as a basis for the continued transfer of additional functions to the administrations
- Continue transferring functions necessary for service delivery to DMK administrations based on results of the assessment
- Study on the possibility of transferring some health functions from provincial administrations to DMK administrations as well as the possibility of establishing a health office at DMK administrations to provide effective and accountable health services to the people



- Strengthening the working relationship between DMK administrations and CS administrations to facilitate local development and service delivery to the people. Emphasis will be placed on strengthening the role of DMK administrations in supporting CS administrations

**Priority Activity 2.1.2: Strengthening the Implementation of the Current Functions of the Commune/Sangkat Administrations**

NP-2 will continue to strengthen the monitoring implementation mechanisms of CS administrative functions by providing capacity-building services, technical support, materials, and other resources. The national program will also review and revise the technical guidelines related to the implementation of functions of CS administrations.

**Priority Activity 2.1.3: Reviewing and Adjusting the Structure, Functions and Resources of DMK and CS Administrations Located in Urban Areas**

NP-2 will conduct studies to review and adjust the structure and functions of DMK and CS administrations located in urban areas, including DMK and CS administrations in developing urbanized areas. This will ensure that the administrations have the appropriate structures in place to carry out their functions of providing urban services and become centers for the economic development for surrounding rural areas. The review and adjustment of structures and function should follow the geography, demography, and socio-economic potentials of each municipality and district.

A study will be required to determine which districts and communes classify as urban areas. It is necessary to study and determine the criteria required for a district to become a municipality or a commune to become a Sangkat.

**Priority Activity 2.1.4: Reviewing and Adjusting the Structure and Functions of District and Commune Administrations in Rural Areas**

NP-2 will conduct studies to review and adjust district and commune administrations in rural areas to ensure that they have the appropriate structures, functions, and mechanisms in place to provide services related to rural development and agriculture. Basic services will also be provided for people living in villages far from district and commune offices.

**Output 2.2: Structure, Management System and Functions of Provincial Administrations are Reviewed and Revised to Operate as Regional Administrations in Accordance with the Principle of Unified Administration**

To ensure the achievement of this expected output during the implementation of NP-2, the focus shall be on the following priorities:

**Priority Activity 2.2.1: Options Study for Establishing Provincial Administrations as Administrations with Characteristics of Regional Administrations**

NP-2 will conduct an assessment of the structure and management systems of public administrations at the provincial level. Regional administrative structures in other countries will be studied to gain insight on this process. Comprehensive discussions and consultations with ministries, national and sub-national-level institutions, CSOs, DPs, and other stakeholders will be held to facilitate this assessment.

Options will be identified for revising the structures, management systems, and functions of the provincial administrations. The provincial administrations will be reorganized to resemble

regional administrations. Proposed ideas must reflect the context, needs, and actual situation of Cambodia and must focus on the following key points:

- The structure for each regional administration must be based on the geographical situation, demographics, and socio-economic potential of each area
- Redefinition of functions and resources based on the principle of subsidiarity. Certain functions and resources will be transferred from the national ministries to provincial administrations. Particular functions will also be transferred from provincial administrations to local administrations (DMK and CS administrations). These may include functions related to health, rural development, agriculture, natural resources, and the environment
- The key role of the updated provincial administrations will be to assist, support, and monitor the local administrations in their service delivery functions to citizens

**Priority Activity 2.2.2: Legal Framework for Establishing Provincial Administrations as Administrations with Characteristics of Regional Administrations**

After the ideal methods have been found, the relevant administrative regulations will be prepared to transfer provincial administrations to regional administrations. This will include transforming the structure, management system, and functions of the provincial administration.

It is necessary to have comprehensive discussions and consultations with ministries, sub-national and national institutions, CSOs, DPs, and other stakeholders before submitting this legal document to the RGC for review.

**Priority Activity 2.2.3: Implementation of Structure, Management System and Functions of Provincial Administrations with Characteristic as Regional Administrations**

During the implementation phase, the RGC may implement regional administrations in some provinces as a first step and expand the implementation after it has studied the results of the initial implementation phase. This will be achieved through the development of a work plan and national coordination arrangements to support the implementation of the new regional administrations.

**Output 2.3: Structure, Management System and Functions of the Phnom Penh Capital Administration are Reviewed and Revised to Operate as a Metropolitan Administration in Accordance with the Principle of Unified Administration**

At present, Phnom Penh is a distinct SNA that differs from other provincial and municipal administrations due to its large population (more than 2,000,000 and a density of more than 3,000 per square kilometer).

It is also home to political, economic, and cultural centers and important national-level ministries and institutions. The suburbs of Phnom Penh are rapidly developing into satellite cities with growing populations. This rapid increase in population has caused the Phnom Penh capital administration to face many challenges, including maintaining public order, traffic congestion, solid and liquid waste disposal, pollution, and sanitation. The administration has also faced issues related to strategic planning in the city and its underdeveloped satellite cities.

In general, these challenges will continue to increase, which will be an obstacle and become a serious burden on the management system of the Phnom Penh capital administration, ministries, institutions, and the RGC.

To address these challenges, it is necessary to review and adjust the management structure system and functions of the Phnom Penh capital administration, the Khan administrations and the Sangkat administrations in Phnom Penh in accordance with the principles of a metropolitan administration and the principles of the unified administration.

To ensure the achievement of this expected output during the implementation of NP-2, the focus shall be on the following priorities.

**Priority Activity 2.3.1: Options Study for Establishing Capital Administration as an Administration with Characteristics of Metropolitan Administration**

NP-2 will conduct an assessment of the existing public administration system in Phnom Penh to determine the best methods for reorganizing the capital administration.

Data will be collected on other countries that have similar experiences in developing metropolitan administrations in cities to help inform this process. Extensive discussions and consultations will also be held with ministries, national and sub-national institutions, CSOs, DPs, and stakeholders. These meetings will identify appropriate options for supporting the capital administration in its evolution to a metropolitan administration.

The study of options should focus on:

- Separation of powers, functions, responsibilities and resources between national ministries/institutions and the capital administration
- Separation of powers, functions, responsibilities, and resources between the capital administration, and the Khan and Sangkat administration in Phnom Penh according to the principle of subsidiarity
- Giving decision-making authority to the Capital Administration to develop a strategic plan covering the entire territory of the Phnom Penh Capital Administration
- Selection of the council and the BoG of Phnom Penh, the Khan administrations and the Sangkat Administrations. This will be performed using an accountable method that ensures effective public representation and may include the possibility of direct elections
- Determining the resources and financial management system of the capital administration, which ensures the promotion of revenue collection, discretion, transparency and accountability in the use of its discretionary budget
- Establishment of a cooperation mechanism between the capital administration and the SNAs bordering Phnom Penh to ensure the coordination of strategic planning and cooperation in addressing challenges

**Priority Activity 2.3.2: Development of Legal Framework on Structure and Management System of the Capital Administration with Characteristic of Metropolitan Administration**

After options identified in the study have been approved, relevant administrative regulations will be developed to transform the structure, management system and functions of the Phnom Penh capital administration into a metropolitan governance system. The development process of this legal document will include wide-ranging discussions and consultations with various ministries and national and sub-national institutions, CSOs, DPs, and stakeholders.

**Priority Activity 2.3.3: Implementation of Structure, Management System and Functions of Metropolitan Administration**

The implementation of the new structures, management systems, and functions of the metropolitan

administration will require a specific work plan and program to ensure the efficiency of the process.

#### **Output 2.4: The Working Relationships and Accountability of SNAs are Strengthened, Revised and Implemented**

During NP-1, SNA structures, management systems and functions were modified based on Outputs 2.1, 2.2, and 2.3. However, the relationship mechanisms and lines of accountability need to be reviewed and revised to comply with these modified structures, management systems, and functions.

These mechanisms include improved working relationships and accountability between national level institutions and SNAs. Working relationships and accountability between SNAs at different levels also need to be improved. Additionally, internal working relationships and accountability measures need to be improved, as well as the working relationship and accountability measures that exist between SNAs and citizens.

To achieve this output, four priority activities have been identified for implementation as follows.

##### **Priority Activity 2.4.1: Working Relationship and Accountability Between SNAs And National Level are Reviewed, Revised and Strengthened**

NP-2 will continue strengthening working relationships and lines of accountability between SNAs and national-level institutions. This will ensure the effective performance of SNAs in accordance with national-level policies, strategies, laws and regulations as well as clearly define the relationship framework as it pertains to the support, cooperation, intervention, and oversight of the SNA's performance.

##### **Priority Activity 2.4.2: Working Relationships and Lines of Accountability Between SNAs and SNAs At Different Levels are Reviewed, Revised and Strengthened**

With the restructuring of the Phnom Penh capital administration into a metropolitan administration, provincial administrations into regional administrations, and DMK and CS administrations into local administrations, it is necessary that NP-2 continue strengthening working relationships and lines of accountability between administrations.

Focus will be placed on improving the relationships and lines of accountability between SNAs at different levels to ensure autonomy at each level. This will clarify the functions assigned to each SNA as well as ensure the smooth implementation of functions by lower levels of administration as delegated by higher levels of administration.

##### **Priority Activity 2.4.3: Internal Working Relationship and Accountability Within Each Administration are Strengthened**

During the implementation of NP-1, the structure, system and functions of DMK administrations were modified by integrating technical line offices in accordance with the principles of unified administration. Health departments and childcare centers were also integrated into the structure of CP administrations.

However, the working relationships and internal lines of accountability between these new structures and systems still face many challenges. The working relationships and lines of accountability between technical line departments and offices and the SNA councils and Board of Governors needs particular attention.

In addition, the revision of functions and structures of the Phnom Penh capital administration, provincial administrations, DMK, and CS administrations under Outputs 2.1, 2.2 and 2.3, will also

require changes. The goal is to improve the working relationships and clearly define the lines of accountability between administrations at each level.

The working relationships and internal lines of accountability of SNAs refers to the relationships and accountability between governors and the Board of Governors, administrative directors and the heads of units/offices, and staff and their councils.

#### **Priority Activity 2.4.4: Strengthening Relationship and Accountability of SNAs to Citizens**

Strengthening the relationships and lines of accountability between SNAs and the people is the most important of all lines of accountability. This effort will focus on:

- Strengthening relations with the people through the organization of public forums and meetings, using various media to disseminate information, and responding to citizens' requests
- Strengthening the SNAs' accountability to the people and focusing on the formulation and approval of SNAs policies and decisions. Other aspects include public service delivery, implementation of projects, and responding to the requests of people. Citizens will be empowered to monitor the performance of SNAs to ensure they perform their duties according to public interest in an effective, transparent, and equitable manner.

#### **Output 2.5: The Leadership Capacity of SNA Councils is Strengthened**

The elected SNA councils have the obligation to act as representatives of the people within their jurisdiction. Each council has the authority to make decisions on policies, plans, and budgets. They also monitor and evaluate the performance of SNAs.

SNA councils are directly accountable to the people concerning the delivery of public services and fostering local development. To ensure these functions are carried out appropriately, this legal principle requires the Board of Governors and SNA staff to defer to their respective SNA councils.

Since more powers, functions, resources, and responsibilities will be transferred to SNAs, NP-2 must continue to strengthen the authoritative power, roles, and responsibilities of the SNA councils. This will improve SNA council leadership and empower the councils to make decisions regarding public service delivery and the promotion of local development. The goal is to ensure public services are delivered and local development is promoted in an effective, transparent, accountable, inclusive, and socially equitable manner.

To achieve this output, the NP-2 will focus on the following three priority activities:

##### **Priority Activity 2.5.1: Revision and Creation of Additional Committee of SNA Councils**

The revision and establishment of additional committees of SNAs councils shall focus on:

- Defining the composition, roles, and responsibilities of the SNA committees in accordance with the scope of functions and the newly defined structures of each SNA
- Establishment of additional committees, sub-committees, and working groups to assist the councils in efficiently fulfilling their roles. These roles include decision-making on the approval of the plans, budgets, and service delivery programs. They also include monitoring and evaluating the implementation of these functions.
- Council committees can establish necessary sub-committees or working groups which may include representatives of CSOs or the private sector to ensure that the views and opinions of the private sector and citizens are considered by the SNA councils.

### **Priority Activity 2.5.2: Strengthening the Secretariat of the SNA Councils**

Each SNA council will have its own secretariat responsible for assisting the council with daily tasks such as organizing meetings, preparing minutes of meetings, organizing public forums, disseminating council decisions, and other administrative affairs.

Therefore, NP-2 must focus on the establishment of a clear council secretariat that is directly accountable to the council. This secretariat must have adequate and competent staff, an appropriate workplace, materials, and budget resources to effectively carry out its roles and responsibilities.

### **Priority Activity 2.5.3: Preparation of Specific Budgets to Support SNA Councils**

To ensure the strengthening of the leadership capacity of the SNA councils, it is necessary to prepare specific expenditure plans for the councils. These budgets will be part of the SNA budget. These financial resources will support the performance of the council, its committees and sub-committees, working groups, and the secretariat of the council. The governor shall ensure that this budget is used by the council following relevant financial guidelines.

### **Output 2.6: Citizen Participation is Enhanced to Ensure People's Trust in SNAs**

The participation of the people in the work of SNAs is an essential component to increasing the people's trust in SNAs. During the implementation of NP-1, a number of mechanisms related to citizen participation were developed and implemented, but these mechanisms have not yet been widely practiced or effective in encouraging citizen participation.

Therefore, to promote the people's participation in an inclusive manner, NP-2 must focus on reviewing, revising, and strengthening the mechanism in place to encourage this participation.

A strong institution with specific responsibilities and clear procedures will be developed to encourage citizen participation. This will include mechanisms for providing information to citizens, mechanisms for receiving and resolving citizens' requests. It will also involve the participation of CSOs and the private sector.

To achieve this output, the NP-2 will focus on the following three priority activities:

#### **Priority Activity 2.6.1: Strengthening Mechanisms to Provide Information to Citizens**

Obtaining clear and sufficient information is an important basis for inviting commentary on an issue. Therefore, the provision of clear information to the people by SNAs is very important to encourage participation of the people in giving suggestions and proposals to SNAs.

NP-2 shall focus on further establishing specific units and mechanisms for each SNA to utilize in providing information to the people. SNAs are expected to disseminate information on all working processes that make use SNA budget funds.

Social accountability must continue to be strengthened, expanded, and institutionalized into a clear mechanism of the SNAs. This will make it easier to provide information to the people about the budget, services, and performance of the SNAs. Proper communication mechanisms will also promote transparency and accountability and while encouraging good governance at the local level.

#### **Priority Activity 2.6.2: Strengthening the Mechanism for Receiving Requests and Proposals of Citizens**

NP-1 implemented several SNA mechanisms such as accountability groups, ombudsman offices, and units responsible for resolving citizen complaints to strengthen the SNAs' roles.

NP-2 must continue to focus on strengthening and improving these mechanisms. A clear institutional structure with specific procedures needs to be created to ensure requests and complaints of the people are effectively heard and resolved.

Citizens' proposals must also be considered. These proposals may include requests for audits or the inspection of any work carried out by SNAs. They may also include proposals for initiatives or corrections, for example a cancellation of any "Deika" (local bylaw) or SNA council decision.

The establishment of these mechanisms will make a significant contribution to making SNAs more accountable to the people.

### **Priority Activity 2.6.3: Promoting the Participation of CSOs as Part of Civic Engagement**

Promoting the participation of CSOs should focus on:

- The role of CSOs in raising awareness of citizens' access to information. This includes spreading knowledge regarding the roles and responsibilities of SNA councils, as well as information related to budgets, plans, projects, and public services. The goal is to promote and encourage the participation of people, especially vulnerable groups, in the decision-making process of SNAs.
- The role of CSOs in gathering people's opinions. These opinions should guide SNAs on new initiatives, policy formulations, and decisions related to services and local development of SNAs.
- Creating a better working environment for SNAs and CSOs to promote CSO participation in the implementation of activities. CSOs should also offer suggestions concerning the performance of SNAs. In addition, to facilitate this communication, SNAs must prepare and update the list of CSOs operating in its jurisdiction. This list must include national and international NGOs, local community organizations, local associations, pagoda committees, school committees, health center management committees, and youth groups.
- Organize regular meetings between SNAs and CSOs, organize events to disseminate and share information, and hold public consultations

### **Output 2.7: The Administrative Management Systems of SNAs are Modernized through the Development and Operation of Digital Systems**

Information technology has developed fast and is used widely in work management systems, especially for tasks concerning public communication. SNAs, however, have historically performed their duties using traditional administrative systems. This has resulted in difficulties and delays in access to services for citizens and spreading information.

Therefore, it is necessary to promote the design and implementation of information technology systems for each SNA. A general E-Governance Strategy for NP-2 is outlined in Annex E. In relation to the strengthening of SNA functions and structures, this will require the following activities:

#### **Priority Activity 2.7.1: Strengthening and Expanding Connection to the Internet Infrastructure**

To date, urban provincial, DMK, and CS administrations have been able to set up Internet networks, although some urban areas still do not have access to high-speed internet.

There are some DMK and CS administrations in rural areas that only have access to the Internet through mobile phones. Therefore, NP-2 must continue to promote investment in Internet infrastructure to reach rural areas. This will help ensure that those living in rural areas have the ability to connect to the Internet to help modernize their administration.

### **Priority Activity 2.7.2: Development and Implementation of Digital System for SNA Management Systems**

During NP-2, SNAs will increasingly use IT-based systems for administrative tasks. This will include digitizing existing systems such as the Human Resources Management Information System (HRMIS), the Financial Management Information System (FMIS), as well as data for local planning, including the Commune Database (CDB).

SNAs will increasingly use Electronic Document Transmission for official documents, increasing efficiency and reducing costs, particularly for remote SNAs. Protocols will be established for electronic signatures of official documents and for types of documents that can be transmitted electronically.

Appropriate software – either commercially available or developed for the Cambodian government – will be installed. Initially, the system will be used only for low-level routine documents (e.g. mission letters) but the system will progressively be used for more important communications.

The administrative management system of SNAs will be gradually developed into a digital-based administration, depending on the situation of each SNA.

Along with the design and implementation of this digital administration system, there is a need to supply necessary equipment as well and provide capacity development services for the SNAs utilizing the technology.

### **Priority Activity 2.7.3: Information Dissemination to the Citizens through Information Technology (IT)**

An increasing proportion of communication between SNA and citizens will take place online. This will improve the flow of information and reduce the cost of sharing information. Information on local regulations, bylaws, plans, budgets, and projects will be shared online. In addition, information on development programs, public procurement projects, climate change, disaster risks, and serious infectious diseases will also be shared online.

IT systems to provide and receive information will require the development of a clear website for and a hot line to ensure citizens' requests are received and addressed in a timely manner. IT will increasingly be used in the ombudsman system and in ISAF to provide information to people and collect feedback or complaints related to the provision of public services and local development of each administration.

### **Priority Activity 2.7.4: Development and Implementation of a Digital System for SNA Service Delivery**

NP-2 will support the development or adoption of a single platform for online service provisions provided by SNAs. The functions of the service delivery platform will eventually include:

- Online Citizen registration and self-identification
- Online data security to preserve confidentiality and prevent fraud
- A secure electronic payments system
- A complaint handling mechanism

### **Output 2.8: Internal Control System and External Systematic Inspection Mechanism for SNAs is Developed, Revised, and Implemented**

Once functions have been transferred to SNAs in accordance with the principle of decentralization, it will be necessary to develop and implement an internal control system and external systematic inspection mechanism to ensure the effectiveness, transparency, and



accountability of SNA performance.

The internal control and external inspection on the management and implementation of transferred functions must include examination of the legal use of financial and human resources of SNAs.

Inspection mechanisms for SNAs include internal control mechanisms and external inspections, which refer to inspections performed by higher-level administrations. These external inspections administration must respect the autonomy of SNAs as defined by laws and regulations.

Currently, there is a unit responsible for internal control established within the structure of the CP and DMK administrations. This unit carries out functions related to internal inspections.

Based on the internal audit sub-decree on the framework and duties of the internal audit and inspection mechanism, the MEF is responsible for conducting regular inspections on the financial management of public funds and assets of SNAs. The Ministry of Civil Service (MCS) is responsible for inspections regarding the performance of the civil service staff of SNAs. The sectoral ministries are currently responsible for inspecting the implementation of sectoral functions that have been transferred to SNAs.

During the implementation of NP-1, functions have been transferred to SNAs from approximately 20 national ministries and institutions. The internal controls of SNAs in regard to these functions has proved to be so far ineffective, as the organization of the units responsible for these internal controls is still unclear.

Meanwhile, external inspections by higher administrations have been carried out separately by each relevant ministry. This is time-consuming and causes a heavy workload for the SNAs. Therefore, to address these challenges, it is necessary for NP-2 to revise and strengthen both the internal control and external inspections.

They should be improved to be systematic inspections in line with D&D policy with clear procedures for inspection. These inspections should focus on the management and implementation of transferred functions by SNAs in accordance with laws, regulations and defined service standards. The inspection mechanism shall ensure that there is minimal interference in the performance of the SNAs and ensure the efficiency and transparency of SNAs.

To ensure the achievement of this expected output during the implementation of NP-2, a focus shall be on the following four priority activities:

#### **Priority Activity 2.8.1: Strengthening Internal Control Mechanism of SNAs**

In general, internal control is the most important mechanism of each SNA to ensure their accuracy and effectiveness. Therefore, NP-2 needs to review and improve the internal control mechanism of each SNA and ensure they can be implemented in tandem with external inspections. This will improve the efficiency and transparency of SNAs.

#### **Priority Activity 2.8.2: Options Study on SNA External Inspection Mechanisms**

NP-2 will study the experiences of other countries that have implemented mechanisms of inspection for local governments and SNAs to identify potential options for the design and implementation of these mechanisms in Cambodia.

The objective is to identify the best option that will harmonize the inspection mechanisms of all relevant national ministries and institutions.

The options shall focus on:

- The possibility of strengthening the national inspection system for SNAs in line with D&D policy and ensuring that it does not significantly disrupt the performance of SNAs

- The possibility of establishing a coordination inspection unit at the provincial level to be responsible for local government (DMK and CS) compliance inspections
- The process of SNA compliance inspection (methodology, tools, and reports)
- Establishing a motivational and disciplinary framework to guide SNA inspections

**Priority Activity 2.8.3: Preparation of Legal Documents and Technical Documents**

It will be necessary to prepare or revise legal documents pertaining to the establishment of a systematic inspection mechanism at the national and provincial levels. Detailed technical guidelines for these inspections will also need to be drafted. These procedures will be performed based on the potential options identified, extensive consultations with relevant ministries and SNAs, and the approval of the RGC through the NCDD.

**Priority Activity 2.8.4: Undertaking Inspection on SNA Performance**

Based on the approved inspection manual, a coordinating inspection unit at the national level will conduct yearly compliance inspections at all CP administrations. Coordinating inspection units will be established in Phnom Penh and all provincial administrations.

These units will conduct coordinated yearly inspections at all DMK and CS administrations in their respective jurisdiction. This mechanism must be implemented not later than the third year of the IP5-I of NP-2.

**Table 3: Expected Outputs and Priority Activities for Component 2**

<b>Outcome:</b> Structures, systems, powers and functions of SNA are clearly defined and outlined in accordance with metropolitan, urban and rural characteristics. SNAs use information technology systems to promote effective management and internal and external communication.	
<b>Output 2.1.</b> Structure, management systems, and functions of the municipal administrations, district administrations, commune administrations, and Sangkat administrations are strengthened and adjusted to operate as local administrations in accordance with the specific characteristics of urban administrations and rural administrations.	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
2.1.1: Strengthening the implementation of functions and structures of DM administrations	
2.1.2: Strengthening the implementation of the current functions of the CS administrations	
2.1.3: Reviewing and adjusting the structure, functions and resources of municipal, district, and commune administrations located in urban areas	
2.1.4: Reviewing and adjusting the structure and functions of district and commune administrations in rural areas	
<b>Output 2.2:</b> Structure, management system and functions of the provincial administrations are reviewed and revised to operate in the manner of a regional administration in accordance with the principle of unified administration.	
<b>Priority activities for IP5-I</b>	<b>Priority activities for IP5-II</b>
2.2.1: Options study for establishing provincial administrations as administrations with characteristics of regional administrations	
2.2.2: Legal framework for establishing provincial administrations as administrations with characteristics of regional administrations	2.2.2: Legal framework for establishing provincial administrations as administrations with characteristics of regional administrations
	2.2.3: Implementation of structure, management system, and functions of provincial administrations with characteristics as regional administrations
<b>Output 2.3:</b> Structure, management system, and functions of the Phnom Penh capital administration are reviewed, revised and operated in the manner of a metropolitan administration in accordance with the principle of unified administration.	
<b>Priority activities for IP5-I</b>	<b>Priority activities for IP5-II</b>
2.3.1: Options study for establishing capital administration as an administration with	

characteristics of a Metropolitan administration	
2.3.2: Development of legal framework on structure and management system of the capital administration with characteristics of metropolitan administration	2.3.2: Development of legal framework on structure and management system of the capital administration with characteristics of metropolitan administration
	2.3.3: Implementation of structure, management system, and functions of metropolitan administration
<b>Output 2.4:</b> The working relationships and accountability of SNAs are strengthened, revised. Vertical relationships and lines of accountability at SNAs have been strengthened, revised and implemented.	
<b>Priority activities for IP5-I</b>	<b>Priority activities for IP5-II</b>
2.4.1: Working relationship and accountability between SNAs and national level administrations is reviewed, revised, and strengthened	
2.4.2: Working relationship and accountability between SNAs and SNAs at different levels are reviewed, revised, and strengthened	
2.4.3: Internal working relationship and accountability within each administration strengthened	2.4.3: Internal working relationship and accountability within each administration strengthened
2.4.4: Strengthening relationship and accountability of SNAs to citizens	2.4.4: Strengthening relationship and accountability of SNAs to citizens
<b>Output 2.5:</b> The leadership capacity of SNA councils is strengthened.	
<b>Priority activities for IP5-I</b>	<b>Priority activities for IP5-II</b>
2.5.1: Revision and creation of additional committee of SNA councils	
2.5.2: Strengthening the secretariat of the SNA councils	2.5.2: Strengthening the secretariat of the SNA councils
2.5.3: Preparation of specific budgets to support SNA councils	2.5.3: Preparation of specific budgets to support SNA councils
<b>Output 2.6:</b> Citizen participation is enhanced to ensure people's trust in SNAs.	
<b>Priority activities for IP5-I</b>	<b>Priority activities for IP5-II</b>
2.6.1: Strengthening mechanisms to provide information to the citizens	2.6.1: Strengthening mechanisms to provide information to the citizens
2.6.2: Strengthening the mechanism for receiving requests and proposals of citizens	2.6.2: Strengthening the mechanism for receiving requests and proposals of citizens

2.6.3: Promoting the participation of CSOs as part of civic engagement	2.6.3: Promoting the participation of CSOs as part of civic engagement
<b>Output 2.7:</b> The administrative management systems of SNAs are modernized through the development and operation of digital system.	
<b>Priority activities for IP5-I</b>	<b>Priority activities for IP5-II</b>
2.7.1: Strengthening and expanding connection to Internet infrastructure	2.7.1: Strengthening and expanding connection to Internet infrastructure
2.7.2: Development and implementation of digital system for SNA management systems	2.7.2: Development and implementation of digital system for SNA management systems
2.7.3: Information dissemination to the citizens through IT	2.7.3: Information dissemination to the citizens through IT
2.7.4: Development and implementation of digital system for SNA service delivery	2.7.4: Development and implementation of digital system for SNA service delivery
<b>Output 2.8:</b> Internal control system and external systematic inspection mechanism for SNAs is developed, revised, and implemented.	
<b>Priority activities for IP5-I</b>	<b>Priority activities for IP5-II</b>
2.8.1: Strengthening internal control mechanism of SNAs	2.8.1: Strengthening internal control mechanism of SNAs
2.8.2: Options study on SNA external inspection mechanisms	
2.8.3: Preparation of legal documents and technical guidance documents	2.8.3: Preparation of legal documents and technical documents
2.8.4: Undertaking inspection on SNA performance	2.8.4: Undertaking inspection on SNA performance

**Table 4: Risk Management for Component 2**

No	Risk	Impact	Probability	Mitigation Measures
1	Obligatory functions assigned to the DMK are not specified clearly enough, leaving DMK administrations unable to implement them effectively	High	Medium	<ul style="list-style-type: none"> <li>➤ Clearly define obligatory functions and prepare detailed guideline on the procedures for implementation of each obligatory function, including standards for service delivery</li> </ul>
2	Provincial and DMK councils unable to exercise real decision-making and monitoring powers over the BoG	High	High	<ul style="list-style-type: none"> <li>➤ Provide guidance on the establishment of support mechanisms for councils, including the revision or establishment of additional committees or sub-committees and the operating procedures of those committees</li> <li>➤ Organize training for SNA councils to increase their awareness on how to exercise their roles and mandates</li> <li>➤ Prepare a clear expenditure plan of the council within the budget of SNAs</li> </ul>
3	Local administrations continue to work under top-down direction of province instead of developing real autonomy with province in oversight and support role	Medium	High	<ul style="list-style-type: none"> <li>➤ Provide guidelines and training to the leaders and officials of the provincial administration on the working relationship between the provincial administration and local administration</li> <li>➤ Strengthen the monitoring and intervention of the MOI</li> </ul>
4	Autonomy of local councils in prioritizing and using their discretionary funds for actions and projects in the framework of their general mandate is not respected by provincial and national units under the MEF	High	Medium	<ul style="list-style-type: none"> <li>➤ Under the coordination of the NCDD, the MOI and the MEF shall prepare and issue guidelines on the preparation and implementation of projects of SNAs under the framework of general mandate/permissive functions</li> </ul>
5	The governance system of SNAs is not tailored to the type and nature of the administration of big cities; towns in urban and rural areas do not have clearly defined functions, roles, and responsibilities.	High	Medium	<ul style="list-style-type: none"> <li>➤ NCDD shall lead the coordination the relevant ministries and institutions and request a decision from the Prime Minister of the Royal Government</li> </ul>

No	Risk	Impact	Probability	Mitigation Measures
6	The failure of the digital strategy is due to the vague administrative procedures and the lack of competent staff of SNAs	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Clear review and revision of administrative procedures of SNAs</li> <li>➤ Organize systematic training for SNA officials and integrate information technology and digital governance into initial training for new staff</li> </ul>
7	Lack of agreement and cooperation from ministries to established harmonized inspections on legality and service delivery standards.	Medium	Medium	<ul style="list-style-type: none"> <li>➤ NCDD lead, coordinate, and discuss appropriate options for setting up inspection mechanisms on SNAs and request government decisions.</li> </ul>
8	Re-centralization policies implemented by national agencies in different fields undermine the autonomy of local administrations  Continuing to strengthen the centralized structure and management system of some ministries may affect the autonomy of SNAs	High	High	<ul style="list-style-type: none"> <li>➤ NCDD ensure that the restructuring and management system of each ministry is in line with the decentralization policy</li> <li>➤ NCDD assess the negative situation of the structure and system of some ministries that continue to strengthen in the form of centralization and then request for intervention from the Royal Government</li> </ul>
9	Some priority policies of PFMR are inconsistent with the common vision and objectives of the D&D reforms.	High	Medium	<ul style="list-style-type: none"> <li>➤ NCDD ensure that consultations and consensus are agreed upon in the formulation of new priority policies of PFMR in line with D&amp;D policies</li> </ul>

### **3.3. COMPONENT 3: HUMAN RESOURCES MANAGEMENT AND DEVELOPMENT**

#### **3.3.1. Rationale**

The main goal of the sub-national democratic development (SNDD) reform is to improve local economic development and public service delivery for the citizens. Achieving this goal requires the proper organization of human resources with strong commitment, competence, skills, and professional ethics. Effective human resource management is an important factor to ensure the high quality of local economic development and public services. Therefore, it is necessary to develop a strategy to promote the effective human resource management of SNAs.

During NP-1, important achievements in this regard were made, including:

- 1) The preparation and implementation of an SNA human resource development policy and necessary regulations related to the principles and procedures for human resource management of SNAs
- 2) The transfer of authority to SNAs to manage human resources at SNA levels
- 3) The transfer of staff from relevant ministries following the transfer of certain functions
- 4) The preparation and implementation of capacity development programs for SNA staff

Although this SNA personnel management system has been designed and implemented, there are still challenges and uncertainties regarding several issues. Staff should be recruited and assigned to roles according to their professional skills and proper job descriptions detailing different roles should be provided to each staff member.

There is also a need to install a performance-based staff management system and a staff incentive system. In addition, professional ethics and discipline must be promoted. The development of a professional body for civil servants should be a priority. In general, the current management system needs to be improved.

During NP-1, SNA capacity development focused on:

- 1) Understanding the various legal documents issued regarding the reform
- 2) Establishing and launching human resource development centers at the capital and provincial level to strengthen the capacity development mechanism in each capital and provincial administration, as well as gradually reducing the reliance on technical assistance of capacity-building advisers
- 3) The establishment of the National School of Local Administration (NASLA) to ensure the sustainability of capacity-building services for SNA staff

Despite these initiatives, capacity building for SNA staff has not proved adequate and capacity building mechanisms at both the national and sub-national levels needs to be strengthened and improved.

In order to strengthen and improve the human resource management and capacity development systems of SNAs, NP-2 will focus on reviewing, revising and strengthening the implementation of policies, laws, and regulations related to SNA human resource management.

Areas of improvement include the recruitment, deployment, and management of SNA staff, as well as human resources needs assessments and gap assessments. SNA staff must be provided incentives to work in remote and difficult areas and skills gaps among SNA staff must be narrowed.

Institutional capacity development plans need to be formulated and the NASLA needs to produce measurable results.



Capacity development needs to be improved at the regional level. This can be achieved by developing curricula and training materials related to capacity building, improving approaches to training delivery, and providing professional development services to SNA staff.

### **3.3.2. Overview of Component 3**

#### **3.3.2.1. Outcome**

The outcome of Component 3 is “SNAs recruit, manage and deploy their staff based on the workload and financial availability of each SNA. SNAs employ staff with professional qualifications and skills appropriate to their roles and responsibilities and SNAs provide systematic, progressive, professional skills development and support”.

#### **3.3.2.2. Strategy to Achieve the Outcome**

NP-2 will mainly focus on streamlining HR-related activities and strengthening what has already been achieved during NP-1. It will also critically look at the gaps and weaknesses of the reform implementation in NP-1 to avoid the same problems during the implementation of NP-2.

In NP-2, SNAs will have full responsibility to recruit, manage and deploy their staff. This will ensure they have enough staff with appropriate qualifications, skills and experience to carry out their assigned roles and responsibilities. Staff will have clear job descriptions and their performance will be evaluated annually on the basis of their job descriptions.

Furthermore, NP-2 will implement salary incentives and a promotion structure to boost the level of commitment of SNA staff. To encourage SNA staff to work in remote and difficult areas, adequate incentives will be provided.

NP-2 will build an effective framework for training and professional development of SNA staff appropriate to their job descriptions and career path.

Skills gaps among the SNA staff will be identified and their skills will be enhanced through need-based capacity development programs. A framework for professional long-term career development for SNA staff will be developed. In NP-2, the capacity development framework will clearly define the responsibilities for the design and delivery of training, including the development of contents.

At the national level, NASLA will play a core role in developing training standards, developing training materials, and mentoring trainers, as well as directly delivering courses. In addition, collaborations with specialized institutions and effective arrangements for capacity development at regional levels will promote improved SNA staff training.

Furthermore, SNA staff development mechanisms will be based on different approaches to training delivery and include thematic trainings, e-learning, and self-study programs.

#### **3.3.2.3. Strategic Outputs**

Outcome 3 of NP-2 will be achieved through ten strategic outputs to be delivered by 2030:

**Output 3.1:** Civil servant bodies are reviewed, reorganized, and implemented

**Output 3.2:** Performance-based management system is developed and implemented at SNAs

**Output 3.3:** Information technology systems for personnel management are designed and implemented

**Output 3.4:** Human resource needs are assessed and clearly defined

**Output 3.5:** Incentive policy for SNA staff is developed and implemented

**Output 3.6:** Assessment of capacity development needs and capacity development planning is strengthened and clearly defined

**Output 3.7:** NASLA is fully operationalized and strengthened, with effective arrangements for capacity development in place at the regional level

**Output 3.8:** Curricula for SNA staff developed and implemented

**Output 3.9:** Different training approaches developed and implemented

**Output 3.10:** A framework for career-long professional development for SNA staff is developed and implemented

#### **3.3.2.4. Strategies and Priority Activities for Implementing Outputs**

##### **Output 3.1: Civil Servant Bodies Are Reviewed, Reorganized, and Implemented**

Based on the common principles of public functions and separate statutes for SNA staff, a professional body for civil servants will need to be organized to gather trained officials with expertise, knowledge, and experience working in similar professional fields at national ministries and SNAs.

In the current civil service management system in Cambodia, there are a number civil servant classifications that bring together professional civil servants in the same field such as education officers, health officials, technical officers, and administrative officers.

However, these civil servant bodies and documents relevant to the implementation of these civil servant bodies need to be re-examined and revised to ensure the inclusion of SNA staff in each civil servant body. This will help provide motivation to officials working in SNAs.

To ensure the achievement of this expected output during the implementation of NP-2, the focus shall be on the following priorities.

##### **Priority Activity 3.1.1: The Review and Reorganization of Civil Servant Bodies**

Civil servants in many sectors will be transferred to SNAs through the process of functional transfers. Therefore, to ensure the inclusion of positions of these officials into professional civil servant bodies, the NP-2 shall focus on reviewing and reorganizing each civil servant body and ensure the involvement of SNA staff in these organizations.

At the same time, each civil servant body must clearly define its members' classes, ranks, levels, and qualifications for SNA recruitment purposes. Examination and reorganization of each civil servant body shall take into account incentives for SNA staff by upgrading SNA staff positions and ensuring they match their workload and responsibility level.

##### **Priority Activity 3.1.2: The Implementation of Civil Servant Bodies**

After the approval of regulation on civil servant bodies, the main tasks to be focused on in this activity include the inclusion of civil servant positions at SNAs in accordance with the class and rank of each civil servant body, as well as reviewing and revising the relevant documents.

##### **Output 3.2: Performance-Based Management System is Developed and Implemented at SNAs**

The design and implementation of a performance-based management system is a necessary and important task to enhance the effectiveness of staff performance. This will ensure the achievement of the goals, missions, and responsibilities of each SNA unit.

The results of this performance-based management will be the basis for appointments, promotions, capacity development, motivation, and disciplinary sanctions. Therefore, the NP-2 should develop and implement a performance-based management system at the SNA level through the issuance of a clear set of guidelines, focusing on the preparation of position descriptions, job description, and staff attendance management. It should also focus on evaluation of performance as well as motivation of staff at SNAs.

To ensure the achievement of this expected output during the implementation of NP-2, the focus shall be on the following priorities.

### **Priority Activity 3.2.1: Preparation of Position Description for SNA Staff**

This activity will focus on the preparation of position descriptions for both management and professional positions in SNA units as a basis for staffing, recruitment, relocation, and developing job descriptions.

Job descriptions will clearly describe the roles, duties, responsibilities, lines of accountability, and necessary qualifications for each position. The preparation of this job description should be based mainly on the functions, roles, duties and responsibilities of a particular SNA unit.

### **Priority Activity 3.2.2: Strengthening The Development of Job Descriptions for SNA Staff**

This activity will focus on strengthening the development of job descriptions for staff. These job descriptions will be prepared by the head of the unit and be used as a basis for evaluating the performance of each staff member.

Job descriptions will also be developed for technical advisors and short-term contracted staff members. Job descriptions are documents that detail the responsibilities and expected results of a given role. They will be mainly based on the annual work plan of each unit.

### **Priority Activity 3.2.3: Strengthening the Management of SNA Staff Attendance**

Staff attendance management is a mechanism that contributes to the monitoring of staff performance to promote a professional code of conduct. The results of staff attendance management will be used as part of the performance-based management initiative.

The head of unit or the governor and CS chief may determine the nature of the management of their staff attendance by defining daily working hours and workplaces. Depending on the actual situation, workplaces may be flexible.

### **Priority Activity 3.2.4: Developing a Code of Conduct of SNA Staff**

Professional codes of conduct refer to internal rules developed by each institution for their staff to follow in order to maintain value, honor, and integrity among staff. Presently, professional codes of conduct exist for teachers and health staff, but they are lacking in other professions. As such, NP-2 will focus on strengthening professional codes of conduct for SNA staff to promote high-quality and efficient performance. This is especially important considering their relationship to the public and their duties to deliver public services and foster local development.

### **Priority Activity 3.2.5: Improving SNA Staff Performance Monitoring and Evaluation**

Based on job descriptions and the staff attendance management system, there is a need to develop a systematic and clear monitoring and evaluation mechanism to ensure effective performance. Monitoring and evaluation (M&E) procedures include annual appraisals and quarterly and semi-annual reviews.

These practices can help identify problems early and develop solutions such as adjustments to job descriptions and capacity building workshops. M&E must be based on job descriptions, a clear criteria, and a fair and accurate assessment system.

### **Priority Activity 3.2.6: Providing Incentives to SNA Staff Based on The Results of Performance-Based Management**

Staff incentives based on performance evaluation results are an important mechanism for improving staff performance. Incentives through this mechanism can be financial incentives and non-financial incentives such as bonuses or other allowances, promotions, and awards.

Capacity development workshops will be implemented to improve staff performance. Additionally, disciplinary action should be taken appropriately for irresponsible staff who do not perform well.

### **Output 3.3: Information Technology Systems for Personnel Management are Designed and Implemented**

In order to ensure the effective management and development of human resources at SNAs and keep in line with the rapid growth of information technology systems in Cambodia, the NP-2 will support the design and implementation of IT systems for human resource management at SNAs.

To ensure the achievement of this expected output during the implementation of NP-2, the focus shall be on the following priorities.

#### **Priority Activity 3.3.1: Establishment of IT Systems for Human Resource Management at SNA Level**

This activity focuses on setting up IT systems for human resource management at the SNA level. Digitalizing this system will make it easier to perform several tasks, including taking staff attendance, storing staff data, and recruiting staff. It will also make M&E procedures easier. Among other functions, it will assist in analyzing the performance of staff due for promotions, handle appointments, assist with disciplinary functions, and assist with retirement mechanisms.

The MCS, under the coordination of the NCDD, shall fulfill the role of planning and implementing the personnel management system. The ministry will be responsible for installing an IT system that can effectively be implemented at each SNA and serve as a link between SNAs and national-level administrations.

### **Output 3.4: Human Resource Needs are Assessed and Clearly Defined**

The authority for SNA staff planning and recruitment was assigned to each SNA during the implementation of the NP-1. However, SNAs have not yet been able to fully implement this assigned role. Therefore, NP-2 must provide clear principles and strengthen the capacity of SNAs in staff planning. This will be done through analysis of the current human resource situation and forecasting future human resource needs with the aim of promoting gender equality, social equity, and inclusiveness. At the same time, ministries and institutions must cooperate with and support SNAs in carrying out the process of human resources needs assessments related to their sectors.

To ensure the achievement of this expected output during the implementation of NP-2, the focus shall be on the following three priorities:

#### **Priority Activity 3.4.1: Preparation and Implementation of Guidelines on Quantitative and Professional Needs Assessment**

This activity focuses on the preparation and implementation of guidelines concerning the assessment of human resource needs (quantity and professional skills requirements) in each unit of SNAs. This will ensure that each SNA has a sufficient number of staff members with appropriate professional skills. It will also ensure staff members are assigned to work in a place and position in accordance with their professional skills, according to the needs of each unit.

These guidelines must clearly define the principles, procedures, methods of evaluation, analysis, and forecasting of human resource needs.

#### **Priority Activity 3.4.2: Improving Capacity of SNAs on Staff Planning**

This activity focuses on strengthening the capacity of SNAs in regards to staff planning. Capacity development will be needed for the units responsible for the analysis and forecasting of human resource needs. In this way, SNAs will be able to properly plan its staff needs in accordance with the principles, procedures, and methods defined.

#### **Priority Activity 3.4.3: Preparation of SNA Annual Staffing Plan**

This activity focuses on preparing the annual staffing plan of each SNA. Each SNA, in collaboration with relevant ministries, departments, and sectoral units, must assess, analyze, and forecast human resource needs in specific areas. This will help determine the number of staff members and the professional skills required to ensure the duties and responsibilities of different roles are fulfilled.

This assessment may include an analysis of the functions, roles, and responsibilities of each unit. It will analyze the current human resource status of the SNA and forecast future human resource needs. Based on the results of this assessment, SNAs should prepare an annual staffing plan. The annual staffing plan shall be reviewed and approved by the SNA council in accordance with set principles and procedures.

### **Output 3.5: Incentive Policy for SNA Staff is Developed and Implemented**

To date, the lack of quantitative and qualitative human resources at SNAs remains a major challenge, although the functions and responsibilities pertaining to local development and service delivery have been transferred to SNAs.

These challenges are caused by two main factors. The first is that the organization of positions, classes and ranks, and the lack of incentives provided for various positions at SNAs do not encourage staff to work at SNAs. The second is that despite the fact that road and telecommunication infrastructure has been developed, there are still some geographical areas that are remote and difficult to access. This can pose challenges to the health and livelihood of the staff who work there. Therefore, in order to attract more qualified, experienced, and professional staff to SNAs, especially in rural, remote, and hard-to-reach areas, NP-2 needs to review and revise policies and regulations on budgetary and non-budgetary incentives for staff. This will help ensure effective public service delivery to citizens in these areas.

To ensure the achievement of this expected output during the implementation of NP-2, the focus shall be on the following four priorities:

#### **Priority Activity 3.5.1: A Study on Options for Motivating Staff Working in SNAs**

This activity will focus on conducting in-depth studies on improving policies and mechanisms to provide incentives to SNA staff. These incentives should be appropriate to the context and the actual situation of the structure, function, and responsibilities of each particular SNA in light of restructures planned during NP-2.

At the same time, the study can also be based on good experiences being practiced in other countries. Based on the results of this study, it is necessary to conduct a pilot implementation of incentive mechanisms for SNA staff working in remote and difficult areas.

#### **Priority Activity 3.5.2: Policies and Regulations on Incentivization for SNA Staff Working in Remote and Difficult Areas are Developed and Implemented**

The pilot implementation of the above incentive policy needs to measure and compare the staff's willingness to work and the effectiveness of public services provided through SNAs. It will be important to note the effectiveness of service delivery in remote and difficult areas after budgetary and non-budgetary incentives are offered, including bonuses, promotions, and other appropriate incentives.

Based on the pilot implementation of incentives and the incentive policies that have been implemented in the education and health sectors, the NP-2 will prepare, revise, and fully implement an incentive policy and regulations for staff working in education, health, and other fields in remote and difficult areas.

#### **Priority Activity 3.5.3: Reviewing the Class and Rank for each Management Position of SNAs**

Previously, the class and rank for each staff position at SNAs differed according to the level of each SNA. For example, the rank of office chief at the municipal, district, and Khan administrations is lower than the rank of office chief at the capital, provincial, and national level.

At the same time, the rank of administration director at the CP administrations is lower than the rank of line department director at the CP level, and lower than the rank of department director at the national level.

This arrangement is due to the fact that in the past, sectoral ministries had roles and responsibilities in both policy formulation and public service delivery through their units at national and sub-national levels. SNAs performed mostly administrative work and did not have clear roles and responsibilities regarding the delivery of public services in various fields.

Based on D&D policy, the functions and responsibilities in the delivery of public services in various sectors have been transferred to SNAs, predominantly to DMK administrations.

NP-2 will continue to promote SNAs as service providers dealing directly with the people. The sectoral ministries have an important role in formulating policies, setting standards, and supporting and monitoring the performance of SNAs.

Therefore, the NP-2 needs to review and adjust the class and rank for each management position at SNAs in accordance with their workload and responsibilities as a service provider to the people. Upgrading the class and rank of management positions at SNAs not only ensures the efficiency and quality of public service delivery, but is also an important motivating factor that will attract staff with high capacity and experience to work at SNAs.

#### **Priority Activity 3.5.4: Women's Role in Leadership and Management at SNAs Promoted**

The Strategic Plan on the Increase of the Number of Women in Management Positions at SNAs was developed and implemented during NP-1. The implementation of this strategic plan has provided lessons and experience that can be used as a basis for improving the SNA management system. The system will provide equitable and inclusive opportunities for men and women so that they can gain employment and perform their duties in management and leadership roles.

The NP-2, therefore, will continue strengthening and updating this strategic plan at SNAs and improve its further implementation. Based on this strategic plan, each SNA will be required to formulate a clear plan, in accordance with their situation, that ensures the promotion of women to management positions.

#### **Output 3.6: Assessment of Capacity Development Needs and Capacity Development Planning is Strengthened and Clearly Defined**

Skills gaps analysis will determine where gaps exist between staff's existing skills and the skills required by SNAs to reach their current and future goals. In order to identify skills gaps, it is necessary to gather data on the performance of staff. This analysis will provide a basis for assessing and identifying capacity development needs and capacity development planning for each SNA.

During NP-1, assessment of the capacity development needs of SNA staff was prepared by the SNAs. However, the actual process of the capacity development of SNA staff did not focus on capacity development needs. Instead, it focused on objective training determined by national-level administrations. Also, the preparation of reports on the capacity development needs of SNAs have not been fully prepared.

Therefore, the NP-2 needs to strengthen and clearly define the capacity development needs and capacity development plans of each SNA. Specific training programs can then be implemented to ensure SNA staff have the capacity and skills to effectively carry out their functions. In addition, capacity-building activities for SNAs will be strengthened at both the institutional and individual level.

To ensure the achievement of this expected output during the implementation of NP-2, the focus shall be on the four following priorities:

#### **Priority Activity 3.6.1: Review and Revision of Tools and Methods for SNA Capacity Development Needs Assessment**

This activity focuses on reviewing the tools and methods of the existing SNA capacity development needs assessments. This will be done to identify the shortcomings of specific skills and knowledge of staff working in each unit of the SNAs. Therefore, all regulations and technical guidelines related

to tools and methods of SNA capacity development needs assessments should be properly reviewed, revised, and fully implemented.

**Priority Activity 3.6.2: Strengthening Capacity of the Capital and Provincial Human Resource Development Units on Training Needs Assessments (TNAs)**

This activity focuses on capacity building and the provision of adequate support to the CP capacity development units in conducting TNAs to develop appropriate capacity development plans. Capacity development for the CP development units must focus on the use of tools and methods for capacity development needs assessments.

**Priority Activity 3.6.3: Conducting Staff Capacity Development Need Assessment of SNAs**

This activity focuses on conducting staff development needs assessments of SNAs, which need to be conducted, reviewed, and updated regularly. The capacity development unit of the CP administrations will be responsible for conducting assessments of the capacity development needs of the staff within its jurisdiction.

The capital administration shall assess the capacity development needs of the capital administration, as well as the Khan administrations and Sangkat administrations in the capital. Provincial administrations shall assess the capacity development needs of the provincial administrations and the DMK and CS administrations in their territory.

**Priority Activity 3.6.4: Preparing Annual Capacity Development Plan of SNAs Based on Capacity Development Needs**

This activity focuses on the preparation of the annual capacity development plan for the CP, DMK, and CS administrations based on the results of the capacity development needs assessment. The annual capacity development plan shall be prepared and implemented to reflect the capacity development needs of the staff based on priority, phase, and time frame, such short, medium or long term.

The capacity development plan of the provincial administrations and the DMK administrations must be coordinated and complement each other. The capacity development plan of a provincial administration can cover the capacity development plan of the DMK and CS administrations within its jurisdiction. However, the capacity building plan of the provincial administration need not necessarily mention some of the topics that the DMK administrations can implement on their own.

The capacity development plan of the capital administration covers the Khan and Sangkat administrations in the capital. The capacity development plan of the municipal administration covers the Sangkat administration. The annual capacity development plans will be evaluated to find out if there are gaps that require remedies.

**Output 3.7: National School of Local Administration (NASLA) is Fully Operationalized and Strengthened, With Effective Arrangements for Capacity Development in Place at Regional Level**

Capacity building for SNA staff is a main purpose of the NP-1 to ensure SNAs have competent and skilled staff to improve the efficiency of the management of public service delivery at the local level. Based on this purpose, NASLA was established under the MOI in 2016. The establishment of NASLA has three main objectives:

- (1) Ensuring a permanent capacity development system with specific curricula for capacity development of civil servants, sub-national councillors, SNA staff, students, and relevant stakeholders with a focus on topics related to sub-national administration management
- (2) Establishment of a research center to contribute to the preparation and improvement of policies and legal documents related to sub-national democratic development. The center will also research new initiatives related to strengthening the governance system, local economic development and service delivery provided by the local government,

(3) To be a mechanism to provide certification to staff

For NASLA functions and capacity building mechanisms at the regional level, there is a need for technical cooperation with ministries, institutions, public and private training institutions, the private sector, DPs, CSOs, SNAs, and other stakeholders to support capacity development. Training programs, training materials, and training implementation plans need to be developed. At the same time, NASLA must also seek support and establish cooperation with international institutions.

The sustainability of NASLA will be an emerging challenge in the future along with ensuring its professionalism in its delivery of capacity building programs. Measures can be taken to recruit trained professionals to manage NASLA affairs such as cooperating with organizations of national and international repute to ensure it is a sustainable and professional institution.

NP-2 will consider introducing paid training programs, renting venues for meetings of ministries and institutions, providing consulting services, and assisting with specific NASLA research studies.

NASLA intends to set up a permanent capacity development system to effectively develop the capacity of SNAs. Need-based trainings are expected to be conducted by SNAs themselves using their capacity and resources. In addition to NASLA at the national level, NP-2 will consider effective arrangements for capacity development at regional levels under the support and guidance of NASLA. The mechanism for capacity building at the regional level can provide capacity development services to cover more than one province if possible.

To ensure the achievement of this expected output during the implementation of NP-2, the focus shall be on the five following priorities:

#### **Priority Activity 3.7.1: Recruitment and Capacity Building of NASLA Staff**

Following the establishment of NASLA in 2016, the RGC is currently constructing the school's physical infrastructure with technical support and loan financing from the Asian Development Bank. As per the Five-Year Strategic Plan (2019-2023) on capacity development for civil servants at the MoI and human resources staff at SNAs, NASLA has been gradually organizing training courses by using temporary training sites at the MoI.

NASLA will be operationalized with its own infrastructure from 2023. Currently, the director and deputy of NASLA have been appointed. However, other various positions have not yet been filled.

Therefore, this activity shall focus on recruiting staff to fill the vacancies at NASLA. At the same time, the capacity of trainers and staff at NASLA must be further strengthened so that these trainers and staff can effectively perform their roles and fulfil their responsibilities, as well as provide effective training for civil servants at the MoI and human resources staff at SNAs.

#### **Priority Activity 3.7.2: Collaboration with Capacity Development Organizations/Institutions, Specialist Organizations and Public/Private Institutions of Higher Learning and Professionals to Design and Deliver Training Courses**

This activity will strengthen technical cooperation with ministries, public and private higher learning institutions, the private sector, DPs, NGOs, CSOs, SNAs, and relevant stakeholders. This may include organizations of national and international repute to solicit their support for capacity development, particularly for the preparation of course designs, developing training materials, and course delivery. To this effect, Memorandums of Agreement/Understanding with various organizations/institutions and professionals will be signed, particularly with the Royal School of Administration (RSA) and the Economics and Finance Institute (EFI).

#### **Priority Activity 3.7.3: Developing Capacity Development Programs for Different Target Groups**

This activity will focus on the preparation of capacity development programs, which is an important strategy of the Strategic Plan on the Capacity Development of Civil Servants in the Ministry of Interior and Human Resources in the Sub-National Administration (2019-2023). This capacity development program includes mandatory training programs and other capacity development



activities. The obligatory training programs include an advanced management course, a management level I course, a management level II course, a specialized training course, a basic training course, and an administrative secretary course.

Other capacity development activities include workshops, experience sharing, and coaching. These training programs need to be regularly monitored and evaluated by the MoI. In addition, in partnership with the National Association of Sub-National Administrative Councils (NASAC), NASLA will organize professional training programs for trainers at NASAC and SNA council members.

There is also a need to have a succession plan for management positions in units including the formulation of a specific capacity development program for staff who have long-term working experience or show potential for management positions in the future.

#### **Priority Activity 3.7.4: Establishment of Regional Training Institutions and Preparation of Regional Capacity Development Programs**

During IP5-I of NP-2, there will be a focus on studying the options for setting up regional training institutions during IP5-II. This will be a step-by-step process based on capacity and available resources. It may cover several capitals and provinces to help NASLA speed up its training and address the challenges related to the lack of SNA staff skills quickly and effectively. This regional training institution will exist under the support and guidance of NASLA.

At the same time, there is a need to focus on the preparation and implementation of capacity building programs at the regional level by NASLA. Training mechanisms at the regional level have not yet been established. In designing and implementing this regional capacity development program, it is necessary to cooperate with relevant ministries, institutions, and SNAs. It is of crucial importance to cooperate with public and private educational institutions in the preparation of documents and training materials as well as the provision of training at the regional level.

In addition, under NP-2, capacity-building offices at the CP level will be assessed on their ability to upgrade to a capacity development division office. This will ensure the CP administration's capacity to provide capacity building for staff of CP, DMK and CS administrations within their jurisdiction.

#### **Priority Activity 3.7.5: Ensuring Financial Resources Available to Support the Operation of the NASLA**

The management of NASLA depends on many factors. Financial matters are an important factor in ensuring the sustainability and efficiency of NASLA operations. In its operation, NASLA needs to be organized into a training institution with resources from the national budget. These resources may come in the form of an appendix to the budget of the MOI, or from training fees and other sources.

### **Output 3.8: Curricula for SNA Staff Developed and Implemented**

Development of curricula requires careful attention to the subjects trainees need to know to work effectively. Training curricula are a total package of learning activities developed to achieve the objectives of the training program. The curricula for any training program should be developed in such a manner so that trainees acquire the specific knowledge and skills they need to carry out their responsibilities. As such, while developing training curricula it is important to examine the content, structure, format, and sequencing of the program as well as the methods of training.

Furthermore, all training programs should have a well-structured set of training materials that include all the relevant information to achieve outlined learning goals. As training materials are one of the core pieces of the training program, they should be useful to ensure the effectiveness of the training.

During NP-2, the key challenges will be to develop and update curricula for all levels of training programs including those based on TNA. The curriculum should be thoughtfully developed and typically contain most of these elements: an introduction, expected audience, outcomes, content framework, session plans, verifications of learning, delivery methodologies, and references.

In addition, the other challenge during NP-2 will be preparing relevant training materials to effectively train SNA personnel. Training programs on promoting women in leadership roles at SNAs

and obligatory training on gender equality, social equity, and inclusiveness for SNA management will be included and implemented in this training program.

To ensure the achievement of this expected output during the implementation of NP-2, the focus shall be on the three following priorities:

**Priority Activity 3.8.1: Selection of Capacity Development Institutions, Professional Institutions, and Individual Professionals to Participate in Curriculum Development and Preparation of Training Materials**

This activity will ensure proper selection of capacity development institutions including professional bodies to develop curricula and prepare training materials. In addition, a pool of professionals with expertise in different areas will be selected to collaborate with and support this direction. Memorandums of Agreement/Understanding with selected institutions and professionals with expertise in different areas will be signed to develop training curricula and prepare training materials. In this regard, NASLA will take the leadership role.

**Priority Activity 3.8.2: Preparing, Reviewing and Updating Curricula for All Training Programs**

This activity focuses on curriculum development for training courses under the guidance and coordination of the NASLA. In preparing this work, it is necessary to study the regulations and related documents to ensure the topics to be included in each curriculum is in accordance with the training program. The curriculum can be revised and updated to ensure that it meets the objectives and needs of the target audience.

**Priority Activity 3.8.3: Preparing, Reviewing and Updating Training Materials**

To effectively train participants in skill development, it is necessary to have adequate and focused training materials on all the content of each component of the capacity development program. NP-2 will ensure the preparation of training materials by NASLA and specialized institutions as well as individual professionals under the guidance of NASLA. Furthermore, the training materials will be reviewed and updated on a rolling basis.

**Output 3.9: Different Training Approaches Developed and Implemented**

Training approaches or methods are the strategies used to teach the different content contained in training programs. Proper planning should be made to deliver the content in a setup conducive for adults. Training strategies and learning activities should create opportunities for learners to interact with the content, the instructor, and other learners.

For the effective delivery of content, it is beneficial to use discussion to promote greater exploration of the information and develop understanding. Interacting with trainees or conducting exercises feed information back to the trainer on how well trainees understand the content. Activities that challenge mindsets and motivate trainees to think critically need to be incorporated in training approaches.

Thematic learning has proven to be a powerful instructional method for integrating various concepts in curricula by connecting them to experiences in daily life. This type of learning provides an immersive experience for the trainees and keeps them engaged.

The Internet has revolutionised life and work at all levels, and utilizing e-learning can be an affordable and time-efficient method to train SNA staff. It involves the delivery of training materials through digital resources. Some trainees may feel more motivated and engaged by this style of learning. Real-time synchronous e-learning means that all learners can join a lesson at the same time from anywhere through online chats and videoconferencing. This approach allows training participants and instructors to ask and answer questions instantly. Asynchronous e-learning means that each individual student can study at the time he or she chooses using online materials. This approach is more centered around the learner as it allows more flexibility. Students can study independently at different times from different locations, without real-time communication taking place.

The key challenges during NP-2 include enabling trainers to use diversified approaches to training delivery to enhance its effectiveness. In addition, it is necessary to create a conducive environment of learning for trainees that will motivate them to self-study.

To ensure the achievement of this expected output during the implementation of NP-2, the focus shall be on the three following priorities:

#### **Priority Activity 3.9.1: Selection and Approval of Different Approaches to Training Delivery for Each Capacity Development Program**

This activity entails the identification, selection, and adoption of different approaches to training delivery for each capacity development program based on its target audience and its specific course content. Course developers and trainers from each capacity development program, including NASLA, will consider different modalities of training delivery such as instructor-led training, e-learning, role playing, case studies, and coaching/mentoring. The potential modalities will further be reviewed and approved for their use in delivery of training content to the participants. In this regard, NASLA will take the lead role in guiding the preparation of training methodologies.

#### **Priority Activity 3.9.2: Promoting Thematic Learning and Delivery of Training and Learning Through Digital Resources (E-Learning)**

This activity will focus on conducting thematic learning. Trainers of the program will select a specific theme when providing training on one or many concepts and integrate a variety of information and techniques to demonstrate the lesson.

This activity will also focus on the delivery of training and learning through digital resources (e-learning) will be promoted. This will allow participants to access content from their location and save them money and time that would be spent travelling to training locations.

Various types of e-learning, such as Computer Managed Learning (CML), Computer Assisted Learning (CAL), Synchronous Online Learning, Asynchronous Online Learning, Interactive Online Learning, and Collaborative Online Learning will be introduced. In particular, both real-time synchronous online learning (online chats and video conferencing) and asynchronous online learning (independent participation at different times from different locations) will be used to offer training materials of capacity development programs. Training through e-learning will be successful if participants have basic Information and Communications Technology (ICT) skills. Therefore, SNA staff will complete at least one basic ICT course during NP-2.

#### **Priority Activity 3.9.3: Encouraging Provision for Research and Self-Study by Trainees Toward Effective Learning**

This activity will ensure adequate provisions are provided for participants to conduct research and self-study with various training contents of capacity development program. In this regard, NASLA will create the necessary infrastructure (physical and human) and support participants through trainer guidance to carry forward their research and self-study.

### **Output 3.10: A Framework for Throughout-Career Professional Development for SNA Staff is Developed and Implemented**

The professional development of SNA staff is necessary to ensure that SNA staff members have successful careers. Through professional development, staff can learn the required skills to become more confident, productive, and efficient in their provision of services. The framework for professional development must include all staff, regardless of their employment contract, the stage of their career, or their professional identity.

The opportunities for professional development must be real, useful, and valuable to staff in carrying out their responsibilities. The framework should also create opportunities for collaborative learning, encouraging peer dialogue and mentoring. Furthermore, professional development opportunities provided to employees must be catered to individual skill development.

During NP-2, the professional development framework will encourage SNA staff to consider professional development as an ongoing, career-long engagement in their professional lives. It will

recognize the value of supporting staff to think about their current knowledge and experience in addition to developing their capacity to shape and plan their future learning. Continuing professional development can provide benefits to SNA staff and allow them to polish their own professional skills. It should also be linked to promotion.

Under NP-2, it is envisaged that a framework for throughout-career professional development for SNA staff will be developed and linked to promotion. This would further strengthen the capacity of SNAs to provide better and more effective service delivery to citizens.

To ensure the achievement of this expected output during the implementation of NP-2, the focus shall be on the three following priorities:

**Priority Activity 3.10.1: Preparing and Approving a Framework for SNA Staff's Professional Development**

This activity entails the assessment of current knowledge and experience of SNA staff with respect to their position and required responsibilities. To assist SNA staff in enhancing their professional development, distinct areas will be identified, and accordingly a framework for throughout-career professional development will be developed and adopted.

**Priority Activity 3.10.2: Professional development of SNA Staff**

This activity will focus on the long-term professional development of SNA staff. Training, certification, and education of SNA staff will be annually reviewed, and the professional development of staff will be accordingly planned and ensured.

**Priority Activity 3.10.3: Establishing Link Between Professional Development of SNA Staff with Staff Promotion**

This activity will focus on encouraging SNA staff to continue to develop their professional skills by properly linking professional development with the conditions for promotion within SNAs. In this regard, guidelines and necessary provisions to link professional development to promotions of SNA staff will be drafted, reviewed, and approved for implementation.

**Table 5: Expected Outputs and Priority Activities for Component 3**

<b>Outcome:</b> SNAs recruit, manage, and deploy their staff based on the workload and financial availability of each SNA. SNAs employ staff with professional qualifications and skills appropriate to their roles and responsibilities and who benefit from systematic, progressive, and professional skills development and support.	
<b>Output 3.1:</b> Civil servant body is reviewed, reorganized, and implemented	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
3.1.1: The review and reorganization of civil servant bodies 3.1.2: The implementation of civil servant bodies	3.1.2: The implementation of civil servant bodies
<b>Output 3.2:</b> Performance-based management system is developed and implemented at SNAs	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
3.2.1: Preparation of position description for SNA staff 3.2.2: Strengthening the developing of job description for SNA staff 3.2.3: Strengthening the management of the SNA staff attendance 3.2.4: Developing a code of conduct for SNA staff 3.2.5: Improving SNA staff performance monitoring and evaluation 3.2.6: Providing incentives to SNA staff based on the results of performance-based management	3.2.3: Strengthening the management of the SNA staff attendance  3.2.5: Improving SNA staff performance monitoring and evaluation 3.2.6: Providing incentives to SNA staff based on the results of performance-based management
<b>Output 3.3:</b> Information technology systems for personnel management are designed and implemented	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
3.3.1: Establishment of information technology systems for human resource management at SNA level	3.3.1: Establishment of information technology systems for human resource management at SNA level
<b>Output 3.4:</b> Human resource needs are assessed and clearly defined	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
3.4.1: Preparation and implementation of guidelines on quantitative and professional needs assessment 3.4.2: Improving capacity of SNAs on staff planning 3.4.3: Preparation of SNA annual staffing plan	3.4.2: Improving capacity of SNAs on staff planning 3.4.3: Preparation of SNA annual staffing plan
<b>Output 3.5:</b> Incentive policy for SNA staff is developed and implemented	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
3.5.1: A study on options for motivating staff working in SNAs	

3.5.2: Policies and regulations on the incentivization for SNA staff working in remote and difficult areas are developed and implemented	3.5.2: Policies and regulations on the incentivization for SNA staff working in remote and difficult areas are developed and implemented
3.5.3: Reviewing the class and rank for each management position of SNAs	3.5.3: Reviewing the class and rank for each management position of SNAs
3.5.4: Women's Roles in leadership and management at SNAs promoted	3.5.4: Women's Roles in leadership and management at SNAs promoted
<b>Output 3.6:</b> Assessment of capacity development needs and capacity development planning is strengthened and clearly defined	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
3.6.1: Review and revision of tools and methods for SNA capacity development needs assessment	
3.6.2: Strengthening capacity of the capital and provincial human resource development units on TNA	3.6.2: Strengthening capacity of the capital and provincial human resource development units on TNA
3.6.3: Conducting staff capacity development need assessment of SNAs	3.6.3: Conducting staff capacity development need assessment of SNAs
3.6.4: Preparing annual capacity development plan of SNA based on capacity development needs	3.6.4: Preparing annual capacity development plan of SNA based on capacity development needs
<b>Output 3.7:</b> National School of Local Administration (NASLA) is fully operationalized and strengthened, with effective arrangements for capacity development in place at regional level	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
3.7.1: Recruitment and capacity building of NASLA Staff	
3.7.2: Collaboration with capacity development organizations/institutions, specialist organizations and public/private institutions of higher learning and professionals to design and deliver training courses	3.7.2: Collaboration with capacity development organizations/institutions, specialist organizations and public/private institutions of higher learning and professionals to design and deliver training courses
3.7.3: Developing capacity development programs for different target groups	3.7.3: Developing capacity development programs for different target groups
3.7.4: Establishment of regional training institutions and preparation of regional capacity development programs	3.7.4: Establishment of regional training institutions and preparation of regional capacity development programs
3.7.5: Ensuring financial resource available to support the operation of the NASLA	3.7.5: Ensuring financial resource available to support the operation of the NASLA
<b>Output 3.8:</b> Curricula for SNA staff is developed and implemented	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
3.8.1: Selection of capacity development institutions, professional institutions and individual professionals to participate in curriculum development and preparation of training materials	3.8.1: Selection of capacity development institutions, professional institutions and individual professionals to participate in curriculum development and preparation of training materials
3.8.2: Preparing, reviewing and updating curricula for all training programs	3.8.2: Preparing, reviewing and updating curricula for all training programs

3.8.3: Preparing, reviewing and updating training materials	3.8.3: Preparing, reviewing and updating training materials
<b>Output 3.9: Different training approaches are developed and implemented</b>	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
3.9.1: Selection and approval of different approaches to training delivery for each capacity development program 3.9.2: Promoting thematic learning and delivery of training and learning through digital resources (e-learning) 3.9.3: Encouraging provision for research and self-study by trainees toward effective learning	3.9.1: Selection and approval of different approaches to training delivery for each capacity development program 3.9.2: Promoting thematic learning and delivery of training and learning through digital resources (e-learning) 3.9.3: Encouraging provision for research and self-study by trainees toward effective learning
<b>Output 3.10: A framework for throughout-career professional development for SNA staff is developed and implemented</b>	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
3.10.1: Preparing and approving a framework for SNA staff professional development 3.10.2: Professional development of SNA staff 3.10.3: Establishing link between professional development of SNA staff with staff promotion	3.10.2: Professional development of SNA staff 3.10.3: Establishing link between professional development of SNA staff with staff promotion

**Table 6: Risk Management**

<b>No.</b>	<b>Risk</b>	<b>Impact</b>	<b>Probability</b>	<b>Mitigation Measures</b>
1.	The authority/power to recruit and deploy staff may not comply with the defined principles and set regulation	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Preparation of additional guidelines to strengthen the implementation of established principles and regulations</li> <li>➤ Strengthening the monitoring on SNAs in recruiting and deploying staff</li> </ul>
2.	Gender balance of staff in management positions and the number of new staff be recruited is less than planned	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Continuing to strengthen management skills training for female staff to become leaders</li> <li>➤ Disseminate information about recruitment as well as encourage and prioritize female candidates in recruitment</li> </ul>
3.	Staff performance assessment is not carried out regularly and accurately	High	Medium	<ul style="list-style-type: none"> <li>➤ Strengthen support and monitoring on the implementation of staff evaluation plans of SNAs</li> </ul>
4.	Ineffective TNA assessment of SNA staff including poor development of capacity development plans	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Strengthen support and monitoring of national level on conducting TNA, designing and implementation of SNAs capacity building programs</li> </ul>
5.	NASLA is unable to recruit staff with appropriate capacity and experiences to manage curriculum and training program	High	Medium	<ul style="list-style-type: none"> <li>➤ Disseminate information on recruiting and encouraging candidates to apply for jobs at the NASLA</li> <li>➤ Establishing an incentive system for NASLA staff, especially staff with competent skills and experience in training and curriculum development</li> </ul>
6.	NASLA does not have sufficient financial resources for its operation	High	Medium	<ul style="list-style-type: none"> <li>➤ The budget of the NASLA will be provided according to the annual budget plan</li> <li>➤ Mobilize resources from partners</li> <li>➤ SNAs need to ensure budget for payment of training fees for SNA capacity development at NASLA</li> </ul>



## **3.4. COMPONENT 4: FISCAL DECENTRALIZATION AND SNA PLANNING AND BUDGETING SYSTEM**

### **3.4.1. Rationale**

To contribute to the achievement of the overall vision of NP-2, all SNAs need to have access to budget resources that match their spending obligations in quantity and type. Component 4 consists of two important related aspects: fiscal decentralization and SNA planning and budgeting. While the two are closely interlinked (and sometimes considered as one), in this document, they can be distinguished in the following way:

- Fiscal decentralization concerns the national transfer of resources and strengthening the efficiency of collection of local revenues. Authorities related to SNAs will manage these resources and ensure consistency with the principles and approaches of state budget management as well as the decentralization principle.
- SNA planning and budgeting relates to how these resources should be managed to ensure they are used in an effective, accountable, transparent, and equitable manner.

Component 4 is closely linked with the other components of the NP-2 and the cross-cutting issues. Its design and implementation need to be in line with the broader reform management mechanisms and processes. It must also reflect the evolving arrangements regarding SNA structure and functions, HR management and capacity, and the priority of service delivery and local development. Fiscal decentralization and SNA planning and budgeting are also closely linked with the promotion of gender equality, social equity, and inclusiveness. These concepts are also related to mainstreaming climate change resilience, disaster risk reduction, and reducing risk of serious infectious diseases.

Designing and managing the fiscal decentralization and SNA budgeting reform for the next 10 years requires a clear vision and coherent strategic considerations. On the one hand, it needs to align with the overall outcome of the NP-2 and be based on key D&D principles (e.g. the principle of subsidiarity and ownership of SNAs). On the other hand, the reform needs to be realistic and grounded in the reality of past achievements, remaining challenges and other problems that have caused socio-economic crises and uncertainty around fiscal constraints (especially in the post-COVID-19 context).

Key issues to be addressed by NP-2 Component 4 will include:

- SNA revenues (from all sources) are currently insufficient to cover the cost of implementing SNA functions, particularly at the DMK level where new functions, structures, and systems have been transferred and established but are not yet effectively financed.
- The allocation of resources to SNAs does not reflect functions and responsibilities of the different levels of SNAs (CPs, DMKs and CSs), or the allocation of resources is inequitable and is not done based on the real needs of different SNAs at the same level (between CPs, DMKs and CSs)
- Presently, a large part of CP budgets come from local revenue sources (tax and non-tax revenues) and the remaining portion is received from national transfers. DMK and CS budgets come from national transfers and the allocation of tax revenues from CP administrations. However, in the future, SNAs will need increased financial resources. Increases will occur through increased local revenue sources generated from non-tax revenue. There is also the possibility of increasing the sharing rate of tax revenues. Additional types of taxes may be created as well to help fund SNAs.
- The SNA planning and budgeting process is not well integrated with the budgeting system, and needs to be updated to reflect changes in SNA mandates and structures.

- The SNAs have not fully received the power or responsibility to start planning and implementing their budgets. The SNA councils' decision-making powers over plans and budgets have proven to be ineffective.
- SNA internal controls and audit systems, and council oversight of budget execution are not well established.

### **3.4.2. Overview of Component 4**

#### **3.4.2.1. Outcome**

The Outcome of Component 4 is “SNAs have predictable, adequate budget resources aligned with mandates and policy priorities that are allocated with the flexibility to respond to local situations and needs determined in the development plans, investment programs, and budget strategic plans of SNAs”.

#### **3.4.2.2. Strategy to Achieve the Outcome**

Component 4 will be implemented in close coordination with other relevant reform programs and NP-2 implementing agencies, especially the PFMR and the Ministry of Planning. In this regard, Component 4 will focus on the review and revision of the SNA development plans and three-year rolling investment programs in accordance with the new structures and functions of SNAs.

This will help align the budget strategic plan (BSP) with the three-year rolling investment program based on clear data and information about socio-economic profiles and predictable financial resources.

Additionally, Component 4 will also continue focusing on reviewing and increasing financial resources for SNAs through the increase of local revenue generated from non-tax revenue sources. Increasing the sharing rate of tax revenues will be considered and a review will be conducted on the possibility of creating additional types of tax. Transfers of conditional and unconditional grants will benefit this cause, as well as the creation of additional financial resource transfer facilities such as the Fraternity Fund to reduce gaps of development between urban and rural areas, and the Special Budget Package for supporting infrastructure development of SNAs with low development potential.

With the aim of increasing financial resources for SNAs, it is also important that NP-2 continues to strengthen the audit and inspection mechanisms on the management and utilization of financial resources and assets to ensure they are administered and used in accordance with determined procedures in an effective, transparent, and accountable manner.

Furthermore, the NP-2 will implement policies and legal frameworks to promote the delivery of public services and foster local development in partnership with the private sector and CSOs.

#### **3.4.2.3. Strategic Outputs**

This component outcome will be achieved through ten strategic outputs which the NP2 will deliver:

- Output 4.1:** SNA planning and budgeting processes are improved and aligned with each type and level of SNA, in line with the national development agenda and key reform directions. This will be supported by better and more effective use of data.
- Output 4.2:** SNA budget execution improved, with more authority given to SNAs in line with the SNA Budget System Reform Strategy (SNA-BSRS)
- Output 4.3:** Increased local revenue generated from taxes to provide increased budget for SNAs is studied and implemented
- Output 4.4:** Increased local revenue generated from non-tax sources to provide increased budget for SNAs is studied and implemented.

- Output 4.5:** SNA state asset management is improved and state asset transfers from the national level are timely and effectively implemented following a coherent and coordinated reform plan.
- Output 4.6:** Unconditional grant transfers are appropriately determined and allocated to SNAs based on equitable criterion and formulas. These transfers are continuously increased for SNAs (especially DMK SNAs) for implementing their permissive functions or general mandates.
- Output 4.7:** Conditional transfers are appropriately determined, transferred, and effectively managed and used for SNAs to implement the obligatory functions transferred to them
- Output 4.8:** A comprehensive framework for allowing financing of SNAs through public investments is established and strengthened
- Output 4.9:** A Framework for SNA Public-Private Partnerships (PPP) is established
- Output 4.10:** Audit and inspection systems on management and use of SNA financial resources and assets are strengthened

#### **3.4.2.4. Strategies and Priority Activities for Implementing Outputs**

##### **Output 4.1: SNA Planning and Budgeting Processes are Improved and Aligned with each Type of SNA, in Line with the National Development Agenda and Key Reform Directions and Backed up by Better and Effective Use of Data**

Under the NP-2, SNA planning and budgeting processes will be aligned, streamlined and modernized, with the eventual result being an integrated system that:

- Ensures and facilitates the participation of citizens, CSOs and private sector representative groups in planning and determining priority uses of SNA discretionary budgets
- Continues providing more powers and responsibilities to SNAs to increase their ownership in accordance with the SNA-BSRS 2019-2025. These responsibilities include planning and budgeting processes, funding of obligatory expenditures, compliance with service delivery standards, and appropriate alignment with national strategic priorities
- Ensures the role of the SNA councils as the decision-making body for SNA plans and budgets
- Includes sufficient flexibility for SNAs to access technical expertise with clear terms of reference to develop strategic planning documents based on work plans and budgets that are formulated to address important issues in the specific context of each SNA
- Results in a five-year development plan based on technical analysis, participatory consultations with stakeholders, and national strategic priorities
- Results of the three-year rolling investment programs are clearly determined and used as a basis for identifying results of SNA BSPs
- Results in annual activity plans and budgets financing the recurrent and capital expenditures identified in the BSP, while ensuring the balance of planned revenues and expenditures

Integration of the SNA planning and budgeting functions will be a gradual process carried out over the implementation period of NP-2. During IP5-I, the primary focus will be on improved implementation of existing regulations and guidelines, which seeks to clarify and institutionalize the linkages between SNA planning, budgeting, and investment processes.

Citizen participation is well-established within the SNA planning and budgeting processes but will be brought up to date by introducing digital technology-based approaches to information sharing and consultation.

Data and data management are critical to proper planning and M&E. Therefore, NP-2 will support improved access to data for SNAs, making use of improved capacity for digital technology.

To achieve this output, five priority activities have been identified as follows.

#### **Priority Activity 4.1.1: Improved Alignment of SNA Planning and Budgeting Processes**

SNA planning and budgeting processes will be progressively aligned in stages through the implementation period of NP-2. The key steps in this process will be:

- Implementing the newly adopted Inter-Ministerial Prakas of the Ministry of Planning and the MOI No. 149 on the additions to the technical guidelines on the formulation of the three-year rolling investment programs of the CP, DMK and CS administrations. The investment program will align with the annual budgeting cycle. The program will work in tandem with the production and use of databases, especially commune databases, for planning purposes
- Improving the formulation and approval of BSP and budget plans at the capital and provincial level. Attaching a procurement plan and petty cash advance plan to the budget plan, and make better use of budget classifications. Improving the circular on the SNA annual budget preparation procedure.
- Improving the formulation and approval of budget plans at the DMK and CS levels. Attach the procurement plan and petty cash advance plan to the budget plans, and make better use of budget classifications as well as improve the annual budget preparation circular
- Studying the alignment of DMK plans and budgets with the Provincial Budget Strategic Plan, and developing a provincial BSP that aligns with the functions and institutional structures of the DMK administrations
- Introducing the Medium-Term Budget Framework (MTBF) for SNA planning and budgeting
- Strengthening power of SNA councils in approving and revising the SNA budget, including procurement plans. Ensuring that the budget plan and the procurement plan are fully implemented based on their discretionary power and in line with determined regulations.

The intention is that by 2030, the BSP of CP and DMK administrations will be developed based on the structure and priorities of the five-year development plans and the integration of BSP with the three-year rolling investment programs of SNAs.

#### **Priority Activity 4.1.2: SNA Planning Systems Reviewed and Revised**

The objectives of the review and revision will be:

- Develop plans in accordance with each type and level of SNAs, whether the SNAs are characterized as metropolitans, regional administrations, or local administrations, and located in urban areas or rural areas. Plans should also be formulated based on the economic potential of each type of SNAs
- Strengthening participation of citizens, CSOs, and private sector representative groups in the planning process, including through planning sub-committees or working groups to ensure effective responses to the needs of the local people
- Introduce use of digital technology to facilitate citizen participation in planning (e.g. information sharing, online opinion surveys, feedback)

- Strengthen the role of the council as the body responsible for setting the strategic direction of plans and investment programs, and approving the completed plans and programs
- Revise the structures, roles and responsibilities of the SNA councils in preparation of the plan to restructure administrations. For example, the purpose and status of the Technical Facilitation Committee (TFC) in a unified administration is not clear, and other committees need to be established
- Ensure that three-year rolling investment programs realistically reflect available resources
- Limit the scope of investment programs to include investments to be financed through the SNA budget and external funds (government agencies, DPs, CSOs, private sector) as a step to integrate the BSP with the three-year rolling investment programs in the future
- Pay attention and respond to the promotion of social equity and inclusiveness

#### **Priority Activity 4.1.3 Prepare SNA Strategic Planning Documents on Technical Issues**

NP-2 will prepare guidelines for SNAs to prepare strategic planning documents on technical issues, in line with their mandates and functions. These may include:

- Spatial development plans (primarily for urban areas)
- Climate change resilience strategies and strategies to reduce the risk of serious infectious diseases
- Sector strategy documents for service sectors for which the SNAs are responsible.

Strategic planning documents will be prepared with necessary technical expertise. Participation from and consultation with citizens will be a mandatory part of this process. SNAs will prepare strategic planning documents according to their geographical situation, needs, and available resources. Not all SNAs will prepare the same set of planning documents.

The strategic planning documents will be used to prepare for the five-year development plans, thus enhancing the technical quality of the five-year plans.

#### **Priority Activity 4.1.4: Improved Use of Data in SNA Planning**

Building on the increased capacity to use digital technology, SNAs will increase and improve the use of data for preparing development plans and investment programs. Data will also be used to assist in monitoring and evaluating the implementation of the plans and investment programs. The Commune Database (CDB) will be updated annually and improved. Additional databases specifically linked to SNA investments will be introduced. SNAs will gain access to other relevant databases, including the ID-Poor Database of the Ministry of Planning and sectoral ministry databases. This will be achieved through the following actions:

- Improve the content and coordination of different databases relating to SNA planning and budgeting. The activities for achieving this include:
  - Establishing a technical working group to review, streamline, and link different SNA databases and ensure the diversity of gender within these databases
  - Developing an SNA database system and management procedures that allow for better coordination among different stakeholders and better use by SNAs for their regular planning and budgeting exercises
- Review and revise the CDB dataset. There is room to reduce the burden and cost of data collection and improve accuracy by limiting data collection to only include data that are not available from other datasets

- Develop an online user interface for CDB allowing SNA planners to query data. Of particular importance, the CDB should be capable of showing and analysing multi-year trends.
- The CDB online user interface should be capable of linking to other datasets. For example, SNA planners should be able to view ID-Poor data or data from the national census alongside CDB data.
- Public access to the CDB dataset should be reviewed. Subject to appropriate safeguards, the CDB dataset should be available to stakeholders such as designers of development programs and projects.

#### **Priority Activity 4.1.5: SNA Budget System Reform Strategy for 2026-2030 Developed**

The strategic direction for further development of the SNA Planning and Budgeting system will be determined through studies and discussions during the IP5-I of NP-2. These further reforms will be integrated in the IP5-II of NP-2 and in the SNA-BSRS for 2026-2030. The reforms will be consistent with the principle and approach of the state budget and in accordance with the SNA budget reform strategy and D&D principles.

The SNA-BSRS will incorporate the following concepts:

- The development of the new SNA-BSRS (2026-2030) by the MEF needs to be supported through cross-reform coordination mechanisms with sufficient engagement and inputs from key stakeholders, especially the NCDDS and MoI.
- The new SNA-BSRS (2026-2030) needs to incorporate lessons documented from the implementation of the first SNA-BSRS and IP5-I of the NP2.
- The new SNA-BSRS (2026-2030) should seek to improve not only specific steps or mechanisms but also the coherence of the whole budgetary system, linking budget and resources to ownership and functional assignment of SNAs.
- Most importantly, the strategic direction the SNA-BSRS (2026-2030) should be to strengthen ownership of the SNAs under the authority of the councils, while ensuring transparency, efficiency, and effectiveness of the budget process.
- Tools, methods, and procedures for formulating gender-responsive budgeting at SNA level will be developed.

#### **Output 4.2: SNA Budget Execution Improved, with More Authority Decentralized to SNAs in Line With the SNA-BSRS Reform Direction.**

SNA decentralized financial management systems such as the DMK and CS financial management systems have been established to manage and use financial resources in an effective, transparent, and accountable manner. The implementation of D&D reforms represented remarkable progress related to SNA public financial management. Despite this progress, the design and management of these funds still have room for improvement. Key challenges identified in current SNA Public Investment Management include:

- CPs have not been provided with the power to manage their budgets in accordance with the D&D principles. Therefore, to ensure alignment of fiscal decentralization with the revised structures and systems of SNAs, it is necessary to provide more power and autonomy to CPs to manage and use their budgets in accordance with fiscal decentralization.
- The management and use of DMK discretionary resources is not yet effective due to limited power of the DMK administrations to influence budget control and procurement.
- The development component allocation of DMK administrations has been relatively small when considering the needs of citizens.

- Unclear instructions on budget execution has been viewed as one hindrance to SNA decisions to allocate their budgets to certain activities (especially for social services).
- CS and DMK administrations have limited capacity for procurement, particularly when complex procedures are required.
- Current regulations have provided full power to CS councils to review and manage their procurements. However, implementation has not been clear and needs review to ensure that the CS councils can manage procurements in accordance with the determined regulations.

To achieve this output, two priority activities have been identified as follows:

**Priority Activity 4.2.1: Implementation of the SNA-BSRS (2019-2025)**

NP-2 will continue to strengthen SNA budget execution by following the action plan as outlined in the SNA-BSRS (2019-2025), which includes the following activities:

- Implement the new arrangement where the functions for financial and procurement control of CPs and DMKs have been delegated to the CP Department of Economy and Finance (DEF)
- Implement the new arrangement where the functions for financial control and payments for DMK-level administrations are consolidated under the provincial treasury (i.e. same as the case of Commune/Sangkat Fund);
- Simplify and accelerate budget execution processes through more efficient use of Financial Management Information Systems (including integration with budget classifications) and ICT-based solutions
- Develop a framework for reporting and monitoring of SNAs
- Prepare a framework for budget evaluation for SNAs

**Priority Activity 4.2.2: SNA Procurement Implementation Strengthened and Decentralized**

NP-2 will strengthen and decentralize SNA procurement implementation. This process will include the following steps:

- Providing full power and responsibilities to SNAs concerning implementation of procurements
- Providing power to decide and take responsibility of procurements to CP and DMK administrations. This will be performed in steps through the increase of budget decision powers. Some expenditure items that require large amounts of funds with unclear principles and/or high sensitivity will require a request for agreement from the MEF in advance.
- Ensure that procurement guidelines are comprehensive and appropriate for the types of procurement that SNAs need to undertake, including procurement of goods, works and services
- Strengthen implementation of procurement for Commune/Sangkat Fund projects and District Municipal Fund projects

**Output 4.3: Increase of Local Revenue Generated from Tax as Budget Benefit is Studied and Implemented**

A large amount of CP budget revenue comes from tax revenues assigned by national-level administrations as budget benefits to those SNAs. However, this important source of revenue is imbalanced among CPs. The capital collects the largest amount among the provinces. For this reason, in recent years the MEF has reduced the tax revenue of the capital and reallocated portions to provinces. The allocation of this tax revenue will be done according to a clear formula to ensure transparent and equitable allocation to each province.

To provide more revenue for DMK and CS administrations, the RGC has required that 4% of collected CP taxes be shared with DMK administrations and 4% with CS administrations (for the 2020 budget). These administrations are to use the funds for development expenditures. The sharing does increase the budget for the SNAs, especially for the DMK administrations, but their overall budget is still far from sufficient compared to their functions and responsibilities.

The short-term priorities are to increase local revenues of SNAs by improving tax collection and to clarify the basis for horizontal distribution of the tax revenues. Another goal is to reduce inequalities between SNA levels.

In the long term, this will be followed by considering an increased tax-sharing rate and the possibility of providing new types of tax. A framework will be developed to dictate the expenditure of these revenues (i.e. whether local tax revenues should be earmarked for obligatory functions or as an increase of discretionary funds for implementing obligatory functions).

To achieve this output, three priority activities have been identified as follows:

#### **Priority Activity 4.3.1: Collection and Management of Existing Assigned Taxes is Improved**

So far, national-level administrations have assigned nine types of tax to CPs to generate revenue (rental taxes on property and non-property, transportation taxes, patent taxes, transfer taxes, stamp taxes, property taxes, public lighting taxes, accommodation taxes, and unused land taxes). NP-2 aims to improve the effectiveness of collection and management of these taxes during IP5-I. Key tasks of this initiative include:

- Improving the forecast, administration, and monitoring of the current shared taxes. This applies especially for main tax sources (property tax, unused land tax, etc.) for better budgeting.
- Developing and implementing clear, transparent and equitable formulas and criteria for re-distributing revenues of CP surpluses, especially the surplus of the Phnom Penh capital to other provinces.

#### **Priority Activity 4.3.2: Tax-Sharing from CPs to DMKs and CSs**

During the IP5-I, management of tax-sharing arrangements from CPs to DMKs and CSs in the regular budgetary process will be improved by:

- Studying, developing and implementing a mechanism for tax-sharing revenue from CP administrations to DMK and CS administrations. The DMK and CS administrations must be allowed to receive information about this revenue on time and include the shared tax amount in their budget plan. (For example, identifying the amount of this tax-sharing revenue based on the previous year's revenue)
- Studying the possibility of determining a new rate for sharing tax revenue from CP administrations to DMK administrations to increase the local revenue of DMK administrations.

#### **Priority Activity 4.3.3: Strategic Framework for Establishment of Fraternal Fund Developed and Additional Types of Tax Provided to SNAs**

During the IP5-I, the NP-2 will conduct studies on the establishment of a Fraternal Fund and review possibilities to provide new types of tax as budget benefits to SNAs. Based on results of this study, a strategic framework will be designed on the establishment of a Fraternal Fund. Several key issues will be also be addressed, including:

- What are the roles and responsibilities of SNAs in strengthening and supporting the tax collection process?



- For what specific purposes will the tax revenue will be used? Will revenue be used for discretionary use or used for implementing obligatory functions of SNAs?
- Establishing funding facilities such as the Fraternal Fund aimed to reduce reliance on tax revenues. Shift tax revenue from SNAs with higher tax collection potential and reallocate to SNAs that have limited tax collection potential.

This strategic framework should be completed in the IP5-I to ensure the allocation of the Fraternal Fund to SNAs in an equitable manner. New types of tax revenues to be made available to SNAs as budget benefits could be created as early as IP5-II of NP-2. This is in alignment with the Medium-Term Budget Strategy and the SNA-BSRS (2026-2030) which has yet to be formulated.

#### **Output 4.4: Increase of Local Revenue as Budget Benefit Generated from Non-Tax Revenue is Studied and Implemented**

Non-tax revenue collection by SNAs has made good progress in the last five years, mainly as a result of fee-based services through the OWS (one window service) mechanism at the CP and DMK administration levels. Fee-based services provided by CS administrations have also played a part in increasing revenue.

Strengthening and expanding this system requires more transfer of revenue-generating services from relevant line ministries to SNAs, and improved incentives to direct service providers. Collection of fines and penalties and property rents for state assets have potential as additional sources of SNA non-tax revenue.

In 2018, the RGC adopted a Sub-decree on Non-Tax Revenue and is developing a 10-Year Blueprint for Non-Tax Revenue (2021-2030) covering five types of non-tax revenue:

- 1) Revenue from public services
- 2) Revenue from management of state assets
- 3) Fines and penalties
- 4) Dividends from state-owned enterprises and financial autonomous units
- 5) Revenue from other sources

The blueprint covers a variety of topics, including decentralization of public service fees, collection of fines and penalties, SNA revenue from state assets, increased use of electronic payments, and tax collection and revenue management methods utilizing ICT methods.

To increase non-tax revenue of SNAs, NP-2 will improve the management of existing non-tax revenue, the transfer of new non-tax revenue, and the transfer of more power in the setting of charge levels or fee levels within a value determined by regulations.

To achieve this output, three priority activities have been identified as follows:

##### **Priority Activity 4.4.1: NP-2 and Blueprint on Management System Reform of Non-Tax Revenue Aligned**

It will be essential to ensure policy coherence between NP-2 and the 10-Year Blueprint on the Management System Reform of Non-Tax Revenue. This will be achieved through coordination among key stakeholders especially the MEF, MOI, and the NCDDS.

##### **Priority Activity 4.4.2: Improved Collection and Management of Service Fees**

During IP5-I of NP2, collection and management of service fees from OWS mechanisms and other fee-based services will be improved through the following actions:

- SNA units will take more responsibility for the collection and management of OWS mechanism service fees or rent fees at OWS mechanisms

- The use of the non-tax revenue system (NRMIS) to manage and collect non-tax revenue through OWS mechanisms and other relevant units of SNAs
- Introduction of digital payments for OWS mechanism services and other relevant units of SNAs
- The creation of IT systems by SNAs related to collection of tax revenues should be supported by the MEF to ensure data linkages with IT systems for management of non-tax revenue at the MEF
- Transfer of more administrative or public revenue generating services to SNAs (e.g. those relating to local business licensing/registration)
- Studying options to finance newly transferred functions (e.g. solid waste management, local transport, entertainment, education, health) from user fees
- Revenue generation from state assets managed by SNAs will be improved

#### **Priority Activity 4.4.3: Strategic Framework for SNA Non-Tax Revenues**

NP-2 will develop a strategic framework for SNA non-tax revenues, based on a clear study and experience of implementation under IP5-I. The strategic framework will be implemented through the IP5-II in alignment with the BSRS (2026-2030).

Preparation of the strategic framework will require focusing on the following key issues:

- Clarify the conceptual and legal basic framework between fees and charges, for SNAs to further improve SNA revenue from public services
- Review, increase scope and/or add new services to be provided by SNAs to generate new sources of non-tax revenue
- Improve sharing of non-tax revenues between national level administrations and SNAs
- Improvement of management of revenue from state assets
- Set up a more advanced e-governance arrangement concerning service delivery and revenue management (i.e. better connection among e-services, e-administration, and e-feedback)

#### **Output 4.5: SNA State Asset Management and State Asset Transfer from the National Level are Timely and Effectively Implemented Following a Coherent and Coordinated Reform Plan**

The existing legal framework on SNA assets is the Law on SNA Financial Regimes and Assets (2011) which set out key principles and rules on how SNAs shall use, manage, and draw revenue from their assets. The law also mentions the two main types of assets that SNAs can utilize: those transferred to them from the national level, and those they acquire themselves.

Since the 2011 law, other key legal frameworks and instructions have been adopted to provide more details on how state assets, including those of SNAs, should be managed. Those include Sub-decree #66 on Principles and Procedures for Management of the Inventory of the State Assets (2017), the Law on State Assets (2020), and other related regulations.

Management of state assets has been improved with a requirement for all line ministries and SNAs to establish committees to oversee the inventory, registration, management, and disposal of their state assets, and by the introduction of the State Asset Registration Management Information System (SARMIS). CP administrations and line departments have used the online SARMIS service since 2021. The DM administrations, however, still use the offline system.

Until now, the management and transfer of assets to SNAs has not been timely and effectively implemented. Many functions have been transferred to SNAs with the requirement that assets must be transferred together with these functions.

To achieve this output, three priority activities have been identified as follows:

#### **Priority Activity 4.5.1: Review Framework for SNA Asset Management**

NP-2 will conduct a comprehensive review on the current status of state asset management at SNAs by focusing on key aspects, ranging from legal and policy coherence, institutional arrangements (i.e. management authorities, possession authorities, and users of state assets), monitoring, and revenue potential. Additionally, this study should focus on capacity building and the possibility of setting up SARMIS and state asset transfers to DM administrations.

#### **Priority Activity 4.5.2: Decentralize Management of SNA Assets**

Based on the findings from the study, NP-2 will develop a detailed plan for improving SNA asset management in line with D&D policy and the PFMR.

Under the plan, relevant state assets will be transferred from the national level to SNAs. Asset management responsibilities will also be transferred from CP administrations to DMK administrations and Sangkats in the capital. These transfers will also occur from DMK administrations to CS administrations, in line with the assignment of functions.

#### **Priority Activity 4.5.3: Increase Revenue Generation from SNA State Asset Management**

Collection of revenues from SNA state assets as a part of non-tax local revenue will be strengthened and expanded, including the formulation and improvement of guidelines for fee-setting, revenue collection, managing and accounting for revenues, and the use of the revenues in the budget of the SNAs.

#### **Output 4.6: Unconditional Grant Transfers are Appropriately Determined and Allocated to SNAs Based on Equitable Criterion and Formulas and Continuously Increased for The SNAs (especially DMK administrations) for Implementing the Permissive Functions or General Mandate**

The DMF and CSF were created after the establishment of the DMK and CS administrations through their first mandate elections. The administrations at the time had access to local revenue for implementing necessary functions. These funds were allocated as unconditional grants for based on a clear formula and criterion under the discretionary power of the council in management and used based on prioritized local needs.

However, the size of the DMF allocations is very small compared to the responsibilities of DMK administrations, which are intended to become the main providers for service delivery. The current system, reflecting the development of economy and society, results in horizontal imbalances, particularly between urban and rural areas.

DMF and CSF transfers are regarded as discretionary resources for DMKs and CSs to finance general operational costs such as staff salaries expenditure for local development such as small-scale projects. The size of the CSF has been continuously increased and deemed appropriate compared to the national revenue and their roles and responsibilities.

The size of the DMF, however, which has been allocated to each DM, is small compared to their roles and responsibilities. The functions and structures of DMK administrations have been revised and restructured and DMKs have been assigned new functions. However, the DMKs still mainly depend on a limited DMF and additional transfer of resources from the national level.

Similarly, budgets of the CPs are financed mainly from local tax revenues that have been transferred to them. The transfer of tax and non-tax types of revenue to CPs has been carried out and created in favor of urban areas over rural areas. This needs to be reviewed and addressed to ensure an equitable allocation system of financial resources to CPs. For this reason, the MEF has reduced part of the revenue of the Phnom Penh capital and certain provinces and reallocated it to other provinces. This reallocation needs to identify a clear formula and criterion that ensures equity and predictability.

In general, within the framework of financial resource transfers through the CSF and DMF, as well as the transfer of tax and non-tax revenues to CPs, there has been imbalance. This imbalance exists between the same types of SNAs and different levels of SNAs and needs to be reviewed and revised.

The financial resource allocation system needs to ensure equity and be based on formulas and criterion appropriate to the development of economy and society as well as in accordance with roles and responsibilities of each level SNA, especially the responsibility of delivering necessary public services to the people.

Strategic priorities related to unconditional grants for the NP-2, therefore, will include (1) increasing the size of DMF financial resource transfers; (2) strengthening the management system of SNA funds, and; (3) promoting discretionary rights of SNAs in the management and use of unconditional grants for service projects.

To achieve this output, three priority activities have been identified as follows:

#### **Priority Activity 4.6.1: Increased financial resources for DMKs**

The DMK administrations have been revising their structures, roles, and responsibilities to become local administrations. They have a responsibility to implement small- and medium-scale projects for local development and provide public administrative services directly to the people. The budget revenues of the DMKs are still mainly dependent on DMF transfers.

Based on expenditure plans, it has been shown that a large portion of these funds have been used for general administrative costs. The small remaining portion has been used for development expenditure and adheres to their general mandate to respond to the prioritized needs of local people. Additionally, with the newly transferred functions, the national level has also transferred human and financial resources to the DMKs.

The additional funds, however, can only cover staffing costs, and as a result, the DMKs still lack resources for general administration and the implementation of new functions.

In this sense, during IP5-I of NP-2, the DMF will be reviewed and improved, with the aim of increasing allocations from the national budget to ensure that DMKs receive appropriate resources from DMFs. This will allow them to implement their general mandate and cover the shortage of general administrative costs, as well as provide funds for carrying out new functions.

There is also a need to review and revise the formula and criterion for the allocation of the DMF to DMKs to ensure that the allocation is carried out in an equitable manner and to reduce gap of development between urban and rural areas. This review also needs to ensure that the allocations are carried out in accordance with the development of the economy and society.

During IP5-I, studies on types of non-tax revenues that should be transferred to the DMKs will be conducted and possible new types of taxes will be explored as budget benefits to DMKs. These budget benefits should be implemented during IP5-II to generate local revenue. In this regard, the DMK local revenue generated from tax and non-tax revenues will be increased consecutively with that aim of reducing dependency on resource transfers from the national level, promoting competition and effectiveness in collecting local revenues, and ensuring the accountability of DMKs to the people.

### **Priority Activity 4.6.2: Management System of SNA Fund Reviewed and Improved**

SNA funds have been formulated in accordance with the Law on Financial Management (2020) and based on budget surpluses recorded at all SNAs at the end of the year. These surpluses are then reallocated to DMK and CS administrations.

However, this method has not been applied for CP administrations, and their revenue allocation is dictated by the MEF, based on proposals of each CP. The SNA Fund constitutes part of the SNA budget revenues for SNAs to effectively formulate their annual budget plans for next year. In this regard, during IP5-I, it will be required to prepare a clear framework on the management and allocation of SNA funds to ensure the implementation of the Medium-Term Budget Framework (MTBF), which will be formulated in the near future, and the allocation of SNA funds in a transparent, efficient, and equitable manner.

During IP5-II of NP-2, a study to review and revise the collection, management, and allocation of the MTBF at both the CP and DMK levels will be conducted. The goal is to transfer an appropriate amount of resources from high-revenue areas to support low-revenue areas to reduce the development gap between those areas.

### **Priority Activity 4.6.3: Promoting Discretionary Power of SNAs In Management and Use of Unconditional Grants for Service Projects**

During IP5-I, study will be conducted to review and revise regulations related to strengthening SNA discretionary power to implement service projects that promote local socio-economic development.

### **Output 4.7: Conditional Transfers are Appropriately Determined, Transferred and Effectively Managed and Used for the SNAs to Implement the Obligatory Functions Transferred to Them**

In principle, obligatory functions transferred to the SNAs will be financed by conditional transfers within a subsidy framework from the national level. The amount should be adequate to cover the costs of implementing their functions effectively in accordance with determined standards that are established when the function is transferred.

In practice, conditional resources for implementing obligatory functions have been allocated in different ways. Some conditional resources were financed by cutting resources from relevant ministries and transferring them from the MEF to SNAs, while other conditional resources were financed by local revenues of SNAs.

SNAs are required to formulate budget proposals to implement each obligatory function and they need to defend this proposal to the MEF with participation of relevant ministries.

Additionally, among functions transferred to SNAs, especially among the 55 functions recently transferred to DMKs, it is not fully clear which functions are to be regarded as obligatory and which are permissive. For some functions, there is no clear existing basis for determining the cost of the function. As a result, functions have historically been under funded.

Based on the above mentioned reasons, it reflects challenges related to the system of conditional grants transfer to SNAs and requires appropriate solutions in accordance with the principles of fiscal decentralization.

Priority activities during NP-2 regarding conditional transfers are to improve implementation of the conditional transfers within the existing framework and further strengthen the general framework for financing the obligatory functions to ensure the full implementation of this improved framework during IP5-II of NP-2.

To achieve this output, the following prioritized activity has been identified.

### **Priority Activity 4.7.1: Improve Implementation of Conditional Transfers within Existing Framework and Formulate and Further Strengthen the Framework for Financing Obligatory Functions**

During IP5-I of NP-2, implementation of the existing framework of conditional transfers will be strengthened to ensure that the obligatory functions transferred to SNAs, including the functions recently transferred to DMKs, are fully financed to ensure the timely delivery of services to the people. NP-2 will monitor implementation of the transferred functions and ensure that any emerging issues in budget provision or budget execution are urgently addressed.

During IP5-I, a general framework for financing the obligatory functions will be reviewed and revised based on lessons learned from the implementation of transferred obligatory functions. This will ensure that the management of conditional financial resource transfers are carried out in a systematic and effective manner starting from the IP5-II of NP-2.

Main issues to be reviewed and improved are listed below.

- Develop an accurate, consistent framework, including criterion, formulas, and conditions for calculating the financial resources needed for obligatory functions that have already been transferred to SNAs and obligatory functions that will be transferred in the future. These include staffing costs, operational costs, and implementation costs of functions.
- Review and revise regulations related to financial conditions, technical conditions, and financial procedures concerning conditional grants to ensure inclusion of these grants into SNA budgets
- Review and revise the budget codes for both national administrations and SNAs related to national subsidies awarded to SNAs. Separate budget codes for conditional and unconditional resource transfers need to be created.
- Consider how to integrate external development partner financing into the framework of conditional resource transfers
- Review and improve the accounting system for national administrations and SNAs to ensure recording of the use of conditional resource transfers to perform obligatory functions of SNAs. This system will serve as a basis for monitoring and evaluating results of the efforts to link the budgets with the policies.

The above regulations and systems related to financing obligatory functions will be fully implemented during IP5-II of NP2 and aligned with the SNA-BSRS (2026-2030).

### **Output 4.8: A Comprehensive Framework for Financing of SNA Public Investments Established and Strengthened**

SNA public investment projects, so far, have been financed by their own budgets. Additionally, the Sub-National Investment Fund (SNIF), which was established in 2016 to provide additional financing for SNA projects (especially in CPs and DMKs) that are too large to fund from annual revenue allocations to CPs and DMKs.

However, so far, the funding of the SNIF has been insufficient and has not supported CPs and CSs. In this sense, three options are being considered for increasing financing of sub-national public investment projects:

- 1) Increasing investment resources for SNAs to expand support to all levels of SNAs
- 2) Creating a Fraternal Fund that would address horizontal imbalances between the same types of SNAs

- 3) Providing special grants to support infrastructure development in the least-developed areas and SNAs that are considered to be national economic poles to reduce development gaps and contribute to national economic growth

The Public Investment Management (PIM) Reform Strategy (2019-2025) covers national and sub-national levels. The PIM Reform Strategy identifies key reform areas that should be reviewed and revised, including:

- The alignment of all public investments toward strategic development priorities
- The use of standard PIM cycles consisting of systematic processes
- The importance of establishing a PIM database for all types of public investments

For investments managed by SNAs, alignment with national strategic development priorities will be achieved primarily through clear funding frameworks and specific criterion. The SNA will apply for investment funding that matches national priorities. The responsibility of identifying specific investments and managing the investments will be decentralized to SNAs.

Strategically, the NP-2 will increase the available funding for public investment projects managed by SNAs and increase the autonomy of the SNAs in planning and implementing projects. This process will be consistent with the mandates of the SNA and the PIM Reform Strategy. Criterion for allocation of funds will be clear, consistent and equitable. These guidelines will also provide the flexibility needed to ensure the quality of investments and to allow financing of larger, more complex, multi-year projects.

To achieve this output, four priority activities have been identified as follows:

#### **Priority Activity 4.8.1: Review and Strengthening of SNIF Management**

During the first two years of the IP5-I of NP-2, a review of the SNIF will be conducted and include:

- (1) An evaluation of the effectiveness of projects funded by SNIF
- (2) Future revenue sources for SNIF
- (3) Future allocation formulas and access criterion for the SNIF
- (4) Inclusion of SNIF in the SNA budget permitting SNAs to manage procurement of SNIF projects.

During IP5-II, studies will be conducted on the possibility of adding financing facilities to SNAs for investments in specific sectors, such as financing facilities from the Green Climate Fund (managed by the NCDSD) to fund climate-resilient projects, or using SNIF funds managed by the MEF.

#### **Priority Activity 4.8.2: Framework for Externally Financed Investments Transferred to SNAs Improved**

At present, some external finance resources are transferred to SNAs through the national treasury system while some DPs transfer their funds to SNAs through commercial banks and thus are not integrated with the SNA budget. As such, IP5-I of NP-2 will review the framework for improving the management of external DP financial resources transferred to SNAs. This will ensure the integration of DP investments in SNA budgets.

#### **Priority Activity 4.8.3: Study and Develop Framework for Establishment of Fraternal Fund and Special Grant Envelope**

NP-2 will study options for providing SNAs with access to additional funding sources for investments. These options will include the creation of a Fraternal Fund that receives funds from high-revenue SNAs and reallocates them to low-revenue SNAs to reduce the gap of resources and development between areas.

Another option will be the creation of a Special Grant Envelope of the national budget to provide additional support of the development of infrastructure in low-potential SNAs. This will also improve infrastructure development of SNAs considered to be national economic poles, which will contribute to the development of the national economy. Once these funds are established, it is necessary to study options for managing the facilities separately from SNIF. They may also be integrated into SNIF.

#### **Priority Activity 4.8.4: Improved Framework for Managing Public Investment Financed by SNA Budget**

During IP5-I of NP2, the management of public investments financed by SNA budgets will continue based on the PIM System Reform (2019-2025). Additionally, in the fourth year of IP5-I, a study should be conducted to formulate the strategy for the new PIM System Reform (2026-2030). This reform should align with the new Budget System Reform Strategy (2026-2030) as it relates to SNA budgets. This will provide more power to SNAs in managing and implementing public investment projects that are funded by their own budget and support monitoring and audit systems at the national level.

#### **Output 4.9: Framework for SNA Public-Private Partnerships (PPP)**

The RGC introduced an update to the Public-Private Partnerships (PPPs) Public Investment Project Management (2016-2020) policy as a road map for developing PPP management systems. The update aimed to meet international standards in establishing and managing PPP projects. A law governing PPPs with contract management guidelines, feasibility study guidelines, financial analysis guidelines, and PPP Project SOPs, has been drafted but not yet finalized.

NP-2 will initiate further studies to determine potential and appropriate projects in different sectors for inclusion in PPPs. These PPPs will be implemented at the SNA level. In parallel, under NP-2 Component 5, service delivery partnerships with the private sector will be prioritized and explored.

To achieve this output, two priority activities have been identified as follows:

##### **Priority Activity 4.9.1: Study and Develop a Sub-National PPP Framework**

NP-2 will conduct a feasibility study for the development of the sub-national PPP framework. The study will focus on:

- (1) Identifying types of investment for which a PPP framework would result in increased financing, lower costs or improve public services, compared to the investment financing options already available
- (2) The potential to attract private sector investors for PPPs at the SNA level
- (3) The possibility of establishing and implementing partnerships between SNAs and the private sector.

The outcome of the study will provide recommendations for developing a PPP framework for SNAs during IP5-I. Additionally, PPP projects in some sectors will be identified for testing during the final years of IP5-I.

##### **Priority Activity 4.9.2: Framework for Sub-National PPP is Implemented**

Depending on results of the above-mentioned study, PPP frameworks will be accordingly reviewed and revised. The SNAs will receive adequate training on this framework to ensure it can be implemented by SNAs during the final years of IP5-II.

#### **Output 4.10: Audit and Inspection Systems on Management and Use of SNA Financial Resources and Assets are Strengthened**

Since financial resources and assets have been increasingly transferred to SNAs, it is required to strengthen internal audits and external inspections to ensure that these resources are managed and



used in accordance with determined laws and regulations. The work plan related to the implementation of the Budget System Reform Strategy (2019-2025) determines the establishment of internal audit units at CPs. Additionally, internal control offices have been established in the new DMK structures. However, the procedures for internal control, especially in regard to internal audit procedures, have not been developed.

Moreover, to ensure effective management and use of SNA financial resources and assets, it is necessary to have external financial inspections performed by national-level administrations with a clear systematic and coordinated work plan. These inspections should only cause minimal disruptions to the SNAs while they perform their work.

To achieve this output, two priority activities have been identified as follows:

**Priority Activity 4.10.1: Internal Audit Unit and Procedures of SNAs Established**

During the early years of IP5-I of NP-2, the MEF will cooperate with the MOI and NCDSS to develop and implement procedures for internal audit of SNAs.

Internal audit units of CPs will be established in CP management structures. Additionally, roles and responsibilities of the internal control offices of DMKs will be reviewed and revised to ensure clear responsibilities related to internal audits. Internal audits of SNAs should be performed by SNA staff who have professional qualifications as determined by the Professional Standard of the Internal Audit.

The chiefs of the internal audit units or the chiefs of the internal control offices shall prepare and directly submit audit reports to SNA governors. Additionally, SNA councils can also establish internal control or internal audit committees to ensure effective audits of SNA operations.

**Priority Activity 4.10.2: External Financial Inspection of SNAs Strengthened**

In addition to the establishment and strengthening of internal audits of SNAs, NP-2 will review and strengthen the external financial inspection system of SNAs to ensure that these inspections are carried out in a systematic and coordinated way to minimize disruption of SNA operations.

Moreover, related external financial inspection procedures will be revised and simplified. Roles and duties of competent ministries and institutions that are responsible for external financial inspections of SNAs will be clarified.

**Table 7: Expected Outputs and Priority Activities of Component 4**

<b>Outcome:</b> SNAs have predictable, adequate budget resources aligned with mandates and policy priorities and allocated with the flexibility to respond to local situations and needs determined in the development plans, investment programs, and budget strategic plans of SNAs.	
<b>Output 4.1:</b> SNA planning and budgeting processes are improved and aligned with each type of SNA, in line with the national development agenda and key reform directions. These processes are backed up by better and effective use of data.	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
4.1.1: Improved alignment of SNA planning and budgeting processes 4.1.2: SNA planning systems reviewed and revised 4.1.3 SNA strategic planning documents on technical issues prepared 4.1.4: Improved use of data in SNA planning 4.1.5: SNA Budget System Reform Strategy for 2026-2030 developed	4.1.1: Improved alignment of SNA planning and budgeting processes 4.1.2: SNA planning systems reviewed and revised 4.1.3 SNA strategic planning documents on technical issues prepared 4.1.4: Improved use of data in SNA planning 4.1.5: SNA Budget System Reform Strategy for 2026-2030 developed
<b>Output 4.2:</b> SNA budget execution improved, with more authority decentralized to SNAs in line with the SNA-BSRS reform direction.	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
4.2.1: Implementation of the SNA-BSRS (2019-2025) 4.2.2: SNA procurement implementation strengthened and decentralized	4.2.2: SNA procurement implementation strengthened and decentralized
<b>Output 4.3:</b> Possibility of increased local revenue generated from tax as budget benefits for SNAs is studied and implemented.	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
4.3.1: Collection and management of existing assigned taxes improved 4.3.2: Tax-sharing from CPs to DMKs and CSs 4.3.3: Strategic framework for establishment of Fraternal Fund developed and additional types of tax provided to SNAs	4.3.3: Strategic framework for establishment of Fraternal Fund developed and additional types of tax provided to SNAs
<b>Output 4.4:</b> Possibility of increased local revenue generated from non-tax sources as budget benefits for SNAs is studied and implemented.	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
4.4.1: NP-2 and blueprint on non-tax revenue aligned 4.4.2: Improved collection and management of service fees 4.4.3: Strategic framework for SNA non-tax revenues	4.4.3: Strategic framework for SNA non-tax revenues
<b>Output 4.5:</b> SNA state asset management and state asset transfer from the national level are timely and effectively implemented following a coherent and coordinated reform plan.	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
4.5.1: Review framework for SNA asset management 4.5.2: Decentralize management of SNA assets 4.5.3: Increase revenue generation from SNA state asset management	4.5.3: Increase revenue generation from SNA state asset management

<b>Output 4.6:</b> Unconditional grant transfers are appropriately determined and allocated to SNAs based on criterion and formulas with equity and continuously increased for the SNAs (especially DMK SNAs) for implementing permissive functions or general mandate.	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
4.6.1: Increased financial resources for DMs 4.6.2: Management system of SNA funds reviewed and improved 4.6.3: Promoting discretionary power of SNAs in management and use of unconditional grants for service projects	4.6.2: Management system of SNA funds reviewed and improved
<b>Output 4.7:</b> Conditional transfers are appropriately determined, transferred, and effectively managed and used for SNAs to implement obligatory functions.	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
4.7.1: Improve implementation of conditional transfers within existing framework. Formulate and strengthen the framework for financing obligatory functions.	
<b>Output 4.8:</b> A comprehensive framework for financing of SNA public investments is established and strengthened.	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
4.8.1: Review and strengthening of SNIF management 4.8.2: Framework for externally financed investments transferred to SNAs improved 4.8.3: Study and develop framework for establishment of fraternal fund and Special Grant Envelope 4.8.4: Improved framework for managing public investment financed by SNA budget	
<b>Output 4.9:</b> A framework for SNA Public-Private Partnerships (PPP) is established.	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
4.9.1: Study and develop a sub-national PPP framework	4.9.2: Framework for sub-national PPP is implemented
<b>Output 4.10:</b> Audit and inspection systems on management and use of SNA financial resources and assets are strengthened.	
<b>Priority Activities for IP5-I</b>	<b>Priority Activities for IP5-II</b>
4.10.1: External financial inspection of SNAs strengthened	4.10.2: Internal Audit Unit and procedures of SNAs established

**Table 8: Risk Management**

No.	Risk	Impact	Probability	Mitigation Measures
1	SNA investment programming and budgeting processes still cannot be aligned in terms of timeframe and content	High	Medium	<ul style="list-style-type: none"> <li>➤ MOI, MOP, MEF and NCDDS should jointly review and revise the procedures and timeframe for formulating the SNA investment programs and budget plans</li> <li>➤ Studying possibilities for merging between SNA planning working group and budgeting working group</li> </ul>
2	Fiscal decentralization and SNA budgeting reform are still not in line with the overall decentralization reform direction.	High	medium	<ul style="list-style-type: none"> <li>➤ Develop and approve a concept note on vision and strategy for reform programs</li> </ul>
3	DMK is not given sufficient funds to implement the transferred functions	High	Medium	<ul style="list-style-type: none"> <li>➤ NCDDS and MOI should work with MEF to come to a shared understanding of the negative impacts that such a risk might have and, from there, work to identify joint solutions.</li> <li>➤ Clearly determine between obligatory and permissive functions transferred to DMKs</li> </ul>
4	State asset management and transfer for SNAs are delayed	Medium	High	<ul style="list-style-type: none"> <li>➤ NCDDS and MOI should continue working with MEF and relevant functional transfer ministries</li> </ul>
5	Too many rules, mechanisms, and channels are created, leading to increasing policy-budget incoherence and overhead cost.	High	High	<ul style="list-style-type: none"> <li>➤ Ensure that in the medium- and long-term, extra attention and caution is given to minimizing ad-hoc solutions to gradually streamline and simplify the whole inter-governmental fiscal architecture</li> </ul>
6	Fragmentation of data collection, storage, sharing, and use worsens, making reliable monitoring, tracking, and evaluation on budget allocation and spending effectiveness impossible	High	High	<ul style="list-style-type: none"> <li>➤ Create a working group to review the current SNA-related database management systems, including those under NCDDS, MEF, MOI and MOP, and develop a concrete plan to combine, synchronize and/or coordinate them</li> </ul>

## **3.5. COMPONENT 5: PUBLIC SERVICE DELIVERY AND LOCAL DEVELOPMENT**

### **3.5.1. Rationale**

Improving the quality and efficiency of public services is an important goal of the RGC and will be achieved through key reform programs. The RGC's D&D reforms focus on reviewing and reorganizing SNA structures and systems based on the principles of democratic development. This includes the transfers of authority, functions, resources, and responsibilities to SNAs to move decision-making concerning public service and local development closer to the people.

During the implementation of NP-1 (2010-2020), SNA structures and systems were revised and functions and resources were gradually transferred to SNAs. However, the delivery of public services and local development projects by SNAs has not yet been able to effectively meet the needs of the people in their jurisdiction, which are constantly increasing.

In general, the progress of the economy, society, urbanization, information technology, and modern living conditions has changed the type and quality of public services that citizens need and expect. At the same time, climate change, disasters, and serious infectious diseases represent challenges for the people and require timely intervention from SNAs.

The improvement of the quality and efficiency of SNA-provided public services and local development to meet the needs and challenges of people depends on the following key factors:

- 1) Clear principles, procedures, and standards for implementing mandatory and permissive functions related to the provision of public services and local development must be established in a simple, effective, transparent, and accountable manner.
- 2) Improving human resources and the attitude of SNA staff to comply with professional ethics in serving the citizens
- 3) SNAs must have adequate financial resources with budgetary autonomy
- 4) Strong partnerships with CSOs and the private sector to support the provision of public services and local development in the spirit of faithfully serving the interests of the people

### **3.5.2. Overview of Component 5**

#### **3.5.2.1. Outcome**

The outcome of Component 5 will be "Mechanisms, procedures, and standards are in place for providing public services, local development, and communication in an effective, transparent, accountable, socially equitable, and inclusive manner. This will be done through general mandates, and carrying out permissive and obligatory functions in response to the needs and problems of the citizens in each jurisdiction".

#### **3.5.2.2. Strategy to Achieve the Outcome**

In order to achieve this expected achievement, the NP-2 will focus on the following important tasks:

- The obligatory and permissive functions of SNAs shall be clearly defined as stated in Component 2. In order to ensure the effective management and implementation of these functions, it is also necessary to focus on improving mechanisms, procedures and standards for SNAs to deliver effective public services and to ensure transparency, accountability, social equity and inclusiveness in service delivery. Procedures for obligatory functions will be significantly different from those for permissive functions. SNAs are encouraged to select and implement permissive functions to provide services to vulnerable populations. Climate change and vulnerability to natural disasters and serious infectious diseases are major challenges to SNAs in the provision of services.

Therefore, resilience to climate change, disasters, and serious infectious diseases will be mainstreamed in service delivery.

- Strengthening and improving mechanisms to ensure the prompt, transparent, equitable, and convenient delivery of administrative services to the people
- SNAs must have the discretionary and adequate financial resources to carry out their roles. SNAs must also possess adequate human resources with specific competencies, professional skills, and ethics to effectively manage and provide public services as well as foster local development.
- Changing the attitude of SNA staff by motivating them to become efficient service providers. Staff should adhere to professional ethics and respect their roles as public service providers.
- Improving close cooperation among SNAs, between SNAs and CSOs, and between SNAs and private sector firms in the provision of public services and local development projects. These cooperative efforts should be based on trust and carried out in the spirit of faithfully serving the interests of the people.

### **3.5.2.3. Expected Outputs**

The outcome of Component 5 of NP-2 will be achieved through four expected outputs to be delivered by 2030.

**Output 5.1:** Management and implementation of obligatory functions and permissive functions of SNAs are strengthened and improved.

**Output 5.2:** The One-Window-Service Mechanisms for providing administrative services at SNAs are reviewed, improved, and strengthened to ensure that administrative services are provided to the people in a simple, fast, efficient, transparent, and accountable manner. Promoting the use of IT systems will be essential to this task.

**Output 5.3:** A strategy for promoting partnerships in service delivery between SNAs, private sector firms and CSOs is reviewed, revised and implemented

**Output 5.4:** Climate change resilience, disaster risk management, and resistance to COVID-19 and serious infectious diseases will be mainstreamed in SNA management systems

### **3.5.2.4. Strategies and Priority Activities for Implementing Outputs**

#### **Output 5.1: Management and Implementation of Obligatory Functions and Permissive Functions of SNAs are Strengthened and Improved**

Laws and regulations give power, roles, and responsibilities to SNAs for the provision of public services and the completion of local development projects. SNAs must perform their obligatory and permissive functions in their jurisdictions. SNAs are expected to perform their obligatory functions by using conditional transfer resources and additional discretionary resources. SNAs also have the right to manage implementation of permissive functions based on the actual needs of the people in their jurisdictions.

However, during the implementation of NP-1, although some functions were transferred to SNAs, the transfer of resources to support the implementation of these functions was insufficient. At the same time, some principles and procedures for managing and implementing the transferred functions are still unclear or have not yet been effectively prepared and implemented. This has made it difficult for SNAs to implement these functions as well as to prepare and manage these functions in an effective, transparent, and accountable manner. To ensure the improvement of the quality and

efficiency of public service delivery, it is also necessary to continue to transfer additional obligatory and permissive functions to SNAs.

In this sense, during NP-2, it is necessary to continue to strengthen and improve the management and implementation of obligatory and permissive functions.

To achieve this output, the NP-2 will focus on the following three strategic priorities:

#### **Priority Activity 5.1.1: Improving Efficiency of Management and Implementation of Obligatory Functions**

Obligatory functions of the SNAs will be clearly defined through the priority activities of Component 2. Ensuring the efficiency of the performance of obligatory functions will require:

- Service delivery standards and operational procedures, developed in cooperation with the responsible sectoral ministries
- Definition of the financial, personnel, and material resources needed to implement each function in compliance with the service delivery standard
- Ensuring that adequate and predictable budget resources are available and that SNAs have sufficient discretion over their use (through NP-2 Component 4)
- Ensuring that staff are transferred or recruited and receive appropriate training (through NP-2 Component 3).

#### **Priority Activity 5.1.2: Improving Efficiency of Management and Implementation of Permissive Functions**

NP-2 will promote and strengthen the implementation of permissive functions of SNAs to ensure that the challenges and the needs of the people beyond the impact of obligatory functions are addressed and responded to effectively at each local level through:

- Development of clearer guidelines on permissive functions of SNAs to ensure that SNAs are able to identify permissive functions
- Review and improvement of the procedures for the selection, preparation, and implementation of permissive functions of SNAs. This includes procedures for the preparation and implementation of projects at the CS (such as PIM), DMK, and CP levels. The review of the procedures for implementing projects will include mainstreaming resilience to climate change and mitigating environmental impacts.
- Review and revise the procedures for the use of discretionary resources of SNAs in the implementation of permissive functions to ensure that SNAs are able to select and implement social service projects that meet local specific needs.
- Develop mechanisms for sharing lessons learned from innovative initiatives in the successful selection and implementation of permissive functions among SNAs.
- Provide capacity development for SNA councillors and officials in planning and implementing permissive function services (through Component 3).

#### **Priority Activity 5.1.3: Develop Horizontal Cooperation Between SNAs for Public Service Delivery**

NP-2 must study and collect lessons and experiences to prepare and implement horizontal cooperation between SNAs to promote the delivery of public services that serve common interests or solve common problems of the people. This may include the design and implementation of a horizontal cooperation program to improve environmental and natural resource management and implement climate change mitigation programs. Business programs to promote local products and initiatives to improve public transport services will also be considered. Establishing horizontal

cooperation between SNAs will promote joint service delivery that can simultaneously benefit two or more SNAs.

Successful examples of horizontal cooperation will be identified, published, and included in social media campaigns. Local officials will be trained on the legal, economic, administrative, and logistics aspects of such cooperation models.

**Output 5.2: The One-Window-Service Mechanisms for Providing Administrative Services at SNAs are Reviewed, Improved and Strengthened to Ensure that Administrative Services are Provided to the People in a Simple, Fast, Efficient, Transparent and Accountable Manner by Promoting the Use of IT Systems**

The One-Window-Service Offices (OWSOs) at the SNA levels were established to combine administrative services of SNAs in one location using simple procedures to improve citizens' access to services and meet the needs of the people in an effective, transparent, and accountable manner.

Within the SNDD reforms, OWSOs at SNA levels have been established and systematically expanded. As of 2020, all CP administrations have established OWSOs. All municipal and Khan administrations and 74 district administrations have established OWSOs. Plans are in place to incorporate OWSOs in the remaining 88 districts as well.

The OWSOs in DMKs were implemented before the creation of the unified DMK administrations through Sub-Decrees No. 182, 183 and 184, dated December 2019.

Although the OWSOs have provided credible administrative services to the people, most procedures for these services are based on the use of paperwork and face-to-face communication between applicants and service providers. This slows down service delivery and makes it difficult for people, especially those living far from OWSOs, to receive administrative services from SNAs.

Therefore, during the NP-2, it is necessary to review, improve and modernize the structure and procedures of the OWSOs. This must be done in accordance with the new functions and structures of SNAs. It also must ensure that each SNA has the ability and capacity to provide administrative services through IT systems in a smarter, easier, more transparent, accountable, and reliable manner. At the same time, during IP-5 of the NP-2, efforts need to be made to set up more district-level OWSOs throughout the country.

To ensure the achievement of this output, NP-2 will focus on the following priority activities:

**Priority Activity 5.2.1: Reviewing and Revising the Structure and Procedures for Administrative Services Delivery by OWSOs in CP Administrations**

The procedures for providing administrative services through OWSOs need to be revised to ensure a smoother, simpler, and more integrated service package.

After the CP administrations are restructured as metropolitans and regional administrations, (Output 2.2 and Output 2.3 of Component 2), the management structure and procedures of the OWSO will be redesigned. Some functions of the CP OWSOs will be transferred to DMK and CS administrations.

**Priority Activity 5.2.2: Reviewing and Revising the Structure and Procedures of OWSOs of DMK Administrations.**

The structure and procedures of DMK OWSOs will be reviewed and revised in accordance with the unified administration structures and functions of the DMKs. This review shall also focus on the establishment of OWSO branches and mobile OWSO agents. This will extend administrative services to people who live in villages or communes far from OWSOs or using one-window mechanism at CS to assist in receiving and delivering applications for services to the people.



### **Priority Activity 5.2.3: Online Access to OWSO Services**

Two-way communication through digital technology between OWSOs and citizens has to be developed in order to increase efficiency, transparency and accountability of service delivery. Citizens will be able to apply for OWSO services online and monitor the administrative progress and decision-making of their applications. Electronic payment for fee-based services will be introduced and some services may be provided completely online.

A single platform will be used for all OWSO online services. Appropriate software may be purchased or adopted following a national standard or developed specifically for OWSOs.

The respective changes of procedures at SNA OWSOs, as well as the provision of equipment and training of civil servants involved will be arranged systematically countrywide.

Through the procedures established in NP-2 Component 3, an adequate number of staff with appropriate competent, professional skills, and ethics will be assigned to work at OWSOs to ensure the delivery of administrative services to the people complies with defined procedures.

### **Output 5.3: A Strategy for Promoting Partnerships in Service Delivery between the SNAs, the Private Sector and CSOs is Reviewed, Revised and Implemented**

The participation of CSOs and the private sector in governance is described in Component 2 and 4. CSO and private sector firms will form partnerships with SNAs to deliver services. These partnerships may take a number of different forms, and may include the following:

- A CSO using its own source of funds to deliver services under a cooperation agreement with an SNA.
- A firm or CSO signs a contract with an SNA to deliver services funded by SNA budgets.
- A firm or CSO providing fee-based services under an agreement with the SNA (the services are financed from the fee revenue, not from the SNA budget).
- A public-private partnership in which the SNA is the owner of assets used by a firm to deliver services. For example, a waste disposal site owned by the SNA is operated by a private firm.

It is important that the roles of CSO and private sector representatives in governance and planning should be kept separate from their roles in service delivery. CSO and private firms should not be able to influence the SNA by awarding them contracts or exclusive business opportunities.

Output 3 will be delivered through the following priorities:

#### **Priority Activity 5.3.1: Registry of Local Businesses or Enterprises**

Each SNA will compile and regularly update a registry of local enterprises, including CSOs, that engage in service delivery or social enterprises. The list should also include entities that produce goods (including handicrafts) and services within its jurisdiction. This will help create a more enabling business environment and encourage more private sector investment to promote local development.

The local business registry will be made available online to improve access to services for local citizens and those outside local jurisdictions (e.g. potential tourists). The possibility of supporting this service through a small service charge to local enterprises will be studied.

#### **Priority Activity 5.3.2: Promotion of Partnerships with Private Sector in Service Delivery**

NP-2 will develop and implement appropriate models for promoting partnerships between SNAs, CSOs, and the private sector for the delivery of public services and local economic development. The sub-national Public Private Partnership (PPP) model to be developed under Component 4 is one example of partnership, but other models of partnership that do not require direct co-ownership of assets by the SNA and the partner can also be examined.

The study and design of this model should focus on:

- Concept, benefits and scope of the partnership
- Models or forms of partnership that are appropriate for each type of SNA
- Creating an enabling environment to support the partnership process
- Risk identification and risk mitigation measures of the partnership
- Structure and financing of partnerships

### **Priority Activity 5.3.3: Developing a Framework for Contracting-Out of Public Services**

Some public services can be delivered efficiently and effectively by contracting a service provider for implementation. SNAs have a well-developed framework for implementing infrastructure works through private contractors, but the framework for contracting service activities is less clear.

Reasons why an SNA may want to contract a service provider include:

- (1) Services require specific expertise that SNAs do not have
- (2) Services require recruiting a large number of staff for a short time, and it is easier to achieve this through a service provider rather than assign SNA staff
- (3) To encourage innovation and competition, as service providers compete to prepare the best proposals for how to implement services

The framework to be developed under Sub-Output 5.3.4 will include:

- Guidelines on criterion for using contractors as a service delivery providers
- Guidelines on developing Terms of Reference for service providers, including choosing key performance indicators (KPIs)
- Guidelines on SNA monitoring of service providers' performance using KPIs

### **Output 5.4: Climate Change Resilience and Disaster Risk Management, COVID-19 and Serious Infectious Diseases Resilience Mainstreamed in SNA Management Systems**

In many areas of the country, natural disasters regularly occur and impact the lives and welfare of the citizens. They also impact local infrastructure and services. Global climate change is likely to increase the amount of natural disasters and serious infectious diseases. They may become more frequent and severe, and could cause long-term negative impacts in many areas of the economy and society.

For example, higher temperatures may require changes to the design of school buildings to enable children to learn in comfort. Higher temperatures will also impact human health and the demand for health services. Designs of roads, bridges and other infrastructure will need to adapt to increased rainfall and flooding. Changing rainfall patterns may force farmers to change the varieties of crops that they grow.

Many of the impacts of climate change will affect the types of services that citizens need their SNA to deliver. Also, when disasters and serious infectious diseases occur, the SNA should be able to respond quickly and effectively, without waiting for guidance or resources from the national level.

COVID-19 is a serious infectious disease that has plagued the world and affected the lives of people, public health, public order, economies, and societies. To prevent the most severe negative impacts of this pandemic, and to reopen socio-economic activities, SNAs at all levels have the responsibility to act. They must cooperate with the Government and other competent institutions to implement

policies, instructions, and activities to contribute to the prevention of COVID-19 outbreaks and outbreaks of other serious infectious diseases. Specifically, SNAs must improve education of the people by widely disseminating information, issuing health guidelines, legal measures, and appropriate regulations.

Climate change, natural disasters, and serious infectious diseases affect not just one sector or service, they potentially affect all services provided by the SNAs. For this reason, climate change vulnerability, disaster risk management, and serious infectious disease resilience are considered cross-cutting issue in NP-2. The NP-2 strategy for climate change vulnerability reduction, disaster risk reduction and serious infectious disease resilience are outlined in Annex “D”.

To achieve this output, NP-2 will implement the four following priority actions to mainstream climate change and disaster preparedness in the SNA management system:

**Priority Activity 5.4.1: Establishment of SNA Climate Change and Disaster Response and Serious Infectious Diseases Committee**

The Climate Change and Disaster Response and Serious Infectious Diseases Committees (CDIDCs) will be established in all CP and DMK administrations. The purpose of the CDIDCs will be to coordinate mainstreaming of climate change resilience, disaster response, and serious infectious disease resilience. CDIDCs will provide planning, budgeting, and service delivery solutions in SNA jurisdictions. The current mechanisms concerning these tasks will be integrated into the CDIDCs of the CP and DMK administrations.

**Priority Activity 5.4.2: Technical Standards for Climate Resilient Service Delivery**

Technical standards for infrastructure development by SNAs will be reviewed and revised to ensure that new infrastructure is climate-proof. Standards used by SNA in agriculture support activities (through the District Agriculture, Natural Resource and Environment Offices) will be reviewed and revised to ensure that climate change adaptation is taken into consideration in all agriculture support activities and farmers are encouraged to adopt climate-resilient production techniques.

Mechanisms to increase preparedness against climate change, natural disasters, and serious infectious diseases will also be considered in preparing service delivery standards for obligatory and permissive functions transferred to SNAs.

**Priority Activity 5.4.3: Strengthening the Use of Data on Climate Change, Disasters and Serious Infectious Diseases**

SNAs will gain improved access to climate data and receive capacity development training to understand this data. The data will also include vulnerability index data, Geographic Information Systems on climate change vulnerabilities, and analysis related to reducing the effects of climate change, natural disasters, and serious infectious diseases.

**Priority Activity 5.4.4: Designing Climate and Disaster Resilience and Serious Infectious Diseases Investments**

NP-2 will provide technical assistance to SNAs to help design investments to build climate resilience and preparedness for disasters and serious infectious diseases in local communities.

Investments may include climate-proofing infrastructure, investments in climate-resilient agriculture, and other investments needed to strengthen climate resilience. Investments may also include equipment and materials for responding to natural disasters and serious infectious diseases.

**Table 9: Expected Outputs and Priority Activities for Component 5**

<p><b>Outcome:</b> Mechanisms, procedures and standards are in place for providing public services, local development, and communication in an effective, transparent, accountable, socially equitable, and inclusive manner. This is achieved through the general mandate or permissive functions and obligatory functions in response to the needs and problems of the citizens.</p>	
<p><b>Output 5.1:</b> Management and implementation of obligatory functions and permissive functions of SNAs are strengthened and improved</p>	
Priority activities for IP5-I	Priority activities for IP5-II
<p>5.1.1: Improving efficiency of management and implementation of obligatory functions 5.1.2: Improving efficiency of management and implementation of permissive functions 5.1.3: Development horizontal cooperation between SNAs for service delivery</p>	<p>5.1.1: Improving efficiency of management and implementation of obligatory functions 5.1.2: Improving efficiency of management and implementation of permissive functions</p>
<p><b>Output 5.2:</b> The One-Window-Service Mechanisms for providing administrative services at SNAs are reviewed, improved, and strengthened to ensure that administrative services are provided to the people in a simple, fast, efficient, transparent, and accountable manner by promoting the use of IT systems.</p>	
Priority Activities for IP5-I	Priority Activities for IP5-II
<p>5.2.1: Reviewing and revising the structure and procedures for administrative service delivery by OWSU of CP administration 5.2.2: Reviewing and revising the structure and procedures of OWSOs in DMK administrations 5.2.3: Online access to OWSO services</p>	<p>5.2.3: Online access to OWSO services</p>
<p><b>Output 5.3:</b> A Strategy for promoting partnerships in service delivery between the SNAs and private sector and CSOs is reviewed, revised, and implemented.</p>	
Priority Activities for IP5-I	Priority Activities for IP5-II
<p>5.3.1: Registry of local businesses or enterprises 5.3.2: Promotion of partnerships with private sector in service delivery 5.3.3: Developing a framework for contracting-out of public services</p>	<p>5.3.1: Registry of local businesses or enterprises 5.3.2: Promotion of partnerships with private sector in service delivery</p>
<p><b>Output 5.4:</b> Climate change resilience, disaster risk management, and resistance to COVID-19 and serious infectious diseases mainstreamed in SNA management systems.</p>	
Priority Activities for IP5-I	Priority Activities for IP5-II
<p>5.4.1: Establishment of SNA Climate Change and Disaster Response and Serious Infectious Diseases Committee 5.4.2: Technical standards for climate-resilient service delivery developed</p>	

<p>5.4.3: Strengthening the use of data on climate change, disasters, and serious infectious diseases</p> <p>5.4.4: Designing investments for resilience against climate change, disaster, and serious infectious diseases</p>	<p>5.4.3: Strengthening the use of data on climate change, disasters, and serious infectious diseases</p> <p>5.4.4: Designing investments for resilience against climate change, disaster, and serious infectious diseases</p>
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**Table 10: Risk Management for Component 5**

No	Risk	Impact	Probability	Mitigation Measures
1	Low service quality because of delays in defining standards and procedures for obligatory functions	Medium	Medium	➤ Political support to ensure smooth cooperation with Ministries in defining standards and procedures
2	Low service quality because SNA budget and staff resources are not sufficient to meet service delivery standards	High	Medium	➤ Integrate resource needs assessment with standards. ➤ Prioritise resources for obligatory functions in C3 and C4
3	Permissive functions related to social services may not be implemented in accordance with the discretion of SNAs	Medium	Medium	➤ Clear guidelines on permissive functions ➤ Incentives for SNA to prioritise social spending for poor and vulnerable groups
4	The provision of administrative services at SNAs cannot be achieved according to the objectives and principles of one window service mechanism due to the complicated procedures that take a lot of time, do not have a package of services and require application in many places for services	Medium	Medium	➤ Review and revising the mechanisms and procedures for the provision of administrative services at SNAs in accordance with the objectives and principles of the OWSO ➤ Setting up online administrative service delivery

## **3.6. CROSS-CUTTING ISSUES**

Important cross-cutting issues will be mainstreamed in all components and relevant outputs of the NP-2. These issues include Gender Equality, Social Equity, and Inclusiveness (GESEI), the Management of Climate Change Vulnerability Reduction (CCVR), Disaster Risk Reduction (DRR) and Reduction of Serious Infectious Diseases. NP-2 objectives and strategies of these issues are described in annexes of the NP-2 document.

### **3.6.1. Gender Equality, Social Equity, and Inclusiveness (GESEI)**

The outcome of GESEI is that SNAs recruit and manage staff, prepare plans and resources, as well as administer public services and foster local development without discrimination based on gender, religion, disability, ethnicity, vulnerability, or other social characteristics. SNAs will work proactively to assist women and disadvantaged groups in an equitable and inclusive manner.

During NP-1, policies, regulations, guidelines, and activities were formulated and implemented to mainstream GESEI priorities. NP-2 will continue supporting these achievements by strengthening the accountability and responsibility of all relevant actors, including SNAs, as well as mainstreaming issues related to gender equality, social equity, and inclusiveness. This includes issues related to vulnerable groups in communities such as the elderly, people with disabilities, indigenous people, and other vulnerable groups who have unique needs.

The GESEI strategy will focus on policies, regulations, and guidelines at the organizational level. The strategy will provide guidance on the implementation of these initiatives and related actions. It will also provide guidance on general administration, service delivery, local development, and individual development.

Expected outputs of the GESEI Strategy are listed below.

- GESEI responsive policies and regulations are reviewed and revised to ensure women and vulnerable groups are involved with local development processes at the SNA level and benefit from these processes
- GESEI implementation is regularly monitored and evaluated at the SNAs level
- Ministry and SNA GESEI mechanisms will be strengthened and supported to respond to issues and the needs of women and vulnerable groups
- SNA management systems and working procedures are reviewed, revised, and implemented to promote GESEI
- The number of women and members of vulnerable groups working as SNA staff in management and professional positions will be increased
- Male and female SNA staff will benefit from capacity development and skills training related to GESEI, leadership, empowerment, social services, and other factors
- Public awareness on GESEI is increased, especially concerning women and vulnerable groups
- Empowerment of women and vulnerable groups is supported to enable full participation and in governance processes and local development projects
- SNA human resource management and development is strengthened and supported to respond to the issues and needs of GESEI, including capacity development programs through obligatory training provided to SNA leaders
- SNA mechanisms and facilities at working places are established to promote inclusion of women and vulnerable groups
- GESEI-responsive planning and budgeting is promoted at the SNA level
- Transfer of GESEI-responsive functions and resources is prioritized and supported

- GESEI responsive programs and projects are formulated and funded to respond to issues and needs of women and vulnerable groups
- Accessibility of SNA services and projects is improved for women and vulnerable groups in an equitable and inclusive manner
- GESEI-responsive monitoring and evaluation systems and program databases are established

All implementing agencies of NP-2 at the national and sub-national levels will mainstream relevant outputs of the GESEI in their NP-2 work plans and budgets.

### 3.6.2. Climate Change Vulnerability, Disaster Risk Reduction and Resistance to Serious Infectious Diseases

The outcome on the management of climate change vulnerability, disaster risk reduction and resistance to serious infectious diseases is “SNAs are able to assess, manage, and respond to climate change, disaster vulnerabilities, and serious infectious diseases in their local areas. This will support the welfare and sustainable development of their communities”.

Expected outputs on the management of climate change vulnerability reduction (CCVR), disaster risk reduction (DRR), and resistance to serious infectious diseases include the following:

- The establishment of a mechanism and/or specific units at each SNA responsible for assessing climate and disaster risks and serious infectious disease risks, as well as developing appropriate short-term and long-term responses that will be studied, established, and strengthened
- The strategy on management of climate change vulnerability, disaster risk reduction, and serious infectious diseases are prepared for Phnom Penh and for each DMK administration. Priority actions are identified are mainstreamed in SNA plans and budgets at all levels
- Funds will be mobilized legally from domestic and external sources to finance climate resilience grants for the most climate-vulnerable DMKs
- Early Warning Systems (EWS) and mechanisms to respond effectively to disasters and serious infectious diseases are developed, implemented, and strengthened

NP-2 implementing agencies will mainstream issues related to CCVR, DRR, and serious infectious diseases in relevant parts of their work plans and budgets.

**Table 11: Cross-Cutting Issues Risk Management**

Risk		Impact	Probability	Mitigation Measures
<b>1. Gender Equality and Social Equity and Inclusiveness</b>				
1	SNA leadership not fully committed to implementation of GESEI	High	Medium	<ul style="list-style-type: none"> <li>➤ Include GESEI in leadership and obligatory training.</li> <li>➤ Strongly promote GESEI principles.</li> </ul>
2	Number of WVG staff in leadership positions falls short of target because of lack of vacancies and/or suitable candidates	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Fast-track scheme or database for WVG staff with high potential for promotion to leadership positions</li> <li>➤ Specific training for WVG staff who have potential for management positions</li> <li>➤ Strengthening the implementation of conditions for recruitment and appointment to fulfill vacancies taking into account WVG staff</li> <li>➤ Improve public awareness on importance of women participation in SNA decision-making processes</li> </ul>



Risk		Impact	Probability	Mitigation Measures
<b>1. Gender Equality and Social Equity and Inclusiveness</b>				
3	SNAs do not prioritize services to WVG in planning and budgeting	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Clear gender-responsive budget guidelines</li> <li>➤ Formulate SNA gender-responsive AWPB</li> <li>➤ Technical support</li> <li>➤ SNA award and recognition scheme for good performance</li> </ul>
<b>2. Climate Change Vulnerability Reduction and Disaster Risk Reduction and Serious Infectious Diseases</b>				
4	SNAs not able to finance additional costs of climate resilient standards in infrastructure	Medium	High	<ul style="list-style-type: none"> <li>➤ Mobilize earmarked climate change finance from GCF and others for sub-national CCA</li> </ul>
5	SNAs do not clearly understand about the impact of climate change	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Include climate change awareness in SNAs leadership training</li> </ul>
6	SNAs lack technical capacity to assess CC and disaster risks and serious infectious diseases and develop appropriate responses	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Provide specialised technical assistance to SNAs assess the CC and disaster risks and develop CC and disaster risk management strategies and projects</li> </ul>

## CHAPTER 4

### PROGRAM IMPLEMENTATION AND MANAGEMENT

#### 4.1. FRAMEWORK FOR IMPLEMENTATION OF THE NP-2

NP-2 is a roadmap for the SNDD reforms of the RGC. Under the leadership, management and coordination of the NCDD, implementation of the NP-2 will involve most Government agencies at the national and sub-national levels, DPs, CSOs, private sector firms, representative groups, and other stakeholders. Citizens should be empowered to play an active role in this reform process. Achievement of the program's desired results requires solid commitment and active participation from the leadership levels of each agency with implementing responsibilities, including heads of ministries, institutions, and SNAs. The management of the NP-2, therefore, requires a strong and decisive NCDD with clear roles and responsibilities to effectively coordinate, lead, and manage NP-2 implementation.

The Five-Year Implementation Plans (IP5s) of the NP-2 will assign implementation responsibilities for NP-2 outputs to implementing agencies (IA). Each IA will prepare and implement annual work plans and budgets. Each IA will also report to the NCDD on the progress of NP-2 results pertaining to its responsibilities. The reports will include emerging challenges, risks to successful delivery, and adjustments needed to the implementation strategy of the IP5. The annual work plans and budgets of all IAs will be consolidated in the NP-2 Annual Work plan and Budget (AWPB) that will be approved by the NCDD. The NCDDS will act on behalf of the NCDD to support the work planning and budgeting process, monitor implementation of the AWPB as a whole, manage risks, and provide technical assistance to IAs for program management tasks. The NCDDS will also manage a central fund for externally contracted technical assistance.

##### 4.1.1. Implementing Agencies of NP-2

Implementing Agencies of NP-2 will consist of:

- The NCDD Secretariat
- Ministries with responsibilities that pertain to the national agenda. These ministries include the MEF, MoI, MCS, MOP, MOWA, and sectoral ministries related to the transfer of functions to SNAs
- SNAs at the CP, DMK, and CS levels
- Non-governmental agencies including the Association of Sub-National Administration Councils (ASAC), CSOs, and other agencies

##### 4.1.1.1. Roles of NCDDS

The NCDDS will have multiple roles in implementing the NP-2. They can be classified as program-wide roles carried out in its capacity as the Secretariat to the NCDD and roles related to the delivery of specific program results assigned to the NCDDS through the IP5s.

The program-wide roles of the NCDDS include:

- Advocating for SNDD reforms to the Government, DPs, CSOs, the private sector, and other relevant stakeholders
- Coordinating and supporting the development of policies and regulations pertaining to SNDD reforms
- Coordinating and closely cooperating with the lead agencies of the PFM, NPAR and LJR programs

- Supporting NP-2 IAs in the formulation and implementation of their work plans and budgets
- Consolidating IA work plans and budgets in the NP-2 AWPB
- Mobilising external resources for implementation of the NP-2 through liaison with DPs, the private sector, and other partners
- Managing a central support fund supported by DPs for NP-2 which will be used primarily for technical assistance to IAs
- Monitoring the achievement of AWPB targets and reporting results to the NCDD
- Monitoring and evaluating of the strategic results defined by the NP-2 and IP5s documents
- Performing secretarial functions for the NCDD and NCDD sub-committees, including meeting preparation and meeting reports

Furthermore, the NCDDS will coordinate the implementation and management of the NP-2 with all relevant DPs. This will be done with the assistance of the Technical Working Group for the SNDD (TWG-SNDD) and Steering Committees or boards of DP programs. This initiative will support projects related to decentralization to ensure the proper implementation of NP-2 tasks, the IP5s, and AWPBs.

The NCDDS will perform the following implementation tasks of NP-2:

- Implement specific results of NCDDS as identified in the NP-2 and IP5s
- Manage stand-alone projects and programs financed by DPs. Broadly, stand-alone projects will contribute to achieving specific results within the IP5 results framework
- Consolidate and include progress of all stand-alone projects and programs into NCDD AWPB progress reports

#### **4.1.1.2. Roles of Ministries and Institutions**

Implementation of the NP-2 within each ministry will be led by a Steering Committee on D&D reform, chaired by the minister or head of the ministry. Relevant ministries and institutions include the ministries that are responsible for inter-institutional tasks and the sectoral ministries that are responsible for the transfer of functions.

##### **(1) The Ministries Responsible for Inter-Institutional Tasks:**

These ministries include the MOI, MEF, MCS, MOP and MOWA. They will have important strategic roles within NP-2. For example, the MEF will have responsibilities related to delivery of almost all activities within Component 4 related to fiscal decentralization. However, this should not be understood as meaning that MEF is the sole IA responsible for the whole of Component 4. Other national and sub-national IAs will have responsibilities under this component and will report to the MEF and NCDD.

Key duties of the ministries and institutions are:

- Ensure that the NP-2 results assigned to the ministries under the IP5s are reflected in the Budget Strategic Plans (BSP) of the ministries
- Ensure that NP-2 activities are included and adequately funded in the annual budget of the ministry
- Allocate and oversee responsibilities for implementing NP-2 activities within the ministry
- Preparing policies, strategies, regulations and technical standards for implementing NP-2 results
- Together with NASLA, developing curricula and delivery plans for capacity development programs related to policies, strategies, and technical standards

- Monitoring, supporting and backstopping SNA implementation of policies, strategies, regulations, and guidelines
- Mobilizing resources to support implementation of NP-2 activities
- Reporting to the NCDD on results achieved

**(2) Main Responsibilities of the Sectoral Ministries:**

The primary roles of sectoral Ministries within NP-2 will include:

- Ensuring that the NP-2 results assigned to the ministry under the IP5s are reflected in the Budget Strategic Plan (BSP) of the ministry
- Ensuring that NP-2 activities are included and adequately funded in the annual budget of the ministry
- Allocating and overseeing responsibilities for implementing NP-2 activities within the ministry
- Identifying functions and resources to be transferred to SNAs and preparing related regulations for implementing these functions
- Cooperating with the MEF to ensure that financial resources and assets are transferred to SNAs for implementing the functions transferred from their ministries
- Cooperating with the Ministry of Civil Service to ensure that there is adequate staff for SNAs to implement the transferred functions
- Developing technical guidelines or technical documents and service delivery standards for managing and implementing the functions transferred to SNAs
- Together with NASLA, developing curricula and delivery plans for capacity development programs related to policies, strategies, and technical standards
- Monitoring, supporting, and backstopping SNA implementation of policies, strategies, regulations, and guidelines
- Mobilizing resources to support the implementation of NP-2 activities
- Reporting to the NCDD on results achieved

**4.1.1.3. Roles of Sub-National Administrations**

Implementation of the NP-2 within each CP and DMK administration will be led by a Steering Committee on Sub-National Democratic Development (SC-SNDD), chaired by a governor. Key duties of SNAs are as follows:

- Coordinate and take a lead in the implementation of the D&D reform process
- Ensure that the NP-2 results assigned to the ministry under the multi-year implementation plan are reflected in the Budget Strategic Plan (BSP) of the SNA
- Ensure that NP-2 activities are included and adequately funded in the annual budget of the SNA
- Allocate and oversee responsibilities for implementing NP-2 activities within the SNA
- Review and propose revisions of roles and structures of their organizations
- Formulate and implement the CD plan for their organization
- Implement the transferred functions in an effective, efficient, and transparent manner
- Reporting to the NCDD on the results that have been achieved

CP administrations will also be responsible for monitoring, promoting capacity development, and supporting of implementation of NP-2 activities by DMK administrations. DMK administrations will support CS administrations in the implementation of reforms. CS administrations also participate in the implementation of priority activities determined within the NP-2.

#### **4.1.1.5. Roles of Non-Governmental Organizations (NGOs)**

NGOs include ASAC, CSOs, private sector firms, and relevant stakeholders. These organizations will participate and cooperate in the implementation of NP-2 using their own budgets or through agreements or contracts with the NCDD or ministries. Priority will be placed on implementing projects that contribute to the expected outputs in the NP-2.

#### **4.1.2. Planning and Budgeting Processes**

##### **4.1.2.1. Budget Resources of NP-2**

Budget resources of NP-2 will consist of:

- National budget and SNA budget revenues of NCDDS, ministries, government agencies (that are budget entities), and SNA revenue
- External DP resources (resources managed directly by NCDDS, resources managed directly by other IAs, and resources managed by DPs)
- Other resources mobilized to support NP-2, for example independent resources of CSOs cooperating with NP-2

Priority activities of NP-2 implemented by ministries and institutions (national and sub-national level) will be financed primarily by the IA budgets. Therefore, it is essential that NP-2 activities, results indicators, and implementation plans are reflected in the programs, sub-programs, activities and indicators of the BSP of each IA. The cooperation of MEF will ensure that this task is completed and that NP-2 implementation is adequately funded.

The NCDDS will mobilise and manage external resources and technical assistance to support priority activities of the NP-2.

The NCDDS and other IAs may also manage and implement stand-alone projects within the NP-2.

##### **4.2.1.2. The Formulation of Five-Year Implementation Plans of NP-2**

The IP5s will be formulated based on output and priority activities of the NP-2. Key elements of the IP5 include:

- Identifying responsible IAs
- Determining results indicators
- Setting indicator targets for each year of the IP5
- Estimating required budgets

Based on these data, the IP5s will outline multi-year work plans for each IA.

##### **4.2.1.3. Budget Strategic Plan and Annual Budget**

Each IA that classifies as a budget entity will include priority activities related to its organization under the IP5 in its BSP by listing NCDD programs or SNDD sub-programs within the BSP. These BSPs will be updated annually.

DMK administrations do not yet have their own BSP. As such, the NP-2 activities will be funded by the annual budget of the DMKs.

Budget plans for service delivery functions transferred to SNAs are funded through SNA budgets and are not considered as part of the NCDD AWPB.

#### **4.2.1.4. NCDD Annual Work Plan and Budget (AWPB)**

The NP-2 AWPB will be prepared by consolidating:

- Activities, indicators, targets, timeframe and budgets for NP-2 activities from the annual budgets of national and sub-national government IAs
- Activities, indicators, targets, timeframe and budgets of stand-alone projects considered as within the NP-2

The consolidated NCDD AWPB will be drafted by NCDDS based on submissions from IAs and will be presented at an annual NCDD workshop. Following the workshop, the AWPB will be approved by the NCDD.

#### **4.2.1.5. Externally Assisted Projects**

The NCDDS and other national and sub-national IAs of the NP-2 may receive and manage external assistance funds from DPs to implement NP-2 activities.

For DP stand-alone projects managed by the NCDDS or ministries and institutions, the results framework should make it clear how the projects will contribute to the NP-2's expected outputs. Stand-alone projects will often have a specific sector focus, such as funding delivery of specific investments or services of SNAs. However, these projects should use mechanism structures determined in NP-2 to make meaningful contributions to the SNDD reform.

In most cases, stand-alone projects will be managed under operating procedures of the DPs financing those projects. The NCDDS will additionally apply the specific procedures of the NCDDS Project Management Manual. Stand-alone projects will be developed using project AWPBs.

Wherever possible, external resources from stand-alone projects will be integrated in the BSPs and annual budget plans of relevant institutions, so that state budget and other resources are aligned. This procedure should not result in double-counting of resources in the NP-2 AWPB.

#### **4.1.2.6. Monitoring and Reporting of the AWPB**

AWPB monitoring is an ongoing or periodic process of the AWPB. It aims to improve efficiency of the AWPB implementation as well as regularly review and revise AWPB activities.

SCDDs, on behalf of ministries, will monitor the progress of the AWPB through monthly meetings and report on the progress and challenges of the AWPB to the NCDD through the NCDDS. Additionally, ministries and institutions will also prepare work plans for monitoring and supporting to SNAs in the implementation of the transferred functions.

At the SNA level, the SCDDs, on behalf of their SNAs, will monitor the progress of the AWPBs through monthly meetings and report on progress and challenges to the NCDD through the NCDDS. Additionally, ministries and institutions will also prepare work plans on monitoring and supporting the DMKs and CSs in the implementation of the transferred functions and the general mandate.

The NCDDS will be responsible for monitoring and consolidating reports on the overall implementation of the AWPB and submit them to the NCDD for review and approval.

The NCDD will prepare and submit reports on the implementation of the national program to the RGC at least once every six months.

The NCDDS will organize meetings on a regular basis with all NP-2 IAs to monitor progress and challenges related to AWPB implementation. It will also plan meetings with DPs, such as the TWG-SNDD meeting and the Steering and Review Committee meeting. These meetings will provide updates and discuss the progress on the formulation and the implementation of the NP-2 as well as AWPB implementation.

The Planning and Investment Division (PID) of the CP administrations and the CS support offices of the DMK administrations will assist the SCDD in monitoring AWPBs. CS support offices serve as the secretariat of the SCDD.

#### **4.1.2.7. Audit**

The Internal Audit Group (IAG) of the NCDDS is responsible for coordinating and implementing audits of NP-2 resources under the management of the NCDDS. The NCDDS reports internal audit findings to the Audit and Ethics Committee of the NCDD which was established at the 18<sup>th</sup> meeting of the NCDD.

For DP financial resources managed by the NCDDS, including resources of stand-alone programs and projects, internal audits will be conducted by the Internal Audit Group of the NCDDS in accordance with NCDD processes and procedures and agreements between the NCDDS and DPs. For external audits, private audit firms will be invited to bid for the audits based on timeframe and requirements in accordance with processes and procedures agreed to between the NCDDS and DPs.

For the RGC's financial resources, which include national transfers to SNAs and budgets of ministries and SNAs allocated for implementation of NP-2 activities, audits will be conducted by competent government agencies in accordance with government procedures.

The NCDDS will discuss all audit findings and recommendations and ensure appropriate actions are taken to prevent financial and procedural irregularities. In this regard, the NCDDS will prepare annual management responses to the audit findings and report on follow-up actions to the NCDD and relevant DPs. With endorsement from the NCDD and respective DPs, relevant audit documents can be made accessible to the public via the NCDD website and other means.

## 4.2. PROGRAM MONITORING AND EVALUATION

### 4.2.1. Scope of Programme M&E

This chapter describes methods for measuring progress of the target results defined by the NP-2 Results Framework, and intermediate results to be defined in the IP5 Results Framework. This program monitoring and evaluation (M&E) measures results achieved over a multi-year period. The strategic purpose of the program's M&E is to inform discussion and decision-making on SNDD policy.

M&E tasks will be the responsibility of the NCDDS. Monitoring implementation of the NP-2 AWPB is a separate task that is focused more on providing timely information on program management. This practice ensures that challenges and issues can be identified and appropriate management action can be taken when necessary. AWPB monitoring is the responsibility of IAs and the NCDDS and is described in the Program Implementation and Management chapter of the NP-2.

### 4.2.2. Types of Indicator and Methods of Measurement

#### 4.2.2.1. Three levels of Change

NP-2 results will be measured through changes at three levels, which are listed below.

- **Institutional** (policy and regulations): The results at this level include policies and regulations issued to implement D&D policies such as regulations on the establishment and function of the metropolitan and regional administration management systems. These results also center around the development of SNA personnel and the management of SNA financial resources.
- **Organizational** (structures and systems): The results at this level include changes in structures, systems, powers, functions, and resources at SNAs. For example, the Phnom Penh capital administration will become a metropolitan administration and provincial administrations will become regional administrations. Organizational results will also focus on the revised planning and budgeting systems that are implemented, staff performance evaluations, implemented incentive systems, and the establishment of NASLA facility.
- **Individual** (services): The results at this level include changes in staff performance and service delivery. SNA staff should improve their performance and SNAs should provide better service delivery and initiate stronger local development projects. As a result, people will receive better services and benefit from local development efforts of SNAs.

Broadly, these three levels of results are measured by three types of monitoring instruments: program reporting, general data analysis, and sample surveys. Policy achievements (e.g. the approval of a new policy document or regulation) are recorded in **program reports**. Organizational change is measured by program reports and **data** recorded in databases. This data may include, for example, the number of qualified SNA staff, or the amount of SNA budget allocations. Measurements at the individual level normally require the use of **surveys**.

For each indicator, the method of measurement and the frequency of measurement are indicated in the NP-2 Results Framework.

In addition to the direct measurement of indicators in the Results Framework, M&E efforts make use of **evaluation studies** on specific topics.

#### 4.2.2.2. Strategic Index Indicators

The indicators for the program objectives of the NP-2 consist of three indexes:

- A Governance Index, measured by a Governance Survey



- A Service Delivery Index, also measured by the Governance Survey
- An SNA Capacity Index, measured by the SNA Capacity Development Assessment

Accurate and timely measurement of these three indexes is critical to measuring the overall success of the NP-2.

### **4.2.3. NP-2 Results Framework**

The Results Framework is an important tool for managing, monitoring, and evaluating the programs and projects designed for NP-2. The NP-2 Results Framework, therefore, was formulated to manage, monitor, and evaluate the NP-2's implementation to ensure the achievement of desired results in the long term (vision), the medium term (program goals and objectives), and the short term (outcomes and expected outputs of the components). These desired outputs are identified in the NP-2 and include planned indicators, targets, and time frames.

The NP-2 Results Framework also presents a hierarchy of results to be attained during and at the end of the NP-2. In summary, the NP-2 Results Framework comprises of the following key elements:

- Hierarchy of results: vision, goals, objectives, outcomes and expected outputs
- Indicators of results
- Baselines
- Targets with time frames
- Assumptions and notes

The detailed Results Framework matrix of the NP-2 can be found in Annex "A".

### **4.2.4. Databases for M&E**

The NP-2 program M&E will make use of databases that are created and managed as outputs of the SNDD programme and databases that are created for separate purposes. These include datasets or MISs of the PFMR and NAPR programs. It is essential for NP-2 to ensure appropriate access to these datasets for the Monitoring, Evaluation and Information Division (MEID) of the NCCDS.

Non-SNDD datasets include:

- Financial Management Information System (FMIS) of the PFMR program
- Human Resources Management Information System (HRMIS) of the NPAR
- State Asset Registration Management Information System (SARMIS) of the PFMR
- Non-Tax Revenue Management Information System (NTMIS) of the PFMR
- Public Investment Database (to be established by the PFMR)

The SNDD databases consist of:

- The Commune Database (CDB) of socio-economic data, collected mainly to support SNA development planning, with a comprehensive annual data collection
- Commune Council Database with data on councillors
- DMK M&E database, being reviewed and revised to become an SNA MIS
- Sub-National Project Database (SPD)
- National Annual Work plan and Budget of the NCDD

### **4.2.5. Monitoring and Evaluation Plan**

The IP5 will include an indicative work plan and budget for programming M&E activities. At the start of the IP5, the NCDDS will develop a detailed M&E work plan based on the indicative plan in the IP5. The M&E work plan will indicate:

- All M&E activities to be undertaken by the NCDDS during the IP5 period including review, revision, and development of M&E manuals and guidelines
- Intermediate steps needed to implement each activity, and time required (e.g. design of a survey, contracting of consultants, etc.)
- Timeline for each activity
- Responsible agencies/staff resources needed for each activity
- Budget needed for each activity
- Manuals and guidelines for M&E activities to be prepared
- In-house expertise needed by the NCDDS, with plans to either build capacity of existing staff, or recruit staff with relevant expertise

The M&E work plan and budget will be submitted to the head of the NCDDS for approval.

### **4.2.6. NP-2 Evaluations**

The NCDDS will take the lead, coordinate and conduct evaluations, review progress, challenges, and impacts of the NP-2, focusing on key priority activities as follows:

#### **4.2.6.1. Formulation of Program Baseline**

To measure the progress of NP-2 results as determined in the Results Framework and the medium-term results in IP5-I in an accurate and reliable manner, the NCDDS will collect and create a program database consisting of necessary and important indicators through the utilization of existing databases and reports, including primary data collection as necessary. The development of the program database will be conducted during early during the IP5-I.

#### **4.2.6.2. Annual Evaluation**

The NCDDS will report annually on the implementation of the AWPB. At the same time, the NCDDS will prepare an updated Results Framework and a brief assessment of progress towards the strategic results of the NP-2.

#### **4.2.6.3. Mid-Term Review**

A Mid-Term Review (MTR) will be conducted during Year 5 of the IP5-I. It will assess the progress and challenges of the IP5 and compare these against its Result Framework. Results of the MTR will be used to improve achievements and effectiveness of the IP5s. They will eventually contribute to the achievement of the national program. Additionally, this review will establish the baseline for the IP5-II.

#### **4.2.6.4. End-of-Program Evaluation**

An end-of-program evaluation will begin in Year 10 of the NP-2. This evaluation will be available to inform the design of any follow-up program. This evaluation will compare the achievements of the IP5-2 and NP-2 against the IP5-2 Results Framework and the NP-2 Results Framework.

#### 4.2.6.5. Major Impact Evaluations

Three major impact evaluations will be used to measure strategic results in the NP-2 Results Framework. These are the Governance Survey, the SNA Capacity Assessment, and the Policy Evaluation.

##### ➤ Governance Survey

The major sample survey to be undertaken in NP-2 will be the Governance Survey. In the Governance Survey, representative samples of individual citizens and of SNA councillors will be asked various questions about their experience with SNAs. The questions will ask about their knowledge of the powers and functions SNAs, their experience with the SNA governance processes, their experience using SNA services, and their satisfaction with the quality of services provided by SNAs. The Governance Survey is designed to track changes in key indexes related to governance such as service delivery, responsiveness, civic engagement, transparency and accountability. The Governance Survey will be conducted three times during the NP-2 period: initially as a baseline survey, a follow-up survey in Year 5, and a final survey in Year 9.

##### ➤ SNA Capacity Development Assessment

The Capacity Development Assessment is a survey that will assess SNA capacity to be conducted every three years. The assessment aims to improve the performance of SNAs by identifying performance gaps and constraints and by making recommendations for their improvement. The Assessment will measure SNA capacity at three levels:

- **Institutional capacity** describes the enabling environment and incentives under which an organization operates.
- **Organizational capacity** describes the structures, systems, processes, procedures and practices an organization uses together with the relationships and partnerships it employs to undertake its work.
- **Individual capacity** describes the skills, knowledge, and attitudes of individual staff members in performing their role and duties to provide services and promote local development.

##### ➤ Policy Evaluation

Policy development is the core responsibility of the NCDDDS. Therefore, it is important that policy evaluations be conducted annually to ensure that the issued policies are implementable and effective.

The policy evaluation traces policy development from its formulation to its actual effects when implemented. The policy evaluation looks at five areas in particular:

- **Policy formulation process.** The NCDDDS will review and evaluate the design process of the policy as a basis for improving the effectiveness of the policy in the future. This evaluation will focus on methods and procedures used to develop the policy and participation of relevant stakeholders.
- **Outputs (policy instruments) produced.** The NCDDDS will monitor outputs of the policy formulation process in comparison to the planned time frame and identify any challenges that may have caused delays in issuing the policy.
- **Quality of the outputs produced.** The NCDDDS will evaluate the quality of the policy focusing on its content as well as its clarity in terms of goals, objectives, and regulations for implementation. The roles and responsibilities of IAs and M&E mechanisms will be considered. This portion of the evaluation will also gauge satisfaction with the policy, determine if it fits D&D policy, and identify any weaknesses in its implementation.

- **Implementation.** This aims to review the implementation of the issued policy in terms of progress and challenges and take actions to improve its implementation.
- **Effectiveness of policy.** This area of assessment focuses on evaluating the results of the policy at a higher level in terms of outcome and impact. In this regard, to evaluate the effectiveness of any policy, the NCDDS will develop methods, means, criterion, and indicators for the evaluation.

#### **4.2.7. Evaluation Studies and Research**

Evaluation studies and research will be conducted to improve understanding about the progress and impacts of the NP-2.

Unlike surveys, evaluation studies mainly collect qualitative data. Surveys measure changes, while evaluation studies examine the reasons for these changes. The NP-2 Results Framework sets measurable targets for change. Results Framework indicators are measured by surveys and other quantitative methods.

##### **4.2.7.1. Evaluation Studies**

Evaluation studies will employ the use of different evaluation methods depending on the topic. Examples are case studies, focus group discussions, key informant interviews, and purposive sampling surveys.

##### **4.2.7.2. Research**

Research will be conducted to gain an understanding of underlying opinions and motivations about SNDD reforms. It will provide insight into problems and help develop solutions. The research is also meant to serve as context for researchers and policy makers.

The NCDDS will develop expertise in the design of evaluation studies and will either advise or take direct responsibility for the design of studies. Depending on the purpose and size of the study and level of expertise needed, evaluation studies may be conducted by NP-2 staff, interns, volunteers, or external consultants.

#### **4.2.8. Reporting on NP-2 Implementation**

Regular reports on the implementation of the NP-2 will be issued, including evaluations, reviews, surveys, assessments, and research papers. These reports will be disseminated to the public through the NCDD website, the NCDD library, and social media websites in accordance with the NCDD Information Disclosure Policy and relevant regulations.

### **4.3. RISK MANAGEMENT IN NP-2**

Implementation of NP-2 is complex. Results will depend on the outcomes of different objectives and the actions taken by different IAs. There are significant risks associated with the implementation strategy for each component. These risks have been assessed in the risk matrix for each component.

The NP-2 will actively manage risks. Each risk identified in the risk matrix will be regularly monitored. Following procedures outlined in the NCDDS Project Management Manual, each risk will be assessed using a color-coded system. For risks assessed as red, an appropriate mitigation plan will be developed and implemented.

Implementation of the NP-2 risk management system will be the joint responsibility of IAs and the NCDDS.

#### **4.3.1. Classification of Risks**

Risk management deals with risks of events or situations that, if they occur, will reduce the chances of achieving NP-2 objectives.

Risks are usually classified as implementation, fiduciary, or environmental and social sustainability (E&S) risks. However, for an administrative reform program such as NP-2, the key risks are implementation risks.

Each identified risk has an assessed level of impact (how serious the effects will be if the risk event or situation occurs), and how likely it is that the risk event will occur unless effective risk mitigation action is taken.

Risk impacts are defined in the following way:

- High Impact: If the event or situation occurs, it may result in the NP-2 failing to achieve its objectives
- Medium Impact: If the event or situation occurs, it may result in substantial delays to NP-2 objective or in a component of the NP-2 failing to fully achieve its planned outcome
- Low Impact: If the event or situation occurs it will delay some outputs of the NP-2 but is not a threat to the achievement of outcomes or objectives

Risk probabilities are defined as follows:

- High Probability: If no effective risk mitigation action is taken, the risk event or situation is almost certain to occur and cause the assessed level of impact
- Medium Probability: If no effective risk mitigation action is taken, there is at least a 50% probability that the risk event or situation will occur;
- Low Probability: If no effective risk mitigation action is taken, there is a less than 50% probability that the risk event or situation will occur.

Risk management matrixes are presented for each component and for the cross-cutting issues in Chapter 3.

In addition to the components and cross-cutting issue risks, there are a number of general risks concerning NP-2. They may relate to an external situation (for example, the growth of the Cambodian economy or COVID-19) or they may be unrelated to any specific NP-2 component activity. These general or “Macro” risks are presented in the matrix below.

**Table 12: General (Program-Level) Risks**

Risk	Impact	Probability	Mitigation Measures
Lower than expected economic growth restricts resources available to finance reforms and SNA service delivery	Medium	Low	- Maintain focus on strategic objectives of reforms - Prioritize spending for highest-impact service delivery if necessary
Environmental/natural disaster affects operations of government or causes reduced priority for strategic reforms	Medium	Low	- Build climate change resilience and disaster management capacity at all levels
COVID-19 pandemic continues and seriously delays effective start of NP-2 activities	Medium	High	- Begin with limited program of strategic activities if necessary

A full NP-2 risk management matrix consolidating each risks associated with all components (as shown in Annex “B”) will be included in the IP5-I document and will be the basis of risk management.

#### **4.3.2. Management of NP-2 Risks**

Risk management will be the responsibility of the NCDD, which will address the identified risks and coordinate solutions.

The risk management matrix will be reviewed and updated by the NCDDS annually during preparation of the NP-2 AWPB.










For each risk, the NCDDS will assess:

- Has the risk event or situation occurred during the previous year?
- Has the probability of the risk event or situation occurring in the next year changed compared to its description in the risk matrix?
- Are the relevant risk mitigation actions shown in the risk matrix included in the AWPB?

The overall threat level of each risk can be assessed by combining the risk impact and risk probability to determine a red, orange, or green threat level, as in the diagram below.

There are 39 risks identified in the risk matrixes. Of these, 22 are assessed as red, 15 as orange, and two as green.

**Table 13: General (Program-Level) Risks**

		Risk Probability		
		High	Medium	Low
Risk Impact	High			
	Medium			
	Low			

In case the NCDDS identify a red or orange-rated risk for which there is no appropriate risk mitigation activity provided in the AWPB, the NCDDS will contact the relevant IA (or agencies) to clarify why the risk mitigation measure has not been included.

In case that the NCDDS identify a red-rated risk for which there is no appropriate risk mitigation activity provided in the AWPB, the NCDDS **must** specifically highlight this risk in the AWPB text and in a summary report to the NCDD.

## CHAPTER 5

### PROGRAM COSTS AND FINANCING

The costs of implementing the NP-2 will include:

- Staff and operational costs of the NCDDS
- The costs of implementing the outputs and activities of NCDDS identified in the NP-2 results framework plus the costs of program monitoring and evaluation (referred to as the “core program costs”)
- The costs of implementing the outputs and activities of implementing agencies related to all types of financial resource transfers (conditional grants, unconditional grants, financing of capital investments to SNA under the financing arrangements supported by the NP-2)
- The costs for program monitoring and evaluation
- The cost of projects financed by external development assistance and contributing to achievement of results in the NP-2 results framework, referred to as “stand-alone projects” within the NP-2.

**Table 14: Estimated Cost by Category**

Cost Category	Cost 2022 (Million Riels)
Staff and operational costs of NCDDS	2,150
Core Program Costs of NCDDS	9,500
Core Program Cost of Implementing Agencies	17,720
Fiscal Transfers	3,394,814
Standalone Projects	190,000
<b>Total Annual Cost</b>	<b>3,614,184</b>

Therefore, it is estimated that the total cost of implementing the NP-2 for 2022 will be **3,614,184** million riels.

The NP-2 will primarily be financed by the RGC through the annual budgets of ministries, national institutions, and SNAs. NP-2 implementing agencies will integrate NP-2 sub-programs and activities in their Budget Strategic Plans and annual budgets. NP-2 programs and activities will be treated as a budget priorities.

NP-2 will also seek to mobilize financial support from DPs. This support may contribute directly to the costs of outputs and activities in the NP-2 Results Framework, or may finance stand-alone projects that have their own defined outputs but contribute to achieving NP-2 outcomes or objectives.

Stand-alone projects within the framework of the NP-2 will be reflected in the NP-2 Annual Work plan and Budget. Stand-alone projects may be implemented by ministries, national institutions and/or SNAs, or may be implemented directly by non-government agencies (considered as co-financing in kind).

The RGC will set a target of 10% of NP-2 costs to be mobilized from DPs. Ongoing stand-alone projects of DPs have contributed about 5% thus far. The NCDDS, therefore, needs to mobilize resources from DPs to support the AWPB.

# CHAPTER 6

## CONCLUSION

Accelerating the governance reform in the public sector is at the core of the Royal Government of Cambodia's Rectangular Strategy Phase 4, which will guide Cambodia through its "New Transformation" to upper middle-income status by 2030. Joining the combined forces of the Sub-National Democratic Development (SNDD) reforms, the Public Financial Management (PFM) Reform, the Public Administration Reform (PAR), and the Legal and Judicial Reform (LJR) to create a modern, autonomous, transparent, accountable, effective, efficient, and responsive system of sub-national governance is a key part of this effort. The NP-2 will build on the achievements of the NP-1 and advance the SNDD agenda for the period 2021-2030.

Based on results, experiences and lessons learned from NP-1, it became clear and obvious that SNDD reforms must be executed carefully and systematically with solid commitment from heads of ministries/institutions and SNAs, and in close coordination and cooperation with other reform programs. The NP-2, therefore, has placed a sharper emphasis on the strengthening of leadership and management of the reform program to ensure the achievement of the expected outputs and outcomes.

Additionally, the NP-2 also highlights expected changes that will occur in the future during the program. For example provincial administrations will become regional administrations in accordance with the principle of unified administration. This will ensure that the administrations are better prepared to face any challenges and risks that arise due to this reform.

In brief, the design logic of the NP-2 is that:

- Structures, powers, and functions of different types of SNA will be clearly defined
- The SNAs will be provided with adequate authority and capacity, as well as personnel, financial, and material resources to perform the functions assigned to them
- Under the oversight of their elected councils, SNAs will deliver high-quality public services that respond to the real situation in their local areas and the needs and priorities of citizens
- SNA service delivery will contribute to democratic, inclusive, equitable, and just social and economic development, the elimination of poverty, and an improved quality of life for all citizens

SNDD reform affect the whole government. Where functions and service delivery responsibilities are transferred from national to sub-national levels, or from higher to lower sub-national levels, the roles of the higher-level institutions will shift. Instead of directly providing services, they will guide policy, provide oversight, implement standards, and promote capacity building and monitoring.

Transfer of functions must be accompanied by transfer of budgets, personnel, and material resources. To ensure NP-2 is a success, the program will need the active participation and support of all ministries and institutions of the Royal Government. In particular, NP-2 will require close collaboration, coordination, and mutual support with other reform programs, including the PFM, PAR, and LJR, as well as sectoral reform programs. The NP-2 will also rely on forming partnerships with DPs, CSOs, and private sector firms.

The NCDD believes that the NP-2 will ensure additional successes to the SNDD reforms by bringing better services and local development interventions closer to the people, in a socially equitable and inclusive manner. This will eventually contribute to the achievement of the socio-economic objective of advancing Cambodia to an upper middle-income country by 2030.



## Annex A

**Table 15: NP-2 Results Framework**

Results	Indicators	Baseline	Targets		Assumptions / Notes
			IP5-I	IP5-II	
<b>Vision:</b> Citizens have improved access to public services and benefit from local development provided by the SNAs in a socially equitable and inclusive manner and eventually contribute to achievement of socio-economic objective in advancing Cambodia to an upper-middle income country by 2030.	1. GDP per capita (US\$)	1.816 (2020)		4.046-12.535	<ul style="list-style-type: none"> <li>➤ Socio-economic surveys</li> <li>➤ CDB</li> </ul>
	2. Rate of country poverty (%)	9.5 (2019)			<ul style="list-style-type: none"> <li>➤ Socio-economic surveys</li> <li>➤ CDB</li> </ul>
<b>GOAL:</b> Promote democratic, inclusive, equitable and just development through modernization of sub-national governance, improved access, quality, and utilization of service delivery and contribute to elimination of poverty and improved quality of life for all citizens.	3. Governance Index	49.43 (2016)			<ul style="list-style-type: none"> <li>➤ Governance survey</li> </ul>
	4. Service Delivery Index	66 (2016)			<ul style="list-style-type: none"> <li>➤ Governance survey</li> </ul>
	5. SNA Capacity Index				<ul style="list-style-type: none"> <li>➤ SNA capacity assessment</li> </ul>
<b>OBJECTIVE:</b> Structures and systems of sub-national governance are modern, autonomous, effective, transparent and accountable in providing public services and local development responding to priority needs of the people in their jurisdiction. Each type of SNA has adequate power and capacity to carry out their functions under the oversight of their councils to strengthen accountability to the citizens.	6. Governance Index	.... (2016)			<ul style="list-style-type: none"> <li>➤ Governance survey</li> <li>➤ SNA capacity assessment</li> </ul>
<b>COMPONENT 1: REFORM LEADERSHIP AND MANAGEMENT</b>					
<b>Outcome:</b> Leadership, coordination and support mechanisms of national and sub-national levels are strengthened to promote ownership and responsibilities of ministries and institutions in the formulation and implementation of the SNDD reform program in an effective and efficient manner.	7. Overall % of physical progress to outputs (5 components) set in IP5s		100%	100%	<ul style="list-style-type: none"> <li>➤ Physical and financial targets in IP5s represent all conditions needed to achieve outcome</li> </ul>
	8. Overall expenditure of funds as % of funding projections in IP5		100%	100%	

Results	Indicators	Baseline	Targets		Assumptions / Notes
			IP5-I	IP5-II	
<b>Output 1.1:</b> Leadership mechanisms of reforms strengthened to continue promoting and advancing the SNDD reforms in an equitable and inclusive manner.	9. Number of NCDD meetings conducted per annum	2	3	3	➤ NCDD minutes
	10. Number of draft policies proposed by NCDD sub-committees and SNAs included in NCDD meeting for review and decision	3 documents per annum	15	15	➤ NCDD minutes
<b>Output 1.2:</b> The vision, goal, objective, and achievements of Sub-National Democratic Development reforms are effectively communicated and are widely understood and supported by national government, SNA, citizens and stakeholders.	11. Accumulative number of events, activities/campaigns/forums to raise awareness on D&D reform conducted by relevant ministries and SNAs		250	500	➤ Annual report of NCDD
	12. % of staff of ministries, SNAs and citizens are aware about the NP-2 such as vision, goal, objective, outcomes...		10%	20%	➤ Citizens improve understanding about importance of SNA roles in relation to their life
<b>Output 1.3:</b> Phase 2 National Program is actively participated and efficiently and effectively implemented.	13. Number of ministries and SNAs that include NP-2 outputs in their BSP		45	45	➤ Budget Strategic Plans of implementing agencies include activities and budgets related to reforms
	14. % of tasks identified in IP5 that are completed in each year		70%	80%	➤ IP5s clearly identify targets for achieving ➤ Annual report of NCDD
<b>Output 1.4:</b> Structures of national level to ensure support to SNAs are strengthened	15. Structures and functions of national institutions regarding oversight, coordination and support to SNAs clearly defined		Option study conducted	Structures of ministries and institutions reviewed and revised	➤ Option study report ➤ Regulations on reorganization of structures of institutions
<b>Output 1.5:</b> Participation of ASAC and CSOs in SNDD reform process promoted.	16. SNA councils (at least 50% of respondents) understand their roles and effectiveness of SNA Associations		Understanding on roles of the SNA Council Associations	Believing that the SNA Council Associations can effectively perform their functions	➤ Policy review clearly defined roles or SNA council Associations in providing CD for the councillors

Results	Indicators	Baseline	Targets		Assumptions / Notes
			IP5-I	IP5-II	
	17. Number of CSO partnership agreements with SNAs on promotion of service delivery and local development as well as people participation		100	200	➤ Agreements signed with civil society organizations
<b>COMPONENT 2: SNA FUNCTIONS AND STRUCTURES</b>					
<b>Outcome:</b> Structures, systems, powers, and functions of SNAs are clearly defined and differentiated according to level and type of SNAs in accordance with metropolitan, urban and rural characteristics, and SNAs use information technology systems to promote effective management and internal and external communication.	18. SNA structures, management systems and functions reviewed, revised and put in place in accordance with administrations with characteristics as metropolitan, urban and rural		Option study on revision of structure, management system and functions of sub-national administrations conducted	Regulations on revision of structure, management system and functions of sub-national administrations approved	➤ Study report ➤ Relevant regulations approved
<b>Output 2.1:</b> Structure, management system, and functions of the DMK and CS administrations are strengthened, adjusted and operated in the manner as local administrations and in accordance with specific characteristics of urban administrations and rural administrations	19. Structure, management systems and functions of local administrations revised and put in place		Option study on structure, management system and functions of local administrations conducted	Regulations on structure, management system and functions of local administrations approved	➤ Study report ➤ Relevant regulations approved
<b>Output 2.2:</b> Structure, management system, and functions of the provincial administrations are reviewed, revised, and operated in the manner of a regional administration in accordance with the principle of unified administration.	20. Structure, management systems and functions of provincial administrations with characteristics as regional administrations developed and put in place		Option study on structure, management system and functions of regional administrations conducted	Regulations on structure, management system and functions of regional administrations approved	➤ Study report ➤ Relevant regulations approved
<b>Output 2.3:</b> Structure, management system and functions of the Phnom Penh capital administration, Khan administrations, and Sangkat administrations in Phnom Penh capital are reviewed, developed and transformed in accordance with efficient, effective, and participatory metropolitan area governance and the principle of unified administration.	21. Structure, management systems and functions of provincial administrations with characteristics as metropolitan developed and put in place		Option study on structure, management system and functions of metropolitan conducted	Regulations on structure, management system and functions of metropolitan approved	➤ Study report ➤ Relevant regulations approved

Results	Indicators	Baseline	Targets		Assumptions / Notes
			IP5-I	IP5-II	
<b>Output 2.4:</b> The vertical relationships and accountability of SNAs are strengthened, revised and implemented.	22. Framework for regional oversight and support of Districts and Municipalities established		Guideline developed	Guideline operational	➤ Provinces provide technical support and conduct legal control over DM performance
	23. Framework for District/ Municipal oversight and support of Communes and Sangkats established		Guideline developed	Guideline operational	
	24. SNA complaint handling mechanisms established and strengthened		<ul style="list-style-type: none"> <li>– Existing mechanisms strengthened</li> <li>– New mechanisms established and implemented</li> </ul>	Mechanisms updated and implemented	<ul style="list-style-type: none"> <li>➤ Relevant regulations developed and approved</li> <li>➤ New mechanisms formulated and implemented</li> </ul>
<b>Output 2.5:</b> The leadership capacity of SNA council is strengthened	25. Powers of the council to review and approve budget plan and provide oversight of BoG performance strengthened		<ul style="list-style-type: none"> <li>– Technical committees of the councils reviewed and established</li> <li>– Council secretariat established with appropriate staff</li> <li>– Councils have determined budget package for implementing their activities</li> </ul>	Majority of councillors thinks the councils have capacity for leading and are the main body for making decisions	<ul style="list-style-type: none"> <li>➤ Relevant regulations formulated and approved</li> <li>➤ Evaluation report</li> </ul>
<b>Output 2.6:</b> The citizen participation is enhanced to ensure people's trust in SNAs	26. Index of citizen participation in forums, ombudsman offices and other information communications with the councils	33 indexes (Governance survey 2016)	Index increased to 40	Index increased to 50	➤ Implement the Governance Survey
	27. ISAF mechanism established in all CS and expanded to all DMKs		<ul style="list-style-type: none"> <li>• DMKs: 50%</li> <li>• CS: 100%</li> </ul>	DMKs and CS: 100%	➤ Progress report on social accountability
<b>Output 2.7:</b> The administrative management systems of SNAs are modernized through development and operation of digital system.	28. 75% of SNAs used an electronic system in internal operation and delivery of services to the people		<ul style="list-style-type: none"> <li>• CP: 75%</li> <li>• DMKs: 20%</li> </ul>	<ul style="list-style-type: none"> <li>• CP: 100%</li> <li>• DMKs: 75%</li> </ul>	➤

Results	Indicators	Baseline	Targets		Assumptions / Notes
			IP5-I	IP5-II	
	29. 75% of SNAs updated website and /or social media platform to share information with citizens		<ul style="list-style-type: none"> <li>• CP: 100%</li> <li>• DMKs: 70%</li> <li>• CS: 20%</li> </ul>	<ul style="list-style-type: none"> <li>• CP: 100%</li> <li>• DMKs: 100%</li> <li>• CS: 100%</li> </ul>	➤
<b>Output 2.8:</b> Internal control system and external systematic inspection mechanism for SNAs is developed, revised and implemented.	30. Internal control established and put in place		CPs and DMKs establish mechanisms and internal control procedures		➤ Regulations on the establishment of mechanisms and procedures for internal control
	31. % of SNAs with inspection per annum completed in accordance with approved regulations		<ul style="list-style-type: none"> <li>• CP: 25%</li> <li>• DMs: 20%</li> <li>• CS: 15%</li> </ul>	<ul style="list-style-type: none"> <li>• CP: 25%</li> <li>• DMs: 20%</li> <li>• CS: 15%</li> </ul>	<ul style="list-style-type: none"> <li>➤ Inspection report</li> <li>➤ Inspection plan clearly identifies number of target SNAs for inspection</li> </ul>
<b>COMPONENT 3: HUMAN RESOURCES MANAGEMENT AND DEVELOPMENT</b>					
<b>Outcome:</b> SNAs recruit, manage, and deploy staff based on the workload and financial availability of each SNA and have staff who have professional qualifications and skills appropriate to their roles and responsibilities and who benefit from systematic, progressive, professional skills development and support.	32. % of SNA staffing needs established in needs assessment		80%	100%	<ul style="list-style-type: none"> <li>➤ Needs assessment shows that number of SNA staff is not enough and staff shortage needs to be addressed gradually</li> <li>➤ Lists or SNA staff management database</li> </ul>
	33. % of SNA management positions holding by women or members of vulnerable groups	CP:35% DM: 23% (2020 data)	<ul style="list-style-type: none"> <li>• CP: 40%</li> <li>• DM: 30%</li> </ul>	<ul style="list-style-type: none"> <li>• CP: 45%</li> <li>• DM: 40%</li> </ul>	
<b>Output 3.1:</b> Civil servant bodies are reviewed reorganized and implemented	34. All SNA staff are categorized in accordance with relevant bodies of civil servants		Implemented	Implemented	➤ Royal decree on civil servant body reviewed, revised and implemented
<b>Output 3.2:</b> Performance-based management system is developed and implemented at SNAs	35. % of SNAs conducted annual result-based performance assessment of their staff		<ul style="list-style-type: none"> <li>• CP: 50%</li> <li>• DMK: 50%</li> </ul>	<ul style="list-style-type: none"> <li>• CP: 100%</li> <li>• DMK: 100%</li> </ul>	➤
<b>Output 3.3:</b> Information technology systems for personnel management are designed and implemented	36. Staff database for SNA staff developed and implemented		Study and develop computerized database for SNA staff management approved and pilot	Computerized database for SNA staff management implemented	<ul style="list-style-type: none"> <li>➤ Study report</li> <li>➤ Regulations related to SNA staff management database</li> </ul>

Results	Indicators	Baseline	Targets		Assumptions / Notes
			IP5-I	IP5-II	
					➤ Annual report of NCDD
<b>Output 3.4:</b> Human resource needs, both staff and professional, are assessed and clearly defined	37. % of SNAs completed staffing needs assessment		50%	100%	➤ Evaluation report identifying clearly SNA staff needs
<b>Output 3.5:</b> Incentive policy for SNA staff is developed and put in place	38. % of staff working in remote and difficult areas increased		10%	30%	➤ Policy on incentives of staff working in difficult and remote areas ➤ Lists of staff management databases
<b>Output 3.6:</b> Assessment of capacity development needs and capacity development planning is strengthened and clearly defined.	39. % of SNAs with annual capacity development plan for their staff		<ul style="list-style-type: none"> <li>• CP: 100%</li> <li>• DM: 80%</li> </ul>	<ul style="list-style-type: none"> <li>• CP: 100%</li> <li>• DM: 100%</li> </ul>	➤ SNA CD Plans
<b>Output 3.7:</b> National School of Local Administration (NASLA) is fully operationalized and strengthened, with effective arrangements for capacity development in place at regional level.	40. % of planned NASLA staff with good capacity comparing to staff needs		70%	100%	➤ Annual report of NASLA ➤ NASLA with staffing plan (number of staff and expertise)
	41. % of training courses completed by NASLA comparing to training plan		80%	90%	➤ Training report of NASLA against plan
	42. Regional training mechanism established and implemented		Feasibility study on establishment of regional training mechanism	Pilot and implementation	➤ Study report ➤ Regulations on the implementation
<b>Output 3.8:</b> Curricula for SNA staff developed and implemented	43. Number of training programs curriculum and training materials developed as against plan.		100%	100%	➤ Training curriculum formulated and approve
	44. % of SNAs completed training for women and vulnerable groups who are potential for holding management positions		10%	10%	➤ Approved training curriculum

Results	Indicators	Baseline	Targets		Assumptions / Notes
			IP5-I	IP5-II	
<b>Output 3.9:</b> Different Training Approaches Developed and Implemented	45. Number of specific training methodologies used for SNA training		3	5	<ul style="list-style-type: none"> <li>➤ Training report</li> <li>➤ Principles and procedures on training methodologies</li> </ul>
<b>Output 3.10:</b> A framework for throughout-career professional development for SNA staff is developed and implemented	46. Framework for staff professional development prepared and approved		Framework for staff professional development formulated and pilot	Framework for staff professional development implemented	<ul style="list-style-type: none"> <li>➤ Regulation related to development of framework for staff professional development</li> </ul>
<b>COMPONENT 4: FISCAL DECENTRALIZATION AND SNA PLANNING</b>					
<b>Outcome:</b> SNAs have predictable, adequate budget resources aligned with mandates and policy priorities and allocated with the flexibility to respond to local situation and needs that determined in the development plans, investment programs and budget strategic plans of SNAs.	47. Aggregate % of SNA budget revenues compared to national budget increased as a result of reassignment of responsibilities and functions	9.67%	12%	17%	<ul style="list-style-type: none"> <li>➤ Annual Budget Law</li> </ul>
	48. % of DMs with total annual budget revenues that meet demands of public service delivery in their jurisdiction in accordance with determined standards		50%	80%	<ul style="list-style-type: none"> <li>➤ Report on evaluation of DM financial status</li> </ul>
<b>Output 4.1:</b> SNA planning and budgeting process are improved and aligned with each type of level of SNA, in line with the national development agenda and key reform directions and backed up by better and effective use of data.	49. Development plans, investment programmes, Budget Strategic Plan and annual budgets prepared through a harmonized process in accordance with types of SNA administrations		SNA planning and budgeting guidelines revised and implemented	SNA planning and budgeting guidelines updated in accordance with revised structures and management systems of SNAs	<ul style="list-style-type: none"> <li>➤ Revised guidelines of SNA planning</li> <li>➤ Guidelines on formulation, approval and implementation of SNA budgets</li> </ul>
	50. SNAs able to access and analyse a range of relevant data to support planning and budgeting		CDB and other related databases can be accessed online based on which SNAs are able to do analysis and make decisions in formulating their plans and budgets	Range of local databases are available and widely used by SNAs	<ul style="list-style-type: none"> <li>➤ Evaluation report on use of databases by SNAs</li> </ul>

Results	Indicators	Baseline	Targets		Assumptions / Notes
			IP5-I	IP5-II	
<b>Output 4.2:</b> SNA budget execution improved, with more authority decentralized to SNAs in line with the SNA-BSRS reform direction.	51. Power of SNA in budget execution increased		Regulations on procedures for SNA budget implementation providing more powers to SNAs for implementing their budgets	SNA powers regarding implementation of their budgets clearly defined in the SNA BSRS reform (2026-2030)	<ul style="list-style-type: none"> <li>➤ Regulations on the implementation of budget by SNAs</li> <li>➤ SNA BSRS reform (2026-2030)</li> </ul>
	52. Power of SNA in procurement increased	CPs (KHMR 300 million) DMs (KHMR 100 million)	Level of budgets for the procurement to be decided by SNAs increased	Level of budgets for the procurement to be decided by SNAs increased	<ul style="list-style-type: none"> <li>➤ Inter-Ministerial Prakas on powers of CPs and DMs regarding procurement</li> </ul>
<b>Output 4.3:</b> Increase of local revenue as budget benefit generated from tax is studied and implemented.	53. Number of tax types as SNA budget benefit increased	CPs (9 types) DMs (0 type)	Strategic framework on tax reform reviewed, revised and implemented	CPs: increase at least 1 type of tax DMs: have at least 2 types of tax	<ul style="list-style-type: none"> <li>➤ SNA tax mobilisation powers include effective collection as well as rate or base setting</li> </ul>
<b>Output 4.4:</b> Increase of local revenue as budget benefit generated from non-tax revenue is studied and put in implementation	54. Types and scopes of services as sources of non-tax revenues as SNA budget revenues increased		Study and design of strategic framework on reform of SNA non-tax revenue management	Types and scope of services increased at least by 10%	<ul style="list-style-type: none"> <li>➤ Study report</li> <li>➤ strategic framework on reform of SNA non-tax revenue management approved</li> <li>➤ Regulations related to increase of types and scope of services</li> </ul>
<b>Output 4.5:</b> SNA state asset management and state asset transfer from the national level are timely and effectively implemented following a coherent and coordinated reform plan.	55. State assets fully transferred in line with associated functions		100%	100%	<ul style="list-style-type: none"> <li>➤ NCDD annual report</li> </ul>
<b>Output 4.6:</b> Unconditional grant transfers are appropriately determined and allocated to SNAs based on criteria and formulas with equity and continuously increased for the SNAs (especially DMs) for implementing the permissive functions or general mandate.	56. % of state budget allocated to DMF increased	1.2% (2020)	2%	3%	<ul style="list-style-type: none"> <li>➤ Regulations on transfer of state budget to DMF</li> </ul>
	57. DMF allocation to DMs is done equitably aimed at reducing gap between urban and rural areas		Criteria and formula of resource allocation to DMs and CSs reviewed and revised	Criteria and formula of resource allocation to DMs and CSs updated	<ul style="list-style-type: none"> <li>➤ Regulations on transfer of state budget to DMF and CSF</li> </ul>



Results	Indicators	Baseline	Targets		Assumptions / Notes
			IP5-I	IP5-II	
	58. SNIF equitably allocated aimed at reducing gap between urban and rural areas		Criteria and formula of resource allocation to SNAs reviewed and revised	Criteria and formula of resource allocation to SNAs updated	➤ Regulations on transfer of state budget to SNAs
<b>Output 4.7:</b> Conditional transfers are appropriately determined, transferred, and effectively managed and used for the SNAs to implement the obligatory functions transferred to them.	59. Conditional transfers increased in accordance with transfer of obligatory functions	About 800 million Riels (2021) for Education and Health Functions	1,600 million Riels	3,200 million Riels	➤ Annual Budget Law
<b>Output 4.8:</b> A comprehensive framework for financing of SNA public investments established and strengthened.	60. Resources for financing public investments at SNAs increased		Framework on public investment financing designed and implemented	Fraternal Fund and Special Budget Package for financing SNA public investment designed	➤ Strategic Framework for financing SNA public investment ➤ Regulations on establishment of Fraternal Fund and Special Budget Package
<b>Output 4.9:</b> A Framework for SNA Public-Private Partnerships (PPP).	61. Framework for sub-national PPP developed and implemented		– Relevant regulations developed and implemented – Partnership projects in selected sectors tested	– PPP projects between SNAs and private sector implemented in at least 2 sectors	➤ Relevant regulations ➤ PPP projects implemented
<b>Output 4.10:</b> Audit and Inspection Systems on Management and Use of SNA Financial Resources and Assets are Strengthened.	62. % of SNAs (CP and DMK) with internal audit reports		50%	100%	➤ SNA report on internal audit
<b>COMPONENT 5: PUBLIC SERVICE DELIVERY AND LOCAL DEVELOPMENT</b>					
<b>Outcome:</b> Mechanisms, procedures and standards are in place for providing public services, local development and communication in an effective, transparent, accountable and socially equitable and inclusive manner, through general mandate or permissive functions and obligatory	63. % of individual service users expressing satisfaction with SNA service delivery		70%	90%	➤ Governance surveys

Results	Indicators	Baseline	Targets		Assumptions / Notes
			IP5-I	IP5-II	
functions in response to the needs and problems of the citizens in their jurisdiction.					
<b>Output 5.1:</b> The principles and procedures for implementation of obligatory and permissive functions of SNAs are reviewed, improved and implemented effectively.	64. % of SNAs implemented obligatory functions in accordance with determined procedures and standards		75%	95%	➤ Technical guidelines and standards for the implementation of functions development in cooperation with relevant ministries
	65. % of SNAs implemented permissive functions in accordance with determined procedures and standards		75%	95%	
<b>Output 5.2:</b> The One-Window-Service Office for providing administrative services at Sub-National levels is reviewed, improved and strengthened to ensure that administrative services are provided to the people in a simple, fast, efficient, transparent and accountable manner by promoting the use of information technology systems.	66. Increase in annual revenues collected from OWS mechanisms	CP...% (2020) DMK... (2020)	10%	10%	➤ Increase in revenues reflects increased citizen uptake of services, based on confidence in quality of service
	67. % of OWSO services that can be requested online		20%	80%	
<b>Output 5.3:</b> Strategy for the development of effective service delivery partnerships between the local administrations, the private sector and civil society is designed and implemented.	68. % of SNAs that have partnership agreement with a CSO for delivery of social services	...%	25%	50%	➤ SNA project database
	69. % of SNAs that contracts (PPP contracts and other types of contracts) with private firms for service delivery and local development	...%	25%	50%	➤ SNA project database
<b>Output 5.4:</b> Climate Resilience and Disaster Readiness, COVID-19 and Serious Infectious Diseases Mainstreamed in SNA Management System	70. % of projects related to climate change, disaster, serious infectious diseases and social services that included in SNA 3-year investment programs	...%	15%	30%	➤ SNA 3-year rolling investment programs
	71. % of SNAs receiving used their funds for climate and disaster resilience, serious infectious diseases and social service investments	...%	10%	20%	➤ SNA report on budget implementation



## Annex B

**Table 16: NP-2 Risk Management**

No.	Risk	Impact	Probability	Mitigation Measures
<b>General (Programme Level) Risks</b>				
1.	Lower than expected economic growth restricts resources available to finance reforms and SNA service delivery	Medium	Low	<ul style="list-style-type: none"> <li>➤ Maintain focus on strategic objectives of reforms</li> <li>➤ Prioritize spending for highest-impact service delivery if necessary</li> </ul>
2.	Environmental/natural disaster affects operations of government or causes reduced priority for strategic reforms.	Medium	Low	<ul style="list-style-type: none"> <li>➤ Build climate change resilience and disaster and serious infectious diseases management capacity at all levels.</li> </ul>
3.	COVID-19 pandemic continues and seriously delays effective start of NP-2 activities	Medium	High	<ul style="list-style-type: none"> <li>➤ Begin with limited programme of strategic activities if necessary</li> </ul>
<b>Component 1: Reform Leadership and Coordination</b>				
4.	Major change of policy direction by RGC leadership, for example in urgent reaction to external events (e.g., pandemic)	High	Low	<ul style="list-style-type: none"> <li>➤ Adapt with the new policy of RGC and identify achievable activities for implementation</li> </ul>
5.	Resistance to some elements of the SNDD reforms from some institutions within Government (e.g. transfer of functions of some ministries to SNAs)	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Maintain strong coordination with RGC leadership</li> <li>➤ Purpose and direction of SNDD reforms strongly communicated</li> <li>➤ Maintain active dialogue through NCDD and other forums</li> <li>➤ Identify bottlenecks and follow up promptly</li> </ul>
6.	Budget resources insufficient for some elements of the program	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Integrate budget planning in the Program Budget/BSP for advance planning</li> <li>➤ Mobilize DP resources selectively for activities that are hard to finance through Government budget</li> </ul>
7.	Communications not effective in creating widespread understanding and support	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Engage external expertise for communications.</li> <li>➤ Monitor effectiveness of communications and adjust strategy as needed</li> </ul>
<b>Component 2: SNA Structures and Systems</b>				
8.	Obligatory functions assigned to the DMK are not specified clearly enough, leave DMK administrations unable to implement them effectively	High	Medium	<ul style="list-style-type: none"> <li>➤ Clearly define obligatory functions and prepare detailed guideline on the procedures for implementation of each obligatory function</li> </ul>

No.	Risk	Impact	Probability	Mitigation Measures
				including standards for service delivery.
9.	Provincial and DMK councils unable to exercise real decision-making and monitoring powers over the Board of Governors.	High	High	<ul style="list-style-type: none"> <li>➤ Provide guidance on the establishment of support mechanisms for councils, including the revision or establishment of additional committees or sub-committees and the operating procedures of those committees</li> <li>➤ Organize training for SNA councils to increase their awareness on how to exercise their roles and mandates</li> <li>➤ Prepare a clear expenditure plan of the council within the budget of SNAs</li> </ul>
10.	Local administrations continue to work under top-down direction of provinces, instead of developing real autonomy with Province in oversight and support role	Medium	High	<ul style="list-style-type: none"> <li>➤ Provide guidelines and training to the leaders and officials of the provincial administration on the working relationship between the provincial administration and local administration</li> <li>➤ Strengthen the monitoring and intervention of the Ministry of Interior</li> </ul>
11.	Autonomy of local councils in prioritizing and using their discretionary funds for actions and projects in the framework of their general mandate is not respected by provincial and national units under the MEF	High	Medium	<ul style="list-style-type: none"> <li>➤ Under the coordination of the NCDD, the Ministry of Interior and the Ministry of Economy and Finance shall prepare and issue guideline on the preparation and implementation of projects of SNAs under the framework of general mandate/permissive functions</li> </ul>
12.	The governance system of SNAs is not tailored to the type and nature of the administration of big cities, towns in urban and rural areas do not have clearly defined functions, roles, and responsibilities.	High	Medium	<ul style="list-style-type: none"> <li>➤ NCDD shall lead the coordination the relevant ministries and institutions and request a decision from the Prime Minister of the Royal Government</li> </ul>
13.	The failure of the digital strategy is due to the vague administrative procedures and the lack of competent staff of SNAs.	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Clear review and revision of administrative procedures of SNAs</li> <li>➤ Organize systematic training for SNA officials and integrate information technology and digital governance into initial training for new staff.</li> </ul>
14.	Lack of agreement and cooperation from ministries to established harmonized inspections on legality and service delivery standards	Medium	Medium	<ul style="list-style-type: none"> <li>➤ NCDD lead, coordinate and discuss appropriate options for setting up inspection mechanisms on SNAs and request government decisions</li> </ul>

No.	Risk	Impact	Probability	Mitigation Measures
15.	Decentralization policies implemented by national agencies in different fields undermine the autonomy of local administrations  Continuing to strengthen the centralized structure and management system of some ministries may affect the autonomy of SNAs	High	High	<ul style="list-style-type: none"> <li>➤ NCDD ensure that the restructuring and management system of each ministry is in line with the decentralization policy</li> <li>➤ NCDD assess the negative situation of the structure and system of some ministries that continue to strengthen in the form of centralization and then request for intervention from the Royal Government.</li> </ul>
16.	Some priority policies of PFMR are inconsistent with the common vision and objectives of the D&D reforms.	High	Medium	<ul style="list-style-type: none"> <li>➤ NCDD ensure that consultations and consensus are agreed upon in the formulation of new priority policies of PFMR in line with D&amp;D policies</li> </ul>
<b>Component 3: HR Management and Development</b>				
17.	The authority/power to recruit and deploy staff may not comply with the defined principles and set regulation.	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Preparation of additional guidelines to strengthen the implementation of established principles and regulations</li> <li>➤ Strengthening the monitoring on SNAs in recruiting and deploying staff</li> </ul>
18.	Gender balance of staff in management positions and the amount of new staff be recruited is less than the planned	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Continuing to strengthen management skills training for female staff to become leaders</li> <li>➤ Disseminate information about recruitment as well as encourage and prioritize female candidates in recruitment</li> </ul>
19.	Staff performance assessment are not carried out regularly and accurately.	High	Medium	<ul style="list-style-type: none"> <li>➤ Strengthen support and monitoring on the implementation of staff evaluation plans of SNAs</li> </ul>
20.	Ineffective TNA assessment of SNA staff including poor development of CD plans	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Strengthen support and monitoring of national level on the conducting TNA, designing and implementation of SNAs capacity building programs</li> </ul>
21.	NASLA is unable to recruit staff with appropriate capacity and experience to manage curriculum and training program	High	Medium	<ul style="list-style-type: none"> <li>➤ Disseminate information on recruiting and encouraging candidates to apply for jobs at the NASLA</li> <li>➤ Establishing an incentive system for NASLA staff, especially staff with competent skills and experience in training and curriculum development</li> </ul>
22.	The NASLA does not have sufficient financial resources for its operation	High	Medium	<ul style="list-style-type: none"> <li>➤ The budget of the NASLA will be provided according to the annual budget plan</li> <li>➤ Mobilize resources from partners</li> <li>➤ SNAs need to ensure their budget available for payment of training fees for SNAs capacity development at NASLA.</li> </ul>

No.	Risk	Impact	Probability	Mitigation Measures
<b>Component 4: Fiscal Decentralization and SNA Planning and Budgeting Systems</b>				
23.	SNA investment programming and budgeting processes still cannot be aligned in terms of time frame and content	High	Medium	<ul style="list-style-type: none"> <li>➤ MOI, MOP, MEF and NCDDS should jointly review and revise the procedures and timeframe for formulating the SNA investment programs and budget plans</li> <li>➤ Studying possibilities for merging between SNA planning working group and budgeting working group</li> </ul>
24.	Fiscal decentralization and SNA budgeting reform are still not in line with the overall decentralization reform direction.	High	medium	<ul style="list-style-type: none"> <li>➤ Develop and approve a concept note on vision and strategy for reform programs 3+1</li> </ul>
25.	DMK is not given sufficient funds to implement the new transferred functions	High	Medium	<ul style="list-style-type: none"> <li>➤ NCDDS and MOI should work with MEF to come to a shared understanding of the negative impacts that such a risk might have and, from there, work to identify joint solutions.</li> <li>➤ Clearly determine from the functions transferred to DMs which are obligatory and which are permissive.</li> </ul>
26.	State asset management and transfer for SNAs are delayed	Medium	High	<ul style="list-style-type: none"> <li>➤ NCDDS and MOI should continue working with MEF and relevant functional transfer ministries</li> </ul>
27.	Too many rules, mechanisms, and channels are created, leading to increasing policy-budget incoherence and overhead cost	High	High	<ul style="list-style-type: none"> <li>➤ Ensure that, in the medium- and long-term, extra attention and caution are given to minimizing ad-hoc solutions to gradually streamline and simplify the whole inter-governmental fiscal architecture</li> </ul>
28.	Fragmentation of data collection, storage, sharing, and use worsens, making reliable monitoring, tracking, and evaluation on budget allocation and spending effectiveness impossible	High	High	<ul style="list-style-type: none"> <li>➤ Create a working group to review the current SNA-related database management systems, including those under NCDDS, MEF, MOI and MOP, and develop a concrete plan to combine, synchronize and/or coordinate them.</li> </ul>
<b>Component 5: Service Delivery and Local Development</b>				
29.	Low service quality because of delays in defining standards and procedures for obligatory functions	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Political support to ensure smooth cooperation with ministries in defining standards and procedures</li> </ul>
30.	Low service quality because SNA budget and staff resources are not sufficient to meet service delivery standards	High	Medium	<ul style="list-style-type: none"> <li>➤ Integrate resource needs assessment with standards.</li> <li>➤ Prioritise resources for obligatory functions in C3 and C4</li> </ul>
31.	Permissive functions related to social services may not be	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Clear guidelines on permissive functions</li> </ul>

No.	Risk	Impact	Probability	Mitigation Measures
	implemented in accordance with the discretion of SNAs.			➤ Incentives for SNA to prioritize social spending for poor and vulnerable groups
32.	The provision of administrative services at SNAs cannot be achieved according to the objectives and principles of One window Service mechanism due to the complicated procedures that take a lot of time, do not have a package of services and require application in many places for services	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Review and revising the mechanisms and procedures for the provision of administrative services at SNAs in accordance with the objectives and principles of the OWSO</li> <li>➤ Setting up online administrative service delivery</li> </ul>
<b>Gender Equality and Social Equity and Inclusiveness</b>				
33.	SNA leadership not fully committed to implementation of GESEI	High	Medium	<ul style="list-style-type: none"> <li>➤ Include GESEI in leadership training.</li> <li>➤ Strongly promote GESEI principles.</li> </ul>
34.	Number of WVG staff in leadership positions falls short of target because of lack of vacancies and/or suitable candidates	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Fast-track scheme or database for WVG staff with high potential for promotion to leadership positions</li> <li>➤ Specific training for WVG staff who are potential for management positions</li> <li>➤ Strengthening the implementation of conditions for recruitment and appointment to fulfil vacancies taking into account WVG staff</li> </ul>
35.	SNAs do not prioritize services to WVG in planning and budgeting	Medium	Medium	<ul style="list-style-type: none"> <li>➤ Clear budget guidelines</li> <li>➤ Technical support</li> <li>➤ SNA Award and Recognition Scheme for good performance</li> </ul>
<b>Climate Change Vulnerability and Disaster Risks Reduction and Serious Infectious Diseases</b>				
36.	SNAs not able to finance additional costs of climate resilient standards in infrastructure	Medium	High	➤ Mobilize earmarked climate change finance from GCF and others for sub-national CCA
37.	SNAs do not clearly understand about the impact of climate change	Medium	Medium	➤ Include climate change awareness in SNAs leadership training
38.	SNAs lack technical capacity to assess climate change and disaster risks and serious infectious diseases and develop appropriate responses	Medium	Medium	➤ Provide specialized technical assistance to SNAs assess the CC and disaster risks and develop CC and disaster risk and serious infectious diseases management strategies and projects





## NP-2 Lexicon

TERM	DEFINITION
Accountability, Democratic	The principal means by which citizens can hold their governments to account within democratic systems are elections and multi-party parliaments. Political accountability is accountability of the government, civil servants, and politicians to the public through legislative bodies such as a parliament. Political accountability refers to the set of ‘checks and balances’ within state structures that ensure this accountability of public officials and government institutions. Democratic accountability concerns itself with the commitments of government to deliver services to people and to ensure human rights and social justice and in the decentralized context is the accountability of government, civil servants, and politicians to the public through the elected council.
Accountability, Social	Social accountability is the process of engagement between citizens and government, allowing citizens and their representatives to advocate for their interests and to check the performance of politicians, officials, and service providers as they make, implement and enforce public decisions relating to rights, regulations, resources, and service delivery. It refers to the broad range of actions and mechanisms (beyond voting) which citizens can take to help government be more effective and accountable. It includes actions by government, civil society, the media, and other actors. While mechanisms of social accountability can in some cases be initiated by the state and as a minimum need the support or participation of the state, they tend to be demand-driven and operate from the bottom-up.
Accountability, Horizontal	refers to the line accountability between departments, units of the ministries/institutions and the sub-national administrations in which they operate.
Accountability, Vertical	refers to line accountability between the sub-national administrations and ministries, institutions or between the departments, units and those ministries/institutions.
Accountability, Downward	refers to line accountability of the sub-national administration to their citizens in their jurisdiction. For example: <ul style="list-style-type: none"> <li>• Sub-national administration responds the priority needs of citizens, especially women, children, vulnerable groups and indigenous people; and provides effective public services to the citizens.</li> <li>• Sub-national administration establishes mechanism for citizen participation in the process of preparation and implementation of the plan and budget and makes their decisions.</li> <li>• Sub-national administration establishes mechanism for protecting the rights and benefits of the citizen and provides information to the citizens.</li> </ul>
Accountability, Internal	refers to accountability within a unit of any sub-administrations or within an administration of the sub-national administrations. For Example: <ul style="list-style-type: none"> <li>• Accountability between the board of governors and divisions of the provincial administration “A” and the council of the province “A”.</li> <li>• Accountability within board of governors of the province “A”.</li> <li>• Accountability within a division of the provincial administration “A”.</li> </ul>
Accountability, Political	refers to accountability of the elected persons to the citizens or voters through performing roles through performance of the role during their mandate.
Accountability, Legal	refers to accountability to the laws and regulations.
Accountability, Administrative	is the accountability that relates to the development of the management system, standard operational procedures and working rules of the staff and the organization in accordance with hierarchy.
Accountability, Financial	refers to the accountability that relates to the development of systems and procedures to manage budgets and finances according to the law and principles of public finance.

TERM	DEFINITION
Accountability, Inter-governmental	refers to accountability between ministries/institutions, their departments and agencies and the sub-national administrations. For example: <ul style="list-style-type: none"> <li>Accountability between the ministries/ institutions and the Capital/Provincial administration or Municipal/District/Khan administration or Commune/Sangkat administration.</li> <li>Accountability between the line departments and agencies of the ministries/institutions and the Capital/Provincial administration or Municipal/District/Khan administration or Commune/Sangkat administration.</li> </ul>
Accountability, Intra-SNA	refers to accountability between the sub-national administrations or between the units of the same or different categories of the sub-national administrations. For example: <ul style="list-style-type: none"> <li>Accountability between the administrations of the province “A” and the province “B”.</li> <li>Accountability between the administrations of the Capital, Provinces, Municipalities Districts, Khans, Communes and Sangkats.</li> <li>Accountability between the councils “A” and province “B”.</li> <li>Accountability between the councils of the Capital/Provinces, Municipal/District/Khan and Commune/Sangkats.</li> <li>Accountability between the board of governors “A” and province “B”.</li> <li>Accountability between the board of governors of the Capital, Province, Municipal, District, Khan and Commune, Sangkat.</li> </ul>
Administrative decentralisation	A reorganization and clear assignment of tasks and functions between territorial levels to improve the effectiveness, efficiency and transparency of the administration over all national territory
Administration, Local	is a generic term for the lowest tiers of public administration
Administration, Regional	is a grouping of geographically adjacent local administrations
Administration, Metropolitan	A specific administrative unit in mega cities with defined population and geographical conditions, formed to provide coordination among district municipalities, whose decision-making bodies are formed by elections and which has financial and administrative autonomy and legal entity separated from central administration.
Assignment of Function	refers to transfer ownership of functions, responsibilities, power along with all necessary discretion to each level of sub-national administrations to manage and implement their functions.
Audit, Financial Internal	is a process of verifying the financial operation and records of a unit/institution by internal auditors who are the personnel of that unit/institution in order to ensure that appropriate implementation of the budgets in accordance with defined principles and procedures.
Audit, Financial External	is a process of verifying the financial operation and records by independent auditors in order to ensure that appropriate implementation of the budgets in accordance with defined principles and procedures.
Audit, Social	refers to a process that allows citizens to participate in government, independent institutions or civil society organizations to monitor, evaluate and provide comment/feedback on the implementation of activities, delivery of specific public services , programs or projects of the sub-national administration.
Audit, Gender	refers to an assessment/method or process for helping an institution to determine the scope and level of commitment, support and consideration of the leaders and staff in addressing and responding to gender needs in their internal program and processes of that institution; and in order to identify appropriate solutions or interventions to promote the gender equality.
Authority	refers to legal ability to carry out the responsibilities transferred to each sub-national administration in order to identify and address the needs of the citizens in their jurisdiction.

TERM	DEFINITION
Capacity Development	The NP-SNDD defines capacity development as provision of technical support, learning opportunities and requisite information, data, equipment, infrastructure, systems and procedures that allow individuals and institutions to achieve the outcomes and goals envisaged from the sub-national democratic development reform policy and its first three-year Implementation Plan (IP3). The IP3 further defines capacity development as process to develop individual capacity to perform their work, organization capacity to function as effective organizations and the capacity to develop/apply the enabling framework that provides incentives in support of sub-national administrations to achieve their mandate(s).
Civic Engagement	A community-based process, where citizens organize themselves around their goals at the grassroots level and work individually or together through non-governmental community organizations to influence the decision-making process
Climate Change	refers to change in temperature of earth atmosphere, especially increasing temperature, (which may lead to the change in rainfall, flood, typhoon and other natural disasters) caused by increased concentration of greenhouse gases. Greenhouse gas is a layer of earth atmosphere which composed of water vapor, carbonic gas, methane, dinitrogen-mono-oxide and ozone. If these gases are created by nature, the greenhouse gas will maintain atmospheric temperature at an appropriate level for supporting lives of flora and fauna on earth.
Climate Change Adaptation	refers to the ability of people, animals, plants and ecosystems to adjust themselves to climate change in order to reduce negative impact of the climate change and to take advantage of opportunities or cope with consequences resulting from the climate change. The adaptation may occur by itself or it may be planned.
Decentralisation	Decentralisation is the transfer of authority and responsibility for public functions from the central government to intermediate and local governments or quasi-independent government organizations and/or the private sector -- is a complex multifaceted concept. Different types of decentralisation should be distinguished because they have different characteristics, policy implications, and conditions for success Decentralisation entails three inextricably linked dimensions of political-, fiscal and administrative decentralisation.
Deconcentration	Often considered to be the weakest form of decentralisation; it redistributes decision-making authority and financial and management responsibilities among different levels of the central government. It can merely shift responsibilities from central government officials in the capital city to those working in regions, provinces or districts, or it can create strong field administration or local administrative capacity under the supervision and responsibility of central government (line) ministries
Delegation	A more extensive form of decentralisation. Through delegation central governments transfer responsibility for decision-making and administration of public functions to semi-autonomous organizations not totally controlled by the central government, but ultimately accountable to it. Governments delegate responsibilities when they create public enterprises or corporations, housing authorities, transportation authorities, special service districts, semi-autonomous school districts, regional development corporations, or special project implementation units. Usually these organizations have a great deal of discretion in decision-making. They may be exempt from constraints on regular civil service personnel and may be able to charge users directly for services.
Delegation of Function	refers to the transfer of functions, responsibilities, power and discretions to individual sub-national administration to manage and implement functions on behalf of the delegating authorities based on the delegation requirements. The delegating authorities maintain the ownership of the delegated functions.
Democratic Development	refers to the development through the following processes: (1) Public Representation, (2) Local Autonomy, (3) Consultation and Participation, (4) Responsiveness and Accountability, (5) Promotion of Life Quality of Local, (6) Promotion of Equity, (7) Transparency and Integrity and (8) Measures to Fight Corruption and Abuse of Power.

TERM	DEFINITION
Digital Governance	is a system that helps to establish lines of accountability, roles and decision-making authority for the digital presence of an organization. Digital tools include websites, mobile sites, social media outlets, the internet, and products and services that are promoted on the Internet
Digital Government	refers to the production and access to data, services and content, sourced and distributed across the digital ecosystem, to create public value.
Digital Platform	A computing platform or digital platform is an environment in which a piece of software is executed. It may be the hardware or the operating system, even a web browser and associated application programming interfaces, or other underlying software, as long as the program code is executed with it.
E-Governance	the usage of Information and Communication Technology (ICT) by the government to provide and facilitate government services, exchange of information, communication transactions and integration of various stand-alone systems and services.
E-Democracy	implies greater and more active citizen participation and involvement enabled by ICTs in the decision-making processes
E-Service	are services which use of information and communication technologies. The three main components of e-services are- service provider, service receiver and the channels of service delivery.
Fiscal decentralisation	A reallocation of public expenditure and revenue assignments to local and territorial authorities and enables them to generate their own revenue according to their assigned tasks
Function	is a government activity that addresses a community need through sustainable actions that provide benefits to the community. For example, a community needs clean water for their daily livelihood. Sub-national administrations shall receive the function to provide clean water to the community for daily consumption through the establishment of a water supply infrastructure as well as mechanism for managing, maintaining and controlling the water quality, etc.
Function, Obligatory	are functions transferred to the sub-national administrations as determined by law or royal decree or sub-decree or legal instruments based on requests of the National Committee for Sub-National Democratic Development, ministries and institutions of the Royal Government for achieving one or more obligatory functions as defined by those ministries/ institutions
Function, Permissive	are functions which the sub-national administrations have discretion to establish, promote and sustain democratic development in order to respond to the needs of citizens in their jurisdiction without abuse or be contrary to the laws and legal regulations.
General Mandate	Notion based on Art 29 of the Organic Law (2008) where it states: “the council shall have roles to undertake activities necessary to achieve the purpose of establishing, promoting and sustaining democratic development and to perform functions and duties that have been assigned and delegated to it through this Law or in accordance with this Law.” The ‘general mandate’ means that D/M SNAs are allowed do what ‘they consider to be in the interest of the citizens, as long as not prohibited by law or explicitly disallowed otherwise’. The latter addition is needed because, officially, most functions that could be undertaken by D/M SNAs also fall under the official mandate of a ministry, but the nature of the reform is that part of these functions may be undertaken or will in future be undertaken by D/M councils I (and that sector legislation may need to be amended according practice later on).
Governance	The traditions and institutions by which authority in a country is exercised; the way in which power and authority influence public life, especially economic and social development
Grant, Unconditional	is the grant which shall be used by the council for: <ul style="list-style-type: none"> <li>• Fulfilling its legal duties;</li> <li>• Fulfilling the functions and duties to establish, promote and sustain democratic development;</li> <li>• Covering its administrative costs; and</li> <li>• Selecting, administering and implementing permissive functions</li> </ul>

TERM	DEFINITION
Grant, Conditional	is the grant which shall be used by the council for: <ul style="list-style-type: none"> <li>• Administering and implementing one or more obligatory functions that are transferred to the council through delegation or assignment;</li> <li>• Continuing to administer and implement one or more permissive functions that have previously been implemented by the ministry or institution; or</li> <li>• One or more defined obligatory purposes.</li> </ul>
Inter-Governmental Relations	refers to the relationship between ministries, institutions, departments and agencies of the ministries, institutions and sub-national administrations
Intra-SNA Relations	refers to the relationship between sub-national administrations or between units of the same or different categories of sub-national administrations.
Local Autonomy	is defined as a situation in which councils themselves can effectively administer their work assigned or delegated by the Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans
Local democratic governance	A decision-making and implementation process of public policy that, around elected local governments, encourages an equal participation of all stakeholders of a territory (State, citizen civil society, private sector), reinforces accountability towards citizens and responsiveness to social demands in seeking for the general interest.
Obligatory functions	A obligatory function is a function of a local government that, by law or central government instructions, is obliged to perform. It may have discretion on certain aspects of the delivery of the service, but not on whether it will or will not provide the service. Mandatory functions often related to basic services like education and health, where it is national policy to make them available to all citizens in an equitable manner and for which the local government is designated as the entity delivering and managing the delivery of the service.
Permissive functions	A permissive function is a function that local governments are allowed but not obliged to undertake. Local governments need not be instructed on permissive functions, as they include all functions for which they explicitly prohibited or actively disallowed to undertake them. The nature of permissive functions if is bound to change over time.
Policy (a public policy)	A purposeful, consistent course of action, principles, or set of decisions: (i) produced as a response to a perceived problem, (ii) formulated by a specific political process, and (iii) adopted, implemented, and enforced by a public agency.
Program	A time-bound intervention that differs from a project in that it usually cuts across sectors, themes and/or geographic areas, uses a multi-disciplinary approach, involves more institutions than a project, and may be supported by different funding sources
Public Representation	means councils perform their work on behalf of and represent all residents within their jurisdiction
Public Service	refers to all activities undertaken by the competent or delegated agency to serve the public interest. Competent Agency refers to the state institutions or state agents or all levels of state authorities working within their areas of competence for a jurisdiction. Delegate Agency refers to the organizations in the private sector or civil society that are delegated particular responsibilities and duties from the state but stay under the control of the state and state agents.
Responsiveness and Accountability	means that as a representative of local residents, the council shall respond to the needs of its residents in making policies, decisions, activities and performing their duties in a responsible manner for what it does. The council is also responsible to the Royal Government in implementing the Constitution and laws.
Responsibility	refers to roles and obligations assigned by laws or legal frameworks to individuals, any administrative organization or each level of the sub-national administrations.

<b>TERM</b>	<b>DEFINITION</b>
Gender Equality	refers to no discrimination based the sex of the person in the division of resources, benefits or in access to services. Gender equality may be measured through review on equal opportunity or access to the same outputs of women and men which includes equal participation, equal access, equal management and equal access to decision making between men and women on resources, assets and activities in private and public sectors.
Gender Equity	a process of fair or unbiased actions undertaken for women and men aimed at achieving gender equality through policies, laws and other measures in order to adjust the bias between women and men in society. These include specific measures or activities for creating opportunities, encouragement of and promotion toward equality between men and women in work, society and family.
Social equity	The promotion of rights to fairly use and receive the benefits of service delivery, local development and social, political and physical conditions and fully participate in political and cultural affairs in the society.
Inclusiveness	means the promotion of an individual or a group situation to participate in and to benefit from any social activity without discrimination.
Transfer of Function	refers to assignment or delegation of functions including resources and capacity to each level of sub-national administrations.
Transparency	Provision of timely, relevant and reliable information, accessible to all relevant stakeholders
Transparency and Integrity	means administration and management of various tasks including finance in accordance with the highest standard of integrity and law; in an open, transparent, participative and responsive manner.
Unified Administration	is the arrangement to have a council at each level of sub-national administrations who is responsible for administering and managing functions and resources including its own finances, personnel and assets. Each council shall have the capacity to effectively coordinate activities related to services delivery and development within its jurisdiction including services and development delivered by various ministries and institutions of the Royal Government to respond to the needs of local residents.
Women Empowerment	refers to a process to support women on social, economic, political and legal aspects in order that women can carry out activities in promoting their rights, strengthening their capacity and access to public services, management of resources and equal participation in activities which were previously denied or restricted.
Subsidiarity	The principle that decisions should always be taken at the lowest possible level or closest to where they will have their effect, for example in a local area rather than for a whole country
Training Program	Refers to a set of training activities developed through training needs assessment aimed at improving staff capacity and contributing to achievement of mission and goals of an organization.
Training Curriculum	It is a package of learning activities formulated to achieve objectives of the training program.
Obligatory training	It is the training that requires for all staff of an organization to complete to ensure the achievement of policy and standards of the organization.
Fraternal Fund	Refers to a fund receiving from reduction of high-revenue SNAs for reallocating to same types of SNAs with low-revenue to reduce gap of resources and development between areas.
Special Grant Envelope	Refers to a special budget envelope of the national budget to additionally support development of infrastructure of low-potential SNAs as well as to improve infrastructure development of SNAs that are national economic poles and contribute to development of national economy.







## National Program Phase 2

Citizens receive public services and benefits from local development provided by SNAs with socially inclusive and equitable manner.

Component  
1



Leadership  
and  
coordination  
of reform

Component  
2



Structures  
and  
systems  
of SNA

Component  
3



HR  
management  
and  
development

Component  
4



Fiscal  
decentralization  
and  
SNA  
planning  
and  
budgeting  
systems

Component  
5



Public service  
delivery  
and  
local  
development



Promotion of gender equality and social equity and inclusiveness



Management of climate change vulnerability reduction, disaster risk reduction and serious infectious diseases