

KINGDOM OF CAMBODIA

Standard Operating Procedures

For All Externally Financed
Projects/Programs in Cambodia



Updated Version
May 2012

KINGDOM OF CAMBODIA

**STANDARD OPERATING
PROCEDURES**

For All Externally Financed
Projects/Programs in Cambodia

May 2012



ព្រះរាជាណាចក្រកម្ពុជា
ជាតិ សាសនា ព្រះមហាក្សត្រ

រាជរដ្ឋាភិបាលកម្ពុជា

លេខ: ០៧៤ អនក្រ.បក

អនុក្រឹត្យ

ស្តីពី

ការដាក់ឱ្យប្រើប្រាស់នីតិវិធីរួមបញ្ចូលកម្ម សម្រាប់ការអនុវត្ត

គម្រោងហិរញ្ញប្បទានសហប្រតិបត្តិការពីដៃគូអភិវឌ្ឍន៍

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រាជរដ្ឋាភិបាលកម្ពុជា

- បានឃើញរដ្ឋធម្មនុញ្ញ នៃព្រះរាជាណាចក្រកម្ពុជា
- បានឃើញព្រះរាជក្រឹត្យលេខនស/រកម/០៩០៨/១០៥៥ ចុះថ្ងៃទី២៥ ខែកញ្ញា ឆ្នាំ២០០៨ ស្តីពីការតែងតាំងរាជរដ្ឋាភិបាល នៃព្រះរាជាណាចក្រកម្ពុជា
- បានឃើញព្រះរាជក្រមលេខ០២/នស/៩៤ ចុះថ្ងៃទី២០ ខែកក្កដា ឆ្នាំ១៩៩៤ ដែលប្រកាសឱ្យប្រើច្បាប់ស្តីពីការរៀបចំ និងការប្រព្រឹត្តទៅនៃគណៈរដ្ឋមន្ត្រី
- បានឃើញព្រះរាជក្រមលេខ នស/រកម/០១៩៦/១៨ ចុះថ្ងៃទី២៤ ខែមករា ឆ្នាំ១៩៩៦ ដែលប្រកាសឱ្យប្រើច្បាប់ស្តីពីការបង្កើតក្រសួងសេដ្ឋកិច្ច និងហិរញ្ញវត្ថុ
- បានឃើញព្រះរាជក្រមលេខ នស/រកម/០១១២/០០៤ ចុះថ្ងៃទី១៤ ខែមករា ឆ្នាំ២០១២ ដែលប្រកាសឱ្យប្រើច្បាប់ស្តីពីលទ្ធកម្មសាធារណៈ
- បានឃើញអនុក្រឹត្យលេខ០៤ អនក្រ.បក ចុះថ្ងៃទី២០ ខែមករា ឆ្នាំ២០០០ ស្តីពីការរៀបចំ និងការប្រព្រឹត្តទៅនៃក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ
- បានឃើញអនុក្រឹត្យលេខ ៧៨/អនក្រ/បក ចុះថ្ងៃទី១៨ ខែវិច្ឆិកា ឆ្នាំ២០០៤ និង អនុក្រឹត្យលេខ២០/អនក្រ/បក ចុះថ្ងៃទី២៩ ខែមីនា ឆ្នាំ២០០៨ ស្តីពីការបំពេញបន្ថែម និងកែសម្រួលនាយកដ្ឋានមួយចំនួននៃក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ
- បានឃើញអនុក្រឹត្យលេខ ១៣៤/អនក្រ/បក ចុះថ្ងៃទី១៥ ខែកញ្ញា ឆ្នាំ២០០៨ ស្តីពីការដំឡើងទីចាត់ការគយនិងរដ្ឋាករ នាយកដ្ឋានពន្ធដារ និងរតនាគារជាតិនៃក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ ឱ្យទៅជាអគ្គនាយកដ្ឋានគយនិងរដ្ឋាករកម្ពុជា អគ្គនាយកដ្ឋានពន្ធដារ និងអគ្គនាយកដ្ឋានរតនាគារជាតិ ស្ថិតក្រោមការគ្រប់គ្រងរបស់ក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ
- យោងតាមសំណើរបស់រដ្ឋមន្ត្រីក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ

សម្រេច

មាត្រា ១.-

ដាក់ឱ្យប្រើប្រាស់នីតិវិធីរួមបច្ចុប្បន្នកម្ម សម្រាប់អនុវត្តគម្រោងហិរញ្ញប្បទានសហប្រតិបត្តិការពីដៃគូអភិវឌ្ឍន៍នានា ដូចមានខ្លឹមសារភ្ជាប់មកជាមួយអនុក្រឹត្យនេះ ជំនួសនីតិវិធីរួមសម្រាប់ការអនុវត្តគម្រោងហិរញ្ញប្បទានសហប្រតិបត្តិការពីធនាគារពិភពលោក និងធនាគារអភិវឌ្ឍន៍អាស៊ី ដែលបានដាក់ឱ្យអនុវត្តដោយអនុក្រឹត្យលេខ ១៤ អនក្រ.បក ចុះថ្ងៃទី២៦ ខែកុម្ភៈ ឆ្នាំ២០០៧ ។

មាត្រា ២.-

នីតិវិធីរួមបច្ចុប្បន្នកម្ម ដែលត្រូវបានដាក់ឱ្យប្រើប្រាស់ក្រោមអនុក្រឹត្យនេះ រួមមាន៖

- ១- នីតិវិធីរួមបច្ចុប្បន្នកម្មសម្រាប់ការគ្រប់គ្រងរដ្ឋបាលគម្រោង
- ២- នីតិវិធីរួមបច្ចុប្បន្នកម្មសម្រាប់ការគ្រប់គ្រងហិរញ្ញវត្ថុគម្រោង
- ៣- នីតិវិធីរួមបច្ចុប្បន្នកម្មសម្រាប់ការគ្រប់គ្រងកិច្ចលទ្ធកម្មគម្រោង

សម្រាប់គម្រោងហិរញ្ញប្បទានពីដៃគូអភិវឌ្ឍន៍នានានៅកម្ពុជា ។

មាត្រា ៣.-

រដ្ឋមន្ត្រីទទួលបន្ទុកទិស្តីការគណៈរដ្ឋមន្ត្រី រដ្ឋមន្ត្រីក្រសួងសេដ្ឋកិច្ច និងហិរញ្ញវត្ថុ រដ្ឋមន្ត្រី និងរដ្ឋលេខាធិការគ្រប់ក្រសួង ស្ថាប័នពាក់ព័ន្ធ ត្រូវអនុវត្តអនុក្រឹត្យនេះឱ្យមានប្រសិទ្ធភាពខ្ពស់ ចាប់ពីថ្ងៃចុះហត្ថលេខានេះ តទៅ ។

រាជធានីភ្នំពេញ ថ្ងៃទី ២១ ខែ កក្កដា ឆ្នាំ ២០១២



សម្តេចអគ្គមហាសេនាបតីតេជោ ហ៊ុន សែន

កន្លែងទទួល៖

- ក្រសួងព្រះបរមរាជវាំង
- អគ្គលេខាធិការដ្ឋានព្រឹទ្ធសភា
- អគ្គលេខាធិការដ្ឋានរដ្ឋសភា
- អគ្គលេខាធិការដ្ឋានរាជរដ្ឋាភិបាល
- ខុទ្ទកាល័យសម្តេចអគ្គមហាសេនាបតីតេជោ
- ខុទ្ទកាល័យឧបសម្ព័ន្ធរដ្ឋមន្ត្រី
- គ្រប់ក្រសួង ស្ថាប័ន
- ដូចមាត្រា ៣
- ឯកសារ-កាលប្បវត្តិ

ធានយកសេចក្តីជម្រាបជូន

សម្តេចអគ្គមហាសេនាបតីតេជោ ហ៊ុន សែន



នាយករដ្ឋមន្ត្រី ជឿម្បីចុះហត្ថលេខា

គាត ឈន់

រដ្ឋមន្ត្រីក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ

**KINGDOM OF CAMBODIA
NATION – RELIGION – KING**

Royal Government of Cambodia
No. 74 ANK. BK

SUB-DECREE

On

**Promulgating the Updated Standard Procedures
for Implementing All Externally Financed Projects/Programs**

The Royal Government of Cambodia

- Having seen the Constitution of the Kingdom of Cambodia
- Having seen the Royal Decree No. NS/RKM/0908/1055, dated September 25, 2008 on the Formation of the Royal Government of Cambodia
- Having seen the Royal Kram No. 02/NS/94, dated July 20, 1994 on Promulgating the Law on the Organization and functioning of the Council of Ministers
- Having seen the Royal Kram No. NS/RKM/0196/18, dated January 24, 1996 on Promulgating the Law on the Establishment of the Ministry of Economy and Finance
- Having seen the Royal Kram No. NS/RKM/0112/004, dated January 14, 2012 on Promulgating the Law on the Public Procurement
- Having seen the Sub-Decree No. 04/ANK/BK, dated January 20, 2000 on the Organization and Functioning of the Ministry of Economy and Finance
- Having seen the Sub-Decree No. 78/ANK/BK, dated November 18, 2004 and Sub-Decree No. 20/ANK/BK, dated March 29, 2008 on the Fulfillment and Restructuring of Certain Departments of the Ministry of Economy and Finance
- Having seen the Sub-Decree No. 134/ANK/BK, dated September 15, 2008 on the Promotion of the Department of Customs and Excise, the Department of Taxation, the Department of National Treasury of the Ministry of Economy and Finance to the General Department of Customs and Excise, the General Department of Taxation, the General Department of National Treasury under the Administration of the Ministry of Economy and Finance
- Pursuant to the request of the Minister of Economy and Finance

Hereby Decides

Article 1:

Promulgate the Updated Standard Procedures for Implementing All Externally Financed Projects/Programs in Cambodia as attached to this Sub-Decree to replace the Standard Procedures for implementing the Asian Development Bank and the World Bank Financed Projects/Programs in Cambodia, which was promulgated by the Sub-Decree No. 14 RNK/BK, dated 26th February, 2007.

Article 2:

The Updated Standard Procedures for Implementing All Externally Financed Projects/Programs promulgated under this Sub-Decree comprise of:

- 1- Updated Standard Operating Procedures for All Externally Financed Projects/ Programs in Cambodia
- 2- Updated Procurement Manual for All Externally Financed Projects/Programs in Cambodia
- 3- Updated Financial Management Manual for All Externally Financed Projects/ Programs in Cambodia.

Article 3:

Minister in charge of the Cabinet of the Council of Ministers, Minister of Economy and Finance, Ministers and Secretaries of State of all concerned Ministries and Institutions shall implement this Sub-Decree effectively from the date of signature herein.

Signed and sealed in Phnom Penh on the 22nd Day of May, 2012

Prime Minister
Samdach Akka Moha Sena Padei Techo HUN SEN

Have submitted to Samdech Akka Moha Sena Padei Techo HUN SEN for signature

Signed and sealed
Keat Chhon
Minister of Economy and Finance

Recipients:

- Ministry of the Royal Palace
- Secretariat General of the Senate
- Secretariat General of the National Assembly
- Secretariat General of the Royal Government
- Cabinet of Samdech Akka Moha Sena Padei Techo HUN SEN, Prime Minister
- Cabinet of Deputy Prime Ministers
- All concerned Ministries and Institutions
- As Article 3
- Archives-Chronicles

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ABBREVIATIONS

AAA	=	Accra Agenda for Action
ADB	=	Asian Development Bank
AM	=	Aide Memoire
AWB	=	Annual Work Plan and Budget
BER	=	Bid Evaluation Committee
BP	=	Budget Plan
BSP	=	Budget Strategic Plan
CAS/CPS	=	Country Assistance Strategy / Country Partnership Strategy
CDC	=	Council for the Development of Cambodia
CDCF	=	Cambodia Development Cooperation Forum
CEC	=	Consultants Evaluation n Committee
DIC	=	Department of Investment and Cooperation
DP	=	Development Partner
EA	=	Executing Agency
EIA	=	Environmental Impact Assessment
FMM	=	Financial Management Manual
GGF	=	Good Governance Framework
IA	=	Implementation Agency
ICB	=	International Competitive Bidding
IRC	=	Inter-Ministerial Resettlement Committee
JCPPR	=	Joint Country Portfolio Performance Review
JICA	=	Japan International Cooperation Agency
MEF	=	Ministry of Economic and Finance
MfDR	=	Managing for Development Results
MIS	=	Management Information System
MOE	=	Ministry of Environment
MoNASRI	=	Ministry of National Assembly – State Relations and Inspection
MOP	=	Ministry of Planning
MOU	=	Memorandum of Understanding
O&M	=	Operation and Maintenance
NAA	=	National Audit Authority

NCB	=	National Competitive Bidding
NGO	=	Non Government Organization
NSDP	=	National Strategy and Development Plan
PAM	=	Project Administration Manual
PRC	=	Procurement Review Committee
PCR	=	Project Completion Report
PDO	=	Project Development Objective
PFT	=	Project Formulation Team
PMU	=	Project Management Unit
PIM	=	Project Implementation Manual
PIP	=	Public Investment Program
PIT	=	Project Implementation Team
PIU	=	Project Implementation Unit
PRC	=	Procurement Review Committee
PRF	=	Project Readiness Filters
QPPR	=	Quarterly Portfolio Performance Review
RD	=	Resettlement Department
RGC	=	Royal Government of Cambodia
RMF	=	Risk Management Framework
SMART	=	Specific, Measurable, Attributable, Realistic, Relevant and Time Bound
SOP	=	Manual on Standard Operating Procedures for Externally Assisted Projects
SSC	=	Staff Selection Committee
SWAp	=	Sector Wide Approach
TA	=	Technical Assistance
TOR	=	Term of Reference
WB	=	World Bank

I. INTRODUCTION

A. The Manual

1. This Manual on Standard Operating Procedures (SOP) contains guidelines to facilitate the day-to-day management and administration of the Kingdom of Cambodia's portfolio¹ of externally assisted projects, programs or technical assistance consisting of credits/loans²and/or grants under the purview of the Ministry of Economy and Finance (MEF). These SOP can also be used as a reference by Development Partners (DPs), in formulating their Aide Memoire (AM) and Memorandum of Understanding (MOU). It should also be noted at the outset that the SOP, as currently articulated, outline best practice standards and are results focused.

B. Users of the Manual

2. This Manual is intended for use by officers and staff of all line ministries, as well as other agencies of the Royal Government of Cambodia (RGC), charged with the responsibility for implementing externally assisted projects that come under the purview of the MEF. The SOP also complements special provisions of the RGC on the use of external resources.

C. Guiding Principles

3. The overriding principle in developing these SOP is to ensure that line ministries and other RGC agencies take full responsibility for their activities as mandated by law, under the Royal Decrees and Sub-Decrees that created them. Specifically, focus is on line ministries and other RGC agencies being accountable and responsible for their actions, when discharging their functions, and ensuring that all externally assisted projects in the Kingdom of Cambodia are implemented in a timely and efficient manner, within budget, and in accordance with agreed quality standards.

D. Purpose of SOP

4. The main purpose of the SOPs is to improve the efficiency and effectiveness in the Kingdom of Cambodia's management and administration of its portfolio of externally assisted projects, under the purview of the MEF, by clarifying institutional roles, responsibilities, and accountabilities, as well as streamlining related procedures and interactions between and among the institutions and officers/staff involved. The SOP aim to clarify and streamline those RGC and DP procedures where there are presently overlaps and inefficiencies, so that operations are implemented efficiently, to agreed quality standards, in a timely manner, and within budgeted allocations. Whilst DPs assist the RGC with financial assistance and expertise as necessary, the RGC through Executing Agencies (EAs) and

¹ In this manual "externally assisted projects" will refer to projects, programs and technical assistance.

² In this *Manual*, the terms credits and loans are used interchangeably.

Implementing Agencies (IAs) is always to lead the project formulation, preparation and implementation process, and thereby demonstrate its leadership and ownership.

5. Improving aid portfolio management is intended to:
 - Optimize the social and economic benefits to be derived from external aid;
 - Optimize efficiency and effectiveness in the utilization of available external assistance to the Kingdom of Cambodia, to accelerate the development process; and
 - Support the move from donor-led development towards development led by the RGC and its people.

E. Limitations

6. This Manual covers only part of the portfolio management cycle. Areas relating to development planning, program and project identification, and program and project preparation are not fully covered. These SOP also do not generally cover the activities of decentralized projects, but with the specific agreement of DPs, some decentralized projects could be covered. In the case of conflicts between DP guidelines and this manual, the DP guidelines will prevail.

F. Areas for Improvement

7. The guidelines and procedures contained herein are dynamic in nature, and are expected to evolve and be improved over time, as practical experience is gained and lessons are learned through the continued implementation of externally assisted projects within the RGC. Users of the SOP are therefore encouraged, as part of this process, to identify areas requiring revision and to suggest improvements where needed. To enable this process to be undertaken in a meaningful way, it is recommended that all line ministries and autonomous agencies be required to set up a log book system, in which issues arising and how these were addressed or resolved, should be recorded. These experiences could then be used as a basis for future discussions and revisions in a few years. It is also recommended that the MEF take joint responsibility together with the Line Ministries for ensuring that such log books are introduced, maintained, and monitored in each line ministry or autonomous agency implementing externally assisted projects under the purview of the MEF. These SOP are being issued under a Sub Decree of the RGC.

II. PROJECT ROLES AND RESPONSIBILITIES

A. Introduction

8. Agencies and individuals involved with the identification, formulation, preparation, implementation and oversight of Cambodia's portfolio of externally assisted projects have varied roles and responsibilities in different stages of the project cycle (**see Appendix A**). These roles are defined in Royal Decrees, Sub-Decrees, and Prakas. Taken together, they share a common purpose to: (i) optimize the social and economic benefits being derived from Cambodia's portfolio of externally assisted projects; (ii) continuously improve the efficiency and effectiveness of using the resources made available to Cambodia for its development; and (iii) consistently enhance the professional standards and integrity of the different organizations and individuals involved in the identification, formulation, preparation, implementation and oversight of such portfolios.

B. Agencies Involved in Development Projects

9. The key players in the identification, formulation, preparation, implementation and oversight of Cambodia's portfolio of externally assisted projects are: (i) The Council for the Development of Cambodia (CDC); (ii) Ministry of Planning (MOP); (iii) MEF; (iv) National Audit Authority (NAA); (v) line ministries and other agencies –EAs and IAs; (vi) Project Management Units (PMU) and Project Implementation Units (PIU) if they exist; (vi) DPs; and (vii) Non-Government Organizations (NGO). The various agencies derive their respective authority for their roles from Royal Decrees, Sub-Decrees, and Prakas, and the DPs and NGOs from their respective charters. **Appendix B** outlines the detailed roles and responsibilities of the key players in the development process.
10. Prior to providing any development assistance to the Kingdom of Cambodia, DPs in consultation with the RGC would normally develop a country assistance strategy³ (CAS). The CAS is developed every 3 to 5 years, and is regularly updated. It includes an in-depth study of the economic situation in the country, and the specific development needs and priorities of the country. Based on both the CAS and their own internal strategies and policies, respective DPs develop time bound rolling programs and pipelines of assistance for the country. The strategy is always discussed with MEF, relevant RGC agencies and other stakeholders.

C. Inter-Agency Coordination

11. All agencies involved in externally assisted projects are required to develop professional relationships that foster close cooperation and teamwork. To this end, it is important that these agencies maintain frank and free channels of communication, and share information in a direct and unrestrained manner. All records, files and reports maintained and prepared by each agency must be available if and when

³ Country Partnership Strategy

required by other agencies. Further, all RGC agencies must strive towards consolidating their views and present a unified national view on issues and solutions proposed to DPs by the RGC.

12. **Appendix C** describes the various avenues for coordination and collaboration between and among all RGC agencies and staff involved in Cambodia's portfolio of externally assisted projects.

III. PROJECT IDENTIFICATION

A. Introduction

13. Once a project is identified by agreement between the RGC and the DP, it is processed and implemented. A project is normally identified during periodic consultations with the country. This is usually preceded by a study of the country's economic situation and its plans and priorities during a country-programming consultation mission conducted by the DPs.

B. Development of Public Investment Program (PIP) and the RGC Budget

14. The Public Investment Program (PIP) is the main mechanism for identifying and listing specific projects and activities to achieve the broader sartorial goals and targets specified in the National Strategy and Development Plan (NSDP). In turn, the RGC's Rectangular Strategy and the NSDP are the two main documents that drive the RGC's Development Agenda. The PIP is prepared on a 3-year rolling program basis and is developed and approved prior to the commencement of the RGC's budget cycle. In order for this to occur, the PIP process must begin well in advance of the budget cycle. The RGC has therefore advanced the preparation of the PIP and the specific steps in the cycle are detailed below:
 - a. In October each year, the Ministry of Planning (MOP) requests line ministries and other RGC institutions to prepare their PIP plans, based on the project performance outcomes of the previous year.
 - b. In the period from November to January, line ministries and other RGC institutions prioritize and select their project proposals for submission to the MOP.
 - c. In February, the MOP prioritizes the project proposals submitted, in line with the policy priorities of the RGC as articulated in the NSDP. Within the same month, a Draft PIP is also prepared and submitted to an Inter Ministerial Meeting for discussion.
 - d. In March, the Draft PIP is approved by the Council of Ministers.
 - e. The PIP approved by the Council of Ministers is then submitted to the MEF for the preparation of the Annual Budget, and for preparation of requirements to enable the Council for Development of Cambodia (CDC) to mobilize resources from DPs, through the annual aid appeal from the Cambodia Development Cooperation Forum (CDCF).
 - f. The RGC Annual Budget preparation process begins in the first week of April and concludes with Royal Assent of the Annual Finance Law by 25 December. For a detailed description of the steps in the process, please refer to the RGC's

Financial Management Manual for Externally Assisted Projects (hereinafter called the Financial Management Manual).

- g. Following the adoption of the Annual Finance Law, which includes the PIP, by the Council of Ministers, the CDC then uses the PIP as the basis on which to appeal and mobilize aid resources, including from bilateral, multilateral and NGOs sources to finance and implement identified project and program activities. This activity is carried out through the CDCF, and it is the responsibility of CDC to inform MEF of the outcomes of the DP pledges following the CDCF meeting.

C. Administration of Development Partner Resources for the PIP

15. Upon the adoption the Annual Finance Law by the National Assembly, the responsibility for operationalization of the resources to fund the PIP rests with the MEF. This function is carried out by the Department of Investment and Cooperation (DIC) of the MEF, which includes specialized aid portfolio management divisions. The MEF works closely with the different line ministries and other RGC agencies, as well as DPs and their representatives, throughout this process.
16. Once a DP has been identified by the MEF for a particular project requested by a line ministry or other RGC agency, including autonomous RGC agencies, the project processing cycle begins (see **Appendix A**).

D. Identifying the EA or IA⁴

17. The MEF is responsible for identifying the line ministry or other RGC or autonomous agency to act as the EA/IA⁵ for externally assisted projects, taking into account the following factors:
 - a. The mandate of the line ministry or agency to undertake the project, in line with the Royal Decree and Sub-Decrees mandating it to carry out its various functions;
 - b. The interest and commitment of the EA/IA to effectively carry out the project;
 - c. The administrative and managerial skills required to effectively manage and administer the project, or at least the willingness and commitment to develop the required skills; and
 - d. The ability to mobilize and commit the human resources required to support project implementation.
18. Once the EA/IA has been identified, the assessment of the required capabilities as outlined above is done in partnership with the representatives of the relevant DPs. At this stage, the absorptive capacity and ability of the EA/IA to handle development assistance is also taken into account in partnership with the relevant

⁴ There are times when more than one EA or IA may be involved in the implementation and administration of projects and programs.

⁵ Where possible it is best practice to designate only one EA to simplify coordination and implementation.

DPs. A number of DPs have set up their own templates to identify the capabilities and capacities of the selected EA/IA. At this stage, an Action Plan is also developed to address any constraints identified during the assessment process. If any proposed corrective measures identified are beyond the scope of the RGC's resources, then DPs support is also agreed at this stage, to ensure that the project will be successfully implemented so as to achieve the identified Project Development Objective (PDO).

19. The MEF must confirm in writing the designation of a line ministry or other agency as the EA/IA, and clearly state that the guidelines and systems and procedures of both the RGC and the relevant DP must be adhered to. For its part, the designated EA/IA must confirm agreement to adhere to these in writing.

IV. PROJECT FORMULATION AND PREPARATION

A. Introduction

20. The formulation and preparation of any development project is a collaborative process between the line ministry, the selected EA/IA, the MEF, and the relevant DP. Once a project has been identified for funding, the selected EA/IA will set up a Project Formulation Team (PFT) to formulate and prepare the project. This PFT should be appointed as early as possible in the project cycle, and its members should be provided with the necessary training and resources to enable them to carry out their assigned roles. The PFT should comprise representatives of the EA/IA with one being the Chair, the MEF, and other relevant ministries and RGC agencies as jointly deemed appropriate by the RGC and the relevant DP. The PFT should also have all of the expertise that it is envisaged will be needed in the formulation, preparation and implementation of the project. It is crucial however, to reinforce that the selected EA/IA for the project must participate actively and constructively throughout the formulation and preparation process as the lead agency.
21. At the formulation and preparation stage of a project, close contact and consultations with all stakeholders are essential at all times, to ensure that the project is designed in a manner that will ensure that outputs, results and development objectives are achievable. During stakeholder consultations, particular attention should be paid to expected beneficiaries from the project. The PFT must also work in close consultation at all times with the relevant DP team, to carry out the tasks described in this section. While the delivery of these tasks is primarily the responsibility of the PFT, the relevant DP must however also provide all of the support and resources necessary to ensure that the project is designed in such a way as to meet the requirements of both the RGC and the DP. In particular, some DPs have mechanisms under which it may be possible to finance external consultants to help carry out most of the activities described in this section. If the mechanisms are utilized however, the PFT should review all the work carried out by any external consultants on an ongoing basis, provide them with guidance as necessary, and satisfy themselves as to the validity, accuracy and acceptability of assessments and recommendations being made.

B. Project Formulation and Preparation Procedures

22. In formulating and preparing projects, the PFT must collaborate with the DP team and the MEF throughout the project formulation and preparation process to ensure that guidelines, systems and procedures, and overall external aid management of both the DP and the RGC are considered in the project design.

C. Front End Project Formulation and Preparation Activities

23. In designing the project, the PFT and DP team need to take into consideration all factors that will have an impact on (i) the successful implementation of the project; and (ii) the sustainability of the project after its implementation. It is imperative therefore that both teams pay careful attention to all the front end activities that must

be accomplished, with a view to ensuring that all factors that may cause problems or delays during the project implementation phase are carefully analyzed, and appropriate corrective measures are built into the design of the project.

24. Similarly all projects are undertaken with the specific aim of achieving certain stated objectives and results for the beneficiaries. In this context, the PDOs must be well defined during the formulation and preparation stage, with clear indicators that can be easily monitored and evaluated.

(i) Project Development Objectives (PDOs)

25. One of the first tasks required of the PFT and DP team in formulating and preparing a project is to clearly define the PDOs. These should (i) be stated as concisely as possible, (ii) indicate the primary target groups, and (iii) focus on outcomes for which the project can reasonably be held accountable. Key beneficiaries of the project should be identified, including where possible by gender.
26. A set of outcome indicators (also known as PDO indicators) is defined to measure and assess the achievement of the PDO. These indicators should be designed to be **S**pecific, **M**easurable, **A**tttributable, **R**elevant and **T**ime bound (SMART). For each indicator, the baseline and target need to be defined together with arrangements for collecting and measuring these indicators. The PDO, intermediate outcomes and associated indicators (with their baseline, targets and arrangements for monitoring) are combined in a results framework. DPs can provide templates for results framework.

(ii) Capacity Assessment of the Selected EA/IA

27. Another of the early tasks required of the PFT and the DP Team is to jointly analyze both the capacity and capability of the selected EA/IA to undertake the formulation and implementation of the project. In cases where the required capacity and capability are found to be lacking, comprehensive capacity building measures should be identified and put into place before the project implementation phase commences, and preferably before project appraisal by the DP is completed. In this way, over time the EA/IA will build the capacity needed to handle their affairs as mandated by law.
28. The capacity assessment exercise should cover the following aspects: (i) Technical Capacity - to assess the technical ability of the EA/IA to manage all of the technical aspects of the project ; (ii) Financial Management Capacity - to ensure that the EA/IA has the expertise to handle all financial management requirements of the project to the standard required by the RGC and the DP; and (iii) Procurement Capacity - to ensure that the EA/IA has staff skilled to undertake all the procurement requirements of the project in accordance with the guidelines and procedures of the RGC and the DP. In cases where sub national agencies like commune councils will be involved in the implementation of any part of the project, the capacity and capability of the commune must also be assessed. These assessments should be finalized at appraisal stage and the outcome of the assessments should be summarized in the Appraisal Missions Aide-Memoire (AM) or Memorandum of Understanding (MOU), as the case may be.

29. Any gaps identified through this exercise must be suitably addressed, and a time bound Action Plan must be prepared, discussed, and agreed to with both the MEF and the DP. Resources needed for the implementation of any corrective measures identified, must also be agreed to between the RGC and the DP.

(iii) Preparation of Preliminary Project Design By Component

30. The preparation of a Preliminary Project Design (PPD) is one of the most important early tasks that need to be undertaken jointly by the PFT and the DP Team. Experience has shown that this activity is not currently being carried out as thoroughly as it should be and as a consequence many downstream project implementation activities are negatively impacted. This situation must be addressed without delay if there is to be meaningful improvement in the implementation phase of the development projects in the Kingdom of Cambodia.
31. Some of the negative impacts noted to date include such activities as: (i) late bidding of civil works contracts; (ii) late appointment of project implementation and design consultants; and (iii) late acquisition of essential plant machinery and equipment. To improve downstream activities therefore, more attention and resources must be provided to the PFT and DP Team to ensure that a more comprehensive PPD is prepared. The preparation of a PPD incorporating all project sub-components in sufficient detail will enable the following to be well defined: (i) a realistic cost estimate; (ii) a financing plan; (iii) implementation arrangements; (iv) procurement arrangements; (v) consulting services requirements; (vi) resettlement plans; (vii) an environmental plan; and (viii) gender and social dimension issues.
32. The EA/IA in preparing the PPD should aim to complete the project design to a stage that will enable them to prepare the contract bidding documents for at least the first year of project implementation activities. Some DPs are willing to provide front end funding for this activity, and this should be pursued where available. Given that late project design is often a major cause of delay in project implementation, the PFT and DP Team should explore all options to expedite project design at an early stage, to enable timely project implementation. Startup delays can be avoided when EA/IA adhere to agreed project readiness filters (**refer Appendixes J1 and J2**).
33. Some projects aim to support a RGC program (also called a sector wide or program-based approach). Such an approach promotes increasing reliance on country systems and procedures and use of a common framework for planning, implementation, financial management, and monitoring and evaluation. For these types of projects, not all activities to be financed by a DP can be entirely defined ex ante. Rather, the mechanism through which the activities are defined and approved on an annual basis needs to be described. Also, in order to ensure smooth project start-up, the first year activities need to be fully defined before the project is approved.

(iv) Project Cost Estimate

34. The PFT and DP teams must prepare a detailed cost estimate for all project components. Adequate provision must also be made for such items as physical and price contingencies, interest during construction, and any other financing charges involved. In some instances, especially in cases where the project will be operational in stages, certain operations and maintenance costs may also need to be incorporated in the project cost estimates. Also, in cases where a large-scale resettlement and land acquisition is anticipated, the related costs should be incorporated in the project cost estimates. Some DPs may also require the project cost estimates to be broken down between local and foreign costs, which would need to be accommodated as necessary. The project cost estimates must also be prepared in accordance with the guidelines of the DP funding the project, and a copy of the cost estimate should be submitted to the MEF for comment if necessary.

(v) Financing Plan

35. Once the project cost estimates have been finalized, and other funding requirements for the project have been determined, a Financing Plan for the funding of the various project components and implementation activities needs to be finalized. The Financing Plan must show the details of all funding sources for the successful completion of the project, including the counterpart contributions from the RGC and/or the EA/IA. The funding sources and RGC counterpart fund contributions will also need to be confirmed by the MEF. The EA/IA must determine the impact of the project on its annual resources/budgets for operations and maintenance and how these additional future costs will be covered by the RGC or EA/autonomous agency to ensure sustainability.

(vi) Environmental and Social Impact Assessment

36. The DP and the RGC will require that the EA/IA evaluate potential environmental risks and impacts in the area of influence of a proposed project. Such thorough screening and/or assessment must be carried out during the project preparation stage. The environmental screening or environmental impact assessment (EIA) process typically leads to the formulation of an Environmental Management Framework and/or an Environmental Management Plan, which is implemented and monitored during the operational stage of the project. The Environmental Impact Assessment⁶ must meet the requirements in the General Guidelines of the Ministry of Environment (MOE) and safeguard policies of the DP, which will finance the project.
37. Preparation of resettlement action plans and other development assistance plans addressing the special needs of indigenous people or vulnerable social groups and gender issues amongst others, may be required (refer to Paragraph 42 below). If the exact scope and scale of a project's impact are not known by project appraisal, then resettlement policy frameworks and if relevant, Indigenous Peoples Development Frameworks will need to be prepared. Early in the project formulation cycle experts

⁶ Covers social aspects

may conduct a Social Assessment to better formulate such plans, the extent of the assessment should be proportionate to the nature and scale of the project impact.

38. Environmental management, resettlement, social, and gender plans are developed through a participatory consultative process involving affected people and at times civil society organizations. It is the responsibility of the EA/IA and the DP team to carry out the screening or/and assessments, in compliance with the respective guidelines of both the RGC and the relevant DP. In the case of inconsistencies between DP guidelines and this manual, specific measures applicable to the project must be developed and spelled out in the Project Administration Manual (PAM) or Project Implementation Manual (PIM).

(vii) Land Resettlement Issues and the Inter Ministerial Resettlement Committee (IRC)

39. Land resettlement issues have been another major cause of delay in project implementation in the Kingdom of Cambodia over the past years. The RGC has been aware of this problem and has set up an Inter Ministerial Committee (IRC) with permanent members within the MEF in 2007 as a policy response to deal with this issue. The IRC in turn is supported by a newly created Resettlement Department within the MEF, which is staffed by well-qualified and trained personnel. Japan International Cooperation Agency (JICA) and ADB have been supporting the Resettlement Department by providing training and other forms of logistical support.
40. The role of the Resettlement Department (RD) is to assist line ministries to prepare well-structured resettlement plans and to have these plans funded and executed. The RD normally achieves this through the Resettlement Units that are located within Ministries that are assigned to execute development projects in the Kingdom of Cambodia. Some of the line ministries and RGC agencies have established permanent Land Resettlement Units⁷. Ministries and agencies that do not currently have Resettlement Units are assisted by the IRC/RD to formulate and execute resettlements plans, through ad hoc arrangements.
41. The IRC generally uses the guidelines of major DPs to formulate land resettlement plans. It is the responsibility of the IRC to develop resettlement plans jointly with the IA/EA, and to ensure that they are executed to the satisfaction of both the RGC and the DPs. The Land Law 2001 and Expropriation Law enacted on January 15, 2010 govern Land resettlement activities in Kingdom of Cambodia.
42. The PFT and the DP Team should as early as possible during the project cycle, enter into a dialogue with the IRC/Resettlement Department with regards to any land resettlement issues involved in the project. They should work in close collaboration with the IRC to prepare the resettlement plans so that all land acquisition can be accomplished in a timely manner and in accordance with the RGC and DPs safeguard policies. This will greatly assist in ensuring more timely delivery of project implementation activities.

⁷ Ministry of Water Resources and Meteorology (MOWRAM), Ministry of Public Works and Transport (MPWT) Ministry of Rural Development (MRD) and Electricité du Cambodge (EDC)

(viii) Complaints Handling Mechanism

43. The RGCs Procurement Manual addresses the procedures for handling all procurement related complaints. However, the measures for handling of other forms of complaints within the RGC are not clearly defined with the responsibilities for addressing these spread over a number of RGC agencies. These could include complaints or grievances from project beneficiaries, NGOs, or other interested parties, who wish to register a complaint or grievance related to a project. The complaints handling mechanisms for such types of complaints that currently exist are:

- (i) The IRC has a well-articulated complaints handling mechanism comprising a committee of representatives of various relevant agencies and interested groups. This mechanism was established under Sub-Decree 0306/10028 dated 23 March 2006. Land resettlement issues such as compensation payments and other forms of grievances arising from the resettlement process can be brought to this committee for resolution, and the committee has been vested with adequate powers to make decisions on these matters.
- (ii) All corruption related complaints arising from DP funded projects can also be brought to the Anti-Corruption Unit, which has the mandate to investigate and monitor all corruption offences in government, public as well as private institutions, and to take action according to procedures set out in the Law on Anti-Corruption No. NS/RKM/0410/004 which was enacted on 19 April 2010
- (iii) The Ministry of National Assembly-State Relations and Inspection (MoNASRI) is a RGC ministry, established under Sub-Decree No 67/ANK/BK dated 3 August 1999, which is mandated to handle complaints from ordinary citizens. MoNASRI was created by the RGC to promote good governance and carry out investigations on allegations of fraud, corruption and abuse of office. It is led by a Senior Minister, and supported by a Secretary of State and General Directors for National Assembly and Senate Relations, State Inspections, and Administration and General Affairs. The primary function of MoNASRI is to promote good governance by: (i) increasing awareness amongst citizens of their rights under existing laws; (ii) providing an avenue for citizens to express their complaints; (iii) carrying out investigations of reported cases of corruption, abuses of power, and misconduct; and (iv) drafting new legislation. MoNASRI executes its mandate through its Inspection Department, which conducts inspections across a number of areas, including the national budget and state property inventory, and the use of national and international aid.
- (iv) **General Inspectorate Department**
Each Ministry within the RGC has a Department of Inspectorate, whose role is to carry out the functions of an internal auditor within the Ministry, and ensure that RGC rules and regulations are observed at all times. Any breaches brought to the attention of this department, are thoroughly investigated, and a detailed report is prepared and submitted to the highest levels of the Ministry for appropriate action. Although this mechanism is not open to the

general public, if complaints are made to a RGC department in relation to specific projects, this mechanism could be activated to undertake an investigation.

44. In addition, DPs have their own policies and procedures under which aggrieved parties can lodge their complaints. Generally the DPs have independent institutional arrangements for investigating complaints. While the RGC will follow the mechanisms and arrangements explained above for handling complaints, all complaints relating to projects financed by a DP are handled using the DP's own policies and procedures. The DPs inspection mechanism will investigate and determine whether the concerned DP has complied with its operational policies and procedures (including social and environmental safeguards) and will address related issues of harm. Complaints regarding fraud and corruption in DP funded projects can also be reported directly to the DPs.

(ix) Economic and Financial Analysis of the Project Components

45. The DP funding the project requires that a thorough economic and financial analysis of the project be carried out to determine the economic or, if appropriate, the financial viability of the project as a whole as well as individual project components. This is done using the appropriate guidelines of the funding DP. In cases where substantial land acquisition and resettlement is anticipated under the project, the economic analysis should address the associated costs too. For revenue generating projects a comprehensive financial analysis is required, whereas non-revenue generating projects can be justified based on sound economic analysis. Details of how financial and economic analysis is calculated for DP funded projects can be obtained from the DPs' web site.

(x) Project Risks and Mitigation Measures

46. All DPs and the RGC require that all risks associated with the successful implementation and subsequent sustainability of the project be clearly identified during the project formulation stage, and that appropriate measures be put in place to minimize or eliminate these. The scope of such risks, include risks that would impair the implementation of the proposed project, and risks to the achievement of the intended results.
47. A risk management framework (RMF) for each project must therefore be developed that allows for a systematic approach to risk management and mitigation. Categories of risks to be reviewed could include, amongst others:
- (i) Stakeholder Risks – risks posed by stakeholders who might question or even oppose the project in a manner that could affect the achievement of its development objectives;
 - (ii) EA/IA Risks - including human resources, financial capability, and weak systems and procedures amongst others;
 - (iii) Governance Risks - related to ownership, decision making, accountability, and behavior that could impact on implementation;

- (iv) Project Level Risks – including risks around design, social and environmental sustainability, or delivery quality; and
 - (v) Sustainability risks – including the provision and allocation of recurrent resources and adjustability of tariffs or service charges.
48. A detailed risk assessment must be carried out at project formulation stage, from which a set of time bound risk mitigation measures must be formulated. The mitigation measures that are identified as a result of this risk assessment are an integral part of project design and should be adequately funded. They are project specific and are brought together in a management tool, the Good Governance Framework (GGF) or Risk Management Framework (RMF), which is developed for the project. DPs may require governance risk assessments to be undertaken at project and sector level. Some DPs have templates or set procedures for risk assessment, which should be used at this stage.
49. The GGF matrix is centered on eight categories, namely: (1) Procurement; (2) Financial Management; (3) Disclosure; (4) Civil Society Role; (5) Complaints and Remedies; (6) Code of Ethical Conduct; (7) Sanctions; and (8) Project Specific Elements. The matrix also outlines salient risks that are common to most, if not all, EAs/IAs and to the project as a whole.

(xi) Develop an Operations and Maintenance (O&M) Plan

50. A comprehensive O&M plan must be developed for the project at an early stage of project development. This is to ensure that the impact of the project on the national budget is clearly understood, and that the RGC is fully aware of its future obligations for the sustainability of the project. Aside from the budgetary aspects, it is important at this stage to also examine and be satisfied that all other requirements for the successful operation of the project after its completion will be available. These include factors, such as the availability of skilled personnel, unskilled labor, raw materials, resources, and equipment, to be able to successfully operate the project facilities once completed.

(xii) Prepare Arrangements for Project Implementation

51. The use of a dedicated PMU or PIU is currently a subject under discussion between the RGC and major DPs. In this regard, all parties acknowledge that a PMU structure increases transactions costs and can significantly compromise capacity building within EAs/IAs, as well as the effectiveness of development programs.
52. In accordance with the principle of a Sector Wide Approach (SWAp) in the Rome Declaration of 25 February 2003 and the Paris Declaration on Aid Effectiveness in 2005 on Ownership, Alignment, Harmonization, Managing for Results, and Mutual Accountability, the Accra Agenda for Action (AAA) was drawn up in 2008. The RGC is committed longer term to the integration of project implementation and monitoring functions into existing RGC structures. To accomplish this objective the EA/IAs shall, to the extent possible, seek to establish PMUs that are integrated into the general structure of the Ministry; and avoid parallel PMUs that are established under ad-hoc arrangements, and disbanded upon project completion.

53. For the RGC to move away from the PMU concept and integrate project implementation arrangements into its systems, the support of DPs both in terms of sharing information about successful transition in other developing countries with characteristics similar to the Kingdom of Cambodia will be required; as well as support in the form of resources to move the process forward to enable the RGC to comply with the international conventions to which it has committed. Examples of steps taken to move away from the PMU structure in the Kingdom of Cambodia can already be found in several sectors such as education and health; these initiatives should be encouraged further.
54. The RGC and DPs should also move to establish systems for the implementation and monitoring of projects and gradually and progressively introduce SWAp arrangements where appropriate. In the meantime, where warranted, the PMU structure will continue to be utilized.

(xiii) Identify Civil Works, Goods and Services and Procurement Requirements

55. During the project preparation stage, the PFT together with the DP team identifies an indicative list of all project civil works contracts and goods and services requirements, and agrees on: (i) procurement arrangements and scheduling for all these requirements; (ii) indicative packages for contracts for domestic and international bidding; (iii) arrangements for the procurement of goods and equipment; and (iv) arrangements for the engagement of domestic and international consultants required for the project design, supervision and capacity building.
56. Procurement arrangements and scheduling must be detailed in a Procurement Plan, which must be produced before any procurement activities commence, be updated annually (or more frequently if circumstances require), and approved by the DP on each occasion. As such, during the project preparation stage, the Procurement Plan in the form and substance defined in the Procurement Manual must be prepared for all procurement activities required to be carried out in at least the first 18 months of the implementation of the project. All procurement of goods and works and recruitment of consulting services shall be done in accordance with the provisions of the project's legal agreement, the DP's Procurement and Consultants Guidelines, and the procedures elaborated in the Procurement Manual. Refer to the Procurement Manual for instructions pertaining to all procurement activities during project preparation. In the event that there are any conflicts between the provisions of the Procurement Manual and those of the project's legal agreement and DP's Procurement and Consultant Guidelines, the project's legal agreement and Procurement and Consultant Guidelines of the funding DP will prevail.

(xiv) Financial Management Arrangements, Disbursement and Income/Expenditure Forecasts

57. The PFT and the DP team must agree on the financial management arrangements for the project. These include the arrangements for staffing, funds flow, maintaining accounting records, reporting there on, auditing and other fiduciary arrangements. A detailed project implementation schedule is prepared on which a draft disbursement schedule can be based. At this stage, the percentages of financing between the DP

and other sources needed to fund the project implementation activities are also agreed upon and clearly understood by all parties.

58. If relevant and applicable to a particular type of project (such as revenue generating projects), an income and expenditure forecast is prepared by the PFT in collaboration with the DP team, covering an extended period (normally 5 to 10 years from the date of project completion). These forecasts must be explained in detail to the EA/IA and the MEF who must take the ultimate ownership of and accountability for them.

(xv) Agree on Reporting Requirements

59. At project formulation stage, all reporting requirements for the project, during implementation and beyond, are agreed between the EA/IA, the MEF, and the DP. The frequency, format, and content of these reports are also agreed upon, as well as who will be responsible for its preparation within the EA/IA.

(xvi) Agree on Monitoring and Evaluation (M&E) Arrangements

60. At project formulation stage, the methods of monitoring project progress and the PDOs are agreed between the DP and the EA/IA, and a project results framework is established. This is to ensure that progress towards development outcomes, as captured in the PDOs defined during project formulation, are regularly measured and assessed. Specific monitoring arrangements for social and environmental impacts are described in the applicable Environmental, Resettlement or other Social Action Plans.
61. For all indicators in the results framework, it is important that base line data is obtained as early as possible during the project preparation phase, and all such data are gathered prior to the start of the project. During project implementation and after project completion, the project results should be monitored and evaluated against the originally established results framework. A dedicated officer should be appointed within the project team to take responsibility for the M&E activities during project formulation as well as implementation. The M&E Officer attached to the project must maintain close links to the Planning Department in the EA/IA to ensure that progress and completion data is integrated into the Ministry's overall M&E database, as applicable.
62. M&E arrangements should be defined in a way that supports existing RGC systems for managing information and measuring performance. When a consultant has to be recruited to support M&E activities, it is required that the Terms of Reference (TOR) provide for specific activities to transfer capacities, methods and knowledge to EA/IA counterparts. For this to happen, the EA/IA should identify clearly the persons in charge of M&E who will benefit from this transfer of knowledge.

(xvii) Agree on External Auditing Arrangements

63. The National Audit Authority (NAA) has been given the mandate to execute the external auditing functions of the RGC under KRAM CS/RKM/0300/10 on the Law of Audit. The Auditor-General is empowered to conduct an audit of the transactions, accounts, systems, controls, operations, and programs of RGC institutions, in

accordance with generally accepted auditing standards and RGC auditing standards. This includes externally assisted projects.

64. In addition as part of their fiduciary arrangements in projects funded by them, DPs normally require an audit of the project's annual financial statements by an independent external auditor. This requirement will be specified in the project Financing Agreement. During the project formulation and preparation stage, the DP team should come to an agreement with the EA/IA and the MEF on the format, content and timing of the external audit reports; the overall terms of reference; and the method of selection of the external auditors. The responsibility for the appointment of external auditors currently rests with MEF.
65. The audit report and all associated documents produced by the selected external auditor for the project should be made available to the NAA. Project cost estimates should also include the cost of the independent external audits, with the proviso that the DP may fund this cost under the Financing Agreement. In cases where DP funding is not available, the costs for external audits for non revenue earning projects will be borne by the MEF, and for revenue earning projects by the revenue generating entity.

(xviii) Agree on Advance Procurement Action and Retroactive Financing

66. To effectively activate and ensure the timely delivery of project implementation activities, advance procurement action should be taken for all key contracts for goods, works and consulting services that are planned for award during the first 18 months of project implementation. These may include, for example: (i) procurement of vehicles, computers, plant, machinery and other equipment needed for the project; (ii) pre-qualification of contractors and suppliers where required; and (iii) civil works to be undertaken under the project. In most cases, good practice dictates that all advance procurement actions be taken (i.e. all bid actions completed except for the actual award of contracts) so that contracts can be awarded promptly once the project is approved and effective.
67. Retroactive financing may be approved by DPs under a project if stated in the Financing Agreement. To qualify for retroactive financing for externally financed projects, any advance procurement actions carried out by the EA/IA must be in strict conformity with the provisions of the project's legal agreement and procurement procedures set forth in Procurement and Consultant Guidelines of the DP. These include, *inter alia*: (i) preparing detailed procurement lists and schedules; (ii) outlining actions and decisions to be taken in implementing advance procurement actions; (iii) defining the process of financing and the sourcing of required financial resources; and (iv) defining specific responsibilities of agencies and officers concerned.
68. When DPs approve retroactive financing under a project, they normally limit the amount up to a certain percentage of the financing being provided and within a defined period, both of which are specified in the Financing Agreement⁸. If a

⁸ Normally covers agreed upon expenditures from date of appraisal to date of loan effectiveness

retroactive financing provision has been agreed to, then the source of bridging finance should be clearly identified and reflected in the AM or the MOU.

69. The responsibility for any incurred expenditure will always remain with the RGC in the event that:
- Retroactive financing is agreed under a project but the project is subsequently not approved by the DP; or
 - The DP has determined that the procurement was not in strict conformity with the procurement/consultant guidelines, and systems and procedures, of the DP.

(xix) Agree on Advance Consultant Recruitment Action

70. At project formulation stage, the EA/IA must assess the need for external assistance, such as consultants, to fill the gaps that are not available within their agency (**see Appendix D**). Packaging and scheduling of consulting services must also be carried out. Given the slow recruitment process being experienced in the Kingdom of Cambodia, as articulated in the MOUs of annual portfolio reviews by some major DPs, it is recommended that advance action for the recruitment of consultants be taken for all projects. This is also in accordance with the Project Readiness Filters (PRF) and actions would typically include all of the steps preceding the issuance of the invitation to the short-listed consultants. In the case of some major DPs, actions could include all the steps up to contract award stage except for the signing of a contract. The advance recruitment of project design and implementation consultants in particular will assist with the more timely delivery of project implementation. In this context therefore all EAs/IAs should pursue the advance action for recruitment of project design and implementation consultants with DPs whose procedures allow for this modality.

(xx) Develop a Project Processing Schedule

71. The PFT together with the DP team must develop a realistic project-processing schedule for the entire duration of the project. They must also include in the project documentation the methodologies and strategies proposed to ensure the active participation of the EA/IA throughout the project implementation and the medium to long-term sustainability of activities initiated under the project. Although some indicative service standards are provided in the Procurement Manual for recruitment of consultants and for procurement, the PFT should also develop practical and realistic service standards for each project component or activity, taking into account its own assessment of the situation and the characteristics of the particular project. All service standards⁹ that are prepared should also be regularly monitored and adjustments made as situations change. These service standards should also be discussed at the regular project progress monitoring meetings between the MEF and the DPs.

⁹ Service standards are established taking into account all factors to come up with realistic timelines to perform an activity

(xxi) Review Project Readiness Filters (PRF)

72. The delay in the startup of implementation activities in the externally assisted projects is one of the key impediments to improved portfolio performance in Cambodia. The readiness of the project to move quickly into the implementation phase will largely depend on certain front end activities being completed well ahead of the project approval stage. These front end activities are generally referred to as Project Readiness Filters (PRF). The PFT will need to ensure that the PRFs are accomplished during the project formulation stage in order to minimize delays in project implementation. The identification of the relevant PRFs are determined by the RGC, represented by MEF, and the DPs during the Annual Joint Country Portfolio Performance Review (JCPR) and included in the MOU. The most recent JCPR has agreed to the following PRFs which will be applicable to all new projects which are under formulation.

KEY PROJECT PREPARATION ELEMENTS
STANDARD PRFs
Identification of Project Director and EA/IA Project Management and Implementation Teams to be responsible for project implementation
Risk Management Plans / Good Governance Framework
Financial Management Capacity Assessment of EAs/IAs
Procurement Capacity Assessment (PCA) of EAs and IAs
Annual Implementation Plan and Budget
Program/Project manuals
Auditing Arrangements including TOR
Environment Impact Assessment (EIA), Social Impact Assessment and Indigenous People Action Plan and Indigenous Peoples Development Framework (where applicable)
Budget & Funding from DP and RGC for the 1 st year of project implementation
ADDITIONAL PRFs
Advance Actions (AA) for 1st year Bidding Documents (BDs) for Goods and Works
Advance Actions for Consultants
Implementation of Resettlement Plan (at least for 1st year) with attention to: (i) Sufficient budget for compensation and income restoration (ii) Coordination with IRC and EA Resettlement Units (iii) Updating of Resettlement Plan
Identification of Staff at provincial, district and commune levels
Agreeing to M&E Arrangements and baselines

Appendix J1 provides more details on the activities to be carried out under these PRFs and their timing. In addition, Appendix J2 provides more generic set of PRFs and guidance to EA/IA and PFT for the preparation of front end activities.

73. These PRFs will be reviewed on an annual basis during the JCPR exercise and revised as necessary taking into account the prevailing situation. Any revision to the PRFs will need to be agreed between MEF and the DPs during the JCPR and included in the MOU. In the event of any revision of the PRFs, the MEF will issue a notification by the Minister to that effect. All EAs/IAs and PFT are required to comply with these instructions to the extent relevant to their respective projects.
74. A more generic set of PRFs and more specific front end activities that will enhance project readiness is also provided in **Appendix J 2** as a guidance to all EAs/IAs and PFTs.

(xxii) Document Agreements in AM or MOU

75. At the conclusion of the project formulation/preparation/appraisal phase, all project formulation/preparation activities described above will be clearly articulated in an AM or MOU, to be prepared by the DP team. The draft AM or MOU must also include all the agreed PRFs as well as all the assessments pertaining to capability and capacity of the EA/IA that have been carried out during project formulation and preparation phase. The DP will also distribute the draft of this document to all concerned agencies at least 3 working days before it is scheduled for discussion at a wrap up meeting.
76. A wrap up meeting is organized and chaired by EA/IA, or if appropriate MEF. Representatives of all concerned agencies are invited to attend. As a matter of donor harmonization and coordination, and to avoid duplication of donor efforts, other DPs involved in the sector may also be invited to attend this meeting.
77. Following discussions at the wrap up meeting, the contents of the AM or MOU are finalized by the DP team. In the case of an MOU the representatives of the EA/IA, MEF and the DP will sign the document. In the case of an AM, it is signed only by the DP representative and is subsequently confirmed in writing by the MEF on behalf of RGC.
78. The final AM or MOU then becomes the basis for the production of the DP internal documentation requirements for approval of the project, by the Management and Board of Directors of the DP. The documentation includes the appraisal document, the draft Financing Agreement, other Project and Subsidiary Loan Agreements as necessary and the PAM/PIM once it has been agreed and negotiated.

D. Loan/Credit Negotiations Stage

79. After the formulation/preparation/ Appraisal stage of the project cycle is completed and all outstanding matters discussed in the AM or MOU have been agreed to, including the confirmation in writing by the EA and MEF of the AM, and after its own internal processes have been completed, the DP invites the RGC, represented by MEF, to negotiate the terms and conditions of the Financing Agreement. The

negotiation takes place either at the headquarters of the DP, or in the Kingdom of Cambodia, or through a video conference.

80. The Minister of Economy and Finance, or his delegated representative, is responsible for selecting the negotiating team. The MEF delegate will normally be the Chair of Cambodia's negotiating team, however, in some cases the Minister responsible for MEF may appoint another member of the team to lead the delegation. Other representatives of the negotiating team will consist of a senior official of the concerned line ministry and other officials as deemed necessary by the Minister of Economy and Finance.

E. Establishing a Project Implementation Team (PIT)

81. The EA/IA must ensure that key members of the PIT are available to provide the inputs necessary to carry out advance action on recruitment of consultants and other procurement. The appointment of the Project Director, the Project Manager, the Procurement Officer, the Technical Officer, Monitoring and Evaluation Officer and the Finance Officer should therefore be made soon after the completion of the appraisal stage. The full complement of the PIT must be in place immediately after the DP approves the Financing Agreement. To the extent possible it is desirable to have core members of the PFT to continue as members of the PIT.

(i) Size and Scope

82. The size and scope of the resources of the PIT of the EA/IA must reflect the specific needs and requirements identified as necessary, to effectively implement the project. These arrangements could vary, ranging from individuals in different departments and divisions of the EA/IA to a dedicated section of an office, complemented by technical assistance if deemed necessary, support services, and infrastructure, including required equipment and facilities.
83. Responsibilities within the PIT should be defined for the project director, project manager, administrative officer, financial officer, technical officer, M&E officer and procurement officer, amongst others. **Appendix B** details the roles and responsibilities of these posts. Generally, a project director should manage a maximum of two loan projects unless it is determined by the EA/IA and the MEF management jointly, that there are definite benefits to the projects and the EA/IA for a project director to manage more than two projects. A project director is permitted however, to manage more than two TA projects. The appointment and removal of Project Directors and Project Managers should be undertaken in close consultation with the DP and the MEF.

(ii) Staff Qualifications

84. Irrespective of the size and complexity of the project to be undertaken, the members of the PIT who will be responsible for implementing project activities on a day-to-day basis must have adequate professional qualifications and skills to assume such responsibility. The allocation of all project staff must be based on merit and their existing functional roles and performance in the concerned EA/IA. If such staff is not available within the concerned EA/IA, suitably qualified RGC staff from other EAs/IAs may be assigned by RGC for the duration of the Project in order to optimize

the use of existing RGC resources. The PIT should work full time on the project. In the event that having relatives in the PIT is unavoidable, it should be ensured that working and reporting arrangements are such that there are no conflicts of interest amongst them in their respective assignments, or with potential suppliers, contractors and consultants under the project. All potential and real conflicts of interest must be disclosed, and no staff member must be allowed to participate in any decision-making processes where a conflict of interest situation exists, either in reality or by perception. As is done in some Ministries in Cambodia already, a code of conduct procedure could be considered at Project level. **Appendix D** provides some guidance on the processes for the allocation and selection of project staff.

85. For clarification, a conflict of interest situation arises when a person in a position to exercise judgment on a matter, has divergent interests, as, for instance, when a staff's personal interests are different from those of the EA/IA.

V. PROJECT IMPLEMENTATION

A. Introduction

86. After negotiations with the RGC, represented by MEF, the DP processes the loan/credit/grant proposal and submits it to its Board of Directors for approval. Once the financing of the project is approved, the DP, MEF as representative of the RGC, and the EA/IA (if required) sign the Financing Agreement and related documents.
87. In the case of autonomous agencies MEF signs the Financing Agreement and the representative of that agency signs the Project Agreement and/or the Financing Agreement and/or Subsidiary Loan Agreement as authorized by a Royal Decree or Sub-Decree creating the autonomous agency.
88. The financing becomes effective once all effectiveness conditions specified in the Financing Agreement and in the applicable General Conditions are met and verified by legal opinion. In some grants however the financing becomes effective on signing of the document and therefore the staff is encouraged to familiarize with the DPs modalities in each case.
89. Financing Agreements specify the deadline (normally 90 days after signature) to meet the effectiveness conditions, however in some cases it is simply the signing of the document that evidences effectiveness. While it is possible to request an extension of the effectiveness deadline, delays in effectiveness are often a sign of lack of project readiness and should be avoided.
90. The project implementation stage officially commences after the loan/credit/grant has been declared effective; however this does not restrict taking advance actions on various implementation activities like procurement, which are commonly described as pre-implementation activities, prior to effectiveness. The project is implemented by the EA/IA according to the agreed schedule and procedures specified in the project Financing Agreement and the PAM/PIM.
91. The EA/IA is responsible for ensuring that (i) the project is managed and administrated by designated officers and staff of the EA/IA; (ii) the project performance is monitored throughout implementation up to completion in accordance with procedures agreed to at project formulation stage; and (iii) required project reports are generated and submitted to the concerned parties. In cases where PMUs have been set up to implement projects, it is necessary to delegate sufficient powers to the PMU to ensure that it is able to operate its affairs with the minimum of disruption and interference. At EA/IA level, the PMU should have the authority to approve all documents pertaining to the project. In the interest of good communication however, the PMU is required to copy documents to relevant departments within the EA/IA to keep them fully informed of its activities.

B. Basis for Project Implementation

92. The basis for project implementation is the PAM, which is also sometimes referred to as the PIM - see **Appendix E**. This manual is a management tool designed to assist the EA/IA to be pro-active in implementing projects, and is prepared by the PFT in close consultation with the DP Team. The PAM/PIM must be completed prior to initiating the project financing negotiations with the DP.
93. In drafting the PAM/PIM, the PFT should thoroughly map out each project implementation activity and clearly articulate how each activity will be accomplished during the implementation phase. The required detail should include such aspects as: (i) the flow of work; (ii) delegation and levels of authority; (iii) funds flow arrangements; and (iv) description of all documentation and reports that need to be generated during project implementation. The PAM/PIM should also contain the GGF or RMF and safeguard provisions, and describe the methodology for their implementation and monitoring. The provision of this level of detail prior to the commencement of project implementation will ensure that meaningful guidance is given to all staff involved in the project implementation activities at every stage until project completion. Soon after the PIT is in place, the DP jointly with the EA/IA will hold a workshop to explain the project implementation activities, and the implementation procedures as outlined in the PAM/PIM. The PAM/PIM is also a “living” document, and as such must be constantly updated and revised, as situations change during the project implementation phase with the DP’s concurrence.

C. Project Implementation Team

94. The EA/IA through the Project Implementation Team (PIT) is in charge of the day-to-day implementation of the project, following the signed legal agreements and the guidelines and systems and procedures of the funding DP and the RGC. It should be noted, however, that if there is a conflict between the DP and the RGC guidelines on any particular issue, then the DP’s guidelines will prevail. Consultants, other RGC agencies, and DP representatives support the project implementation team. Subject to each member of the PIT performing at a satisfactory level, the EA/IA should ensure that the PIT remains intact, as far as possible, during the whole period of project implementation.
95. The necessary authority from all RGC agencies, including the MEF, shall be delegated to the PIT to enable them to effectively carry out their duties and responsibilities (see **Appendix B**). This will include the authority to spend money, procure consumable and durable goods, works and services, and manage and administer the overall project implementation. The EA/IA must ensure that the PIT and its individual members are held accountable for implementing the project in a manner consistent with the guidelines and systems and procedures of the RGC and the DP, including the prescribed requirements for integrity. The EA/IA must ensure that activities are planned and implemented to ascertain projects are used as opportunities for learning and capacity building. It is emphasized that authority must rest with the project director, the project manager and staff rather than just EA/IA. DPs may therefore directly contact the designated Project Director on all project issues, including sending invitations for project specific meetings, workshops,

seminars and introducing consultants to the EA/IA. **Appendix B** presents the guidelines for designating and managing project staff. The allocation of, and accountability for, specific procurement and financial powers are specified in more detail in the Procurement Manual and the Financial Management Manual.

96. The MEF is responsible, under Sub-Decree No. 04/ ANK/BK on the organization and functioning of the MEF, for being the custodian of project knowledge and thus ensuring that large and important knowledge generated by projects are available to other project stakeholders with special interests and the general public. All agencies are obliged to contribute to a centralized information center and the knowledge base by making all reports, specialized papers, studies, assessments and evaluations available to MEF in printed and digital formats. Under the agreed GGF/RMF¹⁰ for each project, the EA/IA is obliged to disclose project information to the public. MEF, will in turn, make all non-sensitive project reports and documents accessible over its IT infrastructure. Other procedures for implementing projects are presented in **Appendix G**.

D. Performance Management

97. Performance management is at the core of sound aid portfolio management. Through monitoring and evaluation, useful information needed to effectively manage projects is generated. Monitoring and evaluation is integrated into all aspects of aid portfolio management, including project results monitoring and evaluation, project performance monitoring, procurement and financial monitoring and evaluation, management information systems, and operational performance monitoring.
98. It is the responsibility of the EA/IA to ensure that all performance management requirements agreed to with the DP at the project formulation stage are strictly followed. If during the project implementation phase it becomes necessary for any reason to change any of the monitoring indicators, then this should be discussed and agreed to with the DP through their regular project supervision missions. For proposed changes in project scope, the EA/IA will through MEF officially communicate these changes to the DP. In turn, the DP project supervision team must record any agreed changes in the AM or MOU of project supervision missions. This process will ensure that the MEF, the management of the funding DP and other DPs are made aware of the changes that have been agreed to, and the reasons for making such changes.

(1) Results Monitoring and Evaluation

99. Project results monitoring and evaluation ensures that progress towards the PDO is measured and assessed. It allows management to take pro-active decisions if expectations are not met or if the assumptions underlying projects are no longer valid.
100. Through the PIT, the EA/IA is responsible for measuring, monitoring and evaluating the progress in delivering project outputs and outcomes against established performance targets that were already agreed to at the project

¹⁰ These documents are also referred to as Operational Risk Assessment Framework (ORAF)

formulation stage in the form of a results framework. In carrying out this responsibility, the EA/IA must:

- a. Before the start of project implementation, establish, and agree with the DP, benchmark indicators and PDOs to measure project;
- b. Agree on performance and development outcomes (in the form of a results framework);
- c. From the start of the project, implement a system of record keeping that captures in a logical, sequential manner all relevant data and information related to the project. Performance management during project implementation should be based on Managing for Development Results (MfDR) using the SMART criteria as set out at the commencement of the project. To accomplish this activity, project staff will need to be trained in the use of this methodology. It is also desirable to have a dedicated trained officer appointed within the PIT, who will be responsible for ensuring that results monitoring and evaluation activities are completed;
- d. At regular time intervals during project implementation, conduct targeted surveys and other means of verification to measure progress against the established benchmark;
- e. Assess and evaluate the findings, and report to the MEF and DP through quarterly progress reports; and
- f. Take timely and appropriate management decisions if and when performance indicators suggest that alternative actions are warranted.

(2) Project Performance Monitoring

101. Project performance monitoring ensures that project implementation plans remain current and reflect an objective, measurable, and verifiable view of the state of activities.
102. The EA/IA is responsible for measuring and reporting on physical progress against established targets and schedules. In carrying out these responsibilities, the EA/IA must:
 - a. Establish and maintain detailed PAM/PIM to serve as framework for project implementation (see **Appendix E**).
 - b. Regularly review and update PAM/PIM, including comparison of actual accomplishments against planned targets. The scope and extent of reviews and updating has to be in line with project activities and the overall duration of the project, such as (i) for loan projects of five to six years duration, the PAM/PIM must be updated every year; and (ii) for shorter projects and TA grants, semi-annual updating of the PAM/PIM may be appropriate.
 - c. Regularly report on project performance, identifying any areas of concern and recommending remedial measures, to take timely management actions to

mitigate problems and ensure the project stays on track within estimated time and budget. Environmental plans, resettlement plans, indigenous people plans and other relevant action plans have specific requirements for monitoring and reporting. These requirements and the institutional responsibilities for implementation are included in the PAM/PIM.

(3) Procurement and Financial Monitoring and Evaluation

103. The EA/IA and MEF are responsible for procurement and financial management monitoring and evaluation separately, in accordance with the guidelines, systems and procedures outlined in the RGC's Procurement Manual and Financial Management Manual.

(4) Management Information System

104. The MEF, with the assistance for the DPs, is responsible for establishing and maintaining a management information system (MIS) for monitoring and evaluating projects in its portfolio of externally assisted projects, based on information it collects from EA/IA and their PITs. The performance of the portfolio is generally discussed among the DPs, respective EAs/IAs and DIC of MEF during regular Quarterly Portfolio Performance Review Meetings. As agreed with the EAs/IAs, the MEF through the operational divisions of the DIC is responsible for collecting and summarizing relevant information for the MIS at regular intervals. In carrying out this responsibility, the MEF must:

- a. Establish and maintain an MIS, which must include *inter alia* performance-based management information on: (i) project implementation; (ii) procurement performance and outcomes; (iii) ongoing contracts performance; (iv) summary of financial performance, including projected and actual contracts awards and disbursements; (iv) utilization of financial resources; and (v) schedule of issues and recommendations, for management review, needing resolution; and
- b. Analyze and summarize information and publicize clear and concise information for use by the highest level of officials in the RGC and accessible to the general public to the extent required by the DPs' Access to Information policies.

105. In addition the MEF, jointly with the DPs, is responsible for carrying out an annual Country Portfolio Performance Review. The objectives of these reviews are to

- i. assess the performance of the portfolio in achieving development results;
- ii. identify cross-cutting constraints (related, *inter alia*, to monitoring and evaluation, procurement, disbursement, financial management, safeguards, governance) that hinder the performance of the portfolio as well as actions to address these constraints;
- iii. for individual projects that are not on track to meet their development objectives, ensure that remedial actions have been agreed and implemented.

106. The most recent performance of the portfolio and actions agreed are captured in a Results Management Framework attached as **Appendix I**. These were highlighted in a Memorandum of Understanding between the MEF and DPs. Progress in implementing these actions and improving the performance of the portfolio is assessed on a regular basis between the MEF and the DPs, in the form of more focused portfolio reviews.

(5) Operational Performance Monitoring

107. Operational performance monitoring strengthens the administrative performance of projects. Basic performance indicators are intended to foster accountability and responsibility for getting the work done to provide documentation for work completed and to identify bottlenecks that may arise.
108. The EA/IA is responsible for monitoring operational performance, and as such, must establish and maintain:
- a. Service standards for key activities of the project against which the operational performance of the specific activities can be measured. These would include standards for the monitoring and evaluation of routine activities, including processing of payments, approvals, contracts management and response time on routine and non-routine mail. (Refer to the Procurement Manual for service standards for recruitment of consultants and procurement of goods and works, respectively).
 - b. Monitoring and evaluation systems and procedures, to measure performance against established standards that were set at the commencement of the project in accordance with the results based framework.
 - c. A system for feedback on the performances achieved to the operational and higher levels of management within the agency, for information and for any appropriate management actions.
 - d. A system to provide basic key operational performance information to the MEF.
109. All service standards that have been developed should be incorporated in the PAM/PIM. These should be revised as necessary to reflect changed circumstances. The methodology and assumptions used for developing standards should be clearly stated in the PAM/PIM.

E. Project Changes

110. During project implementation, if priorities or circumstances surrounding the project change, it may be desirable to introduce corresponding changes in the project, its design, or its implementation arrangements (for example, administrative, organizational, procurement, financial, environmental management, or resettlement arrangements, or the timing of agreed actions). The EA/IA discusses any proposed change with the DP supervision team to agree on the need for the changes and to determine how to effect the change, including any required modifications to the legal agreements.

111. Changes to the project scope can be discussed during the DP's regular supervision missions or during the mid-term review mission of the project. The DPs have their own guidelines with respect to changes in project scope. They are categorized as "minor" or "major" changes in scope. This categorization is defined in the respective DPs Guidelines and the RGC officials will follow the provisions of these Guidelines.
112. All proposed changes in scope will be formally submitted by the EA/IA to the MEF for submission to the respective DP for "no objection ". Upon receiving the "no objection "of the DP, the PIT must make appropriate changes to the PAM/PIM to reflect any changes to the existing implementation arrangements to effect the scope change. In cases where the legal agreements require amendments, these will be agreed and signed by the authorized MEF representative on behalf of the RGC (Borrower).

F. Financial Management

(1) Financial Management Manual

113. The EA/IA must follow the financial management systems and procedures outlined in the Financial Management Manual agreed to between the RGC and the DPs and any additional monitoring, evaluation and reporting requirements of the DPs. This is to ensure that prudent accounting and financial management standards are being followed in compliance with project agreements.
114. The responsibility for the proper financial management and accounting for the financial resources used by projects rests with the EA/IA of each project under the overall guidance of the MEF. Refer to **Appendix G** for the roles and responsibilities of the different agencies involved in financial management.
115. The EA/IA must maintain proper accounts and records of all transactions related to the implementation and administration of projects. The EA/IA must likewise manage the financial resources of projects with due diligence and prudence, consistent with relevant financial management systems and procedures acceptable to the DPs and the MEF. To ensure that sound financial management practices are followed in the implementation of the project activities, the project implementation team should follow the systems and procedures set out in the Financial Management Manual that has been agreed to between the RGC and the DPs.
116. The maintenance of proper accounts and prudent financial management as well as the compliance with all covenants in financing agreements is a legal obligation on MEF for its portfolio of externally assisted projects. It is incumbent upon the RGC, represented by MEF, to ensure full compliance with accounting and financial management provisions as well as all loan covenants of Financing Agreements. Also, the EA/IA and the MEF must ensure that project accounts are audited in accordance with the rules and regulations outlined in the contractual arrangement between the RGC and the DPs.

(2) Use of Financial Resources and Change in Project Scope

117. Development resources, whether from domestic or external sources, can only be used for the purposes for which they are intended and in strict compliance with the legal agreements and systems and procedures governing the use of such financial resources as stipulated by the DP guidelines and MEF financial regulations. These resources can only be used after the project becomes effective, unless advance use of project resources is specifically allowed and approved by the funding DP and MEF during project formulation/preparation and loan negotiations. Further, these can only be used for procurements from eligible source countries as defined by the funding DP's Procurement and Consultant Guidelines¹¹.
118. Resources allocated to a particular activity or group of activities within a project can therefore only be used for those specific purposes, unless a reallocation is supported by the MEF and approved by the DP. Similarly, any change in scope to project activities as defined in the project's legal agreement must be submitted to the MEF who will be responsible for obtaining the written approval of the DP concerned.

(3) Establishing Project Accounts

119. The EA/IA is responsible for ensuring that all bank accounts agreed to during the project formulation stage are established in consultation with MEF for all loan and TA projects.
120. All transactions on the project account are managed and administrated by the authorized personnel of the EA/IA. Only authorized persons in the EA/IA or the MEF are delegated the powers and authority to effect disbursements from the loan/credit or grant accounts held by development partners.
121. The EA/IA should follow the specific procedures outlined in the Financial Management Manual for establishing project accounting records for all financial and accounting transactions for the project. It is the responsibility of the EA/IA to maintain full, complete and accurate details and records of all financial events, to prepare regular financial management reports for monitoring financial performance and decision making, to prepare summarized financial information for the MEF for the purpose of overall consolidation of all DP activities that is to be reported by the MEF to higher levels of the RGC hierarchy and to prepare financial reports for DPs.
122. The responsibility for ensuring the safe keeping of all financial records for the project including all contractual records rests with the finance officer and the project manager. It is imperative that all project-related records are kept for a minimum period of two years after the completion of the project at a central location.

¹¹ Currently, DP's are harmonizing as many of their procedures as possible related to loans and TA funds. One area where differences may remain is related to eligible countries for procurement, with bilateral DPs sometimes restricting procurement to firms and consultants from their own country.

(4) Payments by Development Partners

123. The DPs use many modes of payments to contractors, consultants and suppliers. These are described in detail in the respective DPs Disbursement Handbooks as well as the Financial Management Manual. However, aside from the designated account mode of payments, the following are the most frequently used in projects funded by the major DPs

(i) Direct Payment

124. The EA/IA must use the direct payment method of the DP for the payment of all large contract and supplies. The use of direct payment procedures is governed by the specific guidelines and systems and procedures as described in the Financial Management Manual, as well as those of the funding DP. All direct payments must be made on the basis of approved contracts that the DP has given its “no objection” to. The MEF also has guidelines on use of direct payment methods, which must be followed for activities and procurement funded by the RGC.

(ii) Commitment Letter

125. It is the responsibility of the EA/IA to arrange for a commitment letter from the funding DP when letters of credits are to be established with commercial banks to make payments to suppliers of goods and services. The use of commitment letter procedures is mainly confined to larger supply contracts and the DP will inform the EA/IA of the normal threshold for the provision of the commitment letter. Payments under commitment letter follow similar basic principles and procedures for direct payments, except that:

- a. A letter of credit is issued, then the DP covers this with a special commitment letter;
- b. The letter of credit is issued to the contractor or supplier in accordance with the terms and conditions of the contract; and payment is made to the contractor or supplier upon presentation of shipping papers and other contractual evidence to the bank issuing the letter of credit.

(5) Financial Reporting and Auditing

126. It is the responsibility of the EA/IA to ensure full compliance with the financial reporting requirements that have been agreed to with the funding DP for the project. It is the responsibility of the MEF to ensure that the EA/IA complies with the DP reporting requirements. These requirements are normally covenanted in the Financing Agreements.

127. The project documentation and Financial Management Manual outlines the obligatory reports that must be prepared by the EA/IA.

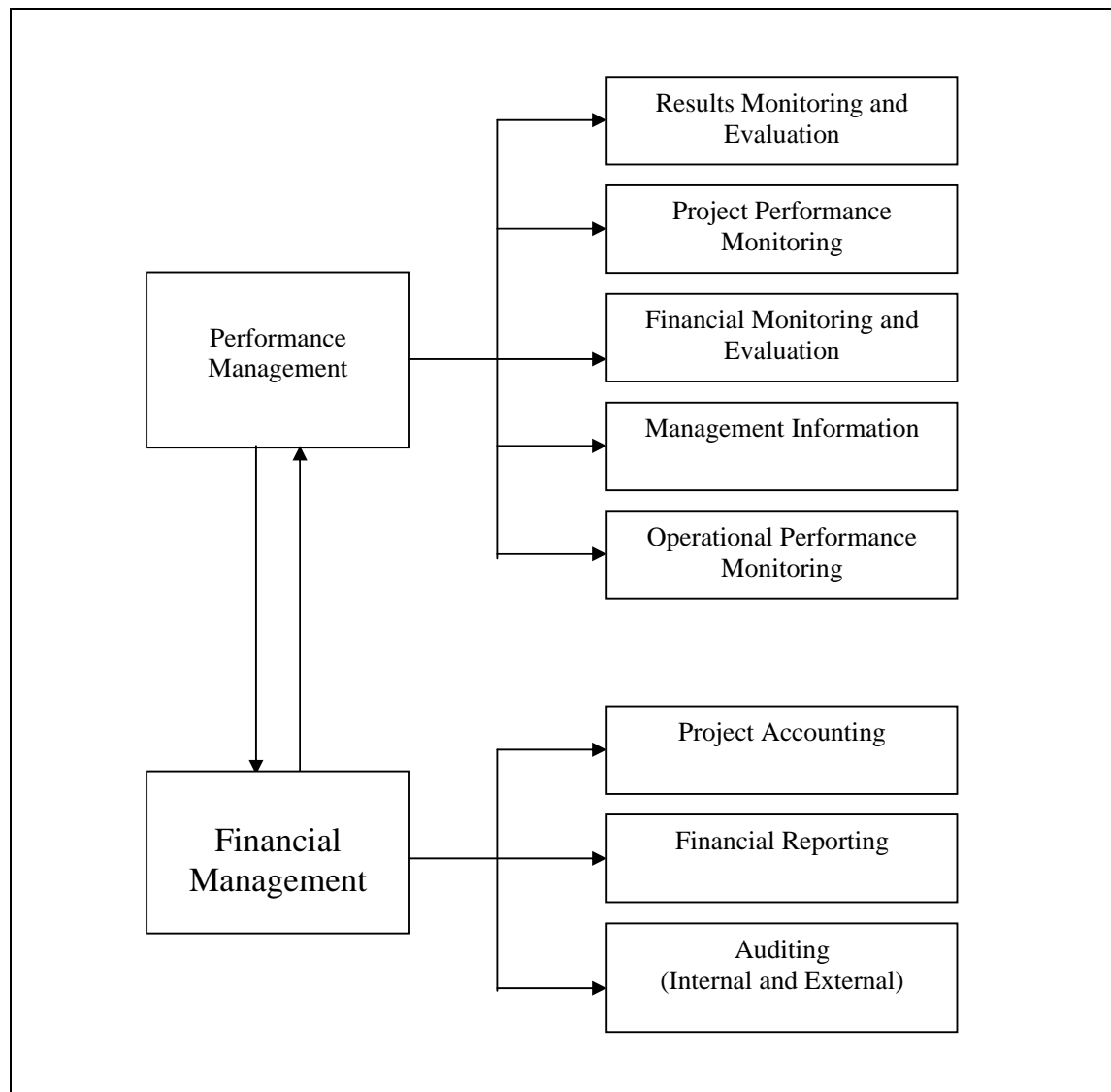
128. Other financial reports are prepared on the basis of requests from the project director or project manager. The financial reporting requirements typically include:

- a. Monthly financial reports based on consolidation of accounts at month-end;
 - b. Quarterly financial reports based on a consolidation of accounts at end of a quarter;
 - c. Annual financial reports based on a consolidation of accounts at the end of the year;
 - d. Annual budgets to support project implementation;
 - e. Periodic budgets to support progress reporting, monitoring, and evaluation; and
 - f. Periodic budgets to support the replenishment of project bank accounts.
129. During the project formulation phase, the external audit requirements are established for the project, including their format, content and timing. The Terms of Reference (TOR) of the External Auditor are discussed with the DP's project appraisal team and all requirements are recorded in the AM or MOU and often covenanted in the Financing Agreement.

(6) Internal Audit

130. As articulated in the Audit Law, all line ministries responsible for implementing externally assisted projects must establish an independent internal audit unit. This unit must be adequately staffed with well-qualified and experienced staff. This unit must carry out regular review of the internal control procedures and systems of the project. The Internal Audit findings must be reported to the highest levels of the line ministry, to the NAA and should also be shared with the external auditors of the project.

Figure 2.01: Project Implementation Structure



G. Procurement of Goods and Civil Works

131. The guidance provided under this section of the SOP is of general nature. For detailed directives on how to define the procurement arrangements for projects, please refer to the project legal agreement, the DPs' Procurement and Consultant Guidelines and the procedures elaborated in the Procurement Manual.
132. The RGC has the overall responsibility and accountability for all procurement actions. The specific project responsibility for carrying out procurement actions rests with the EA/IA designated to implement specific projects. The DPs review the procurement process carried out by the EAs/IAs and approved by the PRC. The DPs' review may be prior review or post review as specified in the approved procurement plan and described in the DPs' Procurement and Consultant Guidelines.
133. The EA/IA implementing a project has the responsibility of ensuring that it complies with the provisions of the project legal agreements, DPs' Procurement Guidelines, and the procedures elaborated in the Procurement Manual. In case of conflict between the DPs and the RGC's guidelines, the DP guidelines prevail. These guidelines are to ensure that all procurement is carried out in an open and transparent manner to achieve economy and efficiency and to combat fraud and corruption, and that equal opportunities are being offered to all eligible suppliers and source countries in the supply of civil works, goods, and services.
134. The role, responsibility and accountability of government staff associated with the procurement process, including members of the evaluation committees and the various procurement review committees, which also includes MEF representatives, shall conform to the highest standards of integrity required under the DPs' Procurement and Consultant Guidelines and Anti-Corruption Guidelines, and as further elaborated in the Procurement Manual.

(1) Guiding Principles of Procurement

135. In general, for the procurement of goods, civil works and consulting services, the EA/IA must ensure that the procurement is:
- a. Specifically allowed and provided for in the procurement plan and the financing plan for the project;
 - b. Approved by MEF under the Annual Work Plan and Budget (AWB) and procurement plan. For that purpose, the EA/IA are obliged to ensure that a detailed procurement plan (with packaging and scheduling)¹² is prepared and approved by both the MEF and DP no later than project appraisal for all projects, in accordance with the DP's guidelines. Subsequently, the procurement plan should be updated and approved at least annually, two

¹²The procurement plan must include all procurement of goods, civil works and services. It must not include the procurement of consumables, allowances and incidental expenditures that will be reflected in the appropriate budget line.

months before the start of the fiscal year of Cambodia in which the planned procurement activities will be undertaken; and

- c. Made from eligible source countries and eligible firms as indicated in the guidelines of the DP and in the project documents.

(2) Procurement Review Committee (PRC) and Bid Evaluation Committee (BEC)

136. Procurement Review Committees must be established for the review and approval of bid documents and award of all contracts. A separate Bid Evaluation Committee is also established to carry out the evaluations of bids to ensure that there are no conflict of interest between evaluation of bids and the approval of contract awards. The composition, responsibilities, duties and accountability mechanisms of the BEC and PRC are detailed in the Procurement Manual, which should be read in conjunction with this Manual.

(3) Assets Management

137. The objective of most TA projects is to assist the RGC in its development efforts through the provision of expertise. The assets resulting from procurement under the projects include physical resources such as cars, computers, furniture, tools and equipment, civil works, and non-physical assets under consulting services such as reports and knowledge. Such assets must be subject to careful assets management like any other RGC property. Therefore, the EA/IA is responsible for:

- a. Maintaining a complete register for all non-consumable assets procured under TA grants;
- b. Maintaining all durable assets in good working order during and after implementation of the TA projects;
- c. Ensuring that assets purchased under any TA grants are used for its intended purpose and used only by the intended persons and for the TA project;
- d. Ensuring that no assets are diverted away from TA projects for use by individuals or other project offices, unless approved in writing by the DP and the MEF;
- e. Ensuring that all assets procured under and used by the TA project is audited and transferred to the RGC, the line ministry or any other approved agency in accordance with the DP's and MEF's systems and procedures on completion of the TA; and
- f. Ensuring that MEF is given a copy of the schedule of assets, papers relating to the transfer of assets to the State Property Department and a clear description of the location and usage of assets.

(4) Disclosure to Civil Society

138. A key aspect of transparent public procurement systems is greater disclosure of information to the general public and civil society. In this regard agreement has been reached between the RGC and DPs on disclosing more information to the public on project implementation plans, contracting opportunities, bids/proposals received, contract awards made and complaints handling mechanisms. The Procurement Manual elaborates the details of what should be disclosed to the public and how, and it is incumbent upon EA/IA to ensure that this is done during each and every procurement exercise.

(5) Complaints Handling and Remedies

139. RGC will ensure that effective mechanisms are in place for receiving, investigating, and taking remedial action on complaints of irregularities during all procurement processes; as well as during project formulation and implementation. All EAs/IAs receiving project loan and grants must establish project-specific websites that explain how the public can lodge complaints; to whom and what method to use. Whilst procurement related complaints have been addressed in the Procurement Manual other forms of complaints handling mechanisms currently available within the RGC are described in paragraph 43 above.

H. Consulting Services

140. Consultants, experienced experts and specialists are required to complement local expertise, knowledge and experience on most externally assisted projects in Cambodia. These consultants do represent a major project expense. Considerable care and consideration must therefore be exerted when defining and scheduling the need for consulting services and the TOR, and method of selection, and should focus on utilizing as much local expertise as possible consistent with efficiency of project/TA implementation. Once the scope of consultant services has been defined for a project, the EA/IA is responsible for all aspects of their recruitment. Within the EA/IA, the recruitment process should be led by the project implementation team. The recruitment must be fair and fully transparent, and in strict compliance with the provisions specified in the Procurement Manual and with the DP guidelines on consultants recruitment. Fraudulent and corrupt practices in the use of consultants will be penalized.

(1) Recruiting Consultants

141. The EA/IA are responsible for recruiting consultants and must ensure that the identification and recruitment of consultants is made on the basis of an open and fair competition based on merit and competency, and in certain cases, price. The short listed consultants must represent the most qualified and experienced firms and/or individuals, from a cross section of the DP's member countries. The recruitment process must follow the provisions of the Procurement Manual and the guidelines of the funding DP.
142. The major DPs all allow for price to be one of the determining factors in the appointment of consultants. Whenever appropriate, and as agreed with the DP, the EA/IA and their Consultants Evaluation Committee (CEC) should include price as part of the selection and ranking criteria. The inclusion of the price criteria is

contained in the guidelines of the relevant funding DPs and these must be strictly followed.

143. For those projects where it has been agreed during project preparation that consultants will be employed to assist in project implementation, the EA/IA implementing the project is responsible for:
- a. Selecting and engaging consultants, either individual or firm, and whether domestic or international;
 - b. Managing and administering the identification, selection and recruitment processes for the recruitment of consulting services; and
 - c. Ensuring that the guidelines, systems, and procedures of the DP and the Procurement Manual are strictly followed in identifying, recruiting and managing consultants.
144. In carrying out its responsibility regarding consultants' selection and recruitment actions, the EA must establish a CEC to carry out the selection of consultants up to recommendation for award of contract. However the PRC will be responsible for approval of the contract award based on the evaluation of proposals submitted by consultants. The CEC should comprise of three to five members, depending on the value of the contract as specified in the Procurement Manual, from technically qualified staff implementing the project (the PMU if there is one) and the MEF. The key requirement of the members of the CEC is that they must possess the expertise for which the services are being recruited. The composition, responsibilities, duties and accountability mechanisms of the CEC and PRC for selection and recruitment of consultants are detailed in the Procurement Manual.

(2) Preparing the Terms of Reference and Contract

145. The EA/IA is responsible for preparing the consultants' contract, detailed terms of reference (see Appendix D), and work plan for each consultant required by the project. The standard contract documents of the DPs are used for this purpose.
146. In the consultants contract and work plan, the EA/IA must define counterpart contributions and management responses necessary for efficient and effective implementation of the project, such as (i) support facilities and services to be provided by the EA/IA ; (ii) availability of qualified counterparts; (iii) systems and procedures to verify provision of inputs; (iv) counterpart training and capacity building initiatives to be implemented as part of the services; and (v) actions to be taken to ensure that benefits from consulting services are optimized.

(3) Managing Consultants

147. The EA/IA is responsible for: (i) seeking to optimize the benefits of consulting services to the project; (ii) managing consultants to ensure that they deliver the required outputs as expected, and if not, are replaced with another consultant who can deliver; and (c) ensuring the basic conditions, obligations on the RGC, pre-requisites for performance, and the contractual obligations for support and counterpart staff are fulfilled.
148. In carrying out this responsibility, the EA/IA must:

- a. Monitor the consultant's performance in carrying out the TORs of the contract to ensure that the required outputs are being delivered on time;
- b. Verify the continued validity of the TORs, and issue any variations required to efficiently and effectively address the needs of the Project Implementation Team or PMU; and
- c. Review the way in which the EA/IA use, and optimizes the benefits from consulting services, including the transfer of knowledge from the consultant to the EA/IA.
- d. Collect and monitor consultant time-sheets.

VI. PROJECT COMPLETION ACTIVITIES

A. Introduction

149. A project is deemed complete when the facilities and components constructed and/or delivered are substantially completed and are ready to operate. Once the project is completed the EA/IA and other relevant RGC agencies have certain obligations to fulfill.

B. Project Completion Report

150. The EA/IA and other RGC agencies concerned are required by the DPs underpinned by RGC's desire to evaluate its implemented projects to complete a project completion report (PCR) within a specified time from the date of project completion, as covenanted in the Financing Agreement. See **Appendix H** for suggested indicative topics for PCR to be prepared by the EA/IA. In order to enhance the internal learning process within EA/IA, agencies should use their own staff to develop PCRs. For complex issues such as, but not limited to, economic or financial analysis or editing/ translating in English, the EA/IA could hire consultants to assist. Preference should be given to national consultants if they have the required capability.
151. The PCR should cover all aspects of the project. The main purpose of the PCR is to learn lessons from the experiences of the project implementation activities so as to be better prepared for implementing projects in the future. The PCR could also be used as a measure of development effectiveness. A PCR generally:
- a. Provides a concise description and assessment of the project from its identification to completion;
 - b. Evaluates the adequacy of preparation, design, appraisal, implementation arrangements, and overall performance of the project implementation team as well as the DP;
 - c. Covers such factors as problems that were experienced during project implementation and how these were resolved;
 - d. Provides preliminary evaluation of initial operation and achievement and sustainability of benefits;
 - e. Provides preliminary evaluation of the extent of achievement of the project development objectives;
 - f. Suggests follow-up actions required during project operation; and
 - g. Makes recommendations, based on the evaluation and lessons learned, for future project implementation and operation, as well as any improvements in procedures that may be called for.

C. Closing Project Accounts

152. The EA/IA are required to close the project accounts and ensure that all outstanding payments to consultants, contractors and other expenses are all settled. In the case of contractors, the EA/IA must ensure that it is holding the retention money as provided for in the signed contracts or has a bank guarantee to cover the retention from a reputable bank.
153. The EA/IA will take action to close the various bank accounts that have been operational for the project implementation activities. Prior to closing the accounts, a proper reconciliation of the accounts will be done and the accounting records updated. All advances from the DP must be liquidated and unused funds must be returned to the DP. All project bank accounts are closed and the DP advised of the closure. Once all outstanding payments to contractors, consultants and suppliers have been approved and sent to the DP for payment, the EA/IA should write formally to the DP, requesting them to close the project account.

D. Retention Money

154. Final payment of retention money under civil works and supply and installation contracts is usually made at the end of the defects liability period or commissioning period, or against an acceptance certificate (of the commissioned facility). The schedule of the payment of the retention money will be specified in the Conditions of Contract under the signed Contract between the EA/IA and the Contractor. Where payment of any portion of the retention money is due beyond the loan closing date, and no extension of the date is intended:
- a. The EA/IA may disburse the retention money to the contractor prior to the project closing date against an unconditional bank guarantee provided by the contractor to the EA/IA
 - b. The guarantee must be issued by a reputable bank from the Kingdom of Cambodia and in accordance with the RGC's financial regulations;
 - c. An amendment, variation order, or side letter to the Contract evidences the agreement of the contractor to any revised payment arrangements, which deviates from the provisions of the Conditions of Contract;
 - d. Holding of retention money is not a justifiable reason for requesting for extension of project closing date.

E. Residual Assets

155. All assets that have been acquired for the project and are left over at the end of the Project are the property of the RGC. In accordance with the established rules of the RGC, such assets are to be inventoried and handed over to the State Property Department within the MEF, which is responsible for asset disposal, as it deems appropriate.

APPENDIXES
A - I

APPENDIX A – PROJECT CYCLE

156. Once a project is identified and agreed to by the RGC, represented by MEF, and a DP, it is processed and implemented. The various steps from project identification to completion comprise what is known as the project cycle. The stages in a typical externally funded project are (i) project identification, (ii) project formulation and preparation, (iii) project appraisal, (iv) loan/credit/grant negotiation and approval, (v) loan/credit/grant signing (vi) loan/credit/grant effectiveness (vii) project implementation, (viii) project completion, and (ix) post-evaluation.

A. Project Identification

157. A project is normally identified during periodic consultations of the DP with the country. This is usually preceded by a study of the country's economic situation and its plans and priorities during a country-programming mission.

B. Project Formulation and Preparation

158. A project reconnaissance, fact-finding mission of the DP obtains detailed information on all aspects of the proposed project to justify processing to the next stage. At fact-finding stage, the feasibility of the project is assessed. At this stage, the EA/IA's financial management capability, procurement capability and technical capability is reviewed and assessed.

C. Project Appraisal

159. At this stage, the project soundness and viability is assessed. All aspects of the project proposal and the sector/sub-sector to which it relates are reviewed and analyzed. A more in-depth examination of the proposed project, sector and EA/IA systems is carried out.

D. Negotiation and Approval

160. After the project has been found to be suitable for financing, formal loan/credit/grant negotiations take place. When negotiation is successfully completed, the project is submitted by the DP to its management and subsequently to its Board of Directors for approval. Upon approval, the DP and the recipient country sign a Financing Agreement and subsidiary agreements.¹³

E. Project Implementation

161. After negotiations with the RGC, represented by MEF, the DP processes the loan/credit/grant proposal and submits it to its Board of Directors for approval. Once the financing of the project is approved, the DP, the RGC, represented by MEF, and the EA/IA (if required) sign the Financing Agreement and related documents. In the case of autonomous agencies the representative of that agency

¹³ Subsidiary agreements include project agreement and subsidiary loan agreement as appropriate

signs the Project Agreement and/or the Financing Agreement as authorized by a Royal Decree or Sub-Decree creating the autonomous agency. The financing becomes effective once all effectiveness conditions specified in the Financing Agreement and in the applicable General Conditions are met and verified by legal opinion. In some grants however the financing becomes effective on signing of the document and therefore the staff is encouraged to familiarize with the DPs modalities in each case.

162. However, the project preparatory works (which include selecting and recruiting consultants, preparing detailed designs, preparing tender documents, inviting bids, evaluating bids, awarding the contract, and procuring equipment) may take some time to accomplish. To avoid delays the selected EA/IA of the project designates a PIT that immediately engages in a series of front-end activities. These are described in the Project Formulation/Preparation Section in detail. In most cases, the DP will approve the government's request to undertake advance procurement action during the appraisal stage of the project to expedite project implementation. The project financial management system has to be fully operational at the latest, at the time of approval of the project. Advance Actions including the recruitment of project design and implementation consultants must be undertaken. This upfront action will greatly help in speeding up project implementation.

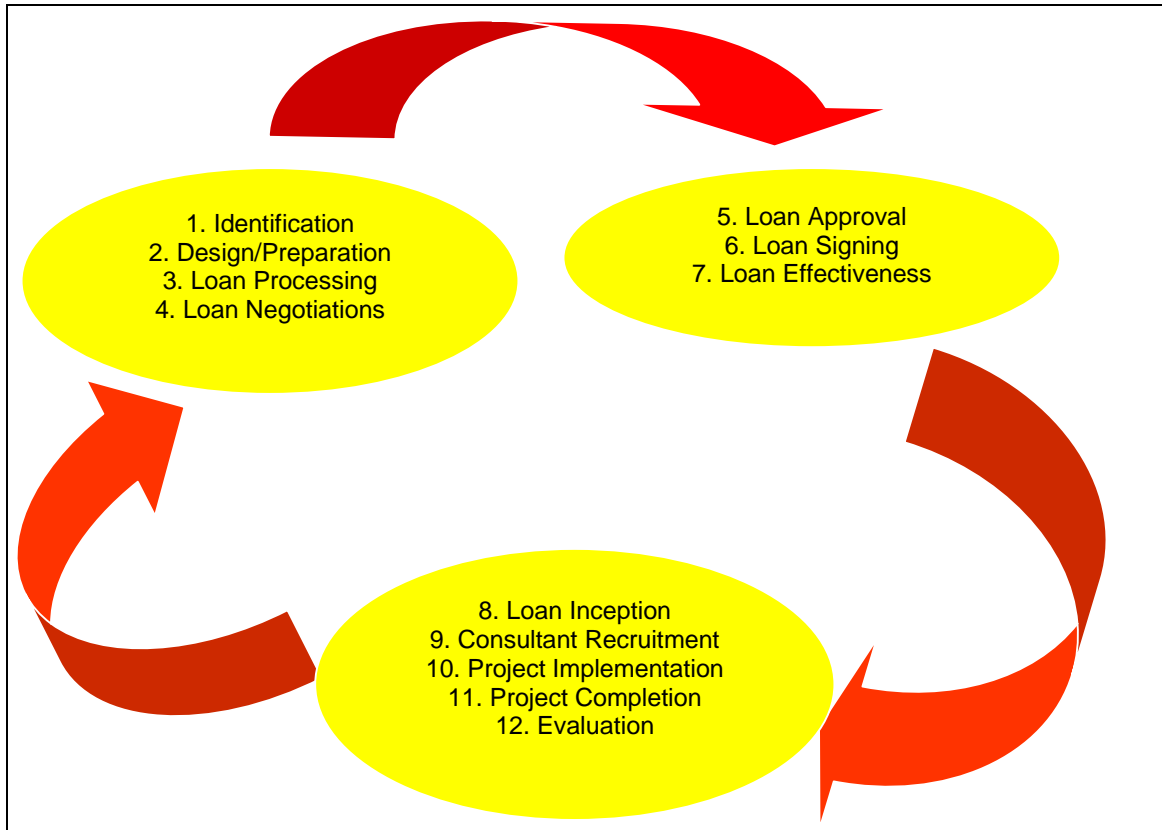
F. Project Completion

163. A project is deemed complete when its facilities and components are substantially completed and are put into operation. The EA/IA and other RGC agencies concerned are required by the DPs underpinned by RGC's desire to evaluate its implemented projects to complete a Project Completion Report (PCR) within a specified time from the date of project completion, as covenanted in the Financing and Project Agreement. See **Appendix H** for suggested indicative topics for PCR to be prepared by the EA/IA.

G. Post Evaluation

164. The DP undertakes a post evaluation mission at an appropriate interval after the PCR is prepared. The mission reviews the preparation, design, appraisal, and implementation aspects of the project, the costs and benefits, and the development outcomes of the project in relation to its initial project development objectives. The mission also identifies lessons learned from the project. The mission's findings, together with the PCR, form the basis of the project performance audit report.

Figure A.01: Project Cycle - A Simplified Presentation



APPENDIX B – PROJECT MANAGEMENT ROLES AND RESPONSIBILITIES

A. The Ministry of Economy and Finance (MEF)

165. MEF plays an important role on behalf of the line ministries when entering into contractual arrangements for loan/credit/grant and technical assistance (TA) support from DPs. It plays the following role:

- a. Negotiates, with the participation of the line ministry and/or EA/IA, and signs the Financing Agreement, Subsidiary Loan, Project and TA agreements with Development partners (DPs). In the case of autonomous agencies however, MEF signs the Financing Agreement and the agency signs the Subsidiary Loan Agreement or Project Agreement ;
- b. Is responsible for amendments to loan/credit/grant agreements, including any subsequent amendments, including reallocations and extension of closing dates;
- c. Is accountable to the National Assembly and the Council of Ministers, with regards to all financial aspects of projects and TA activities. It also ensures that the line ministry complies with all financial covenants and other obligations in the Financing , Subsidiary Loan / Grant and TA agreements;
- d. Attends all wrap-up meetings between the project and DP's missions;
- e. Ensures the effective management and administration of loans/credits/grants and TA grants provided to Cambodia;
- f. Identifies the EA/IA for a project taking into account the mandate of the concerned line ministry as articulated in the Royal Decrees and Sub-Decrees establishing the line ministry;
- g. Delegates appropriate types and levels of authority, responsibility and accountability to the EA/IA to enable it to effectively execute its duties and responsibilities relating to the project as mandated under relevant Royal Decree or Sub-Decrees;
- h. Monitors, analyses and reports project portfolio performance, including procurement and financial management, and conducts quarterly portfolio management meetings where the EA/IA has the opportunity to discuss and resolve issues requiring the attention of the MEF and other officials of the RGC;
- i. Approves all contract variations and changes in scope of projects on behalf of the RGC and submits them as necessary to the DPs for their “no objection;”

- j. Participates in and is accountable as a member of the Procurement Review Committee and CEC for the review and approval of procurement activities undertaken by the EAs/IAs, to the extent of being consistent with the relevant RGC laws and accordingly described in the Procurement Manual;
- k. Assigns the DIC to carry out MEF's different roles and responsibilities, through DIC's operational divisions assisting the EA/IA and line ministries in managing the Government's portfolio of externally assisted projects;
- l. Develops and maintains policies, principles and SOP;
- m. Monitors the performance of each DP's portfolio;
- n. Monitors individual project performance and provides advice and guidance to the EA/IA when requested;
- o. Shares and exchanges information with EA/IA and DPs;
- p. Coordinates procurement and financial management training and provides learning opportunities for RGC line ministries and agencies; and
- q. Is responsible for developing a comprehensive budgeting for counterpart funds and timely transfer to projects.

B. The Ministry of Planning (MOP)

166. The MOP under Sub-Decree No. 55 on its Organization and Functioning, has the following roles and responsibilities:

- To act as the government's arm in formulation of concepts, strategies, policies and in determining of priorities for national development in order to ensure the sustainability and balance between development equity and social justice and between economic development, and social and cultural development, between urban and rural areas, between exploitation and regeneration of natural resources and between development and environmental protection;
- To guide and manage methodologies and procedures used in the formulation of socioeconomic development plans according to the decentralized system in the whole country;
- To prepare long term, medium term and short term plans and national programs by coordinating with all relevant ministries/institutions in the provinces and regions in the whole country; Takes the lead role and in consultation with other arms of the RGC produces the National Strategy and Development Plan (NSDP) and ensures that the NSDP and the Rectangular Strategy of the RGC is implemented.
- To monitor the implementation of plans, national programs and projects in all sectors and make assessment and proposes measures to correct those plans and programs as needed;

- To work with concerned ministries/institutions in formulating strategies and policies and identifying priorities for investments both in public and private sectors in order to promote efficiency and optimize the use of internal and external potential resources;
- To collaborate with the Ministry of Economy and Finance in fixing the amount and in allocating annual budget for public investments; and
- To work with relevant ministries/institutions to formulate strategy, policies, and identify priorities in order to ensure that the socioeconomic, technological, and cultural co-operations with foreign countries that are consistent with the national development objectives and policies.

C. Line Ministries and Other Agencies

167. As set out under the project legal agreements, between the DP and the RGC, the different line ministries, specialized agencies and administrative offices of the RGC are designated EAs/IAs and assume responsibility for the implementation, management and administration of specific projects under their area of expertise and function as mandated to them under their respective Royal Decree or Sub-Decrees.

168. The legal agreements are, in some cases, complemented by a memorandum of agreement (MOA) between the EA/IA and MEF, which outlines the detailed tasks to be carried out, including the management systems and procedures to be followed in implementing the project.

169. The EAs/IAs carry out their specialized functions and responsibilities, as follows:

(1) As Executing or Implementing Agency

- a. Has specific authority and responsibility to act on behalf of the RGC to administer the loan and provide timely management and audit reports to the DP.
- b. Participates as a member in the loan negotiation team and if required by the MEF to lead the negotiation team.
- c. Responsible for implementing the loan project or TA grants assigned to it and as mandated in their respective Royal Decree, Sub-Decree.
- d. Is accountable for all financial aspects of projects and TA activities and ensures that compliance with all financial covenants and other obligations in the Financing and Project Agreements and TA agreements

(2) As Project Manager and Administrator

- a. Establishes the EA/IA project implementation team under a Ministerial Instruction (normally a Prakas) with delegated authority for it to carry out the project or TA implementation activities in an efficient and effective manner.

The EA/IA /PIT acts as the focal point for project implementation and carries out the day-to-day project management and administration.

- b. Mobilizes, manages, and administers the human, physical, and financial resources necessary for implementing the projects.
- c. Contracts with contractors for civil works and suppliers of goods and services needed for project implementation.
- d. Manages and administers the project implementation process to ensure objectives, goals and targets are met on time and within budgets.
- e. Monitors financial performance against budgets and provides regular reports to MEF and DPs, performance and management actions to address variations to budgets
- f. Conducts regular and scheduled project management meetings with management and senior officers of the project implementation team to discuss and resolve issues.
- g. Manages stakeholder relations through the exchange of information and scheduled and non-scheduled reporting.
- h. Ensures compliance with the guidelines and systems and procedures of the DP, as well as those issued by the RGC.

D. EA/IA Project Implementation Team (PIT)

170. Overall the EA/IA remains fully responsible for carrying out the project under established guidelines and procedures and will allocate individuals or a team of people from within its existing structure to be responsible for day-to-day project implementation.

(1) During Implementation Planning

- a. Plans project implementation, by preparing and maintaining, among others:
 - detailed project implementation schedules;
 - detailed cost and budgets;
 - detailed schedules for the procurement of goods and services;
 - detailed manning and staffing schedules;
 - performance indicators and results framework to monitor progress and operational performance.
 - Actively involved in the development of the PAM/PIM
- b. Maintains and disseminates relevant project implementation plans agreed to and shares with all stakeholders including NGOs where they are involved in project implementation activities

(2) During Project Implementation

- a. Ensures that project development objectives are achieved within budget and period specified and project outcome and results are monitored in line with the results framework agreed to at project commencement
- b. Takes decisive actions and pro-active initiatives to maintain the implementation plans and schedules, and ensures that progress adheres to schedules and budgets.
- c. Initiates, manages, and administers all actions and activities for the procurement of services, goods and civil works, including management and performance monitoring of contracts in accordance with the guidelines, systems, and procedures outlined in the Procurement Manual.
- d. Manages and administers the financial and other resources made available to the project in accordance with the guidelines and systems and procedures outlined in the RGC's Financial Management Manual. Is accountable to the EA/IA for all financial aspects of projects and TA activities and ensures that compliance with all financial covenants and other obligations in the Financing, Project, and TA agreements
- e. Manages and administers personnel to ensure all members of the project implementation team, management, consultants and project staff work together as a team towards achievement of common objectives and goals.
- f. Prepares and distributes project progress, financial, procurement and other reports and other information generated for the project.
- g. Is responsible for regularly updating the PAM/PIM in consultation with other stakeholders

(3) Coordination

- a. Initiates and coordinates effective communication between all stakeholders in the project, including:
 - EA/IA;
 - MEF and other agencies of the RGC, where necessary;
 - Beneficiary stakeholders ;
 - DP and its different monitoring and supervision missions; and
 - General public and non-governmental organizations concerned.
- b. Ensures that guidelines for inter-agency and external communication with the DPs and other agencies are strictly followed.
- c. Conducts regular and scheduled project management meetings among EA/IA project implementation team members to identify, discuss, and resolve project issues.

- d. Invites MEF to all wrap-up meetings conducted between project and DP missions. Briefs MEF on financial issues and gains their agreement to proposed actions arising from DP missions.
- e. Organizes and conducts meetings for the procurement of civil works, goods and services to be funded by the project.

E. EA/IA Officers

171. Detailed TOR outlining the duties and responsibilities of each EA/IA project implementation team officer position must be prepared and approved by the EA/IA management. The project implementation team must comprise capable and efficient staff selected for their respective positions purely on merit and under no other consideration. The EA/IA management must also specify the level of delegation of authority to the Project Director and Project Manager for approving and signing of contracts and approval of expenditures.

172. The following are guidelines for detailed TOR for the various positions:

(1) Project Director

- a. Responsible for the overall management and administration of the project. He/she is the most senior executive in the project management hierarchy. The project director is the EA/IA's representative and is a senior official of the EA/IA, who is appointed purely on merit.
- b. Approves and signs contracts and other important project documents within delegated authority as assigned by the EA/IA and the MEF.
- c. Approves expenditure within delegated authority.
- d. Ensures that implementation tasks and responsibilities are carried out on time, within budget, and in accordance with the basic principles of good governance.
- e. Ensures that the EA/IA coordinates effectively with MEF and DPs in accordance with established guidelines and procedures.
- f. Receives instructions from, and reports directly to the Minister, Secretary of State or similar top-level official in the concerned ministry; In the case of Autonomous agencies he/she reports to the Board of Directors.
- g. Is allowed to hold maximum of two project director positions for loan projects but can hold more than two Project Director positions in exceptional cases where it can be demonstrated to the DP and the MEF that benefits will accrue to the Projects if the same Project Director were appointed to more than two Projects. In all these cases, it must be demonstrated that the Project Manager of each project is highly qualified and experienced to manage the day-to-day implementation

activities. In the case of TA projects a person can be a project director for more than two projects.

- h. The selection and removal from office of a Project Director should only take place in consultation with the DP and the MEF.
- i. When the Project Director is absent from his position for any reason for more than a day, his authority and responsibilities should be delegated to the Project Manager.
- j. Ensures proper financial management of projects and TA activities and ensures compliance with all financial covenants and other obligations in the Financing. Project and TA agreements.
- k. Ensures finances and resources are only used for approved project purposes by authorized personnel.
- l. Regularly monitors project performance and initiates actions to address variations to plans.
- m. Has received delegation of authority from the Minister and can be directly contacted by DPs on all project issues, including meetings, workshops, seminars and introduction to consultants.

(2) Project Manager

- a. Responsible for the day-to-day activities of project implementation.
- b. Ensures that project development objectives and goals are realized on time and within budget and is in line with the project results framework as agreed between the DP and RGC at the commencement of the project
- c. Responsible for all procurement activities in the project in accordance with the responsibilities defined in the Procurement Manual
- d. Approves and signs contracts and other important procurement documents within delegated authority.
- e. Approves expenditure within delegated authority.
- f. Ensures effective financial systems and procedures for accounting and financial management of the project or TA activities are maintained.
- g. Responsible for the employment and management of project staff.
- h. Supervises and maintains high level of performance by the project and its staff.
- i. Supervises and manages all contracting done by the EA/ IA.
- j. Maintains effective channels of communication with all stakeholders.

- k. Ensures that all reports, papers and other information are made available in an orderly and timely manner.
- l. Ensures that monitoring and evaluation activities generate the information necessary to support project management. Furthermore ensures that the M&E are carried out following the results based framework that was agreed to between the RGC and the DP at the time of Project formulation
- m. Ensures that management actions are pro-active, adequate, and effective in responding to monitoring information and changing circumstances.
- n. Receives instructions from, and reports directly to the project director.
- o. Holds only one project manager position.

(3) Administrative Officer

- a. Responsible for personnel management and administration.
- b. Manages and administers project assets and facilities and ensures that they are only used for approved project purpose by authorized personnel and are properly secured and maintained
- c. Prepares and coordinates regular scheduled and non-scheduled meetings related to administration of the project.
- d. Coordinates reporting and information exchange.
- e. Undertakes any other duties and responsibilities assigned by the Project Manager.
- f. Receives instructions from, and reports directly to, the Project Manager.
- g. Responsible for ensuring project documents are properly maintained and retained for project activities.

(4) Finance Officer

- a. Responsible for managing and administering the financial affairs of the project in accordance with the RGC's financial policies, guidelines and procedures, all financial covenants and other obligations in the Financing , Project and TA agreements.
- b. Establishes and maintains the different budgets for the project ensuring the project is included in the Public Investment program (PIP) of the Ministry/Agency leading to financial commitments in the Budget Strategic Plan (BSP) and Annual Budget Plan (BP).

- c. Establishes and maintains project accounts (accounting and financial management systems and records) in compliance with the procedures and guidelines outlined in the Financial Management Manual.
- d. Maintains proper internal controls within the financial operations of the project, particularly for bank accounts and cash advances
- e. Supervises the management and administration of all financial transactions under the project.
- f. Approves expenditure within delegated authority.
- g. Generates and distributes the different financial reports and information necessary for effective and responsible financial management and decision-making.
- h. Carries out any other financial and accounting duties and responsibilities assigned by the project manager.
- i. Receives instructions from, and reports directly to, the project manager.
- j. Prepares financial statements and reports for audit and facilitates the conduct of audits of the project.

(5) Technical Officer

- a. Manages and administers the technical aspects of the project implementation process.
- b. Establishes and maintains project implementation schedules.
- c. Manages and administers the implementation of contracts.
- d. Monitors and evaluates progress and performances of technical staff, consultants, and contractors. Certifies progress for payments.
- e. Prepares and distributes technical reports to the different stakeholder groups.
- f. Carries out any other technical functions and responsibilities considered necessary by the project manager.
- g. Receives instructions from and reports directly to the project manager.

(6) Procurement Officer

- a. Responsible for taking the lead in carrying out the steps in the procurement process of all project procurement activities including civil works and goods and services and for obtaining the required government approvals, including those of the PRC and its members, to

ensure compliance with the procedures and guidelines of the DP and the RGC's Procurement Manual.

- b. A more comprehensive list of responsibilities is specified in the Procurement Manual.
- c. He/she receives instructions from, and reports directly to, the project manager.

(7) Monitoring and Evaluation Officer

- a. Responsible for all project Monitoring and Evaluation activities including the monitoring of the Project Development Objectives as well as all other achievement targets that have been agreed to during project formulation stage.
- b. He/she receives instructions from, and reports directly to, the project manager. A more comprehensive task accomplishment of the M&E officer will be spelt out in the Project Results Framework prepared during the project formulation stage.

(8) Other Project Officers and Staff

- a. Depending on the size and nature of projects, other officers and support staff may be required. Such additional staff must be mobilized as and when required by the project or appropriately qualified consultants must be recruited, if deemed necessary.

173. The project director and project manager are responsible for ensuring that the EA/IA project implementation team is adequately staffed. They must also ensure that the different positions are filled with competent and qualified staff. Where none is available, the EA/IA must develop the necessary skills and capabilities and or hire competent staff from the open market, on a contractual basis, for the duration of the project.

Table B.01: Roles & Responsibilities Relating to a Project

Project Stage	MEF	EA/IA	Project Implementation Team
Project Identification	Identifies the EA/IA	Confirms in writing its agreement to be the EA/IA of the project.	
Project Preparation Project Appraisal	<ul style="list-style-type: none"> Coordinates and facilitates project preparation activities. Agrees on financial reporting requirements and external audit arrangements. Selects the RGC negotiating team Agrees on Procurement Plan Agrees on disbursement procedures. 	<ul style="list-style-type: none"> Prepares the preliminary project design. Prepares project cost estimates Prepares financing plan Organizes and chairs wrap-up meetings Assesses the environmental and social impact. Analyzes economic and financial viability. Identifies and manages risks Develops an operations & maintenance plan. Establishes PMU if necessary. Identifies civil works and procurement requirements, including any advance actions. Prepares forecasts of disbursements and income & expenditures. Prepares project-processing schedule. Agrees on reporting requirements, monitoring & evaluation systems, external auditing arrangements. Reviews project readiness filters. 	<ul style="list-style-type: none"> Hires key personnel. Procures initial office equipment and supplies Carries out all advance procurement action

Project Stage	MEF	EA/IA	Project Implementation Team
Loan Negotiation	Negotiates and signs Financing , Project and TA agreements	<ul style="list-style-type: none"> • Participates in loan negotiations. • Documents agreements reached at project preparation stage. 	
Project Implementation	<ul style="list-style-type: none"> • Ensures EA/IA compliance with loan covenants • Accountable to the National Assembly and the Council of Ministers. • Delegates authority to the EA/IA responsible for overall project management • Responsible for overall procurement actions • Participates in procurement process as member of the CEC and Procurement Review Committee as specified in the Procurement Manual • Collects and monitors disbursement and procurement tracking forms • Monitors performance of the project processes disbursements • Approves all variations to contracts and change in scope • Seeks approval of DP for extension of loan closing dates 	<ul style="list-style-type: none"> • Accountable to the MEF. Delegates authority to the project implementation team • Ensures PIT's compliance with rules and regulations of the RGC and DPs. • Chair or member of BER, CEC and PRC 	<ul style="list-style-type: none"> • Accountable to the EA/IA • In-charge of day-to-day project implementation • Carries out all procurement activities • Chair or member of BEC, CEC and PRC. • Prepares and updates project administration manual • Agrees performance management requirements with DPs, Measures, and monitors and evaluates progress in delivering Project Development Objectives (PDO) vs. performance targets. • Measures and reports on physical progress vs. targets. • Conducts financial management, monitoring and evaluation. • Establishes project accounting systems,

Project Stage	MEF	EA/IA	Project Implementation Team
			<p>maintains project records & prepares financial reports</p> <ul style="list-style-type: none"> • Establishes bank accounts. • Establishes and maintains a management information system. • Monitors operational performance • Responsible for all procurement actions. • Prepares and submits disbursement and procurement tracking forms
Project Completion	<ul style="list-style-type: none"> • Ensures that all project accounts are closed. • Ensures that all residual assets are transferred to the State Asset Department 		<ul style="list-style-type: none"> • Prepares project completion report (PCR). • Closes the project accounts

APPENDIX C – INTER-AGENCY COORDINATION

174. With numerous agencies and staff involved in the externally assisted projects, it is vital to have an effective inter-agency coordination. Described herein are various ways and means of achieving smooth cooperation and collaboration amongst the various agencies of the RGC involved in externally assisted projects.

A. Meetings

175. Meetings to discuss and solve project issues are an integral part of project management. These are important tools in fostering teamwork and cooperation and thus must include representatives from different agencies. It is essential to make these meetings productive.

(1) Project Management Meetings

- a. The EA conducts regular and scheduled project management meetings to identify, discuss and resolve project issues.
- b. The MEF conducts quarterly portfolio performance review (QPPR) meetings where the EAs/IAs has the opportunity to discuss and resolve issues requiring the attention of higher-level officials in the RGC and the DP.
- c. The ADB, WB, JICA, MEF and EAs/IAs conduct an annual country portfolio performance review (JCPPR) meeting to discuss and resolve key systematic portfolio bottlenecks and measure overall performance in achieving the development objectives.
- d. A number of technical and issue-specific meetings are held between DP's missions and EAs/IAs to discuss and resolve project issues. The EA/IA organizes and manages such mission meetings.
- e. The EA/IA also schedules an introductory and a wrap-up or final meeting between DP's mission and MEF at the commencement and completion of each mission. These two meetings are held to inform the RGC about the purpose, findings and recommendations of the mission.

(2) Procurement Review Committee and Consultants Evaluation Committee Meetings

- a. Following the guidelines and systems and procedures specified in the RGC's Procurement Manual, the PIT organizes the Procurement Review Committee (PRC) meetings necessary for the procurement of goods and civil works to be funded by the project.

- b. In case of selection and engagement of consultants for services, the PIT organizes and convenes the Consultant Evaluation Committee (CEC) and PRC.
- c. MEF participates in the PRC and the CEC meetings as a member.
- d. The role and responsibilities of the PRC, CEC and the conduct of the PRC and CEC meetings are given in more detail in the RGCs Procurement Manual.

(3) Mission Meetings

- a. A number of technical and issue-specific meetings are held between DP's missions and EAs to discuss and resolve project issues. The EA organizes and manages such mission meetings.
- b. The EA also schedules an introductory and a wrap-up or final meeting between DP's mission and MEF at the commencement and completion of each mission. These two meetings are held to inform the Government about the purpose, findings and recommendations of the mission.

B. Minutes of Meetings

176. The EA/IA is obliged to document agreements reached in meetings that have been conducted to discuss project implementation issues. These are normally in the form of an AM or MOU. Each meeting must be concluded by minutes of meetings, stating the purpose of the meeting, names of attendees, issues discussed, and agreements reached, with emphasis on defining any follow-up actions and the timetable for completion of any such action and the person or organization responsible to carry out the follow-up action. Copies of the AM, MOU or minutes are circulated to all participants and any other agency or individual concerned.

C. Correspondence

177. Communication among stakeholders in project implementation and portfolio management constitutes and underpins the possibility of success or failure in all development initiatives. The articulation and recording of these communications and consultations are an important part of the project formulation and implementation cycle including contractual arrangements, approvals, variations, changes, and commitments. Accordingly, it is essential that all those concerned in the implementation, administration and management processes establish and maintain clear and transparent records of all correspondence.
178. All agencies participating in the implementation, management and administration of externally assisted projects must maintain a complete and comprehensive record of all project-related correspondence, whether sent or received. The record must clearly identify the (i) project concerned; (ii) date received or sent; (iii) recipient and sender; (iv) any action to be taken; (v) person responsible for taking the action; and (vi) persons to whom forwarded for information and action.

179. All agencies must also establish and maintain an “action-tracking” system to ensure that appropriate response is made for important correspondence. The tracking system must identify the (i) correspondence; (ii) person responsible for taking actions; (iii) the action taken; and (iv) turn-over time, i.e., the time it takes from receipt of correspondence to response on the correspondence.
180. The EA/IA must define clear accountabilities and responsibilities for generating and responding to the various types of correspondence. These must reflect the level of authority and responsibility delegated to the project implementation team. The lines of communications, responsibilities and accountabilities must be reflected in the operating procedures established for the management and functioning of the EA/IA project implementation team. As a general rule, the EA/IA must provide MEF a copy of all communications relating to externally assisted projects.

D. Informal Interaction

181. An open and free exchange of information and interaction between the different stakeholders is encouraged. Phone calls, email messages and brief informal meetings are ways to get ahead in project implementation. Informal interactions support teamwork and improve efficiency and collaboration. Work is often done through the informal channels of communication than the formal ones. It is, however, necessary to formalize agreements and understandings reached through informal interactions, by documenting such agreement in a letter. This applies to all agreements and understandings that may have bearing on the implementation, management, and administration of projects.

182. Project officers and staff are the most important resource of any project. Regardless of the size of the project, its successful implementation and attainment of project development objectives depend on the human resources made available to the project.
183. The mobilization of the human resources required to manage and administer projects is one of the most crucial tasks of project management. The nature of staff assignments to project implementation must obviously reflect the nature of the projects to be implemented. The needs for project implementation staff are different for a small advisory technical assistance (TA) grant and a loan project. It is most important to ensure that all staff allocated to work on development projects are selected on merit and their existing functional roles in the EA/IA. The positions of the Project Director and Project Manager should be selected in consultation with the DP and the MEF and should there be a need to replace them during the project implementation period, this should be done in consultation with the DP and MEF.

A. Timing of Recruitment and Other Considerations

(1) Advisory Assistance Grants

184. Advisory TA grants are carried out for a variety of purposes, such as preparing specialized studies, assessments and evaluations, or capacity building. The studies, assessments and evaluations, or capacity building that they finance are much smaller than the projects financed by loans but are still considered as projects. The most effective implementation modality is through the relevant technical department or section of the line ministry as an integrated part of its day-to-day operation, management, and administration. Further, the TA must be viewed as a learning and capacity building opportunity for the staff of the line ministries.
185. Considering that the projects financed by such advisory TA grants are typically of a relatively short duration, the EA/IA at central and decentralized levels must make available for the duration of the project and within its organizational structure, designated officers and staff with the necessary capability to support project implementation. The officers and staff are to be nominated from among the EA/IA's line positions and undertake project work as part of their regular responsibilities.

(2) Project Formulation and Preparation

186. Most major DPs support project formulation and preparation of loan projects through provision of grants and advance on the loan being processed for approval. Preparatory TAs need close interaction and collaboration with the line ministry or specialized agency, which eventually will be designated as the EA/IA if a loan materializes. Furthermore preparatory TA activities provide unique opportunities for learning and capacity building.

187. Participation of staff from the line ministry or specialized agency during project formulation and preparation process provides an opportunity for the said staff to thoroughly know and understand the project being formulated. EA staff are fully involved with the consultants carrying out the project preparation activities. For this purpose the EA/IA establishes a Project Formulation Team.
188. The potential EA/IA must maximize the benefits to be derived from participating in the formulation and preparation of projects. It must ensure that the dedicated officers, staff, facilities and equipment needed to support the process of project formulation and preparation is made available to the DP and its representative consultants within the existing organizational structure. The EA/IA must ensure that the likely future project implementation team members are the ones assigned to participate in the formulation and preparation process.

(3) Project Implementation

189. When advance actions are used, project implementation for a loan project starts at the project appraisal stage, with initiation of project activities in accordance with the project readiness filters (PRFs) requirements. An initial project implementation team may be established by the EA/IA before start of project appraisal. A full complement of staff is not necessary at this stage. Gradually this must be strengthened to meet the increasing level of activities and operational complexity. The size and operational scope of the team must be adequate to follow the dynamics of projects.
190. It is particularly important that the best possible officers and staff are selected to participate in the implementation of loan projects because of the importance of such projects to Cambodia's development. If a suitable number of skilled staff for project implementation activities cannot be located within the EA/IA or other RGC agency, then the EA/IA should recruit consultants or contractual staff to supplement the capacity of the EA/IA.

B. Recruitment Guidelines

191. The identification and selection of project implementation staff must be based on open, transparent, and competitive principles to ensure that each project management position is staffed with the most competent and suitable candidate for the work involved. Top-level management skills, technical and personal capabilities are required irrespective of the nature of the project.
192. The EA/IA (i) allocates project implementation staff in accordance with the manning schedule prepared for the project; and (ii) prepares detailed TOR for each key project management position and a general job description for all other positions required for project implementation. In instances where a dedicated PMU is necessary, full time staff are designated for the roles and functions identified for the PMU. The TOR must conform with the provisions of the project document and must clearly indicate (i) the duties to be carried out by the position; (ii) responsibilities, authorities and accountabilities; (iii) any supervising officer and reporting requirements; (iv) duration of employment; (v) any special privileges; (vi) preferred qualifications for the position; and (vii) selection criteria for the position.

C. Selection Procedures

193. The EA/IA must ensure that the DP's project formulation missions help the EA identify the different positions and the corresponding TOR required for the effective implementation of the project. In cases where external staff are to be recruited (such as to staff a PMU) MEF must review and endorse all project implementation staff positions requiring any form of financial allocations under the project. MEF's endorsement is required for all projects, whether grant, loan or government-funded.
194. For the selection of key project implementation officers for a PMU, specifically, the (i) project director, (ii) project manager, (iii) financial officer, (iv) technical officer, (v) administrative officer, (vi) procurement officer, and (vii) project monitoring & evaluation officer, a Staff Selection Committee (SSC) must be established with at least three members. However the position of Project Director and Project Manager may be filled in by direct nominations by the EA/IA, in consultation with the DP appraisal team and MEF, when it can be shown that nominated officers have proven previous experience in implementing similar projects. For the rest of the staff, a three-man SSC must be established comprising representatives from the concerned line ministry/EA/IA. All these appointments must be made in accordance with the RGC's appointment Guidelines and do not require any prior approval of the DP.
- a. The SSC reviews and approves the detailed TOR, the selection criteria and the internal notice advertising the project officer and staff positions.
 - b. The EA/IA issues a notice, inviting applicants for the officer or staff positions and allowing a reasonable time of not less than two weeks for potential candidates to submit their application.
 - c. The SSC reviews all applications, then ranks and selects the highest ranked candidate for the available position.
 - d. Based on the SSC's recommendations, the EA/IA ensures that the appointment is concluded in an open and transparent manner and accordingly issues an appointment letter, clearly outlining (i) the duties to be carried out; (ii) responsibilities, authorities and accountabilities; (iii) supervising officer and reporting requirements; (iv) duration of employment; and (v) any special privileges.
 - e. In case of external candidates, the recruitment will be carried out in accordance with the provisions of the project's legal agreements and DPs' Consultant Guidelines and the procedures elaborated in Procurement Manual except for contractual staff engaged under the Incremental Operating/Administrative Costs category.

D. Managing Project Staff

195. The EA/IA must ensure that (i) sufficient input of staffs to implement the project is available when needed; (ii) designated staff have the necessary qualifications to undertake the assigned tasks and responsibilities, including prior project experience, knowledge, and understanding; and (iii) necessary specialist and

support staff are available to effectively support project implementation. All staff must participate in training and learning activities to familiarize themselves with project management, project implementation, guidelines, and systems and procedures of the MEF and the DP.

196. In cases where a PMU is established, staff must be appointed according to the agreed manning schedule, starting with a complement of key officers and staff and then gradually building up and adjusting the staff complement to meet actual requirements of the project. The key officers and staff assigned must be available on a full time basis during the period required and must be capable of focusing exclusively on project implementation during their assignment. In areas where skills shortages exist, PMUs' with the approval of the MEF may recruit skilled staff on part time basis from the open market. In such situations, a contract of employment clearly outlining the scope of work and engagement arrangements must be entered into between the PMU and the part time employee. All manning schedules must clearly indicate the nature and duration of assignment.
197. MEF and the DP must monitor the EA/IA's compliance with the basic requirement of having dedicated and competent personnel available for project implementation.

APPENDIX E- PROJECT ADMINISTRATION MANUAL (PAM/PIM)

198. The PAM, or sometimes-called PIM, is prepared by the Project Formulation Team supported by the DP team and the implementation team should continually update the PAM/PIM to reflect changing circumstances for the implementation of all development projects to be funded by DPs. It is prepared for the whole duration of the project. The size, complexity and scope of the PAM/PIM must correspond to the type of project being implemented. It serves as the basis for other plans, budgets, procurement schedules and other project implementation requirements. The PAM/PIM is a project specific document and is developed taking into account all aspects of the project that needs attention during project implementation phase of the specific project. This document is a management tool designed to assist the EA/IA to become pro-active in implementing projects. The PAM/PIM must be completed prior to initiating the project loan/credit/grant negotiations with the DP.
199. In drafting the PAM/PIM the PFT should thoroughly map out each project implementation activity, and clearly articulate how each activity will be accomplished during the implementation phase. The required detail should include such aspects as: (i) the flow of work; (ii) delegation and levels of authority; (iii) funds flow arrangements; and (iv) a description of all documentation and reports that need to be generated during project implementation. The provision of this level of detail prior to the commencement of project implementation will ensure that meaningful guidance is given to staff involved in the project implementation activities at every stage until project completion. The PAM/PIM is also a “living” document, and as such must be constantly updated and revised, as situations change during the project implementation phase.
200. The PAM/PIM is used as a management tool to assist in:
- a. Implementing projects and in accomplishing project goals, planned results and project outputs and development objectives;
 - b. Defining the tasks and activities needed to be carried out to generate the PDOs and results and impacts anticipated for the project;
 - c. Managing project inputs, allocation of resources and optimization of resources usage;
 - d. Managing and administering projects, assigning responsibilities and accountabilities, and for fostering collaboration and teamwork;
 - e. Identifying when various procurement actions need to be taken;
 - f. Defining the funds flow structure which will facilitate the disbursement procedures for the project.
 - g. Monitoring and evaluating performance; and

- h. Sharing and managing knowledge and stakeholder communication.

201. The PFT, with the support of the DP's project formulation team, is responsible for preparing a comprehensive PAM/PIM during the appraisal mission. In carrying out this responsibility, the PFT must:

- a. Ensure that the PAM/PIM is finalized as early as possible and prior to the implementation of project activities.¹⁴ The PRF requires it to be prepared and agreed prior to the DP's Board of Directors considering the Project for approval. The PAM/PIM must present what must be accomplished, by whom, when, the cost and management for generating results;
- b. Circulate the PAM/PIM to the DP or its representative and MEF; and
- c. Conduct the necessary briefing meetings to ensure all project participants and stakeholders are fully informed about the schedule of work, the activities and other issues outlined in the PAM/PIM and the first period work plan and schedules.

202. An illustrative table of contents of a PAM/PIM of a recent Project assisted by ADB is presented herein as an example.

Contents

ABBREVIATIONS

I. PROJECT DESCRIPTION

- A. Project's rationale, location and beneficiaries and benefits

Component 2: Improving Agricultural Policy Environment

Component 3: Effective Project Management

II. IMPLEMENTATION PLANS

- A. Project Readiness Activities
- B. Overall Project Implementation Plan

III. PROJECT MANAGEMENT ARRANGEMENTS

- A. Project Implementation Organizations – Roles and Responsibilities
- B. Key Persons Involved in Implementation
- C. Project Organization Structure

¹⁴ Major DPs require that the PAM/PIM is prepared prior to Project Loan negotiations

IV. COSTS AND FINANCING

- A. Detailed Cost Estimates by Expenditure Category
- B. Allocation and Withdrawal of Loan and Grant Proceeds
- C. Detailed Cost Estimates by Financier
- D. Detailed Cost Estimates by Outputs/Components
- E. Detailed Cost Estimates by Year
- F. Contract and Disbursement S-curve
- G. Fund Flow Diagram

V. FINANCIAL MANAGEMENT

- A. Financial Management Assessment
- B. Disbursement
- C. Accounting
- D. Auditing

VI. PROCUREMENT AND CONSULTING SERVICES

- A. General
- B. Procurement Thresholds and Review
- C. Procurement Plan
- D. Advance Contracting
- E. Procurement of Goods, Works and Consulting Services

VII. SAFEGUARDS

VIII. Gender and Social Dimensions

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

- A. Project Design and Monitoring Framework
- B. Monitoring
- C. Evaluation
- D. Reporting
- E. Stakeholder Communication and Grievance Redress Strategy

- X. ANTICORRUPTION POLICY
- XI. ACCOUNTABILITY MECHANISM
- XII. RECORD OF PAM CHANGES
- XIII. LIST OF APPENDIXES

APPENDIX F- PROCEDURES IN IMPLEMENTING PROJECTS

203. In carrying out project implementation responsibilities, the EA/IA must undertake the following procedures:

A. Initiating Project Implementation

204. Check availability of the physical facilities, office space, tools, and equipment and transport facilities to ensure that project work can start immediately after approval of DP.

205. Confirm availability and mobilize officers and staff of the project implementation office to ensure that the office is operational immediately after DP approval.

B. Managing the Project and Monitoring Performance

206. Hold a project inception meeting to:

- a. Review and update work plans, activities and tasks, and implementation schedules;
- b. Establish quantifiable and time bound targets for the delivery of outputs to meet the PDOs ; and
- c. Establish critical decision points to ensure management actions are taken in time to avoid delays and catching problems before they become major and to realize project objectives and goals.

207. Conduct regular project management meetings to ensure pro-active actions are taken to resolve any problems to ensure project objectives and goals are met. Project management meetings must also serve as a forum for conflict resolution.

- a. Invite to project management meetings all stakeholders concerned or those with responsibilities over the project, including representatives of the DPs, MEF, consultants, and representatives from the implementing team.
- b. MEF will conduct quarterly portfolio management meetings with the EA/IA to discuss and resolve issues requiring the attention of Management and higher-level officials in the RGC.

208. Institute systems and procedures to monitor financial management and use of project resources in accordance with the guidelines, systems and procedures of the DP and MEF.

C. Reporting and Knowledge Management

209. Prepare reports stipulated in project agreement between EA and the DP, as well as those required by the guidelines, systems and procedures of the sponsoring stakeholders, development partners, and the MEF.
210. Submit reports on time to (i) the parent ministry; (ii) the DP supporting the project; (iii) MEF, represented by the DIC; and (iv) any other agency included in the mailing list during project formulation or later during project management meetings.

APPENDIX G- FINANCIAL MANAGEMENT RESPONSIBILITIES

211. Financial management of projects is the responsibility of the borrower and within the RGC the main agencies/bodies responsible for project financial management are:

- MEF;
- EA/IA; and
- PIT (or PMT as it is referred to in the Financial Management Manual).

A. Ministry of Economy and Finance

212. The MEF, on behalf of the RGC, has overall responsibility for overseeing the financial performance of all DP assisted projects that come under its purview and promoting and supporting improved portfolio performance. Specific responsibilities of the MEF are:

- Developing and maintaining policies, the Standard Operating Procedures (SOP) and supporting Manuals for all DP assisted projects.
- Identifying and designating the EA/IA for DP assisted projects and providing appropriate authorities and delegations to the EA/IA and Project Teams.
- Ensuring appropriate bank accounts are established with the National Bank of Cambodia and other approved financial institutions including commercial banks and monitoring authorized bank account signatories.
- Proper budgeting for counterpart funds and making counterpart funds available to projects on a timely basis.
- Providing support and assistance to the EAs/IAs in establishing and implementing sound accounting and financial management systems and procedures.
- Monitoring, and providing guidance on, withdrawal and replenishment applications by EAs/IAs. Projects Teams must provide MEF with signed statements of expenditure and draft withdrawal applications (which will be approved and signed by MEF) and bank statements with reconciliations for the designated accounts, and counterpart accounts. The withdrawal application to the MEF must be accompanied by the “ Disbursement Tracking form ”
- Participating, as a committee member, in procurement activities of projects to ensure compliance with the guidelines and provisions governing the contractual relationship between the RGC and the DPs and to assess and agree contract payment schedules for cash management purposes.

- Monitoring and evaluating the financial performance of projects and portfolio performance.
- Regularly reporting the financial performance of projects to The RGC, other relevant stakeholders and the general public.
- Promoting and facilitating the exchange of information between project teams and EAs/IAs
- Coordinating training and learning opportunities for EAs/IAs and Project Teams.

B. Executing Agency

213. EAs/IAs have primary responsibility for ensuring projects are implemented in accordance with project plans and that resources are used efficiently and effectively and only for project purposes. EAs/IAs are accountable for all financial aspects of projects and must ensure there is compliance with all financial covenants and other obligations in the Financing, Project and Grant assistance Agreements. Specific responsibilities are:

- Establishing project management structures and staffing and ensuring financial staff are properly qualified and trained.
- Ensuring appropriate project bank accounts are established and signatories are maintained up-to-date.
- Maintaining proper financial accounting and management systems and procedures acceptable to the DPs and MEF.
- Implementing comprehensive and effective internal controls for project financial operations.
- Managing and safeguarding project assets.
- Preparing and submitting timely applications for withdrawal and replenishment of project funds. The “Disbursement Tracking Form” must accompany all withdrawal applications.
- Monitoring financial performance of projects and timely decision making to address variances to plans/budgets.
- Ensuring compliance with the project financial reporting requirements.
- Monitoring audit results and ensuring appropriate response and actions are taken in relation to audit findings and recommendations.
- Contributing to the centralized information centre and the knowledge base on projects maintained by MEF.

C. Project Implementation Team

214. The project implementation team (PIT) is accountable to the EA/IA for the financial management of projects and ensuring compliance with all financial covenants and other obligations in the Financing, Project and Grant Technical Assistance Agreements. Specific responsibilities are:

- Managing and administering the financial affairs of the project.

- Ensuring compliance with the financial covenants of the project agreements and the RGC's and DP's policies and procedures.
- Establishing and maintaining project budgets to support the mobilization of resources and as a management tool to support project management.
- Managing the project bank accounts.
- Establishing, maintaining and operating the project accounting and financial management systems and procedures.
- Administering the financial transactions of the project and maintaining proper accounts and records for the project.
- Undertaking all tasks and activities related to the procurement of civil works, goods and services required by the project, in strict conformity with the guidelines, systems and procedures governing the use of project resources.
- Undertaking all disbursement functions, tasks and activities of the project, in strict conformity with the guidelines and systems and procedures governing disbursements from the project account and the use of project resources.
- Prepares and approves applications for withdrawal and replenishment and submits the applications through the Department of Investment and Cooperation (DIC) of the MEF to the DPs for payment or replenishment.
- Generating and distributing financial reports, evaluations and information necessary for effective and responsible financial management.
- Monitoring the financial performance of the project and taking actions to address variances to plans.
- Facilitating the audit of the project's financial statements and financial operations.
- Preparing and issuing all scheduled and non-scheduled reports on the project's financial matters to the EA/IA, MEF, DPs and other stakeholders of the project.

APPENDIX H- SUGGESTED TOPICS FOR PROJECT COMPLETION REPORTS

(For project, multi-project, sector, program, sector development program and Technical Assistance loans)

I. PROJECT DESCRIPTION

- A. Objectives including PDOs and comparing to the outcomes achieved
- B. Components (or subprojects for sector and multi-projects)
- C. Implementation methods
- D. Description and justification of changes in components (or subproject appraisal criteria) or implementation methods

II. PROJECT IMPLEMENTATION

- A. Compare original and actual implementation schedules. Indicate delays, length and causes of delays, and remedial action taken.
- B. Compare cost estimates made during appraisal and actual costs. Local currency costs incurred, appropriate exchange rates for their conversion into US dollars, and the foreign exchange costs financed by co-financiers must be compiled correctly with reference to audited project accounts. Indicate factors that contributed to any significant overruns or under-runs.
- C. State problems or difficulties in recruiting consultants, with reference to development partner's (DP's) procedures. Assess the consultant's work and the working relationship between the EA/IA and the consultant. Use of a logical framework is strongly recommended.
- D. State problems or difficulties encountered in procuring goods and services (including civil works) with reference to the DP's procedures. Assess the supplier or contractor's performance under the contract.
- E. Give the extent of compliance of the borrower and EA/IA with loan covenants, with reasons for noncompliance or delays in compliance and the remedial actions taken.
- F. State reasons for any delays in loan utilization. Evaluate the appropriateness of the disbursement methods used. Justify the reallocation of loan proceeds.
- G. State problems or difficulties with subproject appraisal. Evaluate the EA/IA and, where one existed, the PMU's performance and capacity to appraise subprojects.

III. INITIAL OPERATIONS

- A. Describe initial operations of the project and transitional problems encountered from project completion to initial operations.
- B. Describe measures taken to ensure continued smooth operation of the project relative to management, staffing, funding, and maintenance of project facilities.
- C. Analyze the prospects of the project benefits and project development objectives being realized.

IV. EVALUATION OF THE DEVELOPMENT PARTNERS PERFORMANCE

- A. Assess the DP's performance in supervising project implementation. Include comments on the adequacy of the consultants' terms of reference and appropriateness of specifications in tender documents. Evaluate the effectiveness and timeliness of assistance extended by the DP to solve implementation problems.
- B. Comment on problems encountered with the DP's procedures. Note the measures taken to resolve these problems and suggest changes in procedures and requirements.

APPENDIX I: PORTFOLIO RESULTS MANAGEMENT FRAMEWORK

This Results Management Framework as agreed during the JCPR process in June 2011

DESIGN PERSPECTIVE AND GOAL	PERFORMANCE INDICATORS	TARGET	DATA SOURCES & REPORTING	BASELINE (DEC-2010)	RESULTS AT (insert date)	COMMENTS AND ASSUMPTIONS
Portfolio aligns with RGC development objectives and conforms to CAS/CPS.	Individual PDO	80% of PDOs of active projects are rated satisfactory and 80% are rated satisfactory by project completion	Regular M&E, QPPR, JCPR, MTR, PCR	ADB: current = 100%; completion = 89%. WB: current = 79.9% completion = 71.6%		PDOs to be simple, concise and able to be monitored easily.
Portfolio is implemented in a timely, efficient and transparent manner with regular monitoring and evaluation	Efficient and timely project start up	By 2012, all project preparation teams to ensure compliance with agreed project readiness filters as a condition of negotiations.	EA/IA/DP project preparation teams. EA/IA/MEF/DPs reports.	-		MEF and DPs to implement the agreed JCPR Action Plan including allocation of sufficient budgets for project preparation.
		Percentage of procurement	EA/IA/DP project	ADB: 0% WB: 0%		

DESIGN PERSPECTIVE AND GOAL	PERFORMANCE INDICATORS	TARGET	DATA SOURCES & REPORTING	BASELINE (DEC-2010)	RESULTS AT <i>(insert date)</i>	COMMENTS AND ASSUMPTIONS
		packages (included in the first 18-month procurement plan) with bidding documents approved at negotiation stage - with a target of 75% by 2014	preparation teams. EA/IA/MEF/DPs reports.			
	Time from Board to effectiveness	New projects ≤ 3 months by 2012.	RGC/DP project preparation teams.	ADB: 3.4 months WB: 3.2 months		ADB and WB to reduce conditions of effectiveness in favor of compliance with project readiness filters.
		Average decreases to ≤ 5 months by 2013.	JCPPR	ADB: 7.2 months WB: 6.9 months		
		For new ADB projects, time from Board approval to mobilization of project implementation consultants ≤ 15	Procurement tracking forms. MEF-DIC reporting, QPPR, JCPPR.	ADB: 17 months (WB has not used this indicator)		Advance action on recruitment taken as per JCPPR Action Plan.

DESIGN PERSPECTIVE AND GOAL	PERFORMANCE INDICATORS	TARGET	DATA SOURCES & REPORTING	BASELINE (DEC-2010)	RESULTS AT <i>(insert date)</i>	COMMENTS AND ASSUMPTIONS
		months by 2012.				
	Time to establish M&E baseline data	All new projects (except sub-projects) have established baselines for key performance indicators at appraisal by 2013	EA/IA quarterly progress reports. QPPR JCPPR	ADB: 2/8 (25%) WB: 1/2 (50%)		DPs to continue support of M&E capacity building
	Implementation progress (IP) rating	IP of 80% of ongoing ADB and WB projects rated as satisfactory or better by 2012.	ADB and WB quarterly project performance monitoring reports.	ADB: 100% WB: 79.9%		EAs/IAs, MEF and DPs to continue to address causes of delay as soon as they become apparent.
		IP of 80% of completed ADB and WB projects rated as satisfactory or better by 2013.	ADB and WB PCRs.	ADB: 89% WB: 71.6%		
	Percentage of projects with either DO or IP rated as less than satisfactory for 6 consecutive	Percentage ≤ 10% by end 2011.	ADB and WB semi-annual supervision mission reports.	ADB: 4.0% WB: 28.3%		

DESIGN PERSPECTIVE AND GOAL	PERFORMANCE INDICATORS	TARGET	DATA SOURCES & REPORTING	BASELINE (DEC-2010)	RESULTS AT <i>(insert date)</i>	COMMENTS AND ASSUMPTIONS
	months.					
	Percentage of investment projects closing on time.	Percentage \geq 50% by 2013.	JCPPR	ADB: 22% WB: 0%		
	Withdrawal application processing time.	100% of Withdrawal Applications with Disbursement Tracking Form attached. All stakeholders maintain average processing time for replenishment of impress/special accounts according to SOP.	MEF records of withdrawal application processing.			
	Disbursement ratio.	Disbursement ratio for investment projects remains \geq 20% for all future years.	QPPR, JCPPR	ADB: 23% WB: 20.8%		EAs/IAs will plan, allocate and reallocate available resources regularly, in close

DESIGN PERSPECTIVE AND GOAL	PERFORMANCE INDICATORS	TARGET	DATA SOURCES & REPORTING	BASELINE (DEC-2010)	RESULTS AT <i>(insert date)</i>	COMMENTS AND ASSUMPTIONS
	Disbursement forecasting.	Starting in 2012, disbursed funds for investment projects are within $\pm 10\%$ of forecasts every year.	QPPR, JCPPR	ADB: 20.7% WB: 32.4%		consultations with MEF. EAs will regularly monitor the impact of price escalation on all large civil works contracts and notify MEF and DPs of the effect on project implementation and disbursements.
	Procurement tracking.	All EAs/IAs to complete and submit procurement tracking forms to MEF at least semi-annually from 2011.	EA/IA with MEF summary report to DPs DPs supervision mission AM/MOU.	Coordinated monitoring not yet in place.		MEF will analyze procurement tracking forms data to identify bottlenecks in procurement and report to EAs/IAs and DPs.
	DP response time to EA/IA no objection requests.	Except for contracts worth > US\$1 million, ADB and WB response time \leq	MEF and DP monitoring of procurement tracking forms.	Coordinated monitoring not yet in place.		

DESIGN PERSPECTIVE AND GOAL	PERFORMANCE INDICATORS	TARGET	DATA SOURCES & REPORTING	BASELINE (DEC-2010)	RESULTS AT <i>(insert date)</i>	COMMENTS AND ASSUMPTIONS
		10 working days from 2011.				
	Annual value of contracts awarded for all projects.	Calendar year contract award achievements are within $\pm 10\%$ of projections from 2012.	EA/IA with MEF summary report to DPs AM/MOU of DP supervision missions.	ADB: 46% (WB has not used this indicator)		

APPENDIX J1- PROJECT READINESS FILTER JUNE 2011

Part A: As Agreed in JCPPR

Key Project Preparation Elements	Stage of Project Preparation			
	Identification/ Preparation	Appraisal/ Fact-Finding	Negotiations	Effectiveness
STANDARD PRFs				
Identification of Project Director and EA/IA project management and implementation teams to be responsible for project implementation	EA staff assigned to lead project preparation	Definition of their project-related ToR, and back-up arrangements to ensure continuity	Full Project Management and Implementation Teams assigned	Launch workshop done within 3 months: the launch workshop should focus in particular on the training of staff on the detailed implementation arrangements (program manuals)
Risk Management plans / Good Governance Framework	Broad content defined	Drafted	Completed and agreed. A project staff has been assigned as focal point	
Financial Management Capacity Assessment of EAs/IAs		Completed	Start up actions initiated	Start up actions implemented, including FM training within 2 months
Procurement Capacity Assessment (PCA) of EAs and IAs		Completed. PCA is reviewed by Development	Start up actions initiated	Start up actions implemented

		Partner's Procurement Departments		
Annual implementation plan and budget		Drafted	Completed and agreed.	Plan and budget obtained no objection by DP
Program/project manuals		Drafted	Completed and agreed.	Manuals obtained no objection by DPs
Auditing arrangements including TOR		Agreed	Confirmed	
Environment Impact Assessment (EIA), Social Impact Assessment and Indigenous People Action Plan and Indigenous Peoples Development Framework (where applicable)	Requirements defined	Agreed	Action plans initiated	Action plans ongoing.
Budget & funding from DP and RGC for the 1 st year of project implementation		Needs defined	Confirmed	Available
ADDITIONAL PRFs				
Advance Actions (AA) for 1st year Bidding Documents (BDs) for goods and works		List of items, timetable and responsibilities for implementation of AA,	BD No objection obtained by the DP and issued.	Ready for signing (notably for goods). For civil works contracts , bid documents ready for advertising
Advance Actions for consultants	TORs for project implementation consultants drafted	TORs finalized. RFP reviewed by Development partner's Procurement	RFP issued.	1. Technical and financial proposals evaluated. 2. Contract negotiations done. 3. Contracts ready for signing

		Departments		
Implementation of Resettlement Plan (at least for 1st year) with attention to: (i) Sufficient budget for compensation and income restoration (ii)Coordination with IRC and EA Resettlement Units (iii) Updating of Resettlement Plan		Uploading a draft Resettlement Plan/Framework endorsed by borrower	RGC budgets approved	Start implementation by •Recruiting an external monitoring agency within 3 months) •Conducting detailed measurement survey within 6 months •Conducting replacement cost study within 2 months •Updating the resettlement plan within 2 months
Identification of staff at provincial, district and commune levels	EA/IA confirm that staff work plans will be prepared before fact-finding	Work plans agreed with field staff	EA/IA confirm staff availability and that that TORs have been discussed and agreed with field staff	
M&E arrangements and baselines	Project Development Objective and Key results indicators identified	M&E arrangements agreed Collected (if sub-projects have been identified). A project staff has been assigned as focal point	Confirmed	Collected within 3 months (if no identification of baselines was done during project preparation)

APPENDIX J2: GENERIC PROJECT READINESS FILTERS AND SPECIFIC ACTIVITIES

The following generic PRF is provided as guidance to the EA/IA and PFT to assist them in preparing their front end activities to minimize delays in the project implementation phase of the Project

Project Management Arrangements

1. The EA has obtained all the necessary RGC approvals and has issued a Ministerial instruction on the establishment of the Project Management Office/Unit/Project Implementation Team and delegated the authority for the implementation of the Project prior to Loan negotiations.
2. The selection and appointments, with the job descriptions, of the key positions of Project Director, Project Manager, Procurement Officer, Technical Officer and Finance Officer have been effected prior to loan negotiations.
3. PAM/PIM drafted, discussed and agreed in a workshop with PFT/ PIT prior to Loan/Credit/Grant negotiations. The PAM/PIM draft should be a well thought out document covering in sufficient detail every aspect of project implementation of the specific project. This will ensure that meaningful guidance is provided to staff who will be involved in the project implementation activities at every stage of project implementation until its completion.

Procurement

1. The recruitment of project implementation consultants are completed up to contracts award stage and no objection provided by the DP.
2. The draft Procurement Plan for the 1st 18 months has been approved at Fact Finding Stage and the bidding documents for goods and civil works for the 1st year prepared, no objection received from the DP and ready to advertise after approval of the loan/credit/grant.

Financial Management

1. The RGC has agreed to and confirmed the allocation of the counterpart funds for the 1st year of implementation.
2. Financial Management Systems are in place prior to Loan/Credit/Grant negotiations.
3. Financial management staff have been identified prior to Loan/Credit /Grant negotiations and provision made for their training in the requirements of the FMM and the respective DPs financial management policies and procedures .

4. Auditing arrangements and the TOR for external audit agreed with EA/IA and MEF prior to completion of Appraisal Mission.
5. MEF approval obtained for the opening of the required Project bank accounts prior to Loan Negotiation

Social, Environment, Gender and Resettlement

1. All assessments in accordance with RGC and DPs Guidelines and procedures are completed prior to Appraisal Mission.
2. All required Environment, Social and Gender Plans in accordance with RGC and DPs Guidelines are prepared and approved by the DP prior to Loan/Credit/Grant Negotiations.
3. All land acquisition and resettlement plans are ready in advance of project implementation. These must be accomplished following the RGC and the funding DPs Guidelines

Monitoring and Evaluation

1. The monitoring and evaluation system based on the project results framework is agreed with the DP during Fact Finding Mission and the base line data, **where required**, collected prior to Loan/Credit/Grant negotiations.

Good Governance

1. Good Governance Framework, where required, agreed prior to Loan/Credit/Grant negotiations.

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