

## SUMMARY

# Annual Action Programme (AAP) 2016 and 2017 in favour of Cambodia to be financed from the general budget of the European Union

## 1. Identification

Budget heading	21.020200
Total cost	EUR 70 000 000 of EU contribution
Basic act	Regulation (EU) No 233/2014 of the European Parliament and of the Council establishing a financing instrument for development cooperation for the period 2014-2020.

## 2. Country background

While the Cambodian economy is growing rapidly and the country has performed well in achieving the United Nations Millennium Development Goals, the majority of those lifted out of poverty remain highly vulnerable. The biggest contributor to poverty reduction, so far, have been agricultural sector activities and higher crop prices, in particular for rice; however there is a widespread recognition by all the development partners as well as by the Royal Government of Cambodia that medium to long-term progress in socio-economic growth and poverty alleviation will require across-the-board and deeper structural reforms. This will still be related not only to the agricultural sector reforms, but also to good governance reforms, as an underlying precondition for any inclusive and sustainable development.

### *Agriculture/Natural Resources Management*

Securing the sustainable management of Cambodia's natural resources is challenging due to a combination of factors, including increasing pressures from rapid population growth, expansion of industrial agriculture as well as developments in transport and energy without appropriate planning. Combined with shortcomings in legal clarity and law enforcement, these pressures have led to an unsustainable exploitation of natural resources, inequitable benefit sharing, and conflicts over access and use rights. Hence, one of the most pressing issues in Cambodia today is how to use, manage, distribute and preserve its natural resources in a sustainable way for the benefit of all.

**Fisheries** represent 10 to 18% of Cambodia's Gross Domestic Product (GDP) and are essential to the nutrition of its people. Cambodian fisheries are predominately freshwater capture fisheries and heavily dependent on the quality and connectivity of a complex and unique watershed system, including large flooded areas that can cover up to 30 % of the country's territory. They represent one of the most productive fisheries in the world. Marine fisheries and aquaculture are less developed though still significant. **Aquaculture** production is increasing steadily, representing an

opportunity for economic growth, if managed sustainably, as well as improved food security and nutrition.

#### *Governance and Administration*

Improvements in **governance** is one of the most important factors for inclusive and sustainable growth in Cambodia, as poverty and social exclusion are inextricably linked to weak governance. Poor governance continues to be one of the most significant obstacles to Cambodia's efforts to reduce poverty, and foster sustainable development and growth, while protecting human rights. This is recognized by the Government and Development Partners alike. Focussing on strengthening the responsiveness and accountability of the state through good governance reforms is key to the success of all reforms in Cambodia.

### **3. Summary of the Action Programme**

#### **1) Background:**

##### *Fisheries – Aquaculture*

Fisheries are essential to the Cambodian economy and its people. It is estimated that up to 3 million people or 20 % of the Cambodian population, are engaged in the fisheries sector on either a full time, part-time or seasonal basis. Overall the Cambodian population relies on fish and other aquatic animals for 76 % of their total animal protein consumption. Food consumption surveys in Cambodia show that fish was the second ranked food group after rice in terms of frequency in the diet.

The **aquaculture** sector presents economic and poverty reduction opportunities. However, current developments worldwide and in Cambodia raise a number of environmental, social and economic concerns. Issues of prime importance include aquaculture's competition with capture fisheries – through capture of juveniles as seed and feed – and with human food and nutrition security – through poorly efficient use as fish feed of very large quantities of low value species.

This aquaculture programme will support the development and scaling up of successful pro-poor aquaculture systems, as well as the development and dissemination of more sustainable and efficient practices in the rapidly growing commercial sector. This action will contribute to the further strengthening of national capacities and systems, with the ambition to moving towards a possible budget support approach in the future, if relevant preconditions allow for it.

##### *Decentralisation*

The EU has been a major partner and has contributed considerably to helping to establish democracy at the grassroots level in Cambodia. In June 2005, the Strategic Framework for **Decentralization and Deconcentration** Reforms outlined a comprehensive policy for sub-national democratic development, which was translated into the Organic Law in 2008. In May 2010, the National Program for Sub-National Democratic Development (2010-2019) was approved with implementation beginning in 2011. Indirectly elected councils at provincial and district levels were formed in May 2009 and by 2014 all necessary regulations to operationalise district and municipal funds have been put in place. The reform policy

is clear and comprehensive, ownership is strong and the policy is generally supported by civil society.

However, the vision for democratic reform is not uniform throughout government and various systemic challenges remain. While the communes have introduced the concept of accountability and increased the voice of citizens, further democratization through decentralisation at district and municipal level has been delayed. In the difficult political context, supporting the reform efforts to increase accountability remains a challenge.

## 2) Cooperation/Neighbourhood related policy of beneficiary country

At **national level**, the Rectangular Strategy (RS) phase III (2014-2018) sets out the Governments priority areas for Growth, Employment, Equity and Efficiency with a strong emphasis on the promotion of agriculture. The priorities of the RS are further elaborated in the National Strategic Development Plan (NSDP 2014-2018).

### *Fisheries – Aquaculture*

The RS and NSDP both recognize the importance of the **fisheries sector**, the limits to capture fisheries production, and the need to focus on sustainable intensification of aquaculture and value chain development, in order to generate growth. At the sector level, the **Strategic Planning Framework for Fisheries (SPF) 2010-2024** has been developed by the Fisheries Administration of the Ministry of Agriculture, Forestry and Fisheries in close cooperation with development partners. This represents the key document guiding the development of the fisheries sector in Cambodia. It is articulated around four “pillars”: (1) conservation and management of natural resources to maintain fisheries productivity; (2) development of commercially viable and environmentally sustainable aquaculture; (3) improved post-harvest quality, standards, processes and procedures; (4) strengthened policy, regulatory actions and services.

Its third pillar, on aquaculture, is explicated by the National Aquaculture Development Strategy (NADS) 2015-2030, which has been formulated with EU support and is to be approved in 2016. It offers practical and realistic orientations in terms of organizing seed production, advisory and regulatory services, with a clear indication of responsibilities falling respectively under the public and the private sectors.

### *Decentralisation*

In line with the Rectangular Strategy and the National Strategic Development Plan, the objective of the **National Program for Sub National Democratic Development 2010-2019** (NP-SNDD) is to strengthen Sub-National Administrations to support Government of Cambodia's development agenda, reduce poverty and improve the delivery of public services. The NP-SNDD, through the 3-year Implementation Plan phase II (IP3-II, 2015-17) supports the institutional consolidation of Sub-National Administrations; capacity development of elected Communes and Districts; development and consolidation of the social accountability framework; and transfer from Line Ministries to Sub-National Authorities of substantial functions relating to service delivery. The NP-SNDD reform program is a component of the national governance reform package alongside the National Programme for Administrative Reform (NPAR) and the Public Finance Management Reform Programme (PFMRP).

### 3) Coherence with the programming documents:

The joint **European Development Cooperation Strategy for Cambodia 2014-2018**<sup>1</sup> ('European Joint Strategy') is entirely aligned to the priorities of the Government's RS III for the same period. Support to the agriculture and natural resources management sector, including fisheries, and support to governance reforms, which includes decentralisation, are two of the four priority areas of European development cooperation.

In this context, the European Joint Strategy recalls that 'European partners will support development of agriculture including the promotion of livestock production and aquaculture'. The Joint Strategy also indicates that 'support will be provided for further implementation of the Strategic Planning Framework for Fisheries 2010-2019'. The EU has been identified in the Joint Strategy as 'lead partner' among the European development partners in the fisheries sector.

In addition, the Joint Strategy notes that 'the sub-national democratic development reform has possibly the greatest potential impact on the development of democratic governance in Cambodia. Therefore 'European partners will continue their support to Sub-National Democratic Development reform through the implementation of the National Program for Democratic Development at the Sub-national Level 2010-2019 with an emphasis on local participation and democratic accountability.'

Within the **Multiannual Indicative Programme (MIP) 2014-2020**, support to Aquaculture will contribute to achieve results 1 (improved enabling business environment) and 2 (strengthened value chains) of the EU 2014-2020 cooperation programme with Cambodia in the focal sector "Agriculture and Natural Resources Management".

Support to the NP-SNDD is covered specific objective 2, under the focal sector Governance and Administration of the MIP, namely, supporting Sub-National Administrations (SNAs) to promote the welfare (voice, rights, livelihoods) of citizens, improve equality between citizens and communities, especially women and vulnerable groups, and ensure fairness in access to services in line with the results and activities foreseen in the decentralisation policy framework.

### 4) Identified actions

*Programme for Sustainable and Inclusive Growth in the Fisheries Sector:  
Aquaculture component (CaPFish Aquaculture)*

The overall objective of the CaPFish Programme is derived from the vision set down in the Strategic Planning Framework for Fisheries: to contribute to food security and socioeconomic development in Cambodia in order to enhance people's livelihoods and the nation's prosperity. The specific objective of this Aquaculture Component is to ensure a more sustainable, climate-resilient and inclusive growth in the aquaculture sector.

This action will be implemented in indirect management with the *Agence Française de Développement* (AFD).

---

<sup>1</sup> [https://eeas.europa.eu/delegations/cambodia/documents/publications/2015/2014\\_eujoint\\_strategy\\_en.pdf](https://eeas.europa.eu/delegations/cambodia/documents/publications/2015/2014_eujoint_strategy_en.pdf)

## *Support to Sub National Democratic Development (SNDD), Phase II*

SNDD II will provide the fiscal space needed by the Government to reach the goal of the NP-SNDD, which is to achieve democratic, inclusive and equitable development, improved access, quality and utilization of service delivery and contribution to poverty reduction. It will support the objective of the NP-SNDD which is to develop management systems of provincial, district and commune levels based on the principles of democratic participation that will operate with transparency and accountability in order to promote local development and delivery of public services to meet the needs of citizens and contribute to poverty reduction within the respective territories.

Assistance under this action will be delivered through a sector budget support contract, together with complementary support measures for capacity-building and cross-reform coordination.

### 5) Expected results:

#### *CaPFish Aquaculture*

In line with the National Aquaculture Development Strategy objectives, the expected results or outputs are:

- Seed of high quality is widely available in the country, while the dependency from wild seed collection and low quality imported seeds is reduced;
- Risks associated to water availability and climate change impacts are mitigated
- Quality feed and efficient feed formulations adapted to a range of aquaculture activities are widely available and dependency on 'trash fish' and imported feeds is decreased;
- Sound, situation specific, technical, economic and business advice is available to existing and potential aquaculture operators;
- The possible negative impact of aquaculture production on the environment is attenuated thanks to effective environment and disease management systems;
- The sanitary condition of aquaculture products is improved;
- Financial services adapted to supporting aquaculture development are accessible.
- 

These results are completed by the following additional results:

- The sector's governance is strengthened and the participation of low income rural households and women is increased;
- Aquaculture's contribution to improving household nutrition is enhanced.

## *Support to Sub National Democratic Development (SNDD), Phase II*

Additionality is key to the success of the reform: by providing increased fiscal space to the RGC, conditions are created for the provision of all necessary material inputs to ensure the reforms' success, in particular, by providing resources to the Secretariat of the National Committee for Sub-National Democratic Development (NCDD-S) to fully exercise its role; by giving Districts and Municipalities the means to start exercising fully their general mandate; by giving all necessary support to the rollout

decentralization of primary, pre-primary and non-formal education, and by resolving public financial management issues at sub-national level.

In addition to budget support, complementary measures included in this Sector Reform Contract (SRC) as well as the future European joint programme for capacity development will support the objectives of the SRC. Policy dialogue will ensure follow up on results at implementation and political level. Policy dialogue in the context of the EU's support to the education sector reform and the PFM reform will also reinforce the SNDD II objectives.

#### 6) Past EU assistance and lessons learnt.

##### *CaPFish Aquaculture*

Despite substantial investments, the sustainability of past interventions has been rather poor, with difficulties in structuring a viable seed supply chain and fostering small-scale production units. Key lessons learnt include:

- The need to adopt a comprehensive approach, integrating input supply, extension (with more effective techniques and institutional mechanisms) and understanding of local market demands, including seasonal price dynamics;
- The importance of setting clear criteria for targeting sites and beneficiaries and selecting appropriate options, while favoring a demand-driven approach;
- The need for better coordination at local level, between seed and fish producer, and at wider level, between small-scale and larger hatcheries;
- A need for more research, evaluation and lesson sharing.

##### *Support to Sub National Democratic Development (SNDD), Phase II*

The experience of the EU and EU Member States over the last ten years in support to decentralization and civil society indicate that:

- Given the complexity of the decentralisation reform it is paramount that donor programmes and projects align to Government Strategies;
- Citizens and non-state actors need to become full and equal stakeholders in the decentralisation process;
- Local governments and their associations needs to be more involved in the reform;
- There is a need for more technical and policy dialogue within NCDD and with DPs on strategic topics related to transfer of functions and responsibilities from Line Ministriess to local governments and consequent fiscal decentralization.

#### 7) Complementary actions/donor coordination

Policy dialogue/review, joint sector planning/monitoring and coordination between DPs and government takes place through Technical Working Groups (TWGs), which feed into the Government-Donor Coordinating Committee and the Cambodia Development Cooperation Forum, the highest policy dialogue forum. TWGs are led by the RGC with the support of a Lead DP Facilitator.

##### *CaPFish Aquaculture*

The EU is currently co-chairing the Technical Working Group (TWG)-Fisheries, which comprises a sub-group dedicated to Aquaculture, and it composed of representatives from the concerned administrations, other donors and the civil

society. In addition to some EU Member States, the EU is also a member of the Scaling-Up Nutrition (SUN-platform). The action will also be complementary to the future EU-funded Regional ARISE+ programme, which foresees further support for trade facilitation, standards, customs and transport facilitation, at ASEAN level. It will also be complementary to actions funded by other DGs, in particular DG SANTE, through the future Better Training for Safer Food (BTSF) focusing on food standards, and DG R&D, with supports under Horizon 2020 Framework Programme for Research and Innovation. Synergies, in form of exchange of experience, will also be developed with the concomitant, EU-funded MYSAP programme in Myanmar also working on the Fishery sector.

#### *Support to Sub National Democratic Development (SNDD), Phase II*

The SNDD TWG is led by the NCDD-S and by a European partnership. European partners (EU, Germany, Sweden, and Switzerland) coordinate on a monthly basis and this European position is a key part of the larger development partner policy dialogue position. European partnership has historically been a cornerstone of support to the NP-SNDD. European partners have in the past harmonized their aid through co-funded projects, then through contributions to the Basket Fund. Now, with the transition of the EU to Budget Support, a renewed emphasis on policy dialogue can take place. ADB, another major donor to the NP-SNDD, is already providing a policy loan with a performance assessment matrix, and efforts to coordinate are being made.

European partners whose procedures do not allow budget support will focus on supporting the EU programme through capacity development initiatives from 2018 onwards, which will be complementary to the EU's SRC. In particular, Sweden and Switzerland will be designing their new phase of support to NP-SNDD in 2016-2017, and a joint European programme for capacity development is envisaged.

#### **4. Communication and visibility**

An overall action of EUR 4 million will be included in the CaPFish - Aquaculture action. It will cover communication and visibility measures pertaining to all 3 focal sectors of the Cambodia Multi-Indicative Programme 2014-2020, namely Agriculture and Natural Resource Management, Education and Skills and Governance and Administration. It will therefore cover communication and visibility linked to actions presented in this AAP and future AAPs. This is to allow for efficient contract management and greater coherence and impact of messages on EU development cooperation in Cambodia. The visibility and communication action will support a range of different activities such as nation-wide campaigns, sector specific activities to disseminate information and knowledge and actions to increase awareness of the impact of EU development cooperation in Cambodia on poverty reduction and sustainable development. The action will use a wide range of media to communicate to the public with a particular emphasis on reaching young people.

## **5. Cost and financing**

CaPFish - Aquaculture	EUR 30 000 000
SNDD – Phase 2	EUR 40 000 000
Total EU contribution to the measure	EUR 70 000 000

This measure shall be financed for an amount of EUR 30 000 000 from budget line 21.02 0200 of the general budget of the European Union for 2016 and for an amount of EUR 40 000 000 from budget line 21.02 0200 of the general budget of the European Union for 2017.





### ANNEX 1

of the Commission Implementing Decision on the Annual Action Programme 2016 and 2017 in favour of Cambodia to be financed from the general budget of the European Union

<b>1. Title/basic act/ CRIS number</b>	<i>Cambodia Programme for Sustainable and Inclusive Growth in the Fisheries Sector: Aquaculture component (CaPFish Aquaculture)</i> CRIS number: ACA/ 2016/038-851 financed under Development Cooperation Instrument (DCI)			
<b>2. Zone benefiting from the action/location</b>	Cambodia The action shall be carried out at the following location: whole territory of Cambodia.			
<b>3. Programming document</b>	Multiannual Indicative Programme (2014-2020) for Cambodia			
<b>4. Sector of concentration/ thematic area</b>	Agriculture and Natural Resources Management Fisheries Development			
<b>5. Amounts concerned</b>	Total estimated cost: EUR 35 000 000 Total amount of EU budget contribution EUR 30 000 000 This action is co-financed in parallel co-financing by AFD for an amount of EUR 5 000 000			
<b>6. Aid modality and implementation modalities</b>	Project Modality Direct management – procurement of services Indirect management with AFD			
<b>7. a) DAC code(s)</b>	31310 – Fishing policy and administrative management			
<b>b) Main Delivery Channel</b>	10000 – Public sector institutions			
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	X	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	X	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input type="checkbox"/>	X	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>

	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>9. Global Public Goods and Challenges (GPGC) thematic flagship</b>	N/A			

## SUMMARY

While the Cambodian economy is growing rapidly and the country has performed well in achieving the Millennium Development Goals, vulnerability and poverty remain widespread in rural areas and nutrition indicators remain poor across all income quintiles. Fisheries make an important economic contribution to Cambodia's GDP (between 10-18 % according to sources) and the nutrition of its people. It is estimated that up to 3 million people (20 % of the Cambodian population), is engaged in the fisheries sector on either a full time, part-time or seasonal basis<sup>1</sup>. Women are strongly involved in the sector, in particular at post-harvest stages. On overall, the Cambodian population relies on fish and other aquatic animals for 76 % of their total animal protein consumption, 28 % of their total fat intake and 37 % of their iron.

Cambodian fisheries are predominately freshwater capture fisheries and heavily dependent on the quality and connectivity of a complex and unique watershed system, including large flooded areas that can cover up to 30 % of the country's territory. They represent one of the most productive fisheries in the world. Marine fisheries and aquaculture are less developed though still significant. Aquaculture production is growing steadily, representing an opportunity for growth and improved food security and nutrition.

While capture fisheries are under threat from a wide variety of development pressures, current aquaculture developments raise a number of environmental, social and economic concerns. Issues of prime importance include aquaculture's competition with capture fisheries – through capture of juveniles as seed and feed – and with human food and nutrition security – through poorly efficient use as fish feed of very large quantities of low value species. The sector also faces a strong competition from neighboring countries.

The envisaged EU response to address constraints in the fisheries sector in order to increase food security, improve nutrition and foster further economic development will be structured in two complementary components, respectively on aquaculture (the present proposed action) and capture fisheries. This Aquaculture component offers a systemic and comprehensive approach to support the sector, fully aligned to the National Aquaculture Development Strategy and the updated Sector Planning framework for Fisheries. It will support the development and scaling up of successful pro-poor aquaculture systems, as well as the development and dissemination of more sustainable and efficient practices in the rapidly growing commercial sector. This action will contribute to the further strengthening of national capacities and systems, with the ambition to moving towards a possible budget support approach in the future.

This action will contribute to achieve results 1 (improved enabling business environment) and 2 (strengthened value chains) of the EU 2014-2020 cooperation programme with Cambodia in the focal sector "Agriculture and Natural Resources Management".

<sup>1</sup> FAO, Cambodia Country Fact Sheet, 2014.

# 1 CONTEXT

## 1.1 Sector/Country/Regional context/Thematic area

Cambodia experienced a decade of rapid economic growth until 2014, putting it among a handful of the world's fastest-growing economies during this period<sup>2</sup>. It has also been one of the best performing Millennium Development Goal (MDG) achievers in the world. However, the majority of those lifted out of poverty remain highly vulnerable. The loss in income of USD 0.30 a day would bring around 3 million vulnerable Cambodians back into poverty and would double the country's poverty rate to around 40 %.<sup>3</sup> Cambodia's population is concentrated in a diagonal band that stretches from the northwest border with Thailand, down around the Tonle Sap Lake, and to the southeastern plains region and the border with Viet Nam.

The Lower Mekong River Basin (LMB) is the largest freshwater fishery in the world and the third most bio-diverse river system (with approximately 800 fish species) after the Amazon and the Congo. Recent first-sale prices indicate that fisheries in the LMB are currently worth about \$17 billion a year. Total fisheries production is estimated at about 4.4 million tons comprising 2.1 million tons from aquaculture production (not including other aquatic animals (OAA) such as shrimps, crabs, mollusks and frogs). Wild catch are worth about \$11 billion. Aquaculture has been growing rapidly in the LMB over the recent years, three times faster than the world average. This is particularly the case in Cambodia where the value of aquaculture production has been multiplied by a factor of 13 (admittedly from a very low base of \$18.1 million in 2003)<sup>4</sup>.

In Cambodia, around three million people (or 20 % of the population) rely directly on fisheries for sustenance and livelihood<sup>5</sup>. Poverty levels are not easily dis-aggregated by sector of activity but it is understood that households relying on capture fisheries are amongst the poorest while households with access to aquaculture through ponds (an estimated 40,000 in 2010) are slightly better off as they have access to land.

Fish and fisheries products play a role of prime importance in food and nutrition security. Food consumption surveys in Cambodia showed that fish was the second ranked food group after rice in terms of frequency in the diet, and 54 % of households consume fish every day<sup>6</sup>. Fish and other aquatic animals contribute to 37 % of total protein consumption (and 76 % of animal proteins), 28 % of total fat intake, and 51 %, 39 % and 33 % for calcium, zinc and iron intakes<sup>7</sup>.

Aquaculture and small-scale fisheries have therefore direct nutritional importance to the most food-insecure groups as well as critical importance to women (especially during pregnancy) and children (particularly in the 1000 days window). 56 % of children are anaemic and 54 % of women have evidence of anaemia.

Capture fisheries and aquaculture represent also a vital economic sector. In 2014, the sector as a whole contributed to an estimated 10-18 % of GDP<sup>8</sup>. Only a small proportion of this fish passes through markets, so data is highly unreliable.

---

<sup>2</sup> World Development Indicators, World Bank, 2013.

<sup>3</sup> *ibid.*

<sup>4</sup> MRC State of the Basin Report 2015; data from 2012, the most recent year for which production figures for all four countries are available.

<sup>5</sup> FAO, Country Fact Sheet, 2014.

<sup>6</sup> Chamnam *et al*, 2009. The role of fisheries resources in rural Cambodia.

<sup>7</sup> Food and Nutrition Security Vulnerability to Mainstream Hydropower Dam Development in Cambodia, 2013.

<sup>8</sup> With discrepancies between the SPF update 2015-2024 and the MRC Fisheries Programme estimates due to the use of different reference prices.

Most of the fisheries production comes from **capture in inland waters** – the Mekong River and its tributaries, floodplains and wetlands (30 % of the country consists of either permanent or seasonal wetlands). The Tonle Sap Lake is one of the world's most productive freshwater ecosystems<sup>9</sup>. A major characteristic is the importance of small-sized low value fish, which represent an estimated 80 % of total inland catch. This is an important resource and its composition and price have implications for poverty reduction, aquaculture development, fisheries management, and fish paste/sauce production. This 'trash fish'<sup>10</sup> is sold as fresh feed for animal and fish or converted into fishmeal, with reportedly a significant share sold to Thailand and Vietnam.

By comparison to inland capture fisheries, the **marine fisheries** production is quite small, representing less than 15 % of total yearly catches in 2014.

**Aquaculture** is relatively diverse and growing rapidly. It has an ancient history in Cambodia, closely related to the abundant capture fisheries: cage culture of higher value fish using lower value fish as feed has been undertaken for centuries, and has served both as a storage mechanism (utilisation of seasonally abundant fish) and as a means of "adding value" to a cheap and abundant resource.

Modern-day **freshwater aquaculture** encompasses several production systems. (1) **Freshwater cage culture** practiced in the Tonle Sap lake area and on major river bodies, dominated by snakeheads and catfish (pangas and clariid)<sup>11</sup>. Snakehead culture has been banned since 2004 and until recently<sup>12</sup>, because of concerns about over-exploitation of wild fingerlings, for both stocking and feeding. Nonetheless snakehead cage culture is still thought to comprise 50 % of all aquaculture production. It includes small-scale family-based systems practiced as a form of live-savings. Catfish cage culture relies on the use of pellet, 'trash fish' and/or fishmeal. Depending on the level of intensification, it can be conducted as intensive monoculture or associated to tilapia and/or carps. (2) **Small-scale homestead pond aquaculture** was introduced in Cambodia in the 1960s and received substantial support from donors and NGOs since the 1990s, as an option to diversifying farm incomes and improving fish supply on local markets, while reducing the dependency on capture fisheries. Productions systems range from relatively small (80 to 500 m<sup>2</sup>) and low input systems using on-farm products (rice bran, duckweed, etc) and polyculture of low requirement species (carps, barbs, tilapias), to semi-intensive systems of medium size (0.1 to 0.2 ha), with introduction of striped catfish and use of fish meal or pelleted feed. (3) **Rice-fish farming** has also been introduced in the late 1990s and represents another form of small scale aquaculture, associated to the rice growing area with good water control (irrigation supply and protection from floods). Rice fish systems varies in level of intensification, from reliance on weeds and small insects to more semi-intensive system requiring supplementary feed or rare and costly seed, such as freshwater prawn. (4) **Specialized and commercial fish farming** is rapidly growing, driven in part by expatriate Vietnamese farmers, seeking better water quality, less disease, lower wages and cheaper feed ingredients. Farms are typically full time family business or medium scale enterprises employing several staff. This production is practiced either in ponds, ranging from several hundred square meters to 10,000 m<sup>2</sup>, with depth of two to three meters and permanent access to a water source, or cages with high density (up to 90 kg/m<sup>3</sup>) and ventures producing up to 7 tons of fish per year. Favoured species are pangas and hybrid catfish, fed with

---

<sup>9</sup> WorldFish Center.

<sup>10</sup> A term commonly used to mention generally small, low economic value, (either fresh water or marine) fish species. Pending to the fishing season, 'trash fish' may also include a significant share of juveniles.

<sup>11</sup> An index of main fish and OAA species mentioned in the present Action Document is attached in annex.

<sup>12</sup> The ban on snakehead aquaculture has just been lifted in May 2016.

imported formulated pellets for the start and end of production, and homemade (minced and cooked) pellets using rice bran, ‘trash fish’ (purchased in bulk and stored as a semi-fermented product) and a variety of other ingredients for the main part of the cycle. This type of aquaculture takes places mainly around Phnom Penh and in Kandal province, where most fish is sold on the urban market (some amounts are also reportedly exported to Vietnam for processing and export from that country). (5) **Crocodile farming** has increased rapidly in recent years, from 4,816 heads in 1993 to 230,000 in 2011. This system encompasses a few large-scale farms registered by CITES and exporting 30 cm long juveniles to neighbouring countries and a large number of small, family-based, ventures of few animals, fed with ‘trash fish’ and water snakes, as a form of live-savings. In addition to the dependency on capture fisheries, the lack of oversight and monitoring allows for wild caught crocodiles to continue to be illegally exported through the farms. (6) **Other forms of freshwater aquaculture** include a scattering of small enterprises producing OAA such as snails and frogs.

**Marine and coastal aquaculture** is relatively less developed in Cambodia, with less than 3,000 tonnes produced in 2012. The main production system consists of finfish cage culture (seabass, groupers) by medium scale enterprises, using seed sourced from the wild or imported from Thailand, Indonesia and Taiwan, and ‘trash fish’ as exclusive feed. A significant proportion of the production is sold live to urban markets in the country, with a high demand from the tourism industry. Current trends seem to indicate that the private sector is ready to invest in large scale production on its own accord; the potential of such ventures is however limited by the short coastline of Cambodia. Past attempts at coastal aquaculture including shrimp farming, algae, mud crab and shell culture have not proven successful. Nonetheless, recent tests of wet season crustacean farming in solar salt ponds deepened for *Artemia* production show promising perspectives for more than 1 000 vulnerable households currently engaged in salt production.

For a number of reasons, Cambodia is currently well below its estimated potential in terms of aquaculture production, especially when compared to the impressive growth in other ASEAN countries, like Indonesia, Vietnam, Thailand and Philippines over the last 15 years. However, production in these countries has been hampered by an increasing prevalence of diseases and by unsustainable practices and it will be very important for Cambodia to learn from these mistakes.

Regarding access to international markets, Cambodia is not authorized to export fish nor fishery products to the EU, due to insufficient regulatory framework.

### ***1.1.1 Public Policy Assessment and EU Policy Framework***

At national level, the Rectangular Strategy (RS) phase III (2014-2018) sets out the Governments priority areas for Growth, Employment, Equity and Efficiency with a strong emphasis on the promotion of agriculture. The priorities of the RS are further elaborated in the National Strategic Development Plan (NSDP 2014-2018). The RS and NSDP both recognize the importance of the fisheries sector, the limits to capture fisheries production, and the need to focus on sustainable intensification of aquaculture and value chain development, in order to generate growth. Development partners have actively contributed to the formulation of the NSDP through discussions with the Government think tank the Supreme National Economic Council (SNEC), as well as line Ministries.

At the sector level, the Strategic Planning Framework for Fisheries (SPF) 2010-2024<sup>13</sup> has been developed by the Fisheries Administration (FiA) of the Ministry of Agriculture, Forestry and Fisheries (MAFF) in close cooperation with development partners, in particular through the

---

<sup>13</sup> Inclusive of SPF1 (2010-2019) and SPF Update (2015-2024), which approval is still pending.

Technical Working Group on Fisheries, which the EU co-chairs (see point 3.2). This represents the key document guiding the development of the fisheries sector in Cambodia. It is articulated around four “pillars”: (1) conservation and management of natural resources to maintain fisheries productivity; (2) development of commercially viable and environmentally sustainable aquaculture; (3) improved post-harvest quality, standards, processes and procedures; (4) strengthened policy, regulatory actions and services.

Its third pillar, on aquaculture, is explicated by the National Aquaculture Development Strategy (NADS) 2015-2030, which has been formulated with EU support and is to be approved in 2016. NADS is structured around seven objectives or thematic areas and presents a comprehensive and relevant framework for intervention in the sector, with an inclusive approach. In particular, it offers practical and realistic orientations in terms of organizing seed production, advisory and regulatory services, with a clear indication of responsibilities falling respectively under the public and the private sectors. Capacity-building within public institutions is treated as a cross-cutting aspect. Issues such as institutional strengthening, gender, decent labor, monitoring and evaluation (M&E) or consultation and coordination with private sector are not addressed by NADS but are considered under the fourth complementary pillar of the SPF Update. A mid-term operational action plan in line with targets set in the SPF is still to be devised, as well as a realistic and credible mid-term expenditure framework.

The European Consensus on Development, the EU Agenda for Change, the EU 2030 Agenda for Sustainable Development, the EU Biodiversity Strategy, the EU Action Plan on Nutrition (2014), and Global Climate Change Alliance (GCCA) all provide a policy framework for EU action in the sector. In particular, the DEVCO Sustainable Agriculture and Rural Development Policy recognizes that *"Fisheries and on-farm aquaculture also have significant potential to reduce poverty and hunger and promote economic growth"*. In Cambodia these policies are implemented through the European partners Joint Development Cooperation Strategy 2014-2018 and the Multi-annual Indicative Programme 2014-2020, which identified agriculture (including fisheries) and national resource management as a focal sector.

The national Climate Change Strategic Plan (2014-2023) notes that *"management of water and fisheries is the lifeline of the Cambodian people"* and that *"change in hydrology as a result of climate change may have adverse effects on fisheries"*. The SPF highlights that *"climate change is a threat of unknown proportions which could affect flooding patterns, fish species behaviour, and storm conditions for coastal communities"* and plans to address this through enhanced research about climate change impacts. Cambodia's Climate Change Priorities Action Plan for Agriculture, Forestry and Fisheries (2014-2018) recommends enhancing climate resilience of capture fisheries and aquaculture production.

### **1.1.2 Stakeholder analysis**

Even if the significance of their total production has not been fully assessed, **Small-scale aquaculture producers** represent the dominant type of actors, with 53 000 households in 2013<sup>14</sup>. Culture systems range from improved trap ponds<sup>15</sup> to small homestead ponds, cage culture and integrated rice-fish farming. Community Fisheries (CFis)<sup>16</sup> can undertake aquaculture, sell, use

---

<sup>14</sup> Census of Agriculture of the Kingdom of Cambodia 2013.

<sup>15</sup> With wild fish trapped in ponds during the flood, including species that are able to reproduce in ponds.

<sup>16</sup> The National Sub-Decree on Community Fisheries define a CFi as *"a group of physical persons holding Khmer citizenship who live in or near the fishing area, voluntarily established and taking the initiative to improve their own standard of living by using and processing fisheries resources sustainably to contribute to economic and social*

and manage all fisheries resources in accordance with the CFi agreement and plan. **Small-scale aquaculture producers and CFis** lack knowledge of skills to support their upgrading from natural resources reliance. At a household level this encompasses households with access to ponds (land tenure) as well as floating households who can only engage in caged aquaculture practices and who face challenges in diversifying their livelihoods.

The **private sector** is also a major driver of aquaculture development. Inward investment by Vietnamese fish farmers leads to technology demonstration and transfer, although these may be limited by commercial interests. A very large Norwegian and private marine aquaculture venture will start operating in 2017 and the company has expressed interest in providing support to research and smallholder production.

Regarding input supply, the Fisheries Administration reports approximately 250 private **micro hatcheries, nurseries and distribution centers** in the country but with less than a half currently in function, due to lack of year-round access to water. Small-scale village hatcheries operate using modest facilities and lack quality broodstock to maintain the quality of fish seed they produce. They also lack access to inputs, adequate and clean water (affecting seasonality), as well as technical expertise. Several **feed processing plants** are already established in the country but none so far is producing feed for fish. A French company currently distributing feed imported from its Vietnam plant has the plan to develop local production when domestic sales reach a significant level.

Many micro, small and medium enterprises (MSMEs) play an important role in the trade, processing and marketing of capture fisheries and small scale aquaculture production. These include **collectors, landing centers, ice factories, processors, transporters, retailers and markets**. The size and nature of each of these actors varies: while processing may be small or family scale with mostly female workers, landing sites and ice factories are medium-sized businesses that require investment.

The private sector is poorly structured. There are few emerging associations at grassroots level but no formal professional organization of the sector yet.

**Government organizations** with responsibilities in support of the aquaculture include

The MAFF's **Fisheries Administration** is responsible for fisheries and aquaculture and is the key institutional stakeholder. Competences are shared between the Aquaculture Development (DAD) and Post-Harvest (DFPPTQ) departments. Sub-national representations include 5 Inspectorates, 25 Cantonments (at province level), 48 Divisions and 158 Sankrats (clusters of communes). There are 1,011 persons working within FiA, of which 16.7 % were women<sup>17</sup>. On average, there are 26 fisheries staffs per province (all levels together), with responsibility over both capture fisheries and aquaculture. 60 % of all staff work at district level and below but are generally less qualified, predominantly male (88 %), and close to retirement. In the next two years, greater responsibility will be transferred to the provincial level of administration through the ongoing decentralization process. This change is currently supported by the EU through its support to the SNDD.

Other administrations involved to various extents in aquaculture development are the Ministry of Commerce (including Camcontrol, the Cambodia Import-Export Inspection and Fraud

---

*improvement and poverty alleviation*". They can be considered as part of the "artisanal fisheries" group defined by the FAO Voluntary Guidelines on Sustainable Small-Scale Fisheries.

<sup>17</sup> Functional mapping report of the Ministry of Agriculture, Forestry and Fisheries, D&D working group, April 2012.

Repression Directorate General), the Ministry of Environment, the Ministry of Health, the Ministry of Industry and Handicraft, the Ministry of Tourism, the Ministry of Education, Youth and Sport. There is significant overlap in remit and responsibility.

In terms of **research and training capacity**, applied freshwater aquaculture research is carried out by the National inland Aquaculture Research and Development Institute (NARDI), which manages the Chrang Chamres Fisheries Research Station, and the Bati Fish Seed Production and Research Center (Bati), both under FiA's jurisdiction. JICA recently funded the Marine Aquaculture Research and Development Center (MARDeC) based in Preah Sihanouk, which is devoted to support marine aquaculture. The Royal University of Agriculture (RUA), Prek Leap Agriculture College, and the National Agriculture College Kampong Cham deliver diploma and Bachelor degree level qualifications in aquaculture, as well as conducting some applied research with very limited facilities. All three are members of the ASEAN Fisheries and Education Network (ASEAN-FEN). Most of the applied research undertaken is concentrated on breeding techniques and seed production, nutrition, fish diseases and production technologies. In addition, to seed production at NARDI, Bati and MARDeC, there are also 9 **government-run fish hatcheries** throughout Cambodia, but only one (Teuk Veal Fish Station, Siem Reap) is currently operating. Most of these hatcheries lack facilities and technical expertise resulting in poor genetic quality and immature broodstock and lack of a broodstock management plan to maintain stock integrity and seed quality.

### ***1.1.3 Priority areas for support/problem analysis***

As stated above (1.1), fish is a critical resource for national food and nutrition security. Despite substantial improvement over the last two decades, the prevalence of food insecurity and malnutrition in Cambodia remains high, particularly with regards to the stunting of children.

However, overall it is acknowledged that there is limited opportunity for further growth in wild capture production (both freshwater and marine), as reflected in the ambition of SPF to sustain current capture fisheries levels, and nurture future growth through improved efficiency of fish commercialisation, increased aquaculture production and increased added-value.

Regarding aquaculture developments, several challenges hamper Cambodia in realizing its aquaculture potential. The main problem areas are translated into priority themes in the NADS and are reflected in the choice of activities under the present action, including:

- The lack of **availability of quality seed** (good genetic stock, disease free, well handled) is a problem of crucial importance for Cambodian aquaculture. Most fish seed supply relies on capture from the wild and importations. Over the last decade, thanks to support from NGOs and numerous development projects, seed production has significantly increased, from 18.5 million fingerlings in 2004<sup>18</sup> to an estimated 52 million today. Supply from wild source has decreased (19 to 9 million fingerlings) while imports have doubled (60 to 119 million). Several species are not locally bred yet. The viability of domestic seed production remains fragile, as the sector cannot yet compete with cheaper imports from large, well established Vietnamese hatcheries, with the possibility that Cambodia is used as a dumping opportunity for lower grade or excess Vietnamese production, at below cost price. Government production aimed at filling the gaps and supplying public "fisheries enhancement

---

<sup>18</sup> FAO 2007, Assessment of freshwater seed supply for sustainable aquaculture.



programmes"<sup>19</sup> also undermines private sector development. The capture of juveniles in the wild competes with seed production and the productivity of capture fisheries as well.

- The feed used in fish farming in Cambodia is either imported – with some concern over the quality and the possibility of mislabelling or fraud – or locally produced, using fresh fish or fermented fish silage mixed with other ingredients such as rice bran and cassava. Inefficient utilization in both marine and freshwater aquaculture of low value fish from both freshwater and marine resources is a critical issue and undermines the claim that aquaculture is needed to fill the demand for fishery products in a context of limited capture fisheries production. This partial dependency of aquaculture on capture fisheries is a key issue in the context of poor nutrition: while the seasonal surplus of fish is a potential opportunity for low-cost and nutritious processed fisheries products, such as “prahoc” (fermented fish paste). Most fish feeding practices result in very poor fish protein to fish protein conversion ratios (as much as 12:1). This inefficient use of a valuable resource leads to small profitability and high vulnerability to price fluctuation as well as high levels of waste in water bodies. Inefficient and excessive feed risks leading to higher levels of eutrophication in surrounding waterbodies which would eventually lead to a decrease in the aquatic carrying capacity, resulting in a lower fish production in the longer term.
- Management of hatcheries and farms – both small and large scale operations – are undermined by **lack of knowledge (including on markets) and technology**, resulting in poor viability and drop-out, due to poor management and disease. In particular knowledge of sustainable environmental standards for the breeding of juveniles and on-growing, as well as knowledge on the treatment of effluents resulting from fish waste, uneaten feed, and veterinary treatments will ensure the long term sustainability of the sector.
- **Poor resilience to extreme weather fluctuations** induced by climate change is particularly important in rainfall-dependant (ponds) and coastal aquaculture systems.
- With increased interest from domestic and regional/international private sector to invest in the Cambodian freshwater and marine aquaculture sector, there are concerns about **decent labour conditions**, particularly for women, as cheap labour remains one of the country's comparative advantages.
- The possible contribution of aquaculture (and fisheries as a whole) to improved nutrition is limited by various factors, including poor sanitary conditions throughout the market chain (**hygiene**), loss of nutritive value due to inefficient preparing and processing methods, and unfavourable conditions in terms of natural environment and market linkages in areas with high fish deficit.
- Overall, and despite significant improvements, **limited institutional capacity** in terms of research and development, advisory services, monitoring and evaluation, sanitary issues, planning and budgeting, coordination with other administrations, consultation with the private sector and other stakeholders involved in aquaculture.

## 2 RISKS AND ASSUMPTIONS

Risks	Risk level	Mitigating measures
-------	------------	---------------------

<sup>19</sup> Programmes consisting in releasing fingerlings in the wild, to increase the productivity of capture fisheries .

<b>Risks</b>	<b>Risk level</b>	<b>Mitigating measures</b>
Effective engagement, innovation, and increased participation in the value chain is thwarted by existing economic and political interests.	<b>H</b>	Address factors limiting small scale sector participation such as increased transparency, simplification of formalities, and access to market information.
Sudden change in Government strategic priorities at the expense of the fisheries sector and possible hurdles linked to economic and political interests.	<b>M</b>	Continuous support to the strategy and policy dialogue work of the Technical Working Group on Fisheries and high level policy dialogue, under the European partners' dialogue with the Government.
Natural disasters, climate change and disease outbreaks undermine the development of aquaculture.	<b>M</b>	Promotion of diversification and ecosystem-based techniques in aquaculture; disease prevention and management strategies.
The drive for commercial/export aquaculture and increased SME activity reduces availability of nutritious fish to the poor.	<b>M</b>	Activities related to access and/or production of nutritious fish for/by the poor, as well as focus on increased employment and income.
Emerging labour rights issues in the sector, particularly for women.	<b>M</b>	Development of relevant national policies and support to implementation of existing ones.
<b>Assumptions</b>		
<ul style="list-style-type: none"> <li>• Diversification of fisheries production – and aquaculture in particular – is a viable development strategy that can increase incomes for the poor in rural Cambodia if undertaken with a focus on household and small scale production.</li> <li>• Demand for fish, aquatic animals and fish products continue to grow domestically, regionally and internationally.</li> <li>• Environmentally sustainable methods to undertake intensive aquaculture can be found that are appropriate to the Cambodian context.</li> <li>• Implementation of the complementary component on Capture Fisheries, to better address interactions between the two systems.</li> </ul>		

### **3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES**

#### **3.1 Lessons learnt**

Since the 1990s, Cambodian aquaculture has attracted intensive support from NGOs and donor partners (DPs), including DANIDA, JICA and USAID, with a focus on small and middle scale aquaculture. The EU has also been providing support to the sector through FiA since 2014, under the fisheries component of the "Promoting inclusive and sustainable growth in the Agriculture sector". The FAIEX and HARVEST projects have been successful in transferring small-scale hatchery/nursery and aquaculture production know-how to a large number of model farmers in targeted provinces. Approaches to improve the post-harvest value chain, rather than production

of fish itself, have emerged lately. For instance, the MSME project (2005-2012) promoted aquaculture value chain development by creating market linkages between fish seed producers, fish producers and fish traders and included the private sector among its project partners.

Despite substantial investments, the sustainability of past interventions has been rather poor, with difficulties in structuring a viable seed supply chain and fostering viable small-scale production units. In 2010, the Worldfish Center conducted an assessment of pro-poor aquaculture interventions, from which it drew a list of lessons and recommendations that are still valid<sup>20</sup>. Key recommendations include:

- The need to adopt a comprehensive approach, integrating input supply, extension (with more effective techniques and institutional mechanisms) and understanding of local market demands, including seasonal price dynamics;
- The importance of setting clear criteria for targeting sites and beneficiaries and selecting appropriate options, while favoring a demand-driven approach;
- The need for better coordination at local level, between seed and fish producer, and at wider level, between small-scale and larger hatcheries;
- A need for more research, evaluation and lesson sharing

Pilot activities conducted under the Better Training For Safer Food (BTSF) programme implemented by DG SANTE to improve the management and food quality for hatcheries has shown interesting potential, with the possibility to significantly improve living conditions of impoverished salt farmersthrough *Artemia* production in solar salt ponds.

At regional level, there is also a wide range of successful experiences from which Cambodia can draw on Bangladesh experience of introducing small indigenous fish species in carp systems<sup>21</sup> or the establishment of broodstock national centers in Vietnam<sup>22</sup>.

### **3.2 Complementarity, synergy and donor coordination**

The proposed action is complementary to other interventions funded by the EU and other donors.

In particular, Australia and JICA will support parallel investments in marine aquaculture. Under the Mekong Integrated Water Resources Management Project Phase 3 (2017-2021), the World Bank foresees the construction of a fish hatchery in Stung Treng province. USAID will no longer support pond fish work as undertaken (HARVEST) but intends to fund WorldFish to implement a second phase of the Rice Field Fisheries sub-Project but envisages providing technical support to the Royal University of Agriculture, to establish a Center for Excellence to improve agricultural research, faculty capacity, connections with extension workers and private sector, as well as vocational/non-degree training. Under the "Cambodia Export Diversification and Expansion Program (CEDEP II)" funded by the WTO Enhanced Integrated Framework (EIF), UNIDO supports sanitary and phytosanitary (SPS) improvements for marine fisheries products. With regards to nutrition, there will be complementarities and synergies with the UNICEF Fast Track Nutrition Programme, which is experimenting with a fish-based food complement.

The action will also be complementary to the future ARISE+ programme, which foresees further support for trade facilitation, standards, customs and transport facilitation, at ASEAN level. It will also be complementary to actions funded by other DGs, in particular DG SANTE, through the future BTSF focusing on food standards, and DG R&D, with supports under Horizon 2020

---

<sup>20</sup> Joffre et al, 2010. Aquaculture for the poor in Cambodia – Lessons learnt. WorldFish Center.

<sup>21</sup> Nanna Roos *et al*, Food and Nutrition Bulletin, 2007.

<sup>22</sup> FAO, 2007. Op cit.

Framework Programme for Research and Innovation<sup>23</sup> and opportunities offered under the SEA-EU-NET dialogue platform, which regularly supports exchanges on aquaculture. Synergies, in form of exchange of experience, will also be developed with the concomitant, EU-funded MYSAP programme in Myanmar.

Policy dialogue, coordination and joint sector planning between DPs and government takes place through Technical Working Groups (TWGs). The EU is currently co-chairing the TWG-Fisheries (TWG-Fi), which encompass a sub-group dedicated to Aquaculture, and it composed of representatives from the concerned administrations, DPs and the civil society. The EU is also member of the Scaling-Up Nutrition (SUN- platform) and is currently the Donor Facilitator in Cambodia of the EIF, incorporated in Cambodia's Sector-Wide Approach to Trade, chaired by the Minister of Commerce. In this capacity, the EU is full member of the PSC of UNIDO's CEDEP II.

### 3.3 Cross-cutting issues

*Gender:* 51 % of female-headed households are involved in fishing and women make up 70-75 % of the workforce in fish marketing and processing. Women led businesses account for almost 2/3 of total businesses with the large majority being micro-enterprises operating informally. Women are also involved in aquaculture, in particular subsistence-oriented aquaculture, considered an extension of household maintenance work. Despite this, women are not well represented in positions of power, do not have much influence over key resource management issues, and are generally under-represented in fisheries support programs. Women are often more exposed to the payment of informal fees and cultural norms also limit women's participation in business associations. The MAFF and FiA have developed gender strategies<sup>24</sup>, which set targets for gender mainstreaming in the sector. The project will contribute to increasing women's access to extension services and strengthening their role in decision-making at local level for aquaculture development.

*Environmental assessment and mitigation:* Aquaculture can create additional stress on natural resources or on the contrary reduce it, if appropriately managed. Aquaculture in Cambodia dangerously relies on supply of 'free' / low-value wild fish for both seed and feed, while global fish resources are already under threat from overfishing. Improving the supply of feed and seed, strengthening the governance of inland and marine aquaculture as well as developing the capacity to control water quality and availability, will ensure the sustainability of aquaculture activities.

*Climate change:* Aquaculture is threatened by climate change, as changes in temperature and rainfall pattern affect water availability and quality. Protecting marine ecosystems such as mangroves and flooded forest will increase climate resilience. The project will also contribute to fostering climate smart aquaculture, through enhanced knowledge.

*Nutrition:* food security and nutrition remain a major issue and fisheries (capture and aquaculture) are seen as a major contributor to their alleviation. The proposed programme will build on the current national strategies including the National Strategy for Food Security and Nutrition 2014-2018 to mainstreaming nutrition.

---

<sup>23</sup> To be noted in particular the current SFS-24-2016 call aiming at "Reinforcing international cooperation on sustainable aquaculture production with countries from South-East Asia".

<sup>24</sup> The National Action Plan 2015-2020 for Gender Mainstreaming and Elimination of the Worst Forms of Child Labour in the Fisheries Sector is under finalisation with support of current EU funding.

## 4 DESCRIPTION OF THE ACTION

### 4.1 Objectives/results

The **overall objective** of the CaPFish Programme is derived from the vision set down in the Strategic Planning Framework for Fisheries: *to contribute to food security and socioeconomic development in Cambodia* in order to enhance people's livelihoods and the nation's prosperity. The **specific objective** of this Aquaculture Component is to *ensure a more sustainable, climate-resilient and inclusive growth in the aquaculture sector*.

In line with the NADS' objectives, the **expected results or outputs** are:

1. Seed of high quality is widely available in the country, in line with demand (in terms of systems, species and seasonality), while the dependency from wild seed collection and low quality imported seeds is reduced;
2. Risks associated to water availability and climate change impacts are mitigated;
3. Quality feed and efficient feed formulations adapted to a range of aquaculture activities are widely available and dependency on 'trash fish' and imported feeds is decreased;
4. Sound, situation specific, technical, economic and business advice is available to existing and potential aquaculture operators;
5. The possible negative impact of aquaculture production on the environment is attenuated thanks to effective environment and disease management systems;
6. The sanitary condition of aquaculture products is improved;
7. Financial services adapted to supporting aquaculture development are accessible.

To achieve the above specific objective, these NADS-based results are completed by the following additional results:

8. The sector's governance is strengthened and the participation of low income rural households and women is increased;
9. Aquaculture's contribution to improving household nutrition is enhanced.

These objectives and results will be attained by:

- Scaling-up successful pro-poor aquaculture experiences through small-scale extensive and semi-extensive systems, such as pond, pen and rice field polyculture systems (based on carps, barbs, tilapia, gouramis, etc) and giant freshwater prawn culture in rice field, to ensure an inclusive growth of the aquaculture sector and contribute to income diversification and improved food and nutrition security at the level of rural households;
- Developing and diffusing more sustainable and efficient practices in the rapidly growing culture of high-input species (e.g. catfish, snakeheads, crocodile), regarding in particular the use of 'trash fish', the use of captured juveniles, as well as the control of disease and water pollution to minimize the negative impacts of this intensive aquaculture and foster access to profitable external markets;
- Introducing and pilot-testing improved practices, climate-resilient approaches and new high economic value and/or high nutritive value native species in the above two.

### 4.2 Main activities<sup>25</sup>

Activities are grouped under the results.

---

<sup>25</sup> All activities mentioned are indicative and will be refined at contracting stage.

**Result 1: Seed of high quality is widely available in the country, in line with the demand (in terms of systems, species and seasonality), while the dependency from wild seed collection and low quality imported seeds is reduced (Seed)**

- 1.1. Technical and material support to strengthen the capacity of FiA facilities to improve broodstock production, maintain it a good quality level, distribute it, and provide advisory services to private hatcheries and nurseries (which should remain the major – if not the sole – producers and suppliers of fingerlings).
- 1.2. Technical cooperation to promote and foster private investment in hatcheries at various scales. This includes activities aimed at small-scale village-based fish hatcheries to provide quality seed for use in extensive and semi-intensive aquaculture; at larger hatchery units, aimed at responding to the needs of intensive aquaculture, which currently relies on imported seeds; and possibly supplying fingerlings for public "fisheries enhancement programmes".
- 1.3. Technical cooperation, equipment and financial support to national research institutions and universities to improve the domestic research capacity in the field of fish (breeding, nutrition, pathology, etc.) and conduct research and experimentation activities relevant for the performance and diversification of aquaculture.
- 1.4. Technical cooperation to FiA Department of Aquaculture (DAD) to set up, in collaboration with the relevant commerce and custom administrations, a system to establish and enforce disease control on imported seed and avoid entry of fish disease.

**Result 2: Risks associated to water availability and climate change impacts are mitigated (Water and climate change)**

- 2.1. Technical cooperation to FiA (DAD) to conduct an inventory and mapping of areas suitable for aquaculture development, taking into consideration aspects such as water availability and quality, risk of flood, carrying capacity of the aquatic environment and the cumulative effects of activities including farming on the production periods (seasonality) and competition from capture fisheries products.
- 2.2. Technical cooperation and grants to research institutions and/or development partners to identify, demonstrate and scale-up climate resilient and ecosystem-based farming techniques such as, for instance, adaptations response identified under USAID Mekong ARCC programme<sup>26</sup> or mangrove rehabilitation to protect spawning grounds and coastal aquaculture.
- 2.3. Technical cooperation, equipment and financial support to national research institutions and universities, to conduct research activities and pilot-test aquaculture techniques adapted to dry areas.

**Result 3: Quality feed and efficient feed formulations adapted to the range of aquaculture activity are widely available and dependency on ‘trash fish’ and imported feeds is decreased (Feed supply)**

- 3.1. Technical cooperation and sampling/testing equipment to the public administration to control the quality of industrial pelleted feed. This will include preparing regulations regarding the marketing of fish feed, developing collaboration protocols with Camcontrol and setting in place official controls for commercial feed placed on the domestic market.

---

<sup>26</sup> [http://mekongarcc.net/sites/default/files/usaids\\_mekong\\_arcc\\_fisheries\\_report\\_designed-small.pdf](http://mekongarcc.net/sites/default/files/usaids_mekong_arcc_fisheries_report_designed-small.pdf)

- 3.2. Technical cooperation and supplies to salt producing households, to scale-up ongoing EU-funded pilot activities to locally produce *Artemia* biomass and cysts in salt ponds for use as food and feed in fish and crustacean hatcheries and support the conversion of solar salt ponds into integrated salt and *Artemia* production systems, diversifying and significantly increasing the incomes of potentially more than 1 000 small artisanal salt producers.
- 3.3. Technical cooperation, equipment and financial support to national research institutions and universities, to conduct research activities on live feed (*daphnia*, plankton, rotifer, brine shrimp), feed formulation, feeding practices etc.
- 3.4. Technical cooperation to foster private investment in the domestic production of fish feed. This activity may include targeted communication on aquaculture potential and opportunities, support to the realisation of market assessment surveys and business plans, facilitation of access to soft loans or collaboration with research institutions, etc.

**Result 4: Sound, situation specific, technical, economic and business advice is available to existing and potential aquaculture operators (Knowledge)**

- 4.1. Technical cooperation, equipment and financial support, to produce and provide market information and analysis to aquaculture stakeholders.
- 4.2. Technical cooperation to FiA (DAD) to raise awareness among targeted areas and populations, including women, on the potential of aquaculture and new developments in the sector and to develop appropriate sensitization and training materials for fish farmers, (mainstreaming Good Aquaculture Practices guidelines – see activity 6.2 and existing national strategies on gender and child labour), and guidelines for trainers.
- 4.3. Technical cooperation, training materials and financial support to stakeholders providing services in aquaculture (including FiA and its Provincial Cantonments, hatcheries, specialized NGOs), to deliver effective extension and support services, linking technical advice with business skills and market information (in relation with activity 4.1).
- 4.4. Technical cooperation and equipment to aquaculture research centres (NARDI, BATI, MARDeC), the National Schools of Agriculture and other relevant institutions, to develop short-term technical and vocational training courses (from few days to several months), for basic and continuing training on aquaculture, with attention to accessibility for female students.
- 4.5. Technical cooperation to improve tertiary education in aquaculture. This include scholarships to researchers and civil servants to access tertiary qualifications and higher level training in strategic areas not currently covered by academic institutions in Cambodia. The possibility to organize a Master-level programme in aquaculture will be explored.

**Result 5: The possible negative impact of aquaculture production on the environment is attenuated thanks to effective environment and disease management systems (Environment)**

- 5.1. Technical cooperation and financial support to FiA (DAD) to develop and pilot-test an environmental and disease management system. This includes environmental (e.g. pollutants) and disease indicators, reference or action levels, monitoring systems for these indicators and response protocols and mechanisms to launch should action levels be breached. Implementation will be tested in few high risk areas, presently a high density of intensive aquaculture activities. This action complements activities at farm level (activities 6.3 and 4.3). This may include collaboration with the Ministry of Environment.

- 5.2. Technical cooperation and equipment to improve national capacities in testing fish pathologies, for the use by official controls or private operators' internal control
- 5.3. Technical cooperation and financial support for the establishment of model biosecure coastal hatcheries and the dissemination of hatchery design and operation technology (e.g. pond location, layout design and construction; seawater source, intake and treatment; broodstock quality (e.g. Specific Pathogenic Free broodstock); feeds; waste water discharge treatment, etc.).
- 5.4. Technical cooperation and grants to research institutions and/or development partners to identify, demonstrate and scale-up ecosystem-based and low external input production systems (articulated with activity 2.2).

**Result 6: The sanitary condition of aquaculture products is improved (Food safety)**

- 6.1. Technical cooperation to FiA Department of Fisheries Post-Harvest Technologies and Quality Control (DFPTQ) for drafting an appropriate and comprehensive set of national food control legislation for fish and fishery products, preparing a specific residue monitoring legislation for aquaculture and a basis for food control enforcement and surveillance of fish and fishery products handling, processing and marketing, including risk assessment and risk management activities (in particular regarding antimicrobial resistance).
- 6.2. Technical cooperation and financial support to FiA (DAD and DFPTQ) to develop and implement a food control inspection programme on fish and fishery products, primarily focusing on aquaculture fishery products, including production (with a clustered approach targeting a group of producers and traders potentially aiming at exporting farmed fish products to the region and possibly to the EU), landing sites and markets with a focus for these two latter on basic hygiene.
- 6.3. Technical cooperation to FiA, to raise awareness on the implications and scope of the national food control legislation and the importance of applying Good Aquaculture Practices guidelines (GAqP).
- 6.4. Technical cooperation to facilitate access to finance and grants for producers and operators in support of upgrading the level of compliance of their operation with SPS standards, and in particular hygiene standards to guarantee public health. This will be provided as a follow-up to inspection visits. The recourse to grants will be limited and preferably aimed at local authorities (e.g. upgrading of public landing site).
- 6.5. Technical cooperation and equipment to improve national capacities to provide reliable test results, for the use by official controls or private operators' internal control. Priority will be given to rationalizing the supply for analysis, though developing effective cooperation modalities with external laboratories.

**Result 7: Financial products and services adapted to aquaculture development are available (Credit)**

- 7.1. Technical cooperation to facilitate access to finance by aquaculture producers. If needed, dedicated credit lines may be provided through a parallel co-financing.

**Result 8: The sector's governance is strengthened and ensure participation of vulnerable rural households (Governance)**

- 8.1. Technical cooperation to FiA to translate the NADS into medium term comprehensive operational plans and expenditure frameworks, coherent with the SNDD reform, and further



improve the regulatory framework. This will include activities aimed at improving sector-wide consultation, ensuring the participation of women and small producers. Activities might include fostering the emergence of professional organizations within the sector (for instance, according to strategic value chains), strengthening these organizations, conducting regular consultations on policies and action plans as well as research needs (through e.g. the TWG-Fi Aquaculture sub-group, which composition remains to be enlarged, and an Innovation platform).

- 8.2. Technical cooperation to FiA to improve its monitoring and statistical system and produce regular and reliable reports on the national aquaculture sector.
- 8.3. Technical cooperation to FiA assess and monitor labour conditions in the aquaculture sector and, pending the needs, raise awareness on decent labour conditions and employment regulations and obligations, with particular attention to women and child employment in the sector. This may include collaboration with the General Department of Labour of the Ministry of Labour or a specialized Civil Society Organization.

### **Result 9: Aquaculture impact on nutrition is enhanced (Nutrition)**

- 9.1. Technical cooperation with government institutions, NGOs and other stakeholders to ensure that a greater availability of fish translates into greater access to quality proteins by the poorest households. This might include support to activities identified by the Scaling-Up Nutrition (SUN) platform and UNICEF's Fast Track Nutrition Programme as well as activities aiming at monitoring nutrition in intervention areas, assessing access to fish in remote areas and year-round (reduction of seasonal variations in protein intake), assessing the loss of product and nutritional value through processing, and/or conducting national awareness raising campaigns etc.
- 9.2. Technical cooperation, including research and activities aiming at monitoring and improving the contribution of non- fish / other aquatic organisms as important source of energy, proteins, vitamins and minerals (in particular to pregnant women and small children) as well as their contribution to poverty alleviation and eco-friendly production systems.

### **4.3 Intervention logic**

The proposed action is aligned to the NADS, which itself constitutes the Aquaculture pillar of the Fisheries SPF. The action outlines a holistic approach that encompasses all the different components of the value chain, including access to inputs and services as well as the sector's institutional and regulatory environment. The nine result areas are highly complementary and aim at developing aquaculture practices that are socially and environmentally sustainable, and results in tangible nutritional gains.

In particular, activities linked to results 1, 3 and 5 will mainly aim to reduce the negative impact of the fast growing aquaculture sector on capture fisheries, including the use of wild seeds, feeding practices relying on juveniles, large quantities of 'trash fish' and other aquatic organisms, production of wastes and intensive use of drugs.

Each component will contribute to the development of the two main categories of beneficiaries, through tailored activities, ensuring that adapted aquaculture solutions are available for both SMEs and rural households with small-scale production, ensuring that aquaculture is a source of food and income diversification for fishermen and small-scale farmers. In addition, reducing the dependency on trash fish will make this source of cheap protein available for other usages,

including possibly human consumption through processed forms (an aspect that will be addressed under CapFish's Fisheries component).

Project implementation will follow a differentiated geographical approach. A specific focus will be given to core areas (the Lake area and the Mekong flood plain), where it will be possible to build on the experiences and networks of actors set in place through previous interventions. This will allow a quick start, building on capacities already in place, and scaling up, in line with the NADS's ambitious targets. As a wide range of solutions will be made available in one given area, this approach will also facilitate an evolution of practices at farm level, through a progressively increase in competencies and resources.

The project will also significantly contribute to strengthening capacities within national institutions (FiA, research centres, universities and training centers, etc) and improving consultation and coordination mechanisms, thus paving the way to a possible budget support approach in a successive phase.

## **5 IMPLEMENTATION**

### **5.1 Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

### **5.3 Implementation modalities**

#### **5.3.1 Procurement (direct management)**

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
5.7 – Performance monitoring and reporting	Services	2	2/2017 and 2/2020
5.8 – Evaluation		2	1/2019 and 1/2022
5.9 – Audit		1	1/2023
5.10 – Communication and visibility	Services	1	2/2017

### 5.3.2 Indirect management with a Member State agency

A part of this action may be implemented in indirect management with the Agence Française de Développement (AFD) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails the management and coordination of all tasks for the completion of activities described in Chapter 4, in support to the beneficiary administration, the Fisheries Administration, and other development actors, including the mobilization of technical expertise, the monitoring of implementation, the regular reporting and communication, including effective EU visibility.

This implementation is justified because:

- AFD is established in the country and already manages cooperation programmes aiming a developing value chain in the agriculture sector;
- AFD works with financial instruments that are appropriate to working with the private sector, as necessary under the present action, either directly, through loans and/or partnership with banks and microfinance institutions (blending);
- AFD possess the experience and capacity in managing actions of a similar size with the Royal Government of Cambodia, as well as, globally, technical capacity pertaining to the fisheries and aquaculture sector;
- Implementation through a Member State builds on European partners' joint programming and joint working in Cambodia to date. In this configuration, the EU maintains the lead on sector policy dialogue, through the Fisheries TWG and its sub-groups, including Aquaculture.

The entrusted entity would carry out the following budget-implementation tasks, consisting of controlling and approving work plans submitted by the beneficiary administration, controlling procurement and grant award procedures carried out by the beneficiary administration, controlling the execution of the work plans and procurement and grant contracts, notably accepting deliverables, carrying out payments and recovering the funds unduly paid. It will also provide technical support to the beneficiary administration, supervise and monitor the project implementation, facilitate coordination in the aquaculture sector, contribute to policy dialogue, and report to the EU Delegation.

### 5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

### 5.5 Indicative budget

	<b>EU contribution (in EUR)</b>	<b>Indicative third party contribution (in EUR)</b>
--	-------------------------------------	---

5.3.2 – Indirect management with AFD	25 000 000.	5 000 000.
5.7 – Performance monitoring and reporting 5.8 – Evaluation, 5.9 - Audit	1 000 000.	N.A.
5.10 – Communication and visibility	4 000 000.	N.A.
Totals	30 000 000.	5 000 000.

## 5.6 Organisational set-up and responsibilities

AFD will manage the project in collaboration with the project owner (MAFF/Fisheries Administration). AFD will rely for that on a dedicated team, in charge financial and contractual management, communication with the project owner, supervision and reporting. Short term external consultants will be also recruited for the project feasibility study and according to its own monitoring and evaluation needs.

The programme will be implemented under the responsibility of the Ministry of Agriculture, Forestry and Fisheries, with the Fisheries Administration coordinating the whole programme and implementing directly, through its own staff, those tasks that fall under its very responsibility and without overlapping with the competences of other stakeholders.

The project owner may devolve some tasks or responsibilities to contractors to implement some components, in line with the framework set in its strategy and/or provide technical assistance according to needs identified at feasibility stage. In that case, payments will be made directly by AFD to the contractors, suppliers or grant beneficiaries, following payment requests submitted by the project owner. Expenses directly made by the project owner will be limited to running costs. For that purpose, AFD will provide a cash advance and replenish it on the basis of regular expenditure reports. Both AFD and the project owner will avoid the recourse to external contractual staff to fill permanent positions.

Under the Fisheries Administration, both the Department of Aquaculture Development (DAD) and the Department of Fisheries Post-harvest Technologies and Quality Control (DFPTQ) of the Fisheries Administration have shown strong ownership of the action and demonstrated capacity to implement significant cooperation actions under the ongoing EU programme "Promoting Inclusive and Sustainable Growth in the Agriculture sector: Livestock and Fisheries". In order to facilitate full ownership and alignment with national systems, no "project management unit" will be set for the management of the proposed action. In line with FiA operating mechanisms, the overall management responsibility will lie in the hands of the Director General of the Fisheries Administration, who will rely on the concerned directors for the management of the action. Coordination between the different departments will be addressed through regular internal management meetings. A technical assistance will provide technical and management advisory support to the key departments, including the Department of Planning, Financial and International Cooperation, in charge of budgeting and accounting.

The overall supervision of the project will rely on existing mechanisms. The Aquaculture sub-group has been established under the TWG-Fi (see chapter 3.2) to plan, coordinate and review developments in the sector. It reports to the TWG-Fi in its plenary sessions. The EU will co-chair the TWG-Fi and the Aquaculture sub-group. Once the project is approved, the Aquaculture sub-group's terms of reference and composition will be enhanced to ensure it has full competences to serve as project steering committee (PSC). The Steering Committee will oversee the strategic planning of the action and to ensure that it remains in line with overall national, regional and

local priorities. The Aquaculture sub-group will meet in its steering committee format at least three times per year.

## **5.7 Performance monitoring and reporting**

Having regard to the nature of the action, a specific external monitoring of the main aquaculture value chains supported will be carried out to measure developments under the economic, social and environmental dimensions of these value chains, via independent consultants contracted by the Commission. Missions will take place once a year. Indicatively, two contracts shall be concluded under a framework contract, respectively at the beginning of the project and after the two three years of effective project implementation.

A results-based monitoring and evaluation (M&E) framework will be developed that will allow project stakeholders to monitor impact and effectiveness. The framework will include a full set of output and outcome indicators, and an activity-based budget linked directly to goals and objectives. The framework will be agreed by the Steering Committee (Aquaculture sub-group) at start-up.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## **5.8 Evaluation**

Having regard to the importance of the action, mid-term and final evaluations will be carried out for this action or its components via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for problem solving and learning purposes, in particular with respect to appraising achievements and drawing lessons, in order to fine tune projects objectives and modalities. In particular, it will assess progress made in strengthening national systems and the possibility to resort to budget support in a later phase.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that agriculture and natural resources management is one of the focal areas under the National Indicative Programme 2014-2020 for Cambodia.

To the extent possible, joint evaluation missions will be organized for the two components of the CaPFish programme, aquaculture and capture fisheries, to ensure synergies.

The Commission shall inform the implementing partner at least one month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, two contracts for evaluation services shall be concluded under a framework contract, respectively just after the first three years of effective project implementation, and just three months before the end of the implementation period.

## **5.9 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded under a framework contract after the end of the operational implementation period.

## **5.10 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

An overall action of EUR 4 million will be contracted. It will cover communication and visibility measures pertaining to all 3 focal sectors of the Cambodia Multi-Indicative Programme 2014-2020, namely Agriculture and Natural Resource Management, Education and Skills and Governance and Administration. It will therefore cover communication and visibility linked to actions presented in this AAP and future AAPs. This is to allow for efficient contract management and greater coherence and impact of messages on EU development cooperation in Cambodia. The visibility and communication action will support a range of different activities such as nation-wide campaigns, sector specific activities to disseminate information and knowledge and actions to increase awareness of the impact of EU development cooperation in Cambodia on poverty reduction and sustainable development. The action will use a wide range of media to communicate to the public with a particular emphasis on reaching young people.

The communication and visibility measures will be based on a specific Communication and Visibility Plan for the MIP focal sector areas. This will be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities.

Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Communication and visibility measures will be implemented through services procurement, as follows:

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Communication and visibility of EU cooperation with Cambodia	Services	1	2/2017

## Abbreviations

AFD	Agence Française de Développement
ASEAN	Association of South East Asian Nations
ASEAN-FEN	ASEAN Fisheries and Education Network
BTSF	Better Training for Safer Food
CEDEP	Cambodia Export diversification and Expansion Programme
CFi	Community Fisheries
EIF	Enhanced Integrated Framework
FAIEX	Freshwater Aquaculture Improvement and Extension Project
FiA	Fisheries Administration
DAD	Department of Aquaculture Development
D&D	Deconcentration and Decentralisation
DFPTQ	Department of Fisheries Post-harvest Technologies and Quality Control
DP	Donor Partner
GAqP	Good Aquaculture Practices
GCCA	Global Climate Change Alliance
HARVEST	Helping address rural vulnerability and ecosystems stability program
LMB	Lower Mekong Basin
MAFF	Ministry of Agriculture, Forestry and Fisheries
MARDeC	Marine Aquaculture Research and Development Center
MDG	Millennium Development Goals
M&E	Monitoring and Evaluation
MEF	Ministry of Economy and Finance
MRL	Maximum Residue Limits
MSME	Micro, Small and Medium-scale Enterprises
NADS	National Aquaculture Development strategy
NARDI	National inland Aquaculture Research and Development Institute
NRM	Natural Resource Management
NSDP	National Strategic Development Plan
OAA	Other Aquatic Animals
PSC	Project Steering Committee
RGoC	Royal Government of Cambodia
RS	Rectangular Strategy
RUA	Royal University of Agriculture
SME	Small and Medium-scale Enterprises
SNDD	Sub-national Democratic Development reform
SNEC	Supreme National Economic Council
SPF	Strategic Planning framework for Fisheries
SPS	Sanitary and Phytosanitary



## APPENDIX 1 - INDICATIVE LOGFRAME MATRIX

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
<b>Overall objective: Impact</b>	Contribute to food security and socioeconomic development in Cambodia in order to enhance people's livelihoods and the nation's prosperity.	I. Fishery and aquaculture contribution to nutrition, measured through I.1. Fishery and aquaculture contribution to nutrition I.2. Average food consumption I.3. Food poverty rate I.4. Chronic malnutrition (stunting) of children under five** (EU RF Level 1 – no 9)  II. Fisheries and aquaculture contribution to GDP (SPF ind 3.1)***	I.1. 63kg/person/year I.2. 1960 kcal/pers./year (2009) I.3. 4.2 % (2009) I.4. 39.9 % (2010)I  II. 9 % (2014)	I.1. Maintained at 63kg/capita in 2022; I.2. 2018: 2060 cal/pers./year <sup>27</sup> I.3. tbd I.4. 2018: 25 % (2018) 2022: tbd (national strategy) II. 2022: 8 %	National statistics	
<b>Specific objective(s): Outcome(s)</b>	Ensure a more sustainable, climate-resilient and inclusive growth in the aquaculture sector.	A. Aquaculture production */***(SPF ind 2.1) and, B. Farm gate value (SPF ind 2.3)***  C. FDI in Aquaculture* D. No of decent jobs (by sex) created in aquaculture E. No of trained persons (by sex) engaged in aquaculture***  F. Aquaculture efficiency (Aquaculture value added / total value) G. Number of species cultured (at significant level, i.e. > 1,000 t)	A. 120 000 tonnes (2014) B. \$240m (2014)  C. to be assessed (inception) D. to be assessed (inception)  E. 44 000 (2008)  F. to be assessed (inception) G. to be assessed (inception)	A. 358 000 tonnes (2020) B. 2020: \$ 716 million 2024: \$ 1,486 million C. tbd (AFD inception analysis) D. tbd (AFD inception analysis) E. 2019: at least 85 000  F. tbd (AFD inception analysis) G. tbd (AFD inception analysis)	National statistics  FiA/DAD reports (see act. 8.2)	Political stability No major natural disaster Continuous development in the other economic sectors

<sup>27</sup> National Strategy for Food Security and Nutrition 2014-2018.

Outputs	Result 1: Seed of high quality is widely available in the country, in line with the demand, while the dependency from wild seed collection and low quality imported seeds is reduced	<p>1.1. Total seed production *** and % of the overall supply</p> <p>1.2. Number of fish and crustaceans species produced in commercial quantities (i.e. &gt; 1 m) in overall / by private sector;</p> <p>1.3. Proportion of private hatcheries with year round access to water</p>	<p>1.1. 18 million fingerlings - 58 % (2015)</p> <p>1.2. 2004: 11 / 5 2015: tbd (inception)</p> <p>1.3. to be assessed (inception)</p>	<p>1.1. 2019: 250 million (% tbd) 2022: 1,000 million (% tbd)</p> <p>1.2. 2023: At least 4 others species available</p> <p>1.3. tbd (AFD inception analysis)</p>	<p>FiA/DAD reports</p> <p>FiA/DAD reports</p> <p>FiA/DAD reports</p>	Implementation on CaPFish-Capture
	Result 2: Risks associated to water availability and climate change impacts are mitigated	2.1. % of families vulnerable to climate change* / of which aquaculture producers (EU RF Level 2 - no 23)	2.1. 47 % (2013) / to be assessed (inception)	2.1. tbd (AFD inception analysis)	Programme M&E survey	No extreme weather shock/disaster
	Result 3: Quality feed and efficient feed formulations adapted to the range of aquaculture activity are widely available and dependency on 'trash fish' and imported feed is decreased	<p>3.1. Food conversion ratio (FCR) by main sub-sector/species</p> <p>3.2. Fish protein conversion ratio (FPCR) by main sub-sector/species</p> <p>3.3. Economic conversion ratio by sub-sector/species</p> <p>3.4. Status of domestic feed production***</p> <p>3.5. Hectares of salt ponds converted into integrated <i>Artemia</i> &amp; aquaculture producing units</p>	<p>3.1. to be assessed (inception)</p> <p>3.2. to be assessed (inception)</p> <p>3.3. to be assessed (inception)</p> <p>3.4. "Homemade" only</p> <p>3.5. 0 (2015)</p>	<p>3.1. 2023: FCR industry average of 1.7 (dry pellets) and 5 (moist pellets)</p> <p>3.2. 2023: FPCR of 1:1 (sub-sector/species targets tbd through (AFD inception analysis)</p> <p>3.3. tbd (AFD inception analysis)</p> <p>3.4. 2023: at least one commercial manufacturer</p> <p>3.5. 2023: 4 000 ha</p>	<p>Ad hoc surveys by FiA/DAD</p> <p>FiA/DAD reports</p> <p>FiA/DAD reports</p>	Implementation on CaPFish-Capture (control of fishing activities; new utilization of low 'trash fish' for human consumption), availability of alternative sources of proteins
	Result 4: Sound, situation specific, technical, economic and business advice is available to existing and potential aquaculture operators	<p>4.1. Number of people (incremental, by sex) receiving rural advisory services with EU support** (EU RF Level 2 no 7)</p> <p>4.2. Number of graduates (incremental, by sex) of aquaculture-specific technical and vocational training programme** (EU result framework indicator # 28) /***</p> <p>4.3. Number of students (incremental, by sex) engaged in a postgraduate education programme, locally/ abroad</p> <p>4.4. Budget allocated to research institutions involved in aquaculture (and% of the sector added value)</p>	<p>4.1. 0</p> <p>4.2. 0</p> <p>4.3. 0</p> <p>4.4. KHR 850 million (2015) KHR 837 million (2016)</p>	<p>4.1. tbd (AFD inception analysis)</p> <p>4.2. tbd (AFD inception analysis)</p> <p>4.3. tbd (AFD inception analysis)</p> <p>4.4. tbd (AFD inception analysis)</p>	FiA/DAD reports	Fish markets remain conducive No major natural disaster
	Result 5: The possible negative impact of aquaculture production on the environment is attenuated thanks to	<p>5.1. Status of national disease prevention and management strategy</p> <p>5.2. No of farms and hatcheries applying sustainable consumption and production practices ** (EU result framework indicator # 25)</p>	<p>5.1. Non-existent</p> <p>5.2. None</p>	<p>5.1. Implemented</p> <p>5.2. tbd (AFD inception analysis)</p>	<p>FiA/DAD reports</p> <p>Programme M&amp;E survey</p>	No major disease outbreak Enforcement of controls

	effective environment and disease management systems					
	Result 6: The sanitary condition of aquaculture products is improved	6.1. Status of quality certification allowing exportation to the EU** (EU RF Level 2 – no 31) 6.2. No of aquaculture production units meeting standards for exportation	6.1. Non-existent 6.2. n/a	6.1. 2023: operational 6.2. tbd (AFD inception analysis)	FiA/DFPTQD reports	Enforcement of control Effective public administration reform and anti-corruption measures
	Result 7: Financial products and services adapted to aquaculture development are available	7.1. Number of aquaculture MSMEs accessing to credit with EU support** (EU RF Level 2 – no 30) 7.2. % of aquaculture producers with access to financial services and product, compared to smallholders farmers in general*	7.1. 0  7.2. n.a / 43 % (2010)	7.1. tbd (AFD inception analysis)  7.2. tbd (AFD inception analysis) / +2 % annually	External performance monitoring	Viability of the financial sector Collaboration between financial institutions to limit over-indebtedness
	Result 8: The sector's governance is strengthened and ensure participation of vulnerable rural households	8.1. Status of legislations and policies on aquaculture  8.2. Status of farmer and hatchery associations;  8.3. Status of reports on labour employment in the aquaculture sector	8.1. Lacked  8.2. Some nascent organisations and forums 8.3. Non-existent	8.1. Improved with a particular focus on sustainability and development of small-holders 8.2. Consolidated and represented in national for a 8.3. Reports issued and gender sensitive	FiA/DAD reports	Effective public administration reform
	Result 9: Aquaculture impact on nutrition is enhanced	9.1. Additional supply of fish from aquaculture in local markets	9.1. to be assessed (inception)	9.1. tbd (AFD inception analysis)		Effective complementary interventions in public health, sanitation, agriculture and livestock

\* Indicators aligned with the MIP 2014-2020

\*\* Indicators aligned to the EU Results Framework

\*\*\* Indicators aligned with the SPF Update and NADS

## APPENDIX 2 - MAIN FISH AND OAA SPECIES<sup>28</sup>

Family	Common name	Scientific name	Local name	Category	Aquaculture			
					Farmed <sup>#</sup>	Locally bred <sup>#</sup>	Seed trade <sup>***</sup>	Bred in the LMR
1. Freshwater								
1.1. Indigenous								
High value species								
Snakeheads	Striped snakehead	<i>Channa striata</i>	Trey roh	Black fish	3	0		
	Giant snakehead	<i>Channa micropeltes</i>	Trey chdao	Black fish	3	0		
Pangasiid catfish (or pangas)	Striped (or Sutchi) catfish	<i>Pangasianodon hypophthalmus</i>	Trey pra	White fish	3	3	2	3
	Sea pangasid-catfish	<i>Pangasius krempfi</i>		White fish				2
	Basa catfish	<i>Pangasius bocourti</i>	Trey prakchau		3			3
	Mekong giant catfish	<i>Pangasianodon gigas</i>	Trey riech	White fish				
Clariid catfish	Walking catfish	<i>Clarias batrachus</i>	Trey andaing	Black fish	3	2	2	3
	Bighead walking catfish	<i>Clarias macrocephalus</i>		Black fish	3	1	2	3
Bagrid catfish	Redtail catfish	<i>Hemibragus (or Mystus) wyckioides</i>	Trey khyia		3	1	2	3
Silurid catfish	Wallago	<i>Wallago attu</i>				0	0	
	Silver sheatfish	<i>Micronema (or Kryptotenus) apogon</i>				0	0	
	Reddish sheatfish	<i>Micronema (or Kryptotenus) bleekeri</i>				0	0	
Common species								
Gouramis	Giant gourami	<i>Osphronemus goramy</i>			1	2	0	3
	Snakin gourami	<i>Trichogaster pectoralis</i>	Trey kanto	Black fish	1	2	0	3
Carps, perchs and bards	Climbing perch	<i>Anahastestudineus</i>	Trey kranh	Black fish	2			
	Silver (or Java) barb	<i>Barbomys (or Puntius) gonionotus</i>	Trey chipin	White fish	2	2	0	
	Red tail tin foil barb	<i>Barbomys altus</i>				2	0	
	Hoevers carp	<i>Leptobarbus hoeveni</i>	Trey pralong		1	2	0	
		<i>Labiobarbus siamensis</i>	Trey ach kuk	White fish				
		<i>Cirrhinus lobatus</i>	Trey rieng kam	Small White fish	0	0	0	0
	Mud carp	<i>Cirrhinus molitorella</i>	Trey chipin		1			
	Small-scale river carp	<i>Cirrhinus microlepis</i>	Trey puol					
	Siamese mud carp	<i>Henicorhynchus siamensis</i>		White fish	1			
Prawn	Giant freshwater prawn	<i>Macrobrachium rosenbergii</i>		n/a	3	2		3
OAA	Crocodile	<i>Crocodylus siamensis</i>		n/a	3			3
1.2 Introduced								
Hybrids	Hybrid clariid catfish	<i>Clarias microcephalus (native) x C. gariepinus (from Africa)</i>			3	0	2	3
	Red head tilapia	<i>Oreochromis niloticus x O. mossambicus</i>					2	3
Natural reproduction	Common carp (China)	<i>Cyprinus carpio carpio</i>			1	2	0	3
	Mrigal (or Indian) carp	<i>Cirrhinus cirrhosis</i>			1	2	0	3
	Silver carp (China)	<i>Hypophthalmichthys nobilis</i>			1	2	0	3
	Big head carp	<i>Aristichthys nobilis</i>			1	2	0	3
	Tilapia	<i>Oreochromis niloticus</i>			2	2	2	3
	Rohu (India)	<i>Labeo rohita</i>			2	2	0	3
1. Marine								
Shrimps	Black tiger shrimp	<i>Penaeus monodon</i>		n/a	0	0	0	3
	Banana shrimp	<i>Penaeus merguensis</i>		n/a	0	0	0	3
Fin fish	Groupers, seabass	<i>Various sp.</i>		n/a	3	0	2	3

\* Production: (0) no interest so far; (1) not very popular (2) developing; (3) high demand (even if illegal)

\*\* Local seed production: (0) inexistent; (1) partly mastered; (2) fully mastered but small amount; (3) fully mastered at large scale

\*\*\* Seed trade: (0) no significant trade reported; (1) exportation (including fingerlings captured from the wild); (2) importation

<sup>28</sup> This table developed with the Fisheries Administration will be completed during the inception phase.



## ANNEX 2

of the Commission Implementing Decision on the Annual Action Programme 2016 and 2017 in favour of Cambodia to be financed from the general budget of the European Union

<b>1. Title/basic act/ CRIS number</b>	EU Support to SNDD Phase II (SNDD II) CRIS number: ACA/2016/038-831 Financed under Development Cooperation Instrument			
<b>2. Zone benefiting from the action/location</b>	Asia, Cambodia The action shall be carried out at the following location: Phnom Penh, Cambodia and will benefit to all provinces of Cambodia			
<b>3. Programming document</b>	Multiannual Indicative Programme between the European Union and Cambodia for the period 2014 - 2020			
<b>4. Sector of concentration/ thematic area</b>	Focal Sector 3: Governance and Administration; specific objective 2: Support to Sub-National Democratic Development			
<b>5. Amounts concerned</b>	<p>Total estimated cost: EUR 165 million Total amount of EU budget contribution: EUR 40 million, of which:</p> <ul style="list-style-type: none"> <li>- EUR 34 million for budget support (Sector Reform Contract)</li> <li>- EUR 6 million for complementary support</li> </ul> <p>The contribution is for an amount of EUR 40 000 000 from the general budget of the European Union for 2017, subject to the availability of appropriations following the adoption of the relevant budget.</p> <p>This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 0.75 million.</p>			
<b>6. Aid modalities and implementation modalities</b>	<p>Budget Support Direct management:</p> <ul style="list-style-type: none"> <li>• Budget Support: Sector Reform Contract</li> <li>• Grants: call for proposals</li> <li>• Grants-Direct Award</li> <li>• Procurement of Services</li> </ul>			
<b>7. a) DAC code(s)</b>	11512 - Decentralisation and support to subnational government – 100%			
<b>b) Main Delivery Channel</b>	<p>Main channel 10000 - Public Sector Institutions Detailed channel 12000 - Recipient Government</p>			
<b>8. Markers (from</b>	<b>General policy objective</b>	<b>Not</b>	<b>Significant</b>	<b>Main</b>

CRIS DAC form)		targeted	objective	objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	Non applicable		

## SUMMARY

In line with the National Rectangular Strategy III 2014-18 (RS III) and the National Strategic Development Plan 2013-2018 (NSDP), the objective of the National Program for Sub National Democratic Development 2010-2019 (NP-SNDD) is to strengthen Sub-National Administrations (SNA) to support The Royal Government of Cambodia's (RGC) development agenda, reduce poverty and improve the delivery of public services. The NP-SNDD, through the 3-year Implementation Plan phase II (IP3-II, 2015-17) supports the institutional consolidation of Sub-National Administrations; capacity development of elected Communes/Sangkat and Districts/Municipalities councilors; development and consolidation of the social accountability framework; and transfer from Line Ministries to Sub-National Authorities of substantial functions relating to service delivery. The NP-SNDD reform program is a component of the national governance reform package alongside the National Programme for Administrative Reform (NPAR) and the Public Finance Management Reform Programme (PFMRP).

The proposed EU support is a follow-up to the EU Sector Policy Support Programme "EU Support to SNDD" (EUR 15 million, 2013 to 2016). This second phase of EU support would run from 2017 to 2020. It is proposed to be delivered through sector budget support (Sector Reform Contract). SNDD II will support the goals and objectives of the NP-SNDD, which are: (i) democratic, inclusive and equitable development; (ii) improve access, quality and utilization of service delivery to meet the needs of citizens and contribute to poverty reduction; (iii) development of management systems of provincial/municipal, district/khan and Commune/Sangkat levels based on the principles of democratic participation,

transparency and accountability. To achieve this, SNDD II will focus on the 5 key outcome areas as identified in the IP3-II:

1. Reform Management;
2. Democratic Accountability;
3. Human Resources Management and Development;
4. SNA service delivery functions;
5. Fiscal Decentralization.

The Government will undertake a MTR of the NP-SNDD during 2016. Results will probably inform the update of the NP-SNDD and the preparation of IP3-III for 2018-2020, also covered by the present proposed budget support. It is assumed that the structure of IP3-II and its main outcomes and outputs will remain stable. However in case of modifications, the Performance Assessment Framework could be later adjusted through exchange of letters.

Complementary measures consist of support to implementation of demand-side implementation of the social accountability framework, support to GIZ for capacity-building of SNAs to take on transferred functions, and technical assistance to NCDD-S.

## **1. Context**

### **1.1. Country and sector context**

#### *1.1.1 Public policy assessment and EU policy framework*

##### **Background**

Cambodia is comprised of 24 Provinces plus the Capital Phnom Penh. There are 12 Khan, 26 Municipalities, 159 Districts and 14,147 villages, whose chiefs are elected by Commune Councils. Within the 159 districts are both communes and Sangkat. Municipalities and Sangkat are urban; Khan are within the Capital. Sub-National Authorities are therefore constituted in 3 levels: Provincial/Capital, District/Municipality/Khan (D/M/K), and Commune/Sangkat (C/S).

Decentralization in Cambodia has taken place in two main phases: the Commune level reforms, beginning in 2001, and the District and Provincial level reforms that started in 2008. In February 2002, the first elections for Commune/Sangkat (CS) Councils were held. The rationale for this round of decentralization reform was primarily political. After years of civil war the goal was to strengthen the presence and legitimacy of the state at the local level, through democratically elected local councils. The major policy instruments for this first phase of reforms included the Law on Commune/Sangkat Administrative Management (2001), the Law on the election of CS Councils (2002); and Sub-Decree 16 of 2002: *Establishment of the CS Fund*.

In June 2005, the Strategic Framework for Decentralization and Deconcentration Reforms outlined a vision for sub-national democratic development. This was translated into the Organic Law in 2008 (the *Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans*). Other key regulatory instruments include the *Law on Elections of Capital Council, Provincial Council, Municipal Council, District Council and Khan Council* (2008) and the *Law on Public Finance Systems* (2008).

To implement the Organic Law, in May 2010, the National Program for Sub-National Democratic Development (2010-2019) (NP-SNDD) was approved. The overall objective of the NP-SNDD is to strengthen sub-national administrations in order to implement Cambodia's development agenda, reduce poverty and improve delivery of public services.

The implementation of the NP-SNDD is led and coordinated by the National Committee for Sub-National Democratic Development (NCDD). This inter-ministerial body is chaired by the Minister of Interior (Deputy Prime Minister) and includes the Ministries of Economy and Finance, Civil Service, Planning, as well as Line Ministries involved in decentralization such as Education, Health, and Environment.

The NCDD is supported by a Secretariat (NCDD-S) and by key implementers include SNAs themselves, the central Ministries<sup>1</sup>, Associations of Councils, and the Line Ministries involved in functional transfer. NCDD-S coordinates "project staff" (675 staff in total in 2016), which comprise both advisors, officers, and support staff, deployed at national, provincial and district level.

The NP-SNDD is implemented through 3 year implementation plans (IP3s) namely: 2010-2014 (IP3-I); 2015-2017 (IP3-II); and 2018-2019 (IP3-III). The IP3s are budgeted annually through an Annual Work Plan and Budget (AWPB).

Civil society is also a partner in implementing the NP-SNDD: In July 2013, a Strategic Plan for Social Accountability was endorsed, and implementation started in 2015. It aims to empower citizens to hold government to account for local service delivery and resources allocation. The plan implies actions on the part of government and civil society; its rollout has started in a number of districts, through cooperation between SNAs and NGOs.

### Public Policy Assessment

NCDD-S has managed to set a clear basis for the SNDD Reform in a complex and challenging environment, in which decentralization has up to now progressed through negotiation. The SNDD reform policy is **clear** and **comprehensive**, and national ownership is strong. This is demonstrated by the high level of awareness of the decentralization reform that has been observed on part of sub-national authorities<sup>2</sup>, along with substantial steps towards decentralization of functions observed in 2015<sup>3</sup>. However, the vision for democratic reform is not uniform throughout government and various systemic challenges remain. While

---

<sup>1</sup> Ministry of Interior, Ministry of Planning, Ministry of Economy and Finance, Ministry of Civil Service, and the Ministry of Women's Affairs.

<sup>2</sup> This is observed during field visits on part of Delegation staff and other DPs.

<sup>3</sup> Announcement of decentralization includes: primary, pre-primary and non-formal education; primary health; some services related to social affairs; rural road maintenance; and environmental sanitation / solid waste management



the Communes/Sangkats have introduced the concept of accountability and increased the voice of citizens through the directly-elected councils and the C/S Fund at their disposal, further democratization at district/municipal level will take some time to materialize as districts started operating in 2013 only.

Civil Society Organisations participate in policy dialogue and implementation of the NP-SNDD. A number are involved in the implementation of the Social Accountability Framework, which represents an important step forward in localizing a human rights based approach to development through support to both the supply and demand side of local governance.

The NP-SNDD remains **relevant** and with the consolidation of democratic institutions in Cambodia<sup>4</sup>, the potential for decentralization to contribute to democratization is increasingly clear, as it reinforces accountability of government towards citizens. As regards to the **credibility** of the NP-SNDD, the detailing of specific targets and results to be reached in the IPs, and the annual costing and allocation of resources as expressed in the AWPBs contribute to a robust framework for policy implementation.

The NCDD Annual Budget, including the activities and the staff costs, receives substantial funding coming from donors contributing to the basket fund (SIDA, SDC, and EU<sup>5</sup>) and funding projects contributing to IP3-II; The Ministry of Interior (MoI) budget covers the cost of around 40 government officials within NCDD-S. The RCG also contributes to the reform through transfers to the Commune/Sangkat fund and the District/Municipal Fund. For 2016, the government contribution to the D/M (District / Municipality) fund represents 0.9% of the recurrent revenue of the State, and as of 2017, it is set at 1%.

Transitioning to a Sector Reform Contract will increase ownership on part of the RGC as a whole and reinforce the coherence of political support to the D&D reform, since part of the project funding will move through national budget flow. This transition entailed specific negotiations with the Ministry of Economy and Finance. An agreement was reached after the identification stage between NCDD and MoEF in the medium term to establish NCDD-S as a budget entity. The decision agreed at top level in January 2016 is expected to be formalized by MoEF before the start of the budget cycle (June 2016). NCDD-S is concerned that there might be risks of disbursement delays to all implementers, although MoEF is confident that the budget would be directly and timely disbursed to NCDD-S.

### EU Policy Framework

Support to Decentralization through budget support is fully in line with the EU policy framework. The Commission Communication "The Future approach to EU Budget Support to Third Countries"<sup>6</sup> highlights the need to strengthen the capacity of local authorities to act as an essential component for the State domestic accountability system, thus contributing to enhance government's capacity to deliver services to final beneficiaries. Furthermore, the Commission Communication "Empowering Local Authorities in partner countries for enhanced governance and more effective development outcomes"<sup>7</sup>, adopted on 15 May 2013, provides a comprehensive policy to frame the participation of local authorities in

---

<sup>4</sup> Reference is made here to the political agreement of July 2014 which has ended the deadlock which followed the 2013 elections, and has allowed the opposition to occupy an unprecedented space within the political debate

<sup>5</sup> Through Programme Estimates

<sup>6</sup> COM (2011) 638

<sup>7</sup> COM(2013) 280

development processes and in broader political, social and economic dialogue. The Methodological Note on Providing Budget Support in Decentralized Contexts (February 2016), also stresses the need to focus on the sub-national system of service delivery through which national policies are implemented in order to ensure outcomes on the ground.

The European Joint Strategy 2014-2018 notes that "The sub-national democratic development reform has possibly the greatest potential impact on the development of democratic governance in Cambodia. The reform is proceeding, with considerable financial support from development partners, however the organisation, structure and function of the sub-national authorities are yet to respond fully to the needs and challenges of local economic development and quality public service delivery. A well-organized decentralized system of governance will contribute to an enhanced accountability and transparency at all levels."

European partners have set out their support to SNDD reform through the implementation of NP-SNDD with an emphasis on local participation and democratic accountability. European partners will also focus on strengthening of elected councils, particularly at district and municipal levels, and support an enabling legal and policy environment for their autonomy and discretionary space. This could include the gradual transfer of functions and resources from the national to the sub-national levels, the development of human and institutional capacity at the sub-national level, the strengthening of roles and responsibilities of sub-national councils and the strengthening of a unified sub-national administration which can coordinate public activities and administration within its jurisdiction. "

The **EU Multi-Annual Indicative Programme (MIP) 2014-2020** supports Governance and Administration as a focal sector. This includes support to the NP-SNDD in specific objective 2: supporting Sub-National Administrations (SNAs) to promote the welfare (voice, rights, livelihoods) of citizens, improve equality between citizens and communities, especially women and vulnerable groups, and ensure fairness in access to services in line with the results and activities foreseen in the decentralisation policy framework.

### *1.1.2 Stakeholder analysis*

The Main Actors in the implementation of the NP-SNDD include the following:

- *The NCDD* is a permanent inter-ministerial mechanism designed to implement the Organic Law. It approves policy and oversees performance. This is the highest level of decision-making for decentralisation.
- *The Ministries:*
  - Five ministries have a particular role and impact on the implementation of the national Decentralisation program and on the actual establishment and functioning of SNAs: (i) The Ministry of Interior (MoI) who is in charge of the organization and supervision of the infrastructure, administration and logistics of sub national administrations; (ii) the Ministry of Civil Service (MCS) in charge of the policy, standards and regulations of HR management and HR development of the civil servants, including at sub national levels; (iii) the Ministry of Economy and Finance (MoEF), in charge of PFM rules, regulations and procedures nationwide including budget allocation, funds release and procurement for sub national levels through its own provincial departments; (iv) Ministry of Planning (MoP) in charge of the national planning process and the facilitation of local planning at sub national levels

and its articulation and integration into the national plan; (v) the Ministry of Women's affairs which promote women's empowerment and gender equity. The coordination and streamlining of initiatives from these five Ministries are essential to a rational, consistent and timely implementation of the SNDD program.

- In addition to these, Line Ministries hold responsibility for the organization and preparation of the functional transfer to SNAs of agreed upon functions, together with corresponding resources. As such, they are responsible for implementing activities defined in the IP3-II and the Annual Work Plans, and they decide on the technical and administrative modalities to undertake these activities.
- *NCDD-S* is the executive secretariat of the decisions made by NCDD. It prepares NCDD meetings, prepares the Annual Work Plans and budgets, monitors implementation and prepares the annual reports. The staffing and technical capacity of NCDD-S is presently adjusted to these functions. One of the challenges is the coordination of the implementation of the annual plan by all implementers within these limits, on top of tight budget constraints faced by the level of funding of the annual plans.
- *SNAs*: Each SNA is composed of councilors<sup>8</sup>, board of Governors, and administrators. It is a local government body, which has “executive” and “legislative” branches, though councils can make both legislative and executive decisions. The backing for the NP-SNDD is strong at this level; however, their empowerment remains a real challenge. The legal framework provides C/S and D/M with the autonomy to make their own decisions in their general mandate, and the implementation of this general mandate is made possible through the Commune/Sangkat fund (operational) and the District/Municipal fund (partially operational). Capacity of SNAs represent a challenge that needs to be addressed, as it is a serious constraint in implementation of the NP-SNDD.
- *Associations of Local Authorities*<sup>9</sup>: These are instrumental in promoting SNA participation in good governance and development outcomes at local level, as they can engage in policy dialogue for decentralization on behalf of their members, and can help enhance downward and upward accountability. At this stage however the Associations of Sub-national Administration Councils (ASAC) are building their constituency and consolidating their institutional structure, and their capacity to effectively lobby and engage in policy dialogue is still being built.

---

<sup>8</sup> Directly elected in the case of communes/Sangkats, and indirectly elected in the case of other levels of SNAs. CSs do not have Boards of Governors, only PCs and DMKs do.

<sup>9</sup> District/Municipal/Khan and Commune/Sangkat Councils are grouped in provincial associations. The federation of these provincial associations is the National League of Councils (NLC). The Provincial Councils+Phnom Penh have their own association, the National League of Capital and Provincial Councils (NACPC). Both the NLC and the NACPC share one secretariat, the Associations of Sub-national Administration Councils General Secretariat (ASAC).

- *Civil Society/NGOs, Citizens:* the NP-SNDD has created new spaces for citizens to engage with their elected councils and Sub-National Authorities: public fora take place regularly and it is reported that citizens are gaining confidence through their participation. However, taking forward issues raised in these fora to the appropriate government entity in view of finding a solution has proven to be challenging. To avoid this disconnection, the Social Accountability Framework focuses only on a limited number of sectors; this however has the disadvantage of leaving out some issues that are major concerns for citizens, such as land rights and natural resources management.
- *Development Partners (DP):* Donors make a major contribution to SNDD reform implementation through funding its AWPBs. Donors can also play a key role in the policy dialogue through the Government-Donors SNDD-TWG.
- *Political Parties:* the ruling party has a well developed outreach structure at local level.

### *1.1.3 Priority areas for support/problem analysis*

#### *1.1.3.1 Problem analysis*

The key challenges for NCDD and NCDD-S to overcome during IP3-II onwards are:

1) *Policy and strategy challenges:* Decentralisation is cross-cutting by nature, and as such, political backing of its implementation by the different power holders is negotiated; the principles and rules are spelled out in the organic law, but the law remains process-oriented: the RGC has decided to base its strategy for functional transfers on a voluntary basis driven by line ministries, rather than an imposed, top down approach. The main challenge is therefore to bring the central actors to recognize, facilitate and accompany the autonomy of the SNAs for the fulfillment of their general mandate and manage functions transferred from Line Ministries.

Functional transfer initially progressed much slower than planned, until the decision to transfer primary education, early childhood and non-formal education within four years to all districts in the country was unexpectedly taken in 2015. This has lifted the bar to a very high and challenging level of expectation. This context makes clear political leadership and sound policy decisions all the more important.

Coordination of the SNDD, Public Finance Management Reform (PFMR) and Public Administration Reform (PAR) requires an enhanced political dialogue: they will have combined and cumulated implications on the sub national levels. If they are implemented in silos at different paces and places, there is a risk of creating inconsistencies and running into bottlenecks.

2) *Management and Institutional challenges:* Although significant progress has been made in establishing a legal framework for decentralization and preparing the ground for transfer of functions through analysis and piloting, management of the reform is meeting institutional limitations that need to be overcome. NCDD-S structure and capacity are presently adjusted to its role of coordination of the IP3-II implementation by implementers (LMs & SNAs). However NCDD/S is facing persistent delays in implementation on part of ministries, and persistent external and internal constraints within D/Ms to implement their general mandate,

implement transferred functions, and prepare for functions to be transferred. D/Ms are still not clear on the exact scope and boundaries of their permissive functions, and on the financial rules to be followed. Resource (re-)allocation for transferred functions is not addressed systematically.

### *3) Capacity Development (CD) challenges at SNA level:*

The Policy for capacity development at subnational levels is determined by MoI, and capacity development to SNAs is currently provided by the Provincial Resource Facilities which are governed by Provinces. NCDD-S mostly does institutional CD and some training of trainers once policy instruments are developed. Central implementers, when they develop a new process or instrument that affects SNAs are responsible for rolling out the change to SNAs. This results in “supply side” training and CD initiatives. SNAs also identify their own CD needs; this results in “demand side” training and CD initiatives. However, a lack of overall vision, policy and strategy for coordinated capacity development for SNAs by various implementers, projects and partner supported initiatives led to an over-reliance on short-term generic training.

However, worldwide experience in decentralization points to the fact that capacity-building cannot show effectiveness if they take place in a vacuum: the lack of empowerment of SNA with meaningful functions and resources makes it difficult to carry out an effective effort to build their capacity. Thus, beyond the shortcomings in capacity-building planning highlighted above, the core issue remains the absence of a clear set of functions to be performed by D/Ms and a clear set of rules to follow.

#### **1.1.3.2. Priority areas for support**

In view of the above, the following areas need to be prioritized:

##### *1) Policy and strategy*

Enhance the quality of political and policy dialogue between Government stakeholders, particularly during the preparation of the AWPBs to make sure that priority areas – including functional transfers and PFM issues at SNAs- are adequately addressed and funded, given the cross-cutting nature of decentralization reforms; Reinforce capacities of the NCDD-S for stronger coordination role; production and prioritization of a Gender mainstreaming Strategy with clear outcomes and allocated funds.

##### *2) Management of the reform:*

Ensure quality of decentralization: service delivery needs to ultimately benefit from decentralization, therefore encourage systematic policy discussion with DPs to ensure that functional reassignment proceeds smoothly and agreements are effectively implemented:: selection of functions to be transferred by sectors and type of transfer (deconcentration, delegation, devolution); piloting, sequencing, roll out, by District/Province/Sector; simultaneous transfer of resources and budget; parallel restructuring of line ministries at central and local levels. In addition the monitoring of actual service delivery improvement for transferred functions needs to be agreed; The Ministry of Economy and Finance needs to develop grant mechanisms that will be directly linked to the transfer of key functions planned in 2016 by Ministries of Education and Health. The implementation of the Social Accountability Framework (ISAF), which has successfully started in 2015, must continue to

be rolled out nationally, as this is the cornerstone of civil society participation in the NP-SNDD.

### *3) Capacity-building*

Promote a coordinated institutional approach to produce an integrated vision, strategy, and plan for capacity development for SNAs, in order to achieve the SNDD outcomes. Coordination with the Public Administration and Public Finance reforms is crucial in this sense. NCDD-S would take active role to support implementers, including MCS, in assessing capacity development needs, and producing an integrated vision strategy and plan for capacity development of SNAs. One substantive bottleneck is Public Financial Management systems at Sub-National level: this must receive urgent attention.

At the same time, the D/M fund needs to become operational, to anchor capacity-development efforts into an "action learning" process, and to provide the impetus to address external and internal bottlenecks.

## **1.2 Other areas of assessment**

### *1.2.1 Fundamental values*

Cambodia has ratified all the main human rights treaties and its constitution and laws are line with these. However, a human rights-based approach neither guides government policies and laws nor their implementation. More recently, the Law on Associations and Non-Governmental Organization passed on 13 July 2015 raised serious questions on part of national and international stakeholders, including the EU, as it has the potential to considerably restrict the activity of NGOs. A disputed law regulating Trade Unions was passed in April 2016, which rights groups decried as designed to curb workers' rights.

The political deadlock between the two main parties following the 2013 elections was solved with the July 2014 agreement. In this agreement the so-called "culture of dialogue" was adopted to create conditions that allow a peaceful democratic political dialogue which could lead in the long-run to the development of a genuine democratic political culture. The agreement also promised, and delivered significant electoral reforms with the creation of a bipartisan NEC and a significant redesign of the voter registration system. However, political tensions between the parties at the end of 2015 called into question the "culture of dialogue". A breakdown of this dialogue would have serious implications on democracy.

Rule of law is fragile. The judiciary is perceived by Cambodians as the most corrupt government institution<sup>10</sup>, and as such is not capable of providing fair dispute resolution or delivering justice. The judiciary is regulated by laws that do not ensure its independence; its internal capacities are weak, resulting in failings ranging from non-compliance with procedures to insufficient staff to administrate justice; external influence on the courts is widespread. This impacts not only the criminal justice sector but commercial and civil disputes which often cannot find redress through the courts.

---

<sup>10</sup> Transparency International National Integrity Assessment System, 2014

### *1.2.2 Macroeconomic policy*

Economic growth reached 7% in 2014, which remains less than the rate of growth forecasted before the financial crisis. Nonetheless, according to the IMF, the overall economic outlook is good, despite political instability. However, the country does remain vulnerable to internal and external shocks due to the lack of sectoral diversification, namely the predominance of agriculture (which employs up to 80% of the population), and the country's dependence on a small number of exports (garment, footwear, milled rice and tourism). In addition, a high degree of dollarisation and limited fiscal space hampers the authorities' ability to cushion economic and financial shocks.

The RGC is generally implementing relevant macroeconomic policies as discussed with the IMF, although at uneven pace. Discussions during the Article IV consultations in July 2015 focused on maintaining the momentum of fiscal consolidation, containing macro financial risks and improving monetary policy effectiveness in the short term, and promoting economic diversification and inclusive growth over the medium term.

### *1.2.3 Public Financial Management (PFM)*

The RGC has been implementing since 2005 a Public Finance Management Reform Programme (PFMRP) articulated around four platforms to be implemented in phases as follows: (i) Budget credibility; (ii) Financial accountability; (iii) Budget policy linkages; (iv) Performance accountability. The PFMRP remains a credible reform programme and the RGC is politically committed to its implementation. The RGC has recently completed the implementation of platform i and ii and endorsed Consolidated Action Plan (CAP3) to start implementation of platform iii in 2016.

The RGC has recently finalized a PEFA assessment<sup>11</sup> that will provide baselines for the implementation of CAP3. This PEFA assessment is the second such assessment in Cambodia. According to this assessment, overall improvements are noticeable. There are performance improvements in indicators that support aggregate fiscal discipline (PI-1, PI-3, PI-16) and related to monitoring and reporting of budget execution (PI-21, PI-24 and PI-26). Nonetheless, there seems to be a performance slippage in indicators affecting strategic allocation of resources and transparency. Despite the limited resources allocated to the National Audit Authority (NAA), PEFA acknowledges substantial improvement in scope, nature and follow up of external audits and legislative oversight. The NAA undertakes an important number of audit activities every year according to its annual audit work plan. With 170 auditors, the NAA organizes audits of Line Ministries, of SNAs and of State-Owned Enterprises. During 2015, 13 Provinces, 3 Districts and 2 communes in each the 13 provinces were planned to be audited. There is however a lack of written evidence as regards the follow up on audit recommendations and the annual audit report is still not published on a timely manner.

Procurement systems remain weak. There is no data on the justification of use of non-competitive practices and the General Department of Public Procurement has very limited

---

<sup>11</sup> Note that the PEFA institutional focus was on line ministries, provinces and districts, but excluded Communes/Sangkat and Public Corporations.

capacity to enforce reporting requirements foreseen in the Procurement Law. Furthermore, there is not a separate independent procurement complaints mechanism. The RGC has taken important steps since the approval of the Public Procurement Law (PPL) in 2012. An effective Public Procurement M&E framework needs to be set up, and a comprehensive capacity building programme for procurement entities at sub-national level need to be designed and implemented, as a high priority. Procurement procedures of MoI and MoEF are also not completely aligned, creating duplication of work and delays. Alignment of procedures has been identified as a priority to be addressed.

#### *1.2.4 Transparency and oversight of the budget*

Transparency and oversight of the budget remains very weak. The Kingdom of Cambodia scored 08 out of 100 in the Open Budget Index (OBI) in 2015, due to limited availability and comprehensiveness of budget information. Nevertheless, OBI survey covers up to June 2014 and it does not incorporate recent actions implemented by MoEF that demonstrate progress made in different aspects of budget transparency. Notably a circular on the Preparation of the Budget Strategic Plans in Line Ministries was issued in June 2014, followed by the publication of the Circular on Guidelines for Preparation of the Draft Budget Law. The circular highlights key aspects of government budget policies and priorities at sector level, especially the 10 ministries piloting programme budgeting, including the MoEYS. This increases the credibility of the budget information.

Nevertheless, there are still concerns related to budget transparency such as: the RGC does not publish the Executive's Budget Proposal and Mid-Year Budget Review; the NAA does not publish on time the Annual Audit Report on Budget Execution; credible and effective mechanisms (i.e., public hearings, surveys, focus groups) for capturing a range of public perspectives on budget matters are not operational; the legislature has very limited capacity to analyse the budget.

Following the publication of the last OBI report, RGC has strengthened budget transparency activities within the PFM Reform. This plan is considered credible and it is the Delegation' assessment that performance will improve in next OBI Survey.

## **2. Risks and Assumptions**

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
NCDD-S and IP3 implementers do not receive adequate and timely funding in its budget from MoEF for approved AWPBs, when the BS modality is implemented	H/M	Concerning NCDD-S: The MoEF agreed with NCDD that NCDD-S would be created as budget entity for 2017. Concerning NCDD-S and IP3 implementers, a challenge remains for 2017 as it usually takes MoEF more time than planned to implement agreed measures. Commitment should be confirmed from MoEF to adequate and timely funding of the AWPB as approved by the NCDD and that it will be disbursed by the Treasury directly to NCDD-S. This will be addressed through policy dialogue.
Resources Transfers to D/M do not accompany functional transfers in a timely manner to the level required	H	Particular attention should be given during the preparation of the Functional Transfers to simultaneous and timely transfer of human resources and budgets. Formal agreements with the LMs as well as with MoEF stating their commitment should be clearly included in the



		AWPBs and followed up by NCDD-S. Preparations of the detailed procedures of conditional grants also need to be completed by MoEF. To ensure that realignment of resources from line ministries to SNAs take place, advocate for the inclusion of such objectives in NPAR at least as of 2018. To that end, strengthen capacity of Ministry of Civil Service/ to address this issue and to assist LMs in reviewing their core functions. This will be addressed through policy dialogue related to the coordination of the 3 Reforms.
Budget and procurement procedures remain restrictive for D/Ms, constraining the implementation of the D/M fund	M	Through policy dialogue in the context of both SNDD and PFM programmes, advocate for review of procedures on part of MoEF to ensure D/M budget autonomy.
Tendency of central levels to retain control rather than allowing for genuine local voices to be heard.	M	DPs to maintain position on shared goal of establishing greater voice and accountability through genuine citizen participation. The I-SAF is also due to be extended and includes greater citizen and CSO participation. All activities need to raise the voices of women.
High-level decisions on functional transfers are decided without adequate preparation	H	This risk is high as the preparation of functional transfer by LMs is focusing in first instance on legal aspects rather than on operational changes. Fiscal transfers are not yet addressed by MoEF. Mitigating measures: - Complementary support to assist in developing these plans by LMs, their validation by NCDD-S, and their experimentation by SNAs. - Functional transfers supported by testing approaches through Complementary Measures - Donor coordinate their respective support to various Ministries on Functional Transfer
Corruption undermines PFMRP efforts to enforce PFM systems	H	Encourage working relationship with ACU in PFM implementation plans. Complementary measures under the PFM programme will support the monitoring role of CSOs.
Key decisions on Natural Resources Management negotiated and taken centrally create conflict at SNA level.	M	Building capacity of SNAs will increase their confidence to start implementing their general mandate and to continue supporting the implementation of the Social Accountability Framework nationwide, This would strengthening local accountability processes. DPs remain aware, in policy dialogue, of the risks entailed in sectors where economic interests are too strong.
<b>Assumptions</b>		
<p>1. NCDD-S is formally established as a budget entity during 2016 on time for 2017 budget preparation. NCDD-S to receive funds from the National Budget released directly from the national treasury to NCDD-S bank account.in a way that does not disrupt in a critical way business continuity; This will be a pre-condition to signing the FA.</p> <p>2. The central institutions, including MoEF, fully support the implementation of the NP/SNDD components, develop policies and implement activities on time, consistently with existing D&amp;D policy and facilitate the SNAs as autonomous bodies as spelled in the organic law; Coordination Mechanism between SNDD, PFMRP and NPAR bring substantive progress in harmonizing the 3 reforms;</p> <p>3. Focus on transparency is high and regularly monitored;</p> <p>4. Local PFM issues to enable improved performance of D/Ms in undertaking the General Mandate and in managing the incorporation of transferred Functions are set as a priority for remaining of IP3-II and its successor;</p> <p>5. The production of a Gender Equality Strategy with clear outcomes, priorities and budget is prioritized during the remaining period of IP3-II.</p>		

### 3. Lessons learnt, complementarity and cross-cutting issues

#### 3.1 Lessons learned

The experience of the EU and EU Member States over the last ten years in support to decentralization and civil society indicate that:

1. Given the complexity of the decentralisation reform it is paramount that donor programmes and projects align to IP3-II or risk undermining the reform;
2. Citizens and non-state actors need to become full and equal stakeholders in the decentralisation process;
3. Local governments (SNA) and their associations needs to be more involved in the reform;
4. There is a need for more technical and policy dialogue within NCDD and with DPs on strategic topics related to transfer of functions and responsibilities from LMs to SNAs and consequent fiscal decentralization.
5. Lessons learned on the quality of policy dialogue between DPs and Government on SNDD implementation are the following:
  - DP coordination improved substantively during IP3-I and are consolidating with IP3-II
  - DP- Civil Society- RGC dialogue is improving through the TWGs
  - However policy dialogue would better be informed through thematic discussions with the RGC through technical meeting preparatory to the annual TWG meeting
  - Consultation and Coordination among DPs needs to take place on activities supported by various DPs.

The Mid-Term Review of the NP-SNDD will provide a complete and updated view on lessons learnt.

### **3.2 Complementarity, synergy and donor coordination**

Policy dialogue/review, joint sector planning/monitoring and coordination between DPs and government takes place through Technical Working Groups (TWGs), which feed into the Government-Donor Coordinating Committee and the Cambodia Development Cooperation Forum, the highest policy dialogue forum. TWGs are led by the RGC with the support of a Lead DP Facilitator. The SNDD TWG is led by the NCDD-S and on the DP side by a European partner.

The TWG -SNDD meets at minimum twice a year. Additionally DPs and NCDD-S hold joint workshops every two to three months on key issues (for example the AWPB). European partners (EU, Germany, Sweden, and Switzerland) coordinate on a monthly basis and this European position is a key part of the larger DP policy dialogue position. The Technical Working Groups monitor the attainment of the Joint Monitoring Indicators. For SNDD, the agreed joint monitoring outcome 2014-2018 is “Public service delivery has been brought closer to citizens through increasing decision making authority of Municipalities and Districts”. The Outputs for 2014-2018 are defined below (at this point, none of these indicators have been reached except for the decision in 2015 to transfer primary education, although progress on all of them is taking place):

1. Legal framework and capacity of SNAs strengthened to encourage SNA own source revenue collection. Indicator: 1.1. By 2015, SNAs collect at least 3% of their total budget in the form of non-tax revenues.
2. Functional reassignment process implemented, resulting in the transfer of functions, staff and recourses from Central Government to SNAs. Indicator: By 2015, at least two important functions transferred to SNAs by line ministries as well as the staff and resources necessary to implement the functions.

3. Social Accountability Strategic Plan implemented. Indicator: by 2015, all Communes/Sangkats in 40 rural districts will have implemented social accountability activities, including providing information to citizens, citizen monitoring and development of Joint Accountability Action Plan.

European partnership has historically been a cornerstone of support to the NP-SNDD. European partners have in the past harmonized their aid through co-funded projects, then contribution to the Basket Fund. Now, with the transition of the EU to Budget Support, a renewed emphasis on policy dialogue can take place. ADB, another major donor to the NP-SNDD, is already providing a policy loan with a performance assessment matrix, and efforts to coordinate are being made.

Given that EU Budget Support will give fiscal space to the government to provide the core funding to implement the AWPB, European partners whose procedures do not allow budget support will focus on supporting the EU programme through specific capacity development initiatives from 2018 onwards<sup>12</sup>, which will be complementary to the EU's SRC. In particular, Sweden and Switzerland will be designing their new phase of support to NP-SNDD in 2016-2017, and a joint European programme for capacity development in support to the NP-SNDD is envisaged.

Currently, the EU is supporting through the ACES project grant to UNDP the capacity development of the ASAC. After the end of this project in December 2017, the EU Country-Based Support Scheme for Local Authorities can be mobilized to continue to provide support to the Associations of Sub-national Administration Councils (ASAC).

### **3.3 Cross-cutting issues**

*Gender issues:* Within the SNDD reform there is great potential to address gender issues. Promoting female leadership within Sub-National Authorities and within elected councils, and increasing gender equity of services delivered by SNAs is a priority within IP3-II. A Gender Audit undertaken in 2013 pointed out several areas of potential improvement, including: (i) mainstreaming gender at an earlier stage of policy development, (ii) the need to design more specific gender interventions for each component, during the IP3 formulation process, (iii) the need to more consistently undertake gender analysis (covering both men and women) in the design of interventions, and (iv) the need to channel more resources into gender responsive measures. These measures are being addressed in the IP3-II.

Gender Equality is championed through the Ministry of Women's Affairs, which has set targets for the employment of women in senior positions throughout government. The number of women in SNA leadership positions increased from 15.1 per cent in 2014 to 16.1 per cent in 2015. However, according to the Annual Report 2015, there are still risks that the targets established in the NSDP and IP3-II will not be met.

Women's and social welfare issues have been an entry point for women to take up decision-making and leadership positions in SNAs. The Women and Children's Consultative

---

<sup>12</sup> end of the Basket Fund

Committees (WCCC) at Provincial and D/M levels are most of the time led by women. The IP3-II conducted robust capacity assessments of SNAs in 2011, where a baseline was established, with follow up comparative analysis in 2013. The D/M Capacity Assessment in 2013 found that functioning of WCCC had significantly increased (since 2011) but quality and impact remains low, and these committees were still not able to influence decision making effectively.

The Assessment also found that D/M Gender mainstreaming capacity had significantly decreased, despite 84 per cent of D/M officials and leaders having attended gender awareness and mainstreaming training. Follow up to gender mainstreaming training to ensure learning is integrated in HR management and development (including recruitment) and operational work is requested by D/Ms.

In addition the D/M Fund tends to be used for infrastructure projects, rather than social welfare services, which *may* be seen as meeting the interests of women. Planning and budgeting processes also do not incorporate gender responsive budgeting approaches (although the planning processes are currently being reviewed in this sense). Insufficient resources have been allocated to this subject to allow planned outcomes to be reached. For example IP3 training aimed to engage managers in designing a simple action to promote equality in their organisation; however the development of training materials was under-funded and not included within training budgets in 2015. Alternative sources of funding were sought but not secured. Further to the aforementioned Gender Audit of 2013, a follow-up gender audit is planned by NCDD-S for 2016. It may be concluded that without prioritisation of gender equality and equity activities, within a strategic policy framework linked to clear outcomes, the programme may not achieve the foreseen impact. This is an issue that should be fully examined during the MTR and also given space as a key priority outcome within the design of a potential IP3-III.

*Natural resource management:* Land rights and management of natural resources are not deconcentrated or decentralized, but are extremely sensitive issues that are nonetheless raised in public fora bringing together SNAs and citizens because of their impact on people's lives. DPs need to be conscious of the political economy of natural resource management, as decentralization may represent a risk in sectors where economic interests are too strong.

The Cambodia Climate Change Strategic Plan 2014 – 2023 (CCCSP) acknowledges a prominent role for sub-national administrations. Currently, NCDD-S has taken many steps for mainstreaming climate change into sub-national planning. From 2012 to 2015, 61 Communes accessed Performance Based Climate Resilience Grants totaling \$1,007,206. At the Commune level, this funding provides a top up of 25% of the total cost, with the remainder provided by Government. This process is envisaged to be replicated nationwide using a grant from the Green Climate Fund.

## **4. Description of the action**

### **4.1 Objectives/results and options**

SNDD II will provide the fiscal space needed by the RGC to reach the goal of the NP-SNDD, which is to achieve democratic, inclusive and equitable development, improved access, quality and utilization of service delivery and contribution to poverty reduction. It will support the objective of the NP-SNDD which is to develop management systems of

provincial, D/M and C/S levels based on the principles of democratic participation that will operate with transparency and accountability in order to promote local development and delivery of public services to meet the needs of citizens and contribute to poverty reduction within the respective territories. To achieve this, SNDD II will focus on the 5 key outcome areas and will support corresponding outputs as identified in the IP3-II:

Outcomes	Outputs
<b>Outcome area 1:</b>	<b>Reform Management</b>
1. Improved management of the Democratic Development reform process geared towards management of change	1.1: NCDD leads the political process of reform and manages program performance to ensure implementation of the Organic Law 1.2: NCDD-S facilitates and coordinates program implementation and management by all implementers; its role is progressively changed from operational to strategic 1.3: A Communications Strategy is finalized and operational focused on information sharing between government institutions and between government and the public in a way that clarifies key messages and determines the best way to deliver them to different stakeholder groups 1.4: Ministries have enhanced ownership of and participation in the reform process 1.5: SNAs have increased ownership of the reform process and increasingly make progress in shaping the reforms to their specific needs
<b>Outcome area 2:</b>	<b>Democratic Accountability</b>
SNAs function as autonomous, local, democratic and accountable institutions, including accountability of the Board of Governors to the Council, accountability of Councilors to citizens, and ability of SNAs to comply with national laws and standards	2.1: Clear roles and lines of accountability between SNA Councils and Boards of Governors are established and implemented 2.2: Voices of citizens and civil society better reflected in D/M and C/S decision-making processes 2.3: Institutionalized, transparent D/M compliance inspection mechanisms in place 2.4: SNA administrative, IT and M&E systems strengthened
<b>Outcome area 3:</b>	<b>Human Resources Management and Development</b>
SNAs autonomously and effectively manage and develop their staff in order to meet their service delivery mandates and priorities	3.1: SNA HR management decentralized and strengthened 3.2: Demand-driven capacity/organizational development and advocacy support systems for SNA Councils and Councilors in place 3.3: Demand-driven capacity and organizational development support systems for SNA Boards of Governors and Administration staff developed 3.4: A resourced plan for a permanent local government training institute and long-term capacity development in place and ready for implementation
<b>Outcome area 4:</b>	<b>SNA service delivery functions</b>
SNAs are enabled to meet citizens' service delivery expectations and to provide meaningful services at the level of government closest to citizens	4.1: SNAs taking more initiative to implement permissive functions under their general mandate 4.2: Specific and appropriate functions transferred from Ministries to SNAs 4.3: Transfer urban services from Provinces to Municipalities 4.4: Expand Administrative Services developed under the One Window Service Offices 4.5: Implement service delivery partnerships between SNAs and CSOs and the private sector
<b>Outcome area 5:</b>	<b>Fiscal Decentralization</b>
Financial resources are well planned, well managed, and adequate for D/Ms to meet their service delivery mandates	5.1: D/M fund operational with 0.5% of the national budget ring-fenced for development activities 5.2: Conditional grant mechanisms in place to support functional transfers 5.3: Develop a medium term vision and targets for SNA revenues and expenditures 5.4: SNAs collect own source revenues 5.5: Sub-National Investment Facility (SNIF) established and implemented 5.6: Budget allocations for Provinces/Capital reviewed and revised 5.7: SNA financial management systems strengthened

	5.8: SNA Planning Systems revised in a manner that strengthens oversight and accountability roles within the SNA and between the SNAs and line departments/offices
--	--

However it should be noted that the IP3-II runs from 2015 to 2017. Its successor, IP3-III will be developed during 2017 and will cover the period 2018 onwards. The structure of IP3-III is expected to be similar, in terms of outcomes and outputs, to IP3-II. The pace of implementation can evolve subject to the progress achieved by 2017, in particular in the functional transfer that is taking a bigger scope with the recent decision to transfer Primary Education as of 2016.

## 4.2 Main Activities

### 4.2.1 Budget support

The activities are:

- Transfer of up to a maximum of EUR 34 million to the Budget of Cambodia in 2017-2020 Fiscal Years (Refer to Section 4.1 for the outcomes to be reached);
- Monitoring of achievements of the SNDD reform objectives agreed with the Government through independent reviews, regular briefings and discussions;
- Ensure efficient and timely administrative support to the implementation of the Sector Reform Contract (SRC);
- Continued political and policy dialogue with the Government to ensure implementation of the SNDD reform as set in IP3-II and upcoming IP3-III;
- Support the implementation of the SNAs general mandate and the transfer of functions;
- Provide financial support to improve capacity development planning and implementation in coordination with all stakeholders, including NPAR and PFM reforms, other line ministries and civil society.

### 4.2.2 Complementary support

The complementary support will have three components:

**- Component 1:** Support to the demand-side Implementation of the Social Accountability Framework (ISAF). This will continue the roll-out to more districts for demand-side activities to help meet the overall targets of ISAF rollout, given that the Budget Support allocation will allow to cover the supply-side. This measure will increase the impact of the Budget Support to the General Mandate of the D/M by enhancing accountability. It is in line with Priority 1 of the European Country Roadmap for Engagement with Civil Society 2014 – 2018: "Promote a human rights-based approach and mainstream civil society in European development cooperation to facilitate a strengthened enabling environment for civil society in Cambodia", and will be captured under Indicator 1.2, "The relationship between the Government and civil society organisations has changed to closer development partnership". An NGO implementing partner will implement this component. The component will be coordinated through the ISAF steering mechanisms.

## **- Component 2: Support to functional transfer and policy innovation**

This component will support the Decentralisation and Administrative Reform (DAR) Programme of GIZ. This will complement the 3 BMZ contribution to this project.

The complementary measure will support SNA service delivery (outcome #4) through policy innovation and SNA grants. It will undertake problem-based policy experiments to identify constraints to improved service delivery, capacity and governance. As currently designed, DAR delivers TA at national and sub-national level, and focuses on supporting districts to build their capacity to be able to undertake their responsibilities for decentralization.

The project will be steered by a Review Committee in which NCDD-S will play a key role in oversight of the programme, and establishing priorities and monitoring implementation. A clear linkage between NCDD-S and this complementary measure will be ensured.

The EU support to the GIZ programme supplements the TA component with a local subsidy programme which should help support SNAs to undertake innovative service provision under the general mandate and to implement functional transfers.

These initiatives will be based on field practice in a certain number of SNAs which are part of DAR and identified in collaboration with NCDD-S. The approach will be based on facilitated Capacity Development with reflective Knowledge Management and Learning involving key stakeholders. This will lead to the identification of policy and regulatory improvements in a bottom up approach; along with capacity development; methods and tools, and funding in preparation for IP3-III.

This measure will also complement the implementation of the Social Accountability Framework, since education is one of the services evaluated by citizens through the ISAF process.

**- Component 3: Funds for Technical Assistance to NCDD-S and for the review and monitoring of the SNDD implementation, in the form of a demand-driven, flexible Capacity Development support facility.** During the course of the programme, long-term and short-term advisory TA to NCDD-S in key areas of decentralization<sup>13</sup> to reinforce NCDD-S capacities to review, assess, validate and monitor the technical proposals of the implementers in the various areas for decentralization, in particular for development of functional transfer implementation plans. Initiatives for this component will be identified by the RGC, with extensive dialogue and agreement with the EU.

### **4.3 Intervention Logic**

Stakeholders are fully aware that this transition to Budget Support represents a critical shift in the balance of power and responsibilities within the NP-SNDD. On one hand, the RGC is now placed in a position of full ownership of the reform, but also in full responsibility of allocating resources in a way that is conducive to its implementation.

---

<sup>13</sup> including other Capacity building activities, such as study tours, courses, participation in international exchanges, etc., for the benefit of government officials participating in implementation of the reform.

Additionality is key to the success of the reform: by providing increased fiscal space to the RGC, conditions are created for the provision of all necessary material inputs to ensure the reforms' success, in particular, by providing resources to NCDD-S to fully exercise its role; by giving Districts and Municipalities the means to start exercising fully their general mandate; by giving all necessary support to the rollout decentralization of primary, pre-primary and non-formal education, and by resolving public financial management issues at sub-national level.

In addition to budget support, complementary measures included in this SRC as well as the future European joint programme for capacity development will support the objectives of the SRC. Policy dialogue will ensure follow up on results at implementation and political level. Policy dialogue in the context of the EU's support to the education sector reform and the PFM reform will also reinforce the SNDD II objectives.

## **5. Implementation**

### **5.1 Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in 4.1 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

### **5.3 Implementation of the budget support component**

#### *5.3.1 Rationale for the amounts allocated to budget support*

The amount allocated for budget support component is EUR 34 million, and for complementary support is EUR 6 million.

This amount is based on the need to ensure predictable funding for the NP-SNDD that will support the full funding of the D/M fund in a modality that complements the RGC's commitment to allocate increasing resources to the D/M fund.

#### *5.3.2 Criteria for disbursement of budget support*

- a) The general conditions for disbursement of all tranches (eligibility criteria) are as follows:
- Satisfactory progress in the implementation of the NP-SNDD and continued credibility and relevance thereof;
  - Implementation of a credible stability-oriented macroeconomic policy;
  - Satisfactory progress in the implementation of the PFM RP



- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

b) The specific conditions for disbursement that may be used for the variable tranches are reflected in the selection of the indicators are as summarized below and builds on those in the recently approved PFM programme. Indicators proposed on transfer of functions in education will be further strengthened in the next education programme formulation in 2017.

The PAF has been developed based on the IP3 Policy Framework that comprises five key outcomes: (1) Reform Management; (2) Democratic Accountability; (3) Human Resource Management; (4) Services and Functions; and (5) Fiscal Decentralisation.

Except for indicator 1 which is a condition for the Budget Support and indicator 2, the draft indicators proposed have been taken from the IP3-II Results Framework, and address each of the five policy outcomes of the SNDD program.

The tentative indicators are:

1. NCDD officially established as government budget entity and budget allocated directly to NCDD/S by MoEF; RGC ensures full funding of AWPB in complement to other sources
2. Number of districts where communes posted information to the public (according to disclosure of information regulations), participated in citizen monitoring exercises, and developed JAAPs to improve service delivery
3. % of all PCS and DMKs have been inspected for compliance with SNA laws and regulations and have received a satisfactory assessment
4. Percentage of DMK Administrative Directors who are female
5. % increase in the number of decisions taken in DMK council
6. % of the national budget transferred to DMs as a result of functional reassignment
7. Number of new SNAs providing OWSO services
8. DM Development component as a % of the national revenues
9. Percentage of DM revenue raised through own sources
10. Value of projects implemented through the SNIF (\$USD million)

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the Ministry of Economy and Finance may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

### *5.3.3 Budget support details*

The budgetary support will be disbursed in four annual tranches. The first year, only a fixed tranche (tentatively proposed as EUR 7 million) shall be disbursed in the first quarter of 2017 upon signature of the financing agreement, subject to compliance with the general conditions/eligibility criteria applicable to all tranches, to avoid risks of disruption for the AWPB of NCDD/S for 2017. During years 2, 3 and 4, disbursements will be divided

equally among a fixed and a variable tranche (tentatively proposed as EUR 9 million per year for both tranches).

Budget support is provided as direct untargeted budget support to the national Treasury. The crediting of the euro transfers disbursed into riels will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement

#### **5.4. Implementation modalities for complementary support of budget support**

##### *5.4.1 Grants: call for proposals for demand-side ISAF (direct management)*

###### **(a) Objectives of the grants, fields of intervention and expected results**

The objective of the grant is to support Demand-Side implementation of the Social Accountability Framework (ISAF), in order to increase national coverage of the SAF. Type of Actions eligible for financing: the Action will consist in creating and maintaining a dialogue process between communities and their local governments. This call for proposals will complement the RGC's contribution to the supply-side, which is included within the IP3 budget.

###### **(b) Eligibility conditions**

Applicants will be Non-Government Organisations established in Cambodia. Both national and international NGOs will be eligible.

Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant is EUR 1 million, tentatively one grant only, which will include a substantive component for financial support to third parties. This amount will allow coverage of ISAF activities for around 15 districts per year, for 2 years. The grant(s) may be awarded to mono beneficiaries and to consortia of beneficiaries (coordinator and co-beneficiaries). The indicative duration of the grant (its implementation period) is 24 months.

###### **(c) Essential selection and award criteria**

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

###### **(d) Maximum rate of co-financing**

The maximum possible rate of co-financing for grants under this call is 80%.

In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

###### **(e) Indicative timing to launch the call**

2<sup>nd</sup> quarter of 2017.

#### 5.4.2 Grant: direct award to Decentralisation and Administrative Reform (DAR) (direct management)

##### (a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The grant will contribute 2 million EUR to the project named above, which is currently funded by BMZ. Section 4.2.2 provides details on objectives and fields of intervention. The amount allocated has been set to be able to leverage the current BMZ funding, in order for the project to complement its TA approach with concrete assistance to the D/M.

A PAGODA will be signed with GIZ, using the Grant modality: as no budget – implementation tasks are envisaged, and GIZ will be directly implementing the Action, this will be in Direct Management mode.

Funding will be directed to covering the following costs:

- Technical Assistance to SNAs;
- Training, capacity-building;
- Local subsidies to SNAs to facilitate undertaking of decentralized functions in education. The proportion of the grant to be dedicated to local subsidies will be determined in function of the objectives to reach and in consultation with partners.

##### (b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to GIZ. The recourse to an award of a grant without a call for proposals is justified because GIZ has a unique technical competence and high degree of specialization on democratic accountability and functional reassignment in Cambodia and successive GIZ projects (EU Space, EU SPACE II) have been a unique European initiative, enabling the pooling of funds from three EU Member States and the EU providing an added value in support of EU policy dialogue. The use of this common fund channeling mechanism and its specific work on the democratic accountability aspects of the decentralization process has leveraged the European voice in the policy dialogue on SNDD. For this programme, BMZ and the EU will be the donors. Sweden and Switzerland will be preparing a European Joint capacity development programme for 2018 (see section 3.2). The grant is therefore awarded directly on the basis of Article 190 (f) of RAP: as the action has specific characteristics requiring a specific type of beneficiary on account of its technical competence.

##### (c) Essential selection and award criteria

The essential selection criteria are the financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

##### (d) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 80%. In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 37 of (EU) regulation n° 323/2015 if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative trimester to conclude the grant agreement  
1<sup>st</sup> quarter of 2017

#### 5.4.3 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical Assistance: Capacity development of NCDD-S and short-term TA pool	Services	1	2nd quarter of 2017
Monitoring and Reporting: support to the EUD for the review and monitoring of SNDD II implementation.	Services	1	2nd quarter of 2017
Evaluation and Audit	Services	2	1 <sup>st</sup> quarter of 2020

### 5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

### 5.6 Indicative budget

Programme components	EU contribution (EUR)	Indicative 3 <sup>rd</sup> party contribution (EUR)
5.3 - Budget support (Sector Reform Contract)	<b>34 000 000</b>	<b>124 000 000</b>
5.4 - Complementary support composed of:		
Component 1: Grant-Call for proposals	2 000 000	250 000

Component 2: Grant-direct award	2 000 000	500 000
Component 3: Procurement (direct management)	2 000 000	0
<b>Total</b>	<b>40 000 000</b>	<b>124 750 000</b>

## 5.7 Organisational set-up and responsibilities

Review and monitoring of progress in the implementation of the SRC will be entrusted to a Review Committee comprising the Ministry of Economy and Finance, NCDD-S, and other Ministries that are key to implementing the NP-SNDD. The Review Committee will examine progress against the PAF and establish the basis for payment of annual tranches.

The EU will continue to participate in the TWG on SNDD (see section 3.2 on donor coordination). As a sub-group of the TWG, the core donors of the reform and in particular the European partners will engage more intensely with NCDD-S to monitor progress in overall programme implementation and identify and address bottlenecks.

## 5.8 Performance monitoring and reporting

For the budget support component the MoEF will report on macroeconomic performance, improvements in public financial management and budget transparency.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the log frame matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## 5.9 Evaluation

Having regard to the nature of the action, an ex-post evaluation will be carried out for this action or its components via independent consultants contracted by the Commission or through a joint mission via an implementing partner. It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account the evaluation cycle of the NP-SNDD and if relevant, of the IP3. Evaluations may be undertaken as part of an overall country-wide evaluation of all budget support programmes (including from other development partners) with the partner country.

The Commission shall inform the implementing partners at least 3 months in advance of the dates foreseen for the evaluation missions. The implementing partners shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all

necessary information and documentation, as well as access to the project premises and activities.

The evaluation report shall be shared with the partner country and other key stakeholders. The implementing partners and the Commission shall analyse the conclusions and recommendations of the evaluation and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded in 2020.

#### **5.10 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded in 2019.

#### **5.11 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

Communication and visibility measures for this action shall be contracted under another action presented in the AAP (2016/38851). Therefore, no communication and visibility actions are supported with the budget indicated in section 5.6 above.

The global action mentioned above will cover communication and visibility measures pertaining to all 3 focal sectors of the Cambodia Multi-Indicative Programme 2014-2020, namely Agriculture and Natural Resource Management, Education and Skills and Governance and Administration (under which this action falls). It will therefore cover communication and visibility linked to actions presented in this AAP and future AAPs. This is to allow for efficient contract management and greater coherence and impact of messages on EU development cooperation in Cambodia. The visibility and communication action will support a range of different activities such as nation-wide campaigns, sector specific activities to disseminate information and knowledge and actions to increase awareness of the impact of EU development cooperation in Cambodia on poverty reduction and sustainable development. The action will use a wide range of media to communicate to the public with a particular emphasis on reaching young people.

The communication and visibility measures will be based on a specific Communication and Visibility Plan for the MIP focal sector areas. This will be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

## APPENDIX - Indicative list of result indicators (for Budget Support)

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators <sup>14</sup>	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification
Overall objective: Impact <sup>15</sup>	To improve the welfare and quality of life of all local residents of SNAs; to locally empower citizens through political and other processes to ensure equality, fairness and the protection of basic rights	CDB-CMDG1 Poverty Score  Average Voice and Accountability score (as measured by the Worldwide Governance Index) <sup>16</sup>	2014: 19.3  2014: 17.1	TBD	CDB CMDGs  Worldwide Governance Index report, World Bank
Specific objective(s): Outcome(s) <sup>17</sup>	To improve the capacity, management, governance, and service delivery of SNAs, to ensure they meet their democratic development mandate	Overall local governance index	2013: 44.72	TBD	Governance Perception Survey

<sup>14</sup> Indicators are all selected from the IP3-II Results Framework, except otherwise mentioned

<sup>15</sup> In the IP3-II Results Framework, the overall objective is referred to as the Goal

<sup>16</sup> indicator aligned to the EU Results Framework

<sup>17</sup> In the IP3-II Results Framework, the specific objective is referred to as the Purpose

Induced outputs <sup>18</sup>	1. Reform Management: Improved management of the Democratic Development Reform process geared towards management of change	NCCD meetings take place	2015: No meeting	2018, 2019, 2020: 2 meetings per year	NCDD meeting minutes
	2. <b>Democratic Accountability:</b> SNAs function as autonomous, local, democratic and accountable institutions, including accountability of the Board of Governors to the Council, accountability of Councillors to citizens, and ability of SNAs to comply with national laws and standards	Number of districts where all communes posted information to the public (according to disclosure of information regulations),	ISAF in 2015: 30 districts, 123 communes	2020: All districts and commune post information as mandated by access to information regulations	Reports from demand-side ISAF implementors; NCDD-S ISAF monitoring system  Reporting system of SNAs
		% of all PCS and DMKs have been inspected for compliance with SNA laws and regulations and have received a satisfactory assessment	Inspection process not fully developed (not implemented )	2018: at least 10 SNAs (DMKs or PC) are inspected for compliance  2019: at least 40 SNAs (DMKs or PCs) are inspected for compliance and results are made available to the public  2020: At least 50% of inspected SNAs (DMKs or PCs) receive satisfactory scores	NCDD-S database; SNA monitoring reports

<sup>18</sup> In IP3-II Results Framework, the induced outputs are referred to as Outcomes



	<b>3. Human Resource Management:</b> SNAs autonomously and effectively manage and develop their staff in order to meet their service delivery mandates and priorities	Percentage of DMK Administrative Directors who are female	14.18%	2018: strategy to promote female employment in SNAs approved;  2019: 20%  2020: 25%	SNA HR records; MoCS HR records
	<b>4. Services and Functions:</b> SNAs are enabled to meet citizens' service delivery expectations and to provide meaningful services at the level of government closest to citizens	% of the national budget transferred to DMs as a result of functional reassignment in the education sector	0.59%	2018: Cumulatively, all DMs in at least 3 Provinces have been transferred primary education and have been allocated conditional grants  2019: Cumulatively, all DMs in at least 10 Provinces have been transferred primary education and have been allocated conditional grants  2020: Conditional grants as a result of functional reassignment (in all sectors) reach at least 4% of domestic revenue	NCDD-S records; NCDD-S reports; LM devolution reports; DM budget outturn reports; MoCS HR database; MoEF budget outturn reports
		Number of new SNAs providing OWS services, through OWSO or OWS mechanism	4	2018, 2019, 2020: each year, at least 5 new SNAs provide one stop administrative services or OWSOs	NCDD-S database; SNA monitoring reports; OWSO progress/ monitoring reports

	<b>5. Fiscal Decentralisation:</b> Financial resources are well planned, well managed, and adequate for DMs to meet their service delivery mandates	DM Development component as a % of the national revenues	As per IP3-II, 50% ringfenced for development component, subject to availability of funds after payment of salaries	2018: RGC makes decision to ring-fence a minimum of 50 per cent of DM Fund as development component, independently from allocation for salaries	Annual Budget Settlement Laws (equivalent to Annual Financial Statements) in year n, for fiscal year n-1 performance
		Percentage of DM revenue raised through own sources	0%	2018 DM Own source revenues reach at least 10% of DMs' total budgets  2019 DM Own source revenues reach at least 10% of DMs' total budgets  2020 DM Own source revenues reach at least 10% of DMs' total budgets	Sub-Decree and Policy on revenue sharing; Strategy for DM revenue raised through own sources; DM budget outturn reports; MoEF quarterly monitoring and outturn reports
		Value of projects implemented through the SNIF (\$USD million), based on disbursements per year	SNIF not operational in 2015	2018: \$3 Million disbursed to SNAs to implement SNIF projects  2019: \$3 Million disbursed to SNAs to implement SNIF projects	SNIF budget reports; ADB reports; DM budget outturn reports; Annual Budget Settlement Laws

Direct outputs	SNDD Reform and Districts/Municipalities' development projects are adequately funded <sup>19</sup>	NCDD officially established as government budget entity and budget allocated directly to NCDD/S by MoEF; RGC ensures full funding of AWPB in complement to other sources <sup>20</sup>	NCDD is not a government budget entity (2016)	2018: Budget Entity established and timely transfer of sufficient funds  2019 and 2020: Timely transfer of sufficient funds	NCDD/S FMIS system; Annual National Budget Report; MOEF Budget Release Reports for Q1 of each FY
		D/M fund development component transfers adequate resources to DMs <sup>21</sup>	In 2016, the RGC planned contribution for the development component in 2019 was 0.25%	2019: DM Fund development component reaches 0.5% of previous years' recurrent revenues and is fully paid by the RGC  2020: DM Fund development component reaches 0.5% of previous years' recurrent revenues and is fully paid by the RGC	Annual Budget Settlement Laws (equivalent to Annual Financial Statements) in year n, for fiscal year n-1 performance

<sup>19</sup> This direct output and its indicators are not part of the IP3-II results framework

<sup>21</sup> idem