

SUMMARY

Annual Action Programme 2018 and 2019 Part 1 in favour of Cambodia to be financed from the general budget of the Union

1. Identification

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|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Budget heading | 21 02 02 Cooperation with Asia |
| Total cost | <p>EUR 109 000 000 of EU contribution</p> <p>The Cambodia Programme for Sustainable and Inclusive Growth in the Fisheries Sector: Capture component (CAPFISH-Capture) is co-financed in joint co-financing by:</p> <ul style="list-style-type: none"> - FAO for an amount of USD 1 000 000; - UNIDO for an amount of USD 1 000 000. <p>This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 4 000 000.</p> <p>The support to Public Financial Management Reform Programme – Stage III (2) is co-financed in joint co-financing by:</p> <ul style="list-style-type: none"> - Swedish International Development Cooperation Agency (SIDA) for an amount of EUR 3 800 000; - The Department of Foreign Affairs and Trade (DFAT) of Australia for an amount of EUR 1 200 000. |
| Basic act | <p>Regulation (EU) No 233/2014 of 11 March 2014</p> <p>Regulation (EU) No 236/2014 of 11 March 2014</p> |

2. Country background

Since the early 2000s, Cambodia has enjoyed rapid economic expansion, putting it among the world's fastest-growing economies. The country has also been one of the best performing Millennium Development Goal achievers in the world and has recently qualified as Lower Middle Income country by GNP per capita, with the aspiration for Cambodia to become upper middle-income country by 2030. Nevertheless, 2 million people were poor in 2014, and around 4.5 million 'near-poor', i.e. vulnerable to falling back into poverty when exposed to economic and other external shocks.

Cambodia's impressive economic growth has been built upon openness to trade and capital flows and driven by preferential trade treatment and large inflows of official development assistance (ODA) and foreign direct investment (FDI). The main drivers of growth include garments, constructions, tourism and agriculture. Going forward, Cambodia may not be able to rely on the same factors that drove strong growth and poverty reduction over the past two decades. Cambodia's eventual graduation from being a least-developed country (LDC) will bring a progressive decline in donor financing and an erosion of preferential trade treatment.

Climate change, coupled with natural resource degradation and unplanned urbanization, is also anticipated to affect future growth.

3. Summary of the Action Programme

1) Background

Cambodia Programme for Sustainable and Inclusive Growth in the Fisheries Sector: Capture component (CAPFISH-Capture)

Cambodia has one of the largest and most diverse freshwater fisheries in the world, with an annual production estimated at 500,000 tonnes of wild fish. Its marine fisheries have also rapidly increased in the past 15 years. Fisheries sector contributes between 6 and 9% of GDP and accounts for 76% of households' animal protein intake and the second most consumed food after rice. It is estimated that up to 3 million people are engaged in fishing on a full time, part-time or seasonal basis. As a sector with a low entry barrier, fishing is also an important safety net for vulnerable households. However, the sustainability of Cambodian fisheries is severely challenged by persistence of illegal fishing, uncontrolled and excessive fishing capacity, poor valorisation of the resource, hydropower development, habitat destruction, agriculture intensification and climate.

The Royal Government of Cambodia (RGC) has made a great effort to reform fisheries sector since 2000s. In 2012, the RGC cancelled the 100-years old fishing lot system and released it for communities. In 2017, the RGC decentralized fisheries management to provincial level. Considerable gains were made, but many challenges remain to be done. The conjunction of high demographic growth, the free and open access regime established by the Fisheries Reform and the sector's low entry barriers in terms of skills and capital have led to unregulated increase fishing efforts in both inland and marine fisheries. As the resource becomes scarcer, this situation, combined with weak enforcement of the existing regulations, contributes to a high level of illegal fishing. Thus, more supports are needed in order to address the above issues.

EU support to Public Financial Management Reform Programme – Stage III (2)

Since 2005 the Government of Cambodia has been implementing a robust reform programme articulated around a series of four sequenced platforms: budget credibility, financial accountability, budget policy linkages and performance accountability, to be implemented in stages. The first series of reforms (2005-2008) focused mostly on achieving Platform 1 objectives, has been considered a success, with overall budget credibility established at the macro-fiscal level. This resulted in improved macro-economic stability, increased revenue mobilisation and predictable overall budget execution. The second stage (2009-2015) introduced a Financial Management Information System (FMIS), as well as a modern chart of accounts based on international standards and a new budget classification. The implementation plan for the third stage was approved in 2015, for implementation over the period 2016-2020. It has been recently updated, following the approval of the Budget System Reform Strategy 2018-2025.

Since its inception in 2005, through its platform approach, the Public Finance Management Reform Programme (PFMRP) has been recognised by all assessments and evaluations as a set of credible measures to facilitate the transition of Cambodia from centrally input based financial management systems to decentralized performance based management in order to

achieve the modern and effective Public Finance Management (PFM) system, operating to international standards and best practices by 2025.

2) Cooperation related policy of beneficiary country

The **Strategic Planning Framework for Fisheries (SPF)**, covering the period 2015-2024, provides a framework to maintain the contribution of the fisheries sector to the national GDP at the same level, by sustaining the total catch at 600,000 tonnes per year. The SPF 2015-2024 is structured along four pillars: (1) Management of capture fisheries, (2) Aquaculture, (3) Value chains, (4) Regulatory and services. Several sub-sector strategies and action plans have been developed to provide additional guidance for public intervention, such as a National Aquaculture Development Strategy (2016). A Fisheries Value Chain Strategic Plan, a Strategic Plan for Fisheries Conservation, a National Plan of Action against IUU fishing (NPOA-IUU), and a National Plan of Control and Inspection (NPCI) are also under development. The SPF 2015-2024 is further detailed in a costed 5-years plan, under the Agriculture Sector Development Plan (ASDP) for 2014-2018 and integrates all agricultural sectors. ASDP programme 3 ("Sustainable Fisheries Resources Management") provides a mid-term expenditure framework for the fisheries sector and targets for the period.

The **Public Financial Management Reform (PFMR)** strategy is articulated through four platforms: (1) Budget Credibility, (2) Financial Accountability, (3) Budget Policy Linkages and (4) Performance Accountability. Implementation of the platforms is done in stages: Stage 1 focused on disbursement predictability, the control of budget deficit and the reduction of payment in arrears. Stage 2 focused on improving fiscal space, better budget execution control, and better financial information through a revised budget classification and chart of accounts and installation of a FMIS. The priorities of the current 3rd stage are defined in the Consolidated Action Plan III (CAP3 2017-2020).

3) Coherence with the programming documents:

The MIP 2014-2020 focuses on "**Agriculture and Natural Resource Management**. Expected results are: (1) improved enabling business environment; (2) strengthened value chains and; (3) empowered communities to participate in the conservation. The European Development Cooperation Strategy for Cambodia 2014-2018 (European joint programming) and the later MIP mid-term review confirmed this choice, and is aligned to the priorities of the Government's national strategy to eradicate poverty, support the poorest communities, ensure access for all to affordable, safe and nutritious food, as well as sustainable and integrated water management, and protect the environment and the management of natural resources.

The European Joint Strategy and the EU Multiannual Indicative Programme (MIP) 2014-2020 for Cambodia include EU support to the PFMRP as a sub-component of the third pillar "**Governance and Administration**". PFMRP has as a Specific objective 1 to "*improve the governance of public funds in terms of planning, budgeting, execution, reporting and auditing, in order to increase efficiency, transparency and accountability and improve the delivery of public services as set out in the Government's NSDP*". Strengthening national governance by means of supporting the implementation of institutional reforms is at the forefront of the operationalization of the European division of labour. With this objective, the European Joint Strategy recalls that "*The Public Financial Management Reform programme remains essential to finance vast development needs without jeopardizing fiscal sustainability*".

4) Identified actions

Cambodia Programme for Sustainable and Inclusive Growth in the Fisheries Sector: Capture component (CAPFISH-Capture)

The overall objective of the CAPFISH program is to achieve a more sustainable, climate-resilient and inclusive development of Cambodia freshwater and marine fisheries. It will thus contribute to achieving the objectives of the National Strategic Development Plan (NSDP), the Strategic Planning Framework of Fisheries (SPF 2015-2024), and the fisheries programme of the 5-year Agriculture Sector Development Plan (ASDP), as well as improvement in areas relevant to the fight against IUU fishing.

EU support to Public Financial Management Reform Programme – Stage III (2):

The overall objective of the national PFMRP is to strengthen the governance of public funds in order to implement the country's development agenda, reduce poverty and improve delivery of public services, thereby contributing to the core priority of The Rectangular Strategy III 2013-2018 focusing on "Strengthening governance and capacity of public institutions", which encompasses the reform of Public Finances as well as the process of improving Subnational governance and the quality of Public Administration. The Consolidated Action Plan 3 (2017-2020) as labelled by Ministry of Economy and Finance (MEF) will guide and monitor reform implementation of the current PFM stage 3.

5) Expected results:

Cambodia Programme for Sustainable and Inclusive Growth in the Fisheries Sector: Capture component (CAPFISH-Capture)

The proposed action in the education sector seeks to improve key fisheries indicators in terms of increased control and surveillance of State conservation and management areas, and fishing areas; improved protection of State conservation and management areas; improved habitat restoration and protection; strengthened capacity of community organizations to engage in co-management. It also seeks to contribute to increase supports to fish processing and valorisation; job creation outside the fishery sector and improve access for fishing communities' members to social services and infrastructures.

EU support to Public Financial Management Reform Programme – Stage III (2):

The proposed action aims at improving (i) institutional capacity to implement the PFM reform, (ii) national statistics, (iii) national budget comprehensiveness and transparency, (iv) policy-based budgeting, (v) predictability and control in national budget execution, (vi) accounting, recording and reporting, (vii) external scrutiny and audit of the national budget, and (viii) public accountability.

6) Past EU assistance and lessons learnt.

Cambodia Programme for Sustainable and Inclusive Growth in the Agriculture sector: Capture component (CAPFISH-Capture)

The program will build on the results of the current EU-funded program (Promoting Inclusive and Sustainable Growth in the Agriculture sector: Livestock and Fisheries, 2014-2018), which ends in January 2019 and is implemented through program estimates and grants under indirect management. The current EU support to Ministry of Agriculture, Forestry and Fisheries(MAFF) is bringing positive results but has shown that implementation through program estimates and grants under indirect management was difficult to manage, with a high

dependence on external staff (technical assistants and support staff) and limited absorption capacity. Lessons learned and recommendations include better focus on outcome indicators, particularly the management framework, community organization, capacity building and livelihood improvement / poverty reduction.

Several major projects have been implemented in the fisheries sector since the early 2000s, with support of ADB, DANIDA, DFID and New Zealand, EU. These projects have generally combined interventions related to the management framework, community organisation, capacity building, livelihood improvement / poverty reduction, and collaborative management of natural resources in Cambodia fisheries. However, these programmes have had difficulty in maintaining significant gains after implementation, mainly due to the lack of financial and human investment by the RGC. Support to community fisheries organizations should therefore include attention to sustainable financing mechanisms.

EU support to Public Financial Management Reform Programme – Stage III (2):

Useful lessons have been learnt from the various external assessments including the PEFA finalized in 2015, External Advisory Panel Reports 2016 and 2017, and regular IMF Technical missions. The Ministry of Economy and Finance (MEF) is flexible in the way it implement its PFM reform. It takes into account recommendations and does not hesitate to seek for internal or external assistance to confront them.

In particular, the Budget System Reform Strategy officially launched in April 2018 endorses a shift from the originally planned "*performance-based budgeting*" to the more realistic "*performance-informed budgeting*"¹. The new budget system aims to move from an input-based centralised system towards a result-based decentralised system.

Year after year the quality of reporting as well as the quality of reporting mechanism is improving. However there is still a need for better availability of budgetary analysis for an improved timely decision making process, Development Partners have therefore agreed to undertake again a Multi Donor Trust Fund with the World Bank. This new trust fund will provide specific advisory services, analytical report (Public Expenditure Tracking Survey, Quality of Public Service Delivery Survey (QSDS), Public Expenditure Review.)

7) Complementary actions/donor coordination

Cambodia Programme for Sustainable and Inclusive Growth in the Agriculture sector: Capture component (CAPFISH-Capture)

The CAPFISH Capture Programme is complementary to other initiatives such as the CAPFISH Aquaculture Programme, managed by AFD for 2018-2023, the MRC Strategic Plan 2016-2020 and enhanced cooperation in the Lower Mekong Basin, the Asian Investment Facility to support investment from AFD and ADB in the irrigation sector, the EU-ASEAN dialogue facility. Other sources of initiatives to the capture fisheries sub-sector include the World Bank-funded "Mekong Integrated Water Resources Management Project, phase III" (2016-2021); the KfW-funded "Lower Mekong Basin Wetland Management and Conservation Project" (2017-2021), the Partners programme to support Forestry and Fisheries communities in North-eastern Cambodia (2017-2020), funded by the Swiss Development

¹With performance-informed budgeting, resources are not directly related to performance, as was envisaged in the previous budget reform strategy, but performance information is used in the budget allocation process.

Cooperation and USAID funded project on improving the productivity and availability of rice field fisheries, phase II (2016-2021), implemented by the Worldfish Center.

EU support to Public Financial Management Reform Programme – Stage III (2):

The PFM reform is strongly linked with the Sub-National Democratic Development strategy (SNDD) and Public Administration Reform (PAR) and thereby proper synchronizing administrative decentralisation and fiscal decentralisation is crucial. A joint mechanism has been created by the three ministries—ministry of economy and finance, ministry of interior, and ministry of civil service, to monitor and coordinate the three reforms' implementation.

Complementary to EU support to the PFMRP, other DPs and institutions such as the International Monetary Fund (IMF-Regional Technical Assistance Center), the Asian Development Bank (ADB), and Japanese International Cooperation Agency (JICA) are providing direct support to the Government.

The complex PFMRP governance structure is coordinated by a General Secretariat for PFMR Committee (GSC). The GSC ensures implementation of all activities of the reform programme, and reports back to the Public Financial Management Reform Steering Committee (PFMSC) chaired by the Ministry of Economy and Finance (MEF).

The link between the PFMRP governance structure and development partners is organised through two main mechanisms:

- DPs involved in PFMR implementation (Australia, Sweden, IMF, World Bank, ADB, JICA, UNICEF and the NGO Budget Working Group) formally meet on a monthly basis in the PFM Development Partner Committee (DPC) meeting. The EU and the ADB co-chair these meetings. The group shares information, coordinates technical assistance and develops joint understanding and positions on key issues.
- DPs and the leadership from the MEF meet on a quarterly basis in the joint PFM technical Working Group (PFM-TWG) to review progress, in particular based on Joint Monitoring Indicators (JMIs) drawn from the CAP, and to discuss DP support. The PFM-TWG is chaired by the Minister of Economy and Finance, with the EU and the ADB acting as co-facilitators. The Non-Governmental Organisation platform "NGO Forum for Cambodia" also participates in the joint TWG-PFM.

4. Communication and visibility

Visibility of EU support to the fisheries sector and to the Public Finance Management Reform Programme will be pooled through a single visibility contract across all MIP areas and therefore financed under another financing decision². This is to allow for efficient contract management and greater coherence and impact of messages on EU development cooperation in Cambodia. Visibility and communication under that financing decision 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 poor people.

² DEC ACA/2016/038-851

5. Cost and financing

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|----------------------------------------------------------------------------------------------------------------------|------------------------|
| Cambodia Programme for Sustainable and Inclusive Growth in the Fisheries Sector: Capture component (CAPFISH-Capture) | EUR 87 000 000 |
| EU support to Public Financial Management Reform Programme – Stage III (2) | EUR 22 000 000 |
| Total EU contribution to the measure | EUR 109 000 000 |



EN

This action is funded by the European Union

ANNEX I

of the Commission Implementing Decision on the financing of the multiannual action programme in favour of Cambodia for 2018 and 2019 part 1

Action Document for Cambodia Programme for Sustainable and Inclusive Growth in the Fisheries Sector: Capture component

INFORMATION FOR POTENTIAL GRANT APPLICANTS

WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 110(2) of the Financial Regulation in the following sections concerning calls for proposals: 5.4.3 - Component 3: Support to fisheries communities' livelihood improvement and diversification, launched in the first quarter 2019 under the suspensive clause.

| | | |
|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| 1. Title/basic act/CRIS number | Cambodia Programme for Sustainable and Inclusive Growth in the Fisheries Sector: Capture component (CAPFISH-Capture) CRIS number: ACA/2018/041-466 and ACA/2019/041-594 financed under Development Cooperation Instrument (DCI) | |
| 2. Zone benefiting from the action/location | Asia, Kingdom of Cambodia The action shall be carried out at the following location: nationwide | |
| 3. Programming document | Addendum N°1 to the Multiannual Indicative Programme (MIP) 2014-2020 between the European Union and Cambodia for the period 2014-2020 ¹ | |
| 4. Sector of concentration | Priority sector 1: Agriculture & Natural Resource Management | DEV. Aid: YES ² |
| 5. Amounts concerned | Total estimated cost: EUR 92 700 000 Total amount of EU Budget contribution: EUR 87 000 000 of which: EUR 35 000 000 for budget support, EUR 49 800 000 for complementary support, and EUR 2 200 000 for audit, evaluation and contingencies. The contribution is for an amount of EUR 16 727 611 from the general budget of the European Union for 2018 and for an amount of | |

¹ C(2018)4741 of 20 July 2018

² Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

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|------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | <p>EUR 70 272 389 from the general budget of the European Union for 2019, subject to the availability of appropriations following the adoption of the relevant budget.</p> <p>This action is co-financed in joint co-financing by:</p> <ul style="list-style-type: none"> - Food and Agriculture Organization (FAO) for an amount of USD 1 000 000; - United Nations Industrial Development Organization (UNIDO) for an amount of USD 1 000 000. <p>This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 4 000 000.</p> | | | |
| 6. Aid modality(ies) and implementation modality(ies) | <p>Direct management - Budget Support: Sector Reform Performance Contract</p> <p>Direct management: grants (call for proposals) and procurement of services</p> <p>Indirect management with FAO and UNIDO</p> | | | |
| 7 a) DAC code(s) | <p>313 Fishing (81%): 31310 – Fisheries policy and administrative management (61%); 31320 – Fisheries development (18%); 31382 – Fisheries research (2%)</p> <p>410 General environment protection (19%): 41030 – Bio-diversity</p> | | | |
| b) Main Delivery Channel | <p>Recipient government – 12000 (40%); UN agencies – 41000 (38%); NGOs and civil society – 20000 (18%); Other – 90000 (4%)</p> | | | |
| 8. Markers (from CRIS DAC form) | General policy objective | Not targeted | Significant objective | Main objective |
| | Participation development/good governance | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Aid to environment | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Gender equality (including Women In Development) | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Trade Development | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Reproductive, Maternal, New born and child health | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | RIO Convention markers | Not targeted | Significant objective | Main objective |
| | Biological diversity | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" 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 type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 9. Global Public Goods and Challenges (GPGC) thematic flagships | <p>This action does not contribute to a specific GPGC thematic flagship programme</p> | | | |
| 10. SDGs | <p>Main SDG Goals: 2, Zero Hunger, and 14, Life Below Water.</p> <p>Secondary SDG Goals: 6 Clean Water and Sanitation, 8, Decent Work and Economic Growth, and 13, Climate Action.</p> | | | |

SUMMARY

Cambodia has a population of 15.4 million with 77 % living in rural areas, concentrated around the Tonle Sap Lake and the lowlands of the Mekong River³.

Since the early 2000s, the country has enjoyed rapid economic expansion, putting it among the world's fastest-growing economies. The country has also been one of the best performing Millennium Development Goal achievers in the world and has recently qualified as Lower Middle Income country by GNP per capita. Nevertheless, 2 million people were poor in 2014, and around 4.5 million 'near-poor', i.e. vulnerable to falling back into poverty when exposed to economic and other external shocks. Food insecurity and malnutrition remain high.

Cambodia has one of the largest and most diverse freshwater fisheries in the world, with an annual production estimated at 500,000 tonnes of wild fish. Its marine fisheries have also rapidly increased in the past 15 years. Inland and marine fisheries represent a strategic sector, which contributes between 6 and 9% of GDP and accounts for 76% of households' animal protein intake and the second most consumed food after rice. Average fish consumption is 52.4 kg/person/year and one of the highest in the world. Fish is the most available and cheapest form of animal protein in the country that no other domestic source of food can replace. As a sector with a low entry barrier, fishing is also an important safety net for vulnerable households.

However, the sustainability of Cambodian fisheries – based on one of the world's most diverse population of fish species – is severely challenged by a series of internal, external and global threats. Main issues include persistence of illegal fishing, uncontrolled and excessive fishing capacity, poor valorisation of the resource, hydropower development, habitat destruction, agriculture intensification and climate change.

The EU response to address constraints in the sector, with the objective to increase food security, improve nutrition and foster further economic development is structured in two complementary parts of a single programme, respectively on aquaculture (DEC 038-851, adopted in 2016, EUR 30 million) and capture fisheries (the present action). The 'Capture Fisheries' component of the *Cambodia Programme for Sustainable and Inclusive Growth in the Fisheries Sector* (CAPFISH programme) aims at ensuring a more sustainable, climate-resilient and inclusive development of Cambodia's freshwater and marine fisheries.

It will associate budget support aiming at supporting progress in the implementation of the fishery policy, the **Strategic Planning Framework for Fisheries** for the period 2015-2024, combined with complementary support. This support will be structured in three components, targeting respectively (1) the public administrations, local authorities and community-based organisations involved in the co-management of the resource; (2) private and associative operators engaged in post-harvest activities, and; (3) the Tonle Sap and coastal fishing communities, in a broad sense, with the objective to support their social development and economic diversification.

This programme will focus significantly on conservation and the sustainable management of resources with communities – including in the Tonle Sap lake which is recognised as a Key Landscape for Conservation in the new 'EU strategic approach for biodiversity conservation in Asia'. This action is well in line with the priorities of the European partners in Cambodia operating under 'joint programming' and is coherent with the **New European Consensus on Development**⁴, regarding human development, environmental protection and prosperity. It will contribute to achievement of Sustainable Development Goals 2 and 14, and secondarily 7, 8 and

³ National Institute of Statistics, 2016. Cambodia Socio-economic survey 2015.

⁴ OJ, C 210, 30 June 2017

13. It will contribute to support Cambodia's effort to combat Illegal, Unreported and Unregulated (IUU) fishing in the Gulf of Thailand.

1. CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Cambodia has one of the largest freshwater fisheries in the world, with an annual production estimated at 500,000 tonnes of wild fish. Their unique productivity is linked to the high biodiversity of species and interconnected habitats, including vast areas of seasonally flooded areas, which provide rich grounds for fish breeding and feeding. Wetland fisheries of the Tonle Sap and Mekong River low-lying floodplains represent about two thirds of the total freshwater captures. Rice field fisheries represented another 30 % and have increased the most in the past years, thanks to the multiplication of fish refuges.

Inland fisheries management was previously largely dominated by the fishing lot system formalized during the colonial times. Between 2000 and 2012, the Royal Government of Cambodia (RGC) conducted a series of reforms, abolishing that system, resulting in a significant influx of people in the sector.

About a third of all households in Cambodia are engaged in fishing activities. For about 10 % of them, and in particular landless rural households and inhabitants of the Tonle Sap inundated forest and floating villages, fishing is the primary – if not sole – income earner, but for a large majority of households, fishing remains a seasonal and complementary activity during the flood season to provide food and additional income with very low opportunity cost. As an activity with low entry barriers, fishing is an important safety net for rural households.

Cambodia's marine fisheries are less developed but have grown rapidly in the past twenty years, from 36,000 tonnes in 2000 to 120,000 tonnes in 2015⁵.

The overall economic importance of the fisheries sector is not sufficiently well known as there is no systematic assessment of the price of fish per kilogramme and added value generated throughout the value chain. Nevertheless, it is estimated that contribution to GDP may range between 6 and 9%, depending on whether it includes post-harvest activities. From a social point of view, it is by far the most available and cheapest form of animal protein in the country that no other domestic source of food can replace.

1.1.1 Public Policy Assessment and EU Policy Framework

The EU-Cambodia Multiannual indicative programme (MIP) 2014-2020⁶ focuses on "Agriculture and Natural Resource Management", with the overall objective to ensure equitable, inclusive and environmentally responsible growth. It has then been chosen to focus on fisheries. The European Development Cooperation Strategy for Cambodia 2014-2018 ⁷(European joint programming) and the later MIP mid-term review confirmed this choice.

For Cambodia, the Rectangular Strategy (RS) phase III (2014-2018) sets out the priorities of the current Government for Growth, Employment, Equity and Efficiency. The National Strategic Development Plan (NSDP 2014-2018) further elaborates the RS priorities and provides the

⁵ Ministry of Agriculture, Forestry and Fisheries, 2015. The strategic planning framework for fisheries: update for 2015-2024.

⁶ Decision C(2014) 9526 of 16 December 2014

⁷ See footnote 7

policy framework to which all sector policies and plans are aligned. The **Strategic Planning Framework for Fisheries (SPF)**, the key principal public policy of the fisheries sector, was updated and now covers the period 2015-2024.

The SPF 2015-2024 sets out the vision: *Management, conservation and development of sustainable fisheries resources to contribute to ensuring people's food security and to socioeconomic development in order to enhance people's livelihoods and the nation's prosperity*. Its specific objective is to maintain the contribution of the fisheries sector to the national GDP at the same level⁸, by sustaining the total catch at 600,000 tonnes per year, while developing in parallel aquaculture production and increasing the quality and value of the fisheries products.

The SPF 2015-2024 is structured along four pillars: (1) Management of capture fisheries, (2) Aquaculture, (3) Value chains, (4) Regulatory and services. Several sub-sector strategies and action plans have been developed to provide additional guidance for public intervention, such as a National Aquaculture Development Strategy (2016). A Fisheries Value Chain Strategic Plan, a Strategic Plan for Fisheries Conservation, a National Plan of Action against IUU fishing (NPOA-IUU), and a National Plan of Control and Inspection (NPCI) are also under development. Cross-cutting issues are addressed through plans developed for the whole agricultural sector but which would need better mainstreaming in the sub-sector plans and strategies⁹.

The SPF 2015-2024 is further detailed in a costed 5-years plan, under the Agriculture Sector Development Plan (ASDP) which covers the period 2014-2018 and integrates all agricultural sectors. ASDP programme 3 ("Sustainable Fisheries Resources Management") provides a mid-term expenditure framework for the fisheries sector and targets for the period. It also provides the programmatic structure that is followed for the preparation of annual and 3-year rolling plans.

The SPF 2015-2024 is **coherent** with other government policies, in particular the NSDP, the Cambodia Industrial Development Plan 2015-2025 and the Cambodia Climate Change Strategic Plan 2014-2023. It is also coherent with the FAO Code of Conduct for Responsible Fisheries (CCRF) and associated voluntary guidelines, which have been transposed into the national document, the Cambodia Fisheries Code (CamCode).

The SPF 2015-2024 serves as a basis to contribute positively in Cambodia to the achievement of the 2030 Sustainable Development Goals (SDGs), in particular goals number 1 (end poverty), 2 (food security, improved nutrition and sustainable agriculture), 5 (gender equality), 6 (sustainable management of water), 8 (sustained, inclusive and sustainable economic growth), 13 (climate change), and 14 (oceans and marine resources). As such it is consistent with the focus of the **New European Consensus on Development**, on human development (including eradicating poverty and tackling discriminations and inequalities, supporting the poorest communities, ensuring access for all to affordable, safe and nutritious food, as well as sustainable and integrated water management), on protecting the environment and the management of natural resources, on prosperity (sustainable value chains and diversification) and rule of law (tackling corruption and promoting transparency and accountability).

The SPF 2015-2024 is **relevant** with its objective and consolidates strategic reforms, through notably its emphasis on inclusiveness, co-management with the fishing communities and efforts

⁸ Baseline is set at 8 % GDP for 2014 based on IFREDI's works. However NIS official data for 2014 was 6.4 % of Cambodia's GDP.

⁹ Namely: (i) Gender mainstreaming policy and strategic framework in Agriculture 2016-2020, (ii) Policy and strategic framework on childhood development and protection in the agriculture sector 2016-2020, (iii) Climate change priorities action plan for Agriculture, Forestry and Fisheries sector 2014-2018

to improve conservation. It also has realistic fish capture targets, while emphasizing the role of aquaculture to increase fish output. Its relevance will be further enhanced by making distinction between inland and marine fisheries and the development of management plans, which will regulate fishing capacity. The fight against IUU fishing is mentioned. It is expected that through this action, a growing attention will be given from the government to that issue. **Ownership** is strong among the Ministry of Agriculture, Forestry and Fisheries (MAFF) and, in particular, the Fisheries Administration (FiA) central staff, as well as civil society organisations consulted during its formulation. Communities are supportive to the recent reforms. Recent decisions on decentralisation represent a new factor to deal with but this is not specific to the sector.

The SPF 2015-2024 is sufficiently credible to be supported especially if the action allows leveraging additional funds to finance it. At this stage, national allocation to the strategy is not yet optimal to ensure the sustainability of needed investments in terms of infrastructure, surveillance, and capacity development. The total government budget allocated to fisheries in 2018 is of KHR 30.16 billion (USD 7.5 million) and despite the transfer of function to the provincial level, the Fisheries Cantonments in particular lack of operational budget. They receive only 37% of the total, of which only 40% available for non-payroll expenditures. An analysis based on the current policy parameters reveals that the operational budget (excluding payroll) for an “average” Fisheries Cantonment should be some 80-85% more than the current budget allocation. In terms of budgeting and implementation, the main focus is given to control and surveillance activities in the Tonle Sap area, with other fisheries and sector of the policy strongly underfunded. Revenue collection from the sector itself has also plummeted with the abolishment of the lots, and the exemption to small scale fishers to pay for license.

The FiA benefits from the support of the national Public Finance Management Reform and the Public Administration Reform programmes (PFMR and PAR) to strengthen its institutional capacity. Through the Public Finance Management Reform, budgeting has been improved with the introduction of the Budget Programme (BP) and a 3-year Budget Strategic Plan (BSP). There is still room for improvement though, as donors' funding and capital investments under the project approach are not yet integrated in the BSP.

There are strong efforts from both FiA and development partners (DP) to further improve **coordination** in the sector and exchange on technical issues, through the Technical Working Group for Fisheries (TWG Fi) and its sub-groups. However, more need to be done to foster policy dialogue within MAFF and collaboration between ministries as the division of responsibilities in the sector involves several actors and is evolving.

Also planning and reporting parameters could still be improved. MAFF has recently improved its **performance assessment framework** (PAF) with the incorporation of "output indicators". It also publishes annual reports of implementation that include a chapter on fisheries management. It is expected that the general coherence between the indicators used in the different planning and reporting documents will be reinforced in order to enhance monitoring and evaluation capacity within the sector.

The sector policy is therefore assessed as highly relevant but its credibility still needs to improve. The country has nevertheless shown signs of willingness to tackle the issue of illegal fishing in both Tonle Sap and marine areas, opening a dialogue with DG MARE on IUU fishing in 2017. An incomplete monitoring and evaluation framework and an evolving institutional context that requires further capacity building at provincial and local level remain challenging. With the end of the current legislature in 2018, MAFF plans to develop a new ASDP for the period 2019-2023, which presents a new opportunity to take into consideration the evolving needs of the sector and evolving administrative set-up.

1.1.2 Stakeholder analysis

The first key stakeholder under the present action will be the MAFF, with the total number of government staff working in the fishery sector of about 1,000 people, of which around 50% is placed under **the Fisheries Administration (FiA)**, at central level (including several research centres and four regional Inspectorates), and another 50% within the provincial administration, the Provincial Departments of Agriculture, Forestry and Fishery (PDAFFs), posted at province, division or sangkat level¹⁰. At central level, 58% of the staff is allocated to management, administration and support functions, 20% to research (disseminated through 7 centres & institutes), and 22% to enforcement (based at five regional inspectorates). Overall capacity remains low, in particular at subnational levels and in the areas of planning, research, food safety, monitoring and evaluation.

With the ongoing decentralisation reform, the PDAFFs have become autonomous budget entities, with the Provincial Governors exercising more influence over planning and budget execution. Commune authorities also play an important role to facilitate the involvement of commune police officers in surveillance activities organized by Community Fisheries (CFis).

Several **other ministries** share responsibilities in relation to the fisheries sector, the main ones being: the Ministry of Environment (wetlands and biodiversity conservation), the Ministry of Water Resources and Meteorology (MoWRAM), the Ministry of Interior, the Ministry of National Defence (military and navy), the Ministry of Justice, the Ministry of Transport and Public Works (vessel registration, port authority), the Ministry of Commerce, the Ministry of Industry and Handicraft (processing industry), and the Ministry of Foreign Affairs. Several **inter-institutional bodies** and mechanisms have been established to foster inter-institutional collaboration and coordination, such as: the inter-ministerial committee to combat illegal fishing in the Tonle Sap Great Lake, the Cambodia National Mekong Committee (CNMC) linked to the Mekong River Commission (MRC) or the Tonle Sap Authority (TSA).

Fishing households are encouraged to engage into **Community Fisheries (CFis)** and **Community Fish Refuge (CFR) Committees** in the rice field fisheries domain. This approach was institutionalized in 2005 with a sub-decree on CFI management and incorporated in the 2006 Fishery Law¹¹. CFis are formed on a voluntary basis and have limited rights over the community fishing area (payment or membership or access fees are not required to fish). They nevertheless endeavour to sustain the resource through the establishment, demarcation and enhancement of conservation areas and limited surveillance activities at critical times. Although their implementation capacity is still limited (they cannot arrest offenders or confiscate gears), some NGOs support the emergence of CFIs networks to better engage in advocacy work at national and subnational level.

The **private sector** is involved in industrial fishing and post-harvest activities, with the former limited to marine fisheries¹² and 63 large stationary trawls on the Tonle Sap River (known as "dai" fisheries). Trading and processing is predominantly family-based and informal, with a few larger operations employing up to 20-40 workers during the seasonal peak and producing food products such as fish balls, fish sauce, or crab meat. Post-harvest activities employ an estimated

¹⁰ Fisheries Sangkats correspond roughly to administrative districts, but not always strictly.

¹¹ The CFI sub-decree is currently under revision, with a new draft approved at technical level in 2016.

¹² In 2015, there were an estimated 500 vessels of more than 33 Hp recorded capable of fishing in off-shore areas (i.e. waters more than 20 m deep), out of a total of 7,500 vessels. It is estimated that this commercially-oriented fleet is responsible for almost 60% of total catches (Teh, L. *et al*, 2014. Reconstructing Cambodia's marine fisheries catch, 1950-2010. Working Paper Series, Fisheries Centren, The University of British Columbia).

33,000 persons¹³. There are only two operators that are certified to comply with HACCP standards. Some species of particular interest are subject to informal export to neighbouring countries, generally unprocessed. Transactions are often based on personal relations aspects and trust. Professional organisations are almost non-existent (an Alliance of Marine Fishery Associations in Cambodia, AFAC, was created in 2017).

1.1.3 Priority areas for support/problem analysis

In various ways, fisheries contribute to the life and nutrition of the Cambodian people. However, the future of Cambodia's rich inland and coastal fisheries is at risk.

Cambodian fisheries are negatively affected by a series of **environmental changes and threats** that contribute to the degradation and loss of connectivity of fish habitats, and thus impact on the productivity and quality of Cambodian fisheries. These generally result from the development of competing sectors or activities (including outside the country). Agriculture expansion, tourism, infrastructure development and exploitation by local communities for wood, firewood and charcoal have led to the significant loss and degradation of mangrove and inundated forest¹⁴. Agricultural intensification is also a source of water pollution and eutrophication and generates an increased demand for water, in particular in the dry season. The construction of hydropower dams in the Mekong basin is likely to have a major impact on the abundance of migratory species, which currently represent an estimated 40% of total catches. With more frequent hotter and longer dry seasons, climate change will exacerbate the effect of these changes, as for instance though the intensification of forest fires that have contributed to the degradation of the flooded forest. On the coast, the rise of sea level is also expected to provoke drastic changes.

In that area, the priority is to strengthen high level inter-ministerial coordination and enforcement of existing environmental regulations, in particular in the Tonle Sap area, which has been recognized by UNESCO as a biosphere reserve since 1997 and is a unique and fragile ecosystem facing a significant development pressure. It will also require improving the resilience of fisheries and fishing communities to global warming, though management measures and support to socio-economic integration of Tonle Sap and coastal fishing communities, which are among the poorest and most vulnerable in Cambodia. They, and in particular members of ethnic minorities, face the risk of being increasingly marginalized while the rest of the population enjoys improving living conditions. On the shore of the Tonle Sap, school dropout rates are double than those of land-based villages and only 1% of households have access to clean drinking water throughout the year, compared to 59% at country level¹⁵. In a country attracting almost 3 million visitors per year, investment in ecotourism in favourable areas close to major touristic routes should support employment and economic diversification.

The future of Cambodian fisheries is also threatened by **internal factors**. The conjunction of high demographic growth (+60% over the last 25 years), the free and open access regime established by the Fisheries Reform and the sector's low entry barriers in terms of skills and capital have led to a rapid and unregulated increase of the population's fishing effort, in both inland and coastal fisheries, reflected in a significant reduction in fish abundance. As the resource becomes scarcer, this situation, combined with weak enforcement of the existing regulations, contributes to a high level of illegal fishing. The partial transfer of responsibility to CFIs and the

¹³ Fisheries Administration, 2016. Fisheries Statistics

¹⁴ The Tonle Sap inundated forest has lost more than 2/3 of the surface it represented in the 1970s, while the mangrove lost 1/3 of its surface between 1990 and 2010.

¹⁵ Save The Children, 2017. Situation analysis of children in Kampong Chhnang and Pursat provinces.

relative increase of national budget have helped to improve the general effort of patrol but surveillance capacities of both FiA and CFis patrol teams remain insufficient in terms of equipment, operating budget, training, overall organisation and coordination. The lack of knowledge on the rules (involuntary non-compliance) is only secondary, when the persistence of illegal fishing results primarily from the lack of deterrence by patrols, and absence of restraint systems from social norms¹⁶. It is also acknowledged that this situation results from the persistence of some forms of corruption or collusion of interest, and overall high level of tolerance for infringement from alleged 'poor fishermen' as well as loopholes in the political, legal and regulatory framework¹⁷.

In that area, priorities are to: (i) Improve the legal, regulatory and management framework applicable to freshwater and marine fisheries; (ii) Scale up operations from public administration and communities to protect and enhance the natural fish habitat¹⁸; (iii) Intensify surveillance and law enforcement operations, in collaboration with local communities and other concerned stakeholders; (iv) Improve monitoring, evaluation and research capacity, to provide reliable and strategic information regarding the scale and evolution of fishing activity, the situation of the stocks, the actual impact of management measures, the socio-economy of the different categories of fisher households, etc. and contribute to communication of policy and management decisions.

In addition, the part of captures that enters commercial value chains is **not valorised at its full potential**. After harvest, the quality of the catch quickly deteriorates as the boats, landing sites, means of transportation and retail markets are poorly equipped and do not generally comply with Good Hygiene Practices (GHP). Skills and knowledge relating to handling, technology, quality and food safety are poor. Value chains are fragmented, dominated by micro and small enterprises, engaged in routine processes and relations and facing high costs to access to credit. Insufficient public capacities for food safety and quality control also prevent access to potentially importing countries requiring certification by a Competent Authority. Fishing communities are often dependent on outside middle men to market their produce.

In that area (improving the added value generated by the sector), priorities are to: (i) Promote and develop technology innovation in the fish value chain; (ii) Support economically sound initiatives with technical, organisational and business development advice and access to affordable funding mechanisms, and (iii) Extend and strengthen official controls on the quality and safety of fishery products to protect consumers' health and facilitate private operators' access to higher end markets, through certification schemes.

1.2 Other areas of assessment

1.2.1 Fundamental values

Democracy and rule of law remain a concern in Cambodia. On 22 July 2014, the political deadlock originating from the July 2013 parliamentary elections was lifted as the opposition parliamentarians took their seats at the National Assembly. This marked the return to political dialogue and discussions around electoral reform, including the reform of the National Election Committee (NEC) as a condition set by the opposition. At the end of 2016, the new National

¹⁶ FFI, 2017. *Knowledge, Attitude and Perception survey: law compliance and enforcement in the Koh Rong MFMA*.

¹⁷ For instance, the current confusion between subsistence and small-scale fishing, which allows the vast majority to fish without paying any access fee.

¹⁸ Approach should however be more cautious regarding restocking operations and linked to evaluation and management measures to ensure that such stocks are not quickly depleted again (Cowx, I. G. 2014. *Guidelines for fish stock enhancement practices in the Lower Mekong Basin*. University of Hull).

Election Committee (NEC) conducted a new voter registration process through a computerised system that registered 7.8 million voters and was widely seen a positive step toward the exercise of credible election. In June 2017 Cambodia held commune/sangkat elections, which were technically well organised and transparent. However on 4 September 2017, the leader of the Cambodia National Rescue Party (CNRP), Kem Sokha, the main opposition party in Cambodia, was arrested on charges of treason. On 16 November 2017, the Supreme Court decided to dissolve the CNRP and ban 118 of its members from political activities for 5 years. In anticipation of this dissolution, the government had amended electoral and party laws allowing the removal of CNRP elected officials and redistributing their seats to the ruling party CPP and to minor parties. These amendments were approved by the Senate on 20 October 2017 and CNRP members were removed from their seats in the National Assembly and Commune/ Sangkat Councils. Some members of the NEC appointed by CNRP resigned their positions. The dissolution of the CNRP signifies the end of the political agreement reached in 2014.

The enforced dissolution of the main opposition party calls into question the credibility of the upcoming July 2018 national election even though 20 political parties have registered to participate. In parallel there has also been since 2017 a restriction on civic space for civil society organisations, including for them to comply with the new Law on Associations and Non-Governmental Organizations, particularly for those working on sensitive issues such as human rights, political rights, and the fight against corruption as well as on land rights.

Following these developments, EU Foreign Affairs Ministers have adopted on 26 February 2018 Council Conclusions¹⁹ in which the EU expressed serious concerns about recent developments regarding democracy, respect for human rights and the rule of law in Cambodia.

Nevertheless the dialogue between the EU and the Government of Cambodia has been maintained and remains open to discuss those issues.

At the general elections of 29 July 2018, following the enforced dissolution by the authorities of the main opposition party (CNRP), Cambodia's ruling party, the Cambodian People's Party (CPP), won all seats in the country's National Assembly.

However, the implementation of fisheries sector policy deals with non-partisan technical components that should not be influenced by the prevailing political situation. On the contrary, it is supposed to bring positive impact on socio-economic rights through empowering co-management with fishing communities and accountability, promoting sustainable economic growth and poverty reduction, and better service delivery. This intervention remains relevant despite ongoing political developments.

1.2.2 Macroeconomic policy

Cambodia has conducted successful macroeconomic policies during the past ten years. Policies have been generally in line with International Monetary Fund (IMF) recommendations and the Royal Government of Cambodia (RGC) is well aware of the necessity of maintaining them. Despite internal and external challenges, Cambodia's economy maintains high and robust growth. Real GDP growth in 2017 reached 6.9% and in 2018 the economy is estimated to grow similarly at 6.9 %. Cambodia's external position remains stable, while the current account deficit has

¹⁹ Outcomes of 3598th Council Meeting, Foreign Affairs. Brussels, 26 February 2018.
<http://www.consilium.europa.eu/media/32966/st06541-en18.pdf>

slightly improved as a result of stronger exports. There are four main drivers of growth in Cambodia: garment and footwear exports, construction, tourism and agriculture.

Real GDP growth in 2018 is also supported by fiscal expansion; it is expected thereafter to slightly moderate due to a reduction in Foreign Direct Investments, challenges in export diversification, and a moderation in the credit cycle. The external sector further improved in 2016 thanks to higher exports, and import growth that slowed to 9.0 % in 2016, compared to 10.5 % in 2015, as a result of decelerating imports of basic construction materials and import substitution in the food and beverage sector, as well as continued low oil prices. The deficit is fully financed by large foreign direct investments and international loans, mostly on concessional terms, and also by grants.

However, the country's economy remains vulnerable to internal and external shocks, due to its slow diversification and the country's dependence on a small number of exports (garment, footwear and rice) and tourism. In addition, a high degree of dollarization and weak monetary policy hampers the authorities' ability to mitigate economic and financial shocks.

The Government is now proceeding with fiscal consolidation following an expansionary stance in response to the 2007 financial crisis. Efforts to increase domestic revenue have proven very effective in Cambodia, as reflected in a significant increase of domestic revenue to GDP, from 15.1% in 2013 to 18.4% in 2016.

In November 2017, discussions with IMF under Article IV consultations focused on maintaining the momentum of fiscal consolidation, containing macro financial risks and improving monetary policy effectiveness in the short term, as well as promoting economic diversification and inclusive growth over the medium term.

1.2.3 Public Financial Management (PFM)

Since 2005 the Government of Cambodia has been implementing a robust reform programme articulated around a series of four sequenced platforms: budget credibility, financial accountability, budget policy linkages and performance accountability, to be implemented in stages. The first series of reforms (2005-2008) focused mostly on achieving Platform 1 objectives, has been considered a success, with overall budget credibility established at the macro-fiscal level. This resulted in improved macro-economic stability, increased revenue mobilisation and predictable overall budget execution. The second stage (2009-2015) introduced a Financial Management Information System (FMIS), as well as a modern chart of accounts based on international standards and a new budget classification. The implementation plan for the third stage was approved in 2015, for implementation over the period 2016-2020. It has been recently updated, following the approval of the Budget System Reform Strategy 2018-2025

Progress on Platform 1 (budget credibility) has continued in line with expectations. Implementation of the Domestic Revenue Mobilisation Strategy (DRMS) 2014-2018 has allowed for a surge in domestic revenue. Revenue collection performed above expectations, with domestic revenues increasing from 17.7 % of GDP in FY 2015 to above 19% of GDP in 2017 according to preliminary data. A sound fiscal policy is implemented that keeps budget deficit and debt stocks under control. The Government is now formulating the next Domestic Revenue Mobilization Strategy 2019-2023.

Platform 2 (financial accountability) is still progressing with the Financial Management Information System (FMIS) deployed at Provincial Treasuries since March 2016 and the successful deployment of the system to 10 line ministries as of January 2018. The objective is to roll out the system to all Line Ministries and Provincial Economy and Finance departments by

2020. The FMIS catalysed a number of key reforms such as the development of new budget classification and chart of accounts (updated in 2017), and accounting standards in line with international standards. MEF has also started developing a procurement reform strategy. A complete set of harmonized rules, regulations and procedures will be developed, which will cover both standard internal rules and standard operating procedures (SOP), applied to externally-funded projects.

Platform 3 (Budget Policy Linkages) is gathering momentum. From a pilot phase on the use of "programme budgeting" for few line ministries, the Government has expanded the use of programme budgeting to all but 3 ministries (Interior, Defence and Council of Ministries) and 6 provinces have also started the implementation of programme budgeting.

1.2.4 Transparency and oversight of the budget

The entry point²⁰ is considered to be met, as the Law on Budget 2018 was approved by the Parliament and published in the National Gazette in December 2017. The Budget is also published on the website of the Ministry of Economy and Finance²¹.

The recent Open Budget Survey (OBS) published in March 2018 and covering up to December 2016, confirmed that Cambodia made publicly available online six of the eight key budget documents, in a timeframe consistent with international standards. This reflects a net increase since the previous OBS published in 2015.

Budget transparency has been a main focus of EU policy dialogue attached to its support to Public Financial Management and substantial progress has already been achieved. The MEF has continued to improve and publish a citizen's budget ('Budget-in-Brief'). It has improved the presentation of its Mid-Year Report and has made it public through its website. It publishes an annual and semi-annual Public Debt Statistical Bulletin; It also publishes on its website procurement plans of line ministries, procurement opportunities, and notices of awards²².

2. RISKS AND ASSUMPTIONS

| Risks | Risk level (H/M/L) | Mitigating measures |
|-----------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Collusion and corruption undermining efforts to protect the fishing domain and increase surveillance capacities | H | Strengthening of accountability mechanisms: independent monitoring of the perception of persistence of illegal fishing and activities; support to structuration of fishers' representation and engagement in dialogue with subnational authorities and the Fisheries Administration, high level policy dialogue on the conservation and development of the Tonle Sap area |
| Lack of inter-sectoral coordination, at all levels | M | Creation of high level coordination mechanism for the Tonle Sap area Strengthening Unified Command Committees at subnational level |
| Lack of engagement of subnational | M | Capacity building at central, provincial and district |

²⁰ Defined as: "the government must have published its budget within the past or current budget cycle (either the Executive's budget proposal or the enacted budget)" (EC Budget Support Guidelines, 2017).

²¹ <http://www.mef.gov.kh/laws-and-regulation/budget.html>

²² <http://www.mef.gov.kh/old/procurement/bid-advertisement.php>

| | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| authorities (responsible towards Ministry of Interior (MoI), and coordination between central and subnational levels | | levels, dialogue with central authorities |
| Lack of political commitment to fight against IUU fishing, due among others to a lack of political and economic incentives | M | High level in-country dialogue (Prime Minister / Deputy Prime Minister level) and support to regional dialogue and cooperation (with Thailand, Vietnam and Indonesia in particular) |
| Lack of motivation of civil servants and high rate of absenteeism, especially at subnational level | M | Introduction of staff performance evaluation by MAFF |
| Climate change in the Lower Mekong Basin is expected to translate into higher rainfall, increased temperature and flooding, and increased magnitude and frequency of extreme events, in particular severe droughts in Cambodia Mekong floodplain | M | Promotion of adaptation measures through the programme (habitat enhancement, conservation measures livelihood diversification, etc). Support from EU co-funded Cambodia Climate Change Alliance (CCCA) phase 3 to support the development of better-informed policies and increased effectiveness of financing mechanisms |
| Use of surveillance equipment for military purpose | L | High level dialogue, inter-sectoral coordination and agreements |
| Effective engagement, innovation, and increased participation in the value chains thwarted by entrenched commercial and political interests | L | Address factors limiting small scale sector participation such as increased transparency, simplification of formalities, and access to market information |
| Assumptions | | |
| <ul style="list-style-type: none"> • RGC remains committed to environment protection, including the protection and the sustainable management of wetlands, lakes, rivers, mangroves, coral reefs and coastal marine habitats, through strengthened collaborative management with local communities and law enforcement; • CFIs can play an effective role at local level to protect the resource and its habitat, as well as control and regulate its exploitation, avoiding a possible "tragedy of the commons"; • MEF management of budget support through Standard Operating Procedures secures incremental funding for the sector, through central and provincial Budget Entities; • While the Lower Sesan II dam started operating in September 2017, decision on new mainstream dams in Cambodia and Lao PDR is still open with an increased interest in favour of alternative solutions; • Other interventions are supporting development of capacities in integrated water resources management (IWRM) and overall promotion of sustainable agriculture practices. | | |

3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Several major projects have been implemented in the fisheries sector since the early 2000s, successively supported by ADB (Tonle Sap Environmental Management Project, 2002-2008 followed by the Tonle Sap Sustainable Livelihood Project, 2012-2014), DANIDA, DFID and New Zealand (Natural Resources Management and Livelihoods Programme, 2006-2010) and the

EU (Promoting Inclusive and Sustainable Growth in the Agriculture sector: Livestock and Fisheries, 2014-2018²³). These projects have generally combined interventions related to the management framework, community organisation, capacity building and livelihood improvement / poverty reduction. These programmes contributed effectively to improving the fisheries framework and the introduction of collaborative management of natural resources in Cambodia fisheries and forestry. They are at the origin of most of the Community fisheries that exist today.

However, these programmes have had **difficulty in maintaining significant gains after implementation, mainly due to the lack of financial and human investment by the RGC**. Support to community fisheries organisations should therefore include attention to sustainable financing mechanisms.

Alternative livelihoods programmes have failed to effectively take people away from fishing as proposed alternative activities require resources that fishers do not have (e.g. land) or are fully compatible with the fishing activity itself (e.g. horticulture in the dry season, homestead husbandry, etc.). These programmes have contributed less to decreasing pressure on the fish resources than to increasing incomes.

However, **conservation and ecosystem enhancement activities** such as fish conservation areas and CFRs in the rice-field fisheries **have proven to have an important impact on fish productivity and biodiversity conservation**. CFIs have had a positive role on reducing the use of destructive fishing methods.

The current EU support to MAFF²⁴ is bringing positive results but has shown that implementation through programme estimates under indirect management was difficult to manage, with a high dependence on external staff (technical assistants and support staff) and limited absorption capacity.

The evaluation of the EU's Budget Support to Education in Cambodia since 2011 confirmed in 2018 the relevance of the modality to contribute to more effective aid delivery partnership, and to improve accountability and governance. In particular, it recommended committing sufficient resources to capacity development, to establish necessary conditions for government to deliver reforms. It also suggested looking at ways to make sub-national partnership structures more functional, as most of government resources are planned and spent at sub-national level.

3.2 Complementarity, synergy and donor coordination

The programme will build on the results of the current EU-funded programme, which ends in January 2019 and is implemented through programme estimates under indirect management. It will also complement important EU initiatives in the sector or in relation with the sector:

- The CAPFISH-Aquaculture programme, managed by AFD and to be implemented over the period 2018-2023, including provision of credit lines to the financial sector;
- A contribution to MRC's basket fund, to support the implementation of the MRC Strategic Plan 2016-2020 and enhanced cooperation in the Lower Mekong Basin;
- A contribution from the Asian Investment Facility²⁵ to support investment from AFD and ADB in the irrigation sector, including strengthening MoWRAM's capacities to monitor water resources and supporting IWRM processes in Cambodia.

²³ ACA/2012/023-197

²⁴ Promoting Inclusive and Sustainable Growth in the Agricultural Sector: Fisheries and Livestock

²⁵ Decision C(2016)7768 of 24 November 2016

- The EU-ASEAN dialogue facility (E-READI programme)²⁶ intends to support dialogue and capacity building activities in the field of fighting against IUU with ASEAN Member States and the European Commission (DG MARE).

Main other sources of overseas development aid (ODA) to the capture fisheries sub-sector focus on strengthening community management capacities in the North-eastern region of the country, including:

- The World Bank-funded "Mekong Integrated Water Resources Management Project, phase III" (2016-2021), which aims at supporting 70 CFIs and the livelihood diversification of their members, as well as transboundary water resources monitoring and management in the Sekong-Sesan-Srepok (3S) sub-basin;
- The KfW-funded "Lower Mekong Basin Wetland Management and Conservation Project" (2017-2021), which focuses on wetland protection in Cambodian and Loa PDR Ramsar sites and provides livelihood support to neighbouring communities;
- The Partners programme to support Forestry and Fisheries communities in North-eastern Cambodia (2017-2020), funded by the Swiss Development Cooperation and partner NGOs.

In parallel, USAID focuses on improving the productivity and availability of rice field fisheries, with the Feed the Future's Cambodia Rice Field Fisheries Project, phase II (2016-2021), implemented by the Worldfish Center. It aims at scaling up the results of the first phase to about 100 to 120 new community fish refuges (CFR). Several other interventions –mostly conservation with communities- are implemented around the country by local and international NGOs.

Development Partners (DPs) involved in the fisheries sector are members of the Technical Working Group for Fisheries (TWG-Fi), which serves as platform for policy dialogue and joint sector planning between DPs and government. TWGs are led by the government with the support of a Lead DP Facilitator, the EU currently playing this role for the TWG-Fi. The TWG took a major role in developing the SPF 2015-2024 and is active in ensuring alignment to the SPF while trying to address bottlenecks in the sector. Several sub-groups operate under this umbrella to enhance technical / sector dialogue between DPs and FiA.

3.3 Cross-cutting issues

Gender:

While men do most of the fishing activities, women contribute to about 75 % of the activity 'around' fisheries, especially in processing and marketing-related activities, in general on a smaller scale than men (retailing). However, they have limited presence and influence in the community fisheries management committees. They are often bypassed in technology transfer and have lower access to resources, and consequently are generally excluded from the larger-scale value chains operations. There is still limited capacity in line ministries and institutions to engage in in-depth gender analysis, advocacy and gender mainstreaming, though FiA has a strong Gender and Children working Group (GCWG) and has developed an **"Action plan for gender equality and child labour elimination in the fisheries sector 2016-2020"**, which emphasizes on relevant aspects such as: building the capacity of the public administration and Community Fisheries, integrating gender and child labour issues in fisheries plans and strategies, supporting women's economic activities in the communities, identifying hazardous work in fisheries for children and raising awareness, improving monitoring and evaluation for gender equality and child labour in the fisheries sector. The programme will contribute to closing the gender gap in the fisheries sector by encouraging women to engage in representation roles and

²⁶ ACA/2014/037-572

ensuring women access to economic development and education opportunities, in particular for girls and young women.

Human Rights:

The FAO Voluntary Guidelines on the responsible governance of tenure of land, fisheries and forest (FAO VGGT) insist on the legal recognition and protection of the legitimate tenure rights. In addition, the FAO Voluntary Guidelines for securing sustainable small scale fisheries recommend that States ensure that small-scale fishing communities are not arbitrarily evicted and that their legitimate tenure rights are not otherwise extinguished or infringed. States should recognize that competition from other users is increasing within small-scale fisheries areas and that small-scale fishing communities, in particular vulnerable and marginalized groups (...) may require special support if their livelihoods are threatened by the development and activities of other sectors.

A specific issue in Cambodian inland fisheries is to protect the right to adequate standards of living of fishing communities which are strongly dependent on fishing in the coastal areas and inland wetlands. These communities that have very limited opportunities for alternative livelihoods may see their rights threatened by developments occurring in other sectors (agro-business, tourism, hydropower, etc), increased competition from seasonal fishers from other parts of the country and competition from large-size vessels in the coastal domain. These include communities of fishers of Vietnamese origin, who may be denied Cambodian citizenship (even if living in the country for several generations and having no other citizenship) and thereafter barred from access to education and membership of Community Fisheries. The programme will thus provide capacity building to organisations representing the fishing communities, the CFIs and their networks, and support improvement and diversification of their livelihoods.

Environment and climate change:

Fisheries, as a natural resource, are facing internal, external and global threats (see 1.1.3). Nevertheless, issues of primary importance for the sector are the development of hydropower dams, the impact of climate change, the degradation of the environment, including habitat loss, and the poor management of inland, coastal and marine fisheries, due to the weak capacity of local associations associated with the open access regime. Addressing all these challenges is the main objective of the programme, through financial investment in conservation, research, planning and surveillance, and capacity building at various levels; therefore this action should contribute to the sustainable management of Cambodian wetlands and coastal ecosystems as well as biodiversity conservation.

Nutrition:

For members of fishing households and communities, the fisheries sector can also contribute to – or impede – better nutrition through various pathways, including consumption of own production, income generation and access to other food as well as employment in the value chain and impact on care practices, living conditions in fishing communities and impact on health environment and access to health services, etc. However, wealth status is the main socioeconomic factor associated with undernutrition: stunting among the poorest is twice higher than among the richest²⁷. Malnutrition stills costs to the national economy a massive annual loss equivalent to 2.6 % GDP²⁸. Consequently, the programme will contribute to better nutrition by the conservation of the resource, innovation in post-harvest technologies as well as through

²⁷ EU Nutrition Advisory Service, 2016. Desk review of nutrition security in Cambodia

²⁸ CARD, UNICEF and WFP, 2013. The economic consequences of malnutrition in Cambodia.

support to socio-economic research (household economics, cost of diet, gender analysis, etc) and targeted support to marginalized fishing communities.

4. DESCRIPTION OF THE ACTION

4.1 Objectives/results

The overall objective of the CAPFISH program is to achieve a more sustainable, climate-resilient and inclusive development of Cambodia freshwater and marine fisheries. It will thus contribute to achieving the objectives of the National Strategic Development Plan (NSDP), the Strategic Planning Framework of Fisheries (SPF 2015-2024), and the fisheries programme of the 5-year Agriculture Sector Development Plan (ASDP), as well as improvement in areas relevant to the fight against IUU fishing.

Although it is expected that the same reform policy will be pursued in the coming years, it is foreseen that, following the adoption of the ASDP 2019-2023, there may be a need to adjust the programme to ensure continued alignment, notably the variable tranche indicators of the budget support.

The **specific objectives** are:

1. Improved conservation, management and compliance with fisheries laws and regulations in the inland and marine domain (SO1, linked to SPF pillars 1 and 4);
2. Post-harvest fisheries are developed (SO2, linked to SPF pillar 3);
3. Improved resilience of the fishing communities of the Tonle Sap and coastal areas (SO3).

The **expected results / outputs** are as follow:

At the level of induced outputs:

The **expected induced outputs** under specific **objective 1** are:

- IO1.1. Increased control and surveillance of State conservation and management areas, and fishing areas;
- IO1.2. Improved protection of State conservation and management areas;
- IO1.3. Improved habitat restoration and protection;
- IO1.4. Key fisheries management tools and procedures developed and implemented;
- IO1.5. Strengthened capacity of community organizations to engage in co-management;
- IO1.6. Improved knowledge on the fishery resource and possible impacts on the sector of infrastructure developments.

The **expected induced outputs** under specific **objective 2** are:

- IO2.1. Increased fish/food safety controls;
- IO2.2. Increased support to fish processing and valorisation.

The **expected induced outputs** under specific **objective 3** are:

- IO3.1. Increased support to job creation outside the fishery sector
- IO3.2. Improved access for fishing communities' members to social services and infrastructures.

At the level of direct outputs:

- DO.1. Increased budget for FiA and PDAFFs/Fisheries Cantonments
- DO.2 Strengthened delivery of capacity development to support implementation of the SPF

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of Sustainable Development Goals 2, end hunger, achieve food security and improved nutrition and promote sustainable agriculture, and 14, conserve and sustainably use the oceans, seas and marine resources. It also promotes progress towards Goals 6, ensure access to water and sanitation for all, 8, promote inclusive and sustainable economic growth, employment and decent work for all, and 13, take urgent action to combat climate change and its impact. This does not imply a commitment by Cambodia benefiting from this programme.

4.2 Main activities

4.2.1 Budget support

Budget support offers a platform for dialogue that can contribute to more effective and efficient management of the fisheries resource. The policy dialogue will also be promoted by actions under the complementary support (section 4.2.2). Main activities of the budget support component include:

- The transfer of a maximum of EUR 35 million into the Treasury account at the Central Bank of Cambodia, if disbursement conditions are met;
- The monitoring of achievements of the reform objectives agreed with the Government through independent reviews, regular briefings and discussions;
- Conducting policy dialogue at national level with the government on aspects such as: the fight against illegal fishing and IUU fishing, the revision of the legal and regulatory framework, the management of public finances and human resources, focusing on efficiency and law enforcement, the sharing of resources between the different levels of implementation, the sustainable development of the fragile Tonle Sap area.

Budget support is more specifically associated to specific objectives 1 and 2 above.

4.2.2 Complementary support

The complementary support will be articulated into three complementary components.

A first component will provide support to **marine and inland fisheries management, conservation, control and surveillance**, in the form of capacity development to central and subnational administrations as well as concerned communities (Community Fisheries and Committees responsible for the management of Community fish Refuges) and their networks, ensuring access to members of ethnic minorities. Activities envisaged under this component include:

- Assessment of basic administrative skills and assistance to the development and implementation of a human resource development plan within the fisheries administration;
- Technical assistance to the fisheries administration in fisheries conservation, management, monitoring, control and surveillance and habitat restoration, and to other relevant Government authorities as necessary (such as the Ministry of labour for the enforcement of labour standards in the sector);
- Facilitation of regional cooperation and exchanges on control and surveillance of marine fisheries
- Technical assistance to provincial fisheries administrations in community fisheries development;
- Facilitation and capacity building to community fisheries and their provincial and national networks, including policy dialogue;
- Facilitation of scientific exchange between universities and research institutions;
- Technical assistance and scholarships for the improvement of curricula in fisheries higher education;

- Setting up a competitive fund to finance research activities implemented through scientific partnerships, including on socio-economic aspects (gender, child labour, etc.);
- Establish, facilitate and support a high level inter-sectoral coordination mechanism for the sustainable management of the Tonle Sap Biosphere Reserve (TSBR) and development of the Tonle Sap area, based on the model of the Angkor International Coordination Committee (ICC Angkor);
- Conduct independent monitoring and assessment of progresses made in the implementation of the sector policy, including the population's perception of illegal fishing and activities.

A second component will support the **development of post-harvest fisheries**, through the following activities:

- Provision of technical, market, business and financial advisory service, as well as matching investment support, to micro, small and medium enterprises (MSMEs) of selected value chains, to develop bankable plans and improve compliance with food safety standards, following a "river to table" approach;
- Capacity building to banks and microfinance institutions to develop adapted financial products and services and provision of matching investment support to a target of 600 selected MSMEs;
- Support to research-development in fish product development, through investment support, technical assistance and business incubation services;
- Support to the creation of professional organisations;
- Support to dialogue engagement with the relevant authorities and provision of technical assistance to improve the administrative and regulatory framework, for private investment in post-harvest fisheries;
- Technical assistance to the competent authority in charge of controlling the food safety of fish and fishery products, for the development and improvement of the legal and regulatory framework, the development of annual plans of control, protocols and manuals, the development of exchange and collaboration with peer institutions, and improved coordination with other national competent authorities;
- Training of official inspectors in charge of food controls and inspection
- Capacity building to existing laboratories and facilitation of linkages with the competent authority;
- Implementation of public information campaign to raise demand for safe and quality products.

A third component will aim at supporting **improvement and diversification of fisheries communities' livelihoods**, with a focus on the Tonle Sap inundated area and the coastal areas, through actions implemented by NGOs and Civil society Organisations, selected through a call for proposals, to an estimated target population of 125 000 people. It will include:

- Activities supporting access to clean water and sanitation, basic education, and clean energy, with particular focus on vulnerable households and individuals;
- Sensitization on waste issue and support to waste management initiatives;
- Facilitation and support to investment in ecotourism in partnership with local communities and creation of new employment opportunities;
- Support to access vocational training programmes and improving the quality of such programmes.

4.3 Intervention logic

The proposed Action is a comprehensive approach in support of RGC's implementation of the pillars 1, 3 and 4 of the SPF, in complementarity with CAPFISH-Aquaculture, which supports more specifically the aquaculture sub-sector (SPF pillar 2).

The intervention logic is to increase RGC's fiscal space to support the implementation of reforms in the fisheries sector, combined with complementary support to provide targeted technical assistance and capacity development to the different actors involved in the management and the development of the sector. To do so, this complementary support will target the sector's main actors, which are: (1) the central and sub-national fisheries administration, responsible for designing the policy and management framework, enforcing application of the law and regulations, ensuring the conservation of major sites and habitats and monitoring the sector development; (3) community organisations that are expected to play an increasing role in the co-management of the inland and coastal fisheries resources, and in particular engage in conservation, protection and surveillance activities, and; (4) the private sector involved, with the communities, in post-harvest operations. It will also support the establishment of effective mechanisms to facilitate inter-sectoral coordination and foster harmonious development, and empowerment of women within community organizations and fisheries MSMEs.

Parallel support to post-harvest fisheries will focus on innovative and motivated operators downstream in the value chain with possible access to profitable domestic or export markets (tourism industry, supermarkets, new fish products, etc). It will integrate all chain of suppliers and services (ice, packaging, etc) to ensure food safety compliance throughout the chain, in a "river to table" approach. Matching investment support will be provided to incentivize micro, small and medium scale investments in the value chain, and in particular the cold chain, and reduce the overall cost of the credit, including private investment in the fish landing and distribution infrastructure, combined with development of public-private partnerships. Large private investments will be funded through commercial banks or partner international or European financial institutions, depending on their nature and scale. Such investments may be linked to the combined access to significant volumes of farmed fish (with support from CAPFISH-Aquaculture).

In addition, the proposed action will include measures aiming at supporting improvement of fishing communities' livelihoods and environment. This is in line with FAO Voluntary Guidelines for securing sustainable small scale fisheries, which recommend taking into consideration fishing communities' needs for "social development, employment and decent work". This will be achieved through supporting individual, private and community initiatives (not necessarily from CFis) aiming at improving social infrastructures, job creation and employability, as well as improvement of the environment (sanitation, waste management). Pollution generated from large settlements will be addressed through parallel projects, such as the Provincial Water Supply and Sanitation Project (AIF, AFD, ABD), or new funding mobilized through the proposed Tonle Sap coordination mechanism. Support to the development of responsible eco-tourism will foster joint ventures and development of visitor products (excursions, eco-adventures, and handicraft), supporting reconversion from fishing.

5. IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 60 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 the budget support component is EUR 35 000 000 divided in five annual tranches, and EUR 49 000 000 for complementary support. The amount of the budget support component is based on the financial gap between the current level of public funding to the sector, about USD 7.5 million for 2018, and the needs of the sector, which were estimated at USD 14.5 million per year (aquaculture excluded) in the ASDP 2014-2018. In addition, recent benchmark studies on the cost of research, management and enforcement of capture fisheries in South East Asian countries estimated government funding at a minimum of 2 to 3% of the landed value of fish products, which would represent around USD 18 million per year. The proposed amount also considers the sector's absorption capacity.

The relatively larger amount allocated to the complementary support is justified by the need to contribute to capacity building and empowerment of the communities and the private sector, in addition to the public administration itself, as well as the necessity of intervening in areas that are not covered by the sector policy (component 3).

5.3.2 Criteria for disbursement of budget support

a) The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the Strategic Planning Framework for Fisheries (SPF) 2010-2024, updated in 2015 for the period 2015-2024 and continued credibility and relevance thereof;
- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of PFM Reform Programme (stage 3) including domestic revenue mobilisation and continued relevance and credibility of the reform;
- 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 variable tranches are the following:

In relation with improved conservation, management and compliance:

1. Increase in the intensity of control of marine and inland fisheries;
2. Development of key fisheries management tools and procedures;
3. Progress in the demarcation of state conservation areas;
4. Progress in the protection and restoration of critical habitats;
5. Improvement in the availability and reliability of fisheries information;

In relation with support to fishing communities:

6. Transfer of financial resources to Community Fisheries (CFis);
7. Transfer of financial resources to communities contributing to rice / fish production;

In relation with safety of fish and fishery products:

8. Increase in the number and coverage of food safety controls;

In relation with improved institutional capacity

9. Increase in the transfer of budget to provincial administrations;
10. Progress in the implementation of the Public Administration Reform within the FiA.

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 MEF 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 five annual tranches, following the indicative breakdown below:

| | Total | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|----------------------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Fixed tranche | 15 | 5.00 | 2.50 | 2.50 | 2.50 | 2.50 |
| Variable tranche | 20 | | 5.00 | 5.00 | 5.00 | 5.00 |
| Total (EUR million) | 35 | 5.00 | 7.50 | 7.50 | 7.50 | 7.50 |

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

Disbursement of annual tranches will depend on continued fulfilment of the General Conditions/eligibility criteria as well as of any specific conditions and related performance indicators.

5.4 Implementation modalities for complementary support of budget support

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation²⁹.

5.4.1 Component 1: Marine and inland fisheries management, conservation, control and surveillance

5.4.1.1 Procurement (direct management)

| Subject in generic terms, if possible | Type (works, supplies, services) | Indicative number of contracts | Indicative trimester of launch of the procedure |
|-------------------------------------------------|----------------------------------|--------------------------------|-------------------------------------------------|
| Assessments and monitoring of the sector policy | Service | 2 | Q3/2019, Q3/2021 |

²⁹ https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf

5.4.1.2 Indirect management with an international organisation

A part of this action may be implemented in indirect management with the Food and Agriculture Organisation (FAO) in collaboration with United Nations Educational, Scientific and Cultural Organisation (UNESCO). The implementation of the program contributes to: (i) enhancing the capacity of the public administration in charge of the fisheries sector at both central and subnational level; (ii) improving the management of the financial and human resources, and the funds dedicated to research in the fisheries sector; (iii) supporting inter-ministerial coordination for the protection of the Tonle Sap Biosphere Reserve, providing extension services to community fisheries, establishing and strengthening accountability and dialogue mechanisms in the fisheries sector; and (iv) facilitating regional cooperation.

This implementation is justified because FAO has already a long and recognised experience with the fisheries sector in Cambodia and has a strong pool of expertise in the sector readily available through its regional office. It has also a country office in Cambodia that allows for closer support and monitoring. Also, this programme fits well with FAO mandate and the wider EU-FAO partnership. FAO will intervene in collaboration with UNESCO in setting up the Tonle Sap inter-sectoral coordination mechanism, because of UNESCO's successful experience with the ICC Angkor and its overall responsibility over the Man and Biosphere programme.

The entrusted entity would carry out the following tasks: launching calls for tenders and for proposals; definition of eligibility, selection and award criteria; evaluation of tenders and proposals; award of grants, contracts; acting as contracting authority concluding, monitoring and managing contracts, carrying out payments, and recovering money due.

The Commission authorises that the costs incurred by the entrusted entity may be recognised as eligible as of 1 January 2019 because of the time required for the mobilization of the teams and partners before implementation can actually start, and to allow smooth synchronization between the budget support and the complementary support.

5.4.2 Component 2: Support to development of post-harvest fisheries

5.4.2.1 Indirect management with an international organisation

A part of this action may be implemented in indirect management with United Nations Industrial Development Organisation (UNIDO).

This implementation is justified because it is an outcome of an invitation to expression of interest opened to European and international organisations as well as UNIDO's mandate to promote private sector and industrial development for poverty reduction, as well as its expertise on SPS aspects and its experience in Cambodia in supporting the development of marine fisheries value chains, under previous funding from the Integrated Enhanced Framework.

The entrusted entity would carry out the following tasks: launching calls for tenders; definition of eligibility, selection and award criteria; evaluation of tenders; award of contracts; acting as contracting authority concluding, monitoring and managing contracts, carrying out payments, and recovering money due.

The Commission authorises that the costs incurred by the entrusted entity may be recognised as eligible as of 1 January 2019 for the same reasons as above.

5.4.3 Component 3: Support to fisheries communities' livelihood improvement and diversification

5.4.3.1 Grants: call for proposals "Improving fisheries communities' livelihoods and resilience" (direct management)

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

The objectives of the grants and expected results are those mentioned under section 4 for specific objective 3. Eligible actions will include:

- Support to ecotourism development through partnership between communities and private operators, and to development of visitor products and new employment opportunities;
- Support to private and community-based initiatives aiming at improving access to clean water, sanitation, waste management, energy, and linkages with existing rural development support services, such as private and public extension services, development projects, NGOs, farmer organisations, micro-finance institutions, etc);
- Support to improving accessibility from members of fishing communities to vocational training and education programmes;
- Where necessary, in addition to the support provided under Component 1, support to the conservation/ regeneration of key habitats (flooded forest, mangrove forest)

Priority will be given to vulnerable households and individuals, with attention women, young adults and members of ethnic minorities.

(b) Eligibility conditions

Participation will be opened to legal entities and groupings without legal personality³⁰ of local authorities, public bodies, international organisations, NGOs and/or economic operators such as SMEs, established in the European Union, or Cambodia, or a developing country or territory included in the OECD-DAC list of ODA recipients that is not a member of the G20, or a member state of the OECD³¹.

Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant is EUR 4 000 000 and the grants may be awarded to sole beneficiaries and to consortia of beneficiaries (coordinator and co-beneficiaries). The indicative duration of each grant (its implementation period) is 48 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%.

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.

³⁰ Grant applications may be eligible if submitted by entities which do not have legal personality under the applicable national law, on the condition that the representatives of that applicant can prove that they have the capacity to undertake legal obligations on behalf of the applicant, and that they offer financial and operational guarantees equivalent to those provided by legal persons.

³¹ This establishment obligation does not apply to international organisations

(e) Indicative timing to launch the call: first trimester of 2019

5.4.3.2 Procurement (direct management)

| Subject in generic terms, if possible | Type (works, supplies, services) | Indicative number of contracts | Indicative trimester of launch of the procedure |
|------------------------------------------------|----------------------------------|--------------------------------|-------------------------------------------------|
| Grants evaluation, coordination and monitoring | Service | 1 | 02/2019 |

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 realization of this action impossible or exceedingly difficult.

5.6 Indicative budget

| | EU contribution (in EUR) | Indicative third party contribution, in currency identified |
|----------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------------------------------------------|
| 5.3.- Budget support (Sector Reform Performance Contract) | 35 000 000 | N.A. |
| 5.4.1. – Component 1, "Marine and inland fisheries management, conservation, control and surveillance" | | |
| 5.4.1.1 Procurement (direct management) | - | N.A. |
| 5.4.1.2 Indirect management with FAO | 17 000 000 | USD 1 000 000 |
| 5.4.2. – Component 2, "Support to development of post-harvest fisheries" composed of Indirect management with UNIDO | | |
| 5.4.2.1 Indirect management with UNIDO | 16 000 000 | USD 1 000 000 |
| 5.4.3. – Component 3, "Support to fisheries communities' livelihood improvement and diversification" | | |
| 5.4.3.1 Grants: call for proposals "Improving fisheries communities' livelihoods and resilience" (direct management) | 16 000 000 | EUR 4 000 000 |
| 5.4.3.2 Procurement (direct management) | - | N.A. |
| Procurement – total envelope under section 5.4 | 800 000 | N.A. |

| | | |
|---------------------------------------|-------------------|----------------------------------------------|
| 5.9 – Evaluation, 5.10 - Audit | 500 000 | N.A. |
| Contingencies³² | 1 700 000 | N.A. |
| TOTAL | 87 000 000 | USD 2 000 000 EUR 4 000 000 |

5.7 Organisational set-up and responsibilities

For the budget support:

As signatory of the financing agreement, the MEF is the designated EU counterpart and responsible for all official communication with the EU. As such, it will submit payment requests on behalf of RGC.

However, the MAFF is responsible for the implementation of the programme, through 26 Budget Entities composed of the Fisheries Administration and its 25 PDAFFs. Within MAFF, the main units responsible for the effective management of the budget support are MAFF's Department of Planning and Statistics, and FiA's Department of Finances, Planning and International Coordination, which coordinates planning and budgeting processes at ministry and sub-sector level, respectively.

MEF shall submit payment requests by June, so that the Delegation shall be able to submit the complete disbursement file to the Commission headquarters by October, at the latest.

To review progress made in meeting eligibility criteria and in achieving the variable tranche indicators' targets an annual meeting will take place between the EU Delegation, MAFF and the MEF in June, in order to conclude on the amount for the disbursement request. In accordance with Commission budget support guidelines, the EU Delegation will produce internal reports assessing progress in the fisheries sector, macroeconomic stability, PFM reform, budget transparency, and document policy dialogue in these areas. The Delegation may use the services of independent experts to support this assessment.

The annual assessment of the eligibility criteria related to the fisheries sector and specific conditions (variable tranche indicators) will take place each year between March and June. It will look at the achievements of the previous fiscal year and MAFF's annual report, usually released in April.

For the complementary support:

The overall supervision will rely on a Steering Committee, co-chaired by MAFF and MEF. It will involve representatives from FiA, concerned departments of MAFF and PDAFFs, as well as from other concerned ministries, the organisations involved in implementation of the complementary support, the EU (as co-chair) and other key Development Partners involved in the sector. It will provide steering guidance/decisions to ensure that the action remains in line with overall national, regional and local priorities and approve the annual work plans, budgets and reports. It will meet at least twice a year. These plans and budgets will be developed through close coordination with the development partners involved in the sector, through the Fisheries Technical Working Group.

In particular, this Steering Committee will coordinate its decisions with the recommendations of the high level inter-sectoral coordination mechanism that will be established with the support of UNESCO for the Tonle Sap area. This mechanism will involve representatives of the concerned

³² Additional needs might arise requiring further assessments and monitoring of the sector policy.

line ministries, provincial authorities and donor community as well as independent experts. In particular, it will provide recommendations for the sustainable development of the area, compatible with the conservation of the area ecosystem, landscapes and biodiversity. A similar mechanism may be put in place for the marine area within the timeframe of the programme.

Regular meetings organized at high level to monitor the progress of the implementation of the sector policy and the development of the Tonle Sap area will represent important occasions for policy dialogue (see 4.2.1).

5.8 Performance monitoring and reporting

The MAFF will report on progress in policy implementation and institutional strengthening through its annual report, delivered at the MAFF annual conference. This report provides a synthesis of the various reports elaborated by the different budget entities, implementing departments and internal working groups (such as for PFM, decentralisation and gender). The performance of the fisheries sector will be also further reviewed through the Fisheries Technical Working Group, which also produces an annual joint report. Progress in areas specifically targeted by the performance assessment framework will be assessed annually by external experts contracted by the European Commission. The reviews will be conducted in coordination with the EU Delegation, MAFF and MEF.

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 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).

5.9 Evaluation

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

A mid-term evaluation will be carried out for problem solving and learning purposes, in particular with respect to the relevance and efficiency of the support provided by the delegated agreements. A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the innovative nature of the modality of intervention (budget support) in the fisheries sector.

The Commission shall inform the implementing partner at least three months 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 in the fourth quarter of 2020 and third quarter of 2023.

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, two contracts for audit services shall be concluded under a framework contract in the first quarter of 2021 and the fourth quarter of 2023.

5.11 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 5.6 above. The financing of additional communication and visibility measures may be covered by another measure constituting a financing decision.

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 1 – ABBREVIATIONS & ACRONYMS

| | |
|-------------|---------------------------------------------------------------------------------|
| ADB | Asian Development Bank |
| AFD | Agence Française de Development |
| ASDP | Agriculture Sector Development Plan |
| BSP | Budget Strategic Plan |
| CAPFISH | Cambodia Programme for Sustainable and Inclusive Growth in the Fisheries Sector |
| CFi | Community Fisheries |
| CFR | Community Fish Refuge Committee |
| CNRP | Cambodia National Rescue Party |
| DP | Development Partner |
| EU | European Union |
| FAO | Food and Agriculture Organization |
| FiA | Fisheries Administration |
| FMP | Fisheries Management Plan |
| FY | Fiscal Year |
| GDP | Gross Domestic Product |
| HACCP | Hazard Analysis and Critical Control Points |
| ICC | International Coordination Committee |
| IFREDI | Inland Fisheries Research and Development Institute |
| IUU fishing | Illegal, Unreported and Unregulated fishing |
| IWRM | Integrated Water Resource Management |
| MAFF | Ministry of Agriculture, Forestry and Fisheries |
| MEF | Ministry of Economy and Finance |
| MoWRAM | Ministry of Water Resources Management and Meteorology |
| MoI | Ministry of Interior |
| MRC | Mekong River Commission |
| MSME | Micro, Small and Medium Enterprise |
| NPCI | National Plan of Control and Inspection |
| NGO | Non-Governmental Organization |
| NPOA-IUU | National Plan of Action against IUU fishing |
| NSDP | National Strategic Development Plan |
| OECD | Organisation for Economic Co-operation and Development |
| PAF | Performance Assessment Framework |
| PDAFF | Provincial Departments of Agriculture, Forestry and Fisheries |
| PFM | Public Finance Management |
| RGC | Royal government of Cambodia |
| RS | Rectangular Strategy |
| SDC | Swiss Development Cooperation |
| SDG | Sustainable Development Goals |
| SPF | Strategic Planning Framework for Fisheries |
| TWG-Fi | Technical working Group for Fisheries |
| UNESCO | United Nations Educational, Scientific and Cultural Organization |
| UNIDO | United Nations Industrial Development Organization |
| USAID | United State Agency for International Development |

APPENDIX 2 - INDICATIVE LIST OF RESULT INDICATORS³³

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 | Baselines (incl. reference year) | Targets (incl. reference year) | Sources and means of verification |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Overall objective: Impact | To achieve a more sustainable, climate resilient and inclusive development of Cambodia freshwater and marine fisheries | 1) Total annual catch* (disaggregated by type of fisheries) 2) Contribution of fisheries sector to national GDP baseline, including aquaculture (% of GDP)* | 1) 630,000 tonnes (2016), of which 146,800 t from Rice field fisheries 2) 6.0% (2016) | 1) 600,000 (2023), of which 186,000 t from Rice field fisheries 2) 7% (2021) | 1) FiA statistics 2) National Institute of Statistics |
| Specific objective(s): Outcome(s) | SO1. Improved conservation, management and compliance with fisheries laws and regulations in the inland and marine domains SO2. Post-harvest fisheries are developed SO3. Improved resilience of the fishing communities of the Tonle Sap and coastal areas | 1.1. Number of fisheries offences 1.2. Number of effectively operational Community fisheries* 1.3. Total mangrove area 1.4. % of Tonle Sap protected area (Zone 3) under forest cover 2.1. Total employment in commercial fish processing 2.2. No. of establishments certified for food safety (Good Hygiene Practices, Quality Seal, and/or HACCP)* 3.1 Share of the active labour force within fishing communities declaring fishing as main occupation (%) (data disaggregated by sex) | 1.1. 3,650 (2016) 1.2. 10% strong – 50% average – 40% weak (2017) 1.3. 55,000 ha (2010) 1.4. to be updated in 2019 with FAO/UNESCO support 2.1. 33,431 persons (2016) 2.2. 2 (2018) 3.1. 60% (2017 ³⁴) | 1.1. < 1,500 (2023) after increase in the first years 1.2. Tbd 1.3. 40,000 ha 1.4. Tbd [based on UNESCO-supported assessment] 2.1. 50,000 persons (2023) 2.2. 100 (2023) 3.1. 50% | 1.1. FiA reports (DAAL) 1.2. FiA report (CFi bi-annual assessment) 1.3. / 1.4. MoE reports 2.1. / 2.2. FiA statistics 3.1. / 3.2. Ad hoc assessments |

³³ Indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

³⁴ Save the Children, 2017. Situation analysis of children in Kampong Chhnang and Pursat provinces.

| | | | | | |
|-----------------|---------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|--------------------------------------------------------|
| | | 3.2. Level of round year access in fishing communities to an improved source of drinking water (% of households) | 3.2. 6% (2017 ²²) | 3.2. 30% | |
| | | 3.3. Completion rate of primary education in fishing communities (data disaggregated by sex) | 3.3. 58 to 87% for girls and 55 to 79% for boys, according to province, for school year 2016/17 | 3.3 > 80% in school year 2022/23 (district level data) | 3.3. MoEYS |
| Induced outputs | IO1.1. Increased control and surveillance of State conservation and management areas, and fishing areas | IO1. 1.1 Number of fishing operations and related operations inspected, on land, water, and at sea | IO1.1.1 N/A | IO1.1.1 Tbd [based on NPCI for marine sector] | IO1.1.1 FiA reports (new indicator) |
| | IO1.2. Improved protection of State conservation and management areas | IO1.2.1. No. of devices installed for demarcation of inland and marine conservation areas in the fishing domain, under jurisdiction of MAFF and/or MoE | IO1.2.2 202 demarcation poles equivalent (2017) | IO1.2.1 1,000 demarcation pole equivalent (2023) | IO1.2.1. FiA reports |
| | IO1.3. Improved habitat restoration and protection | IO1.3.1 No. of fish attraction devices and artificial reefs installed in inland and marine conservation areas | IO1.3.1 60 unit equivalent (2017) | IO1.3.1. 2,400 unit equivalent (2023) | IO1.3.1 FiA reports (new indicator) |
| | IO1.4. Key fisheries management tools and procedures developed and implemented | IO1.4.1. Percentage of motorized fishing vessels licensed | IO1.4.1. <1% (2016) | IO1.4.1. 15% | IO1.4.1. FiA reports (new indicator) |
| | | IO1.4.2. New texts adopted | IO1.4.1. N/A | IO1.4.1: NPCI (2019) New Fishery Law (2019) Marine FMP (2020) Tonle Sap FMP (2022) | IO1.4.1. MAFF annual reports |
| | IO1.5 Strengthened capacity of community organizations to engage in co-management | IO1.5.1 No. of grant awarded to CFIs and CFR Committees, and amount disbursed | IO1.5.1 Zero (2018) | IO1.5.1. 270 [to be confirmed by next ASDP] | IO1.5.1 FiA reports (new indicator) |
| | | IO1.5.2 Percentage of women holding management positions in fishery community groups* | IO1.5.1 10% | IO1.5.1. 25% | IO1.5.1. FiA reports (CFi database) |
| | IO1.6. Improved knowledge on the fishery resource and possible impacts on the sector of infrastructure developments | IO1.6.1 Catch data including information on species and sizes | IO1.6.1 Not available, except for Dai fisheries (2018) | IO1.6.1 Yearly report available for the major specific fisheries | IO1.6.1 Fisheries information system (to be developed) |

| | | | | | |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| | IO2.1. Increased fish/food safety controls | IO2.1.1 No. of establishments inspected, of all kind (landing sites, market stalls, processing units, aquaculture farms, etc) IO2.1.2. No. of entrepreneurs supported in post-harvest fisheries, of which % of women IO2.1.3 No. of mutual recognition agreements between Cambodia and importing countries of the equivalence of food control systems applicable to fish and fishery products | IO2.1.1 Zero (2018) IO2.1.2. Zero (2018) IO2.1.3 Zero (2018) | IO2.1.1 200 IO2.1.2 500 (60%) IO2.1.3 3 (2023) | IO2.1.1. FiA reports (new indicator) IO2.1.2 UNIDO reports IO2.1.3 FiA reports (new indicator) |
| | IO2.2. Increased support to fish processing and valorization IO3.1. Increased support to job creation outside the fishery sector IO3.2. Improved access for fishing communities members to social services and infrastructures | IO2.2.1 Cumulated number of MSMEs supported IO3.1.1 No. of alternative employment projects supported IO3.1.2 No. of community and individual projects supported | IO2.2.1 Zero (2018) IO3.1.1 Zero (2018) IO3.1.2 Zero (2018) | IO2.2.1 600 (2023) IO3.1.1 Tbd IO3.1.2 Tbd | IO2.2.1 UNIDO reports IO3.1.1 NGO reports IO3.1.2 NGO reports |
| Direct outputs | DO1. Increased budget for FiA and PDAFFs/Fisheries Cantonments | DO1.1 Relative percentage of government fisheries budget allocation to FiA and PDAFFs DO1.2 Relative percentage of government fisheries budget to payroll to non-payroll | DO1.1 37% - 63%, between Cantonments / FiA (2018) DO1.2 45% - 55% between payroll / non-payroll (2018) | DO1.1.55% - 45% (2023) [to be confirmed by next ASDP] DO1.2 25% - 75% (2023) [to be confirmed by next ASDP] | DO1.1 MAFF annual report DO1.2 MAFF annual report |
| | DO2. Strengthened delivery of capacity development to support implementation of the SPF | DO2.1 number of persons from FiA and Cantonment staffs, community organizations, private sector operators trained by FAO and UNIDO with the support of this action (data disaggregated by sex) | DO2.1 0 | DO2.1 to be determined | DO2.1 FAO and UNIDO reports |

EN



This action is funded by the European Union

ANNEX II

of the Commission Implementing Decision on the financing of the multiannual action programme in favour of Cambodia for 2018 and 2019 part 1

Action Document for EU support to Public Financial Management Reform Programme
– Stage III (2)

| | |
|------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Title/basic act/ CRIS number | EU support to Public Financial Management Reform Programme – Stage III (2) CRIS number: 2018 /040-874 financed under Development Cooperation Instrument (DCI) |
| 2. Zone benefiting from the action/location | Asia, Cambodia The action will be carried out at the following location: Phnom Penh, Cambodia |
| 3. Programming document | Addendum N°1 to the Multiannual Indicative Programme (MIP) between the European Union and Cambodia for the period 2014-2020 ¹ |
| 4. Sector of concentration/ thematic area | Governance and Administration, specific objective related to the Public Financial Management Reform Programme (PFMRP) of the Royal Government of Cambodia (RGC) |
| 5. Amounts concerned | Total estimated cost: EUR 27 000 000 Total amount of EU budget contribution: EUR 22 000 000, of which: - EUR 14 000 000 for budget support - EUR 8 000 000 for complementary support This action is co-financed in joint co-financing by: - Swedish International Development Cooperation Agency (SIDA) for an amount of EUR 3 800 000; - The Department of Foreign Affairs and Trade (DFAT) of Australia for an amount of EUR 1 200 000. |
| 6. Aid modalities and implementation | Direct management – Budget Support: Sector Reform Performance Contract Direct management – Procurement of services |

¹ C(2018)4741 of 20.07.2018

| | | | | |
|----------------------------------------|---------------------------------------------------|-------------------------------------|------------------------------|-------------------------------------|
| modalities | Indirect management with SIDA and the World Bank | | | |
| 7. DAC code(s) | 15111 | | | |
| 8. Markers (from CRIS DAC form) | General policy objective | Not targeted | Significant objective | Main 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 checked="" type="checkbox"/> | <input 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"/> |
| | RIO Convention markers | Not targeted | Significant objective | Main objective |
| | 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"/> |

SUMMARY

In line with the national Rectangular Strategy III (RS III) 2014-18 the objective of the Government-owned Public Financial Management Reform Programme (PFMRP Stage 3 2016-2020) is to strengthen public finance management systems in order to implement Cambodia's development agenda, reduce poverty and improve delivery of public services as set out in the National Strategic Development Plan (NSDP). EU support to PFMRP together with other Donors for the last decade has resulted in increased budget credibility and financial accountability.

The third stage of the PFM reform covers the period 2016-2020 and includes among its objectives consolidation of the financial accountability platform through expansion of the Financial Management Information System (FMIS) to line ministries and strengthening links between budget process and sector policy priorities. Despite its well-identified associated risks, the reform is considered by all development partners (DPs) as a credible set of measures to bring national PFM systems up to international standards. It is proposed that EU support to PFMRP Stage 3 be delivered through budget support combined with a delegation agreement with SIDA focusing on accountability and transparency systems and an administrative agreement with the WB to provide Programmatic Advisory Services and Analytics.

This action is a top-up to the ongoing EU PFM budget support², which will enable the continuation of the EU support to the PFM reform for an additional two years. This programme will aim at improving (i) institutional capacity to implement the PFM reform, (ii) national statistics, (iii) national budget comprehensiveness and transparency, (iv) policy-based budgeting, (v) predictability and control in national budget execution, (vi) accounting, recording and reporting, (vii) external scrutiny and audit of the national budget, and (viii) public accountability.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

1.1.1 Public Policy Assessment and EU Policy Framework

Cambodia's growth remains strong, driven by robust exports, tourism, and construction. Real GDP growth in 2017 reached 6.9 %, in line with projections, mainly driven by the construction and garment sectors. Despite a slight slowdown, GDP growth is expected to remain strong with rates of around 6.8% in 2018 and 2019. However, in spite of high economic growth and steady progress in reducing poverty, Cambodia faces a number of important challenges, including a narrow-based economic structure that makes it vulnerable to external shocks. Clear progress has been observed in Government's efforts to gradually address these challenges, notably through initiatives to accelerate economic diversification, increase domestic revenue mobilization, strengthen the investment climate, and reinforce public financial management.

Structural reforms accompanying economic diversification are a priority concern. In this context, improvements in governance and associated reforms are among the most important factors for inclusive and sustainable growth in Cambodia, as poverty and social exclusion are inextricably linked to weak governance. Focusing on strengthening the responsiveness and accountability of the state through good governance reforms is a key.

The Rectangular Strategy III (RS III) 2013-2018 has at its core a comprehensive good governance reform programme. The fourth overall priority of RS III focuses on "*Strengthening governance and capacity of public institutions*", which encompasses the reform of Public Finances as well as the process of improving Subnational governance and the quality of Public Administration. The NSDP 2014-2018 operationalizes the RS III and provides credible targets. The first outcome of the NSDP results framework includes the creation of "*strong macroeconomic fundamentals, conducive environment for domestic and foreign investments, open economy, increased exports, better tax collection and increased non-tax revenues, expenditures in priority areas*". Commitment to the reform programs for good governance will still be considered a key element in the new Rectangular Strategy IV 2019-2023 under preparation.

The overall objective of the national PFMRP is to strengthen the governance of public funds in order to implement the country's development agenda, reduce poverty and improve

² DCI-ASIE/2015/037-958 : EU support to Public Financial Management Reform Program - Stage 3

delivery of public services. The reform is articulated around a series of four sequenced platforms, implemented in stages³:

- Platform 1 (budget credibility) is about developing a credible budget and delivering predictable resources. It includes establishing the Single Treasury Account, strengthening revenue collection and developing fiscal space, improving revenue forecasting and macro-fiscal modelling to ensure fiscal sustainability, establishing cash management procedures, implementing procurement reform, and finally putting in place a debt management strategy with modern management tools.
- Platform 2 (financial accountability) aims at providing financial information in a timely manner mainly through Financial Management Information System (FMIS) implementation and improving internal control to hold managers accountable. It includes implementing a modern chart of accounts based on IPSAS standards, developing new budget classification, a transaction coding structure and accounting rules, implementing a FMIS, clarifying line of responsibilities through a clear budget entity structure linked to a responsibility/expenditure assignment, and developing a reporting structure, including financial statements that comply with international standards.
- Platform 3 (budget-policy linkage) focuses on improving linkage between economic planning and economic policy priorities as reflected in the National Sustainable Development Plan (NSDP) and budget planning. It includes developing a hierarchy of medium term programming tools and implementing programme budgeting⁴ with some elements of fiscal decentralisation.
- Finally, Platform 4 (performance-based management) intends to deliver broad accountability through better-designed PFM processes and performance-based management.

Since its inception in 2005, through its platform approach, the PFMRP has been recognised by all assessments and evaluations as a set of credible measures to facilitate the transition of Cambodia from centrally input based financial management systems to decentralized performance based management in order to achieve the modern and effective PFM system, operating to international standards and best practices by 2025.

The PFMRP is strongly owned by the Royal Government of Cambodia (RGC). With the EU having increased the use of Cambodia's national systems in its main bilateral development programmes, support to PFMRP is fundamental and will help Cambodia more effectively and efficiently allocate financial resources to priority areas, while also leading to greater transparency and accountability to the population.

³ "Platforms" were defined as a set of activities with one main focus, capable of progressing independently from other platforms, while "Stages" were defined as the aggregation of all activities occurring simultaneously on all platforms for a certain period of time.

⁴ In programme budgeting, expenditures are allocated by programmes which are groupings of government activities in relation to specific government objectives. Performance budgeting adds performance metrics to budgets whereby program structures are presented. The goal of the RGC's Budget Reform is to introduce program budgeting and gradually move to performance budgeting by 2025.

The European Development Cooperation Strategy for Cambodia 2014-2019⁵ reflects the plan of EU Member States and Switzerland to work in partnership with the RGC and others to ensure greater coherence, predictability, impact and transparency of European development assistance to Cambodia. Strengthening national governance by means of supporting the implementation of institutional reforms is at the forefront of the operationalization of the European division of labour. With this objective, the European Joint Strategy recalls that *"The Public Financial Management Reform programme remains essential to finance vast development needs without jeopardizing fiscal sustainability"*. Therefore, European partners are committed to support the PFMRP⁶ *aimed at improving the efficiency and effectiveness of Cambodia's public financial management system according to international standards, through enhancing budget credibility and transparency, enhancing financial accountability through introducing the financial management information system (FMIS) and strengthening links between planning, budgeting and results"*.

The European Joint Strategy and the EU Multiannual Indicative Programme (MIP) 2014-2020 for Cambodia⁷ include EU support to the PFMRP as a sub-component of the third pillar "Governance and Administration". PFMRP has as a Specific objective 1 to *"improve the governance of public funds in terms of planning, budgeting, execution, reporting and auditing, in order to increase efficiency, transparency and accountability and improve the delivery of public services as set out in the Government's NSDP"*. The Mid Term Review of the MIP⁸ has reallocated an additional EUR 10 million to the PFMR. The MIP sector intervention framework for PFM outlines the following expected results:

- a) Enhanced national and local capacities in PFM;
- b) Improved revenue mobilisation and fiscal space for deploying other key Governance reforms;
- c) More efficient use of resources and better alignment of expenditure with national priorities to improve Government's service delivery;
- d) Increased reliability, accountability and transparency (availability of financial information) of Government's operations at all levels of the management line.

Every stage of the PFM reform corresponds to a Consolidated Action Plan (CAP) to which Development Partners refer as the Government-owned master plan. The CAP 3 (2017-2020) as labelled by Ministry of Economy and Finance (MEF) will guide and monitor reform implementation until Stage 3 ends in 2020. The following phase of the reform (post 2020) should be defined by the MEF on the basis of a Public Expenditure and Financial Accountability (PEFA) assessment.

Stage 3 of the reform is critical for its key objective of linking national policies and the budget. The reform will need to interact with other reforms, sectors and institutions that are part of the PFMRP environment and will improve overall public accountability. This environment encompasses public administration and decentralisation reforms, parliamentary oversight, external audit, and the role of the civil society through its representative bodies in making the government and these institutions ultimately more accountable to the public.

⁵ C(2014)9526, annex 2, of 16.12.2014

⁶ European partners working in this area are the EU Delegation and Sweden.

⁷ C(2014) 9526, commission implementing decision of 16.12.2014 adopting a Multiannual Indicative Programme between the European Union and Cambodia for the period 2014-2020 .

⁸ C(2018)4741 of 20.7.2018, "Addendum to the Multiannual Regional Indicative Programme between the European Union and Cambodia for the period 2014-2020".

Risks associated to the reform are well identified and detailed in Section 2 below. They essentially relate to maintaining political will over the duration of the reform, weak institutional capacity in MEF and line ministries to implement reforms and a potential disconnection of the reform from its institutional environment and the population as a whole. Mitigation measures are proposed.

1.1.2 Stakeholder analysis

Stakeholders include general departments of MEF, the General Secretariat of PFMR Steering Committee (GSC), line ministries and provincial treasuries.

The governance structure of the PFMRP and the different departments of the MEF are the direct targets of EU support.

Indirect stakeholders are the secretariats of other key institutional reforms linked to progress in the PFM reform, line ministries, sub-national administrations, as well as the National Audit Authority and the Parliament. In the long run, all ministries and agencies will benefit from the reform programme. Cambodian people (in their capacities as public users, citizens and tax-payers) are the ultimate beneficiaries of the reform programme.

The National Institute of Statistics (NIS) is responsible for national statistical systems which are key to inform and improve public financial management, notably the budgeting process and monitoring and evaluation of public policies.

The National Audit Authority (NAA) is the supreme audit institution. Its audit activities are central to strengthening Government accountability for management of public finance

The Parliamentary committees on budget and anti-corruption are responsible for legislative scrutiny of the budget and NAA audit reports and integrity of the use of public finance.

Civil society organisations (CSOs) have a key role in preparing and carrying out concrete and visible actions for monitoring and assessing budget and audit transparency, anti-corruption, and fostering public participation in the dialogue on policy and budget issues⁹.

A new strategic Capacity Development Plan (SCDP) for the government officials within the framework of PFMRP was officially approved on 05 January 2018, aiming to assure the capacity strengthening and development programs being prepared and implemented systematically, collectively and comprehensively. The Economics and Finance Institute (EFI) was promoted in 2015 to be a general department of MEF responsible for research, and training for government officials on PFM in coordination with other MEF general departments, line ministries and relevant partners. Considering the large numbers of stakeholders in the PFM reform and the need to accelerate capacity building for reform implementation as new PFM systems are to be rolled out, it becomes crucial to introduce a strong coordination mechanism for planning and delivery of capacity development activities. Beyond the MEF, this should involve the Royal School of Administration and all other relevant institutes under line ministries at central and sub-national level.

In order to support these activities, the European Union, Swedish International Development Cooperation Agency (SIDA) and The Department of Foreign Affairs and Trade (DFAT, Australia) decided in 2006 to coordinate their funding efforts through a trust fund managed by the World Bank. The harmonised funding helped supporting the overall reform until 2015.

⁹ See Kingdom of Cambodia - European Country Roadmap for engagement with civil society 2014-2018

Current support to Stage 3 of the PFMRP more specifically focuses on the implementation of the FMIS and of the revenue mobilisation strategy. In 2015, EU support to the PFM reform began to be implemented under budget support modality and a joint programme with SIDA “Partnership for Accountability and Transparency (PAT)¹⁰”. The EU is now the main development partner supporting the PFM reform, and the present action has been instrumental to strengthen policy dialogue.

Complementary to EU support to the PFMRP, other DPs and institutions such as the International Monetary Fund (IMF-Regional Technical Assistance Center), the Asian Development Bank (ADB), and Japanese International Cooperation Agency (JICA) are providing direct support to the Government:

- JICA provides support to Tax Administration, Customs Policy and Customs Administration, Public Investment Policy and Aid Management. IMF finances two technical advisors to MEF in the fields of accounting, budget execution and macro-economic analysis.
- IMF Fiscal Affairs Department (FAD) and Technical Assistance Office in Thailand (TAOLAM) provides technical assistance (TA) missions to monitor and advise on progress of the FMIS Phase II roll-out and define the scope of the IMF’s support related to this initiative.
- In the area of PFM reforms, ADB supports the de-concentration and capacity building of PFMRP into 8 line ministries from 2017 onwards. Amounting to USD 20 million, this support would essentially take the form of a targeted budget support operation funded through a concessional loan, associated to a project approach.
- UNICEF supports the implementation of the consolidated training manual for Budget Strategic Plans (BSP), Programme Based Budgeting (PB) and Budget Execution, establishment of an automated budget formulation system and systematisation of a more regular dialogue and comprehensive feedback between MEF budget department and key social sector ministries.

1.1.3 Priority areas for support/problem analysis

The ongoing Consolidated Action Plan 3 (CAP3) was formulated in 2015 essentially based on PEFA recommendations. It focuses in particular on a multi-year perspective on fiscal planning, implementation of programme budgeting to all line ministries and implementation of FMIS. This aims at improving the link between sector strategies and national budget allocations. However, the MEF continues to strengthen some elements (budget integration, public procurement, FMIS expansion, revenue mobilisation, cash management) of the two previous action plans that have been already implemented. This action supports the implementation of the Consolidated Action Plan 3, as well as the "Budget System Reform Strategy 2018-2025" (BSRS) that incorporates a more focused and sequenced set of goals and timeframe of the CAP3. In particular, the BSRS endorses a shift from the originally planned "*performance-based budgeting*" to the more realistic "*performance-informed budgeting*"¹¹. The MEF has requested technical assistance to support the General Department of Public Procurement (GDPP) to develop a procurement reform strategy and budget system

¹⁰ ACA/2016/376-316 (under Decision DCI-ASIA/2015/037-958) : Partnership for accountability and transparency in Cambodia

¹¹With performance-informed budgeting, resources are not *directly* related to performance, as was envisaged in the previous budget reform strategy, but performance information is used in the budget allocation process.

reform strategy for sub-national level that should run in parallel to the Budget System Reform Strategy. The objective is to delegate the full authority for procurement to line ministries/institutions. The procurement plans should also form part of the budget negotiation process, which will require the submission of the procurement plans by the budget entities to the MEF prior to the commencement of the negotiation process. The procurement process will be made more competitive, efficient and transparent. Conflict resolution or grievance handling mechanisms will be improved and made independent. A complete set of harmonized rules, regulations and procedures will be developed. The functions of the regulator will be strengthened which will include monitoring and evaluation of the procurement system, regular procurement audits and management of sanctions regime. The functions of the regulator will be strengthened which will include monitoring and evaluation of the procurement system, regular procurement audits and management of sanctions regime.

Weaknesses in the institutional PFM setup tend to be located on the MEF periphery, namely in provincial treasuries, line ministries and agencies such as the National Audit Authority (NAA) and the Anti-Corruption Unit (ACU). This does not exclude MEF itself from more institutional development and capacity building.

A newly approved Strategic Capacity Development Plan in the Framework of the PFM reform has been implemented as part of the CAP3. Capacity issues were a recurrent subject. This plan was therefore welcomed by line ministries and the donor community. However, line ministries not only need training but also require upfront deep structural changes in their managerial setup, notably with the establishment of ‘budget entities’ and internal audit units, and new lines of accountability between the planning, finance, inspection, and technical departments.

This action is implemented in partnership with Statistics Sweden, who provides support to NIS to generate basic national account statistics and to improve the quality and timeliness of economic and financial statistical data. As from 2019, it is also envisaged to support NIS to improve its management, Information Communications Technology (ICT) capacity and facilitate its central role to monitor the Sustainable Development Goals (SDG) as well as national statistical system in line with the quality framework.

Swedish Audit Office support has led to some progress in improving the quality of audits; however the NAA is in need of considerable support to carry out its mandate in line with international standards. Swedish National Audit Office and the NAA extended their partnership initiated in 2011 through a new Memorandum of Understanding in 2018 to focus on developing institutional capacity and performance audit in accordance with International Standard of Supreme Audit Institutions (ISSAI).

Supporting the capacity of the Parliamentary Committee on budget and anti-corruption to analyse in detail budget and audit reports as well as anti-corruption and PFM programmes will be key to improve Government accountability. This can be supported with capacity building to the committees and the establishment of a Parliamentary Budget Office (PBO), through the Parliamentary Institute for Cambodia (PIC), which has been supported by SIDA since it was established in 2011.

Since 2008, SIDA has supported Transparency International Cambodia (TIC) in promoting public accountability on questions related to anti-corruption and budget oversight. The NGO Forum has also played an important role in PFM reforms and budget scrutiny, in particular through the coordination of the bi-annual Open Budget Survey (OBS). Further support is

required to build CSOs' capacity to analyse and reach out to the authorities and the public in general.

Furthermore, the proposed Trust Fund with the World Bank will provide technical assistance and analytical tools to support the government's PFM and cross-cutting public-sector management reforms at central, sectoral, and subnational levels:

- Technical assistance (advisory services) for addressing outstanding PFM and cross-cutting public sector reforms at the central, sector, and the subnational levels.
- Analytical report, think piece, and policy notes on PFM related aspect for improvement of quality of public service and fiscal transparency including Public Expenditure Tracking Survey (PETS), Quality of Public Service Delivery Survey (QSDS), Public Expenditure Review (PER), including capacity building to MEF staff on those tools.
- Innovative solutions and cutting-edge tools for building government's capability in delivering public services; knowledge exchange; policy dialogue; and knowledge dissemination.

1.2 Other areas of assessment

1.2.1 Fundamental values

Democracy and rule of law remain a concern in Cambodia. On 22 July 2014, the political deadlock originating from the July 2013 parliamentary elections was lifted as the opposition parliamentarians took their seats at the National Assembly. This marked the return to political dialogue and discussions around electoral reform, including the reform of the National Election Committee (NEC) as a condition set by the opposition. At the end of 2016, the new National Election Committee (NEC) conducted a new voter registration process through a computerised system that registered 7.8 million voters and was widely seen a positive step toward the exercise of credible election. In June 2017 Cambodia held commune/sangkat elections, which were technically well organised and transparent. However on 4 September 2017, the leader of the main opposition party CNRP, Kem Sokha, was arrested on charges of treason. On 16 November 2017, the Supreme Court decided to dissolve the CNRP and ban 118 of its members from political activities for 5 years. In anticipation of this dissolution, the government had amended electoral and party laws allowing the removal of CNRP elected officials and redistributing their seats to the ruling party CPP and to minor parties. These amendments were approved by the Senate on 20 October 2017 and CNRP members were removed from their seats in the National Assembly and Commune/ Sangkat Councils. Some members of the NEC appointed by CNRP resigned their positions. The dissolution of the CNRP signifies the end of the political agreement reached in 2014.

The enforced dissolution of the main opposition party calls into question the credibility of the upcoming July 2018 national election even though 20 political parties have registered to participate. In parallel there has also been since 2017 a restriction on civic space for civil society organisations, including for them to comply with the new Law on Associations and Non-Governmental Organisations, particularly for those working on sensitive issues such as human rights, political rights, and the fight against corruption as well as on land rights.

Following these developments, EU Foreign Affairs Ministers have adopted on 26 February 2018 Council Conclusions¹² in which the EU expressed serious concerns about recent

¹² Council conclusions on Cambodia 6416/18 of 26.02.2018

developments regarding democracy, respect for human rights and the rule of law in Cambodia.

Nevertheless the dialogue between the EU and the Government of Cambodia has been maintained and remains open to discuss those issues.

At the general elections of 29 July 2018, following the enforced dissolution by the authorities of the main opposition party (CNRP), Cambodia's ruling party, the Cambodian People's Party (CPP), won all 125 seats in the country's National Assembly.

However, the implementation of the PFM reform deals with non-partisan technical components that should not be influenced by the prevailing political situation. On the contrary, it's supposed to bring positive impact on socio economic rights through promoting sustainable economic growth, poverty reduction and better service delivery. This intervention remains relevant despite ongoing political developments.

1.2.2 Macroeconomic policy

Cambodia has conducted successful macroeconomic policies during the past ten years. Policies have been generally in line with IMF recommendations and the Royal Government of Cambodia (RGC) is well aware of the necessity of maintaining them. Despite internal and external challenges, Cambodia's economy maintains high and robust growth. Real GDP growth in 2017 reached 6.9% and in 2018 the economy is estimated to grow similarly at 6.9 %. Cambodia's external position remains stable, while the current account deficit has slightly improved as a result of stronger exports. There are four main drivers of growth in Cambodia: garment and footwear exports, construction, tourism and agriculture.

Real GDP growth in 2018 is also supported by fiscal expansion; it is expected thereafter to slightly moderate due to a reduction in FDI, challenges in export diversification, and a moderation in the credit cycle. The external sector further improved in 2016 thanks to higher exports, and import growth that slowed to 9.0 % in 2016, compared to 10.5 % in 2015, as a result of decelerating imports of basic construction materials and import substitution in the food and beverage sector, as well as continued low oil prices. The deficit is fully financed by large Foreign Direct Investments (FDI) and international loans, mostly on concessional terms, and also by grants.

However, the country's economy remains vulnerable to internal and external shocks, due to its slow diversification and the country's dependence on a small number of exports (garment, footwear and rice) and tourism. In addition, a high degree of dollarization and weak monetary policy hampers the authorities' ability to mitigate economic and financial shocks.

The Government is now proceeding with fiscal consolidation following an expansionary stance in response to the 2007 financial crisis. Efforts to increase domestic revenue have proven very effective in Cambodia, as reflected in a significant increase of domestic revenue to GDP, from 15.1% in 2013 to 18.4% in 2016.

In November 2017, discussions with IMF under Article IV consultations focused on maintaining the momentum of fiscal consolidation, containing macro financial risks and

improving monetary policy effectiveness in the short term, as well as promoting economic diversification and inclusive growth over the medium term.

1.2.3 Public Financial Management (PFM)

Since 2005, the Government of Cambodia has been implementing a robust reform programme articulated around a series of four sequenced platforms: budget credibility, financial accountability, budget policy linkages and performance accountability, to be implemented in stages. The first series of reforms (2005-2008) focused mostly on achieving Platform 1 objectives, has been considered a success, with overall budget credibility established at the macro-fiscal level. This resulted in improved macro-economic stability, increased revenue mobilisation and predictable overall budget execution. The second stage (2009-2015) introduced a Financial Management Information System (FMIS), as well as a modern chart of accounts based on International Public Sector Accounting Standards (IPSAS) standards, and new budget classification. The implementation plan for the third stage was approved in 2015, for implementation over the period 2016-2020. It has been recently updated, following the approval of the Budget System Reform Strategy 2018-2025.

Progress on Platform 1 (budget credibility) has continued in line with expectations. Implementation of the Domestic Revenue Mobilisation Strategy (DRMS) 2014-2018 has allowed for a surge in domestic revenue. Revenue collection performed above expectations, with domestic revenues increasing from 17.7 % of GDP in FY 2015 to above 19% of GDP in 2017 according to preliminary data. A sound fiscal policy is implemented that keeps budget deficit and debt stocks under control. The Government is now formulating the next Domestic Revenue Mobilization Strategy 2019-2023.

Platform 2 (financial accountability) is still progressing with the Financial Management Information System (FMIS) deployed at Provincial Treasuries since March 2016 and the successful deployment of the system to 10 line ministries as of January 2018. The objective is to roll out the system to all Line Ministries and Provincial Economy and Finance departments by 2020. The FMIS catalysed a number of key reforms such as the development of new budget classification and chart of accounts (updated in 2017), and accounting standards in line with international standards. MEF has also started developing a procurement reform strategy. A complete set of harmonized rules, regulations and procedures will be developed, which will cover both standard internal rules and standard operating procedures (SOP), applied to externally-funded projects.

Platform 3 (Budget Policy Linkages) is gathering momentum. From a pilot phase on the use of "programme budgeting" for few line ministries, the Government has expanded the use of programme budgeting to all but 3 ministries (Interior, Defence and Council of Ministries) and 6 provinces have also started the implementation of programme budgeting.

1.2.4 Transparency and oversight of the budget

The entry point¹³ is considered to be met, as the Law on Budget 2018 was approved by the Parliament and published in the National Gazette in December 2017. The Budget is also published on the website of the Ministry of Economy and Finance¹⁴.

¹³ Defined as: "the government must have published its budget within the past or current budget cycle (either the Executive's budget proposal or the enacted budget)" (EC Budget Support Guidelines, 2017).

¹⁴ <http://www.mef.gov.kh/laws-and-regulation/budget.html>

The recent Open Budget Survey (OBS) published in March 2018 and covering up to December 2016, confirmed that Cambodia made publicly available online six of the eight key budget documents, in a timeframe consistent with international standards. This reflects a net increase since the previous OBS published in 2015.

Budget transparency has been a main focus of EU policy dialogue attached to its support to Public Financial Management and substantial progress has already been achieved. The MEF has continued to improve and publish a citizen's budget ('Budget-in-Brief'). It has improved the presentation of its Mid-Year Report and has made it public through its website. It publishes an annual and semi-annual Public Debt Statistical Bulletin; it also publishes on its website procurement plans of line ministries, procurement opportunities, and notices of awards¹⁵.

2 RISKS AND ASSUMPTIONS

| Risks | Risk level (H/M/L) | Mitigating measures |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Weak institutional capacity in the Line Ministries to implement reforms | M | Implementation of a comprehensive Reform Capacity Development Plan |
| FMIS implementation will absorb most of MEF and line ministries resources | M | Sustain the oversight committee and carefully monitor developments and results |
| NAA strategic plan remains outside the PFM RP creating risk that key accountability and transparency issues are not addressed through support to the PFM RP | M | Create conditions for MEF and National Assembly to engage with NAA. Promote systematic publication of audit reports. Provide indirect support to NAA through twinning |
| Lack of synchronisation between PFM, Public Administration Reform (PAR) and Sub-National Democratic Development Reform Programme (SNDD) | M | Encourage the development of a synchronised plan across the board with a common operational platform and indicators supported by donors joint funding initiatives |
| Weak procurement practices leading to leakages | H | Improvement of the public procurement legal framework and enforcement mechanisms, and transparency |
| Corruption undermines PFM efforts to enforce PFM systems | H | Encourage working relationship with ACU in PFM implementation plans. Reform judiciary system, access to information, amendment of the Anti-Corruption law. Provide support to enhance CSOs capacities |

¹⁵ <http://www.mef.gov.kh/old/procurement/bid-advertisement.php>

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|--------------------------------------------------------------------------------------|
| Insufficient engagement of line ministries by MEF | M | In coordination with other donors, develop a plan for PFM reforms in line ministries |
| Assumptions | | |
| <p>1. The Government of Cambodia will continue to provide strong support to the PFM reform agenda, including through public financing of the reforms;</p> <p>2. Line Ministries and sub-national administration will allocate sufficient qualified human resources to undertake successfully all the activities in the CAP3;</p> <p>3. Public administration reform will be timely to allow for adequate staffing of the financial management function across line-ministries and sub-national administration, with adequate staff retention.</p> | | |

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Useful lessons have been learnt from the various external assessments including the PEFA finalized in 2015, External Advisory Panel Reports 2016 and 2017, and regular IMF Technical missions. The Ministry of Economy and Finance (MEF) is flexible in the way it implements its PFM reform. It takes into account recommendations and does not hesitate to seek for internal or external assistance to confront them.

In particular, the Budget System Reform Strategy endorses a shift from the originally planned "*performance-based budgeting*" to the more realistic "*performance-informed budgeting*"¹⁶. The new budget system aims to move from an input-based centralised system towards a result-based decentralised system. In this connection, EU has started providing technical assistance (TA) to MEF to develop a procurement reform strategy¹⁷ that should run in parallel to the BSRS. This TA also includes technical advice for MEF to develop procurement statistics and improvement of the annual procurement post review report to be published in MEF's procurement website.

Year after year the quality of reporting as well as the quality of reporting mechanism is improving. However there is still a need for better availability of budgetary analysis for an improved timely decision making process, Development Partners have therefore agreed to undertake again a Multi Donor Trust Fund with the World Bank. This new trust fund will provide specific advisory services, analytical report (Public Expenditure Tracking Survey, Quality of Public Service Delivery Survey (QSDS), Public Expenditure Review.)

Ultimately, the annual monitoring reports also highlight the important level of political commitment to the reform by the Government of Cambodia. However, this has, on some occasions, led to overly ambitious plans compared to internal capacities or funding availability.

3.2 Complementarity, synergy and donor coordination

¹⁶With performance-informed budgeting, resources are not directly related to performance, as was envisaged in the previous budget reform strategy, but performance information is used in the budget allocation process.

¹⁷ ACA/2018/395-343 (under Decision DCI-ASIA/2015/037958): Support to develop the Procurement System Reform Strategy 2018-2025

PFMRP closely interlinks with other key national reforms supported directly or indirectly by the EU and underpins their success, in particular by implementing financial policies needed to provide fiscal space for reforms.

The complex PFMRP governance structure is coordinated by a General Secretariat for PFMR Committee (GSC). The GSC consists of one secretary general and six deputy secretary generals who coordinate PFMRP implementation throughout the Ministry. Since 2014, the structure also progressively associates seconded members of line ministries with the task to deconcentrate PFMRP at sector levels. The GSC ensures implementation of all activities of the reform programme, and reports back to the Public Financial Management Reform Steering Committee (PFMSC) chaired by the Minister, whose role is to monitor CAP developments and coordinate with line ministries and other national reforms. The PFMSC links with the Development Partners through the PFM-Technical Working Group, co-chaired by the EU and ADB. In addition, all line-ministries have formed a PFM Technical Working Group (PFM-TWG) to direct and monitor the implementation of reforms through sector-based PFM action plans validated by the MEF. Until today, the PFMRP governance structure still lacks qualified human resources, which highlights the need to prioritise institutional capacity development.

The link between the PFMRP governance structure and development partners is organised through two main mechanisms:

- DPs involved in PFMR implementation (Australia, Sweden, IMF, World Bank, ADB, JICA, UNICEF and the NGO Budget Working Group) formally meet on a monthly basis in the PFM Development Partner Committee (DPC) meeting. The EU and the ADB co-chair these meetings. The group shares information, coordinates technical assistance and develops joint understanding and positions on key issues.
- DPs and the leadership from the MEF meet on a quarterly basis in the joint PFM technical Working Group (PFM-TWG) to review progress, in particular based on Joint Monitoring Indicators (JMIs) drawn from the CAP, and to discuss DP support. The PFM-TWG is chaired by the Minister of Economy and Finance, with the EU and the ADB acting as co-facilitators. The Non-Governmental Organisation platform "NGO Forum for Cambodia" also participates in the joint TWG-PFM.

These two platforms for policy dialogue are complemented by a series of meetings. The EU member states usually discuss PFM issues in the Development Councillor meetings and EU and SIDA regularly meet to monitor the implementation of the joint programme “Partnership for Accountability and Transparency”.

3.3 Cross-cutting issues

The EU is committed to promoting good governance and democracy, important focal areas within the MIP 2014-20 and the European Joint Strategy. Supporting the PFMRP is fully coherent with this focus, as it will contribute to increased efficiency and transparency in the use of Government and external resources. A better linkage between economic planning and budget formulation will, in particular, help take into account the prioritisation of pro-poor spending, gender issues, natural resources management and environment preservation. It's worth noting that the results of this action as regards FMIS which should be completed by 2020, currently-introduced program budgeting which will incrementally move to the full implementation of performance informed budgeting by 2025, are the key requirements to enable the implementation of gender responsive budgeting in Cambodia.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The **overall objective** of the EU support to PFMRP is to improve Government's service delivery and to promote economic growth.

The **specific objective** is to enhance the domestic revenue mobilisation as well as the effective use of resources and alignment of expenditure with national priorities.

The **expected results** of the budget support are:

- 1) Additional fiscal space for the RGC;
- 2) Improved governance and PFM systems;
- 3) Strengthened institutional capacity of the Government, Parliament and NAA to implement public financial management reforms.

The **expected results** of the complementary support with SIDA are:

- Improved quality of national statistics;
- Strengthened mobilisation of domestic revenue;
- Improved effectiveness and transparency of external audit;
- Strengthened parliamentary oversight of the budget;
- Increased public accountability;
- Improving capacity in budgetary analysis

The **expected results** of the complementary support with the World Bank are:

- Outstanding reforms addressed at the central level and PFM technical capacity strengthened in the sectors and at the subnational levels with specific focus on public investment management through technical assistance (advisory services).

-Analytical report, think piece, and policy notes on PFM related aspect are developed including Public Expenditure Tracking Survey (PETS), Quality of Public Service Delivery Survey (QSDS), Public Expenditure Review (PER).

-Innovative solutions and cutting-edge tools for building government's capability in delivering public services are developed.

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal 8, promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all, but also promote progress towards Goal 1, end poverty in all its forms everywhere; and Goal 10, reduce inequality within and among countries. This does not imply a commitment by the country benefiting from this programme.

4.2 Main activities

4.2.1 Budget Support

The **activities for Result 1** are:

- Transfer of up to a maximum of €14 million of financial resources to be included as grants to the Budget of Cambodia in 2016-2020 Fiscal Years;
- Monitoring of achievements of the reform objectives agreed with the Government through independent reviews, regular briefings and discussions;

- Ensuring efficient and timely administrative support to the implementation of the Sector Reform Performance Contract (SRPC).

The **activities for Result 2** are:

- Continued political and policy dialogue with the Government to ensure the implementation of PFM reforms as set in the PFMRP CAP3 2017-2020¹⁸;
- Provide support to improve capacity development, national statistics, financial management information systems, budget formulation and execution, internal and external audit, revenue mobilisation and public procurement.

The **activities for Result 3** are:

- Support the implementation of the PFMRP CAP3 2017-2020;
- Support to improve capacity development planning and implementation in coordination with all stakeholders, including Public Administration Reform (PAR) and Sub-National Democratic Development Reform Programme (SNDD) reform committees, other line ministries and subordinated educational institutions such as the Royal School of Administration and the EFI, the Parliament and the NAA.

4.2.2 Complementary support

The **activities** envisaged under complementary support are:

- Provide technical support to the General Secretariat of PFMR Steering Committee (GSC) in developing and implementing the PFMRP Capacity Development Plan in coordination with the NPAR and SNDD committees, line ministries and other institutions such as the Royal School of Administration and the EFI, the Parliament and the NAA;
- Visibility, review and evaluation activities.

The **activities** envisaged under **Delegated cooperation with SIDA** are:

- Technical assistance to the National Institute of Statistics in improving the quality of the National Accounts, including comprehensiveness, link to socio-economic survey, timeliness, access and use, taking into account the leading and coordinating roles of NIS in National Statistical System(NSS) ;
- Technical assistance to the NAA in institutional capacity building around annual reporting, financial and performance auditing, quality assurance and management, including developing and implementing an IT and Communication Strategy;
- Technical support to the Parliamentary Budget Committees in establishing a Parliamentary Budget Office and in capacity development around ongoing and forthcoming PFM reforms and PFM systems;
- Support to civil society organisations involved in budget transparency and anti-corruption oversight in implementing programmes aimed at increased public literacy of the budget issues.
- Technical assistance to the MEF General Department of Taxation in building institutional capacity to implement the Revenue Mobilisation Strategy.

¹⁸ The CAP3 2016-2018 was amended by the end of 2016. It was then decided to turn it into a CAP3 2017-2020, which was finally approved by the PFMRP Steering Committee in January 2017.

The activities under **Administration Agreement with the World Bank** are:

- Provide technical assistance for addressing outstanding reforms at the central level and strengthening PFM technical capacity in the sectors and at the subnational levels with specific focus on public investment management;
- Provide analytical report, think piece, and policy notes on PFM related aspect for improvement of quality of public service and fiscal transparency including Public Expenditure Tracking Survey (PETS), Quality of Public Service Delivery Survey (QPSDS), Public Expenditure Review (PER);
- Provide Analytical studies to propose innovative solutions and cutting-edge tools for building government's capability in delivering public services.

4.3 Intervention Logic

This programme will aim at enhancing the domestic revenue mobilisation as well as the effective use of resources and alignment of expenditure with national priorities to improve Government's service delivery and spur economic growth. This will require strengthening the wider PFM system, through improving (i) institutional capacity to implement reform, (ii) national statistics, (iii) budget comprehensiveness and transparency, (iv) policy-based budgeting, (v) predictability and control in budget execution, (vi) accounting, recording and reporting, (vii) external scrutiny and audit of the budget, and (viii) public accountability. These objectives should contribute to improved confidence of the population in the performance of the Government, particularly as regards the budget process.

Considering the high level of Government ownership over the PFMRP, this programme is proposed to support core PFM reforms through budget support and the PFM reforms enabling environment through a delegated cooperation with SIDA and a multi donor trust fund with the WB. The budget support will further strengthen Government ownership of the reform and enhance the role of the General Secretariat of PFMR Steering Committee (GSC) to lead the policy dialogue with national authorities, development partners and civil society. The transfer of funds to the national Treasury will allow the authorities to ensure part of the funding of key investment for PFMRP implementation, not least the considerable capacity building activities needed in the CAP3 period and the implementation of the FMIS Phase 2.

The complementary support and delegated cooperation with SIDA will provide support to the MEF, NIS, NAA, Parliament and CSOs with a view to bolster capacity development and strengthen the PFMRP enabling environment, building on SIDA's engagement in these areas. The Multi Donor Trust Fund with the WB will provide technical expertise and analytical studies to monitor the impact of PFM reforms in service delivery.

5 IMPLEMENTATION

As confirmed by the Mid Term Review of the MIP 2014-2020, the EU has allocated an indicative amount of EUR 130 million to the Governance and Administration priority area of which EUR 50 million to be earmarked for the PFMRP. A first allocation amounting to EUR 30 million proposed to support the PFMRP activities in the period 2016-2019. This programme allocates an additional EUR 20 million to continue with this successful intervention. Another EUR 2 million have been transferred within the annual allocation from the natural resource management promoting sector to PFM in order to fund the Multi Donor Trust Fund with the WB, as this project will be supportive of all EU sector programmes through focusing on public investment management.

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 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 14 million and for complementary support is EUR 8 million. This amount is based on the consultation with MEF, SIDA and the PFM CAP 3 (2017-2020) estimated cost at USD 40.23 million. In term of annual budget allocation, funding to SIDA is at similar level; TA allocation is reduced by half given the anticipated WB trust fund's PASA; budget support is increased by EUR 2 million per annum due to the increased scope and scale of the PFM reform with the full expansion of FMIS and Program Budgeting to all line ministries/institutions). The most expensive CAP3 measure will be the implementation of the FMIS Phase 2 (around USD 18 million). The envisaged budgetary support is seen by the MEF as providing additional fiscal space to leverage budget funds for PFMRP investment activities necessary to implement CAP3, mainly FMIS roll out to Line Ministries, as well as an additional incentive to proceed timely with CAP3 implementation. The significant increase of domestic revenue in the last few years has mainly been absorbed by public wage adjustment and investment in priority public infrastructure, while capacity development has lagged behind.

5.3.2 Criteria for disbursement of budget support

a) The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the PFMRP and continued credibility and relevance thereof;
- Implementation of a credible and relevant stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of the PFMRP (CAP3), including domestic revenue mobilisation, and continued relevance and credibility of the reform;
- 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 variable tranches are the following:

- Strengthened capacity for reform implementation;
- Improved financial management information systems;
- Enhanced adequacy and transparency of fiscal transfers to sub-national administrations;

- Enhancement of budget transparency and capacity of external audit;
- Improved medium term expenditure planning;
- Improved public investment management
- Strengthened mobilisation of domestic revenue;
- Increased transparency of public procurement.

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 MEF 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

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

The budgetary support will be disbursed in two annual tranches, following the indicative breakdown below:

| | Total | Year 1 | Year 2 |
|----------------------------|--------------|---------------|---------------|
| Fixed tranche | 4 | 2 | 2 |
| Variable tranche | 10 | 5 | 5 |
| Total (EUR million) | 14 | 7 | 7 |

5.4 Implementation modalities for complementary support of budget support

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation¹⁹.

5.4.1 Procurement (direct management)

| Subject in generic terms, if possible | Type (works, supplies, services) | Indicative number of contracts | Indicative trimester of launch of the procedure |
|---------------------------------------|----------------------------------|--------------------------------|-------------------------------------------------|
| Technical assistance | Service | 2 | Q3, 2019 |

5.4.2 Indirect management with a Member State agency

A part of this action may be implemented in indirect management with the Swedish International Development Cooperation Agency (SIDA).

¹⁹ https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf

This implementation entails the building of capacities to reinforce the enabling environment of the PFM reform with a specific focus in transparency and accountability systems. This implementation is justified because SIDA has a long experience in supporting the PFMRP through the Multi-Donor Trust Fund alongside the EU and Australia. Sweden's experience in strengthening PFM reforms and decentralisation in Cambodia, its strong engagement in good governance and anti-corruption strategies, as well as its recognised institutional capacity building through support from Swedish institutions through partnerships with e.g. the National Statistics and Supreme Audit Institutions, and its established support to well-placed CSOs, will contribute to the attainment of the objectives of this programme, in particular improving:

- (i) Institutional capacity to implement reform,
- (ii) National statistics;
- (iii) External scrutiny and audit of the budget; and
- (iv) Public accountability.

The entrusted entity would carry out the following tasks: launching and evaluation of calls for proposals and tenders, definition of eligibility, selection and award criteria; evaluation of tenders and proposals award of grants and contracts; acting as contracting authority concluding, monitoring and managing contracts, carrying out payments and recovering moneys due.

5.4.3 Indirect Management with an International Organization

A part of this action may be implemented in indirect management with the World Bank (WB). This implementation entails Technical Assistance/Programmatic Advisory Services and Analytics (PASA) to provide on-demand PFM related capacity building at sector and subnational levels and to provide objective analyses that contribute to policy dialogue and further quality improvement of PFM and public sector reform in Cambodia. This implementation is justified because the WB has long experience in supporting the PFMRP through a Multi Donor Trust Fund. The World Bank and co-financing Development Partners (SIDA, DFAT) have successful experience with the first two Multi-Donor Trust Funds (MDTF) on PFM, which contributed to substantial improvement of national systems, and led donors to provide direct budget support to the government. SIDA and DFAT are committed to contribute to this MDTF.

The entrusted entity would carry out the following tasks: launching calls for proposals; definition of eligibility, selection and award criteria; evaluation of proposals; award of grants; acting as contracting authority concluding, monitoring and managing contracts; carrying out payments and recovering money due.

For the tasks not yet assessed, the World Bank is currently undergoing the ex-ante assessment. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisation can be entrusted with budget-implementation tasks under indirect management.

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.

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

The table below summarises the indicative budget of this programme.

| Programme components | EU contribution (amount in EUR) | Indicative third party contribution (amount in EUR) |
|-------------------------------------------------------------------------|---------------------------------------|-----------------------------------------------------------|
| 5.3. Budget support (Sector Reform Performance Contract) | 14 000 000 | |
| 5.4. Complementary support composed of: | 8 000 000 | |
| 5.4.1. Procurement (direct management): Technical Assistance to MEF/GSC | 900 000 | |
| 5.4.2. Indirect management with SIDA | 5 000 000 | 3 000 000 |
| 5.4.3. Indirect management with the World Bank | 2 000 000 | 2 000 000 |
| 5.9. Evaluation & 5.10 Audit | 100 000 | |
| Totals | 22 000 000 | 5 000 000 |

5.7 Organisational set-up and responsibilities

Review and monitoring of progress in the implementation of the Sector Reform Performance Contract will be entrusted to the PFM RP–GSC. The GSC will liaise as necessary with all stakeholders, including the NPAR and SNDD reform committees, line ministries, Parliament, NAA, and the civil society to ensure comprehensive and effective monitoring.

Regular meetings should be organised and co-chaired by the GSC and the EU Delegation to monitor progress in overall programme implementation (budget support and complementary activities) and identify and address bottlenecks.

5.8 Performance monitoring and reporting

For the budget support component, the MEF will report on macroeconomic performance, improvements in public financial management and budget transparency. Review and monitoring of progress in the implementation of the matrix (performance assessment framework) will be conducted annually by external experts contracted by the European Commission. The reviews will be conducted in coordination with the EU Delegation and MEF in 2020 and 2021.

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 the 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 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).

5.9 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. This 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.

Ex-post 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 many key PFMRP CAP3 activities such as expansion of programme budgeting, budget entity framework, Medium Term Fiscal Framework (MTFF), Medium Term Budget Framework (MTBF) and decentralisation of functions are of a pilot nature and will need to be confirmed in law during Stage 4 of the reform, which the Commission intends to support with continued assistance.

The Commission shall inform the implementing partners at least 6 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 under a framework contract in the second quarter 2021 or in the context of the afore-mentioned wider budget support evaluation.

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 under a framework contract in 2021.

5.11 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 5.6 above. The financing of additional communication and visibility measures may be covered by another measure constituting a financing decision.

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.

| | Intervention logic | Indicators | Baselines (incl. reference year) | Targets (incl. reference year) | Sources and means of verification |
|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------|---------------------------------------------------|----------------------------------------------|
| Overall objective: Impact | To improve government's service delivery and promote economic growth | NSDP and rectangular strategy core socio-economic monitoring indicators | Indicators 2018 | Targets 2019 and 2020 | NSDP implementation monitoring |
| Specific objective(s): Outcome(s) | To Enhance the domestic revenue mobilization as well as the effective use of resources and alignment of expenditure with national priorities | Achievement of PFMRP CAP3 indicators | CAP3 baseline year (2018) | Improvement in all indicators | CAP3 monitoring reports 2019 and 2020 |
| Induced outputs | Improved capacity of the MEF to lead the policy dialogue and to leverage budget resources for implementation of the PFMRP | Achievement of PFMRP CAP3 indicators | CAP3 baseline year (2018) | Improvement in all indicators | CAP3 monitoring reports |
| | Improved planning and delivery of capacity development activities | Indicators of Capacity Development Plan (CDP approved in 2018) | CDP 2018 | Improvement in all indicators | CDP implementation 2019-2020 |

| | | | | | |
|-----------------------|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|-------------------------------------------------------------|
| | Improved policy budgeting linkages | Budget System Reform Strategy Indicators | BSRS 2018 indicators | Improvement in all indicators | BSRS implementation 2019-2020 |
| | Improved quality of national statistics | National Strategy for the Development of Statistics (NSDS) indicators (National Institute of Statistics) | National Strategy for the Development of Statistics (NSDS, 2017-2023) | Improvement in all indicators | NSDS review |
| Direct outputs | Improved budget comprehensiveness and transparency | Open Budget Index (OBI) PEFA Performance Indicators (PI): PI-5 to 10 European Joint Strategy indicators on citizen budget and fiscal transfers to SNAs | OBI 2018 PEFA 2015 European Joint Strategy 2014-2018 and Joint Monitoring Indicators | Improvements in average in all scores in following OBI/PEFA updates | PEFA assessment (foreseen in 2019) ²⁰ OBI |

²⁰ The PEFA 2016 framework will be applied in the 2019 PEFA assessment, as compared to the 2015 assessment which is based on PEFA 2011 framework. As regards comparability between the two framework, approximately 40 percent of PEFA 2016 dimensions are either directly or indirectly comparable to dimensions in PEFA 2011. PEFA secretariat has issued a technical guideline to allow changes in PFM performance to be tracked across assessments, even those based on earlier versions of the PEFA methodology. For more information, refer to https://pefa.org/sites/default/files/Guidance%20on%20performance%20changes%20from%202011%20or%202005%20versions%20in%20PEFA%202016%20FINAL%20edited_0.pdf

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|--|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|-------------------------------------------|------------------------------------|
| | Enhanced policy-based budgeting | PEFA PI-6, PI-9, PI-11, PI-12 | PEFA 2015 | As above for the corresponding indicator. | PEFA assessment (foreseen in 2019) |
| | Improved predictability and control in budget execution | PEFA PI-13 to 21 | PEFA 2015 | As above for the corresponding indicator. | PEFA assessment (foreseen in 2019) |
| | Improved accounting, recording and reporting | PEFA PI-22 to 25 | PEFA 2015 | As above for the corresponding indicator. | PEFA assessment (foreseen in 2019) |
| | Enhanced external scrutiny and audit of the budget | PEFA PI-26 to 28 | PEFA 2015 | As above for the corresponding indicator. | PEFA assessment (foreseen in 2019) |
| | Enhanced public accountability | Open Budget Index (OBI) Corruption Perception Index (Transparency International) Control of Corruption Governance Indicator (World Bank) | OBI 2018 (20/100) CPI 2018 CCG 2018 | Improvement in all indicators | OBI, CPI and CCG updates |