

KINGDOM OF CAMBODIA

Nation Religion King

The Royal Government of Cambodia's Seila Program

Rural Investment and Local Governance Project

Development Credit Agreement Number 3747 KH

Annual Work Plan and Budget

2006

Seila Task Force Secretariat

TABLE OF CONTENTS	Page
Abbreviations	4
Map of RILGP Provincial Coverage in 2006	5
1. Seila Program Framework	6
2. Background information on RILGP	6
3. Area coverage of RILGP	8
4. RILGP Achievements 2003 - 2005	9
<i>Component One - Local Planning and Investment</i>	<i>9</i>
<i>Contribution to development of systems</i>	<i>10</i>
<i>Component Two – Policy Support and Project Management</i>	<i>10</i>
5. 2006 Workplan against RILGP Budget Categories	11
5.1 <i>Civil Works (Component 2)</i>	<i>11</i>
5.2 <i>Goods (Component 2)</i>	<i>11</i>
5.3 <i>Consultant Services (Component 2)</i>	<i>11</i>
5.4 <i>Workshops (Component 2)</i>	<i>13</i>
5.5 <i>Sub Project Grants (Component 1)</i>	<i>13</i>
5.6 <i>Operating Costs</i>	<i>18</i>
6. RILGP Execution in 2007	18
Annex I 2006 RILGP Work Plan	19
Annex II 2006 Commune/Sangkat Fund Allocations	19
Annex III 2006 RILGP Procurement Plan	19
Annex 1V 2006 Budget Status	19
Annex V 2006 Monthly Budget Forecast by Category	19
Annex V1 2006 Training Plan	19
Annex I 2006 RILGP Work Plan	21
Annex II 2006 Commune/Sangkat Fund Allocations	22
Annex III 2006 RILGP Procurement Plan	23
Annex 1V 2006 Budget Status	24
Annex V 2006 Monthly Budget Forecast by Category	25
Annex V1 2006 Training Plan	26

Abbreviations

BAT	Battambang province
BMC	Banteay Meanchey province
CAR	Council for Administrative Reform
CAU	Contract Administration Unit (PRDC ExCom)
C/S	Commune Sangkat
DoLA	Department of Local Administration
DWVA	Department of Women's and Veteran's Affairs
ExCom	Executive Committee (of PRDC)
FU	Finance Unit (PRDC ExCom)
KPC	Kompong Cham province
KCH	Kompong Chhnang province
KSP	Kompong Speu province
KRT	Kratie province
IO	International Organisation
M&E	Monitoring and Evaluation
MEF	Ministry of Economy and Finance
MoI	Ministry of Interior
MOU	Memorandum of Understanding
NCSC	National Committee for Support to the Commune
NGO	Non-Government Organisation
OMC	Otdar Meanchey province
PAD	Project Appraisal Document
PAL	Pailin municipality
PIP	Project Implementation Plan
PLG	Partnership for Local Governance
PRDC	Provincial Rural Development Committee
PUR	Pursat province
PVR	Preah Vihear province
PVG	Prey Veng province
RAT	Ratanakiri province
RGC	Royal Government of Cambodia
RILGP	Rural Investment and Local Governance Project
Seila	A Khmer language word approximating to "foundation stone"
SRP	Siem Reap province
STF	Seila Task Force
STFS	Seila Task Force Secretariat
SVR	Svay Rieng province
TAK	Takeo province
TSS	Technical Support Staff
UNDP	United Nations Development Program
WB	World Bank

Rural Investment and Local Governance Project

2006 Work Plan and Budget

1. Seila Program Framework

The Seila Program Document, approved by the Council of Ministers on 5 January 2001, defines Seila as an aid mobilization and coordination framework for support to the Royal Government's decentralization and deconcentration reforms. Under the Royal Government's overall reform program, a three-tiered system of planning and budgeting is emerging in the country focused on the Commune/Sangkat, the Province/Municipality and the National levels. In line with this emerging system, the Seila Framework supports the programming of financial and technical resources at all three levels to implement, strengthen and further develop the government's reform agenda and contribute to the alleviation of poverty.

The Seila Program's goal is to contribute to poverty alleviation through good governance and its development objective is to institute decentralized and deconcentrated systems and strategies to manage sustainable local development. The expected outputs of the Seila Program are:

1. Related institutions at all levels strengthened and effectively implementing the decentralized and deconcentrated systems;
2. Efficient and effective services and investments provided for local development; and
3. Contribute to the improvement of policy and regulations for decentralization and deconcentration and poverty alleviation.

Resources mobilized and/or programmed under the Seila Framework are allocated to achieve these outputs through annual planning processes and horizontal and vertical consultations at commune, district, province and national level. The resources are then systematically transferred to National Ministries and Institutions, Provinces and C/S Councils who are responsible for implementing a wide range of services and investments in accordance with their respective mandates.

The RILGP is implemented under the Seila framework. The Seila Task Force Secretariat is responsible for execution of the Seila Program, and is charged with managing the implementation of both components of the RILGP.

2. Background information on RILGP

The development objective of the Rural Investment and Local Governance Project (RILGP) is: *"to contribute to rural development and poverty reduction through supporting provision of priority public goods and services at the commune level, as well as to promote good local governance through support of decentralized and deconcentrated participatory local governance systems at the commune and provincial levels"*.

The Project supports, through the National Seila Program, the newly decentralized planning process at the commune level, as well as the provision of grants for priority rural

infrastructure and related public goods identified through that planning process. More specifically, the Project supports: (i) integration of the National Seila Program into the new local government institutional structures and development planning, budgeting and implementation processes at the commune level established as part of the recent decentralization reforms; and (ii) technical assistance for strategic studies to inform the ongoing dialogue on deconcentration reforms, as well as to review and strengthen the regulatory framework for decentralization.

The Project is implemented over the four-year period (2003-2006). The Project has the following two components:

- Component 1 – Local Planning and Investment; and
- Component 2 – Policy Support and Project Management.

The IDA Credit, totaling SDR 16,100,000 (approximately US\$ 23 million), finances principally sub-project investments at the commune level, (approx US\$21M), as well as some strategic studies and program support cost. The associated planning activities, technical assistance and capacity building at the national, provincial and commune levels are, for the most part, co-financed in parallel by the Partnership for Local Governance (PLG), a multi-donor trust fund administered by UNDP, as well as by Royal Government of Cambodia (RGC) domestic resources. The IDA Credit will cover technical assistance, capacity building and incremental operating costs in the final year of implementation.

- A. *Local Planning and Investment Component*** supports, through the Commune/Sangkat Fund (C/SF): (i) the newly established decentralized planning process at the commune level, including development of five-year Commune Development Plans (CDP), three-year rolling commune investment programs (CIP) and annual commune budgets; and (ii) grants for commune-level investments in infrastructure and public goods identified and prioritized through the participatory local planning process.
- B. *Policy Support and Project Management Component*** supports the capacity building, technical assistance, buildings and equipment, and operating costs at national, provincial and commune levels of implementing Component 1. More specifically, the component finances the provision to national and provincial institutions of the works, goods (such as vehicles, and office, communications and other equipment) and consulting services necessary to implement their respective project responsibilities. At the provincial level, the IDA Credit is utilized primarily to procure goods and works for PRDC ExCom units and Provincial Treasury to strengthen their capacity to support C/SC development planning and implementation of sub-projects. At the national level, the IDA Credit finances office equipment and vehicles, as well as funds workshops focused on reviews of the Seila systems and proposed updates. In addition, consulting services are financed for the purposes of conducting strategic studies related to decentralization and deconcentration reforms, socio-economic follow-up studies, mid-term and final project evaluations, and an annual independent audit.

The RILGP loan was negotiated on 12th and 13th March 2003. The Development Credit Agreement was signed on the 18th June 2003 and following the completion of the conditions of loan effectiveness, the loan became effective on the 16th September 2003.

3. Area coverage of RILGP

Over the four-year duration of the RILGP, proceeds from the proposed IDA Credit were planned to fund eligible activities in up to 1,110 communes in fifteen provinces: Battambang, Banteay Meanchey, Siem Reap, Otdar Meanchey, Pailin, Pursat and Ratanakiri of the Seila Program Phase I provinces; Kampong Cham, Prey Veng, and Takeo, which started operating under the Seila Program Phase II in 2001; as well as Kampong Speu, Kampong Chhnang, Svay Rieng, Kratie and Preah Vihear, which started operating under Seila Program Phase II during 2002.) IDA-funded activities in the 15 provinces were planned to be phased-in over the first 3 years of implementation starting with up to 698 communes in 7 province in year 1 (Banteay Meanchey, Battambang, Kampong Cham, Prey Veng, Pursat, Siem Reap, Takeo), expanding to up to 980 communes in 11 provinces in year 2 (additionally Kampong Chhnang, Kampong Speu, Kratie, Svay Rieng) and up to 1110 communes in 15 provinces in years 3 and 4 (additionally Otdar Meanchey, Pailin, Preah Vihear, Ratanakiri).

However, during the supervision mission of March-April 2004 STFS informed IDA that Ratanakiri would not be included in the expansion for 2005. The reasons for this recommendation were that the the NREM program component in Ratanakiri already results in a heavy workload for Seila Programme and the Commune Councils, so that implementation of RILGP in addition might overstretch capacity, and that the number and population of the communes involved are small, so that omitting this province would not have a major impact on the rate of disbursement of the loan.

STFS does not intend any further expansion of the coverage of RILGP in 2006, and therefore in 2006 RILGP (Component 1) will fund eligible activities in 1061 communes in 14 provinces as listed below:

Province	# Communes
1 Banteay Meanchey	64
2 Battambang	96
3 Kampong Cham	173
4 Kampong Chhnang	69
5 Kampong Speu	87
6 Kracheh	46
7 Preah Vihear	49
8 Prey Veng	116
9 Pursat	49
10 Siem Reap	100
11 Svay Rieng	80
12 Takeo	100
13 Otdar Meanchey	24
14 Krong Pailin	8
Total Communes	1061

4. RILGP Achievements 2003 - 2005

Component One - Local Planning and Investment

The Project Implementation Plan (PIP) projected an amount of \$US 4.6 million to be reimbursed against Component 1 in each of the years 2003 through 2005, with \$US 5.1 million to be reimbursed in 2006.

The amount of eligible expenditures under budget year 2003 and 2004 sub-projects, reimbursed up to end 2005, is \$US 8.8 million, i.e. 96% of the target for those years, and the value reimbursable against year 2005 sub-projects is expected to exceed the target. However, the actual rate of disbursement of the loan funds lags well behind the commitment to sub-projects, because of the time required for sub-project implementation, because of implementation delays and because of the time required to process payments and request reimbursements.

The annual implementation cycle for CS Fund projects begins with the approval of the Commune Budget. This should be completed by January but in practice may not be done until February or March. Most procurement takes place in the second quarter with implementation of projects during the second and third quarters, or in the case of projects affected by wet season weather or otherwise delayed, implementation may take place in the final quarter or the first quarter of the year following. Payments are made about one month after approval of work, with a final payment of 20% due six months after completion of construction. The effect is that about 95% of funds are disbursed within about 18 months of the annual budget approval, rather than the 12 months cited as an indicator in the RILGP logframe.

The time required from payment at Provincial Treasury till deposit of reimbursed eligible expenditures into the MEF account at National Bank of Cambodia by IDA is approximately four months. Therefore, reimbursement does not begin until the ninth or tenth month of the budget year. About 30% of reimbursements occur during the nominal budget year of the sub-project, with about 50% occurring in the first semester of the following year.

The table below shows the total reimbursable value of sub-projects by year, and the total value of SOE submitted for reimbursement each year. Reimbursement was less than 25% of the (PIP) planned figure in 2003, slightly below the planned figure for 2004 and higher than the planned figure for 2005. A projection for disbursement of Component 1 funds during the remaining part of the project is presented in Part 5 below.

Budget year	# Sub-projects	Total value	Reimbursable value	Total of SOE submitted by financial year			
				FY 2003	FY 2004	FY2005	Total
2003 sub-projects	763	\$ 4,001,205	\$ 3,804,305	\$ 904,659	\$ 2,894,345	\$ 23,507	\$ 3,822,511
2004 sub-projects	1103	\$ 6,008,594	\$ 5,462,186		\$ 1,631,843	\$3,388,240	\$ 5,020,083
2005 sub-projects	1007	\$ 6,831,922	\$ 5,886,854			\$1,798,053	\$ 1,798,053
Total		\$16,841,721	\$ 15,153,344	\$ 904,659	\$ 4,526,188	\$5,209,799	\$ 10,640,647

Contribution to development of systems

With the active support of IDA, STFS and PLG have contributed to dialogue and development of improved systems for project implementation, financial recording and transparency of the CS Fund. Key achievements in this field have included:

- Development, review and improvement of the CS Fund Project Implementation Manual (PIM) including social and environmental safeguards and procurement rules;
- Improvements to the CS accounting system including recording of cash deposits in individual commune / sangkat accounts, and use of contract registers to track payments and sources of funds;
- Assisted MoI – DoLA to design a system of CS Fund Accountability Boards to receive and take action on allegations of abuse of the CS Fund in each Province / Municipality.

A computerised accounting system for the Provincial Treasury (“CDAS”) was developed by STFS but was not operationalised as it was felt there was insufficient support for this step in the National Treasury.

Component Two – Policy Support and Project Management

The Policy Support and Project Management Component finances the strengthening and backstopping of national, provincial and local institutions to implement their respective project responsibilities. More specifically, the component finances technical assistance and capacity building, logistical and operational expenses, workshops, goods including vehicles and office and other equipment, and construction or repair of office facilities required at national, provincial and commune levels.

Works scheduled in the PIP consisted of construction or repair of six buildings. Although there were delays arising principally from uncertainties about the level of counterpart funding from Provincial Government budgets, five of these buildings have been completed by the end of 2005. The sixth building, in Kratie, suffered long delays because of difficulty of finding a contractor – the contract was re-advertised three times between December 2003 and August 2005, before a successful bidding was completed. This building will be completed during the first quarter of 2006.

Procurement of **goods and office equipment** is now fully complete, the last items being 12 boats, which were delivered in the first half of the 2005.

Three **consultant studies**: Technical Audit of the CS Fund; Process Audit of the CS Fund and Mid-Term Evaluation of RILGP, were completed during 2005 as planned. The financial audit of RILGP accounts for 2003 and 2004 was conducted during the first half of 2005. However, two strategic studies for decentralisation and deconcentration, included in the 2005 workplan: a study of the internal functioning of the provincial administration, and a study of the accountability framework of CS Fund, were not conducted. Changes in the political responsibilities for direction of the D&D reforms make it inappropriate for STFS to proceed with these studies except in close cooperation with Ministry of Interior.

Workshops: The Seila Annual Review Workshop, part-funded by RILGP funds, was staged in August 2005 as planned. An RILGP reflection workshop was held as planned in December 2005 and included a review of the draft of this AWPB document. No formal review of the Project Implementation Manual was conducted in 2005. A reflection workshop on implementation of the CS Fund social and environmental safeguards policies will be hosted by MoI-DoLA and funded by RILGP in early 2006.

5. 2006 Workplan against RILGP Budget Categories

In 2006 it is expected that the total amount spent on the RILGP will be US\$6,258,220; of which US\$6,231,113 will be from IDA loan funds. The RILGP budget structure, against which all resources are programmed in 2006, includes the following categories:

5.1 Civil Works (Component 2)

The building in Kratie will be completed in the first quarter of 2006. Payments for this building in the 2006 budget will comprise \$ 30,060 from IDA and \$ 3,340 from the RGC special account.

5.2 Goods (Component 2)

No further procurement of goods is proposed under the 2006 budget.

5.3 Consultant Services (Component 2)

5.3.1 Consultant Services under Part B(1) of the Project: institutional strengthening.

RILGP design incorporates the assumption that core technical assistance will be provided by the PLG project. However, the projected closing date of PLG was 31 December 2005 and so provision was made for funding these costs from the loan in 2006. RGC and PLG donors have now agreed to extend PLG until end 2006 and so it will not be necessary to pay these costs from the loan. However, one consultancy in this category is planned, as follows:

National Consultant Irrigation Engineer who will strengthen the capacity of the Technical Support Units to design small scale irrigation projects. This consultancy will result in the following outputs:

- improved guidelines for small scale irrigation under CS Fund
- improved standard design details;
- a training course in small scale irrigation design, developed and delivered to all TSO;
- Back-stopping and technical advice to PLG Provincial Infrastructure Advisers;
- Advice on strategy for strengthened technical assistance for small-scale irrigation in the future.

5.3.2 Consultant Services under Part B(2) of the Project: Policy Reform and Project Management

IDA funds will be used to procure consultant services in 2006 in accordance with the DCA for component 2 and under 3 sub-categories of the PIP. The three sub-categories are:

- Monitoring and Evaluation Consultants;
- Research Consultants (Strategic Studies for Decentralisation and Deconcentration);
- Audit

These services will be procured in accordance with the DCA and the RILGP Project Implementation Manual, and the procurement methods are described in the procurement plan in Annex 111 of this workplan.

Monitoring and Evaluation

A socio-economic impact survey will be conducted during the first quarter of 2006. This is planned as a follow-up to the Socio-Economic Baseline Survey conducted by PLG in 2003. However, this will not replicate the full methodology of the first survey and will focus more narrowly on a set of quantitative indicators of usage of and benefits gained from local infrastructure investments. Selected indicators of livelihoods, surveyed in the baseline, will be repeated for timeline comparison purposes.

Strategic Studies for Decentralisation and Deconcentration

The RGC is currently formulating policy and strategy for D&D, pursuant to the Strategic Framework for these reforms which was promulgated in June 2005. The lead responsibility for the direction of these reforms is located in the Ministry of the Interior. Accordingly, consultant studies under this heading have been agreed in principle with MoI-DoLA, who will be consulted at all stages in drafting and finalisation of the TOR, selection of consultants and overall direction of the studies. These studies will be:

1. **A study of the CS Fund Accountability Framework.** During 2005 NCSC approved a new accountability framework for the CS Fund, involving the creation of Accountability Boards with Provincial, Commune, private sector and civil society representation in each province and municipality. These boards are empowered to receive complaints of abuse of CS Funds and malpractice in CS Fund operations, either openly or in confidence. The Boards will review complaints received and are empowered to take action against individuals found responsible. The consultant will assist MoI-DoLA to review the first year of functioning of these Accountability Boards and identify actions needed to strengthen their effectiveness.
2. **A study of the District Planning Initiative.** In a move towards planning and coordination of development efforts at the District level, MoI-DoLA designed a district planning initiative which will be implemented in one pilot district in each province and municipality in 2006. PLG (14 provinces) and Danida (10 provinces) will make \$20,000 of Provincial Investment Funds available for projects identified through this initiative, with technical assistance delivered through the Local Administration Units. The consultant will assist MoI-DoLA to review the results of this initiative and to identify lessons learned for the ongoing deconcentration reforms.
3. **A study of the technical assistance arrangements for CS Fund (with MRD).** Under the Seila program, technical assistance for design and implementation of CS Fund projects is delivered through the Technical Support Units (TSU) which are managed by the Director of the Provincial Department of Rural Development and receive capacity building support and assistance from MRD. A study of the

effectiveness of the TSU was conducted in 2004 with RILGP funding. The services provided by TSU are essential to ensure the quality of CS Fund project outputs, but there are weaknesses identified in the capacity of the Technical Support Officials and in their institutional responsibilities and accountability. There is also no certainty of continued funding once the Seila Program ends in 2006. Therefore, it is proposed to engage a consultant who will work with MoI-DoLA and MRD to identify suitable arrangements for continued technical assistance to CS Fund projects post 2006.

The annual external audit

An external audit is a condition of the loan agreement. In 2005 this audit was carried out by KPMG, which also won contracts to audit PLG, the Danida CCB-NREM funds and the IFAD RPRP loan within the Seila framework. There was in practice a considerable overlap in both the subject matter of the various audits and in the recommendations made by the auditors. Therefore, STFS have proposed to the various donor agencies that a single contract for audit of all four projects be procured in 2006. The donor agencies have agreed to this and a contract will be procured following the Quality and Cost Based Selection method specified in the Externally Assisted Project Procurement Manual adopted by MEF with assistance from ADB and World Bank during 2005. Costs will be shared proportionately to the financial size of the projects and the contribution from RILGP is anticipated to be \$US xxx.

5.4 Workshops (Component 2)

In accordance with the PAD and the DCA the IDA Credit will also support a series of national-level workshops to be conducted over the course of the project, focused on periodic reviews of the Seila systems and updates of the reforms. The budget allocated for these workshops is approximately US\$43,000, of which \$US 25,000 will be spent by end 2005. In Annex V of this document US\$15,000 is allocated to workshops in 2006. It is planned that this budget will fund:

1. Contribution to the annual Seila national workshop (or successor event) in September. This is the annual occasion upon which budget allocations for investments and operations costs for the D&D support program, for the following year, are announced. The workshop presents a unique opportunity whereby all provinces and municipalities are represented along with Ministries and donors and discussions and agreements occur on current and future strategic issues on the decentralisation reforms. The event in 2006 may not be under the “Seila” name but it is expected that an event of similar nature will be held.
2. A reflection workshop on implementation of the CS Fund social and environmental safeguards policies, to be hosted by MoI-DoLA in early 2006.
3. A reflection and planning workshop for RILGP, focusing on implementation experience and RILGP-specific procedures, to be conducted in January 2006. The RILGP AWPB for 2006, will be presented at this event.

5.5 Sub Project Grants (Component 1)

This component supports local planning and commune-level investments in public goods, identified and prioritized through a participatory local planning process led by elected local

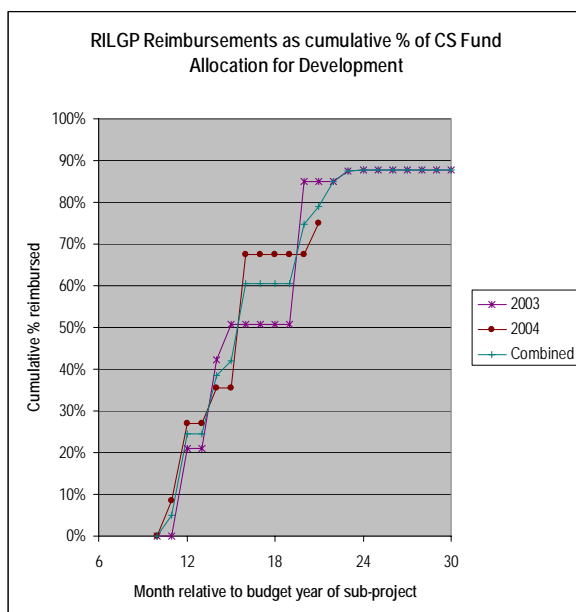
government authorities – Commune/Sangkat Councils - covering all 1,061 communes in 14 provinces over the four-year period 2003-2006 (see Section 3 above). Sub-projects are proposed and implemented by communes on a demand driven basis. Sub-project types include small-scale transport infrastructure (roads, bridges, culverts, drifts and causeways, docks, etc), wells and other water supply systems, education and public health facilities, small irrigation and flood protection schemes, as well as community buildings (for storage, marketing, etc).

The RILGP provides support to Commune Councils to implement prioritised development sub-projects. The financial and procurement systems governing commune level investments are in place as described in the RILGP Project Implementation Manual. The investment funds provided from the IDA Credit will reimburse the grant financing provided by the Government through the Commune/Sangkat Fund to communes implementing sub-projects (according to agreed eligibility criteria). The total amount of IDA funds available over the four years for component one is SDR 13,850,000, equivalent to approximately US\$19,800,000 at current exchange rates.

The PIP budget breakdown for component one shows a disbursement of US\$4,613,800 in each year 2003 to 2006, followed by \$5,113,800 in 2006, for which year no PLG contribution to the CS Fund was anticipated. The amount of eligible expenditures in each year depends on two factors:

- the total value of eligible sub-projects in RILGP supported provinces during that year (which is itself dependent on the level and distribution of CS Fund allocations), and
- the speed of implementation of sub-projects and the disbursement of payments to contractors.

As the number of provinces in which sub-projects are eligible for reimbursement was seven in 2003, 11 in 2004 and will increase to 14 in 2006-2006 (see coverage map and Section 3), it is expected that the total value of eligible sub-projects will accordingly. The total amount of the 2006 CS Fund development component in the 14 provinces is 17% larger than the 2005 allocation.



The following graph summarizes the pattern of reimbursement against Year 2003 and Year 2004 sub-projects, as a cumulative percentage of total CS Fund development component allocations to RILGP provinces. Note that reimbursements will not reach 100% as some commune sub-projects are excluded as not meeting the eligibility criteria.

The combined 2003 and 2004 data have been used to predict disbursement rates against 2004, 2005 and 2006 sub-projects through to FY 2007. The following table summarises the results of this prediction, without consideration of the budget limit of Component 1. The figure predicted for

2007 represents the predicted reimbursable value of Year 2005 and Year 2006 sub-projects outstanding at the beginning of 2007. This is likely to be higher than the actual funds available, as discussed below.

Year	Reimbursable Value of Sub-Projects	Cumulative Reimbursable Value (A)	Reimbursements	Cumulative Reimbursements (B)	Carry-Over (A-B)
2003	\$ 3,804,305	\$ 3,804,305	\$ 904,659.00	\$ 904,659.00	\$2,899,646.00
2004	\$ 5,462,186	\$ 9,266,491	\$ 4,526,188.00	\$ 5,430,847.00	\$3,835,644.00
2005	\$ 5,886,854	\$ 15,153,344	\$ 5,209,799.27	\$ 10,640,646.27	\$4,512,697.73
2006	\$7,404,932	\$22,558,276	\$ 6,000,000.00	\$ 16,640,646.27	\$5,917,629.73

Therefore, the total of eligible expenditures against CS Fund projects through to the end of the project period (2003 – 2006) is expected to be around \$US 22.5 million, which exceeds the funds allocated to Component 1. However, due to the time lag between implementation and reimbursement, reimbursement of eligible expenditures against Year 2006 sub-projects will continue during the first semester of 2007. If no funds are reallocated from Component 2 to Component 1, the amount to be reimbursed and available for further financing of CS Fund in 2007 will be around \$US 3,000,000. However, this amount could potentially increase by around \$US 1,100,000 if surplus budget allocated to Component 2, particularly technical assistance and operations costs, are reallocated to Component 1.

STFS will continue to support efforts by RGC to strengthen the implementation of the C/S Fund during 2006. These efforts will have a direct impact in facilitating the timely disbursement of sub-project grants under RILGP Component 1. A particular effort will be made in final quarter 2005 and first quarter 2006 to ensure that feasibility studies and designs are completed in a timely manner; to avoid delays in approval of Commune budgets, and to ensure that the process of prior review (procurement of first sub-project in each province subject to No Objection by IDA) is completed quickly and smoothly.

Transparency and Accountability

Concerns over transparency and accountability of the CS Fund operations were raised during 2005, particularly through the Fiduciary Review conducted by IDA. Many of the specific recommendations for improvements to guidelines and procedures, made by the Fiduciary Review Team, were incorporated into the revised Project Implementation Manual and the revised CS Procurement rules adopted in the second quarter of 2005. With assistance from STFS and PLG, MoI-DoLA made a major effort to discourage contractor collusion in the CS Fund procurement process in 2005. Bidding meetings were assessed according to a set of indicators and if there were strong suspicion of the result being affected by collusion, the Provincial Governor was empowered to order the bidding to be repeated. This approach appeared to have considerable success.

However, accountability of individuals for their actions in relation to CS Fund operations remains problematic. During 2005 NCSC promulgated a system of Accountability Boards at provincial level, with Provincial, Commune, private sector and civil society representation, to receive allegations of abuse and to investigate and take action. These Boards became operational during the second semester of 2005.

It is too early to assess the effectiveness of the Accountability Boards. However, it is inevitable that transparency and accountability will continue to be key issues, not only in

order to enhance cost-effectiveness and safeguard funds, but to ensure that the CS Fund retains sufficient credibility to attract continued support from a range of donors in the future.

In 2006 STFS and PLG will continue to assist NCSC to strengthen the transparency and accountability of CS Fund operations at national and at Provincial level. In particular, RILGP will fund a study of the first year of operations of the Accountability Boards in partnership with MoI-DoLA (see Consultancy Plan).

Social and Environmental safeguards

The safeguards policies of RILGP regarding land acquisition, environmental impacts and the participation of highland minority peoples in the planning process, are incorporated into the general guidelines for planning and implementation of C/S fund projects.

Due to concern expressed by IDA supervision missions about the level of understanding of and active compliance with the safeguards policies, during 2005 STFS appointed one staff member to act as RILGP Safeguards Adviser with the primary role of capacity building, monitoring and intervention to strengthen application of the safeguards policies in RILGP provinces.

The role of the Safeguards Adviser will be continued during 2006. STFS will continue to make every effort to ensure that commune sub-projects are implemented in compliance with the safeguards policies. However, it is not within STFS authority to enforce 100% compliance and for this reason, STFS will additionally monitor compliance and, where commune sub-projects are found not to be in compliance with the policies, will exclude these sub-projects from the list considered to be eligible for reimbursement under RILGP.

Financial systems and taxes

STFS will continue to support NCSC and National Treasury to strengthen financial and accounting systems for CS Fund during 2006.

Key matters of concern include:

- Equitable and transparent deduction of taxes from contractor's payments under CS Fund contracts, including patent tax, withholding tax and mineral royalties; and the transparent accounting for these taxes;
- The effects of the system of payment by cheque, drawn on the Provincial Treasury account at the National Bank, which was introduced in 2005.

Project Implementation and Technical Support

STFS will review the recommendations of the Process Audit and Technical Audit of the CS Fund, and the findings of the RILGP Mid-Term Review, and will identify actions that can be taken to strengthen the project implementation and technical support during 2006.

The Technical Audit identified irrigation projects and rural water supply projects as performing poorly overall. STFS believes that the problems concerning rural water supply projects – mainly, a high proportion of unsuccessful wells – can be addressed through application of improved guidelines, and in particular by restricting the excavation of dug wells to the dry season when the water table is low. STFS and PLG will cooperate with

UNICEF to develop a set of guidelines for implementation of water supplies projects at Commune level and will disseminate these guidelines through a training to the Technical Support Units, to be conducted in the first quarter of 2006.

The underlying causes of poor performance of irrigation projects funded through CS Fund are likely to prove more intractable. Technical Support Units lack specialist expertise in study and design of irrigation projects. Provincial Departments of Water Resources are often unable to provide assistance to development of Commune projects in a timely and effective manner. As a first step to addressing this problem, STFS proposes to use RILGP funds to engage a national irrigation engineer to develop technical standards and build capacity during 2006 (see Consultancy Plan).

RILGP Systems

Prior review is required for procurement of the construction contract for the first sub-project in each province, in each year. During 2005 this process was completed satisfactorily, with only minor comments received from IDA on the quality of the process; however, the process was not complete in all provinces (final NOL received) until June 2005. Delays in the prior review process can lead to delays in project implementation generally.

STFS has advised the RILGP provinces of a timetable for the prior review process which is intended to ensure completion in all provinces by mid-March 2006 (see Annex 3, Procurement Plan). This matter will be reviewed further at the RILGP workshop in December 2005 and any actions necessary to assist the provinces to comply with this schedule will be identified.

Preparation of SOE's encountered some delays during 2003 – 2005, mainly due to the difficulties of checking the large volume of records submitted by Provincial Treasuries, eliminating errors, identifying eligible expenditures and effecting currency conversions.

A proposal to introduce an electronic accounting system at the Provincial Treasury (“CDAS”) was not implemented as it was not clear that there was sufficient support for this change within National Treasury. However, the successful introduction of revised and improved contract registers, showing clearly the sources of revenue for each payment and the amount of tax deducted, has already made the task of SOE preparation easier and the system is expected to function smoothly during 2006.

The process of checking and validating financial records (Commune trial balance, Revenue and Expenditure Statement and Contract Register) at Provincial level before they are forwarded to Phnom Penh, will be reviewed at the RILGP workshop in December 2005. Lessons learned will be applied to improve the speed and accuracy of this process during 2006.

The Memorandum of Understanding between STFS and MEF clarifies the respective roles of each institution and commits MEF to review and to clear or reject SOE's submitted by STFS within 10 working days. It is expected that this will continue to facilitate speedier processing of SOE's and forwarding to IDA for reimbursement.

Procurement procedures for Component 2: principally, recruitment of consultants; will be modified owing to adoption of new guidelines for loan project procurement developed jointly by World Bank, ADB and MEF, in 2005. The principal change affecting RILGP is that

consultant contracts procurement with participation of MEF representatives will no longer need a further approval from MEF before signature. This is expected to considerably facilitate the process of consultant recruitment.

5.6 Operating Costs

RILGP project design incorporates the assumption that operations costs would be funded by the PLG project. However, the planned closing date for PLG was 31 December 2005 and therefore RILGP includes provision for operating costs (SDR 410,000) to be funded from the loan during 2006. PLG will now continue operations through 2006 and therefore no loan expenditures will be made under this heading in 2006.

6. RILGP Execution in 2007

The expected completion date of RILGP is 31 December 2006 and the Closing Date is June 30, 2007 (DCA).

As described above, it is expected that the full amount of the loan, including any surplus amounts re-allocated from other categories, will be disbursed through reimbursements of eligible sub-project expenditures for CS Fund sub-projects initiated in budget years 2003 to 2006. However, it is anticipated that the following project activities will continue during the first semester of 2007:

- Implementation of Year 2006 sub-projects, including the six month maintenance periods following completion of construction;
- Contract supervision and monitoring;
- Payments by Provincial Treasury to contractors;
- Processing of payment data by STFS and preparation of SOE's
- Reimbursement of eligible expenditures by IDA.

In addition, the following activities will be necessary in 2007:

- End of Project Evaluation;
- Project Closing.

As described above, it is anticipated that reimbursements under Component 1 of the project will total about \$US 3.5 million in 2007, although this figure could vary depending on funding availability for technical assistance and operating costs from other sources.

The RILGP Development Credit Agreement commits RGC to maintain the STFS as executing agency for the project, during the lifetime of the project. However, the Seila Program is scheduled to end in December 2006 and is expected to be replaced by a new deconcentration and decentralisation support project with different institutional arrangements. It is not yet clear whether RGC intends STFS to cease operations at the end of 2006, to transfer operations to a new agency, or to continue whilst residual obligations including the execution of RILGP are discharged.

It is vital for the smooth implementation of RILGP through 2006 and through to the project closing date in mid-2007, that this issue is resolved through dialogue between IDA and RGC at the earliest possible date.

ANNEXES

Annex I 2006 RILGP Work Plan

Annex II 2006 Commune/Sangkat Fund Allocations

Annex III 2006 RILGP Procurement Plan

Annex 1V 2006 Budget Status

Annex V 2006 Monthly Budget Forecast by Category

Annex V1 2006 Training Plan

Annex I 2006 RILGP Work Plan

2006 RILGP Annual Workplan

ACTIVITIES	2005		2006												Focal Points		
	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC			
Category One: Works																RGC/STFS	PLG
Complete construction of ExCom building in Kratie																Vuth, ExCom	Ed, Seth, SPPA
Guarantee period (six months) and final payment																	
Category Two: Goods																	
Category Three: Consultant Services																	
<i>Socio-Economic Impact Evaluation: follow up to baseline</i>																Vuth, MEF	Julian, Ed
Procurement process																	
Study undertaken																	
Report presented to WB																	
<i>Technical Assistance Arrangements for CS Fund</i>																Vuth, Mol, MRD, MEF	Julian, Ed
Procurement Process																	
Study undertaken																	
Report presented to WB																	
<i>C/SF Accountability Framework - individual consultant selection</i>																Vuth, Mol, MEF	Julian, Ed
Procurement Process																	
Study undertaken																	
Report presented to WB																	
<i>Evaluation of District Planning Initiative</i>																Vuth, Mol, MEF	Julian, Ed
Procurement process																	
Capacity Building and improvement of technical materials																	
Report presented to WB																	
<i>Small Scale Irrigation Capacity Building Adviser</i>																Vuth, MoWRAM, MEF	Julian, Ed
Procurement process																	
Capacity Building and improvement of technical materials																	
Report presented to WB																	
<i>Financial Audit of 2005 Accounts (joint with other projects)</i>																Vuth, MEF	Julian, Ed
Procurement process																	
External audit undertaken																	
Audit report presented to WB																	
Category Four: Workshops																	
<i>Seila National annual review workshop</i>																Vuth	SCL
Report presented to WB																Vuth	SCL

2006 RILGP Annual Workplan

ACTIVITIES	2005		2006												Focal Points			
	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC				
<i>RILGP Annual Reflection and work-planning workshop</i>																		
Report presented to WB																		
<i>Reflection workshop on Social and Environmental Safeguards</i>																		
Report presented to WB																		
Category Five: Sub Project Grants																		
Traning of newly recruited Technical Support Officials																	RGC	PLG
Contract Supervision Training (all TSO)																	MRD	Julian
Domestic Water Supplies Projects training.																	MRD	Julian
Provincial Treasury monthly Meetings in PNP																	MRD	Julian (+UNICEF)
Sub project implementation (2005 sub-projects)																	Vuth	Savy
Sub project implementation (2006 sub-projects)																	CS Cs, TSU	SPPAs
Treasury reports to STFS (2005 sub-projects)																	Prov Treasury	Savy
Treasury reports to STFS (2006 sub-projects)																	Prov Treasury	
SOE preparation by STFS to MEF and WB																	Vuth, Serey	Ed, Julian, Seth, Savy
Reimbursements from WB to RGC MEF account																	MEF	
Category Six: Operating Costs																		
																	RGC	PLG

Annex II 2006 Commune/Sangkat Fund Allocations

Commune/Sangkat Fund Allocation 2006 (35-35-30: Poverty Index)

Summary by Province

No.	Province	Commune	# Councilors	# Villages	Fund Allocation			Fund Disbursed by Target Dates		
					Admin	Develop	Total	End May: 50%	End July: 80%	End September: 100%
1	Banteay Meanchey	64	504	623	R 1,100,471,000	R 2,351,651,000	R 3,452,122,000	R 1,726,061,000	R 2,761,697,600	R 3,452,122,000
2	Battambang	96	744	741	R 1,578,244,000	R 3,434,949,000	R 5,013,193,000	R 2,506,596,500	R 4,010,554,400	R 5,013,193,000
3	Kampong Cham	173	1335	1758	R 2,945,317,000	R 6,213,381,000	R 9,158,698,000	R 4,579,349,000	R 7,326,958,400	R 9,158,698,000
4	Kampong Chhnang	69	415	553	R 926,433,000	R 2,115,722,000	R 3,042,155,000	R 1,521,077,500	R 2,433,724,000	R 3,042,155,000
5	Kampong Speu	87	605	1308	R 1,474,913,000	R 2,864,826,000	R 4,339,739,000	R 2,169,869,500	R 3,471,791,200	R 4,339,739,000
6	Kampong Thom	81	575	732	R 1,265,817,000	R 2,646,579,000	R 3,912,396,000	R 1,956,198,000	R 3,129,916,800	R 3,912,396,000
7	Kampot	92	542	482	R 1,147,653,000	R 2,809,234,000	R 3,956,887,000	R 1,978,443,500	R 3,165,509,600	R 3,956,887,000
8	Kandal	147	1061	1087	R 2,264,612,000	R 4,833,835,000	R 7,098,447,000	R 3,549,223,500	R 5,678,757,600	R 7,098,447,000
9	Koh Kong	33	187	131	R 387,394,000	R 903,197,000	R 1,290,591,000	R 645,295,500	R 1,032,472,800	R 1,290,591,000
10	Kratie	46	280	250	R 592,230,000	R 1,400,179,000	R 1,992,409,000	R 996,204,500	R 1,593,927,200	R 1,992,409,000
11	Mondolkiri	21	105	90	R 223,344,000	R 524,403,000	R 747,747,000	R 373,873,500	R 598,197,600	R 747,747,000
12	Phnom Penh	76	652	637	R 1,374,855,000	R 3,049,916,000	R 4,424,771,000	R 2,212,385,500	R 3,539,816,800	R 4,424,771,000
13	Preah Vihear	49	317	208	R 648,834,000	R 1,260,974,000	R 1,909,808,000	R 954,904,000	R 1,527,846,400	R 1,909,808,000
14	Prey Veng	116	886	1137	R 1,947,574,000	R 4,011,238,000	R 5,958,812,000	R 2,979,406,000	R 4,767,049,600	R 5,958,812,000
15	Pursat	49	339	501	R 765,360,000	R 1,612,470,000	R 2,377,830,000	R 1,188,915,000	R 1,902,264,000	R 2,377,830,000
16	Ratanakiri	49	251	240	R 539,741,000	R 1,258,346,000	R 1,798,087,000	R 899,043,500	R 1,438,469,600	R 1,798,087,000
17	Siem Reap	100	668	875	R 1,480,585,000	R 3,275,185,000	R 4,755,770,000	R 2,377,885,000	R 3,804,616,000	R 4,755,770,000
18	Sihanuk Ville	22	144	94	R 294,454,000	R 722,992,000	R 1,017,446,000	R 508,723,000	R 813,956,800	R 1,017,446,000
19	Stung Treng	34	176	128	R 367,613,000	R 868,845,000	R 1,236,458,000	R 618,229,000	R 989,166,400	R 1,236,458,000
20	Svay Rieng	80	516	690	R 1,149,064,000	R 2,464,269,000	R 3,613,333,000	R 1,806,666,500	R 2,890,666,400	R 3,613,333,000
21	Takeo	100	734	1116	R 1,661,744,000	R 3,410,207,000	R 5,071,951,000	R 2,535,975,500	R 4,057,560,800	R 5,071,951,000
22	Odar Meanchey	24	150	231	R 342,506,000	R 729,248,000	R 1,071,754,000	R 535,877,000	R 857,403,200	R 1,071,754,000
23	Kep	5	31	16	R 62,430,000	R 156,526,000	R 218,956,000	R 109,478,000	R 175,164,800	R 218,956,000
24	Pailin	8	44	79	R 104,012,000	R 250,628,000	R 354,640,000	R 177,320,000	R 283,712,000	R 354,640,000
	TOTAL	1,621	11,261	13,707	R 24,645,200,000	R 53,168,800,000	R 77,814,000,000	R 38,907,000,000	R 62,251,200,000	R 77,814,000,000
	TOTAL FOR 14 RILGP PROVINCES	980	7,026	9,552	16,717,287,000	35,394,927,000	52,112,214,000	26,056,107,000	41,689,771,200	52,112,214,000
	TOTAL IN US\$ (exchange rate 1/4000)				\$ 4,179,321.75	\$ 8,848,731.75	\$ 13,028,053.50	\$ 6,514,026.75	\$ 10,422,442.80	\$ 13,028,053.50

RILGP shown as:

Annex III 2006 RILGP Procurement Plan

RILGP PROCUREMENT PLAN COMPONENTS 1 AND 2

TASK & PROCUREMENT METHOD & STEPS	DURATION	START	FINISH
COMPONENT 1 Sub Projects			
First One from each province each year for Prior Review	87 days		
1. Process and outcome of pre-qualification process in each province. Documents sent to BKK and DC electronically in English translation	45 days	14/12/05	28/01/06
2. Bidding documents: bid announcement, contract conditions, drawings and specification, bid forms. Documents sent to BKK and DC electronically in English translation	45 days	14/12/05	28/01/06
3. WB NOL for document packages 1 and 2 for each province	7 days / package	29/01/06	05/02/06
4. Process and outcome of bid evaluation: bid forms and bid evaluation report. Proposed contract with final quantities etc. Documents sent to BKK and DC electronically in English translation	19 days	06/02/06	25/02/06
5. WB NOL to outcome of bid evaluation	7 days / package	26/02/06	05/03/06
6. Conformed copy of signed contract documents, Khmer originals scanned and sent to BKK and DC electronically.	5 days after NOL	06/03/06	11/03/06
Other sub-projects not subject to prior review			
7. Procurement process as per PIM	60 days	12/03/06	11/05/06
COMPONENT 2			
Consulting Services (Year 2006)			
Socio-Economic Impact Evaluation (SBCQ \$60,000)			
	115 days		
1. Preparation of TOR	31 days	01/12/05	01/01/06
2. Call for expression of interest	14 days	02/01/06	16/01/06
3. Shortlist and draft RFP	14 days	17/01/06	31/01/06
4. RFP sent to highest-ranked firm	7 days	01/02/06	08/02/06
5. Highest ranked firm prepares technical and financial proposals	14 days	09/02/06	23/02/06
6. Evaluation of technical and financial proposal	14 days	24/02/06	10/03/06
7. Negotiation	7 days	11/03/06	18/03/06
8. STFS signs the contract with the firm	7 days	19/03/06	26/03/06
Study of Technical Assistance Arrangements for CS Fund (Individual Consultant \$20,000)			
	76 days		
1. Preparation of TOR by STFS in consultation with MoI-DoLA and MRD	30 days	01/03/06	31/03/06
2. At least 3 CV's acquired through any appropriate means	14 days	01/04/06	15/04/06
3. Evaluation and ranking of the candidates	7 days	16/04/06	23/04/06
4. Negotiation with the first-ranked candidate.	14 days	24/04/06	08/05/06

TASK & PROCUREMENT METHOD & STEPS	DURATION	START	FINISH
5. STFS issues contract	7 days	09/05/06	16/05/06
<i>Study of C/S Accountability Framework (Individual Consultant, \$20,000)</i>	76 days		
1. Preparation of TOR by STFS in consultation with Mol-DoLA	30 days	01/04/06	01/05/06
2. At least 3 CV's acquired through any appropriate means	14 days	02/05/06	16/05/06
3. Evaluation and ranking of the candidates	7 days	17/05/06	24/05/06
4. Negotiation with the first-ranked candidate.	14 days	25/05/06	08/06/06
5. STFS issues contract	7 days	09/06/06	16/06/06
<i>Evaluation of District Planning Initiative (Individual Consultant, \$20,000)</i>	76 days		
1. Preparation of TOR by STFS in consultation with Mol-DoLA	30 days	01/06/06	01/07/06
2. At least 3 CV's acquired through any appropriate means	14 days	02/07/06	16/07/06
3. Evaluation and ranking of the candidates	7 days	17/07/06	24/07/06
4. Negotiation with the first-ranked candidate.	14 days	25/07/06	08/08/06
5. STFS issues contract	7 days	09/08/06	16/08/06
<i>Consulting Services: National Irrigation Adviser (Individual consultant, \$20,000)</i>	51 days		
1. Preparation of TOR by STFS in consultation with IDA	10 days	11/11/05	21/11/05
2. At least 3 CV's acquired through any appropriate means	10 days	22/11/05	02/12/05
3. Evaluation and ranking of the candidates	10 days	03/12/05	13/12/05
4. Negotiation with the first-ranked candidate.	10 days	14/12/05	24/12/05
6. STFS issues contract	7 days	25/12/05	01/01/06
<i>Annual Audit joint with other STFS projects (SCBQ, \$20,000)</i>	184 days		
1. Preparation of TOR and agreement between donors	100 days	01/10/05	09/01/06
2. Call for expression of interest	14 days	10/01/06	24/01/06
3. Shortlist and draft RFP	14 days	25/01/06	08/02/06
4. RFP sent to highest-ranked firm	7 days	09/02/06	16/02/06
5. Highest ranked firm prepares technical and financial proposals	14 days	17/02/06	03/03/06
6. Evaluation of technical and financial proposal	14 days	04/03/06	18/03/06
7. Negotiation	7 days	19/03/06	26/03/06
9. STFS signs the contract with the firm	7 days	27/03/06	03/04/06

Annex 1V 2006 Budget Status

2006 RILGP Budget Status and Forecast

Table 1: IDA Funds

Description	Allocated SDR	US\$ Equivalent	Expenditure up to December 2005	Available USD	Balance at the end December 2005	Expected Expenditure (Jan-Dec 2006)	Expected Total Expenditure (whole project period)	Proposed Reallocated Budget
1. Works under Part B(2)	\$150,000	\$212,862	\$175,500	\$37,362	\$37,362	\$30,060	\$205,560	\$7,302
2. Goods under Part B(2)	\$650,000	\$922,402	\$803,105	\$119,297	\$119,297	\$0	\$803,105	\$119,297
3. Consultant service							\$0	\$0
(i) under part B(1)	\$550,000	\$780,494		\$780,494	\$780,494	\$20,000	\$270,000	\$510,494
(ii) under Part B(2)	\$460,000	\$652,777	\$252,053	\$400,724	\$400,724	\$166,054	\$518,107	\$134,670
4. Workshops under Part B(2)	\$30,000	\$42,572	\$24,549	\$18,024	\$18,024	\$15,000	\$39,549	\$3,024
5. Sub-project Grants under Part A(2)	\$13,850,000	\$19,654,258	\$9,923,819	\$9,730,439	\$9,730,439	\$6,000,000	\$20,747,267	-\$1,093,009
6. Operating Costs under part B(1)	\$410,000	\$581,823		\$581,823	\$581,823	\$0	\$200,000	\$381,823
Total	\$16,100,000	\$22,847,188	\$11,179,026	\$11,668,162	\$11,668,162	\$6,231,113	\$22,783,587	\$63,601

Table 2: RGC Funds

Description	RGC %	RGC Commitment in US\$	Expenditure up to December 2005	Available USD	Balance at the end December 2005	Expected Expenditure (Jan-Dec, 2006)	Expected Total Expenditure (whole project period)	Proposed Reallocated Budget
1. Works under Part B(2)	10%	\$24,465	\$19,500	\$4,965	\$4,965	\$3,340	\$22,840	
2. Goods under Part B(2)	(Notes 1, 2)	\$14,100	\$54,731	-\$40,631	-\$40,631	\$0	\$54,731	
3. Consultant service							\$0	
(i) under part B(1)	(Note 3)	\$42,492		\$42,492	\$42,492	\$1,053	\$14,211	
(ii) under Part B(2)	(Note 3)	\$35,539	\$13,266	\$22,273	\$22,273	\$22,714	\$27,269	
4. Workshops under Part B(2)	0%	\$0		\$0	\$0	\$0	\$0	
5. Sub-project Grants under Part A(2)	0%	\$0		\$0	\$0	\$0	\$0	
6. Operating Costs under part B(1)	50%	\$601,839		\$601,839	\$601,839	\$0	\$200,000	
Total		\$718,434	\$87,496	\$630,938	\$630,938	\$27,106	\$745,002	

Notes

1. RGC contribution is 15% of value of locally purchased goods.
2. RGC additionally agreed to fund purchase of used engines for boats, and costs of licence plates for vehicles.
3. RGC contribution is 5% of cost net of tax. For VAT-taxed contracts, the VAT amount is added to the RGC contribution.
4. SDR exchange rate in December 2005 used for conversions: 1SDR = \$US 1.41908

Annex V 2006 Monthly Budget Forecast by Category

MONTHLY ESTIMATED EXPENDITURE AND CASH FLOW PLAN FOR RILGP (January to December, 2006)

Item No	Description	Unit	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Category 1: Civil works (Completion of construction of 6 buildings)															
	Payments	6	16,700			15,030						1,670	0		\$ 33,399.95
	Total (IDA Account 90%)		15,030	0	0	13,527	0	0	0	0	0	1,503	0	0	\$ 30,059.96
	Total (RGC Account 10%)		1,670	0	0	1,503	0	0	0	0	0	167	0	0	\$ 3,340.00
Category 2: Goods															
	Total (IDA Account)														
	Total (RGC Account)														
Category 3: Consultant Services (Please refer to details in Procurement Plan 2006)															
1	Mid-Term Review (ongoing)	1	17,923		17,923										
2	Socio-Economic Impact Evaluation	1			12,000	12,000	12,000	12,000	12,000						\$ 60,000.00
3	Technical Assistance Arrangements for CS Fund	1					4,000	4,000	4,000	4,000	4,000				\$ 20,000.00
4	CS Accountability Framework	1						4,000	4,000	4,000	4,000	4,000			\$ 20,000.00
5	Evaluation of District Planning Initiative	1								4,000	4,000	4,000	4,000	4,000	\$ 20,000.00
6	National Irrigation Adviser	1	1,575	1,675	1,675	1,675	1,675	1,675	1,675	1,675	1,675	1,675	1,675	1,675	\$ 20,000.00
7	Annual Audit of RILGP Accounts	1				4,000	4,000	4,000	4,000	4,000					\$ 20,000.00
	Total (IDA Account 95%)		18,523	1,591	30,018	16,791	20,591	24,391	24,391	16,791	12,991	9,191	5,391	5,391	\$ 186,053.51
	Total (RGC Account 5%)		975	84	1,580	884	1,084	1,284	1,284	884	684	484	284	284	\$ 9,792.29
	Tax (RGC Account, 10% of company contracts)				5,974				6,000	2,000					\$ 13,974.00
Category 4: Workshops															
1	Seila Annual Review Workshop	1									10,000				\$ 10,000.00
2	Safeguards Reflection Workshop	1	2,500												\$ 2,500.00
2	RILGP annual reflection	1	2,500												\$ 2,500.00
	Total (IDA Account 100%)		5,000	0	0	0	0	0	0	0	10,000	0	0	0	\$ 15,000.00
Category 5: Subprojects															
1	Banteay Meanchey		0	62,851	16,014	83,781	0	0	0	64,013	19,214	20,958	30,604	102,427	\$ 399,862.12
2	Battambang		0	90,878	23,154	121,139	0	0	0	92,558	27,782	30,303	44,632	149,607	\$ 580,052.70
3	Kampong Cham		0	165,495	42,166	220,604	0	0	0	168,555	50,593	55,184	80,817	270,625	\$ 1,054,038.85
4	Kampong Chhnang		0	56,322	14,350	75,077	0	0	0	57,363	17,218	18,780	27,517	92,150	\$ 358,776.97
5	Kampong Speu		0	76,167	19,406	101,531	0	0	0	77,576	23,285	25,398	37,252	124,777	\$ 485,392.83
6	Kratie		0	37,270	9,496	49,680	0	0	0	37,959	11,394	12,428	18,210	60,985	\$ 237,420.55
7	Preah Vihear		0	33,569	8,553	44,748	0	0	0	34,190	10,262	11,194	16,400	54,922	\$ 213,838.31
8	Prey Veng		0	106,938	27,246	142,548	0	0	0	108,915	32,692	35,658	52,181	174,710	\$ 680,888.18
9	Pursat		0	42,916	10,934	57,207	0	0	0	43,709	13,120	14,310	20,971	70,231	\$ 273,397.72
10	Siem Reap		0	87,194	22,216	116,230	0	0	0	88,806	26,656	29,075	42,597	142,651	\$ 555,425.23
11	Svay Rieng		0	65,949	16,803	87,910	0	0	0	67,168	20,161	21,991	32,076	107,333	\$ 419,390.34
12	Takeo		0	90,577	23,078	120,738	0	0	0	92,251	27,690	30,203	44,337	148,531	\$ 577,404.38
13	Otdar Meanchey		0	19,235	4,901	25,640	0	0	0	19,590	5,880	6,414	9,471	31,762	\$ 122,892.96
14	Pailin		0	6,376	1,624	8,499	0	0	0	6,493	1,949	2,126	3,237	10,915	\$ 41,218.86
	Total (IDA Account 100%)		0	941,736	239,940	1,255,330	0	0	0	959,146	287,898	314,021	460,303	1,541,626	\$ 6,000,000
Category 6: Operation cost															
1															
	Total														
	Total for IDA Account		38,553	943,328	269,958	1,285,648	20,591	24,391	24,391	975,937	310,889	324,715	465,694	1,547,017	6,231,113
	Total for RGC Account		2,645	84	1,580	2,387	1,084	1,284	1,284	884	684	651	284	284	27,106
	Grand Total		41,198	943,411	271,538	1,288,035	21,675	25,675	25,675	976,821	311,573	325,366	465,978	1,547,301	6,258,220

These are projected figures only

Annex V1 2006 Training Plan

ANNEX VI RILGP 2006 TRAINING PLAN				
TRAINING NAME	TARGET GROUPS	TRAINING OBJECTIVE	PROPOSED DATES	BRIEF DESCRIPTION
1. C/S Fund Process				
Project Implementation and Contracting Update and Refresher (NCSC training)	PLG, PFT/DFT/TSO and communes	Strengthen capacity of stakeholders to implement projects in accordance with PIM guidelines	Jan-06	Cascade training beginning with national ToT and reaching to all communes / sangkats
Social and Environmental Safeguards Reflection Workshop	PLG and Excom focal points for social and environmental safeguards	Identify difficulties encountered in implementation of safeguards policies and discuss ways of overcoming these difficulties	Jan-06	One day workshop at national level
2. C/S Financial system				
Commune finance system (3rd NCSC training)	Treasury; Commune Chief, deputy, clerk	Strengthened capacity of communes for financial management	Mar-06 - Apr-06	Contents include CS income sources, CS Budget, Payment and Accounting system; Procurement; Accountability and Transparency
3. Technical				
TSO Basic Training	Newly recruited TSO (about 25 persons)	All TSO equipped with core knowledge and skills required to perform their job.	Jan-06	2 week basic training course organised under MRD-Seila workplan
TSO Rural Water Supplies Training	All TSO (245 persons)	Improve the capacity of TSO to assist Communes/Sangkats to design and implement rural water supplies projects.	Feb-06	2 day TOT at regional level organised by MRD followed by Provincial level trainings

TRAINING NAME	TARGET GROUPS	TRAINING OBJECTIVE	PROPOSED DATES	BRIEF DESCRIPTION
TSO Contract Supervision Training	All TSO (245 persons)	Improve the capacity of TSO to assist Communes/Sangkats to monitor construction and supervise contracts.	Feb-06	2 day TOT at regional level organised by MRD followed by Provincial level trainings
Contractor Training	Contractors pre-qualified for CS Fund contracts	Contractors fully understand (1) context of /S Fund including decentralisation principles; (2) C/S Fund procurement and contract supervision procedures; (3) payment procedures including tax liabilities, (4) Seila technical standards	February-April 2006	3 day training course organised under MRD-Seila workplan; conducted at 5 regional locations
5. RILGP Procurement and SOE preparation				
RILGP reflection workshop	STFS; SPPA, Infra advisers and ExCom	14 provinces review implementation of RILGP in 2006 and workplan for 2007	Dec-06	1 day workshop

Annex VII Outline of RILGP Reflection Workshop, January 2006

The workshop will be hosted by STFS and will be conducted in January 2006 at STFS.

Participants will be national CS Fund stakeholders and key and ExCom staff who have the capability to pass on the lessons of the workshop at Provincial level workshop / trainings. One PLG adviser from each RILGP province will be invited to attend.

In outline, the schedule of the workshop will be as follows:

- Reflection and identification of lessons learned from implementation of RILGP during 2005.
- Summary of findings of Process Audit
- Summary of findings of Technical Audit
- Presentation of RILGP Annual Workplan and Budget for 2006
- Guidelines and schedule for Prior Review Process
- Guidelines and schedule for preparation of Safeguards checklists
- Processing of financial statements and SOEs
- Clarification on tax and royalty obligations of CS Fund contractors.