

KINGDOM OF CAMBODIA

# Standard Operating Procedures

For Externally Financed  
Projects/Programs in Cambodia



August 2005

**KINGDOM OF CAMBODIA  
NATION- RELIGION-KING**

**MINISTRY OF ECONOMY AND FINANCE**

**MANUAL**

**On**

**STANDARD OPERATING PROCEDURES**

**For**

**EXTERNALLY FINANCED  
PROJECTS/PROGRAMS IN CAMBODIA**



ព្រះរាជាណាចក្រកម្ពុជា  
ជាតិ សាសនា ព្រះមហាក្សត្រ

ក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ

លេខ...២៤៤...សហវ...

ភ្នំពេញ ថ្ងៃទី២៣ ខែសីហា ឆ្នាំ ២០០៥

ប្រកាស

ស្តីពី

ការដាក់ឱ្យប្រើប្រាស់នូវនីតិវិធីរួម សំរាប់អនុវត្តគំរោងជំនួយរបស់

ធនាគារពិភពលោក និងធនាគារអភិវឌ្ឍន៍អាស៊ី

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នេសាទរដ្ឋប្រឹក្សី រដ្ឋប្រឹក្សី ក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ

- បានឃើញរដ្ឋធម្មនុញ្ញនៃព្រះរាជាណាចក្រកម្ពុជា
- បានឃើញព្រះរាជក្រឹត្យលេខ នស/រកម/០៧០៤/១២៤ ចុះថ្ងៃទី ១៥ ខែ កក្កដា ឆ្នាំ ២០០៤ ស្តីពីការតែងតាំងរាជរដ្ឋាភិបាលនៃព្រះរាជាណាចក្រកម្ពុជា
- បានឃើញព្រះរាជក្រមលេខ ០២/នស/៩៤ ចុះថ្ងៃទី ២០ ខែកក្កដា ឆ្នាំ ១៩៩៤ ដែលប្រកាសឱ្យប្រើច្បាប់ស្តីពីការរៀបចំ និងការប្រព្រឹត្តទៅនៃគណៈរដ្ឋមន្ត្រី
- បានឃើញព្រះរាជក្រមលេខ នស/រកម/០១៩៦/១៨ ចុះថ្ងៃទី ២៤ ខែមករា ឆ្នាំ ១៩៩៦ ដែលប្រកាសឱ្យប្រើច្បាប់ស្តីពីការបង្កើតក្រសួងសេដ្ឋកិច្ច និងហិរញ្ញវត្ថុ
- បានឃើញព្រះរាជក្រមលេខ ០១/នស/៩៣ ចុះថ្ងៃទី ២៨ ខែ ធ្នូ ឆ្នាំ ១៩៩៣ ដែលប្រកាសឱ្យប្រើច្បាប់ស្តីអំពីប្រព័ន្ធហិរញ្ញវត្ថុ ដែលត្រូវបានកែប្រែដោយច្បាប់ស្តីពីហិរញ្ញវត្ថុសំរាប់ការគ្រប់គ្រងឆ្នាំ ១៩៩៥ ដែលប្រកាសឱ្យប្រើដោយព្រះរាជក្រមលេខ ១០/នស/៩៤ ចុះថ្ងៃទី ៣១ ខែ ធ្នូ ឆ្នាំ ១៩៩៤ និងត្រូវបានកែប្រែដោយព្រះរាជក្រមលេខ នស/រកម/១២៩៩/១៥ ចុះថ្ងៃទី ២៥ ខែ ធ្នូ ឆ្នាំ ១៩៩៩ និងត្រូវបានកែប្រែដោយច្បាប់ស្តីពីវិសោធនកម្មមាត្រា ២៦ នៃច្បាប់ស្តីអំពីប្រព័ន្ធហិរញ្ញវត្ថុ ដែលប្រកាសឱ្យប្រើដោយព្រះរាជក្រមលេខ នស/រកម/១២០២/០២០ ចុះថ្ងៃទី ៣០ ខែ ធ្នូ ឆ្នាំ ២០០២
- បានឃើញអនុក្រឹត្យលេខ ០៤ អនក្រ.បក ចុះថ្ងៃទី ២០ ខែមករា ឆ្នាំ ២០០០ ស្តីពីការរៀបចំ និងការប្រព្រឹត្តទៅនៃក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ
- បានឃើញអនុក្រឹត្យលេខ ៧៨ អនក្រ.បក ចុះថ្ងៃទី ១៨ ខែ វិច្ឆិកា ឆ្នាំ ២០០៤ ស្តីពីការបំពេញបន្ថែម និងកែសំរួលនាយកដ្ឋានមួយចំនួននៃក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ

- បានឃើញអនុក្រឹត្យលេខ ៣៦ អនក្រ.បក ចុះថ្ងៃទី ១៤ ខែ មិថុនា ឆ្នាំ ២០០០ ស្តីពីការគ្រប់គ្រង កម្មវិធីវិនិយោគសាធារណៈ
- បានឃើញអនុក្រឹត្យលេខ ៦០ អនក្រ.បក ចុះថ្ងៃទី ៣១ ខែ កក្កដា ឆ្នាំ ១៩៩៥ ស្តីពីការគ្រប់គ្រង លទ្ធកម្មសាធារណៈ
- បានឃើញប្រកាសលេខ ៣១៩ សហវ.ប.ប្រក ចុះថ្ងៃទី ៣១ ខែ សីហា ឆ្នាំ ១៩៩៥ ស្តីពីការអនុវត្តន៍ វិធាន និងបទប្បញ្ញត្តិក្នុងការគ្រប់គ្រងលទ្ធកម្មសាធារណៈ
- បានឃើញប្រកាសលេខ ០៤៥ សហវ.ប្រក ចុះថ្ងៃទី ៣១ ខែ មករា ឆ្នាំ ២០០៥ ស្តីពីការអនុវត្តន៍ វិសហមជ្ឈការកិច្ចលទ្ធកម្មសាធារណៈ
- បានឃើញប្រកាសលេខ ១៣២ សហវ.ហក.ប្រក ចុះថ្ងៃទី ១៨ ខែ មេសា ឆ្នាំ ១៩៩៧ របស់ ក្រសួងសេដ្ឋកិច្ច និងហិរញ្ញវត្ថុ ស្តីពីការចំណាយជំពូក ៥០ ប្រការ ០២ "ការរួមចំណែករបស់រាជ រដ្ឋាភិបាលចំពោះការវិនិយោគដោយផ្ទាល់ពីក្រៅប្រទេស (មូលនិធិបរិភោគ)"
- យោងតាមតម្រូវការចាំបាច់របស់ក្រសួង និងដោយមានការព្រមព្រៀងជាមួយធនាគារពិភពលោក និង ធនាគារអភិវឌ្ឍន៍អាស៊ី

**សំរេច**

**ប្រការ១:** ដាក់ឱ្យប្រើប្រាស់នីតិវិធីរួមសំរាប់អនុវត្តគំរោងជំនួយពីធនាគារពិភពលោក និងធនាគារអភិវឌ្ឍន៍អាស៊ី ដូចដែលមានខ្លឹមសារដូចមានភ្ជាប់ជាមួយប្រកាសនេះ ។

**ប្រការ២:** នីតិវិធីនេះនឹងត្រូវអនុវត្តសំរាប់គំរោងហិរញ្ញប្បទានពីបរទេសផ្សេងទៀត ប្រសិនបើមានការព្រមព្រៀង ពីអ្នកផ្តល់ ។

**ប្រការ៣:** អគ្គលេខាធិការដ្ឋាន ខុទ្ទកាល័យ គ្រប់នាយកដ្ឋានពាក់ព័ន្ធ ក្រោមឱវាទក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ និង គ្រប់ភ្នាក់ងារប្រតិបត្តិគំរោងពាក់ព័ន្ធ ត្រូវអនុវត្តតាមប្រកាសនេះ ឱ្យមានប្រសិទ្ធភាពចាប់ពីថ្ងៃចុះ ហត្ថលេខានេះតទៅ ។

**កន្លែងទទួល:**

- ទីស្តីការគណៈរដ្ឋមន្ត្រី
- ក្រុមប្រឹក្សាអភិវឌ្ឍន៍កម្ពុជា
- គ្រប់ក្រសួង-ស្ថាប័នពាក់ព័ន្ធ  
"ដើម្បីអនុវត្ត"
- ឯកសារ កាលប្បវត្តិ

**នេសរដ្ឋមន្ត្រី**  
**រដ្ឋមន្ត្រីក្រសួងសេដ្ឋកិច្ច និងហិរញ្ញវត្ថុ**  
  
**គាត ឈន់**







**ព្រះរាជាណាចក្រកម្ពុជា**  
**ជាតិ សាសនា ព្រះមហាក្សត្រ**  
**KINGDOM OF CAMBODIA**  
**Nation Religion King**

**ក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ**  
**MINISTRY OF ECONOMY AND FINANCE**

N<sup>o</sup>.....MEF/.....

Phnom Penh, ....., 2005

**PRAKAS**

**on**

**Promulgating of the Standard Procedures for Implementing  
the World Bank and the Asian Development Bank Assisted Projects**




**Senior Minister**  
**Minister of Economy and Finance**

- Having seen the Constitution of the Kingdom of Cambodia
- Having seen the Royal Decree No. NS/RKM/0704/124, dated July 15, 2004 on the Appointment of the Royal Government of Cambodia
- Having seen the Royal Decree No. 02/NS/94 of July 20, 1994, promulgating the Law on the Organization and Functioning of the Council Ministers
- Having seen the Royal Decree No.01/NS/93 dated December 28, 1993 on the Financial System, amended by Royal Decree No.10/NS/94, dated December 31, 1994, promulgating the law for year 1995 Financial Management and amended by Royal Decree No. NS/RKM/ 1299/15, dated December 25, 1999 and amended by Royal Decree No.NS/RKM/1202/020 dated December 30, 2002, promulgating the Amended Law on Article 26 of the Law on Financial System
- Having seen the Royal Decree No. NS/RKM/0196/18 dated January 24, 1996 on the Establishment of the Ministry of Economy and Finance
- Having seen the Sub-Decree No. 04/ANK/BK,dated January 20, 2000 on the Establishment and Functioning of the Ministry of Economy and Finance
- Having seen the Sub-Decree No. 78/ANK/BK, dated November 18, 2004 on the Fulfillment and Restructuring the departments of the Ministry of Economy and Finance
- Having seen the Sub-Decree No. 36/ANK/BK, dated June 14, 2000 on the Management of Public Investment Program
- Having seen the Sub-Decree No. 60/ANK/BK, dated, July 31, 1995 on the Management of Public Procurement
- Having seen the Prakas No. 319/MEF/P/PR dated August 31, 1995 of the Ministry of Economy and Finance, on the Implementation of the Rule and Regulation on the Management of Public Procurement
- Having seen the Prakas No. 132/MEF/EF/PR dated April 18, 1997 of the Ministry of Economy and Finance on expenditure in chapter 50, article 02," the Royal Government's Contribution to foreign direct investment (counterpart funds)"
- Pursuant to the necessity of the ministry and the agreement with the World Bank and the Asian Development Bank

## DECIDES

**Article 1:** To promulgate the Standard Procedures for implementing the assisted projects, that are financed by the World Bank and Asian Development Bank as attached to this Prakas.

**Article 2:** These procedures shall also be implemented for the other externally financed projects if agreed by other donors.

**Article 3:** General Secretariat, Cabinet, all relevant Department of the Ministry of Economy and Finance and all relevant Executing Agencies shall comply with this Prakas effective from the date of signature herein. 

Sr. Minister, Minister of Economy and Finance

*Signature and Seal*

**Keat Chhon**

Recipients:

- Office of the Council of Ministers;
- Council for Development of Cambodia;
- All related line ministries and institutions  
"for implementation";
- Archives



## FOREWORD

The Kingdom of Cambodia's Official Development Assistance (ODA) from various donor sources has increased substantially between the period 1992 and 2004. This increase in development resources, entrusted to the Royal Government of Cambodia (RGC) for the improvement of physical infrastructure, and social and human development, necessitates the RGC to streamline its operating policies and procedures based on currently accepted international best practices, so as to maximize its use of these resources.

In response to this need, the Ministry of Economy and Finance (MEF), has developed this Manual of Standard Operating Procedures (SOPs). The purpose of this Manual is to improve the efficiency and effectiveness of the management and administration of the RGC's portfolio of externally assisted projects and programs. Initially, this Manual will be used for projects financed by the Asian Development (ADB) and the World Bank (WB) but eventually it is planned to expand these SOPs to cover projects and programs financed by other donors as well.

The overarching principle in the development of these SOPs is that line Ministries and specialized agencies must take full responsibility for the activities mandated to them. The role of the MEF and other central agencies is to endeavor to maintain adequate checks and balances towards implementing development projects and programs in the most effective and efficient manner. The MEF and other central agencies achieve this through providing guidance and support, and they also play a mentoring and coordinating role in the identification, formulation, implementation, and successful completion of development projects in the Kingdom of Cambodia.

The streamlining of policies and procedures is also in line with the RGC's 2004 joint Declaration with its eleven major Development Partners on Harmonization and Alignment with regards to their willingness to create an effective development partnership based on mutual commitment, trust, respect and confidence. It is also in line with the RGC's recently announced "Rectangular Strategy", which aims to strengthen good governance, improve accountability and transparency, and build the capacity of public institutions. Improving policies and procedures is also directly linked to the Kingdom of Cambodia's commitment to the Development Assistance Committee (DAC) of the OECD, to improve the effectiveness and utilization of aid provided to the RGC.

It is appreciated that over time, considerable training will need to be provided to staff of line ministries and autonomous agencies, to enable them to effectively utilize these SOPs. The RGC is committed to providing such training through donor support. It is also the intention of the MEF to review the implementation of these SOPs after they have been in use for a period of time, and it is acknowledged that at that time, it may be necessary to modify these policies and procedures, based on feedback provided from actual experiences on the ground.

I sincerely hope that the staff of both line Ministries and autonomous agencies will find these SOPs of assistance in more effectively and efficiently planning, developing, and implementing, development projects and programs financed by the ADB, and the WB. On the part of our development partners, I also hope that they will be able to use this Manual to streamline their Aide Memoires and Memorandums of Understanding (MOUs), by making references to the provisions of these SOPs.

Finally, I wish to sincerely thank the World Bank for providing the funding required to enable the preparation of these SOPs, and the Asian Development Bank for financing the initial work on this activity and for agreeing to provide the funding required to train government officials on the use of these SOPs.



**KEAT CHHON**

Sr. Minister,  
Minister of Economy and Finance

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## STANDARDS OPERATING PROCEDURES

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### ABBREVIATIONS

|      |                                                   |
|------|---------------------------------------------------|
| ADB  | Asian Development Bank                            |
| BEC  | Bidding Evaluation Committee                      |
| CAS  | Country Assistance Strategy (of WB)               |
| CDC  | Council for the Development of Cambodia           |
| CPAR | Country Procurement Assessment Report             |
| CSC  | Consultants Selection Committee                   |
| CSP  | Country Strategy and Program (of ADB)             |
| DA   | Donor Agency                                      |
| DIC  | Department of Investment and Cooperation (of MEF) |
| EA   | Executing Agency                                  |
| ICB  | International Competitive Bidding                 |
| MEF  | Ministry of Economy and Finance                   |
| MIS  | Management Information System                     |
| MOE  | Ministry of Environment                           |
| MOP  | Ministry of Planning                              |
| NAA  | National Audit Authority                          |
| NCB  | National Competitive Bidding                      |
| PC   | Procurement Committee                             |
| PAM  | Project Administration Manual                     |
| PIP  | Public Investment Program                         |
| PMU  | Project Management Unit                           |
| SOPs | Standard Operating Procedures                     |
| SSC  | Staff Selection Committee                         |
| SWAP | Sector Wide Approach                              |
| TA   | Technical Assistance                              |
| TOR  | Terms of Reference                                |
| UNDP | United Nations Development Programme              |
| WB   | World Bank                                        |

# STANDARD OPERATING PROCEDURES

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## I. Introduction

### A. The Manual

1. This *Manual on Standard Operating Procedures* (SOPs) contains guidelines to facilitate day-to-day management and administration of Cambodia's portfolio of externally assisted projects, consisting of credits/loans<sup>1</sup> and technical assistance (TA) grants under the purview of the Ministry of Economy and Finance (hereinafter referred to as MEF<sup>2</sup>). This can also be used as a reference by donor agencies (DAs), such as the World Bank (WB) and the Asian Development Bank (ADB), in formulating their Aide Memoires and Memorandum of Understanding. It should be noted at the outset that the SOPs, as currently articulated, cover the best practice.

### B. Users of the Manual

2. The *Manual* is intended for all officers and staff of MEF, line ministries, and specialized agencies as well as autonomous agencies implementing externally assisted projects that comes under the purview of MEF. The SOPs complement those special provisions of the Royal Government of Cambodia (hereinafter referred to as the Government) on the use of external resources.

### C. Guiding Principles

3. The overriding principle in developing these SOPs is that the line ministries and specialized agencies must take full responsibility for the activities mandated by law under the Royal Decrees and Sub-Decrees that created them. They should be accountable and responsible for their actions in discharging their functions.

4. The role of Ministry of Economy and Finance (MEF), Ministry of Planning (MOP) and Council for the Development of Cambodia (CDC) is to provide guidance and support and play a mentor and facilitator's role in the identification, formulation, implementation and completion of development projects in Cambodia.

### D. Purpose of SOPs

5. The main purpose of the SOPs is to improve the efficiency and effectiveness in Cambodia's management and administration of its portfolio of externally assisted projects, under the purview of the MEF, by clarifying institutional roles, responsibilities, and accountabilities, as well as streamlining related procedures and interactions between and among the institutions and officers/staff involved. The SOP aims to clarify and

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<sup>1</sup> In this *Manual*, credits and loans are used interchangeably.

<sup>2</sup> Initially this SOPs will be used only for World Bank, ADB, IFAD and OPEC funded projects and programs.

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streamline those Government and DA procedures where there are presently overlaps and inefficiencies so that operations are implemented more efficiently.

6. Improving aid portfolio management is intended to:
- optimize the social and economic benefits to be derived from external aid;
  - expand the levels of external assistance available to Cambodia to accelerate the development process; and
  - support the move from donor-led development towards development led by Cambodia and its people.

### **E. Limitations**

7. This *Manual* covers only part of the portfolio management cycle. Areas relating to development planning, program and project identification, and program and project preparation are not yet fully covered. This SOP also does not cover the activities of decentralized projects. These will be gradually expanded in subsequent revisions of the *Manual* as relevant SOPs are developed.

### **F. Areas for Improvement**

8. This being the first issue of the *Manual*, the guidelines and procedures contained herein are intended to evolve and improve over time as practical experiences are gained and lessons are learned through the implementation of projects. Users of the SOPs are therefore encouraged to identify areas needing revisions and to suggest improvements where needed. This set of SOPs could be reviewed after it has been in use for a period of 12 to 18 months and revised as deemed appropriate. These SOPs are being issued under a Prakas of the Minister of the Ministry of Economy and Finance.



### II. Project Roles and Responsibilities

#### A. Introduction

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

#### B. Agencies Involved in Development Projects

10. The key players in the identification, formulation, management and administration of Cambodia's portfolio of externally assisted projects are the (i) Council for the Development of Cambodia (CDC); (ii) Ministry of Planning (MOP); (iii) MEF; (iv) National Audit Authority (NAA); (v) line ministries and other agencies (executing agencies-EA); (vi) project management units (PMUs) if they exist; (vi) donor agencies (DAs) and (vii) Non Government Organizations (NGOs). These various agencies derive their respective authority for their role from Royal Decrees, Sub-Decrees, and Prakas, and the DAs from their respective charters. Appendix B provides the detailed roles and responsibilities of the key players in the development process.

11. The WB and ADB develop a Country Assistance Strategy (CAS) and a Country Strategy and Program (CSP), respectively. These documents are developed every 3 to 5 years. In the case of ADB, the CSP is updated annually and this document is called the Country Strategy and Program Update (CSPU). Both these documents include an in-depth study of the economic situation in Cambodia and the development needs and priorities of the country. Based on this analysis and the respective DAs own internal strategies and policies, they develop a 3-year rolling program of assistance for Cambodia. The CAS and CSP are discussed at a donor consultative group meeting, normally held once a year.

#### C. Inter-Agency Coordination

12. All agencies involved in externally assisted projects are required to develop professional relationships that foster close cooperation and teamwork. To this end, it is important that these agencies maintain frank and free channels of communication, and share information in a direct and unrestrained manner. All records, files and reports maintained and prepared by each agency must be available if and when required by other agencies. Further, all agencies must strive towards consolidating their views and present a consolidated national view on issues and solutions proposed to DAs.

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

### III. Project Identification

#### A. Introduction

13a. Users of this *Manual* should also refer to “Identification and Formulation of Development Cooperation Activities”, prepared by UNDP for the Sub-Group on National Development Guidelines on Development Cooperation, Government-Donor Partnership Working Group, Cambodia, second draft dated June 22, 2004. Activities described in this document are applicable to WB- and ADB-financed projects.

14. Once a project is identified by agreement between the Government and the donor agencies (DAs), it is processed and implemented. A project is normally identified during periodic consultations with the country. This is usually preceded by a study of the country’s economic situation and its plans and priorities during a country-programming mission conducted by DAs.

#### B. Development of Public Investment Program (PIP)

15. Sub-Decree No. 36/ANK/BK on management of the PIP stipulates the following procedures for all development projects, including externally assisted projects:

- a. Each year in June, the MEF and the Ministry of Planning (MOP) requests the line ministries and other Government institutions to prepare its PIP based on the outcome of the project performance of the previous year.
- b. The line ministry/institution prepares its PIP in compliance with the terms and conditions set forth in the annual inter-ministerial circular between the MEF and MOP in consultation with the Council for the Development of Cambodia (CDC). The PIP is based on the five-year Socio-Economic Development Plans (SEDP) and the National Poverty Reduction Strategy and the Government’s policies, macro-economic indicators, and agreed upon development goals between the Government and views of the DAs. Longer term master plans developed by some autonomous agencies could also be taken into consideration in the preparation of the PIP. At this stage, the absorptive capacity and ability of the Government to handle development assistance is also taken into account.
- c. In July, the line ministry/institution finalizes its planned projects and submits it to MOP. The MEF, at the same time, sends to MOP the budget package and the evaluation of macro-economic situation of the country.
- d. From August to September, MOP reviews, evaluates and classifies their priority. Based on this, it prepares the PIP and convenes an inter-ministerial meeting to discuss the various ministries’ requirements and to revise and amend the draft PIP. Then it submits the revised PIP to the Council of Ministers for their scheduled review and adoption of the PIP. This activity



## STANDARD OPERATING PROCEDURES

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normally takes place in October. At the same time it submits a copy of the PIP to the MEF for budget planning and incorporating into the draft law on annual financial management.

- e. Following the adoption of the PIP by the Council of Ministers, the CDC then uses the PIP as a basis to appeal and mobilize aid resources, including from bilateral, multilateral and NGOs sources. This activity is carried out through the donor consultative group (CG) meetings to get support for the implementation of the identified project activities covered in the PIP. It is the responsibility of CDC to inform MEF of the outcome of the donor pledges following the CG meeting.
- f. Finally, the National Assembly and Senate adopt the Law on Annual Financial Management, which includes the PIP as a component.

### **C. Administration of Donor Resources for the PIP**

16. Upon the adoption the Financial Law by the National Assembly, the responsibility for operationalization of the resources to fund the PIP rests with MEF. The MEF carries out this function through its Department of Investment and Cooperation (DIC) and its specialized aid portfolio management divisions. MEF works closely with the different line ministries and specialized agencies of the Government and the international DAs and their representatives.

17. Once a DA has been identified by the MEF for a particular loan/credit or TA project requested by a line ministry or a specialized Government agency including autonomous government agencies, the project processing cycle begins (see Appendix A).

### **D. Identifying the Executing Agency (EA)**

18. The MEF is also responsible for identifying a line ministry or autonomous agency to act as the EA for externally assisted projects, taking into account the following factors:

- a. The mandate of the line ministry or special agency to undertake development project in line with the Royal Decree and Sub-Decrees mandating it to carry out its various functions;
- b. Interest and commitment of the EA to effectively carry out the project;
- c. Administrative and managerial skills to effectively manage and administer the project, or at least, the willingness and commitment to develop the required skills; The assessment of the EA's capabilities is done in partnership with the EA staff; and
- d. Ability to mobilize and commit the human resources to support project implementation.

## **STANDARD OPERATING PROCEDURES**

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19. The MEF must confirm in writing the designation of a line ministry or any other organization of Government as the EA, clearly stating that it must adhere to the guidelines and systems and procedures of the Government and the DA. The designated EA, on its part, must confirm in writing its agreement to adhere to the governing principles and related systems and procedures.

### **IV. Project Formulation**

#### **A. Introduction**

20. Formulating any development project is a collaborative process between the line ministry, the selected executing agency (EA), MEF, and the donor agency (DA) concerned. Once a project or technical assistance (TA) has been identified for funding, the relevant agencies involved get together under the tutelage of the MEF to formulate a project or TA development team. The project formulation team will generally comprise of representatives of the EA, MOP, MEF, Ministry of Environment (MOE) and other relevant Ministries and agencies. It is crucial however that the selected EA for the project participates actively and constructively throughout this formulation process as the lead agency.

21. In cases where, in the project formulation team's view, the EA lacks the required capacity and capability, comprehensive capacity building measures should be identified and put into place before project implementation commences (preferably before project appraisal by the DA). Over time, the EA will thus build the capacity it needs to handle its own affairs as mandated by law.

22. Close contact and consultations with all stakeholders in the project formulation stage must also be encouraged at all times in order to generate the project outputs and results envisaged. The project formulation team must work in close consultation with the DA team to carry out the tasks described herein. While carrying out of these tasks is the responsibility of the project formulation team, both WB and ADB have mechanisms under which it may be possible to finance external consultants to help carry out most of these activities. In both cases, the project formulation team should review the consultants' work on all the following aspects and satisfy themselves as to its validity, accuracy and acceptability.

#### **B. Project Formulation Procedures**

23. In formulating projects, the EA's project formulation team must collaborate with the DA team and the MEF throughout the project formulation process to ensure that the DA's and Government's guidelines, systems and procedures, and overall external aid management is considered in the project design (see Figure 1.01 on page 16).

##### **(1) Prepare a preliminary project design by component**

24. This activity entails a preliminary design of all project sub-components in sufficient detail to be able to establish, among others, a cost estimate for the project, financing plan, implementation arrangements, procurement arrangements, consulting services requirements, resettlement plans, environmental plan, gender and social dimension issues.

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### **(i) Project Cost Estimate**

25. The EA and the DA team must prepare a detailed cost estimate for all project components. The costs are divided between foreign exchange and local currency costs. Adequate provision must be made for such items as physical and price contingencies, interest during construction and any other financing charges involved. In some instances, especially in cases where the project will be operational in stages, certain operations and maintenance costs may also need to be incorporated in the project cost estimates. The cost estimates must be prepared in accordance with the guidelines of the DA funding the project. A copy of the cost estimate shall be submitted to the MEF for comment if necessary.

### **(ii) Financing Plan**

26. Once the cost estimates have been finalized and other funding requirements for the project have been determined, then a financing plan for the funding of the various project components and implementation activities need to be finalized. This entails showing the details of all funding sources for the successful completion of the project, including the counterpart contributions from the Government and/or the EAs. The funding sources and Government Counterpart Fund contributions shall be confirmed by the MEF.

### **(iii) Environmental and Social Impact Assessment**

27. Depending on the nature and scope of proposed project investments, the World Bank, Asian Development Bank, International Fund for Agricultural Development, and the Government require that a thorough assessment be carried out during the project preparation stage of the environmental impact of the project. The MOE also requires that all development projects must follow environment guidelines that have been issued by them. The environmental impact assessment process typically leads to the formulation of an environmental management plan, which is implemented during the project operational stage. In addition, these agencies may require preparation of resettlement action plans and other development assistance plans addressing the special needs of indigenous people or vulnerable social groups and gender issues amongst others. Often such plans are formulated on the basis of a social impact assessment of the project. Environmental, resettlement, gender and social plans are developed through a consultative process involving affected people. The EA and the DA team must carry out these assessments, in compliance with the respective guidelines of the DA and the Government.

### **(iv) Economic and Financial Analysis of the Project Components**

28. The DA funding the project requires that a thorough economic and financial analysis of the project be carried out to determine the economic or, if appropriate, the financial viability of the project as a whole as well as individual project components. This is done using the appropriate guidelines of the funding DA.

## STANDARD OPERATING PROCEDURES

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### **(v) Project Risks and Mitigation Measures**

29. All DAs require that all risks associated with the successful implementation and subsequent sustainability of the project be clearly identified during the project formulation stage and appropriate measures put in place to minimize them.

### **(2) Develop an Operations and Maintenance (O&M) Plan**

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

### **(3) Prepare Arrangements for Project Implementation**

31. The use of dedicated PMUs is currently under discussion among the Government and major DAs, including WB and ADB. It is acknowledged by all parties that a PMU structure increases transactions costs and can significantly compromise capacity building within EAs, as well as the effectiveness of development programs. In accordance with the principle of a Sector Wide Approach (SWAP) in the Rome Declaration of February 25<sup>th</sup> 2003, the Government is committed to the integration of project implementation and monitoring functions into existing government structures. Therefore the recourse to a PMU to implement a project must be avoided. This *Manual* will require updating to reflect adoption of this policy in due course and, meanwhile, refers hereinafter to the EA when discussing project implementation.

### **(4) Identify Civil Works and Procurement Requirements**

32. The project formulation team, together with the DA team, identifies an indicative list of all project civil works contracts requirements, and goods and services requirements, including all consulting services requirements both for international consultants and domestic consultants. The procurement arrangements and scheduling for all these requirements are also agreed upon during this project preparation stage. Indicative packages for contracts for domestic and international bidding are agreed to and arrangements for the procurement of goods and equipment as well as the engagement of domestic and international consultants required for the project design, supervision and capacity building. The procurement arrangements and scheduling must be detailed in a Procurement Plan produced before any procurement activities commence, updated annually (or more frequently if circumstances require) and approved by the DA on each occasion. It is essential to understand that all procurement and recruitment of consulting services must be done strictly in accordance with the relevant guidelines of the funding



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DAs. Where no specific guidelines of the funding DAs exist, then the rules and procedures of the Government apply.

### **(5) Financial Management Arrangements, Disbursement and Income/Expenditure Forecasts**

33. The project formulation team, together with the DA team, agrees on the financial management arrangements for the project. These include the arrangements for maintaining accounting records, reporting thereon and other fiduciary arrangements. It also prepares a draft disbursement schedule based on a detailed project implementation schedule, which is based on an analysis of the time taken to implement similar activities on other projects. At this stage, the percentages of financing between the DA and other sources needed to fund the project implementation activities are also agreed upon and clearly understood by all parties.

34. If relevant and applicable to a particular type of project (such as revenue generating projects), an income and expenditure forecast is prepared by the EA, in collaboration with the DA team, covering an extended period, normally 5 to 10 years from the date of project completion. In case the DA team or the consultants prepared the forecasts, they must explain these in detail to the EA and the MEF, as the EA and MEF will have to take ownership and accountability for such forecasts.

### **(6) Agree on Reporting Requirements**

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

### **(7) Agree on Monitoring and Evaluation Systems**

36. At project formulation stage, the methods of monitoring project progress and benefits are agreed between the DA and the EA. This is to ensure that the development impact as envisaged during project formulation is regularly monitored to ensure its accomplishment. Specific monitoring arrangements for social and environmental impacts are described in the applicable Environmental, Resettlement or other Social Action Plans. It is important that base line data is obtained as early as possible during project preparation and all such data should be gathered prior to the start of the project.

### **(8) Agree on External Auditing Arrangements**

37. The DA should come to an agreement with the EA and the MEF, on the format, content and timing of the audit reports and overall terms of reference for the auditor. At this stage, the method of selection of external auditors should also be discussed and agreed upon. The newly established National Audit Authority (NAA), which has the legal mandate to audit all Government accounts, should be consulted. The responsibility

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for the appointment of external auditors currently rests with the MEF, but given the recent establishment of the NAA, the appointment should be made in close consultation with the NAA. This will be in accordance with Sub-Decree No. 36 on the management of PIP.

38. Given the capacity constraints within NAA, nearly all externally assisted projects in Cambodia are currently being audited by independent private auditors and it is most likely that this arrangement will continue for some time yet. The cost estimates for the project should include the cost of carrying out the required audits. The development partners could fund this cost out of the loan proceeds. The costs for external audits will be borne by the MEF for all non revenue generating projects, and for revenue generating projects such costs will be borne by them.

### **(9) Agree on Advance Procurement Action and Retroactive Financing**

39. Advance action is necessary to speed up project implementation activities. It reduces the time it takes to activate the projects once they become effective. Advance procurement action must be taken for all key contracts for goods, works and consulting services that are planned for award during the first year of project implementation. These may include, for example: (i) procurement of vehicles, computers, plant, machinery and other equipment needed for the project; (ii) pre-qualification of contractors and suppliers where required; and (iii) civil works to be undertaken under the project. In most cases, good practice dictates that all advance procurement actions be taken (i.e., all bid actions completed except for the actual award of contracts) so that contracts could be awarded promptly once the project is approved.

40. To qualify for retroactive financing under loan projects, advance procurement actions must be carried out in strict conformity with the DA's procurement guidelines and systems and procedures, which include (i) preparing detailed procurement lists and schedules; (ii) outlining actions and decisions to be taken in implementing advance procurement actions; (iii) defining the process of financing and the sourcing of required financial resources; and (iv) defining specific responsibilities of agencies and officers concerned. The DAs will normally allow retroactive financing up to a certain percentage limit and within a defined period, both as subsequently specified in their loan or credit agreements<sup>3</sup>. If retroactive financing provision has been agreed to, then the source of bridging finance should be clearly identified and reflected in the Aide Memoire or the MOU. In the event that the proposed loan or credit is not subsequently approved by the DA, the responsibility for incurring any advanced expenditure remains with the Government.

### **(10) Agree on Advance Consultant Recruitment Action**

41. At project formulation stage, the EA must assess the need for external assistance, such as consultants, to fill the gaps that are not available within the EA (see Appendix D).

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<sup>3</sup> Normally covers agreed upon expenditures from date of appraisal to date of loan effectiveness

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Packaging and scheduling of consulting services must also be carried out. Given the slow recruitment process being experienced in Cambodia, as articulated in both WB and ADB annual portfolio review MOUs, it is recommended that advance action for consultants' recruitment be taken for all projects. This is also in accordance with Project Readiness Filter Requirements of Cambodia (see item 12 below). These actions would typically include all the steps preceding the issuance of the invitation to the short-listed consultants. In the case of WB, actions may include all steps up to, but not necessarily including, signing of a contract.

### **(11) Develop a Project Processing Schedule**

42. The project formulation team, together with the DA team, must develop a realistic project-processing schedule for the entire duration of the project. They must also include in the project documentation the methodologies and strategies to ensure the active participation of the EA throughout the project implementation and the medium to long-term sustainability of activities initiated under the project. Although some indicative service standards are provided in the Parallel Procurement Manual (PM) for recruitment of consultants and for procurement, the project formulation team should develop practical and realistic service standards for each project taking into account its own assessment of the situation and the characteristics of the particular Project.

### **(12) Review Project Readiness Filters**

43. The WB and the ADB have jointly agreed with the Government on a set of Project Readiness Filters. This should be reviewed by the Project formulation team to ensure that, to the extent relevant, all requirements have been met. These include the following:

- a. That counterpart funds for the first year of project implementation is agreed with the Government and incorporated into the Government's work plan;
- b. That all land acquisition and resettlement plans are ready;
- c. That key project implementation staff have been designated;
- d. That monitoring and evaluation indicators are in place;
- e. That the Project management systems are in place and project staff trained;
- f. That requests for proposals and bid documents are ready for the first year requirements;
- g. That social, environmental and gender assessments are completed and
- h. That the required financial management systems and controls are in place and the project staff are trained in the application of the FMM.

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### **(13) Document Agreements in Aide Memoire (AM) or Memorandum of Understanding (MOU)**

44. At the conclusion of the project formulation phase, all the project formulation activities described above will be clearly articulated in an AM/MOU to be prepared by the DA team funding the project. The DA team distributes the draft of this document to all concerned agencies at least three working days before it is scheduled for discussion at a wrap up meeting.

45. A wrap up meeting is organized by MEF and chaired by an MEF senior official. Representatives of all concerned agencies are invited to attend. As a matter of donor harmonization and coordination and to avoid duplication of donor efforts, other DAs involved in the sector should also be invited to attend this meeting.

46. Following discussions at the wrap up meeting, the contents of the AM/MOU are finalized by the DA team. In the case of an MOU it is signed by representatives of the EA, MEF and the DA. In the case of the AM, it is signed only by the DA representative. This final document then becomes the basis for the production of the DAs internal documentation requirements for approval of the project by the DAs management and its board of directors. These documents include the project appraisal document, the draft loan or credit agreement as well as project and subsidiary Loan agreements as necessary, and the project administration manual (also called project implementation plan).

### **C. Loan/Credit Negotiations Stage**

47. After the formulation stage of the project cycle is completed and all outstanding matters discussed in the AM/MOU have been agreed to and after its own internal processes have been completed, the DA invites a negotiating team from the Government to negotiate the terms and conditions of the loan or credit agreement. The loan negotiation takes place either at the headquarters of the DA or through a video conference or in Cambodia. The Minister of Economy and Finance or his delegated representative is responsible for selecting the negotiating team. The MEF delegate will normally be the team leader of the negotiating team. However, the Minister responsible for the MEF may appoint another member of the team to lead the delegation. Other representatives of the negotiating team will consist of a senior official of the concerned line ministry, the project manager, and a legal expert.

### **D. Establishing a Project Implementation Team**

48. The EA must ensure that members of its team designated to implement the project are available to provide input immediately after the loan/credit is approved by the DA.

#### **(1) Size and Scope**

49. The size and scope of the resources of the EA implementation team must reflect the nature and the specific needs and requirements identified as necessary to effectively

## STANDARD OPERATING PROCEDURES

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implement the project. These arrangements could vary, ranging from individuals in different departments and divisions of the EA to a dedicated section of an office, complemented by technical assistance if deemed necessary, support services, and infrastructure, including required equipment and facilities. Typical responsibilities to be allocated within the team could include the project director, project manager, administrative officer, chief financial officer, technical officer, procurement officer. Appendix B presents the roles and responsibilities of these posts. Generally, a project director should manage only one loan project unless it is determined by EA and MEF management jointly that there are definite benefits to the projects and the EA for a Project Director to manage more than one project. However, a Project Director is allowed to manage more than one TA project. The appointment and removal of Project Directors and Project Managers should be undertaken in close consultation with the DA and the MEF.

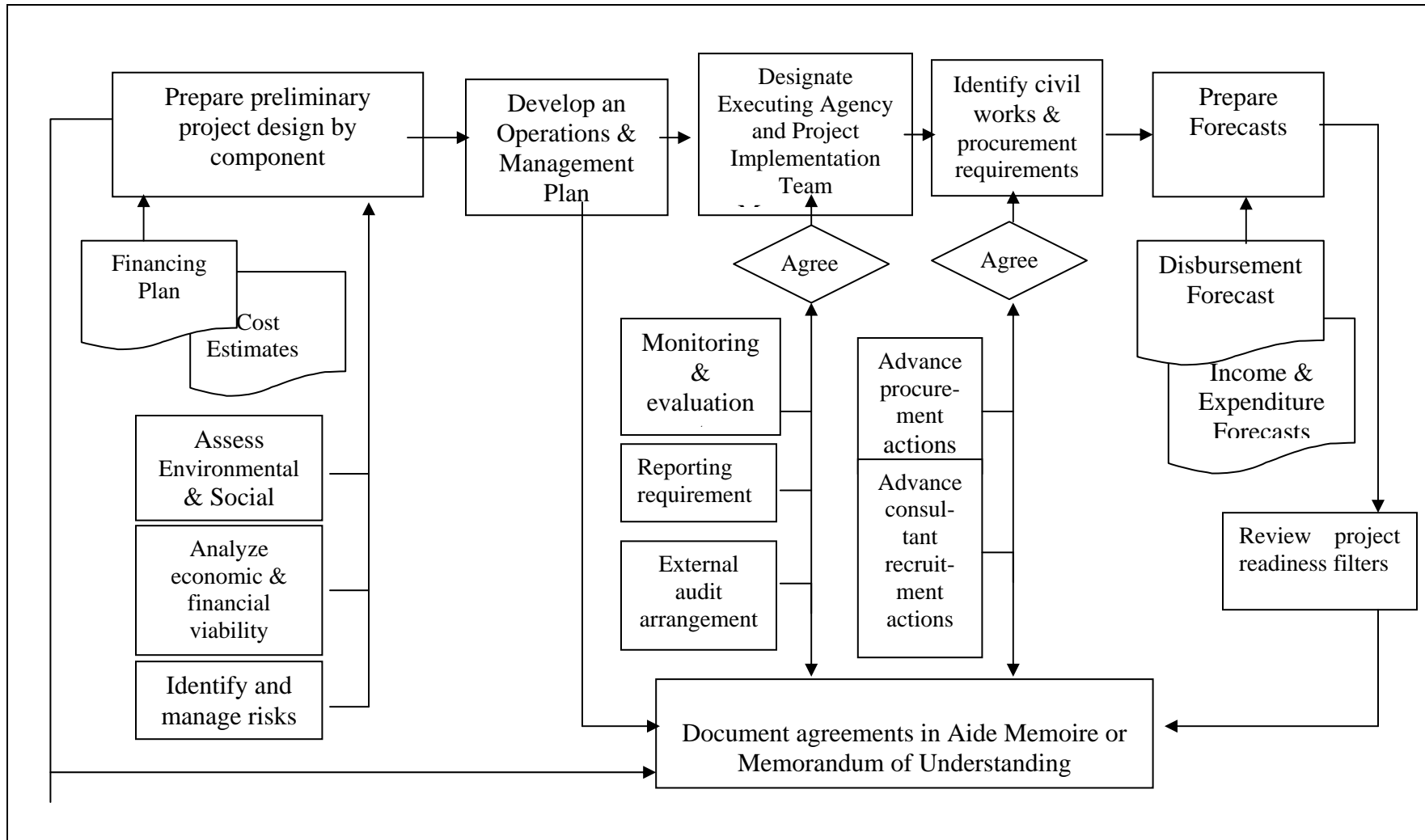
### **(2) Staff Qualifications**

50. Irrespective of the size and complexity of the project to be undertaken, there is a need for staff with the right professional qualifications and skills, who would be responsible for implementing project activities on a day-to-day basis. The allocation of all project staff must be based on merit and their existing functional roles in the EA. In the event that having relatives in the project implementation team is unavoidable, it should be ensured that there is no conflict of interest amongst them in their respective assignments. Appendix E presents some guidelines on allocation of project staff.



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**Figure 1.01: Project Formulation Process**



### V. Project Implementation

#### A. Introduction

51. After negotiations with the Government, the DA processes the loan/credit proposal and submits it to its management and board of directors for approval. Once approved, the DA, the Government and the EA sign the loan/credit, project, and Subsidiary Loan agreements. In the case of autonomous agencies the Project and the Loan Agreements are signed by the representative of that agency as authorized by the Sub- Decree creating the autonomous agency. The loan/credit takes effect once certain conditions are met. Then the project implementation stage commences. The project is implemented by the EA according to the agreed schedule and procedures. Projects vary tremendously in their scope but some or all of the following activities form part of the project: (i) project consultants are recruited, (ii) the detailed engineering design and bidding documents are prepared, (iii) machinery and equipment are procured, and (iv) civil works are constructed and installed.

52. The EA is responsible for ensuring that (i) the project is managed and administrated by designated officers and staff of the EA; (ii) the project performance is monitored throughout implementation up to completion; and (iii) required project reports are generated and submitted to the concerned parties. In cases where PMUs have been set up to implement Projects, it is necessary to delegate sufficient powers to the PMU to ensure that it is able to operate its affairs with the minimum of disruption and interference. The PMUs should have the authority to approve all documents pertaining to the project. In the interest of good communication however, and to keep the other Departments within the Ministry fully informed of the PMU activities, it should be required to copy documents to relevant Departments within the EA.

#### B. Basis for Project Implementation

53. The basis for project implementation is the project administration manual (PAM), or sometimes referred to as project implementation plan (see Appendix F). In case of ADB projects, the PAM is prepared primarily by the ADB team, in close consultation with the EA or IA and agreed during project formulation. For WB projects, the PAM or project implementation manual (PIM) as it is called, is prepared primarily by the EA. This management tool is designed to assist the EA in becoming pro-active in implementing projects. The PAM must be completed prior to initiating the project negotiations.

#### C. Project Implementation Team

54. The EA, through its project implementation team, is in charge of the day-to-day implementation, following the guidelines and systems and procedures of the funding DA and the Government. It should be noted, however, that if there is a conflict between the DA and the Government guidelines on any particular issue, then the DA's guidelines prevail. Consultants, other Government agencies, and DA representatives support the

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project implementation team. Subject to each member of the project implementation team performing at a satisfactory level, the EA must ensure that the project implementation team remains intact, as far as possible, during the whole period of project implementation.

55. The necessary authority from all Government agencies, including the MEF, shall be delegated to the project implementation team to enable them to effectively carry out their duties and responsibilities (see Appendix B). This includes the authority to spend money, procure consumable and durable goods and services, and manage and administer the overall project implementation. The EA must ensure that the project implementation team is held accountable for carrying out its delegated authority in a manner consistent with the guidelines and systems and procedures of the DA and the Government. The EA must ensure that activities are planned and implemented to ascertain projects are used as opportunities for learning and capacity building. It is emphasized that authority must be delegated to the project director and staff rather than just to the line ministry. It is for this essential reason that the project implementation team must comprise capable and efficient staff selected for their respective positions purely on merit and under no other consideration. Political appointments shall not be made for donor-assisted projects to avoid interruptions to project activities should there be a change in Government. Appendix B presents the guidelines for designating and managing project staff.

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

### **D. Performance Management**

57. Performance management is at the core of sound aid portfolio management. Through monitoring and evaluation, useful information needed to effectively manage programs and projects are generated. Monitoring and evaluation is integrated into all aspects of aid portfolio management, including project benefits monitoring and evaluation, project performance monitoring, financial monitoring and evaluation, management information system, and operational performance monitoring.

58. It is the responsibility of the EA to ensure that all performance management requirements agreed to with the DA at the project formulation stage is strictly followed. If during the project implementation phase it becomes necessary for any reason to change any of the monitoring indicators, then this should be discussed and agreed to with the DA through their regular project supervision missions. The DA project supervision team must record any agreed changes in the project supervision missions' Aide Memoire, so that the

## STANDARD OPERATING PROCEDURES

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MEF, other DAs and the funding DA's management are made aware of the changes that have been agreed to and the reasons for making such changes.

### **(1) Benefit Monitoring and Evaluation**

59. Project benefit monitoring and evaluation ensures that actual impact or lack of impact from development activities is monitored and recognized. It allows management to take pro-active decisions if expectations are not met or if the assumptions underlying projects are no longer valid.

60. The EA is responsible for measuring, monitoring and evaluating the progress in delivering development impact against established performance targets and goals that were already agreed to at the project formulation stage. In carrying out this responsibility, the EA must:

- a. Before the start of project implementation, establish, and agree with the DA, benchmark indicators to measure project impact;
- b. From the start of the project, put in place a system of record keeping that captures in a logical, sequential manner all relevant data and information related to the project.
- c. At regular time intervals during project implementation, conduct targeted surveys and other means of verification to measure progress against the established benchmark;
- d. Assess and evaluate the findings, and report to the MEF and DA; and
- e. Take timely and appropriate management decisions if and when performance indicators suggest that alternative actions are warranted.

### **(2) Project Performance Monitoring**

61. Project performance monitoring ensures that project implementation plans remain current and reflect an objective, measurable, and verifiable view of the state of activities.

62. The EA is responsible for measuring and reporting on physical progress against established targets and schedules. It must:

- a. Establish and maintain detailed PAM to serve as framework for project implementation (see Appendix E).
- b. Regularly review and update PAM, including comparison of actual accomplishments against planned targets.

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The scope and extent of reviews and updating has to be in line with project activities and the overall duration of the project, such as (i) for loan projects of five to six years duration, the PAM must be updated twice a year; and (ii) for shorter projects and TA grants, bi-monthly or quarterly updating of the PAM may be appropriate.

- c. Regularly report on project performance, identifying any area of concern and recommending remedial measures, to take timely management actions to mitigate problems and ensure the project stays on track within estimated time and budget. Environmental management plans, resettlement action plans and other social action plans have specific requirements for monitoring and reporting. These requirements and the institutional responsibilities for implementation are included in the project's administrative manual.

63. Users of this *Manual* should also refer to “Guidelines for Monitoring, Reporting and Reviews of Development Cooperation Activities”, prepared by UNDP for the Sub-Group on National Development Guidelines on Development Cooperation, Government-Donor Partnership Working Group, Cambodia, second draft dated June 22, 2004. This document presents guidelines for monitoring at the national program and individual project levels.

### **(3) Financial Monitoring and Evaluation**

64. The EA is responsible for financial management, monitoring and evaluation in accordance with the guidelines, systems and procedures outlined in the *Financial Management Manual*.

### **(4) Management Information System**

65. MEF is responsible for establishing and maintaining a management information system (MIS) for monitoring and evaluating projects in its portfolio of externally assisted projects, based on information it collects from EAs and their project implementation teams. As agreed with the EA, MEF through the operational divisions of the Department of Investment and Cooperation (DIC) is responsible for collecting and summarizing relevant information for the MIS at regular intervals. In carrying out this responsibility, MEF shall:

- a. Establish and maintain an MIS, which must include performance-based management information on: (i) project implementation; (ii) ongoing contracts performances; (iii) summary of financial performances, including projected and actual contracts awards and disbursements; (iv) utilization of financial resources; and (v) schedule of issues and recommendations, for management review, needing resolution; and



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- b. Analyze and summarize information and publicize clear and concise information for use by the highest level of officials in the Government.

### **(5) Operational Performance Monitoring**

66. Operational performance monitoring strengthens the administrative performance of programs and projects. Basic performance indicators are intended to foster accountability and responsibility for getting the work done to provide documentation for work completed and to identify bottlenecks that may arise.

67. The EA is responsible for monitoring operational performance, and as such, it must establish and maintain:

- a. Service standards for key activities of the project against which the operational performance of the specific activities can be measured. These would include standards for the monitoring and evaluation of routine activities, including processing of payments, approvals, contracts management and response time on routine and non-routine mail. (Please refer to the Procurement Manual for indicative service standards for recruitment of consultants and procurements, respectively).
- b. Monitoring and evaluation systems and procedures to measure performance against established standards;
- c. A system for feedback on the performances achieved to the operational and higher levels of management within the agency, for information and for any appropriate management actions; and
- d. Providing basic key operational performance information to the MEF.

68. All service standards that have been developed should be incorporated in the PAM. These should be revised as necessary to reflect changed circumstances. The methodology and assumptions used for developing standards should be clearly stated in the PAM.

### **E. Financial Management**

69. The responsibility for the proper financial management and accounting for the financial resources used by projects rests with the EA of each project under the overall guidance of the MEF. Refer to Appendix H for the roles and responsibilities of the different agencies involved in financial management.

70. The EA must maintain proper accounts and records of all transactions related to the implementation and administration of projects. The EA must likewise manage the financial resources of projects with due diligence and prudence, consistent with relevant financial management systems and procedures acceptable to the DAs and MEF. To

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ensure that sound financial management practices are followed in the implementation of the project activities, the EA project implementation team should follow the systems and procedures set out in the *Financial Management Manual* that has been agreed to between the Government and the DAs. Any deviation from the use of the Financial Management Manual should be justified and agreed to with the DA and the MEF at the time of project formulation.

71. The maintenance of proper accounts and prudent financial management as well as the compliance with all loan covenants is a contractual obligation under all loans/credits and grants in the MEF's portfolio of externally assisted projects. It is incumbent upon the Government, represented by MEF, to ensure full compliance with accounting and financial management provisions as well as all loan covenants of the loan/credit agreements. Also, the EA and the MEF must ensure that project accounts are audited in accordance with the rules and regulations outlined in the contractual arrangement between the Government and the DAs.

### **(1) Use of Financial Resources**

72. Development resources, whether from domestic or external sources, can only be used for the purpose for which they were granted and in strict compliance with the systems and procedures governing the use of such financial resources as stipulated by the DA guidelines and MEF financial regulations. These resources can only be used after the project becomes effective, unless advance use of project resources is specifically allowed and approved by the funding DA and MEF during project formulation and loan negotiations. Further, these can only be used for procurements from eligible source countries as defined by the funding DA's guidelines.<sup>4</sup>

73. Resources allocated to a particular activity or group of activities within a project can only be used for that specific purpose, unless a reallocation is supported by the MEF and approved by the DA.

### **(2) Establishing Project Accounts**

74. The EA is responsible for ensuring that all bank accounts agreed to during the project formulation stage are established in consultation with MEF for all loan and TA projects.

75. Upon loan/credit effectiveness, the funding DA establishes a loan and credit account in the name of the Government as the borrower. This account is maintained by the DA with sub-accounts for all categories of the project, and is established for the purpose of replenishing domestic project bank accounts and for undertaking direct payments to suppliers on behalf of the project. Imprest/special bank accounts are established by the MEF and EA for receiving and holding loan/credit or grant funds from

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<sup>4</sup> Currently, DA's are harmonizing as many of their procedures as possible related to loans and TA funds. One area where differences may remain is related to eligible countries for procurement, with bilateral DAs sometimes restricting procurement to firms and consultants from their own country.

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the DA. Counterpart fund bank accounts are also established concurrently with project effectiveness with a local bank and the MEF deposits the required counterpart funds on a regular basis. To ensure that the project implementation activities can proceed without interruption, the EA will estimate three months expenditures to be funded through counterpart funds and submit this to the MEF. The MEF will ensure that the required amount is deposited into the designated bank account without delay.

76. All transactions on the loan/credit account are managed and administrated by the authorized EA personnel. Only authorized persons in the EA or the MEF are delegated the powers and authority to effect disbursements from the loan/credit or grant accounts held by donor agencies.

77. The EA should follow the specific procedures outlined in the *Financial Management Manual* for establishing project accounting records for all financial and accounting transactions for the loan/credit or the TA project. It is the EA's responsibility to maintain full, complete and accurate details and records of all financial events, to prepare regular financial management reports for monitoring financial performance and decision making, to prepare summarized financial information for the MEF for the purpose of overall consolidation of all donor activities that is to be reported by the MEF to higher levels of the Government hierarchy and to prepare financial reports for DAs.

78. The responsibility for ensuring the safe keeping of all financial records for the project including all contractual records rests with the EA's project manager. It is imperative that all project-related records are kept for a minimum period of two years after the completion of the project.

### (3) Payments by Donor Agencies

79. The DAs use many modes of payments to contractors, consultants and suppliers. These are described in detail in the respective DAs Disbursement Handbooks. However, aside from the special/imprest account mode of payments, the following are the most frequently used in projects funded by the WB and the ADB.

#### (i) Direct Payment

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

#### (ii) Commitment Letter

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

- e. A letter of credit is issued, then the DA covers this with a special commitment letter;
- f. The letter of credit is issued to the contractor or supplier in accordance with the terms and condition of the contract; and
- g. Payment is made to the contractor or supplier upon presentation of shipping papers and other contractual evidence to the bank issuing the letter of credit.

### **(4) Financial Management Manual**

82. The EA must follow the financial management systems and procedures outlined in the ***Financial Management Manual*** agreed to between the Government and the DAs and any additional monitoring, evaluation and reporting requirements of the DAs. This is to ensure that prudent accounting and financial management standards are being followed in compliance with project agreements.

### **(5) Financial Reporting and Auditing**

83. It is the EA's responsibility to ensure full compliance with the financial reporting requirements that have been agreed to with the funding DA for projects and TAs. It is the responsibility of the MEF to ensure that all EAs comply with the DA reporting requirements. These requirements are normally covenanted in the loan/ credit or TA agreements.

84. The project documentation and ***Financial Management Manual*** outline the obligatory reports that must be prepared by the EA. Other financial reports are prepared on the basis of requests from the project director or project manager. The financial reporting requirements typically include:

- a. Monthly financial reports based on consolidation of accounts at month-end;
- b. Quarterly financial reports based on a consolidation of accounts at end of a quarter;
- c. Annual financial reports based on a consolidation of accounts at the end of the year;

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- d. Annual budgets to support project implementation;
- e. Periodic budgets to support progress reporting, monitoring, and evaluation; and
- f. Periodic budgets to support the replenishment of project bank accounts.

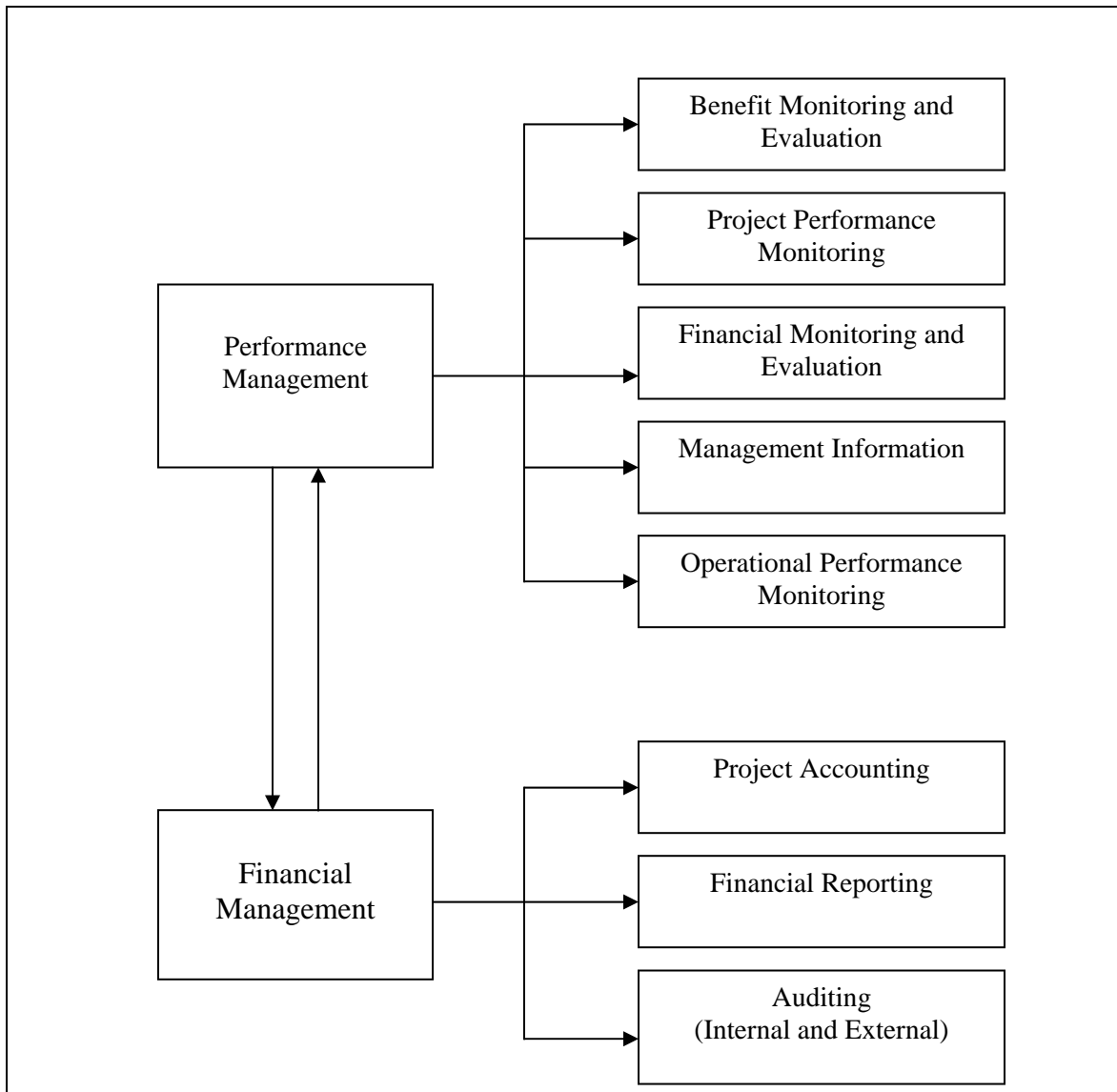
85. A committee comprising the MEF in the lead role together with a representative of the National Audit Authority (NAA) is responsible for appointing independent auditors to audit projects, in accordance with the recently passed Audit Law and the guidelines and systems and procedures of MEF. During the project formulation phase, the audit requirements for the project or TA, its format and content are discussed with the DAs project appraisal team and all requirements are recorded in the AM/MOU and also covenanted in the loan/credit or TA agreement.

### **(6) Internal Audit**

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



**Figure**  
**2.01: Project Implementation Structure**



### **F. Procurement of Goods and Civil Works**

87. The guidance provided under this section of the SOP is of general nature. For detailed directives on how to define the procurement arrangements for projects, please refer to the Procurement Manual which will be issued and updated separately.

88. The Government has the overall responsibility and accountability for all procurement actions. The specific project responsibility for carrying out procurement actions rests with the EA designated to implement specific projects.

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89. The EA to which the project has been delegated for implementation has the responsibility of ensuring that it complies with the Government and the DAs procurement guidelines and systems and procedures. In case of conflict between the DAs and the Government's guidelines, then the DAs guidelines prevail. These guidelines are to ensure that all procurements are carried out in an open and transparent manner to achieve economy and efficiency and to combat fraud and corruption and that equal opportunities are being offered to all eligible suppliers and source countries in the supply of civil works, goods, and services.

90. The involvement of MEF in the procurement process as a member of the various procurement committees and as an oversight agency is defined in the Procurement Manual.

### **(1) Guiding Principles**

91. In general, for the procurement of goods, civil works, and services, the EA must ensure that the procurements are:

- a. Specifically allowed and provided for in the financing plan provided in the project documentation;
- b. Approved by MEF under the annual budget, work plan and schedule of procurements. For that purpose, the EA is obliged to ensure that a detailed procurement plan (with packaging and scheduling)<sup>5</sup> is prepared and approved by both the Government and the DA not later than project appraisal for all projects, in accordance with the DA's guidelines. Subsequently, the procurement plan should be updated and approved at least annually, two months before the start of the fiscal year in which the planned procurement activities will be undertaken; and
- c. Made from eligible source countries as indicated in the general guidelines of the DA and in the project documents (see footnote on page 22).

### **(2) Procurement Committee (PC)**

- a. 92. For contracts above thresholds specified by MEF, a PC must be established in the bid process for national competitive bidding (NCB) and international competitive bidding (ICB).<sup>6</sup> The composition, responsibilities, duties and accountability mechanisms of the PC are

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<sup>5</sup> The procurement schedule must include all procurement of goods, civil works and services. It must not include the procurement of consumables, allowances and incidental expenditures that will be reflected in the appropriate budget line.

<sup>6</sup> The DA is not involved in the bidding process for all contracts. During project preparation, the threshold levels for prior review by the DA are agreed between the Government and the DA.

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detailed in the Procurement Manual, which should be read in conjunction with this *Manual*.

### **(3) Procurement for Technical Assistance (TA) Grants**

92. The EA responsible for implementing a TA grant is responsible for carrying out all procurements not carried out directly by the DA. Items to be procured by the EA must be clearly defined in the documentation prepared to support the TA. The EA must ensure that the DA approves the schedule of procurements and any procurement action. The DA must also approve any amendments or adjustments to the agreed procurement schedule. No procurement actions or procurement initiative for externally assisted projects must be undertaken, unless the procurement is provided for under the TA to be funded by either the DA or the Government, and carried out in accordance with the guidelines and specific procurement guidelines of the DA and MEF.

#### **(i) Inter-Agency Coordination**

93. Implementation of these guidelines necessitates that close coordination and interaction is maintained between the EA, MEF and the DA during all stages of project preparation and implementation. The EA must ensure that all TA activities start and end with a joint meeting and that all parties concerned are aware of the guidelines, systems, and procedures. Refer to Appendix C for ways and means to achieve effective inter-agency collaboration and coordination.

#### **(ii) Procurements by Donor Agencies**

94. Some DAs carry out directly large portions of procurement for the TA grants provided by the DA. These DAs would, in many cases, maintain their rights to procure essential consulting services, equipment and supplies needed to carry out the TA project.

#### **(iii) National Rights and Obligations**

95. There are rights and obligations which must be observed by MEF and the EA under grant projects with regard to procurements of services and goods:

- a. For ADB projects, the responsibility for the selection of consultants lies with ADB. The Government is consulted on the shortlist, as it has the right to comment on it, but it does not have the right to reject it. However, if it had previous adverse experience with any of the short listed firms, it may share this information with ADB for consideration.
- b. For WB projects, the Government is responsible for the recruitment of consultants, with the approval of WB. For consultancy assignments above agreed thresholds, the shortlist is submitted to WB on a no objection basis. Whether or not selected by the DA or the Government,

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the consultants working on TA projects must work under agreements that may have been established between the respective DA and the Government.

- c. For all projects executed by the Government, the EA is responsible for conforming to all procurement procedures stipulated in the legal and/or project agreements. DAs have their own fiduciary responsibilities, including prior and post reviews but are not responsible for ensuring the EA's compliance with agreed procedures.

### **(iv) Technical Assistance Assets Management**

96. The objective of most TA projects is to assist the Government in its development efforts through the provision of expertise. Related to the provision of their expertise are the supply of physical resources such as cars, computers, furniture, tools and equipment and non-physical assets such as reports and knowledge. Such assets must be subject to careful assets management like any other government property. Therefore, the EA is responsible for:

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

### **(4) Disclosure to Civil Society**

97a. A key aspect of transparent public procurement systems is greater disclosure of information to civil society and ways of improving disclosure in Cambodia have been discussed with the Government during review of the CPAR and its Action Plan. General agreement has been reached on disclosing more information to the public on project

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implementation plans, contracting opportunities, bids received and contract awards made. The parallel Procurement Manual provides details of what should be disclosed to the public and how, and it is incumbent upon EAs to ensure that this is done during each and every procurement exercise.

### **(5) Complaints Handling and Remedies**

97b. A recommendation in the CPAR is that the Government should develop effective mechanisms for receiving, investigating and taking remedial action on complaints of irregularities during the procurement process. In the CPAR Action Plan, it is proposed that complaints should be handled by the single agency to be established to overview all public procurement, although this will take some time. Meanwhile, the parallel Procurement Manual describes interim arrangements that should be adopted by every project EA.

### **G. Consulting Services**

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

#### **(1) Recruiting Consultants**

99. The EA is responsible for recruiting consultants and it must ensure that the identification and recruitment of consultants is made on the basis of an open and fair competition based on merit and competency, and in certain cases, price. The short listed consultants must represent the most qualified and experienced firms and/or individuals, from a cross section of the DA's member countries. The recruitment process must follow the guidelines of the funding DA.

100. The WB and the ADB both allow for price to be one of the determining factors in the appointment of consultants. Whenever appropriate, and as agreed with the DA, the EA and its Consultants Selection Committee (CSC) should include price as part of the selection and ranking criteria. The inclusion of the price criteria is contained in the guidelines of the relevant funding DAs and these must be strictly followed.

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101. For those projects where it has been agreed during project preparation that consultants will be employed to assist in project implementation, the EA implementing the project is responsible for:

- a. Selecting and engaging consultants, either individual or firm, and whether domestic or international;
- b. Managing and administering the identification, selection and recruitment processes for the recruitment of consulting services; and
- c. Ensuring that the guidelines, systems, and procedures of the DA are strictly followed in identifying, recruiting and managing consultants.

102. In carrying out its responsibility regarding consultants' selection and recruitment actions, the EA must establish a CSC that should comprise of three to five (3 to 5) members drawn from EA staff implementing the project (the PMU if there is one), MEF for contracts above a specified threshold value and, where feasible, project beneficiaries. The Chairperson for the CSC will be the EA's Project Director. The detailed consultant recruitment procedures are presented in the parallel Procurement Manual.

### **(2) Preparing the Terms of Reference and Contract**

103. The EA, in collaboration with representatives of the DA, is responsible for preparing the consultants' contract, detailed terms of reference (see Appendix D), and work plan for each consultant required by the project.

104. In the consultants contract and work plan, the EA must define counterpart contributions and management responses necessary for efficient and effective implementation of the project, such as (i) support facilities and services to be provided by the EA; (ii) availability of qualified counterparts; (iii) systems and procedures to verify provision of inputs; (iv) counterpart training and capacity building initiatives to be implemented as part of the services; and (v) actions to be taken to ensure that benefits from consulting services are optimized.

### **(3) Managing Consultants**

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

106. In carrying out this responsibility, the EA must:

- a. Monitor the consultant's performance in carrying out the TORs of the contract to ensure that the required outputs are being delivered on time;



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- b. Verify the continued validity of the TORs, and issue any variations required to efficiently and effectively address the needs of the Project Implementation Team or PMU; and
- c. Review the way in which the EA uses, and optimizes the benefits from consulting services, including the transfer of knowledge from the consultant to the EA.

### VI. Project Completion Activities

#### A. Introduction

107. A project is deemed complete when its facilities and components are substantially completed and are ready to operate. Once the project is completed the EA and other relevant Government agencies have certain obligations to fulfil.

#### B. Project Completion Report

108. The EA and other Government agencies concerned are required by the donor agencies (DAs) to complete a project completion report (PCR) within 6 months from the date of project completion, as covenanted in the loan and credit agreement. See Appendix I for suggested topics for PCR to be prepared by the EA.

109. The PCR should cover all aspects of the project. The main purpose of the PCR is to learn lessons from the experiences of the project implementation activities so as to be better prepared for implementing externally assisted projects in the future. The PCR could also be used as a measure of development effectiveness. A PCR generally:

- a. Provides a concise description and assessment of the project from its identification to completion;
- b. Evaluates the adequacy of preparation, design, appraisal, implementation arrangements, and overall performance of the EA project implementation team as well as the DA;
- c. Covers such factors as problems that were experienced during project implementation and how these were resolved;
- d. Provides preliminary evaluation of initial operation and achievement and sustainability of benefits;
- e. Provides preliminary evaluation of the extent of achievement of the project objectives;
- f. Suggests follow-up actions required during project operation; and
- g. Makes recommendations, based on the evaluation and lessons learned, for future project implementation and operation, as well as any improvements in procedures that may be called for.

#### C. Closing Project Accounts

110. The EA is required to close the project accounts and ensure that all outstanding payments to consultants, contractors and other expenses are all settled. In the case of

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contractors, the EA must ensure that it is holding the retention money as provided for in the contract or has a bank guarantee to cover the retention from a reputable bank.

111. The EA will take action to close the various bank accounts that have been operational for the project implementation activities. Prior to closing the accounts, a proper reconciliation of the accounts will be done and the accounting records updated. All advances from the DA must be liquidated and unused funds must be returned. All project bank accounts are closed and the DA advised of the closure. Once all outstanding payments to contractors, consultants and suppliers have been approved and sent to the DA for payment, the EA should write formally to the DA, requesting them to close the loan/credit account.

### **D. Retention Money**

112. Payment of retention money under civil works and supply contracts are usually made at the end of a warranty or commissioning period, or against an acceptance certificate (of the commissioned facility) issued by the buyer. Where payment of retention money is due beyond the loan closing date, and no extension of the date is intended:

- a. The EA may disburse the retention money to the contractor or supplier against an unconditional bank guarantee provided by the contractor or supplier to the EA;
- b. The guarantee is issued by a reputable bank and in accordance with the borrower's financial regulations; and
- c. The agreement of the contractor or supplier to the revised payment arrangements is evidenced by an amendment, variation order, or side letter to the contract.

### **E. Residual Assets**

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

### Appendix A – Project Cycle

114. Once a project is identified by agreement between a Government and the donor agency (DA), it is processed and implemented. The various steps from project identification to completion comprise what is known as the project cycle. The stages in a typical externally funded project are (i) project identification, (ii) project preparation, (iii) project appraisal, (iv) loan/credit negotiation and approval, (v) Loan signing (vi) Loan Effectivity (vii) project implementation, (viii) project completion, and (ix) post-implementation.

#### A. Project Identification

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

#### B. Project Preparation

116. A fact-finding mission of the DA obtains detailed information on all aspects of the proposed project to justify processing to the next stage. At fact-finding stage, one establishes the feasibility of the project. At this stage, the EA's financial management and procurement capability is reviewed and assessed.

#### C. Project Appraisal

117. At this stage, the project soundness and viability is assessed. All aspects of the project proposal and the sector/sub-sector to which it relates are reviewed and analyzed. A more in-depth examination of the existing financial management system is carried out.

#### D. Loan Negotiation and Approval

118. After the project has been found to be suitable for financing, formal loan negotiations take place. When negotiation is successfully completed, the proposal is submitted by the DA to its management and/or its board of directors for approval. Upon approval, the DA and the Government sign a credit/loan and Subsidiary agreements.

#### E. Project Implementation

119. Normally, 90 days is allowed for the credit/loan agreement to become effective. However, the project preparatory works (which include selecting and recruiting consultants, preparing detailed designs, preparing tender documents, inviting bids, evaluating bids, awarding the contract, and procuring equipment) may take some time to accomplish. In most cases, the DA will approve the borrower's request to undertake advance procurement action during the appraisal stage of the project to expedite project implementation. The project financial management system has to be fully operational at the latest, at the time of approval of the project.

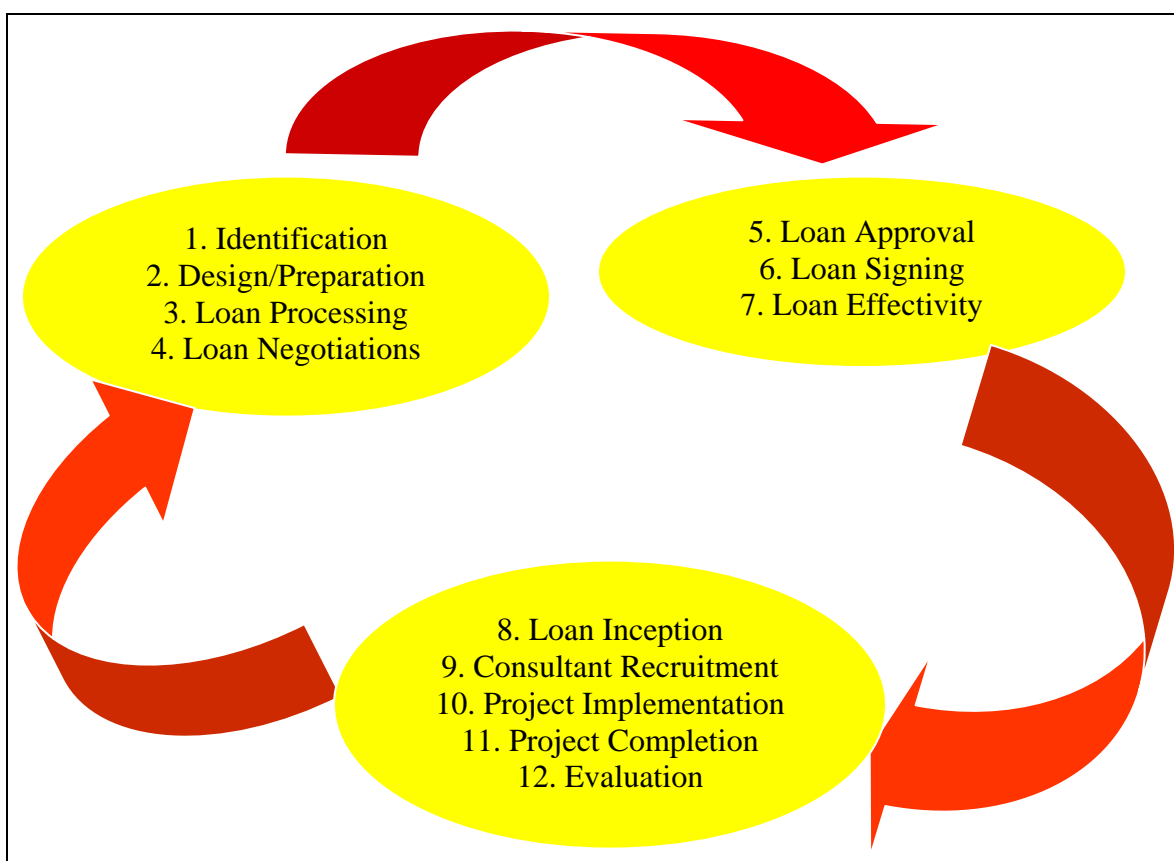
### F. Project Completion

120. A project is deemed complete when its facilities and components are substantially completed and are put into operation. Once the project is completed the EA and other relevant Government agencies have certain obligations to carry out, including closing the project accounts and preparing a project completion report (PCR). Refer to Appendix I for information that may be included in the PCR.

### G. Post Evaluation

121. A post evaluation mission is undertaken by the DA at an appropriate interval after the PCR is prepared. The mission reviews the preparation, design, appraisal, and implementation aspects of the project, the costs and benefits, and the outcome of the project in relation to its initial objectives. The mission also identifies lessons learned from the project. The mission's findings, together with the PCR, form the basis of the project performance audit report.

**Figure A.01: Project Cycle – A Simplified Presentation**



### Appendix B – Project Management Roles and Responsibilities

#### A. The Ministry of Economy and Finance (MEF)

122. MEF plays an important facilitator's role on behalf of the line ministries when entering into contractual arrangements for loan/credit and technical assistance (TA) support from multilateral donor organizations. It plays the following role:

- a. Negotiates, with the participation of the line ministry and/or EA, and signs all loan/credit Subsidiary and TA agreements with Donor Agencies (DAs). In the case of autonomous agencies however, MEF signs the Loan Agreement and the agency signs the Subsidiary Loan Agreement;
- b. Is responsible for amendments to loan/credit agreements, including any subsequent amendments and extension of loan/credit closing dates;
- c. Is accountable to the National Assembly and the Council of Ministers, with regards to all financial aspects of projects and TA activities. It also ensures that the line ministry complies with all financial covenants and other obligations in the loan/credit Subsidiary and TA agreements;
- d. Attends all wrap-up meetings between the project and DA's missions;
- e. Ensures the effective management and administration of credits/loans, and TA grants provided to Cambodia;
- f. Identifies for the DA the EAs for a development project taking into account the mandate of the concerned line ministry who will be the EA for the project as articulated in the Royal Decrees and Sub-Decrees establishing the line ministry;
- g. Delegates appropriate types and levels of authority, responsibility and accountability to the EA to enable it to effectively execute its duties and responsibilities relating to the project as mandated under its Royal Decree or Sub-Decrees;
- h. Monitors project portfolio performance and conducts quarterly portfolio management meetings where the EAs have the opportunity to discuss and resolve issues requiring the attention of the MEF and other officials of the Government;
- i. Participates in procurement activities as provided for in the Procurement Manual;
- j. Assigns the Department of Investment and Cooperation (DIC) to carry out MEF's different roles and responsibilities, through DIC's operational

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divisions assisting the EAs and line ministries in managing the Government's portfolio of externally assisted projects;

- k. Develops and maintains policies, principles and SOPs;
- l. Monitors the performance of each DA's portfolio;
- m. Monitors individual project performance and provides advice and guidance when requested;
- n. Shares and exchanges information with EAs and DAs;
- o. Coordinates procurement and financial management training and provides learning opportunities for Government line ministries and agencies; and
- p. Is responsible for developing a comprehensive budgeting for counterpart funds and timely transfer to projects.

### **B. The Ministry of Planning (MOP)**

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

- To act as government arm in formulation of concepts, strategies, policies and in determining of priorities for national development in order to ensure the sustainability and balance between development equity and social justice and between economic development, and social and culture development, between urban and rural areas, between exploitation and regeneration of natural resources and between development and environmental protection;
- To guide and manage methodologies and procedures used in the formulation of socioeconomic development plans according to the decentralized system in the whole country;
- To prepare long term, medium term and short term plans and national programs by coordinating with all relevant ministries/institutions in the provinces and regions in the whole country;
- To monitor the implementation of plans, national programs and projects in all sectors and make assessment and propose measures to correct those plans and programs as needed;
- To work with concerned ministries/institutions in formulating strategies and policies and identifying priorities for investments both in public and private sectors in order to promote efficiency and optimize the use of internal and external potential resources;



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- To collaborate with the Ministry of Economy and Finance in fixing the amount and in allocating annual budget for public investments; and
- To work with relevant ministries/institutions to formulate strategy, policies, and identify priorities in order to ensure that the socioeconomic, technological, and cultural co-operations with foreign countries that are consistent with the national development objectives and policies.

### **C. Line Ministries and Other Agencies**

124. As set out under project agreement, subsidiary loan agreements, TA agreements and similar contracting documents between the DA and the Government, the different line ministries, specialized agencies and administrative offices of the Government are designated EAs and assume responsibility for the implementation, management and administration of specific projects under their area of expertise and function as mandated to them under their respective Royal Decree or Sub-Decrees.

125. The aforesaid agreements are, in some cases, complemented by a memorandum of agreement between the EA and MEF, which outlines the detailed tasks to be carried out, including the management systems and procedures to be followed in implementing the project.

126. The EAs carry out their specialized functions and responsibilities, as follows:

#### **(1) As Executing Agency**

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

#### **(2) As Project Manager and Administrator**

- a. Establishes the EA project implementation team as necessary with delegated authority for it to carry out the project or TA implementation activities in an efficient and effective manner. The EA project implementation team acts as the focal point for project implementation and carries out the day-to-day project management and administration.

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

### **D. EA Project Implementation Team**

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

#### **(1) During Implementation Planning**

- a. Plans project implementation, by preparing and maintaining, among others:
  - detailed project implementation schedules;
  - detailed cost and budgets;
  - detailed schedules for the procurement of goods and services;
  - detailed manning and staffing schedules; and
  - performance indicators to monitor progress and operational performance.
- b. Maintains and disseminates relevant project implementation plans agreed to and shared by all stakeholders.

#### **(2) During Project Implementation**

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- a. Ensures that project objectives are achieved within budget and period specified.
- b. Takes decisive actions and pro-active initiatives to maintain the implementation plans and schedules, and ensures that progress adheres to schedules and budgets.
- c. Initiates, manages, and administers all actions and activities for the procurement of services, goods and civil works, including management and performance monitoring of contracts.
- d. Manages and administers the financial and other resources made available to the project in accordance with the guidelines and systems and procedures outlined in the ***Financial Management Manual***. Is accountable to the EA for all financial aspects of projects and TA activities and ensures that compliance with all financial covenants and other obligations in the loan/credit and TA agreements
- e. Manages and administers personnel to ensure all members of the project implementation team, management, consultants and project staff work together as a team towards achievement of common objectives and goals.
- f. Prepares and distributes project progress, financial, procurement and other reports and other information generated for the project.

### **(3) Coordination**

- a. Initiates and coordinates effective communication between all stakeholders in the project, including:
  - the EA;
  - MEF and other agencies of the Government, where necessary;
  - beneficiary stakeholders;
  - DA and its different monitoring and supervision missions; and
  - general public and non-governmental organizations concerned.
- b. Ensures that guidelines for inter-agency and external communication with the donor and other agencies are strictly followed.
- c. Conducts regular and scheduled project management meetings among EA project implementation team members to identify, discuss, and resolve project issues.
- d. Invites MEF to all wrap-up meetings conducted between project and donor's missions. Briefs MEF on financial issues and gains their agreement to proposed actions arising from DA missions.

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- e. Organizes and conducts meetings for the procurement of civil works, goods and services to be funded by the project.

### **E. EA Officers**

- 128. Detailed terms of reference (TOR) outlining the duties and responsibilities of each EA project implementation team officer position must be prepared and approved by the EA management and the DA. The project implementation team must comprise capable and efficient staff selected for their respective positions purely on merit and under no other consideration. Political appointments shall not be made for donor-assisted projects to avoid interruptions to project activities should there be a change in Government.

The TOR includes the following:

#### **(1) Project Director**

- a. Responsible for the management and administration of the project. He/she is the most senior executive in the project management hierarchy. The project director is the EA's representative and is a senior official of the EA, who is appointed purely on merit and is not a political appointee..
- b. Approves and signs contracts and other important project documents within thresholds specified by the EA and the MEF.
- c. Approves expenditure within delegated authority.
- d. Ensures that implementation tasks and responsibilities are carried out on time, within budget, and in accordance with the basic principles of good governance.
- e. Ensures that the EA coordinates effectively with MEF and DAs in accordance with established guidelines and procedures.
- f. Receives instructions from, and reports directly to the Minister, Secretary of State or similar top-level official in the concerned ministry; In the case of Autonomous agencies he/she reports to the Board of directors.
- g. Normally holds only one project director position for a loan project. Could hold more than one Project Director position in exceptional cases where it can be demonstrated to the DA and the MEF that benefits will accrue to the Projects if the same Project Director were appointed to more than one Project. However, a person can be a project director of more than one TA project.

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- h. The removal from office of a Project Director should only take place in consultation with the DA and the MEF. This is to prevent removal of Project Directors for political considerations.
- i. When the Project Director is absent from his position for any reason for more than a day than his authority and responsibilities should be delegated to the Project Manager.
- j. Ensure proper financial management of projects and TA activities and ensures compliance with all financial covenants and other obligations in the loan/credit and TA agreements.
- k. Ensures finances and resources are only used for approved project purposes by authorized personnel.
- l. Regularly monitors project performance and initiates actions to address variations to plans.

### **(2) Project Manager**

- a. Responsible for the day to day activities of project implementation.
- b. Ensures that project objectives and goals are realized on time and within budget.
- c. Approves expenditure within delegated authority.
- d. Ensures effective financial systems and procedures for accounting and financial management of the project or TA activities are maintained.
- e. Responsible for the employment and management of project staff.
- f. Maintains high level of performance by the project and its staff.
- g. Supervises and manages all contracting done by the EA.
- h. Maintains effective channels of communication with all stakeholders.
- i. Ensures that all reports, papers and other information are made available in an orderly and timely manner.
- j. Ensures that monitoring and evaluation activities generate the information necessary to support project management.
- k. Ensures that management actions are pro-active, adequate, and effective in responding to monitoring information and changing circumstances.

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- l. Receives instructions from, and reports directly to, the project director.
- m. Holds only one project manager position.

### **(3) Administrative Officer**

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

### **(4) Chief Financial Officer**

- a. Responsible for managing and administering the financial affairs of the project in accordance with the government financial policies, guidelines and procedures, and with all financial covenants and other obligations in the loan/credit and TA agreements
- b. Establishes and maintains the different budgets for the project.
- c. Establishes and maintains project accounts (accounting and financial management systems and records) in compliance with the procedures and guidelines outlined in the *Financial Management Manual*.
- d. Maintains proper internal controls within the financial operations of the project, particularly for bank accounts and cash advances
- e. Supervises the management and administration of all financial transactions under the project.
- f. Approves expenditure within delegated authority.

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- g. Generates and distributes the different financial reports and information necessary for effective and responsible financial management and decision making.
- h. Carries out any other financial and accounting duties and responsibilities assigned by the project manager.
- i. Receives instructions from, and reports directly to, the project manager.
- j. Prepares financial statements and reports for audit and facilitates the conduct of audits of the project.

### **(5) Technical Officer**

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

### **(6) Procurement Officer**

Responsible for all project procurement activities including civil works and goods and services and also for ensuring that this is conducted in accordance with the procedures and guidelines of the DAs and the MEF. All procurement for the project is to be carried out in accordance with the Procurement Manual.

He/she receives instructions from, and reports directly to, the project manager. A more comprehensive job description for the procurement officer and involvement of other staff in the procurement process can be found in the Procurement Manual.

### **(7) Other Project Officers and Staff**



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

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

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

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

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| Project Stage          | MEF                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | EA                                                                                                                                                                                                                                                                                    | Project Implementation Team                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | consultant recruitment actions <ul style="list-style-type: none"> <li>▪ Reviews project readiness filters</li> </ul>                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Loan Negotiation       | Negotiates and signs loan/credit/ Subsidiary or TA agreements                                                                                                                                                                                                                                                                                                                                                                                                            | <ul style="list-style-type: none"> <li>▪ Participates in loan negotiations</li> <li>▪ Documents agreements reached at project preparation stage</li> </ul>                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Project Implementation | <ul style="list-style-type: none"> <li>▪ Ensures EA' compliance with loan covenants</li> <li>▪ Accountable to the National Assembly and the Council of Ministers</li> <li>▪ Delegates authority to the EA</li> <li>▪ Responsible for overall project knowledge management</li> <li>▪ Responsible for overall procurement actions</li> <li>▪ Participates in procurement process as member of the procurement committee as specified in the Procurement Manual</li> </ul> | <ul style="list-style-type: none"> <li>▪ Accountable to the MEF</li> <li>▪ Delegates authority to the project implementation team</li> <li>▪ Ensures EA's compliance with rules and regulations of the Government and DAs.</li> <li>▪ Member of the procurement committee.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Accountable to the EA</li> <li>▪ In-charge of day-to-day project implementation</li> <li>▪ Prepares and updates project administration manual</li> <li>▪ Agrees performance management requirements with DAs</li> <li>▪ Measures, monitors and evaluates progress in delivering development impact vs performance targets</li> <li>▪ Measures and reports on physical progress vs targets</li> <li>▪ Conducts financial management, monitoring and evaluation</li> <li>▪ Establishes project accounting systems, maintains project records &amp; prepares financial reports</li> <li>▪ Establishes bank accounts</li> <li>▪ Establishes and maintains a management information system</li> <li>▪ Monitors operational performance</li> <li>▪ Responsible for all procurement actions</li> </ul> |
| Project Completion     | Ensures that all project accounts are closed.<br>Ensures that all residual assets are transferred to the Department of Asset Management                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                       | <ul style="list-style-type: none"> <li>▪ Prepares project completion report</li> <li>▪ Closes the project accounts</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

### Appendix C – Inter-Agency Coordination

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

#### A. Meetings

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

##### (1) Project Management Meetings

- a. The EA conducts regular and scheduled project management meetings to identify, discuss and resolve project issues.
- b. The MEF conducts quarterly portfolio management meetings where the EAs have the opportunity to discuss and resolve issues requiring the attention of higher-level officials in the Government.

##### (2) Procurement Meetings

- a. Following the guidelines and systems and procedures governing procurement from the donor agency's (DA's) resources, the EA organizes, sponsors, and conducts the meetings necessary for the procurement of civil works, goods and services, including engagement of consultants, to be funded by the project; and
- b. MEF is invited to participate in procurement and consultant selection meetings.

##### (3) Mission Meetings

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

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### **B. Minutes of Meetings**

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

### **C. Correspondence**

133. Communication among stakeholders in project implementation and portfolio management constitutes an important part of contractual arrangements, approvals, variations, changes, and commitments. Accordingly, it is essential that all those concerned in the implementation, administration, and management processes establish and maintain clear and transparent records of all correspondence.

134. All agencies participating in the implementation, management and administration of externally assisted projects must maintain a complete and comprehensive record of all project-related correspondences, whether sent or received. The record must clearly identify the (i) project concerned; (ii) date received or sent; (iii) recipient and sender; (iv) any action to be taken; (v) person responsible for taking the action; and (vi) persons to whom forwarded for information and action.

135. All agencies must also establish and maintain an “action-tracking” system to ensure that appropriate response is made for important correspondence. The tracking system must identify the (i) correspondence; (ii) person responsible for taking actions; and (iii) turn-over time, i.e., the time it takes from receipt of correspondence to response on the correspondence.

136. The EA must define clear accountabilities and responsibilities for generating and responding to the various types of correspondence. These must reflect the level of authority and responsibility delegated to the project implementation team. The lines of communications, responsibilities and accountabilities must be reflected in the operating procedures established for the management and functioning of the EA project implementation team. As a general rule, the EA must provide MEF a copy of all communications relating to externally assisted projects.

### **D. Informal Interaction**

137. An open and free exchange of information and interaction between the different stakeholders is encouraged. Phone calls, email messages and brief informal meetings are ways to get ahead in project implementation. Informal interactions support teamwork and improve efficiency and collaboration. Work is often done through the informal channels of communication than the formal ones. It is, however, necessary to formalize

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agreements and understandings reached through informal interactions, by documenting such agreement in a letter. This applies to all agreements and understandings that may have bearing on the implementation, management, and administration of projects.

### Appendix D – Consulting Services Requirements

#### A. Identifying Consultants Needs

138. The EA and DA must assess and agree on whether there is need for consultants to strengthen the EA's capabilities in order to carry out the project activities. In this context, it will:

- a. Establish a project manning matrix identifying (i) the different project implementation team positions; (ii) the skills, experience and expertise required for each position; and (iii) the timing and duration of services required against each position.
- b. Assess the skills available within EA and domestic consultants in Cambodia. The domestic skill assessment matrix must include the (i) identified project positions; (ii) domestic skills, experience and expertise available against each position; (iii) source of skills, whether from inside the EA or domestic consultants; and (iv) market cost for domestic skills.
- c. Based on items a and b above, prepare a matrix identifying any shortages between the required and available project management and implementation skills and identifying the recommended source of filling the gap. First, consider domestic consultants, and then if domestic consultants are unavailable, consider international consultants.

139. Based on the above assessment and evaluation, identify and justify the use of consultants. Depending on the recommended source of services, the consultants must be grouped into two categories: domestic and international consultants.

140. In doing the assessment, the EA, in collaboration with representatives of the DA, carefully evaluates the availability, adequacy and cost of domestic and international consultants.

#### B. Recruiting Consultants

141. There are a number of ways of recruiting consultant firms and individuals under the DA's guidelines – some of which include the use of price as a factor in the evaluation of proposals/bids, some of which do not (during evaluation) take cost into account. EAs must abide by the selection methods specified in the loan, credit or grant agreement for specified thresholds. The parallel Procurement Manual describes the detailed procedures for each of the different methods of selection.

### **B. Formulating Consultants' Terms of Reference**

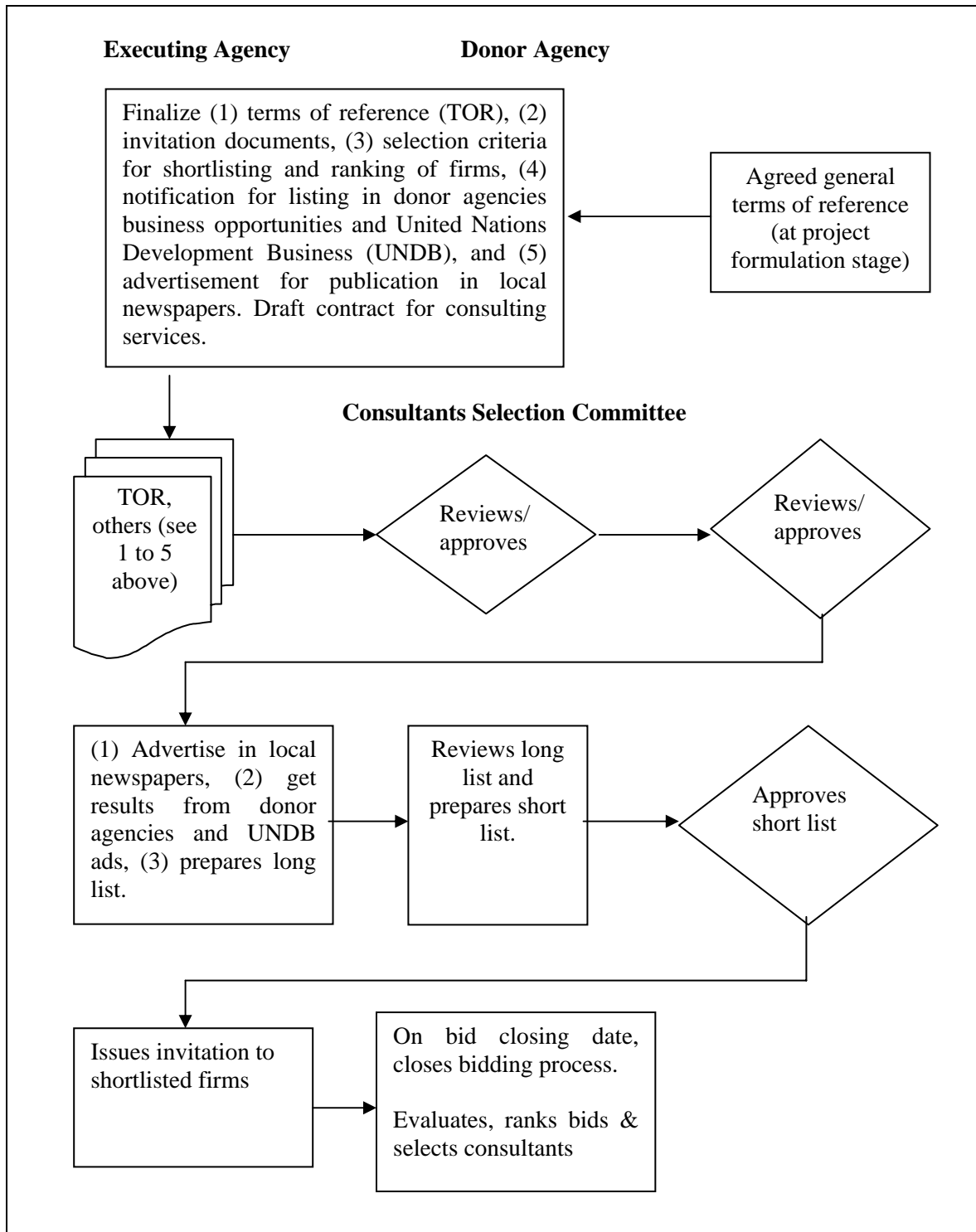
142. The consultants' TOR must be prepared by the EA, in consultation with the DA team, and must include:

- a. A brief description of the consulting services required;
- b. Detailed TOR for the specific consultancy requirements;
- c. Description and timing of the outputs or reports to be generated by the consultant, including
  - clearly defined and described deliverable outputs;
  - objectively verifiable indicators for the delivery of outputs; and
  - management procedures to be taken to verify that outputs are actually being delivered on a timely basis.
- d. Estimated duration and timing of consulting services;
- e. Skills requirement and the selection criteria recommended to be used in ranking and selecting the consultants; and
- f. Strategy and methodology to ensure that the consulting services remain relevant and respond to the actual needs of the EA, such as:
  - provision for flexibility in updating or terminating the consulting services;
  - regular review process to check for continued relevance of the services; and
  - action to be taken to ensure relevance and cost-effectiveness of TOR.



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**Figure D.01: Consultant Recruitment Process**



### **Appendix E – Guidelines for Allocating and Managing Project Staff**

143. Project officers and staff are the most important resource of any project. Regardless of the size of the project, its successful implementation and attainment of project objectives depend on the human resources made available to the project.

144. The mobilization of the human resources required to manage and administer projects is one of the most crucial tasks of project management. The nature of staff assignments to project implementation must obviously reflect the nature of the projects to be implemented. The needs for project implementation staff are different for a small advisory technical assistance (TA) grant and a loan project. It is most important to ensure that all staff allocated to work on development projects are selected on merit and their existing functional roles in the EA. To ensure continuity of staff involvement during project implementation political appointees should not be assigned to positions in development projects. The positions of the Project Director and Project manager should be allocated in consultation with the DA and the MEF and should there be a need to replace them during the project implementation period, this should be done in consultation with the DA and MEF.

#### **A. Timing of Recruitment and Other Considerations**

##### **(1) Advisory Assistance Grants**

145. Advisory TA grants are carried out for a variety of purposes, such as preparing specialized studies, assessments and evaluations, or capacity building. The studies etc that they finance, are much smaller than the projects financed by loans, but are still considered as projects. Almost always, they are best carried out by the relevant technical department or section of the line ministry as an integrated part of its day-to-day operation, management, and administration. Further, the TA must be viewed as a learning and capacity building opportunity for the staff of the line ministries.

146. Considering that the projects financed by such advisory TA grants are typically of a relatively short duration, the EA must take steps to make available for the duration of the project and within its organizational structure, designated officers and staff with the necessary capability to support project implementation. The officers and staff are to be nominated from among the EA's line positions and undertake project work as part of their regular responsibilities.

##### **(2) Project Identification and Preparation**

147. Both WB and ADB support project identification and preparation of loan projects through provision of grants and advance on the loan being identified. Preparatory TAs need close interaction and collaboration with the line ministry or specialized agency, which eventually will be designated as the EA, if a loan materializes. Furthermore, preparatory TA activities provide unique opportunities for learning and capacity building.

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148. Participation of staff from the line ministry or specialized agency during project identification and preparation process provides an opportunity for the said staff to thoroughly know and understand the project being formulated. EA staff are fully involved with the consultants carrying out the project preparation activities.

149. The potential EA must maximize the benefits to be derived from participating in the identification and preparation of projects. It must ensure that the dedicated officers, staff, facilities and equipment needed to support the process of project identification and formulation is made available to the DA and its representative consultants within the existing organizational structure. The EA must ensure that the likely future project implementation team members are the ones assigned to participate in the identification and preparation process.

### **(3) Project Implementation**

150. Project implementation for a loan project starts at the project appraisal stage, with initiation of project activities in accordance with the DA's project readiness filter requirements. An initial project implementation team may be established by the EA after completion of project identification and preparation, but before start of project appraisal. A full complement of staff is not necessary at this stage. Gradually this must be strengthened to meet the increasing level of activities and operational complexity. The size and operational scope of the team must be adequate to follow the dynamics of projects.

151. It is particularly important that the best possible officers and staff are selected to participate in the implementation of loan projects because of the importance of such projects to Cambodia's development. If a suitable number of skilled staff for project implementation activities cannot be located within the EA or other Government agency, then the EA should recruit consultants or contractual staff.

### **B. Recruitment Guidelines**

152. The identification and designation of project implementation staff must be based on open, transparent, and competitive principles to ensure that each project management position is staffed with the most competent and suitable candidate for the work involved. Top-level management skills, technical and personal capabilities are required irrespective of the nature of the project.

153. The EA (i) allocates project implementation staff in accordance with the manning schedule prepared for the project; and (ii) prepares detailed TOR for each key project management position and a general job description for all other positions required for project implementation. In instances where a dedicated PMU is necessary, full time staff are designated for the roles and functions identified for the PMU. The TOR must conform with the provisions of the project document and must clearly indicate (i) the duties to be carried out by the position; (ii) responsibilities, authorities and accountabilities; (iii) any supervising officer and reporting requirements; (iv) duration of

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employment; (v) any special privileges; (vi) preferred qualifications for the position; and (vii) selection criteria for the position.

### **C. Selection Procedures**

154. The EA must ensure that the DA's project formulation missions help the EA identify the different positions and the corresponding TOR required to effectively implement the project. In cases where external staff are to be recruited (such as to staff a PMU), MEF must review and endorse all project implementation staff positions requiring any form of financial allocations under the project. MEF's endorsement is required for all projects, whether grant, loan or government-funded.

155. For the selection of key project implementation officers for a PMU, specifically, the (i) project director, (ii) project manager, (iii) chief financial officer, (iv) technical officer, (v) administrative officer, and (vi) procurement officer, a Staff Selection Committee (SSC) must be established with at least three members. The DA appraisal team should be consulted on the key appointments. For the rest of the staff, a three-man SSC must be established comprising representatives from the concerned line ministry/EA. All appointments must be made in accordance with the Government appointment Guidelines.

- a. The SSC reviews and approves the detailed TOR, the selection criteria and the internal or external notice advertising the project officer and staff positions.
- b. The EA issues a notice, inviting applicants for the officer or staff positions and allowing a reasonable time of not less than two weeks for potential candidates to submit their application.
- c. The SSC reviews all applications, then ranks and selects the highest ranked candidate for the available position.
- d. Based on the SSC's recommendations, the EA ensures that the appointment is concluded in an open and transparent manner and accordingly issues an appointment letter, clearly outlining (i) the duties to be carried out; (ii) responsibilities, authorities and accountabilities; (iii) supervising officer and reporting requirements; (iv) duration of employment; and (v) any special privileges.

### **D. Managing Project Staff**

156. The EA must ensure that (i) sufficient input of staff to implement the project is available when needed; (ii) designated staff have the necessary qualifications to undertake the assigned tasks and responsibilities, including prior project experience, knowledge, and understanding; and (iii) necessary specialist and support staff are available to effectively support project implementation. All staff must participate in training

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and learning activities to familiarize themselves with project management, project implementation, guidelines, and systems and procedures of the MEF and the DA.

157. In cases where a PMU is established, staff must be appointed according to the agreed manning schedule, starting with a complement of key officers and staff and then gradually building up and adjusting the staff complement to meet actual requirements of the project. The key officers and staff assigned must be available on a full time basis during the period required and must be capable of focusing exclusively on project implementation during their assignment. Manning schedules must clearly indicate the nature and duration of assignment.

158. MEF and the DA must monitor the EA's compliance with the basic requirement of having dedicated and competent personnel available for project implementation.

### Appendix F – Project Administration Manual

159. The PAM, or sometimes called project implementation manual, is prepared jointly by the donor agency (DA) team and the project implementation team for the implementation of all development projects to be funded by DAs. It is prepared for the whole duration of the project. The size, complexity and scope of the PAM must correspond to the type of project being implemented. It serves as the basis for other plans, budgets, procurement schedules and other project implementation requirements. The PAM is used as a management tool to assist in:

- a. Implementing projects and in accomplishing project goals, planned results and project outputs;
- b. Defining the tasks and activities needed to be carried out to generate the results and impacts anticipated for the project;
- c. Managing project inputs, allocation of resources and optimization of resources usage;
- d. Managing and administering projects, assigning responsibilities and accountabilities, and for fostering collaboration and teamwork;
- e. Identifying when various procurement actions need to be taken;
- f. Defining the funds flow structure which will facilitate the disbursement procedures for the project .
- g. Monitoring and evaluating performance; and
- h. Sharing and managing knowledge and stakeholder communication.

160. The EA, with the support of the DA's project formulation team and the inception mission, is responsible for preparing a comprehensive PAM soon after the appraisal mission has fully assessed the project. In the case of ADB, the PAM is prepared by the ADB project formulation team in consultation with the EA team. In carrying out this responsibility, the EA/DA team must:

- a. Ensure that the PAM is finalized as early as possible and prior to the implementation of project activities. The PAM must present what must be accomplished, by whom, when, the cost and management for generating results;
- b. Circulate the PAM to the DA or its representative and MEF; and

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- c. Conduct the necessary briefing meetings to ensure all project participants and stakeholders are fully informed about the schedule of work, the activities and other issues outlined in the PAM and the first period work plan and schedules.
161. An illustrative table of content of a PAM is presented herein.

### **BOX: Tentative and Preliminary Table of Content for PAM**

#### **Executive Summary**

#### **Acronyms**

#### **Acknowledgements**

#### **Table of Content**

#### **1. Project Design Considerations**

- 1.1 Context and Rationale
- 1.2 Reach and Beneficiaries
- 1.3 Cross Cutting Issues
- 1.4 Risk and Sustainability Strategy
- 1.5 Schedule of Assumptions Underlying the Project

#### **2. Project Objectives and Scope**

- 2.1 Project Objectives
- 2.2 Project Scope
- 2.3 LFA (Logical Framework Approach) Relationships
- 2.4 Work Breakdown and Activities
- 2.5 Schedule of Outputs and Performance Measures

#### **3. Project Management and Staffing**

- 3.1 Management Approach and Structure
- 3.2 Performance Management Strategy
- 3.3 Staffing and Staffing Schedule
- 3.4 Committees and Support Groups
- 3.5 DA and Stakeholder Relations
- 3.6 Roles, Responsibilities and Accountabilities

#### **4. Procurement of Services, Civil Works and Goods**

- 4.1 Services, Procurement Schedule
- 4.2 Civil Works, Procurement Schedule
- 4.3 Goods, Procurement Schedule

#### **5. Project Cost and Financing**

- 5.1 Project Cost/Local and Foreign
- 5.2 Financing Plan and funds flow structure
- 5.3 Activity Related Cost and Financing Breakdown
- 5.4 Detailed Budgeting
- 5.5. Cash Flow Projections



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|                |                                                                                                      |
|----------------|------------------------------------------------------------------------------------------------------|
| 5.6            | Detailed Financing Plan                                                                              |
| <b>6.</b>      | <b>Environmental Management Plans, Resettlement Action Plans, and Other Social Development Plans</b> |
| <b>7.</b>      | <b>Performance and Knowledge Management</b>                                                          |
| 7.1            | Project Implementation M&E                                                                           |
| 7.2            | Outputs and Results of M&E                                                                           |
| 7.3            | Pro-Active Management and Conflict Resolution                                                        |
| 7.4            | Reporting and Management Meetings                                                                    |
| 7.5            | Inter Agency and Stakeholder Communications                                                          |
| <i>Annexes</i> |                                                                                                      |
| 1.             | Implementation Schedule, First Period                                                                |
| 2.             | Work and Task Breakdown, First Period                                                                |
| 3.             | Resources Usage Schedule, First Period                                                               |
| 4.             | Schedule of Procurement, First Period                                                                |
| 5.             | Budget and Financing Plan, First Period                                                              |
| 6.             | PAP Reporting Format                                                                                 |
| 7.             | Other Annexes as Required                                                                            |

### Appendix G – Procedures in Implementing Projects

162. In carrying out project implementation responsibilities, the EA must undertake the following procedures:

#### A. Initiating Project Implementation

163. Check availability of the physical facilities, office space, tools, and equipment and transport facilities to ensure that project work can start immediately after approval of the donor agency (DA).

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

#### B. Managing the Project and Monitoring Performance

165. Hold a project inception meeting to:

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

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

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

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

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### **C. Reporting and Knowledge Management**

168. Prepare reports stipulated in project agreement between the Government and the DA, as well as those required by the guidelines, systems and procedures of the sponsoring stakeholders, donor agencies, and the MEF.

169. Submit reports on time to (i) the parent ministry; (ii) the DA supporting the project; (iii) MEF, represented by the DIC; and (iv) any other agency included in the mailing list during project formulation or later during project management meetings.

### Appendix H - Financial Management Responsibilities

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

- Ministry of Economy and Finance;
- Executing Agency; and
- Project Management Team.

#### A. Ministry of Economy and Finance

171. The MEF, on behalf of the Government, has overall responsibility for overseeing the financial performance of ADB/WB projects and promoting and supporting improved portfolio performance. Specific responsibilities of the MEF are:

- Developing and maintaining policies, the Standard Operating Procedures (SOPs) and supporting Manuals for ADB/WB projects.
- Identifying and designating the EA for ADB/WB projects and providing appropriate authorities and delegations to the EA and Project Teams.
- Ensuring appropriate bank accounts are established with the National Bank of Cambodia and other approved financial institutions (e.g. Foreign Trade Bank of Cambodia) and monitoring authorized bank account signatories.
- Proper budgeting for counterpart funds and making counterpart funds available to projects on a timely basis.
- Providing support and assistance to the EAs in establishing and implementing sound accounting and financial management systems and procedures.
- Monitoring, and providing guidance on, withdrawal and replenishment applications by EAs. Projects Teams must provide MEF with signed statements of expenditure and draft withdrawal applications (which will be approved and signed by MEF) and bank statements with reconciliations for the imprest/special account, and counterpart accounts.
- Participating, as a committee member, in procurement activities of projects to ensure compliance with the guidelines and provisions governing the contractual relationship between the Government and ADB/WB and to assess and agree contract payment schedules for cash management purposes.
- Monitoring and evaluating the financial performance of projects and portfolio performance.
- Regularly reporting the financial performance of projects to Government, other relevant stakeholders and the general public.
- Promoting and facilitating the exchange of information between project teams and EAs.
- Coordinating training and learning opportunities for EAs and Project Teams.

### **B. Executing Agency**

172. EAs have primary responsibility for ensuring projects are implemented in accordance with project plans and that resources are used efficiently and effectively and only for project purposes. EAs are accountable for all financial aspects of projects and must ensure there is compliance with all financial covenants and other obligations in the loan/credit and technical assistance agreements. Specific responsibilities are:

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

### **C. Project Management Team**

173. The project management Team is accountable to the EA for the financial management of projects and ensuring compliance with all financial covenants and other obligations in the loan/credit and technical assistance agreements. Specific responsibilities are:

- Managing and administering the financial affairs of the project.
- Ensuring compliance with the financial covenants of the project agreements and government and ADB/WB policies and procedures.
- Establishing and maintaining project budgets to support the mobilization of resources and as a management tool to support project management.
- Managing the project bank accounts.
- Establishing, maintaining and operating the project accounting and financial management systems and procedures.
- Administering the financial transactions of the project and maintaining proper accounts and records for the project.

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- Undertaking all tasks and activities related to the procurement of civil works, goods and services required by the project, in strict conformity with the guidelines, systems and procedures governing the use of project resources.
- Undertaking all disbursement functions, tasks and activities of the project, in strict conformity with the guidelines and systems and procedures governing disbursements from the project account and the use of project resources.
- Prepares and approves applications for withdrawal and replenishment and submits the applications through the Department of Investment and Cooperation (DIC) of the MEF to the DAs for payment or replenishment.
- Generating and distributing financial reports, evaluations and information necessary for effective and responsible financial management.
- Monitoring the financial performance of the project and taking actions to address variances to plans.
- Facilitating the audit of the project's financial statements and financial operations.
- Preparing and issuing all scheduled and non-scheduled reports on the project's financial matters to the EA, MEF, ADB/WB and other stakeholders of the project.

### Appendix I – Suggested Topics for Project Completion Reports

(project, multi-project, sector, program, sector development program, and technical assistance loans)

#### I. PROJECT DESCRIPTION

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

#### II. PROJECT IMPLEMENTATION

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

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### **III. INITIAL OPERATIONS**

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

### **IV. EVALUATION OF THE DONOR AGENCY'S PERFORMANCE**

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



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