

**PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.: AB2506

Project Name	Demand for Good Governance Project
Region	EAST ASIA AND PACIFIC
Sector	Social Development
Project ID	P101156
Borrower(s)	Royal Government of Cambodia
Implementing Agency	Ministry of Interior
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Environment Category	<input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
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1. Key development issues and rationale for Bank involvement

Centrality of Governance in Cambodia: Extensive research over the last two decades shows convincingly that quality of governance, including control of corruption, has a significant impact on economic growth and poverty reduction. On average, countries with better governance grow faster than others. Although some countries have achieved growth in the short term, despite poor governance and entrenched corruption, such growth can be fragile and unsustainable, when institutions of accountability are weak.

Low standards of governance and endemic corruption are widely acknowledged as fundamental constraints on the economic and social development of Cambodia. The country is emerging from conflict, and government capacity and accountability remain limited. As a result, most questions about development effectiveness tend, inevitably, to be about the quality of governance. Without good governance, efforts to sustain economic growth, reduce poverty and attain the Cambodia Millennium Development Goals can have little success.

The Royal Government of Cambodia (RGC) itself acknowledges that good governance is a critical challenge. Prime Minister Samdech Hun Sen has publicly emphasized that, without substantial reform, the country has little prospect of survival. This is reflected in a number of Government policy documents, such as the *Rectangular Strategy 2004-2008*, the *Governance Action Plan*, and the *Decentralization and De-concentration Strategic Framework*. Importantly,

these documents also recognize the helpful role that civil society can play in governance and development processes.

Importance of the Demand Side of Governance: Yet Governments rarely reform spontaneously or expose themselves voluntarily to public scrutiny. Stimulating demand from citizens for greater accountability and better quality of services therefore becomes an important tool for improving governance. Indeed, the limited impact of governance initiatives in Cambodia may be due in part to a predominant focus on supply side instruments, and weak demand-side pressure.

Going forward, improving governance will require interventions to strengthen both the supply and demand for good governance (DFGG). Cambodian citizens, and the institutions that give them voice, must be engaged in the design, implementation and monitoring of RGC's reforms. This will promote greater awareness of reform processes, enhance their transparency, and make them more responsive to the needs of citizens. It will also encourage habits of constructive interaction and networking between citizens' organizations and the state around the reforms.

Rationale for Bank Involvement: Pillar 1 of the Cambodia 2005-2008 Country Assistance Strategy (CAS) program commits the Bank to removing governance constraints. Its fourth objective is to "support decentralization and citizens' partnerships for better governance". This commitment underscores the heightened focus of the Bank's leadership on governance and anti-corruption, and the scaling-up of support to country efforts to strengthen governance and reduce corruption. The theme of partnerships for good governance emphasizes that demand side approaches are required to complement and reinforce supply side actions, and that partnerships between the state, civil society, the media and the private sector (including labor unions) are vital.

In the Cambodian context, strengthening the demand side should also include state institutions (in the executive, judicial and legislative branches) and state-sponsored independent institutions (such as independent oversight commissions), that promote, mediate and respond to demand. The focus should be on institutions where champions of reform exist, within and without government, and on building coalitions or networks that can galvanize their commitment and efforts.

2. Proposed objective(s)

The proposed development objective of the Project is to build the capacities of institutions, and to support programs and coalitions which promote, mediate or address demand for good governance in the context of the government's reforms. This will result in more effective design, implementation and monitoring of key reforms, and more transparency, accountability and responsiveness of the state to citizens.

3. Preliminary description

The Project would finance four components: (i) institution building; (ii) programmatic and network support; (iii) project implementation; and (iv) learning, monitoring and evaluation.

Component I: Institution Building

The effectiveness of many Cambodian institutions working on DFGG is often constrained by short-term, piecemeal (and project-focused) donor funding. This inhibits their steady growth as dynamic and durable institutions. The Project will provide long-term “core” institutional support to a limited number of existing DFGG institutions. Working with CSOs, government, donors and other stakeholders, the Project will employ institutional mapping techniques to identify and assess the capacity and performance of potential candidates. Priority will be given to those institutions that have an established track record of improving governance.

Core budget and program support will be provided to the selected institutions over a three to five year period, or longer. This will enable them to train leaders and staff, enhance strategic planning, develop effective programs, strengthen fiduciary safeguards, mobilize resources, prepare and implement sustainability plans, and undertake performance and impact assessments.

Component II: Programmatic and Networking Support

Despite the growth of CSOs and other efforts to promote DFGG, there are discernible gaps in terms of geographic and thematic coverage. Effective networks and linkages among key reform actors are also missing. The Project will identify such gaps and support a limited number of “programs” (no more than two or three) that have the potential to make, mediate or address demand for better governance. These programs may be proposed by both government units and non-government groups. Priority would be given to activities that promote joint and coordinated interaction, horizontally (among non-state actors) and vertically (between citizens/CSOs and the state).

In collaboration with other partners, the Project will map existing DFGG activities and gaps in particular locations and/or themes, design terms of reference for the “Request for Proposals” that would invite applications, provide assistance to facilitate high-quality proposals, approve proposals around a common program rationale, and establish a monitoring and evaluation system to assess the impact of interventions on the targeted reform areas. Successful programs and institutions would receive “scaling up” support (likely through Component 1).

To maximize effectiveness of, and complementarities between, Components I and II, the reform areas addressed by the institutions selected may be the ones on which funded programs will focus. Going further, the institutions and programs supported through Components I and II respectively could be integrated around a common rationale, objective(s) and related activities.

Component III: Project Implementation

Two separate funding channels will be created to support state and non-state institutions and programs. Funding of state institutions and programs will be managed by a state entity, while non-state institutions and programs will be managed by a non-state entity. A multi-stakeholder committee will provide oversight and linkages across the two funding channels. This component will finance the incremental operating costs of the Project for the management and oversight

entities, including office infrastructure and recurrent costs, training, consultancies, establishment of monitoring and evaluation systems, studies and other technical services.

Component IV: Learning, Monitoring and Evaluation

Since DFGG is becoming a major theme within the Bank, there will be much to learn from the Project, both for Cambodia and similar high-risk countries elsewhere. The Project will incorporate an active and fully-funded learning-by-doing approach where lessons of what works, and what does not, are captured systematically, with an eye to replication and scaling up.

Impacts and results are typically difficult to assess in Bank-financed projects. Also, there is limited experience in impact assessments of demand side approaches. Nevertheless, the Project will make best efforts to install a robust and creative M&E framework. The Project will select and pursue a limited number of activities where early results can be demonstrated, in order to build stakeholder confidence in the Project's capacity to deliver results.

4. Safeguard policies that might apply

Safeguard Policies Triggered	Yes	No	TBD
Environmental Assessment (OP/BP 4.01)		X	
Natural Habitats (OP/BP 4.04)		X	
Pest Management (OP 4.09)		X	
Cultural Property (OPN 11.03)		X	
Involuntary Resettlement (OP/BP 4.12)		X	
Indigenous Peoples (OP/BP 4.10)			X
Some of the initiatives may involve indigenous communities and their quest for getting their rights recognized.			
Forests (OP/BP 4.36)		X	
Safety of Dams (OP/BP 4.37)		X	
Projects in Disputed Areas (OP/BP/GP 7.60)		X	
Projects on International Waterways (OP/BP/GP 7.50)		X	

5. Tentative financing

Source:	(\$m.)
BORROWER	xxx
International Development Association	12
Total	12

6. Contact point

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