

**OPERATIONS EVALUATION DEPARTMENT  
WORLD BANK**

**OED Review of the  
Poverty Reduction Strategy (PRS) Process**

*Cambodia Case Study*

**Corporate Evaluation and Methods Group  
Operations Evaluation Department  
World Bank**

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This case study was prepared by the independent evaluation unit of the World Bank, as background to an evaluation report available at [www.worldbank.org/oed/prsp](http://www.worldbank.org/oed/prsp). The other country case studies conducted in support of this evaluation are also available on-line at the above address.

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## Abbreviations and Acronyms

ADB	Asian Development Bank
APM	Action Plan Matrix
BWI	Bretton Woods Institution (World Bank and IMF)
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CIDA	Canadian International Development Agency
CODE	Committee of Development Effectiveness
CSD	Council of Social Development
DFID	Department for International Development (UK)
ESAF	Enhanced Structural Adjustment Facility (IMF)
GDP	Gross Domestic Product
GSCSD	General Secretariat to the Council of Social Development
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association
IDF	Institutional Development Fund
IMF	International Monetary Fund
JSA	Joint Staff Assessment
KR	Khmer Rouge
MEF	Ministry of Economy and Finance
MOP	Ministry of Planning
MTEF	Medium-Term Expenditure Framework
NGO	Non-Governmental Organization
NIS	National Institute of Statistics
NPRS	National Poverty Reduction Strategy
ODI	Overseas Development Institute
PIP	Public Investment Program
PIU	Project Implementation Unit
PMATU	Poverty Monitoring and Analysis Technical Unit
PRGF	Poverty Reduction and Growth Facility
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
SEDP	Socio-Economic Development Plan
SNEC	Supreme National Economic Council
SWIM	Sector Wide Investment Management
TA	Technical Assistance
TCAP	Technical Cooperation Action Plan
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
WB	World Bank
WTO	World Trade Organization

## FOREWORD

OED has completed an evaluation of the PRS initiative and the Bank's support to this initiative. The synthesis report was submitted to the Committee on Development Effectiveness of the World Bank's Board in June 2004 and discussed by CODE in July 2004.<sup>1</sup> As the PRSP is by nature a country-level process, eight country case studies<sup>2</sup> have been undertaken in support of the synthesis report to provide in-depth country-level experience with the initiative and the Bank's support. Cambodia was selected as a country case study to provide: coverage of relatively recent PRSP formulation, PRSP experience outside the Africa region (which is covered by four of the eight case study countries), formulation under weak initial conditions, and coverage of a non-HIPC case.

This country case study report provides an assessment of the PRS Process in Cambodia as of mid-2003, which covers PRSP formulation and the very early stages of implementation. The PRS document was completed by the Government in December 2002 and officially launched in March 2003. An OED mission visited the country in April/May of 2003, providing the bulk of the evaluative material for the assessments in this report. Comments were provided on an earlier draft by staffs of the Bank and IMF in October 2003, and a draft of this evaluation was sent to the Cambodian authorities on December 17, 2003 for comment. Comments were received on January 3, 2004 from the Ministry of Finance and on January 5, 2004 from the Ministry of Planning, and have been reflected.

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<sup>1</sup> The synthesis report is available on the internet at <http://www.worldbank.org/oed/prsp> .

<sup>2</sup> Country case studies are drawn from the 23 countries with full PRSPs as of the beginning of 2003. The selection criteria includes: maturity of the PRSP process, geographic balance, coverage of non-HIPC countries, and country initial conditions. The study thus covers a variety of country situations and varying stages of implementation. Country selection also depends on coverage provided by case studies already conducted in related OED work such as the recently completed HIPC and CDF evaluations. The eight case study countries are Albania, Cambodia, Ethiopia, Mauritania, Mozambique, Nicaragua, Tajikistan, and Tanzania.

## EXECUTIVE SUMMARY

1. Cambodia's Poverty Reduction Strategy Paper (PRSP) was approved by the cabinet in December 2002 and discussed by the Boards of the World Bank and IMF in February 2003. This case study presents a snapshot of the Cambodian experience with the PRS Process as of mid-2003, covering strategy formulation and the very early stages of implementation. OED concludes that progress toward improved development planning and management is limited. However, it is important to bear in mind that the constraints faced in Cambodia were, and continue to be, daunting (e.g., severe public sector capacity weaknesses, heavy aid dependence, problems with donor coordination). Whether over time the PRS Process will translate into better outcomes will depend on the Government's willingness and capacity to take steps to institutionalize the PRS Process and the use of the framework by donors to provide coordinated assistance focused on sustained poverty reduction.

2. The objectives of the PRSP initiative are highly relevant to the Cambodian case, though demanding in light of the country's current development constraints. The focus on poverty reduction is indispensable in a country with major problems of both income and non-income poverty. The PRSP focus on Government ownership and participation also strikes an important chord in the need for institutional development of both the administration and civil society, and the need to move from a donor driven program to one which is both designed and perceived to be home-grown. But the timing of the PRSP preparation pushed by the Bank and Fund was awkward in that the pre-existing planning process supported by the Asian Development Bank (the Socio-Economic Development Plan, SEDP) had just begun a new cycle with a legally mandated time-frame which was too short to allow for the integration of the PRSP principles. Rather than moving quickly to prepare a second planning document, the time could have been better spent in getting a consistent poverty baseline and building the capacity and processes, within the Government, needed for implementing the PRSP principles.

3. **Ownership** of the PRSP – both the document and the process – resides in a small group of Government officials. The Ministry of Planning (MOP) took leadership of the PRS process and liaised effectively with planning officials in the four key line ministries. But senior officials in the line ministries were not sufficiently engaged, and the Ministry of Economy and Finance (MEF), played little part until the final stages when it was actively involved in drafting the sections on prioritizing and costing the program. As a consequence the PRSP is not perceived as having broad ownership within the Government, let alone outside the Government. The donor community in Phnom Penh is also skeptical of the degree of Government ownership of either the process or the document, perceiving the PRSP as Bank driven with limited Government ownership. This is partly a consequence of the tension with SEDPII and the concern that the Bank was imposing an unnecessary burden on the Government by insisting on a separate strategic process.

4. There was a genuine effort to consult with NGOs in the preparation of the PRSP and to incorporate their views which represented a change on behalf of Government

relative to past planning processes, but participation was limited with regard to broader civil society involvement, and consultation at the regional and local levels. The NGOs were consulted through three national workshops held in Phnom Penh. While they coordinated among themselves to prepare comments on the various drafts, the time available for this was viewed by them as insufficient. In addition, drafts were only made available in English and this in turn limited the potential for consultation. Parliament and the private sector were not significantly involved in the formulation process; regional workshops were held in only 3 of the 24 provinces; and there was little attempt to involve the media prior to the launch of the final PRSP.

5. The PRSP is helping to make **poverty reduction** more central to the thinking of the Government, donor and NGO communities. The MOP has made clear to line ministries the need to think through the poverty impact of the programs they support. Donors are also more sensitive to this requirement. However, the PRSP leaves considerable work to be done in identifying clear **priorities**. Many stakeholders interviewed were disappointed that the PRSP document did not deliver as an operational plan – as advertised to be a complement to the general framework of the second Socio-Economic Development Plan. Ministry submissions during PRSP preparation were generally wish lists of projects for donor support rather than reflecting clear prioritization on the basis of poverty impact as the MOP had requested. There are exceptions that can serve as positive examples, such as the health and education sectors where clearly defined strategies and coverage by the medium-term expenditure framework (MTEF) reflect the substantial past support by donors, in human and financial terms. In other sectors, most critically agriculture, the strategy remains unclear. An effort is being made to improve the alignment of project selection with poverty impact for the authorities' first PRSP Progress Report. The PRSP does not provide a longer term vision, which can guide short and medium term programs, in some of the key cross-cutting strategic issues facing Cambodia, such as private sector development, the management of natural resources, and civil service reform.

6. There is not as yet sufficient **linkage** of the PRSP to the MTEF and the annual budget, with little evidence currently available at this early stage that this is impacting resource allocation – the build up of expenditures in the social sectors which pre-dated the PRSP is continuing. As in many other countries, MTEF implementation is at an early stage in Cambodia and lacks ownership beyond the MEF. The limited involvement of the MEF in the PRSP between the I-PRSP and the final stages of document preparation is in large part responsible for the lack of more effective budget alignment.

7. Two areas that warrant attention in the PRS Process going forward are agricultural growth and capacity enhancement. Over 70 percent of Cambodia's population, depend on **agriculture** as their primary source of income, and most of the poor fall into this category. Productivity in the sector is well below that of Cambodia's neighbors. The PRSP could be a very effective instrument for bringing together the four concerned ministries, the donor community, local authorities and the many NGOs in the sector, to develop a strategy and coordinate effectively in implementing it. Similarly the PRSP could provide a framework for analyzing **capacity enhancement** needs and

providing guidance on how to address them. A consistent approach needs to be taken to the problem of inadequate training and motivation of Government officials which moves away from the arbitrary top-ups for staff in donor supported Project Implementation Units (PIUs) and Technical Units. At the national level the focus needs to be on enhancing the capacity of the judiciary, the police and customs and tax officials so as to reduce the constraints, imposed by corruption, on the growth of small and medium enterprises.

8. The instruments and processes for **implementation and monitoring** of the PRSP are still at an early stage of development. A central monitoring unit has been established in the MOP, but it is only weakly linked to the data collection units at the central and sectoral levels. In general the areas where implementation is likely to proceed well are the education and health sectors where the capacity of the ministries was strengthened through well-coordinated donor support prior to the PRSP. Implementation in Cambodia is largely handled through individual donor-supported PIUs and there is no consensus on changing this model, which is not consistent with longer term capacity building in this area.

9. Cambodia is highly aid dependent and improved **partnership** among development partners and with government can yield significant gains in aid effectiveness. The PRSP has increased the potential for improved donor coordination in Cambodia. The PRS Process promoted a framework for discussion of the government's priorities with donors that did not exist in previous national planning processes. A major objective of the PRSP initiative is to turn aid management into a government-driven process but shifting to government control over the allocation and management of aid will be a long term process.

10. Following the launch of the PRSP, attention has shifted to the role of donors in supporting and aligning to the government's strategy, as well as synergies among partners. As new country assistance strategies will be developed by several key partners in the coming months, including DFID, WB, and ADB, it is too early to assess the nature and degree of donor alignment. The education and health sectors in Cambodia represent good examples of effective donor coordination. In other areas, however, donors appear to be focusing on their own projects with specific implementation mechanisms which are often not well linked to the ministry in which they are housed.

11. **The World Bank's support** to Cambodia in formulating the PRSP was substantial, but its efforts seem to have been dictated by concerns that the Government should prepare a credible document. Accountability seems to have been less in terms of assisting Cambodia to put in place the PRSP principles. The Bank financed through an IDF grant a support unit in the MOP which was key to keeping the document preparation process moving forward. At periodic intervals, staff from Washington provided comments and advice on the document preparation, and a staff member from the Bangkok Office supported the MOP in getting the consultation process off the ground. A major challenge for the Bank in supporting preparation of the PRSP was balancing quality and ownership, given the government's past treatment of planning processes. The

Bank provided close consultation in the final stages of document preparation that led to positive quality improvement but at the expense of perceptions among some in the donor and NGO communities that the draft document “had gone to Washington”.

12. The Bank needs to refocus its support towards the ‘mainstreaming’ of the PRSP principles in Cambodia’s development planning and management. During the formulation process, the Bank was not well placed to provide support for the PRS Process. The country office was relatively new and not staffed at the level needed for such support until quite late in the cycle. The country team did not see itself as having a joint responsibility for assisting the Government and did not put the activities of the Bank in Cambodia into a PRSP context. It was not seen as a change in the business model. Further progress in strengthening the country office and a more cohesive approach on the part of the Country Team will be needed. One important advantage going forward is the recently completed Public Expenditure Review which fills an important analytic gap in underpinning the PRS Process.

13. Though it is premature to assess the effectiveness of the Bank’s support for PRSP implementation, alignment in terms of lending and non-lending activities with the PRS Process is an area of concern that should drive the Bank’s forthcoming Country Assistance Strategy (CAS). The Bank’s analytic work seems to have been a matter of business as usual during the preparation of the PRSP and there was poor sequencing of key PRSP-related products. The Bank could have moved much more quickly to gear up donor activities in support of agricultural development in Cambodia. There continue to be major weaknesses in this sector, which is the dominant sector in the Cambodian economy and a priority area for addressing poverty reduction. The new CAS being prepared provides an important opportunity for the Bank to fully align its lending and analytic work with the PRS Process in Cambodia.

14. **Moving ahead**, the effectiveness of the PRSP in Cambodia as an instrument for supporting growth and poverty reduction, will depend on the Government and the international community taking a number of steps over the coming months and years. First, the same coordinated approach, which has been effective in health and education, needs to be applied in other key areas: a) agriculture/rural development; b) small and medium private sector development; c) capacity enhancement and civil service reform. Second, an effective cross-ministerial steering group needs to be established with a secretariat responsible for providing regular monitoring reports. These need to be available to the media and the NGOs to ensure proper accountability. Many other supporting steps need to be taken, but these dominate in their urgency and potential pay-off. Given its starting point, Cambodia has moved some way in developing ownership of the program, and carrying out consultations on it. There is a clear upward trend in the understanding of the ministries of the potential inherent in the PRSP approach and the dialogue between government and donors, and among donors, has improved. If this can be maintained then Cambodia should begin to realize the benefits of the PRS Process in the near future.

## I. INTRODUCTION AND COUNTRY BACKGROUND

1. This report analyzes the experience of Cambodia with the Poverty Reduction Strategy Paper (PRSP) process<sup>3</sup>. The focus of the report is on evaluating the performance of the World Bank in supporting the PRSP initiative, not on appraising the authorities' policies. Given the early stage of the PRS Process, with the document only formally launched by government in March 2003, the report focuses on the process of PRSP formulation in Cambodia and the genesis of the implementation phase.

2. The analyses presented here are based on a variety of sources, most notably: (i) published and unpublished World Bank documents relevant to the Cambodia PRS Process; (ii) material produced by Cambodia stakeholders at various stages of the PRS Process; (iii) interviews with key IMF and World Bank staff members involved in Cambodia over 2000-2003; (iv) interviews with a broad spectrum of local stakeholders in the context of an OED team visit to Cambodia<sup>4</sup> and (v) a survey of around 73 local stakeholders representing Government, civil society and international partners<sup>5</sup>.

3. The report is structured as follows: the remainder of Section I provides brief background information about Cambodia. Section II offers an appraisal of the PRSP formulation process and of the document itself, focusing on aspects relevant to an evaluation of the World Bank's role. Section III assesses the World Bank's support to the process. Section IV summarizes the main points of the assessment and attempts to draw lessons of more general applicability.

### Country Context

4. These are still early days for economic management in Cambodia. The Khmer Rouge (KR) and the aftermath have left Cambodia a legacy of widespread poverty and the need to rebuild the institutions and human resources required to mount a poverty reduction program. International recognition only returned in 1998, and it is important to recognize that the achievements of the past five years have been substantial even if there is a long and daunting list of steps which need to be taken for the task of poverty reduction to succeed.

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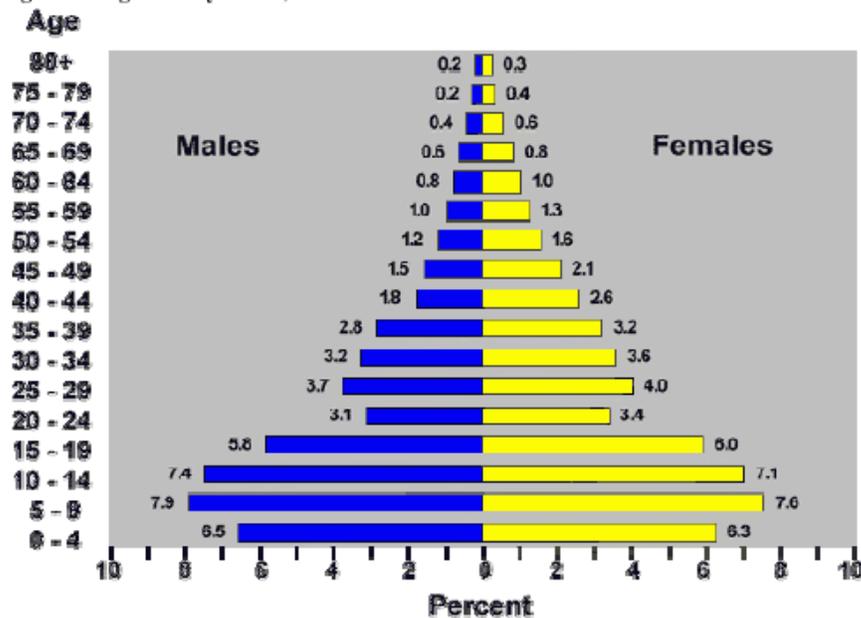
<sup>3</sup> A new framework for poverty reduction was proposed by the staffs of the World Bank and IMF, and endorsed in 1999 by the Interim and Development Committees. The framework's key objective is to assist countries in developing and implementing more effective strategies to fight poverty, embodied in Poverty Reduction Strategy Papers (PRSPs). These strategies are to be prepared by governments and used to prioritize the use of public and external resources for poverty reduction impact. Adoption of the PRSP framework signaled an intended shift by the Bretton Woods Institutions (BWIs) in the ownership of development strategies and the policies needed to achieve poverty reduction. A second objective of the new framework is for PRSPs to become the principle instrument for managing a country's relations with the donor community. (See Chapter 1 of the synthesis report).

<sup>4</sup> The evaluation team comprised Mr. Basil Kavalsky (OED consultant), Mr. Zamir Islamshah (OED staff) and Mr. Bill Battaile (OED staff and task manager of the overall PRSP evaluation). The mission visited Cambodia from April 28 to May 14, 2003 and held meetings in Phnom Penh (the national capital) and in two of three provinces where regional consultations were held (Siem Reap and Prey Veng).

<sup>5</sup> The results of the survey are highlighted in the main text and in Annex 6.

5. The road back to political stability after the defeat of the KR was a long one, complicated by the devastating loss of many of the country's best trained citizens. Of the 250 trained doctors in 1974 for example, only 60 remained alive in 1979. The 1998 demographic pyramid data in Figure 1 is testimony to the consequences of the KR period (1974-78) – skewed towards females in the over 45 age group reflecting the killing of men of military age and with a sharp indent in the 20 to 24 age group reflecting the reduction in the birth rate during the KR years. The base of the demographic pyramid in Figure 1 is wide, with 50% of Cambodia's 13 million people under 16 years of age. Although birth rates have come down slightly in the past decade, Cambodia still has population growth of 2.4% per annum and a total fertility rate of 4.5. This growing population is already imposing a heavy burden on the country's limited social services.

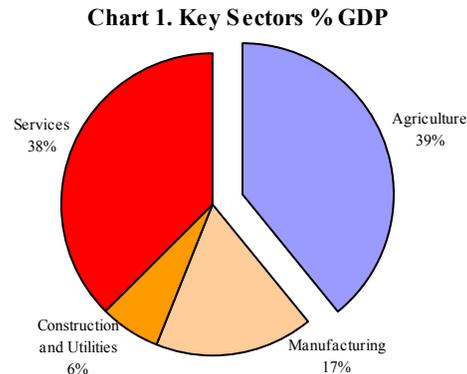
Figure 1: Age-Sex Pyramid, Cambodia 1998



Source: NIS, 1998

6. Estimates of poverty vary widely depending on survey methodology. The percentage of the population surviving on a dollar a day or less is generally estimated at between 30% and 40%. The PRSP cites a figure of 36% living on less than 63 US cents a day in 2001. The large majority of the population live in the rural areas and the rate of poverty among the rural poor is almost double that of the urban population. The capital of Phnom Penh, with a million inhabitants, is by far the largest city. Cambodia is among the poorest Asian countries with matching human development indicators. Life expectancy is 54 years, infant mortality is 95 per 1,000 live births, and the rate of secondary school enrolment is only 14 percent. Cambodia also has the highest HIV prevalence in East Asia.

7. Despite a GDP growth rate averaging nearly 6% per annum since 1994, Cambodia's economic fundamentals remain weak and need to be strengthened if a sustainable poverty reduction effort is to be mounted. Agriculture is still the dominant sector in the Cambodian economy accounting for 39 percent of GDP (see Chart 1<sup>6</sup>) and more than 70 percent of employment. As the security situation improved between 1994 and 1998, agricultural growth improved, but largely as a consequence of the expansion of the area planted rather than higher productivity. Subsequent to 1998, growth has been driven by tourism and the rapid expansion of garment production as a consequence of Cambodia's preferential access to US markets under the Multi-Fiber Agreement. The preferential access will expire when Cambodia accedes to the World Trade Organization, which is expected to take place by 2005. Much of the investment and management of these garment enterprises has come from China and it is uncertain whether this production will be maintained once China has the same preferential access through joining the WTO. This could result in a sharp decline in garment production and exports, and of course in employment, given that 200,000 Cambodians, mainly women, are employed in the garment industry and wage rates are four or five times those of a Government employee, for example. This could have severe consequences and it is important that constraints to development in other sectors be removed so that they can take up the slack.



8. Future growth needs to come from raising agricultural productivity – well below that of neighboring Vietnam and Thailand – and promoting the growth of the many micro-enterprises which exist in Cambodia into small and medium enterprises which are capable of producing goods of adequate quality for both the domestic and external markets.

9. There has been a rapid build-up of **pro-poor expenditures** over recent years. The share of health, education, agriculture and rural development in total expenditures has risen from 1% of GDP in 1993 to 3.6% in 2002 (see Annex 3). Actual spending in priority social sectors has more than doubled from US\$ 45 million in 1998 to US\$ 115 million in 2001<sup>7</sup>. This reflects a genuine commitment on the part of the Government to address the needs of the population, as well as donor conditionality to maintain increased government expenditures<sup>8</sup> and strong donor support for the health and education sectors.

<sup>6</sup> Source: EIU, Cambodia Country Report, February 2003.

<sup>7</sup> World Bank, Cambodia Integrated Fiduciary Assessment and Public Expenditure Review (IFAPER), 2003, p. 11. Allocations to the priority sectors – education, health, agriculture, and rural development - increased from 15.9 percent of Treasury-executed spending in 1998 to 26.1 percent in 2001 (see Annex 4, Table 4a).

<sup>8</sup> For example, the current memorandum of understanding between the Ministry of Economy and Finance (MEF) and the Asian Development Bank (ADB) requires that at least 18.5% of current expenditures go to the education sector.

Despite this build-up, Cambodia still lags behind regional averages for domestically mobilized expenditures in health and education. Table 1 below, illustrates that Government expenditures as a percentage of GDP in education are less than half the regional average.

**Table 1. Public Expenditure % GDP, Cambodia and Comparators**

<b>Comparators</b>	<b>Health</b>	<b>Education</b>
Cambodia, incl. External	2.9	3
Cambodia, Government only	1	1.7
East Asia & Pacific	1.8	4
South Asia	1.2	3
Low Income	1.2	3.8
Vietnam	1	2.8
Lao PDR	2.3	2.4

*Source: IFAPER 2003 Table A2*

### Key Development Issues and Constraints

10. The most serious constraint to growth and poverty reduction in Cambodia is its limited capacity. Capacity can be considered at three different levels, the individual, the institution and economy-wide. In all three areas Cambodia faces an uphill struggle to put in place the capacity needed for effective formulation and implementation of an effective poverty reduction strategy.

11. At the level of **the individual** in almost all areas of Government there is a very thin group with the required expertise for development management. There is a major challenge of skills upgrading. The other side of the coin is incentives and here there is an even more serious problem. Government salaries are \$30 to \$40 a month on average as against an estimated living wage for a family in Phnom Penh of \$200 a month. As a consequence, Government officials supplement their salary either through rent-seeking or through moonlighting in other jobs, or by taking a position in a donor-supported unit within Government where salary ‘top-ups’ are provided by the donor. Senior officials complain that without top-ups nothing gets done. Many staff do not even bother to show up for work at these salaries - transport costs of getting to and from work can consume most of the regular salary. The motivation to take training to improve performance at these salary levels is also understandably lacking.

12. At **the institutional level**, there has been somewhat more progress and some very promising developments in recent years in establishing institutions at the local level which could have a very important impact on poverty reduction in the coming years. The SEILA program is a grass roots community development program with decision-making at the village and commune levels. The Government has recently established elected Commune councils, and there is a small budget allocated directly to these councils. At the national level the picture is less encouraging with an excessive number of ministries (for example, four separate ministries dealing with the rural sector) and each

of these fragmented by separate units which often report to whichever donor is funding them rather than the management of the Ministry.

13. At the **economy-wide level**, Cambodia also faces a serious challenge to evolving the capacity it needs for growth and poverty reduction. Despite its overall poverty there are significant sources of rents in Cambodia – concessions of agricultural land and forests, the tourism and garment industries, and substantial foreign aid inflows of the order of \$500 million a year. The NGO community has recorded numerous examples of state capture in Cambodia which is often explained as a way of maintaining political stability by retaining the loyalty of senior military officials in particular. Political appointments which give access to rents are part of a patronage system which makes it difficult to ensure that qualified individuals occupy key positions in Government.

14. Cambodia has other constraints to efficient production and growth. The **infrastructure** in the country still requires a large amount of investment. The poor road system inhibits the export of agricultural products from villages and the import of inputs such as fertilizer; and limits the capacity of poor people in villages to use the health care and education systems. Another major infrastructure gap relates to the use of water resources, both clean water and sanitation for household consumption. Less than one-third of the population has access to clean drinking water and irrigation for agricultural growth. Only 10% of all households have access to electricity.

#### The Planning Process in Cambodia

15. In 1996 Cambodia issued its first development plan. The Socio Economic Development Program (SEDP I) covered the five years from 1996 to 2000. The Ministry of Planning (MOP) had responsibility for preparing this Plan with oversight from the Council of Ministers. In practice, the Ministry had very limited capacity at that time and substantial support was provided by the Asian Development Bank (ADB) and UNDP. Much of the writing was done by the ADB expatriate consultants. The plan was adopted as Cambodia's formal planning document by the National Assembly.

16. The major focus of SEDPI was on growth and infrastructure, and not explicitly on poverty reduction. It did, however, provide a broad framework for the inclusion of the social sectors and pointed out the severe deficiencies in health and education coverage. Subsequent to the adoption of SEDPI the donor community focused its efforts on building up the strategic capacity in the two core social service delivery ministries of health and education. Substantial technical assistance was provided by a number of donors and special donor/government working groups were set up, which led to the development of national strategies in those two ministries in 2000/2001. The representatives of the donor community the OED mission met with, as well as World Bank sector specialists, regard these as sound strategies with a high degree of ownership of the ministries concerned. They consider the planning capacity in these ministries to be among the best in the Government overall.

17. Implementation of SEDPI involved the development of the Public Investment Program (PIP) which was submitted to the Consultative Group on Cambodia. This constituted a long and unprioritized wish-list of activities which included all the activities which donors were supporting or planning to support and a long list of unfunded activities which were beyond likely financial availabilities.

18. Without clear priorities from the Government, Cambodia's donors selected projects according to their own comparative advantage and while these were in general sound development projects, there were limited synergies from them. The need for coordination was recognized at an early stage, but except in health and education where the story of donor coordination is a very positive one, the approach seems to have been more one of avoiding duplications, than trying to organize collaborative approaches to Cambodian development

19. Given the capacity problems in Cambodia, donors found it necessary to establish Project Implementation Units (PIUs) for implementing most large investment projects and even for individual technical assistance support activities in support of SEDPI. Despite the establishment of a joint Technical Assistance Program (TCAP) by the IMF, ADB, UNDP and some bilateral donors, the emphasis was on separate donor funded TA activities. The extent of coordination was mainly a matter of keeping each other informed.

## **II. THE PRSP**

### Preparing the PRSP

20. In late 1999 preparations started for SEDPII and consultants financed by ADB were brought in to assist the MOP with the preparation. This was the situation when the Bank and Fund opened discussions with the Government on the preparation of the PRSP. The timing of these discussions was not driven by the immediate relevance of a PRSP and the country's readiness and willingness to undertake the process, but was driven by BWI mandates. In 1999, the Bank and Fund Boards decided that over time PRSPs would be required for access to concessional lending, i.e. IDA resources and PRGFs, respectively. In a number of countries, PRSPs were also required to establish eligibility for debt relief under the HIPC initiative. Cambodia is not eligible for HIPC debt relief and did not, therefore, face an immediate need to produce an Interim or final PRSP document. Vietnam was the only country in the East Asia and Pacific region having made serious progress in developing a PRSP, making regional pressure a non-factor in the decision to aggressively push for a PRSP. Interviews with stakeholders, including Bank and Fund staff, suggest that pressure from the BWIs was a key factor in launching the PRS Process in Cambodia. The most concrete manifestation of this pressure resulted from the IMF's decision to convert their ESAF arrangement with the government into a new PRGF arrangement. Under IMF operational guidelines, this change to a PRGF

arrangement required links to a PRS Process.<sup>9</sup> Bank staff in Washington were also noted to be eager to launch the PRS Process, although there is no formal link to Bank concessional lending.

21. As the awareness spread in the Government and the donor community of what was being proposed, a considerable debate developed. ADB was concerned that a rival strategy was being formulated to the one they had helped put in place. They pointed out the additional costs to the Government and the confusion of having two parallel strategic planning processes. There was discussion in the Bank as to whether SEDPII could be used for the PRSP purposes, but it was concluded that this would be impossible within the required time-frame. First, most of the writing had been undertaken by consultants provided by ADB. Second, as government officials commented in meetings with OED, SEDP is not a poverty strategy, but rather a policy framework for development. Thus the SEDP did not provide the special focus on poverty reduction which the Bank and Fund were looking for. Third, Bank staff argued that it would not provide a costed program, with links to the annual budget, which was needed for the PRSP. Fourth, it was not planned to carry out SEDPII in a sufficiently participatory manner. SEDPII was at a relatively advanced stage of preparation and its completion would have had to be substantially delayed if it was to be ‘retrofitted’ with the PRSP requirements. Given the legal commitments to a set time-table for the SEDP process, the Cambodians were unwilling to consider such a delay. In the circumstances, the Cambodians were advised that if the country wished to have continued access to Bank and Fund resources, the PRSP would need to go forward as a free-standing exercise.

22. The Bank and Fund viewed the involvement of the Ministry of Economy and Finance (MEF) as a key to a successful PRS Process. They regarded the MEF as having considerably greater capacity than the Ministry of Planning. MEF normally handled the preparatory work and negotiations for Bank lending and for IMF support such as the PRGF. The Government decided to use this already existing institutional arrangement for I-PRSP preparation. A consultant for the ADB in the Planning Commission had done some preparatory writing, which was useful in putting the document together, but the final report was prepared mainly by a senior official in MEF with advice from Bank staff. There was very little involvement of the line ministries at this point in the exercise.

23. At this stage the Prime Minister intervened and agreed to go along with the two strategic planning exercises. Given the advanced stage of the SEDPII, this planning document would be conceived as setting the broad framework, while the PRSP would follow later and become the action program for implementing SEDPII. The approach was termed “one strategy, one process and two documents”. The MEF could complete the I-PRSP work they had begun, but the preparation of the full PRSP would be the responsibility of MOP. Finally both processes and documents would be merged at the time of SEDPIII covering the period 2006-2010. Oversight of the PRSP was assigned to

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<sup>9</sup> Assessment of the interim PRSP was a condition of the second review of the on-going PRGF program. The formal policy position linking PRSPs to PRGF requests and reviews is set out in the IMF staff paper *The Poverty Reduction and Growth Facility – Operational Issues* (SM/99/293; 12/13/1999) and was endorsed by the Board in the Summing Up from that discussion ( BUFF/99/154; 12/27/99).

the Council of Social Development (CSD) an inter-ministerial body chaired by the Minister of Planning. In August 2001, the General Secretariat to the CSD (GSCSD), headed by the Under-Secretary of the Planning Ministry became responsible for the day-to-day management of the PRS Process. Table 2 provides a timeline of key events in the PRSP and SEDP processes.

24. The decision to complete two parallel planning processes was unrealistic given limited government capacity and led to delays in the original timeline for PRSP completion. After finalization of the I-PRSP in December 2000, the Bank proposed that the Government complete a full PRSP by October 2001. This ambitious timetable was proposed even though it had taken countries an average of 17 months to produce a full PRSP<sup>10</sup> and in spite of the MOP's ongoing commitment to prepare SEDPII. Given the lack of capacity in MOP to work simultaneously on two processes, it was agreed to disregard the original deadline and take "whatever time was necessary" to do a good job on the process and document. SEDPII was approved by the Council of Ministers in December 2001. It was delayed both to allow for improvements in quality and to enable a more consultative preparation process than had been the case with its predecessor.

25. Consultations for the full PRSP only began in April 2002 and were structured around a series of national workshops. The process was carried out under the heading "National Poverty Reduction Strategy 2003-2005", or NPRS, and a small support unit was set up in MOP, financed by an IDF grant from the World Bank. Three national workshops were held between April and August 2002 leading up to the first draft of the strategy. The first two workshops were convened with NGOs and the line ministries in order to fully explain the process and to obtain feedback. In July a poverty forum was held to discuss plans for monitoring and analysis of the PRSP.

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<sup>10</sup> Average of 17 months between the presentations to the Bank's Board of I-PRSP and PRSPs. To-date the average time between I and PRSP has increased to 20 months (see World Bank and IMF, PRSPs: Progress In Implementation, September, 2003).

**Table 2. Timeline of key steps in the SEDP/PRSP Processes and WB/IMF Operations**

	PRSP	SEDP	WB	IMF
	1996	SEDP I launched		
October	1999			IMF approves three year ESAF for \$81.6 million
February	2000		CAS approved with \$30 million SAC	
March			Joint Bank-Fund letter proposes I/PRSP schedule	
April				Article IV and PRGF Review Mission
			Joint Bank-Fund PRSP mission to help prepare Government for PRSP launch	
May	Plan to introduce PRSP announced at informal meeting prior to Paris CG	National Workshop held to launch preparation of SEDPII		
	Paris CG meeting - donors pledge US\$548 million over a 12 month period			
September				IMF approves \$10.8 million disbursement under PRGF facility
October	National NGO Workshop on I-PRSP I-PRSP approved by Council of Ministers			
January	2001		Bank and IMF Boards endorse I-PRSP	IMF completes Second Review of PRGF and approves \$11 million disbursement
March		First draft of SEDPII prepared		
April			WB/IMF Workshop on Preparation of PRSP Bank relaxes original timetable for PRSP	
June	Tokyo CG meetings urges government to ensure consistency between the PRSP and SEDPII			
July		Second draft of SEDPII distributed		
December		SEDPII approved by Council of Ministers		
April	2002	Consultations for full PRSP begin		
August		First draft released at Third National PRSP Workshop		
November		Second draft discussed at the Final National PRSP Workshop		
January	2003	PRSP submitted to Bank and Fund Boards		
February			Bank and IMF Boards endorse PRSP	

26. The first draft of the PRSP was of poor quality and reflected the varying degrees of involvement of the line ministries and the MEF. The draft was released in English at the third National Workshop in August 2002 and led to concern on the part of Bank staff. Not only were the individual sections prepared by the line ministries weak, but the MEF had clearly had very little input and both the macro sections and particularly the costing of the strategy needed major work. The Bank country team provided 15 pages of comments and these were given to the MOP along with the comments of the NGOs and donors. The Bank and other donors' main concern was to ensure that the document would meet the standards of other recently completed PRSPs and be endorsed by the BWI Boards. The Bank was also concerned to maintain Government ownership of the document. In October 2002, a senior adviser from the central PRSP group in the Bank was sent to Cambodia to provide guidance from experience in other PRSPs and to catalyze a higher level of involvement of MEF in the formulation process. The latter helped to increase the legitimacy of the process for a number of donors. MEF worked closely with the Bank adviser to adjust the general chapters of the report to reflect the PRSP guidelines in the Sourcebook issued by the Bank, while the group in MOP worked on reflecting the comments on the sectoral chapters. By end October a second draft had been prepared which Bank staff felt would be found acceptable by Bank reviewers and the Executive Directors. This second draft was discussed on 12<sup>th</sup> November 2002 at the Final National Workshop in Phnom Penh. Box 1 describes the broad focus of the final PRSP.

**Box. 1 The NPRS: Broad Priorities and Action Areas**

The focus of the PRSP is on fiscal discipline, combined with revenue strengthening and structural reforms to improve the business environment. The PRSP has three broad priorities:

- growth through exports, tourism and agriculture development
- governance and public expenditure management
- infrastructure and human development

The PRSP outlines eight priority poverty reduction action areas:

1. maintaining macroeconomic stability
2. improving rural livelihoods
3. expanding job opportunities
4. improving capabilities
5. strengthening institutions and improving governance
6. reducing vulnerability and strengthening social inclusion
7. promoting gender equity
8. priority focus on population

Source: Kingdom of Cambodia (2002), NPRS 2003-05.

27. The Joint Staff Assessment of the Bank and Fund notes the high risks in the Cambodia context and the capacity issues facing the country. It provides a balanced assessment of the strengths and weaknesses of the PRSP document and concludes that it is a “credible poverty strategy that provides a sound basis for Fund and IDA concessional assistance.” In February 2003 the Boards of the Bank and Fund reached the same conclusion.

Relevance

28. There is little doubt as to the relevance of the PRSP **principles** to Cambodia. The focus on poverty reduction is indispensable in a country with major problems of both

income and non-income poverty. The PRSP focus on Government ownership and participation also strikes an important chord in the need for institutional development of both the administration and civil society, and the need to move from a donor driven program to one which is both designed and perceived to be home-grown. Improved donor coordination which goes beyond keeping out of each others way could contribute significant benefits to the overall success of the aid effort.

29. What is less obvious, however, is the relevance of the preparation of a PRSP **document** for Cambodia in 2001 and 2002. The PRSP was awkwardly timed in the Cambodian context. Work on the SEDPII had already started and by law had to be presented to Parliament within a specified time-frame. Once it appeared that the time-frames would overlap, the PRSP became in effect a rival strategy process competing for the time and attention of the limited group of senior policy-makers in Cambodia. Instead of working to ensure that the PRSP principles were applied effectively over time, the main priority in Cambodia was preparation of a PRSP document. An alternative approach would have allowed a significant start in all the key areas of the PRSP framework and putting in place the building blocks for a properly owned PRSP document as part of the SEDPIII cycle.<sup>11</sup> However, the perception of Bank staff was that given the demands of the PRGF this was not an option.

#### Application of PRSP principles

##### *a. Ownership*

30. The acid test of PRSP ownership is whether the PRSP would continue in the absence of requirements for Bank and Fund support. It is very difficult to see that this would be the case in Cambodia, though some features of the PRS Process would likely be factored into the preparation of future SEDPs.

31. There is strong ownership of the process among a small group in the MOP and in the supporting IDF-financed unit. Ownership of the process is, however, limited within the MOP as a whole and the linkage between the PRSP and other planning processes in government is poor. The SEDP process is managed by a different Under-Secretary in the MOP with a different support group. *There is little or no formal communication between these groups.* Another group is responsible for the monitoring aspects of the PRSP – the Poverty Monitoring and Analysis Technical Unit (PMATU). This group for which UNDP is the executing agency, sits next to the PRSP group in the MOP, but has other responsibilities as well and seems out of its depth relative to the scale of the task they have been asked to undertake. What coordination there is, is informal rather than structured through common tasks or working groups.

32. Government ownership of the process in Cambodia was undermined by inadequate involvement of the MEF during the formulation of the PRSP. One of the key

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<sup>11</sup> In the words of the a key NGO representative, “there is little value added from the SEDP and NPRS processes, just a lot of rewriting what was already there. Prioritization hasn’t happened yet, because they were too busy writing a document.”

objectives of the PRS Process is to generate a prioritized strategy for poverty reduction that can be operationalized through an effective link to allocation mechanisms. This objective requires the MEF to play a strong and continuing role in the process. The MEF was engaged in the I-PRSP, but once responsibility shifted to the MOP, did not play an active role until late in the formulation of the PRSP. Although there is a formal involvement of MEF through the Supreme National Economic Council (SNEC), this was not adequate during formulation. The role of MEF will need to be heightened to ensure the direct and on-going engagement of senior MEF policy makers during implementation. This gap has been recognized by Government and noted by the Prime Minister at the launch of the NPRS and at the Interim CG in February 2003. The MEF role should encompass providing the strategy formulation and budget linkage elements of the NPRS going into the merged SEDP-III/NPRS-II, including in the context of the annual progress reports.

33. The involvement of line ministries in the PRS Process varied greatly and was highly dependent on the existent capacity within the ministries. According to government consultants working on NPRS drafting, very few people in the line ministries were involved in discussion of the PRSP. Generally, a few key officials were engaged and these struggled to balance the PRSP with pre-existing responsibilities. Four line ministries played a critical role in the PRSP: 1) agriculture; 2) rural development; 3) education and 4) health. As mentioned above, education and health both had well crafted strategies which are substantially owned. They tended to view the PRSP as an additional imposition which added no value to the work they had already done. As the process continued, however, there was an effort to provide additional poverty linkages to the existing strategies and this was helpful. There was, however, no coherent strategy guiding policies and programs in the critical areas of agriculture and rural development. The Ministries of Land Management and Water Resources also play a critical role in the rural poverty complex in Cambodia. Although these two ministries provided inputs into the PRSP, this was not coordinated into an overall rural framework. Going forward it is difficult to see how the PRSP can provide a coherent strategy without an approach that integrates the different elements needed for raising incomes in the rural areas, where most of Cambodia's poverty is located.

34. Ask the question "Who actually prepared Cambodia's PRSP?" and you will get very different answers. Some parts of the documents were prepared by a combination of the Bank-financed consultants in MOP and the line ministries. Other parts came directly out of existing strategy documents. The MEF wrote the MTEF and resource allocation sections and reviewed the costing and action plan matrix. Even if specific sentences are not directly traceable to the Bank, the formatting and the decisions on what analysis and descriptive material to include, were in large part the product of advice from Bank staff. In the end the PRSP is a soup to which many hands have contributed. The failure to have a single chef is not necessarily a major negative. The PRSP is after all intended to be owned by a broad constituency. But a price was paid as a result of the work being taken out of the hands of the MOP between the first and second drafts, rather than MOP being allowed to build confidence and leadership in the process in the longer-term.

## *b. Participation*

35. The level of consultation in the Cambodian PRS Process evolved considerably between the I-PRSP and finalization of the PRSP. Participation is highlighted as a key strength of the PRS Process by both the JSA(2003) and an ODI review which rated it “exemplary for Cambodian standards”.<sup>12</sup> The baseline for participation in national strategy formulation prior to the PRSP was, however, very low, consisting of sporadic NGO involvement in various ministry/sector planning processes. There was substantial consultation with the NGO movement in areas such as forestry and environment, but this did not reach out more broadly to civil society in Cambodia, nor did it integrate specific sectoral issues into the general development framework.

36. Participation in the PRS Process began with limited involvement of donors and NGOs in the preparation of the I-PRSP. Drafts of the I-PRSP were distributed to donors and embassies, and a workshop was held among NGOs to discuss the document. The short deadline for completion of the I-PRSP meant that NGO comments were not taken into account before the document was approved by the Council of Ministers. While broad participation is not a pre-requisite in the formulation of an I-PRSP, the process in Cambodia was criticized for not having provided enough of an opportunity for public comments, given the short timeframe and lack of a Khmer translation.<sup>13</sup> Finally, the I-PRSP was criticized for providing only a basic timetable for participation in the full PRS Process.

37. In June 2001, a Civil Society Assessment for Cambodia was published independently of the PRS Process, which flagged the low level of consultation with civil society in the I-PRS Process as an area of concern. The GSCSD, with assistance from the Bank, developed a Participation Action Plan and in January 2002 an IDF grant was used to hire a full-time local consultant to coordinate the participation process. Consultations for the PRSP were structured around a series of national workshops held in Phnom Penh at key stages in the process. These were supplemented by various regional and thematic events, including the National Poverty Forum held by the Poverty Monitoring and Analysis Technical Unit of the MOP (PMATU) to discuss plans for monitoring progress, a national NGO workshop, provincial consultations, and regional workshops in Siem Reap, Prey Veng, and Kep provinces.

38. Consultations at **the national level** were systematic and comprehensive, but constrained by the tight deadlines set by GSCSD based on their understanding of when the Bank and Fund required the finalization of the document. The GSCSD played an important role in coordinating consultations between the line ministries, NGO community and donors. Discussions were organized into thematic areas with donor representatives appointed by the GSCSD to chair and facilitate each thematic group. The quality of group discussions varied greatly, and in some cases the use of donor facilitators reflected the limited capacity and low level of line ministry involvement and was a source

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<sup>12</sup> ODI (2001), *Results Orientated Public Expenditure Management in Cambodia. Volume I.*

<sup>13</sup> Malaluan and Guttal (2002), *Structural Adjustment in the Name of the Poor – the PRSP experience in the Lao PDR, Cambodia, and Vietnam.*

of friction among participants. Participation was hampered by the short timeframe provided for comments and the late distribution of materials. In spite of these constraints, both NGOs (led by an umbrella group the *NGO Forum*) and several key donors, including DFID and ADB, worked to provide consolidated comments on PRSP drafts to individual line ministries. The ministries were, however, given only two weeks to respond to comments or incorporate feedback, thus limiting the potential impact of participation. In some cases, such as the health sector plan, time pressures meant that comments were disregarded. Some external assessments question the extent to which NGO feedback was incorporated into the PRSP. The OED mission also heard donor criticisms over the extent of consultations for the macroeconomic framework. The perceived low level of consultations over the macroeconomic framework was also emphasized in the results of the survey of PRSP stakeholders conducted by OED.<sup>14</sup>

39. Consultations at **the regional and local levels** were more limited in scope than at the national level. As far as direct consultation with the poor was concerned, the Participatory Poverty Assessment (2001) conducted by the ADB already provided a large amount of qualitative data on poverty. For the PRSP the poor were specifically targeted in a number of cases, including a joint Ministry of Health/Donor consultation on health issues, held in Kampong Thom province. Regional workshops were held towards the end of the PRSP drafting process in 3 out of Cambodia's 24 provinces. In Prey Veng province the MOP made an effort to introduce the PRS Process to a wide range of stakeholders including key provincial departments, trade associations, and commune and village representatives, with an emphasis on the poorest areas of the province. A half-day workshop was then held to solicit feedback from these key groups, but as was the case at the national level, the time constraint undermined meaningful consultations. Participants were given only a week to prepare and only 2 out of 65 communes prepared issues for discussion. Summaries of the discussion in each regional workshop were not publicized, making an assessment of their impact on the PRS Process difficult. The regional consultations were an improvement on past planning processes, however, they amounted to communication of, rather than consultation over, the PRSP. Failure to provide relevant documents in Khmer also limited the opportunity for Cambodians to contribute to the process.

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<sup>14</sup> In the OED survey the majority of respondents with an opinion disagreed with the statement that: "The formulation of the macroeconomic framework of the PRSP has been sufficiently participatory." The mean response to the question was the lowest in the survey.

40. Consultations with **Parliament and the private sector** were particularly weak. Only one (CIDA-sponsored) workshop was held to inform Parliamentarians about the PRS Process and Parliamentarians invited to participate in national workshops did not attend. The proximity of the PRSP to the SEDPII process in which Parliament had a formal role may have been a factor in this lack of interest. Participation of the private sector was equally limited. The private sector issues raised in the PRSP were heavily influenced by comments received from the Bank and IFC rather than based on serious consultations with the Cambodian private sector. According to local IFC staff, the lack of a targeted agenda for private sector involvement and the failure to create a specific private sector working group on the PRSP made it difficult to involve this group.

41. General **awareness** of the PRSP in Cambodia was low and somewhat confused as a result of the parallel preparation of SEDPII. The **media** did not provide independent coverage of the PRS Process and the GSCSD did not define a clear role for the media in disseminating key steps in the formulation of the PRSP.<sup>15</sup> An effort is now under way to try to remedy these shortcomings. A capacity building program financed by the Poverty Reduction Strategy Trust Fund has been launched to assist with dissemination of the final PRSP in all 24 provinces. The objectives of the program include broadening public debate of poverty issues in Cambodia, and deepening the understanding of the PRSP in line ministries. Training is planned for a group of “PRSP Champions” comprising the core staff of the GSCSD and staff from the key line ministries. This will be followed by a dissemination campaign targeting Provincial Ministry staff, NGOs, the private sector, and the general public. The extent of participation in the implementation and monitoring of the PRSP will depend to a large degree on such efforts to inform stakeholders and build their capacity to participate in the process.

### *c. Comprehensive*

42. The PRSP is expected to provide a comprehensive, long-term view of the challenge of poverty reduction embodied in a coherent strategy. This is a very ambitious undertaking for most low income countries and requires that good quality analysis and strategic thinking is in place before the PRSP document is prepared. There is an impressively large body of **poverty analysis** in Cambodia, along with demographic and health surveys. Unfortunately, these surveys are difficult to compare and there is still considerable uncertainty about the poverty baseline. The first survey in 1993 excluded 40% of the country. The 1997 survey was more complete, but was a single round survey and there are some questions about reliability. There were special modules on health and education and the data in these modules is different from those in the general survey. In 1999, UNDP supported a two round survey and the first round produced a figure for poverty incidence of 51% while the second round produced a figure of 36%. The Participatory Poverty Assessment carried out with ADB support is a rich source of anecdotal data against which to compare the various surveys. There is a high priority in donors working together in this area and ensuring that they are operating from the same baseline and using the same analytic approaches.

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<sup>15</sup> The media in Cambodia often request payments to carry ‘positive’ stories and the lack of funding for this was one factor in the limited coverage of the PRSP.

43. A major quality issue in the case of the Cambodia PRSP is that of **prioritization**. Many stakeholders interviewed were disappointed that the PRSP document did not deliver as an operational plan - as advertised - to be a complement to the general framework of SEDPII. The line ministries were asked to submit programs for inclusion in the Action Plan Matrix (APM) of the NPRS. Twenty-two line ministries and agencies provided submissions, which comprised long lists of poorly costed poverty projects, on the assumption that there would be additional funding available for these projects. Over 80% of the APM was unfunded and nearly half uncosted. Subsequent to the PRSP finalization, the MOP added up the total cost of these programs and found that they came to more than \$5 billion as against a three year availability of donor funds (in line with capacity absorption constraints) of \$1.5 billion, half of which was already committed to ongoing projects.

44. The lack of prioritization is currently being tackled by the MOP. OED attended an NPRS workshop in late April focused on revising the APM through working with line ministries to resubmit sector program proposals. All on-going and funded projects are to be carried over to the revised APM. Using a poverty-relevance scoring system based on 11 specified criteria, each ministry has been asked to rank its remaining unfounded projects according to this scoring system, and the MOP will then attempt to prioritize across sectors. More broadly, MOP is also working to reorient the larger public investment program process used during the CG meeting to coincide with the APM process.

45. With regard to **sectoral strategies**, the PRS Process had very limited or no effect on enhancing individual strategies. The document is strongest where the previous analytic work and donor technical assistance has been most effective i.e. in health and education. Government authorities in these two ministries claim the strategies and allocations would have been the same without the NPRS. For sectors that are weak, such as agriculture, the NPRS was reported not have led to significant progress which is an important missed opportunity given the sector's relevance to poverty reduction. Feedback from stakeholders interviewed suggests that the PRSP does serve a purpose by bringing these strategies into the framework of the overall national program. This is an important benefit.

46. *The PRS Process and document are weakest where there is a need for cross-sectoral analysis and strategy coordination.* The weakness in addressing the core growth issue of **raising agricultural productivity**, which required inputs from four different ministries, highlights this problem and also suggests the need for donors to assist the Cambodian authorities in developing capacity at both the strategic and implementation levels in this area. This weakness is also reflected in the handling of the other key growth issue – **small and medium enterprise development**. The private sector played a very small role in the preparation of the PRSP and while private sector concerns are reflected in broad brush treatment of areas such as governance and anti-corruption, there is a serious lack of integration of PSD into the overall analytic approach. This may have

partly been a reflection of the lack of involvement of MEF, which is the coordinating point in the Government for PSD, until the final stage of drafting.

#### *d. Capacity Enhancement*

47. Given the primacy of the capacity enhancement issue in Cambodia it has been in the forefront of donor efforts. *Annual funding for technical assistance by donors in Cambodia exceeds the Government's budget for civil service salaries.* To a very large degree this technical assistance can be seen as a short term substitute for lack of capacity rather than an attempt to upgrade it over time. More importantly, the capacity gaps for implementing the NPRS have not been identified as priorities for donor capacity building support.

#### Individual level

48. Donors have used salary top-ups to address the issue of skill and incentives among staff in the line ministries. An important category of donor TA funding comes through the establishment of units within ministries which carry out a program supported by a particular donor and usually link one or two expatriates to a team of ministry staff or local consultants who earn salaries which are substantially higher than the regular civil servants salaries. There has been some attempt to standardize these salary top-ups. The Government has set a level of \$150 for a regular staff and \$250 for a manager. The UN system provides \$120 and \$180 respectively, figures which were established in the early 1990s.<sup>16</sup> Some other donors follow separate approaches. In addition, donors often pay special allowances for training, seminars and workshops, and generous per diems for up-country trips, or travel out of Cambodia. Some individuals benefit from multiple top-ups. A system seems to have evolved where little is done without the assurance that these additional payments will be provided. The problem is of course that these all too rarely go for the 'core' work of the concerned Ministry.

49. The recognition that these top-ups are an arbitrary approach to the problem of a more rational civil service strategy has resulted in a proposal to define so-called "priority mission groups". These are sets of key activities for which it is hoped that donors will pool support for salary top-ups to ensure that they are filled by qualified and motivated staff. Terms of reference will be prepared for each of these positions and performance expectations set. While this approach has merit in providing a level playing field between core positions in the ministries and the staff in donor-supported PIUs, it does not address a key issue. It does not provide for the kind of skills upgrading which is needed for the middle levels of the civil service and for the key service providers in the social sectors such as teachers and health workers. It is also very difficult to implement such a scheme on a transparent basis and ensure that salary supplements go to those who merit them and not just the well connected.

50. In the long run there is no substitute for an across-the-board increase in Government salaries. At current levels of government resources, however, (12 % of GNP

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<sup>16</sup> By comparison a lecturer at a private university in Phnom Penh can earn \$1,000 to \$2,000.

in tax revenues) the number of civil servants means that there is little prospect of salary increases resolving the problem. A doubling of all government salaries would still result in less than half a living wage. While there have been some calls for increasing the budget deficit to pay for this, Cambodia's deficit is already 8% of GDP. The Government has gotten rid of 6-8,000 'ghost' employees, but this still leaves the problem some way from solution. It is important though that these 'traditional' approaches should continue to be followed, even if they fall short of dealing with the problem in the short run. The commitment to viable salaries for all civil servants over time needs to be maintained.

#### Institutional level

51. Capacity at the institutional level requires donors to move away from the insistence on PIUs and dedicated technical assistance units and to work together to provide broader support at the ministry and agency level. It is evident that the PIUs are not adding to capacity at the Ministerial level. The PIU members rarely go back to core ministerial activities at the end of the day. More likely they move on to another PIU or are hired directly by a donor or an NGO. The same is often true for staff who are trained abroad. The health and education ministries provide a model where donors have helped put in place planning and implementation capacity. It is now necessary to apply this approach to other key areas, most notably agriculture.

#### Economy-wide

52. There has been a great deal of emphasis on governance and especially on dealing with corruption at the societal level in Cambodia. The PRSP contains a very full and frank discussion of the problem, and there are no fewer than three separate working groups out of five established by the donor community which focus on aspects of governance. Yet donor coordination here is also less than is needed. Donors are often developing separate programs - such as recent World Bank work on legal and judicial reform - which are not closely coordinated with the efforts of other donors. This is another area where an overarching strategy is called for in order to select the appropriate points of intervention. High priority should be given to reducing the impact of corruption on the development of small and medium private enterprises.

#### *e. Partnership – Donor Coordination*

53. Cambodia is a *highly aid dependent* country, with the level of external flows topping domestically mobilized resources. After the end of civil strife in 1993, Cambodia attracted widespread assistance from external partners to assist in post-conflict reconstruction. Over the period 1996-2001, reported external flows amounted to \$2.1 billion compared to \$1.8 billion worth of domestically mobilized resources. External assistance for social services amounted to 43% of total sector expenditures at the end of the period (see Annex 4). In 2001, official development assistance totaled \$434 million, disbursed by 12 multilaterals and 22 bilaterals<sup>17</sup>. This is a *very high number of donors* for a country the size of Cambodia. For comparison, the number of donors supporting

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<sup>17</sup> External financing accounted for 49 percent of total expenditures in 2001. IFAPER, 2003. op. cit. p. 9.

implementation of projects and programs is greater than the level in neighboring Vietnam, an economy nearly 10 times as large and with more than five times the estimated number of poor people. The potential gains from effective donor coordination and harmonization are very high, especially in light of the capacity constraints faced by the public sector in Cambodia.

54. The lack of effective donor coordination has undermined the potential for a concerted approach to poverty reduction in Cambodia. Coordination among donors evolved during the reconstruction efforts of the 1990s. The Consultative Group (CG) format was introduced in 1996, with the World Bank taking the lead on policy dialogue with the Government and the UNDP leading program coordination. Since 1999, the Government meets with donors for mid-term reviews between full CG meetings. The Chair of the mid-term reviews is rotated between UNDP and ADB, with the World Bank co-chairing the CG with the Government. Also, a number of joint donor working groups have grown out of the CG process. There are six of these groups covering demobilization, fiscal reform, social sectors, governance, public administration reform, and natural resource management. There is also a new working group on partnership, chaired by Government. Nonetheless, delivery of high levels of external flows by many donors within a capacity constrained public sector has led to the donors driving the public investment agenda rather than a partnership between donors and Government. As illustrated by the previous discussion of a lack of coordination by major donors in supporting Cambodia's planning processes, a more concerted approach on the part of the World Bank, ADB, and UNDP is critical for effective partnership. Thus far they seem to have been concerned with maintaining institutional labels and a rather narrow focus on the integrity and quality of their own activities.<sup>18</sup>

55. Individual donor PIUs are a barrier to effective, government-led, aid coordination. The majority of external flows bypass existing government institutions and budget arrangements, with reliance on PIUs and on differentiated and complex donor procedures significantly complicating donor coordination. There are 15 PIUs in the Ministry of Public Works alone, each covering individual donor projects, with multiple PIUs for the larger donors. In some cases, even where donors are cofinancing a project they have separate PIUs. External assistance is often disbursed without the direct involvement of ministry staff. In addition, as indicated, civil servants are provided sizeable salary supplements by the donors as incentives to leave their ministry posts and work in these special units. PIUs and the practice of arbitrary salary top-ups by donors remain an obstacle to effective institutional development by government.

56. The PRS Process has increased the potential for improved donor coordination in Cambodia. The PRSP promoted a framework for discussion of the government's priorities that did not exist in previous national planning processes. Since the launch of the PRSP, attention is shifting to the role of donors in supporting and aligning to the

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<sup>18</sup> One example of the lack of coordination that surfaced during the OED mission was the release of a UNDP paper on *Macroeconomics of Poverty in Cambodia* which was critical of the macroframework contained in the NPRS. Feedback from several external partners pointed out that while putting alternative views on the table were healthy and welcome, the timing was poor given the NPRS had just been launched.

government's strategy, as well as synergies among partners. This improvement in the nature of the dialogue between government and donors, and among donors themselves, has also led to a reassessment of the working group system. Many donors interviewed voiced a need to change the focus of these groups from areas of prominence in donor conditionality and interests, toward broader development priorities and cross-sectoral policy dialogue.

57. Beyond improved dialogue, there is little evidence as yet that coordination of aid delivery or harmonization has improved. It is too early to discern the extent that donors are aligning to PRSP priorities, partly because of the short time period since its launch and also because of the lack of prioritization and link to the budget in the PRSP. Respondents to the OED survey were on the whole unsure about whether donor alignment and donor coordination had changed with the PRSP and more respondents were negative than positive in their assessment of the quality of donor coordination at present.<sup>19</sup> A project-focused aid delivery mentality continues to dominate. Movement to budget support, which is a prominent feature of the PRS Process in other countries including neighboring Vietnam as a source of increased government management of aid delivery, is not generally supported by the Cambodian government or the majority of donors at this time. Several donors feel the government sees budget support as more readily tied to performance conditions than project lending and that "the tap can be easily shut off".

58. Partnership remains a key concern under the PRSP. The nature of the dialogue between government and donors has improved. Following the launch of the PRSP, attention is turning toward how and to what extent donors will support it. A major objective of the PRSP initiative is to turn aid management into a government-driven process. Cambodia's post-conflict assistance to date has been strongly donor-driven and shifting to government control over the allocation and management of aid will be a long term process. As new country assistance strategies will be developed by several key partners in the coming months, including DFID, WB, and ADB, the burden will be on the donors to demonstrate their commitment to alignment and to reducing the transaction costs associated with the current aid delivery system.

#### *f. The Results Focus – Monitoring and Evaluation*

59. The monitoring and evaluation requirements of the PRSP can be looked at in terms of four separate elements. First, there is the establishment of indicators which are monitorable and relate to the core objectives. Second, there is the collection of data which allow progress against those indicators to be assessed. Third, there is the actual assessment or evaluation of progress against the indicators. And fourth, there is the consideration by policy-makers of this progress and decisions made on the basis of that consideration. The specific poverty reduction targets identified in the PRSP are listed in Table 3. below.

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<sup>19</sup> 26% were negative and 19.2% positive. The majority were neutral 41.1%.

**Table 3. PRSP Targets for Poverty Reduction (in %)**

Objective and Indicator	Baseline (year)	Target for 2005
Poverty headcount index	36 (1999)	31
Real GDP average annual growth rate	5.4 (2000)	6-7 (2001-2005)
Infant mortality rate	95 per 1,000 live births (2000)	90 per 1,000 live births
Maternal mortality ratio	437 per 100,000 live births (2000)	372 per 100,000 live births
Children under 5 with moderate/severe stunting	44 (2000)	38
12 year-olds successfully completing Grade 6*	33 (1998)	90
Share of the population with access to safe drinking water		
Rural	29 (1999)	40
Urban	69.5 (1999)	87
Share of the population with access to sanitation facilities		
Rural	8.6 (1999)	20
Urban	49 (1999)	90

Source: NPRS, 2003, Table 1.1 p. 7

60. Responsibility for the establishment of **sector-level indicators** in Cambodia is given to line ministries and in the case of the health and education ministries this has been done well and systems are in place in both ministries. There is some weakness in the link between the indicators and the various poverty categories (e.g. rural and urban, age-categories, etc.), but both ministries are moving to strengthen their work in these areas. In other ministries this effort is still at the nascent stage and arguably the capacity to follow through on this is not yet in place.

61. The responsibility for the establishment of **national level poverty monitoring indicators** was assigned to the PMATU. UNDP which is the executing agency contracted a Canadian firm which produced a set of Poverty Vulnerability Indicators running into many pages of detailed requirements. These were to be included in the draft of the PRSP, but were dropped when the authorities realized they were beyond ministry capacity to collect and analyze the necessary data. In the words of one observer “they simply did not take into account the realities of the Cambodian situation”. There is a need to develop a relatively simple and prioritized set of indicators to provide Cambodia’s policy-makers with the information they will need in order to assess progress.

62. The **data collection** through surveys and other work is the responsibility of the National Institute of Statistics (NIS) which reports to a different section of the MOP and is not linked to the PMATU. Communication between NIS and the PMATU is reportedly very weak. The NIS appears to have the capacity to collect the data required, but there is a need to strengthen its capacity to design surveys and to analyze them. It is also unclear how the data collected by NIS relates to the data collected by line ministries. The mission was told that the latter are often very proprietary about their information and reluctant to make it more widely available.

63. It is too early to judge the likely interest of Cambodia's **policy makers** in knowing and using the data on progress of the poverty reduction program. This is a critical feature of an effective monitoring and evaluation system. It will be given an important boost if the Progress Report on the PRSP is successfully institutionalized and if it can be built into the Consultative Group reporting cycle and become the basis for a more hands-on Government role in coordinating the donor community and influencing their on the support they will provide.

64. In general, given that there has been considerable focus and support on the part of donors for monitoring and evaluation, progress in this area remains slower than might have been hoped. It is difficult to have confidence that an effective system will be put in place within the next year or two. The most negative responses in the survey of PRSP stakeholders conducted by OED was on targets and results orientation. Respondents felt that the PRSP targets were unrealistic and over half did not consider there to be an effective structure in place to monitor results. Donors and the MOP need to make a frank assessment of needs to institute an effective system for monitoring of results in Cambodia. The support currently being provided may need to be re-thought.

#### Net Benefits of the PRS Process Thus Far

65. The calculation of net benefits is a function of the changes in benefits and costs which resulted from the PRS Process. Thus the *good strategy and planning processes in the Education and Health ministries* rest on work which was done well before the PRSP and are not attributable to it. Similarly *the build-up in expenditures on pro-poor sectors* began in the mid-nineties.

#### ***Benefits of the PRSP***

66. The participatory process for the PRSP allowed for a greater degree of donor and **NGO participation** and debate around the core poverty reduction strategy rather than focusing as often in the past on particular sectors or issues. It did not however, broaden beyond NGOs to include other parts of civil society, nor did it reach sufficiently beyond Phnom Penh to the provinces and communes. The lack of involvement of parliamentarians and the private sector was another particular deficiency.

67. The benefits in terms of **costing and prioritization** must be viewed as very modest at this time. Work on the MTEF had begun before the PRSP and has not as yet yielded any tangible results. The MEF's involvement in the costing of the PRSP at a late stage in the process was a one-off exercise with limited ownership from line ministries and has not been built into the annual planning cycle as yet. In practice, Cambodia remains very far from performance budgeting and a number of observers have noted that line ministries appear not to see themselves as accountable for even delivering inputs let alone outputs.<sup>20</sup>

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<sup>20</sup> Although MTEFs are a feature of most PRSPs, there has been discussion whether, in the Cambodian case, it would not be better to concentrate on the linkage between the annual budget and the PRSP rather

68. Perhaps the most significant benefit of the PRSP has been in creating greater **awareness of the links between Government and donor supported programs and poverty reduction**. The PRSP has required the Ministries to think about the links between their investment programs and poverty-related outcomes. While this was not very systematic during PRSP preparation itself, there is a promising sign in the effort of the MOP to get the line Ministries to prioritize their investments on the basis of a set of specified criteria related to likely poverty reduction outcomes. The approach has the potential to move the line Ministries to more realistic investment planning which is focused on maximizing the impact on poverty outcomes.

69. A budding success story in the Cambodian context is the **decentralization support** program - the SEILA program - in which funds are made available directly to local communities for programs which they identify and manage. The mission visited a number of these communities and was impressed by the range of activities – adult literacy, community forestry, improved rice seeds, rural roads, etc. - and the obvious commitment and support of the villagers for these programs. The Government has tripled the funds going directly to the provinces from \$1 to \$3 per capita in the past three years. While this is still only a small beginning, the decentralization strategy could be a very positive part of the poverty reduction efforts in the years ahead. The needs in terms of capacity enhancement and resources should have been central to the PRSP and should be analyzed and tracked in the Progress Reports.

70. Thus far it is difficult to point to any significant net benefits of the PRS Process in such critical areas as **capacity enhancement, donor coordination, or monitoring and evaluation**. There is very little progress in these areas, although these are long term problems and quick fixes are not expected. However, they are important to highlight at this point to ensure adequate attention with the PRS Process over the long term. The direct impact of the PRSP on capacity enhancement has been limited to a small group of officials in the MOP who have become familiar with the approach. With regard to donor coordination, some donors have indicated their intention to align their programs with the PRSP, but it is unclear what alignment means in the context of a PRSP in which priorities have not been clearly identified. There is discussion of harmonization taking place in Cambodia and perhaps increasing awareness of its importance, but no follow up as yet. In the case of monitoring it is too early to judge how effective the mechanisms which have been put in place will prove.

#### *Costs of the PRSP*

71. The net costs of the PRSP relate mainly to **the decision to proceed sequentially with the ongoing SEDPII process**. The confusion and expenditure of energy by the Government and donors was substantial. The decision damaged the reputation of the Bank and the donor community in Cambodia and left a strong impression that institutional brand labels were valued more than serious progress on the ground. Even

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than devoting substantial effort to an exercise which is likely to require 5 to 10 years for full and effective implementation.

with the sensible resolution of the issue, the confusion continues with parallel dissemination processes for SEDPII and PRSP now being joined by a third dissemination and monitoring process related to the MDG goals which is not as yet fully integrated in the ongoing planning processes.

72. Linked to this and perhaps partly as a consequence, there were costs related to the way the PRSP was carried out and **the focus on producing a document rather than improving a process**. Senior staff in the Government and the Bank were diverted from substantive activities to spending a great deal of time in getting out a presentable document for the Bank and Fund Boards. Given the capacity issues in Cambodia, the opportunity cost of the time of key senior officials is high and it is important that a broader base of skills be developed in the area of strategy formulation and planning. As for the document itself, it remains to be seen whether it will remain a relevant planning framework in the long run.

73. The survey findings<sup>21</sup> are consistent with the assessment of the PRSP as a costly process. Respondents were overall positive on the relevance of the PRSP framework for Cambodia, but less positive on whether the benefits and strengths of the PRS Process have so far outweighed costs and weaknesses.

#### *The balance*

74. It is **difficult to argue that the benefits of the Cambodia PRSP to date outweigh the costs**. However, it is important not to be carried away by the short-term gains or costs of the PRS Process. The PRSP is not a panacea for all development ills, nor is it yet another empty imposition of excessively demanding donors on the time and energy of developing country officials. The PRSP at its best is a set of principles which reflect the development experience of the latter half of the twentieth century. There is a broad consensus around the ideas of government ownership, participation, donor coordination, the medium-term definition of poverty outcomes, and the monitoring of results. If the Cambodian authorities can build on the PRSP to focus on these processes going forward and if the capacity can be put in place to enhance them, then over the longer term this may well prove to be a useful process. The key to this is likely to be the degree to which the donor community in Phnom Penh buys into the idea of the PRSP as the core strategic process for poverty reduction. If the Government sees no returns to the process in terms of the level, composition, and modalities of assistance, then they will have little motivation to take the PRSP seriously.

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<sup>21</sup> Only 15% of respondents felt that the concept was not a good way to tackle poverty reduction in the country, while 26% felt that the costs outweighed the benefits to date.

### III. WORLD BANK SUPPORT

75. The following section assesses the effectiveness of Bank support for the PRS Process, including direct support to the Cambodian authorities in preparing the PRSP and indirect support of the process through the production of PRSP-related analytic work and lending. Finally, the collaboration between the Bank and IMF, and the Bank's role in donor coordination are assessed.

#### The Bank's Country Office was not Prepared to Support the Process

76. The Bank's country office was inadequately staffed to provide effective support for preparation of the PRSP at the outset of the process. The Bank office in Phnom Penh opened in 1999 and had limited staff to support the PRSP effort. Staff based in Phnom Penh did not feel they had a clearly assigned role in the PRSP and, even if this had been the case, there would probably not have been adequate time to undertake it given the lack of support in the Country Office. It was not until the arrival of additional staff in 2001 that the Country Office began to make a significant contribution to the PRSP.

77. The Bank provided direct support to the lead PRSP unit in the MOP for PRSP formulation, but management of this assistance was not decentralized. Following preparation of the I-PRSP, an IDF grant was approved to support the establishment of a technical unit in the MOP to assist with coordination of PRSP preparation in general and the consultation process in particular. This was a critical contribution to the PRS Process. Bank staff in the Bangkok office was assigned the responsibility to assist with management of the IDF grant. In practice, this oversight and support would have been more effectively carried out from the Country Office. Bank staff noted that managing the process from a distance decreased responsiveness and made monitoring of progress difficult.<sup>22</sup>

78. Beyond inadequate staffing of the country office, there was also tension within the Bank on responsibility for the process. The Cambodia Country Team saw the draft as a product of the PREM task manager and sector members were reluctant to work with line ministries to help support their contributions. It was relatively late in the process, at the urging of Bank management, that the Country Team became engaged in supporting the ministries' efforts.

#### Focus on PRSP Document over PRS Process

79. The key issue for Bank staff was to ensure the preparation of a strategy which was within the range of quality of the first round of PRSPs from other countries. As indicated earlier, the decision was made to launch the PRS Process in parallel with preparation of SEDPII. The Bank and Fund felt that the ongoing SEDPII did not provide a credible alternative to the PRS Process and could not be retrofitted within the required timeframe to comply fully with a minimum set of requirements, including broad Government

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<sup>22</sup> On the Cambodian side, the Government felt that the Bank was managing the IDF grant too closely, requiring clearances and approvals out of Washington or Bangkok for trivial expenditures.

ownership and NGO participation. While there can be different interpretations as to what the motivation was<sup>23</sup>, the more important question is whether in practice this was the right decision.

80. There was a preferable alternative which might have reduced the friction between the Bank and ADB over preparation of the two processes and yielded a more positive outcome. This would have been to merge the PRS Process with SEDPII and delay the preparation of the full PRSP until SEDPIII, which could then be re-focused to meet PRSP requirements. Instead of pushing ahead with the PRSP in the short-term, the Bank, Fund, and ADB could have worked with the Government to put in place the analytic work, institutions and processes required for an effective PRSP in the long run. Thus a much greater participatory effort could have been made with SEDPII; training and technical support could have been provided to all Ministries to ensure a full understanding of the PRSP objectives and process; a public information campaign could have been carried out; and work on the MTEF and development of a coherent agricultural strategy could have been accelerated. This more measured approach could have been monitored through the six monthly progress reports to the IMF Board to ensure that a serious preparatory effort was under way.

81. Throughout the PRS Process, however, Bank staff seem to have viewed their accountability as ensuring that the Government would prepare a presentable document. Accountability does not seem to have been seen in terms of assisting Cambodia to put in place the PRSP principles. Too little time and effort went into the capacity building and training required to produce a general understanding in the key ministries of what the process was about, or to explain to civil society what they could potentially expect out of the PRSP. There was no concerted WBI support program as occurred in some other countries, even though Cambodia was perhaps in greater need of this. According to government consultants hired to coordinate NPRS drafting, Bank technical assistance was “too little, too late.”

#### Quality vs. Ownership of the PRSP

82. A major challenge for the Bank in supporting preparation of the PRSP was balancing **quality and ownership**. The designation of the GSCSD to head the PRS Process in the MOP had distanced the MEF from the process, leading to weak prioritization and costing in the first draft with little attempt to address cross-sectoral dimensions. *From the Bank’s perspective this was most damaging of all given the ‘selling point’ of the PRSP as a costed process by comparison with the broad treatment of programs in SEDPII.* In the words of one Bank staff member “we panicked when we saw the first draft of the PRSP”.

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<sup>23</sup> Some commentators argue that World Bank insistence on a separate PRSP was based on Bank concern not to lose control of the process. A recent review of the PRSP experience in South-East Asia argues that “The long and drawn-out tensions between the Royal Government of Cambodia, the World Bank and the ADB, showed clearly the attempts by multilateral institutions to capture key policy areas within the government” (see Malaluna & Guttal (2002), op. cit).

83. Bank management instructed the Country Team to take collective responsibility for the PRSP and work to support the efforts of the Ministries to contribute effectively to the process. Bank management emphasized once again that this was not to be a matter of writing the report for the Cambodians. A poor quality PRSP could be defended, but not one which was essentially written by the Bank and had no Government ownership. The operational dilemma was of course how to try to get both quality and ownership.

84. The key to improving the PRSP from the Bank's point of view was seen as getting the MEF back into the process. Bank staff interacted with key MEF staffers and underscored the earlier MEF commitment to the process, and that a PRSP with no costing associated with it was not going to do much for their credibility. The Bank had prepared detailed comments on the PRSP, and Bank staff worked closely with line ministries, the MEF, and MOP to try to address these comments in the redraft. The general sections and the costing were mainly done by MEF, while MOP focused on ensuring that comments were incorporated in the sections of the line ministries. Bank staff were careful not to do any of the writing, though of course it can be argued that this is a technical distinction given her role in suggesting specific changes in the text and the approach.

#### Inadequate Focus on Capacity Enhancement

85. The Bank focused on two aspects of the capacity issue – participation and preparation of the PRSP document. It took steps to shore up local capacity in these two areas, by assigning staff in the Bangkok office to assist with participation, and by funding the consultant team to support the GSCSD. There were however important gaps. The focus by Cambodian officials had been on short term investment decisions and not on the sets of actions needed to support longer term growth and poverty reduction. The Bank needed to set in place a process which would have created a better understanding within Government of the objectives of the PRSP and the potential benefits to the country from designing and implementing it effectively. This required working closely with line ministries to increase their understanding of the nature of the task and how to go about it. Bank staff seem to have misunderstood the instruction to be hands off on writing the document as a general restriction on working closely with the Cambodian authorities to help them internalize the PRSP approach. The lengthy comments provided after the fact were not perceived by the Cambodians as contributing to their better understanding of the objectives of the PRSP.

86. A special weakness was with regard to data collection and associated poverty monitoring. At the time of this report there had been little progress and the outlook for an effective contribution from the PMATU is not positive.

87. It has been noted by a number of Cambodian officials that the failure to provide salary top-ups is a large part of the explanation for lack of interest in line ministries in the PRSP. Clearly this is a major dilemma for the Bank which has a consistent policy of not providing such top-ups. If other donors can be persuaded to provide supplements for work done in support of the PRSP then serious consideration should be given to this. Of course this is a second best, but given the system in Cambodia this does no more than

level the playing field, so that officials give equal attention to the PRSP. If a program of training support can be put in place, perhaps with assistance from the World Bank Institute, then providing a link between participation in training and payments for PRSP-related work, should also be considered.

#### Lack of Transparency in PRSP Finalization

88. The perception among some in the donor and NGO community in Phnom Penh is that the first draft “went to Washington” and that the Bank and Fund produced a new draft with little Government ownership. There had been clear ownership of the first draft of the PRSP. A number of donors and NGOs pointed out that the new version included significant and substantive changes, for example, the expansion of a previously sparse section on HIV/AIDS to a full chapter and the deletion of two sub-sections on population planning. Clearly the Bank did not do a good enough job of keeping donors and NGOs in the loop during the critical phase between appearance of the first draft and the finalization of the PRSP. A steering group of donors and NGOs would have provided an effective way to monitor progress and to provide joint advise on the best way to proceed.

#### Alignment of Bank Lending and Analytic Work

89. Prior to the start of the PRS Process the Bank program, as laid out in the CAS for FY00-03, focused on achieving a more programmatic approach to financing through the application of SWAPs. Individual donor processes and procedures would be slowly phased out as government capacity increased, with a shift to greater budget support. The CAS proposed first piloting SWAPs in infrastructure, health, and education. There was extensive consultation between the Bank and the government over the CAS and wide endorsement of the SWAP approach. The consultations also emphasized the need for a additional focus beyond basic education to redeveloping the capacity and leadership that was lost during the Khmer period.

90. The Bank approved nine projects between FY00 and finalization of the PRSP (Annex 5b). Apart from emergency lending in response to the floods of 2001, the Cambodia lending program was dominated by a SAC (\$30 million, approved in February, 2000) and a Land Management and Administration loan (\$24 million, approved in February, 2002). The SAC followed CAS priorities and focused on improving public resource and expenditure management and governance. The Bank also approved a capacity building project (\$6 million, approved in June, 2002) which aimed to build the capacity of a targeted set of government officials in order to strengthen project management skills for immediate development tasks.

91. The modalities of Bank lending did not, however, follow the proposed strategy. The Bank was reluctant to align itself with the donor-led Sector Wide Investment Management (SWIM) programs in the education and health sectors and the bulk of the lending approved was investment lending. One donor attributed the eventual improvement in Bank coordination with the health sector SWIM to the NPRS process itself. There has been some movement in the area of rural development, with the latest

Bank support being an example of an attempt to operate at the sector level and to work more closely with partners. *The Bank should have moved much more quickly however, to gear up donor activities in support of agricultural development in Cambodia.* There continue to be major weaknesses in this sector, which is the dominant sector in the Cambodian economy and a priority area for addressing poverty reduction. The lack of a coherent strategy and staffing capacity is compounded by the awkward sharing of responsibilities among four separate ministries. Bank work on the rural development sector strategy was only initiated in 2003 and should have been included in its program two years ago. The rural sector strategy may increase the attention to rural development in the next CAS.

92. The Bank's alignment with the PRS Process is an area of concern. The Bank's analytic work seems to have been a matter of business as usual during the preparation of the PRSP and there was poor sequencing of key PRSP-related products. The new PER and the Rural Sector Memorandum were both undertaken right at the end of the PRSP cycle so that they had little or no impact on the document. Although a PER had been done in 1999, it was limited in coverage and did not tackle the key area of civil service reform. The first draft of the new PER was available before the finalization of the PRSP document and there was an attempt to get the Government to incorporate some of the findings, but these had not been discussed and disseminated in Cambodia. The only other major piece of analytical work produced during this period was on private sector involvement in infrastructure. This focus on the private sector was not carried over into the PRSP which, as noted, is weak in its treatment of private sector development, although there is a good section on trade issues. The new CAS being prepared provides an important opportunity for the Bank to align its lending and analytic work with the PRS Process in Cambodia.

### JSA

93. While the JSA prepared by staffs of the Bank and Fund is frank about the shortcomings of Cambodia's PRSP and found to be useful by Government (e.g., on prioritization shortcomings) and donors, it is still very much focused on the PRSP as a document, with the exception of a discussion of the participatory process. The JSA notes the high risks in the Cambodia context and the capacity issues facing the country. It provides a balanced assessment of the strengths and weaknesses of the PRSP document and concludes that it is a "credible poverty strategy that provides a sound basis for Fund and IDA concessional assistance." More attention could have been paid to capacity needs and particularly civil service and salary reform. The JSA is regarded by PREM management in the Bank as best practice<sup>24</sup> though it is not widely known in Cambodia. The Bank ought to have gone beyond simply putting it on the website and been proactive in circulating the JSA to a wider audience, including civil society. The JSA also proved a useful instrument in donor coordination. DFID organized a joint review of the first draft of the JSA by the donor community and donors were pleased at the extent to which this was reflected in the final version.

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<sup>24</sup> Source: internal Bank memo from PREM VP to country team.

## Bank Support for Donor Coordination

94. The Bank was not able to promote more effective donor coordination as part of the PRS Process, in spite of its co-chairmanship of the Annual CG meeting.<sup>25</sup> Given the high degree of Cambodia's aid dependence, this is a particularly important opportunity lost. For much of the period the Bank was functioning with a small over-stretched office in Phnom Penh. Other donors also have limited capacity on the ground in Cambodia and the heavy schedule of meetings, working groups, workshops, document reviews, etc. associated with the PRSP is a matter of concern for many of them. The problem of improving donor coordination is thus a very difficult one and in the absence of key players with a real commitment to partnership on the ground this is unlikely to happen. Unfortunately, as explained earlier, the relations between the Bank, ADB and UNDP during PRSP preparation never approached the kind of collegiality which might have overcome the obstacles. While personalities in the field are part of the explanation, visiting missions from these three agencies must share part of the blame. The insistence on differentiating products and the reluctance to work together strained Government's very limited capacity and led to significant costs for Cambodia.

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<sup>25</sup> One donor commented that beyond the coordination shortcomings of the CG process, the Bank is missing the opportunity to use the CG more directly to monitor the NPRS. This should be corrected by the recent agreement that annual progress reports will be the main document for the future CG meetings.

#### IV. LESSONS AND RECOMMENDATIONS

95. The excessive focus on the PRSP as a document led to neglect of the more important issue of how the authorities could best be supported in promoting the PRSP principles as the core of their strategic planning and implementation process.

96. The Bank may have said that one size does not fit all, but in practice it did not behave that way. A genuinely customized approach in Cambodia would have taken into account the pre-existing strategic process and tried to reformulate this into an approach consistent with the PRSP principles. It is evidence of the rigidity of the approach that staff did not feel that this was a realistic option.

97. For most Governments the PRSP principles represent a quantum leap from where they are now. To assume that they can make this leap without substantial help from the World Bank is not realistic. This is not a matter of putting a group of consultants into a Ministry. First the Bank's Country Team needs to internalize the PRSP not as a 'task' being led by a particular sector department, but as a different way of doing business which is part of a shared responsibility. The use of team learning events which can include Government and partner representatives can be an important means to support this. Second, the Country Office needs to have as its principal mandate the support for the PRSP and to be staffed accordingly. The Bank should consider very carefully the advisability of beginning the PRS Process in countries where the Country Office is not able to provide the support needed.

98. The issue of capacity enhancement is a major concern for moving forward with the PRS Process. The international community needs to sit together with the Government and work through priorities and develop a coordinated approach to identifying and addressing the priority capacity constraints limiting implementation of the PRSP principles. Given its comparative advantage, this should be a major thrust by the Bank in its on-going dialogue with partners and government and featured in its forthcoming assistance strategy.

99. Donor coordination requires that the Bank itself 'lead in following'. This cannot both be a shared process and yet controlled by the Bank. The donor community could and should have been co-opted into support for the PRSP principles by the Government asking different agencies and donors to share leadership with it in meeting such objectives as consultation, monitoring, budgetary alignment, etc. There is a good model in Cambodia, in the role of UNICEF in chairing the Social Sectors Working Group, that could have been built on.

100. It is not yet clear to Bank staff whether the institution gives priority to ownership or quality. There was a point in the preparation of the Cambodia PRSP where the Bank concluded that the task was to maximize ownership within the quality constraint and not the other way around. Clearer guidance is needed on how to handle the trade-off.

101. Many aspects of the PRSP ‘model’ are too ambitious for a country at Cambodia’s stage of institutional development. The approaches to costing and monitoring need to be brought down to the simplest level. In the near term there is little likelihood of being able to track the poverty impact of specific investments or measures and the value of diverting substantial resources into this is questionable. In Cambodia it is probably enough to track inputs on the one hand and outcomes on the other without spending too much time on identifying the specific links.

102. Decentralization is an area where additional thought needs to be given to the PRSP approach. There is a risk that line ministries will use the need to increase their pro-poor budgets as an excuse for maintaining control over local expenditures. This could work to the detriment of programs like the SEILA which probably have the most positive impact on poverty reduction of any intervention.

### Looking Ahead

103. There are some critical steps which need to be taken by the Government and the international community. First, the same coordinated approach, which has been effective in health and education, needs to be applied in other key areas: a) agriculture/rural development; b) small and medium private sector development; and c) capacity enhancement and civil service reform. Second, an effective cross-ministerial steering group needs to be established with a secretariat responsible for providing regular monitoring reports. These need to be available to the media and the NGOs to ensure proper accountability. Many other supporting steps need to be taken, but these dominate in their urgency and potential pay-off.

104. While it would be difficult to rate the Cambodia PRSP experience thus far as satisfactory, it may well look quite different some years hence, if the Government, the Bank and the donor community are able to absorb and make use of the lessons of the PRSP and make a concerted effort to put in place the steps outlined above. There are a number of important pointers towards a more optimistic outcome than might be apparent from most of the discussion in this report. First, almost all observers note the progression in the course of PRSP preparation between the early stages and the finalization of the document. There was a sense that ministries were ‘beginning to get it’. The MOP was succeeding in institutionalizing the preparation process with monthly GSCSD meetings and coalitions with the seven donor sub-groups. Much will depend on the success of the Progress Report process and the degree to which this becomes the cornerstone of future CG meetings. On the Bank side too the Country Team was ‘beginning to get it’ towards the end of the process and the actions that are being taken to strengthen the Country Office in Phnom Penh should be an important step in the right direction. The Bank now needs to ‘walk the talk’ on the PRS Process and reflect the principles of government ownership, partnership, participation and alignment in its own program.

## Annex 1. Key Socio-Economic Data

Table 1a.

Cambodia: Socio-Demographic Indicators, 1990-2000 1/

	1990 (or latest year available)	1995	2000	Same Region/Income Group 2/ East Asia and Pacific	Low- Income
<b>Population</b>					
Total population, mid-year (millions)	9.1	10.7	12.0	1,855	2,460
Growth rate (percent annual average)	3.2	3.1	2.5	1.1	2.0
Population density (people per sq. km)	54	61	67	115	73
Urban population (percent of population)	13	14	16	35	31
Total fertility rate (births per woman)	4.9	4.7	4.0	2.1	3.6
<b>Life expectancy at birth (years)</b>					
Total	50	53	54	69	59
Male	49	52	52	67	58
Female	52	54	55	71	60
<b>Mortality</b>					
Infant (per thousand live births)	122	108	88	35	76
Under 5 (per thousand live births)	..	147	120	44	115
<b>Adult (15-59)</b>					
Male (per 1,000 population)	392	349	364	184	288
Female (per 1,000 population)	319	303	315	141	258
<b>Poverty (percent of population)</b>					
National headcount index	..	34.1	35.9	..	..
Urban headcount index	..	21.1	..	..	..
Rural headcount index	..	40.1	40.1	..	..
<b>Income</b>					
GDP per capita (US\$; at current prices)	173	294	265	1,032	427
Consumer price inflation (annual change; in percent)	..	1.1	-0.8	4.0	4.1
<b>Social Indicators</b>					
<b>Public expenditure</b>					
Health (percent of GDP/GNI)	..	0.4	0.6	2.0	1.2
Education (percent of GDP/GNI)	..	1.0	1.4	2.9	3.4
<b>Gross primary school enrollment rate (in percent of school-age population)</b>					
Total	121	126	104	107	96
Male	..	138	110	106	103
Female	..	114	97	108	88
<b>Adult illiteracy rate (in percent of population above 15)</b>					
Total	69	66	32	14	38
Male	49	46	20	8	28
Female	85	83	43	21	47
<b>Population per physician (number of people)</b>					
	15,629	9,575	6,666	909	..
<b>Immunization rate (percent of children under 12 months)</b>					
Measles	38	79	55	85	57
DPT	34	75	49	85	57
<b>Child malnutrition (percent of children under 5 years)</b>					
	..	..	47	10	..
<b>Access to safe water (percent of population)</b>					
Total	..	..	30	75	76
Urban	..	..	53	..	..
Rural	..	..	25	..	..

Sources: 2001 World Development Indicators and Cambodia at a Glance, World Bank; and IMF staff estimates.

1/ The dimensions of poverty are analyzed in chapter 3 of Cambodia's National Poverty Reduction Strategy (NPRS).

2/ Data as of 2000.

Table 2a. Source: IMF PRGF Review No. 03/58, March 2003, p. 56.

Table 1b.

Cambodia: Real GDP Growth, 1994-2001 1/  
(Annual growth rates; in percent)

	1994	1995	1996	1997	1998	1999	2000	2001	Average	
									94/98	99/01
Real GDP growth	7.7	5.9	4.6	4.3	2.1	6.9	7.7	6.3	4.9	7.0
Agriculture	10.4	4.4	2.3	5.5	3.0	0.0	-0.3	3.9	5.1	1.2
Industry	6.0	20.9	9.9	21.3	7.3	13.2	34.6	15.5	13.1	21.1
Services	-0.5	5.7	3.6	-2.6	0.7	7.1	5.8	2.7	1.4	5.2
Real GDP growth										
Excluding:	5.3	7.3	6.6	3.3	1.4	12.9	13.9	7.9	4.8	11.6
Agriculture	5.3	5.7	3.8	2.1	0.4	4.9	2.1	3.5	3.6	3.5
Textile 2/										
Textile and agriculture	5.8	7.0	5.2	-0.8	-2.0	9.7	4.3	3.2	3.0	5.7

1/ National account statistics are based on estimates prepared by the National Institute of Statistics, with support from the AsDB. See *National Accounts of Cambodia, 1993-2001*, Bulletin No. 6, April 2002. While weaknesses in the data remain, substantial improvements have been made in recent years, including with support of technical assistance from the Fund under the TCAP program.

2/ Including textile, wearing apparels, and footwear. The garment industry accounts for about 90 percent of the sub-sector's value-added.

Table 2b. Source: IMF Country Report No. 03/59, March 2003, p. 4

## Annex 2. Timeline of SEDP and PRSP preparation

Event	Date	Key Actors
SEDP and PRS Processes are launched at government workshop. Phase One of preparing the SEDP begins.	18 May 2000	MoP, ADB
RGC declares its wish for just one process at Consultative Group	24 May 2000	RGC
First drafts of the I-PRSP are completed and circulated among some Embassies and donor institutions.	July 2000	MoEF
Sixth draft of the I-PRSP is circulated among donors and NGOs in English.	Aug 2000	MoEF
NGO Forum launches consultation among NGOs on the I-PRSP, culminating in a National Workshop on 24-25 October 2000.	Sept-Oct 2000	NGO Forum
ADB begins a Participatory Poverty Assessment.	Oct 2000	ADB, MoP
Eighth draft of the I-PRSP is translated into Khmer and past by the Council of Ministers.	27 Oct 2000	Council of Ministers
NGO Forum releases its comments on the I-PRSP in a meeting with government and donor representatives.	3 Nov 2000	NGO Forum
World Bank and IMF Boards accept the I-PRSP.	Jan 2001	World Bank and IMF
The I-PRSP is released in Khmer for the first time.	Jan 2001	MoEF
Results of the Participatory Poverty Assessment are presented to government, donors and NGOs, but the written report is not yet released.	30 Jan 2001	ADB, MoP
First draft of the SEDP is released to donors and NGOs in English.	5 March 2001	ADB, MoP
The SEDP is presented at a workshop for government, donors and NGOs.	22 March 2001	ADB, MoP
Second draft of the SEDP is completed. Translation of the document into Khmer begins.	31 March 2001	ADB, MoP
Workshop to launch the full PRSP is held. ADB suggests that the deadline for the SEDP be extended to October. World Bank and IMF announce flexibility on the timing and content of the full PRSP.	25 April 2001	World Bank, MoP
The Ministry of Planning distributes to donors and NGOs the second draft of the SEDP in English and Khmer, and requests comments.	23 July 2001	MoP

Source: NGO Forum on Cambodia (2001): *Rapid Assessment of the PRS Process in Cambodia: Two Banks, Two Documents, Two Processes*.

### Annex 3. Government expenditures 1996-2003

**Table 3a: Treasury Executed Spending By Function, % Structure**

Function	1996	1997	1998	1999	2000	2001	2002E	2003B
<b>Core Government</b>	<b>62.6</b>	<b>63.2</b>	<b>69.4</b>	<b>54.7</b>	<b>58.9</b>	<b>51.0</b>	<b>41.0</b>	<b>37.4</b>
General Administration	17.0	15.7	26.0	19.0	29.1	25.7	18.7	17.5
Defense	32.5	32.7	29.5	25.2	20.2	16.5	14.2	12.6
Security	12.8	14.6	13.7	10.1	9.3	8.5	7.6	6.8
Judiciary	0.3	0.3	0.2	0.3	0.4	0.4	0.5	0.5
<b>Economic Services</b>	<b>10.8</b>	<b>14.1</b>	<b>9.3</b>	<b>14.2</b>	<b>12.6</b>	<b>16.9</b>	<b>8.3</b>	<b>8.0</b>
Agriculture	2.1	2.6	1.7	1.9	2.3	3.9	3.0	2.7
Transport	3.1	4.1	1.8	2.6	5.1	6.4	1.1	1.0
Public Works	2.6	2.6	1.2	2.2	4.7	5.4	0.8	0.7
Other Transport	0.5	1.5	0.5	0.4	0.4	1.0	0.3	0.3
Other Economic Services	5.5	7.3	5.7	9.5	4.8	6.1	3.9	3.8
Environmental Protection	0.2	0.2	0.1	0.2	0.3	0.4	0.4	0.4
<b>Rural Development</b>	<b>0.5</b>	<b>0.4</b>	<b>0.6</b>	<b>1.2</b>	<b>0.8</b>	<b>1.8</b>	<b>1.1</b>	<b>1.0</b>
<b>Social Services</b>	<b>19.5</b>	<b>21.2</b>	<b>18.8</b>	<b>26.4</b>	<b>24.8</b>	<b>28.1</b>	<b>31.8</b>	<b>30.2</b>
Health	4.8	5.9	4.2	9.4	6.7	7.9	9.4	9.5
Recreation, Culture & Religion	0.6	0.8	0.6	0.8	1.8	1.9	1.4	1.4
Education	9.1	9.1	9.4	11.4	10.7	12.9	15.8	14.6
Social Protection	5.0	5.5	4.6	4.8	5.7	5.4	5.3	4.7
<b>Other</b>	<b>6.5</b>	<b>1.0</b>	<b>1.9</b>	<b>3.5</b>	<b>2.9</b>	<b>2.2</b>	<b>17.8</b>	<b>23.5</b>
Debt	6.5	1.0	1.9	2.5	2.0	1.8	1.3	2.5
Other not classified	-	-	-	1.1	0.9	0.5	16.4	21.0
<b>Total</b>	<b>100.0</b>							

Source: MoEF TOFE Reports

Source: IFAPER 2003, Annex A, Table A3, p. 3

**Table 3b: Treasury-Executed Spending by Function, as % GDP**

Function	1996	1997	1998	1999	2000	2001	2002E	2003B
<b>Core Government</b>	<b>6.7</b>	<b>6.4</b>	<b>6.5</b>	<b>5.8</b>	<b>7.0</b>	<b>6.5</b>	<b>5.3</b>	<b>5.1</b>
General Administration	1.8	1.6	2.4	2.0	3.4	3.3	2.4	2.4
Defense	3.5	3.3	2.7	2.7	2.4	2.1	1.8	1.7
Security	1.4	1.5	1.3	1.1	1.1	1.1	1.0	0.9
Judiciary	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
<b>Economic Services</b>	<b>1.2</b>	<b>1.4</b>	<b>0.9</b>	<b>1.5</b>	<b>1.5</b>	<b>2.2</b>	<b>1.1</b>	<b>1.1</b>
Agriculture	0.2	0.3	0.2	0.2	0.3	0.5	0.4	0.4
Transport	0.3	0.4	0.2	0.3	0.6	0.8	0.1	0.1
Public Works	0.3	0.3	0.1	0.2	0.6	0.7	0.1	0.1
Other Transport	0.1	0.2	0.0	0.0	0.0	0.1	0.0	0.0
Other Economic Services	0.6	0.7	0.5	1.0	0.6	0.8	0.5	0.5
Environmental Protection	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1
<b>Area Development</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>
<b>Social Services</b>	<b>2.1</b>	<b>2.2</b>	<b>1.8</b>	<b>2.8</b>	<b>2.9</b>	<b>3.6</b>	<b>4.2</b>	<b>4.1</b>
Health	0.5	0.6	0.4	1.0	0.8	1.0	1.2	1.3
Recreation, Culture & Religion	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Education	1.0	0.9	0.9	1.2	1.3	1.7	2.1	2.0
Social Protection	0.5	0.6	0.4	0.5	0.7	0.7	0.7	0.6
<b>Other</b>	<b>0.7</b>	<b>0.1</b>	<b>0.2</b>	<b>0.4</b>	<b>0.3</b>	<b>0.3</b>	<b>2.3</b>	<b>3.2</b>
Debt	0.7	0.1	0.2	0.3	0.2	0.2	0.2	0.3
Other not classified	-	-	-	0.1	0.1	0.1	2.1	2.8
<b>Total</b>	<b>10.8</b>	<b>10.2</b>	<b>9.3</b>	<b>10.6</b>	<b>11.8</b>	<b>12.8</b>	<b>13.0</b>	<b>13.6</b>

Source IFAPER 2003, Table 2.3, p. 11.

#### Annex 4. External assistance as % of total sector expenditure 1996-2001

<b>Summary Function</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Core Government</b>	<b>19.8</b>	<b>23.3</b>	<b>20.8</b>	<b>9.2</b>	<b>7.8</b>	<b>9.0</b>
<b>Economic Services</b>	<b>37.5</b>	<b>27.6</b>	<b>25.9</b>	<b>26.2</b>	<b>27.0</b>	<b>24.6</b>
Agriculture	14.5	4.8	2.9	6.8	10.3	8.3
Transport	13.5	10.0	11.0	9.1	11.0	14.0
Other Economic Services	8.7	11.2	11.1	9.5	5.2	2.0
Environmental Protection	0.8	1.6	0.8	0.8	0.5	0.2
<b>Area / Rural Development</b>	<b>17.6</b>	<b>18.2</b>	<b>14.8</b>	<b>15.6</b>	<b>15.7</b>	<b>14.5</b>
<b>Social Services</b>	<b>22.3</b>	<b>26.6</b>	<b>36.2</b>	<b>36.5</b>	<b>33.8</b>	<b>42.5</b>
Health	9.8	8.6	14.8	19.0	15.8	15.5
Education	7.8	13.0	13.7	10.8	9.5	10.6
Community & Social Services	4.7	5.1	7.8	6.6	8.5	16.4
<b>Humanitarian Aid &amp; Relief</b>	<b>2.8</b>	<b>4.3</b>	<b>2.3</b>	<b>12.7</b>	<b>15.6</b>	<b>9.4</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

*Source: Bank estimates based on CDC Database and MoEF TOFE*

Source: IFAPER 2003, Annex A, Table A6, p. 6

## Annex 5. World Bank Assistance 1992-2002

**Table 5a: Economic and Sector Work**

Document Title	Date	Type
Private solutions for infrastructure in Cambodia	10/31/2002	World Bank Country Study
Country Assistance Strategy	2/7/2000	CAS
Poverty Assessment	11/22/1999	Economic Report
Power Sector Strategy	6/30/1999	Sector Report
Power trade strategy for the Greater Mekong Sub-region	3/31/1999	Sector Report
Public expenditure review	1/8/1999	Economic Report
Poverty Profile of Cambodia	10/31/1997	Economic Report
Progress in recovery and reform	6/2/1997	Economic Report
Country Assistance Strategy	1/28/1997	CAS
Forest policy assessment	8/14/1996	Sector Report
From recovery to sustained development	5/31/1996	Economic Report
Country Assistance Strategy	5/10/1995	CAS
From rehabilitation to reconstruction	2/10/1994	Economic Report
Agenda for rehabilitation and reconstruction	6/30/1992	Economic Report

**Table 5b: Lending – IDA Approvals FY92-02**

FY	Project Name	Sector Board	Len Instr Type	Commit. Amount
2002	KH - Demobilization and Reintegration	Public Sector Governance	INVESTMENT	18
2002	KH - Eco. & PS Capacity Building Project	Public Sector Governance	INVESTMENT	6
2002	KH-Land Management and Administration	Environment	INVESTMENT	24
2001	KH-EMERGENCY SUPPL CR FOR SOCIAL FUND II	Social Protection	INVESTMENT	10
2001	KH-Flood Emergency Rehabilitation Proj	Private Sector Development	INVESTMENT	35
2000	KH - Cambodia SAC	Economic Policy	ADJUSTMENT	30
2000	KH-BIO & PROTEC AREAS M	Environment	INVESTMENT	2
2000	KH-EDUCATION QUALITY IMPROVEMENT	Education	INVESTMENT	5
2000	KH-Forest Concession Mgt & Control Pilot	Rural Sector	INVESTMENT	5
1999	KH-Road Rehab.	Transport	INVESTMENT	45
1999	KH-SOCIAL FUND II	Social Protection	INVESTMENT	25
1999	KH-NORTHEAST VILLAGE	Public Sector Governance	INVESTMENT	5
1998	KH-URBAN WATER SUPPLY	Water Supply and Sanitation	INVESTMENT	31
1997	KH-AGRICULTURAL PRODUCTIVITY IMPROVEMENT	Rural Sector	INVESTMENT	27
1997	KH-DISEASE CONTROL & HEAL	Health, Nutrition and Population	INVESTMENT	30
1996	ECONOMIC REHAB. CR.	Economic Policy	ADJUSTMENT	40
1996	PHNOM PEHN POWER REH	Energy and Mining	INVESTMENT	40
1995	KH - Technical Assistance Project	Economic Policy	INVESTMENT	17
1995	KH-SOCIAL FUND (Project closed)	Social Protection	INVESTMENT	20
1994	EMERGENCY REHAB	Private Sector Development	ADJUSTMENT	63

## 6. Cambodia Survey Results

1. As part of the OED and IEO evaluations of the PRS Process and the PRGF, a survey of PRSP stakeholders was administered in each of the ten countries where a case study was undertaken. The objective of the survey was to obtain perceptions of the PRS Process and the role of the World Bank and IMF in supporting the initiative.
2. A standard survey of 39 questions was administered in each country. The full questionnaire can be found on both of the evaluation websites [www.worldbank.org/oed/prsp](http://www.worldbank.org/oed/prsp) and <http://www.imf.org/external/np/ieo/2002/prsp/index.htm>. The survey consists of four main components: information on respondents; the PRS Process (covering ownership, results orientation, comprehensiveness, partnership-orientation and long term perspective); World Bank performance; and the role of the IMF. In most cases, respondents were asked to indicate the extent of their agreement with statements on a five point scale<sup>26</sup>. The survey was translated, into local languages, where necessary, and pre-tested. A local consultant with survey experience was engaged in each country to assist with administration of the survey. Survey results were coded by the local consultant and sent back to Washington and an outside contractor, Fusion Analytics, was hired to analyze the data.
3. The survey was targeted at key groups within the three main categories of PRSP stakeholders: Government, Civil Society, and International Partners.<sup>27</sup> Within each group, the survey sought to obtain an *institutional view* and was targeted at the most knowledgeable individuals. Respondents were asked to define the nature of their involvement in the PRS Process, and their level of familiarity with the PRSP document, the Bank, and the IMF. Given the targeted nature of the survey, respondents who were “Not Aware” of the PRS Process were excluded from the results. The specific samples were selected using three main inputs: information gained through the country case study mission; participants listed in the PRSP document; and input from the local consultant. In some cases, samples were circulated to obtain broader input on their composition. The study teams also identified a set of highly relevant respondents in each country for whom a survey response was required. These included core ministries and agencies (Finance, Economy, Central Bank...), key PRSP-related ministries (Health, Education, Agriculture...), and major donors. Survey questionnaires were tracked in order to ensure responses were obtained from key groups, however, individual respondents could choose to remain anonymous.

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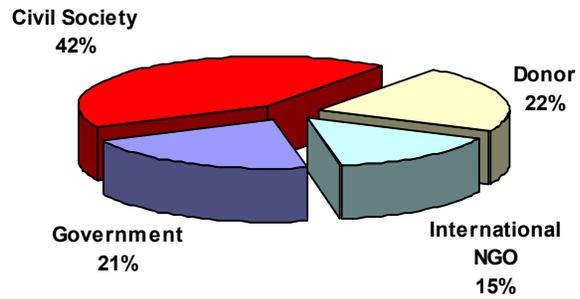
<sup>26</sup> The five point scales used in most questions offered a range from 1: Completely Disagree to 5: Completely Agree. Respondents could also mark 0 for Don't Know or Unsure.

<sup>27</sup> Fourteen stakeholder groups were identified: Government - central government, line ministries and sector agencies, local government, Parliament – Civil Society – local NGOs, business sector, labor unions, academia, media, religious organization, political party, other – International Partner – donor, international NGO. Results at the stakeholder group level will be presented in the aggregate analysis across all countries.

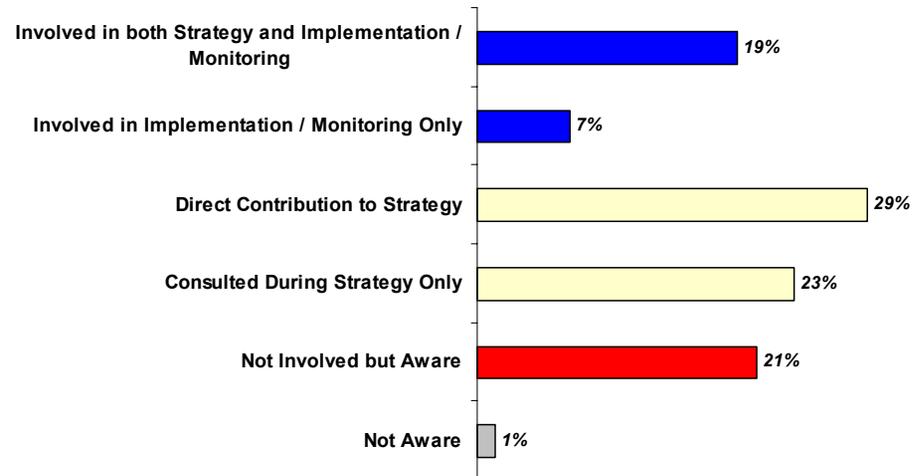
4. The following section presents findings from the survey applied in Cambodia. Section A provides an overview of the survey respondents, including the nature of involvement and familiarity with the process. Section B provides an aggregated snapshot of stakeholder perceptions of the PRS Process across each of five main sub-categories. Section C provides the mean results for all questions concerning the role and effectiveness of Bank and Fund support. Section D presents results for questions with the most positive and negative responses and questions where there was the greatest consensus or disagreement on issues.

## A. Respondent Information

### 1. Composition of respondents (n = 73)



### 2. Nature of involvement (%)

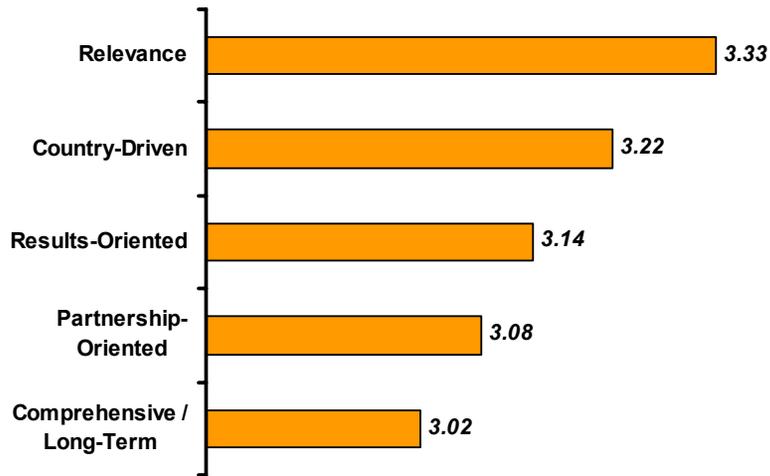


### 3. Level of Familiarity

PRSP document	49%
Bank	41%
IMF	22%

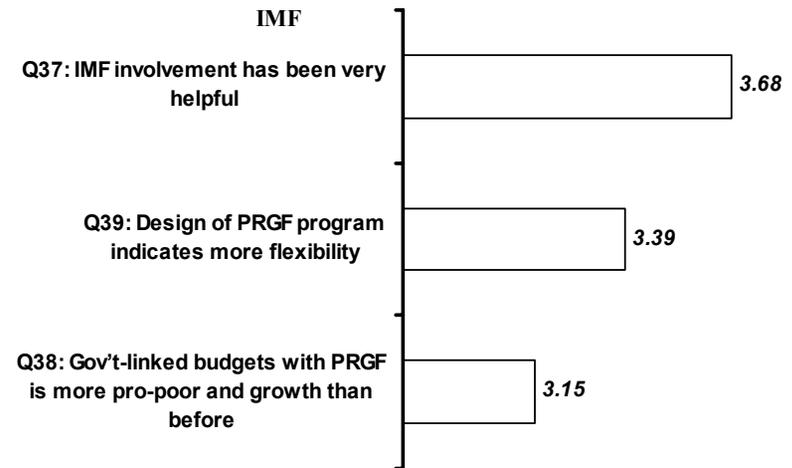
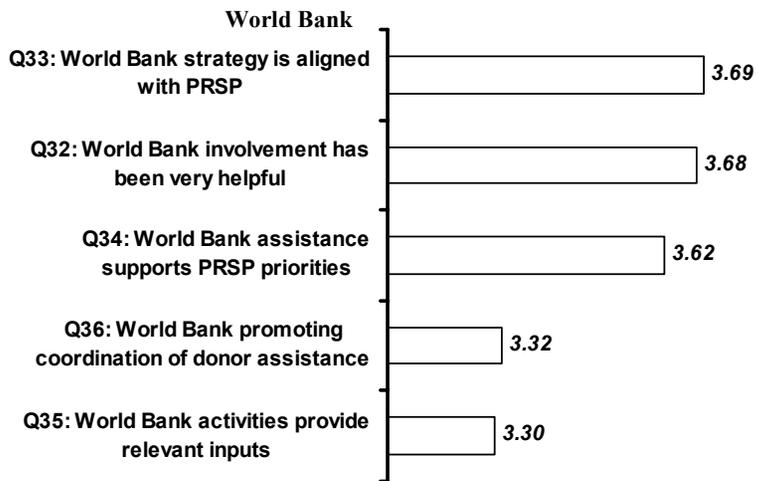
## B. The PRSP Process

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Based on a five point scale, where 1: Completely Disagree to 5: Completely Agree. Respondents could also mark 0 for Don't Know or Unsure.

## C. Bank and IMF



Based on a five point scale, where 1: Completely Disagree to 5: Completely Agree. Respondents could also mark 0 for Don't Know or Unsure.

## D. Composite Results Table

Question - Cambodia	% Agree	% Disagree	Mean for Highest St. Dev.	Mean for Lowest St. Dev	% Unknown
<b>Most positive responses</b>					
Q16 - Results-oriented: Outcomes benefit poor	49.3%				
Q8 - Relevance: PRSP is a good model	45.2%				
Q14 - Country-driven: Final document was modified to accomodate viewpoints	43.8%				
Q25 - Partnership-oriented: Donors supported formulation	42.5%				
Q20 - Comprehensive: Adequate diagnosis of cause of poverty	42.5%				
<b>Most negative responses</b>					
Q17 - Results-oriented: Realistic targets and plans		38.4%			
Q12 - Country-driven: PRSP driven by national stakeholders		32.9%			
Q22 - Comprehensive: Macroeconomic framework participatory		31.5%			
Q21 - Comprehensive: Alternatives fully explored		28.8%			
Q18 - Results-oriented: Structure to monitor results		27.4%			
<b>Most polarized responses</b>					
Q30 - Partnership-oriented: Quality of Bank/Fund collaboration			3.37		
Q29 - Partnership-oriented: Coordination b/t World Bank and IMF improved			3.12		
Q19 - Results-oriented: Results feed back			3.15		
Q15 - Country-driven: Gov't continues to engage stakeholders			3.45		
Q27 - Partnership-oriented: Donor coordination improved			3.09		
<b>Areas of greatest consensus</b>					
Q8 - Relevance: PRSP is a good model				3.43	
Q28 - Partnership-oriented: Current donor coordination				2.87	
Q16 - Results-oriented: Outcomes benefit poor				3.52	
Q17 - Results-oriented: Realistic targets and plans				2.93	
Q9 - Relevance: PRSP adds value				3.37	
<b>Most unfamiliar areas</b>					
Q29 - Partnership-oriented: Coordination b/t World Bank and IMF improved					53.4%
Q30 - Partnership-oriented: Quality of Bank/Fund collaboration					52.1%
Q19 - Results-oriented: Results feed back					27.4%
Q27 - Partnership-oriented: Donor coordination improved					24.7%
Q18 - Results-oriented: Structure to monitor results					23.3%

Note: polarized and consensus question means are sorted by standard deviation. The standard deviation measures the dispersion of responses to a question. If the standard deviation is high then there is a low level of agreement among the sample (polarization). If the standard deviation is low then there is a high level of agreement among the sample (consensus).