

Not for Quotation: Work-in-Progress

Subject: **Country Assistance Program Evaluation for Cambodia
—Evaluation Approach Paper**

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I. INTRODUCTION

1. The current country strategy and program (CSP) of the Asian Development Bank (ADB)¹ for Cambodia covers the period 2005–2009 and its latest country operations business plan covers 2008–2010. Two country operational strategy (COS) studies of 1995 and 2000 preceded the CSP. The midterm review of the current CSP was completed in August 2007. Preparation of the next country partnership strategy (CPS) for Cambodia is planned in 2010. ADB's guidelines instruct a new CPS to incorporate relevant findings of the country assistance program evaluation (CAPE). The proposed CAPE for Cambodia will be the second assessment of ADB's country strategies and programs in Cambodia. The first CAPE was prepared in 2003 and published in January 2004, covering ADB assistance in 1992–2002. The proposed CAPE will cover the period 1998–2008 and the ongoing ADB support to Cambodia, focusing more on the operations not covered in the previous CAPE.

II. BACKGROUND

A. Country Context

1. Recent Economic and Social Developments and Governance

2. **Economic Growth.** Cambodia's economy grew rapidly over the last 5 years. From 2004 to 2007, economic growth averaged around 11.1% (compared to the 8.2% growth rate during the previous 6 years) and the gross domestic product (GDP) per capita increased by over 70% to some \$600. The rapid growth was supported mainly by the manufacturing, construction, and the service sectors. The manufacturing sector was driven by garment exports, which made the sector vulnerable to external shocks. The agriculture sector that has been one of the major internal sources of growth was affected by climate conditions from time to time over the CAPE period and showed a minus growth for 3 separate years during the CAPE period. Its share of GDP gradually decreased from 46% of GDP in 1998 to 32% in 2007 (Appendix 1). The service sector depends on tourism-related activities largely based on the ancient temples at Angkor, with over 2 million international tourists visiting in 2007 and generating over \$1 billion in revenues. The GDP growth is estimated to have slowed down to around 6.5% in 2008, affected by the sharp global downturn.

¹ ADB. 2005. *Country Strategy and Program (2005–2009): Cambodia*. Manila.

IMF forecasts the growth rate for 2009 at 4.8%.² While agricultural output is expected to pick up, garments and tourism would act as a significant drag given weak external conditions. Real estate and construction activity is also expected to decelerate. Inflation pressures intensified in the second half of 2007 and first half of 2008 because of rising commodity prices and domestic demand pressures. As these factors reversed, annual average inflation was estimated to be around 20.0% in 2008, having a peak of 26% in May 2008.

3. **Social Developments.** Poverty incidence was reduced to about 30% (of total population of about 14.5 million) in 2007 from about 35% in 2004 and 45–50% in mid-1990s. A number of Cambodia's Millennium Development Goal (MDG) targets are on track. However, various indicators show that inequality has increased significantly over the past four years (e.g., Gini coefficient representing inequality increased to 0.43 in 2007 from 0.39 in 2004), reflecting the increasingly more serious income distribution gap between urban and rural areas. Such rapid increase in inequality is not only politically and socially undesirable, but it also tends to be unfavorable to sustained rapid growth. As highlighted by the recent spike in food prices and the impact of the global financial turmoil, well managed, well targeted social safety nets will be an important instrument to mitigate the impact of economic shocks on the most vulnerable.³ The slow rural development and the recent economic downturn are causing rapidly growing urbanization (3.5% growth per annum) and unemployment. While Cambodia's natural environment is a major asset (with extraordinary biodiversity and unique ecosystem in the Tonle Sap) the environment is put under stress as the economy develops, particularly in mining, tourism, and agriculture sectors.

4. **Governance.** Prolonged civil conflict and four years under the infamous Khmer Rouge followed by Vietnamese occupation virtually destroyed Cambodia's economic, social and physical infrastructures, resulting in very weak public management capacity. Corruption has pervaded almost every sector of the country. According to the 2008 Corruption Perception Index by the Transparency International, Cambodia ranked 166th among the total 180 countries, similar to Kyrgyzstan, Turkmenistan, and Uzbekistan. To help address the problems, ADB has undertaken a series of measures to implement of the Second Governance and Anti-corruption Action Plan (GACAP II) for ADB operations in Cambodia. Under GACAP II, procurement, public financial management, and corruption risks are central themes. The Government has recognized good governance as vital to support economic growth and poverty reduction. Cambodia has joined the ADB-OECD Anti-Corruption Initiative in 2003. It has also made governance a core pillar of its strategy documents, including the *Rectangular Strategy*; and the subsequent *National Strategic Development Plan (NDSP) for, 2006-1010*. Among key governance reforms are the legal and judicial system, public administration reform, decentralization and deconcentration, and public financial management (PFM) reform. The implementation of reform initiatives in the PFM and decentralization and other reform areas may have to deal with the limited capacity, resources, and political will to implement them.

2. Changes in Country Context and Outlook

5. **Structural Transformation.** Cambodia's economy has undergone significant structural transformation but still remains narrowly based, with three sectors—garments, construction, and tourist-related services—accounting for 42% of GDP in 2007. The share of industry increased from 11% of GDP in 1990 to 27% in 2007, while the agriculture sector share declined from 55% to 32% during the same period and the service sector expanded from 33% to 41%. While the

² IMF. 2008. Article IV Consultation Staff Report for Cambodia, 10 February 2009.

³ World Bank, *Sustaining Rapid Growth in a Challenging Environment: Cambodia Country Draft Economic Memorandum Draft*, 14 January, 2009.

garment and service sectors have attracted significant foreign direct investment (FDI) in the past, sizeable FDI has recently moved to the construction sector. This pattern of structural change is expected as an economy grows and develops; resources move from low-productivity activities in subsistence agriculture and traditional services to higher-productivity activities in industry and other modern services. The Government has a development strategy, the NSDP for 2006–2010, which sets the goals and policy priorities laid out in its political platform (the *Rectangular Strategy*, the second phase of which was presented by the newly re-elected Government in September 2008). The strategy focused on key elements of a growth strategy, namely, governance, private sector development, human development, and agriculture. The reported discovery of several oil and gas resources in 2005 may have potentially significant impact to the economy if the ongoing appraisal work goes well and the sector could be regulated to ensure adequate safeguards.

6. Impact of Global Financial Crisis and Medium-Term Economic Prospects. The current adverse developments in global economy negatively impacts the momentum of previous growth rates of the financial and various private sectors such as garment and tourism. They would also pose challenges to the implementation and enforcement of ongoing reform programs of the Government. According to the recent IMF staff report, medium-term prospects depend on maintaining macroeconomic and financial stability, improving governance and infrastructure, and taking other actions to strengthen competitiveness. It also stated that under the current baseline, the annual growth is projected to rise gradually to 7–7.5% by 2012–2013, driven by FDI-promoted export opportunities, broader tourism development, and higher agricultural yields. The current account deficit would narrow to 5–6% of GDP with further export diversification. Under this scenario, the reserve cover would settle around 2.5–3 months of imports. Underpinning stabilization efforts would be modest fiscal consolidation over the medium term, with the overall budget deficit narrowing to less than 2% of GDP by 2012. Under the baseline scenario of IMF's recent Debt Sustainability Analysis, the public external debt (projected at 27% of GDP at end-2008) would decline steadily over the medium term.

3. Binding Constraints, Challenges, and Opportunities

7. CARM is currently conducting a study on binding constraints, which would be available in March 2009. The following key features have been identified through CAPE reconnaissance mission's initial SWOT analysis of the current economic and social data and situations.

Key Constraints and Challenges	Strengths and Opportunities
<ul style="list-style-type: none"> • Narrow and shallow economic base; • Poor use of natural resources (e.g., agriculture, fisheries, lack of value chain); • Low savings and financial intermediation; • Poor governance, prevailing corruption, and weak role of mass media, deterring PSD/SMEs; • Overall lack of enforcement and coordination/weak business-supporting legal systems; • Weak public sector institutional capability and ownership/Poor Public finance management; • Poor/unreliable infrastructure; • Poor skills development; • Weak bank supervision/monetary policy function, financial sector instability if not adequately supervised/too many small banks; • Receding foreign direct investment, potential property market disruptions; and • Growing unemployment and social insecurity 	<ul style="list-style-type: none"> • Demonstrated rapid growth over the last decade; • Vast arable land and water resources with greater rural development potential; • Pro-business leadership (e.g., Government-Private Sector Forum); World Trade Organization membership; Strong donor assistance; • Relatively stable political and macro situations, emerging democracy; • Growth potential by SMEs/PSD potential/strongly emerging private sector/SMEs; • Higher value chain/diversification in production and marketing; • Improving governance through public awareness; • Better job opportunities abroad and domestically through vocational training; • Greater GMS cooperation; • Decentralization and de-concentration initiative; and • Potential oil and gas resources.

Source: IED staff work. PSD = private sector development, SME = small and medium-sized enterprise

B. ADB's Assistance to Cambodia

1. ADB Strategies and Programs

8. ADB's assistance strategies and programs for Cambodia for the CAPE period (1998–2008) are described in various country operational strategies. Country operational strategy (COS) studies were prepared in 1995 and 2000. Subsequently, ADB's strategic thrusts and programs for Cambodia were stipulated in the 2002 and 2003 CSPUs, the 2005 CSP (which set out strategies for the period 2005–2009), the 2006 CSP Midterm Review, and the 2006 and 2008 country operations business plans (COBPs) (see Appendix 2 for the major thrusts of ADB country strategies and programs in Cambodia).

9. **The 2000 COS** reaffirmed ADB's strategic focus on poverty reduction which was set out in the 1995 COS. This COS however set the focus on poverty reduction over a longer five-year horizon, concentrating investments in the populous rural areas of the plains and Tonle Sap natural regions where the majority of the country's poor reside. Poverty reduction was then to be achieved through interventions in **three priority areas**: (i) **pro-poor sustainable economic growth** through support of broad-based labor-intensive economic development in populous rural areas; (ii) **human or social development** to enhance economic growth by boosting labor productivity while improving the distributional effectiveness of economic growth; and (iii) **promotion of private sector participation** in development by addressing key institutional and infrastructural weaknesses that will improve the geographic balance of economic growth and strengthen the linkages between rural and urban areas.

10. **The 2002 and 2003 CSPUs** identified the same three priority areas through which the overriding objective of poverty reduction was to be attained, as follows: rural economic development, human resources development, and private sector development (PSD). The CSP was to focus more sharply on poverty reduction and help Government implement the National Poverty Reduction Strategy (NPRS). The new strategy was to concentrate mainly in the provision of assistance to the Tonle Sap area that included a series of interventions to improve management of natural resources, protect the environment, and address the pressing and severe issues of poverty.

11. **The CSP for 2005–2009.** The CSP provided the strategic focus on addressing binding constraints to sustained poverty reduction that include inadequate and narrowly-based economic growth, limited access to and poor quality of social services, landlessness, lack of access to natural resources, social exclusion, poor governance, and endemic corruption. The current CSP strategy was therefore aimed at supporting **broad-based economic growth, inclusive social development, and good governance**. Focus on the Tonle Sap basin remained to address geographical differences in development while a subregional focus to benefit from the broader opportunities provided by ADB's Greater Mekong Subregion (GMS) program was added.

12. Further, the CSP took on **selective sector interventions** in light of reduction in ADF resources and that ADB's assistance program to Cambodia was then based on a set of criteria that included: (i) the binding constraints to poverty reduction; (ii) the identification of priorities from consultations with stakeholders; (iii) ADB's comparative advantage; past performance in particular sectors; a realistic assessment of Government's commitment to reform; and (iv) the likely extent of interventions by other development partners in particular areas.

13. The CSP also emphasized the **harmonized donor strategy approach** to providing assistance to Cambodia citing that ADB, the Department for International Development (DFID),

and the World Bank have harmonized their strategies, coordinated their programs, and agreed on areas where one partner has a comparative advantage and will take the lead. In areas where one partner takes the lead role in helping the government formulate the sector strategy and program, the others will play a supporting role by continuing to undertake technical assistance and investment lending and also by participating in national dialogue on development policies and related concerns in the relevant sector. **ADB was identified to take the lead role in four priority sectors: agriculture and water resources, education, finance, and transport.** The CSP also supported a number of operations that aimed to promote and implement the **GMS cooperation and objectives.** As a results-based CSP, it also provides a CPS results framework for 2006–2010 with specific indicators to achieve. The implementation status will be scrutinized by the CAPE team.

14. **The CSP Midterm Review** finalized in August 2007 concluded that the strategic thrusts of ADB in Cambodia remains appropriately targeted on poverty reduction through broad-based private sector-led growth, inclusive social development, and stronger governance for sustainable development. Further, the strategy was found to be consistent with the Government's reform priorities as elaborated in the Rectangular Strategy on Growth, Employment, Equity and Efficiency and operationalized through the NSDP for 2006–2010. However, the MTR pointed to the need for a sharper **focus on agricultural and rural development, private sector-led growth,** and intensified **management of risk** (in public fund management, weak institutions, corruption).

15. **The 2008 COBP** extended the current CSP (2005–2009) to 2010 in line with the term of the Government's National Strategic Development Plan (NSDP) and taking into account the findings of the CSP Midterm Review. Hence, COBP 2008–2010 remains strongly focused on the **priority areas** of (i) **agricultural and rural development,** (ii) **PSD,** (iii) **governance and capacity development,** and (iv) **GMS cooperation.** Interventions would primarily revolve around the Tonle Sap basin area and be aimed at: (i) expanding connectivity internally between rural roads and the provincial and national network, and with emerging subregional transport corridors; (ii) fostering the development of smallholder agricultural producers; and (iii) widening access for the poorest to rural water supply and sanitation. These programs would be accompanied by a long-term programmatic approach to improving governance mainly through public financial management. The Development Coordination Matrix prepared under the MTR is presented as Appendix 3.

2. ADB Portfolio of Assistance

16. From 1998–2008, lending and non-lending support to Cambodia totaled to \$984.2 million comprising of 36 loan projects amounting to \$753.5 million, 27 grant projects of \$171.5 million, and 111 technical assistance (TA) projects of \$59.2 million (Table 1 below and Appendix 4).⁴ Thirty-five loans and 10 grant projects were approved for the Asian Development Fund (ADF) funding, amounting to \$862.6 million or 88% of the aggregate assistance. Only one power transmission project for the private sector amounting to \$8 million was approved for the Ordinary Capital Resources. The rest of the grant projects comprised 10 Japan Fund for Poverty Reduction projects (\$\$17.8 million) and 9 projects from other trust funds (\$36.5 million).

⁴ Only 26 loan projects (\$675 million) had been approved during the last CAPE period (1992–2002), mainly due to the slowly evolved readiness on the borrower's part since the 1991 Paris Peace Accord. Compared to that, the portfolio size has grown rapidly over the current CAPE period.

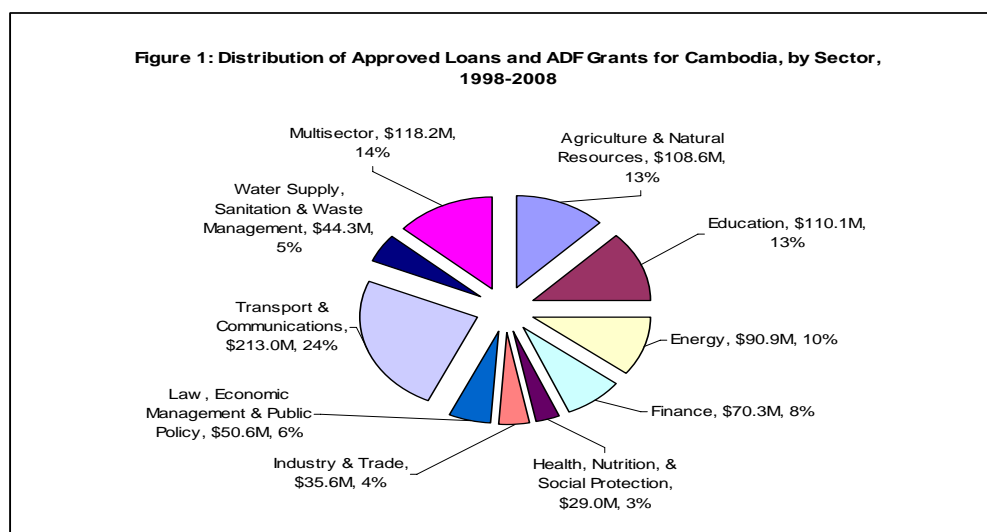
Table 1: Approved Loans, Grants and TAs to Cambodia, 1998–2008

Type of Assistance/Funding	No.	Amount (\$ million)	Amount (% Share)
Loans	36	753.5	77
Sovereign (ADF)	35	745.5	76
Non-sovereign (OCR)	1	8.0	1
Grants	29	171.5	17
ADF	10	117.1	12
JFPR	10	17.8	2
Others ^a	9	36.5	4
Technical Assistance (TA)	111	59.2	6
Total	176	984.2	100

^a Includes funding from Australia, Finland, Sweden, Netherlands, and United Kingdom.

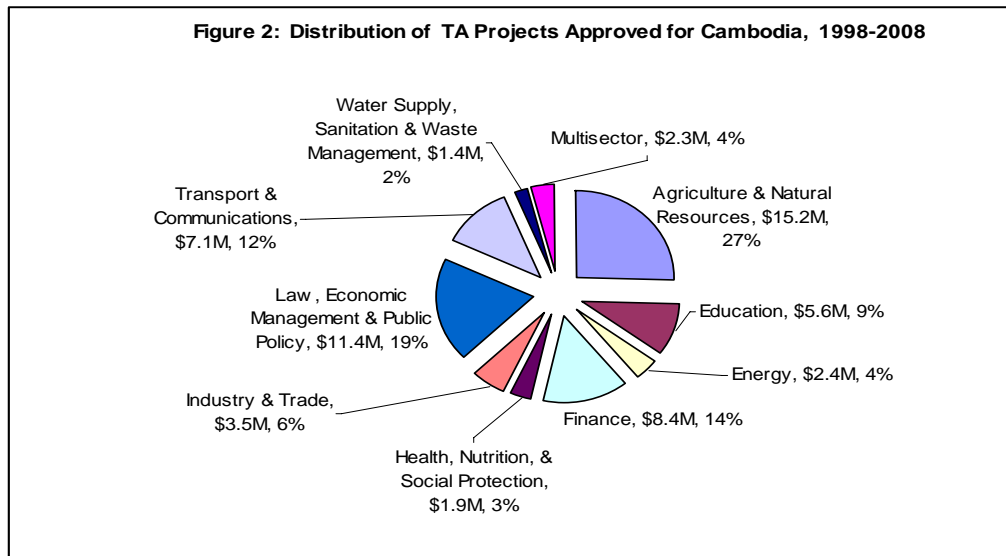
ADF = Asian Development Fund, JFPR = Japan Fund for Poverty Reduction, OCR = ordinary capital resources, TA = technical assistance. Source: ADB database on Loan, TA, Grant and Equity Approvals.

17. Figure 1 shows the distribution by sector of the amount of ADB loans and ADF-financed grants to Cambodia from 1998 to 2008. It can be noted that **transport and communications** sector received the largest share (24%) amounting to \$213 million, followed by the **education** sector with projects totaling \$110.1 million (13%) and then by **agriculture and natural resources** sector, \$108.6 million (13%). Five (5) projects funded by ADF classified as benefiting **multisector** or more than one sector received an aggregate of \$118.2 million, or 14% of the total loan and ADF grants, which have substantial **rural development** components/elements. Loans to the **energy** sector amounted to \$90.9 million or 10% of total which includes three (3) ADF loans and the one OCR loan. Loans to the **finance and industry/trade** sectors together amounted to \$120.0 million (12%). Out of the 35 ADF loans, 10 were policy-based program loans (total \$155.3 million) and 5 were GMS regional projects (total \$154.6 million). The complete list of approved loans and grant projects are presented in Appendix 4. Furthermore, Appendix 5 presents a breakdown of the ADB sector assistance in terms of loans and grant projects by the ADB's program planning periods. The trend of ADB assistance made to major sectors in terms of amount show that assistance to agriculture sector and rural development sectors has gradually increased.



Source of basic data: ADB database on Loan, TA, Grant and Equity Approvals.

18. Technical assistance (TA) projects approved during the same period comprised of 75 advisory and operation TAs amounting to \$37.7 million, 35 project preparatory TAs amounting to \$20.8 million and one (1) capacity development TA for \$650,000. By sector, the biggest share went to agriculture and natural resources (27%), followed by law, economic management and public policy (19%) (Figure 2). The finance sector and transport and communications sector also received substantial amounts sharing 14% and 12%, respectively. The TA funding approved for other sectors are shown in Figure 2.



19. **Implementation of ADB Loans.** More than half (19) of loans approved between 1998–2008 which amounted to \$374.4 million are still active/ongoing, including the non-sovereign loan to the energy sector. Based on the project performance reports as of end-2008, all ongoing projects are performing satisfactorily in terms of implementation progress and likelihood of meeting development objectives. The remaining 17 loans with total funding of \$379.1 million have already been completed/closed. Eleven (11) of the closed projects have project completion reports (PCRs) which rated the projects *successful* (7 projects) to *highly successful* (4) projects (see Appendix 4). However, only 1 project (Rural Credit and Savings Project) was independently rated (partly successful) and another program evaluation is under preparation (FSPL I). From the past evaluation results (IED database), the overall projects success rate stood at 88% and sectors that have been performing well included agriculture, education, energy, health, and governance (performance of transport and finance sectors was mixed). Individual sector assessments under this CAPE exercise will rate the performance of the projects. Meanwhile, 22% of the 110 TA projects approved within the review period are still ongoing. The implementation status will be scrutinized by the CAPE team.

20. The 2008 Cambodia Portfolio Performance Review identified a number of key issues affecting project performance in the country. These issues include: (i) **project implementation delays** due largely to slow project startup because of slow recruitment and procurement process⁵; (ii) **weak planning, managing and implementing capacity** at the project management level mainly because of lack of competent and dedicated project staff, sudden

⁵ As of December 31, 2008, about 32% of ADB loans to Cambodia experienced project implementation delays. This proportion is higher than the ADB average of 24% but slightly lower than the regional average (35%).

and disruptive changes in management staff following political shifts in line ministries and shortage of facilities, equipment and project management software, especially at decentralized levels; (iii) **delays in fielding of consultants** resulting in implementation delays and lower disbursements in the subsequent years and the extension of the loan period; (iv) **constraints in the procurement** of goods and civil works including inappropriate lengthy internal process of bid evaluation and contract negotiation, difficulties in the acquisition of land for construction sites and compliance with ADB's social safeguard policy on involuntary resettlement; (v) **lack of a clear resettlement policy and regulatory framework**, and (vi) **weak monitoring and evaluation**. As end of 2008, only one loan program (L2022-CAM: Agriculture Sector Development Program) was rated "At Risk" since the second program tranche could not be released as originally scheduled. CAPE will also examine the implementation and safeguards issues of the portfolio.

C. Findings from the 2004 CAPE

21. The CAPE completed in 2004 assessed the performance of ADB's country operational strategy and programs for Cambodia during 1992–2002.⁶ The CAPE evaluation covered 26 public sector loans amounting to \$675 million and 145 TA projects with total funding of \$107 million for various sectors. The performance of ADB operations was evaluated at three levels: (i) *strategic level*, (ii) *program level*, and (iii) *project/sector level*. The ADB operations for Cambodia during 1992–2002 were overall considered *successful*.

22. **Strengths.** The CAPE identified ADB's comparative advantages such as (i) sector performance and (ii) extent of ADB interventions in that sector relative to other funding agencies. The *key strengths* of the ADB's strategy and programs assessed are: (i) *responsiveness and timeliness*—ADB responded quickly to the country's emergency and development needs; (ii) *long-term development modalities* adopted in education, health, finance, agriculture, natural resources management, and public financial management; (iii) *efficient program size*—average of \$61 million per year for loans was considered efficient in producing the desired outcomes; (iv) *regional capacity*—the GMS Program has strong potential to contribute to achieving sustainable economic growth demonstrated by the outcomes of its assistance in improving the transport network and customs regimes between Cambodia and neighboring countries; (v) *policy dialogue*—successful policy reforms resulted from continued efforts of policy dialogue attributed to the presence of the Cambodia Resident Mission (CARM); and (vi) *portfolio performance management*—the presence of CARM helped facilitate progress in portfolio performance.

23. **Weaknesses.** The CAPE also identified a number of key weaknesses in the strategy and programs assessed, namely: (i) failure to explicitly address governance; (ii) weak aid coordination which led to piecemeal development results, duplicative efforts, and overburdening of the Government, inconsistencies in the implementation of some policy reforms, and absence of collective dialogue with the Government to put pressure on improving governance to control corruption; (iii) weak capacity building and institutional strengthening design; (iv) lack of intermediate sector indicators to monitor progress toward the strategic objectives and MDGs; and (v) inadequate knowledge management.

24. **Lessons Learned.** Key lessons identified in the 2004 CAPE include the following: (i) development effectiveness was reduced by weak governance particularly the lack of a clear strategy and substantial efforts to reform the public sector early on; (ii) development effectiveness reduced by weak/ineffective aid coordination; (iii) development effectiveness

⁶ ADB. 2004. *Country Assistance Program Evaluation for Cambodia*. Manila.

reduced by narrow approach to institutional strengthening as many of the stand-alone, capacity-building ADTAs narrowly focused on improving technical skills at the individual level while institutions have remained weak; (iv) development effectiveness was achieved through long-term commitment as demonstrated by the successful experience of ADB's assistance in the education sector through the adoption of the sector-wide approach; and (v) difficulties in evaluating the CAPs performance was primarily due to the lack of intermediate sector outcome indicators linked to the COS objectives. The proposed CAPE exercise will closely examine how the lessons were incorporated in the CSP.

25. **Recommendations.** The recommended actions brought forward by the 2004 CAPE to increase the development effectiveness of future strategy and programs of ADB are the following: (i) Explore Cambodia's potential in other subsectors to enhance competitiveness and sustainable economic growth; (ii) Adjust the priority areas of the 2000 COS to allow sustainable economic growth to be achieved not only through agriculture, but also through private sector development in other potential subsectors; (iii) Adjust the priority Areas of the 2000 COS to address governance explicitly, backed by sufficient assistance in the CAPs; (iv) For more effective results, a more focused program is needed; (v) To improve aid coordination, more needs to be done, particularly in pursuing collective policy dialogue to avoid inconsistencies in the adoption of policy reforms, and to put pressure on the Government to fight corruption; (vi) Broader design for institutional strengthening, focusing on improving institutions as a whole with a skill transfer and exit strategy developed; (vii) Need for a targets-driven/results-based CSP to internalize MDGs; (viii) Increase the role of nonlending economic, thematic and sector work (ETSW); (ix) GMS Program to be well integrated to the CSP; (x) Optimize the role of nongovernment organizations; (xi) Improve knowledge management; and (xii) Mobilize additional resources.

26. **Follow-Up on the 2004 CAPE Recommendations.** As indicated in the 2005 CSP, lessons for the country strategy and programs for the period 2005–2009 included key findings and recommendations from the 2004 CAPE along with other analyses and discussions with Government and other stakeholders. From the desk review, these following lessons appear to have guided the formulation of the 2005 CSP: (i) Given capacity constraints within Government agencies, need to adopt a realistic and pragmatic set of expectations in relation to project implementation, along with a clear understanding of the social and political dynamics of governance and reform; (ii) A broader approach to institutional strengthening with focus on improving the management, operational, and budgetary systems of institutions as a whole; (iii) Careful analysis of corruption in Cambodia is required for pragmatic and effective anticorruption program and, understanding that reducing corruption is a long-term process that starts with strengthening institutions and stimulating popular opposition to institutionalized corruption; (iv) Intensifying coordination among development partners and stakeholders, and strengthening the Government's capacity to manage aid remain important concerns; and (v) Helping the Government to strengthen links among leading NGOs, community groups, the private sector and line ministries is one way in which better governance, community participation, and service delivery can all be fostered at the same time.

III. THE PROPOSED COUNTRY ASSISTANCE PROGRAM EVALUATION

A. Objectives and Scope

27. The CAPE will (i) assess and rate ADB's strategic positioning, institutional performance, value addition/contribution to long term development results, and sector level performance, (ii) draw forward-looking lessons and identify good practices, and (iii) develop directional

recommendations for the next CPS. The CAPE will assess the operations in the past 11 years, from 1998 to 2008, focusing more on the assistance not covered by the previous CAPE. Overlap with last CAPE period (1992–2002) is necessary to cover the effectiveness and sustainability of the projects completed before 2002 or those previously ongoing and carried over.

28. Sectoral performance assessments will focus on the sectors that received the most strategic emphasis and the most assistance during the CAPE period (paras. 17–18), or are key sectors in ADB's strategies for the next CPS period. Close consultation has been made with CARM Country Team in this regard. As a results, transport, agriculture and rural development (ARD), PSD, energy, governance (focusing on public finance management), and education sectors/themes have been selected for the new CAPE's focus. Subject to IED management's endorsement, transport and ARD sectors would be assessed through a respective sector assistance program evaluation (SAPE) because the two sectors have the largest shares (24% and 27%, respectively) in the total assistance program during this CAPE period (para. 17), while assistance to other sectors with relatively much smaller shares (i.e. finance and private sector development, education, energy, governance) would be assessed through rapid sector assessments.

B. Approach

29. This CAPE will follow the Independent Evaluation Department's (IED) Guidelines for the Country Assistance Program Evaluations. It will involve both top-down and bottom-up assessments. Proposed evaluation criteria and questions are presented in Appendix 6.

30. The **top-down assessment** of ADB's assistance program and strategy in Cambodia will include ADB's strategic positioning, ADB contributions to Cambodia's development results (e.g., economic transition, key policies development, poverty reduction, subregional cooperation, overall capacity development) and ADB performance and responsiveness (e.g., through key clients survey). The CAPE will also examine the extent to which previous CAPE and self-evaluation findings and lessons were taken into account and its recommendations incorporated in ADB's subsequent strategies and programs. The CAPE will build upon the findings of the first CAPE, to the extent possible.

31. The **bottom-up assessment** will examine the performance of lending and nonlending assistance, completed or ongoing, in key sectors by assessing relevance, effectiveness, efficiency, sustainability, and impact. The inputs by the individual sector assessments (para. 28) will be utilized. Contributions to key ADB themes for Cambodia will also be assessed.

32. Based on the top-down and bottom-up assessments, the implications for the next ADB strategy for Cambodia will be addressed by identifying lessons and good practices in programming and operations; recommend directions for considering future strategies.

33. **Key Evaluation Issues.** The CAPE will assess and interpret past performance to provide forward-looking conclusions and recommendations. It will be prepared with the following audience in mind: (i) ADB's Board of Directors, to inform them whether the expected development results were achieved; (ii) Management and operations staff, to assist them in formulating future country strategies; and (iii) various stakeholders in DMCs, to help them assess the effectiveness of external assistance, especially from ADB. Taking into account the specific recommendations of the DEC Annual Report, the CAPE report will be presented succinctly without duplication and also include the assessment of private sector development aspects.

Besides assessing ADB's performance, the CAPE will also address several evaluation issues (paras. 34 -38).

34. **Selectivity and Compatibility with S2020.** The 2004 CAPE recommended the future CSP to narrow down the sector/subsector focus from earlier 10 sectors/subsectors to 6, based on ADB's comparative advantage. The CAPE will assess the follow up of the recommendation, principles used in choosing which sectors to support and which sectors to eliminate. It will also examine whether the sector focus is interpreted to be broadly in line with the ADB Strategy 2020's sector selectivity and emphasis on inclusive growth.⁷

35. **Assistance modalities and approaches.** The CAPE will assess ADB's assistance modalities and approaches. Special attention will be given to two issues: (i) whether there has been **sufficient policy reform** under the relatively heavy policy-based lending assistance to Cambodia (para. 17) and whether the approach was appropriate; and (ii) whether the use of the **sector-wide approach** (SWAp) in sectors like the education and trade sectors has been effective. It will also look into two other key aspects; (i) the synergy and complementarity between ADB's **public sector and private sector** operations in Cambodia (one of the DEC recommendations for CAPEs) and (ii) review the synergies between **national** and **regional cooperation** programs (e.g. GMS program) and compatibility of national programs to increase regional/ national benefits.

36. **Changes in ADB's corporate policies.** The CAPE will examine to what extent the country operations reflected the current ADB policies: (i) the results agenda and the implementation of the **results-based CSP**, (ii) key factors affecting the **Performance Based (ADF) Allocation**, (iii) **Strategy 2020**, (iv) implementation difficulties associated with **safeguards compliance**, and (v) follow-up of ADB's commitment to **multilateral agendas** (e.g., Paris Declaration and results agenda).

37. **Thematic assessments.** In addition, the CAPE will assess ADB's performance in key thematic areas (e.g., environmental sustainability, governance and capacity development, PSD, regional cooperation) giving special consideration to **governance and capacity development** issues because of the lessons learned from the previous CAPE. This CAPE will examine how these thematic areas influenced the formulation and implementation of country strategies, programs, and business plans.

38. **Other issues.** The CAPE will also examine the following key issues: (i) **donor coordination** and harmonization and gaps; (ii) the effect of heavy **dollarization** on the economy under the global financial crises; (iii) **Tonle Sap** Initiative; and (iv) areas of ADB's added value.

39. **Review of CAPE Drafts.** The draft CAPE report will be reviewed by IED staff, IED Management, Southeast Asia Department (SERD) management and relevant staff, and relevant ministries and agencies of the Government of Cambodia.

40. **Consultation and Dissemination.** The CAPE will be conducted in a transparent, consultative, and partnership-oriented manner. IED will share the drafts with client departments and government counterparts for consultation and commenting. Consultative workshops will be

⁷ In April 2008, ADB adopted a new long-term strategic framework for 2008–2020 (Strategy 2020). The new strategy refocused ADB's operations into five core specializations: (i) infrastructure, (ii) environment, (iii) regional cooperation and integration, (iv) financial sector development, and (v) education. It also focuses on five drivers of change: (i) PSD and private sector operations, (ii) good governance and capacity development, (iii) gender equity, (iv) knowledge solutions, and (v) partnerships.

held for ADB staff and for government officials and other stakeholders. The key background reports will be publicly disseminated, primarily through the Internet, subject to these reports having been reviewed for internal quality control by IED and for factual confirmation by SERD. It is expected that 2–3 CAPE missions will be held: first to collect data at the macro and sector levels and obtain feedback on ADB client orientation and donor coordination efforts, second to discuss the initial sector level findings, and finally to discuss the draft CAPE findings at a series of workshops with the Government and other stakeholders.

C. Methodology and Activities

41. The CAPE will consolidate country-level assessments, sector assessments, and findings of evaluation missions, including client surveys. The assessments will include reviews of literature, surveys, analyses of data, and field visits. Interviews, group discussions, and workshops will be held with representatives of government ministries and agencies, national and local governments, beneficiaries, nongovernment organizations, civil society organizations, and development partners in Cambodia.

D. Implementation Arrangements

42. **IED Management and Staffing.** The IED of ADB will manage the evaluation. The CAPE will be prepared by a team of IED staff and consultants. The IED staff will include a senior evaluation specialist (team leader), Cheolghee Kim, and an evaluation officer, J. Dimayuga. Other IED staff (T. Kondo and M. Gatti) will contribute respectively by preparing sector assessments in agriculture and rural development sector and transport and energy sectors. Detailed implementation arrangements (reports, role division by staff, and work schedule) for the CAPE and supporting sector/theme assessments are indicated in the CAPE Planning Matrix (Appendix 7).

43. **Consulting Services.** The CAPE will employ the services of international and national consultants. The indicative terms of reference are in Appendix 8. The international consultants will be specialists in country program strategy and economic management, governance, and education supported by domestic consultants.

44. **Implementation Period.** A preliminary schedule of CAPE activities is presented below. The schedule is subject to mission approvals by the Government, IED staffing situation, and ability to field consultants quickly and progress of consultants. An indicative implementation schedule is presented below. Cost estimates for CAPE inputs have been provided to IED management.

Activity	Schedule
1. Approval of Evaluation Approach Paper	I March 2009
2. 1 st CAPE Mission	IV March to II April 2009
3. Sector/Top-Down Assessments	III–IV April 2009
4. 2 nd CAPE Mission (Consultation/Governance)	III May to I June 2009
5. Consolidation	IV June to III July 2009
6. IED Peer Review and Country Team Review	IV–V July 2009
7. Government and Interdepartmental Review	I–II Aug 2009
8. Final Consultation Mission	IV Aug 2009
9. Editing by OSEC	II–III Aug 2009
10. DG Level Meeting with SERD on Recommendations	I Sep 2009
11. Development Effectiveness Committee (DEC) Circulation	II Sep 2009
12. DEC Meeting	IV Oct 2009