

**REPORT AND RECOMMENDATION
OF THE
PRESIDENT
TO THE
BOARD OF DIRECTORS
ON
PROPOSED LOANS
TO THE
KINGDOM OF CAMBODIA
FOR THE
EDUCATION SECTOR DEVELOPMENT PROGRAM**

November 2001

CURRENCY EQUIVALENTS

(as of 31 October 2001)

Currency Unit	–	Riel (KR)
KR1.00	=	\$0.00026
\$1.00	=	KR3835

ABBREVIATIONS

ADB	–	Asian Development Bank
BMC	–	budget management center
DMSP	–	Department of Materials and State Property
EFA	–	education for all
EFMC	–	Education Finance Management Committee
ESDP	–	Education Sector Development Program
ESP	–	Education Strategic Plan
ESSP	–	Education Sector Support Program
EU	–	European Union
GDP	–	gross domestic product
HIV/AIDS	–	human immunodeficiency virus/acquired immunodeficiency syndrome
IPDP	–	Indigenous People's Development Plan
MEF	–	Ministry of Economy and Finance
MOEYS	–	Ministry of Education, Youth and Sport
NGO	–	nongovernment organization
NPAR	–	National Public Administration Reform
NTF	–	national training fund
PAP	–	priority action program
PEFC	–	provincial education facilities committee
PRDC	–	provincial rural development committee
PTTC	–	provincial teacher training college
RTTC	–	regional teacher training college
Sida	–	Swedish International Development Cooperation Agency
TA	–	technical assistance
TVET	–	technical and vocational education and training
UNICEF	–	United Nations Children's Fund

NOTES

- (i) The fiscal year (FY) of the Government ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

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LOAN AND PROGRAM SUMMARY

Borrower	Kingdom of Cambodia
The Proposal	Two loans from the Asian Development Bank's (ADB) Special Funds resources are proposed to support the Education Sector Development Program (ESDP): (i) a policy loan of \$20 million equivalent to support a reform program for the education sector, and (ii) an investment loan of \$18 million equivalent, to provide increased access to basic education, particularly to the poor.
Rationale	<p>While some progress has been made in improving Cambodia's education system, considerable challenges remain. The system is characterized by inequitable access, especially for the poor, girls, and indigenous peoples, and low quality with high repetition and dropout rates. The weak education system is perpetuating the cycle of poverty, and contributing to low productivity, and weak governance. A low level of public expenditure on education has been a major constraint to human resource development. The Government realizes that to reduce poverty, and enhance economic growth and social development in Cambodia, higher allocations to education are essential, and education policies need reform. The Government's policy priority for education is to ensure equitable access and quality improvement for nine years of basic education by 2010. As outlined in its Education Strategic Plan (ESP) 2001-2005, the Government's strategy is to use the education budget as a means to implement education reforms, particularly to ensure pro-poor policies and strategies to address the issues of equitable access, quality, and efficiency of education.</p> <p>Ensuring equitable access, and improved quality and efficiency of education services, requires a program of education policies that focus on increased pro-poor allocations, incentives to priority groups, education service rationalization, decentralization of education services, and sustainable provision of quality inputs, supplemented by project support for basic education facilities in poor and remote areas, and institutional strengthening. The total cost of adjustments to be carried out under the policy packet is estimated at \$98 million for 2001-2005, and justifies the proposed size of the policy loan of \$20 million. The ESDP constitutes a key element of ADB's operational strategy, which supports policy-based lending and approaches that address policy needs in decentralization, quality improvement, and financial management and efficiency.</p>

A sectorwide approach, led by the Government, has been followed in designing the ESDP to ensure features such as sustainable partnerships, common long-term vision and agreed targets for education reform, comprehensive sector policy framework, formulation of a rolling program and process for reforms, forward work plan, and sector performance review and negotiation processes.

Classification

Poverty intervention
Thematic: Human development

Environmental Assessment

Category C. Environmental implications of the ESDP were reviewed, and no significant adverse environmental impacts were identified.

The Sector Development Program

Objectives and Scope

The overall objective of the ESDP is to contribute to Cambodia's broader poverty reduction policy by assisting the Government to reform and strengthen the education sector as outlined in the Government's ESP. The ESDP will support nationwide policy reforms related to education sector financing, removal of access barriers to education for poor students, improved learning, more efficient and transparent education service delivery, and decentralized management; and provide investment funds to support the implementation of policies designed to improve equitable access for underserved and disadvantaged populations as well as improved quality of education.

Policy Framework and Actions

The policy component promotes policies aimed at (i) assuring increased resource allocation to the education sector, (ii) increasing equitable access to education services, (iii) improving quality and efficiency of the sector, and (iv) enhancing managerial capacity at all levels and increasing the deconcentration of service delivery.

Capacity Building

Capacity building support under the ESDP is comparatively small, since major support for sector management, priority action program implementation, and quality improvement will be provided through United Nations Children's Fund and the Swedish International Development Cooperation Agency. Assistance will focus on (i) establishing deconcentrated and decentralized mechanisms for education facilities development, (ii) establishing an effective internal accounting and audit function within the Ministry of Education, Youth and Sport (MOEYS) to ensure compliance with the new government audit law, and (iii) institutional development for technical and vocational education and training, since the Government lacks the necessary expertise in these areas.

The Investment Project	The project component supplements the policy initiatives by supporting (i) increased access and equity, mainly for basic education; (ii) deconcentrated and decentralized planning, management, and monitoring; and (iii) selective quality and efficiency improvement in budget planning, accounting, and audit, and technical and vocational education and training. The Project will provide construction of facilities in remote and underserved areas, promote greater deconcentration of the planning of facilities programs to provincial authorities and institutions, and pilot budget management of facilities development in four provinces.
Social and Environmental Measures	Policy reforms to be implemented under the ESDP will improve the targeting of allocations to the poor, and have a positive social impact in terms of poverty, gender, and inclusion of ethnic minorities. Through policy reforms, the cost of education will be reduced to parents; this will benefit poor students, girls, and ethnic minorities. The provision of more classrooms, and the introduction of multigrade approaches into primary education delivery will enable poor children to complete primary education, and provide schools close to home, which benefits girls. Direct student support mechanisms such as targeted assistance programs will make it easier for girls and the poor to attend and complete primary and secondary education. Teacher performance and teaching quality in remote areas are expected to be enhanced by incentives for certain categories of teachers serving under difficult circumstances. Regional discrepancies in education finance will be offset through poverty-indexed formulas for priority action programs and facilities development.
The Policy Loan	
Loan Amount and Terms	A loan of \$20 million equivalent will be provided from ADB's Special Funds resources. The loan will have a term of 24 years, including a grace period of 8 years, and an interest of 1 percent per annum will be charged during the grace period, and 1.5 percent thereafter.
Program Period and Tranching	The period of the policy loan is from December 2001 to February 2004. The loan will be disbursed in three tranches. The first tranche of \$10 million will be available for disbursement upon loan effectiveness, the second tranche of \$5 million will be released within 15 months from the first tranche release, and the third tranche of \$5 million within 12 months of the second tranche release, upon satisfactory compliance with specific conditions indicated in the policy matrix.

Executing Agency	MOEYS will be the Executing Agency responsible for the implementation of policy measures. A steering committee will be set up, chaired by the secretary of state, MOEYS, and comprising representatives from MOEYS; Ministry of Economy and Finance; Ministry of Planning; Council for Administration Reform; Ministry of Interior; Ministry of Women's and Veterans' Affairs; Ministry of Rural Development; and Ministry of Land Management, Urban Planning, and Construction. The steering committee will assist in coordinating the ESDP implementation and existing technical committees will monitor the implementation of specific components of the ESDP.
Procurement	The proceeds of the policy loan will be used to finance the foreign exchange cost of items produced and procured in ADB member countries, excluding those items specified in a negative list and imports financed by other bilateral and multilateral sources.
Counterpart Funds	The counterpart funds to be generated from the loan proceeds, will be used by the Government to finance the costs associated with implementing the education reform package.
The Investment Loan	
Loan Amount and Terms	A loan of \$18.0 million equivalent will be provided from ADB's Special Funds resources. The loan will have a term of 32 years, including a grace period of 8 years. An interest of 1 percent per annum will be charged during the grace period, and 1.5 percent thereafter.
Executing Agency	MOEYS will be the Executing Agency and be responsible for coordinating overall project implementation.
Implementation Arrangements	A steering committee will be set up, chaired by the secretary of state, MOEYS, and comprising representatives from MOEYS; Ministry of Economy and Finance; Ministry of Planning; National Public Administration Reform; Ministry of Interior; Ministry of Women's and Veterans' Affairs; Ministry of Rural Development; and Ministry of Land Management, Urban Planning, and Construction. Responsibilities will include (i) approval of annual programs and budget allocations, (ii) overseeing progress and compliance with agreed guidelines, (iii) commissioning and approving project accounts and reports, and (iv) ensuring that agreed audit requirements are satisfied. The Department of Materials and State Property, MOEYS, will be responsible for facilities development. For capacity building components, implementation responsibilities will rest with the respective implementing agencies.

Procurement and Consulting Services

Procurement of goods and services will be in accordance with ADB's *Guidelines for Procurement*. Expenditure procedures will be in accordance with ADB's *Loan Disbursement Handbook*. International and domestic consultants will be recruited according to ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for the engagement of domestic consultants.

Time Frame

The project will be implemented over five years, with completion expected by 31 December 2006.

Risks and Safeguards

The potential risks associated with ESDP implementation are (i) unpredictable financing of education reforms; (ii) diminished Government leadership and commitment to reforms; (iii) lack of demand for education services, as a result of poor quality; (iv) inadequate decentralized financial management systems; (v) low government revenues; and (vi) lack of medium-term external support to cover projected recurrent and capital budget shortfalls.

The ESDP attempts to deal with these risks by (i) supporting the formulation of a medium-term framework for education expenditure, linking annual performance review and budget planning processes, and regulating private contributions; (ii) providing early program support that will act as an incentive for the Government to maintain its commitment, the expanded and improved partnership arrangements, and annual stakeholders' consultations and system performance; (iii) increasing provision of key quality determinants, and focusing on community governance and information dissemination to encourage continued demand; (iv) obtaining agreement on guidelines between stakeholder ministries for different financial management responsibilities, and ensuring extensive capacity building for technical and financial planning and management at all levels of the system; (v) ensuring comprehensive assistance for tax reforms and other aspects of financial management; and (vi) undertaking sector performance review and budget planning that will adjust targets and programs on an annual basis, taking account of projected government and external resources available.

I. THE PROPOSAL

1. I submit for your approval the following Report and Recommendation on two proposed loans to the Kingdom of Cambodia for the Education Sector Development Program (ESDP).

II. INTRODUCTION

2. The Asian Development Bank (ADB) has assisted the Government of Cambodia with education policy development since 1994, when it supported the preparation of the first education sector strategy study. In 1999, ADB continued its education sector policy support through the Secondary Education Investment Plan technical assistance (TA)¹ that helped the Ministry of Education Youth and Sport (MOEYS) to formulate a pro-poor education policy and strategy. In 2000, ADB provided further small-scale TA² to assist the Government prepare a detailed education sector analysis, followed by project preparatory TA³ to help MOEYS finalize an education strategic plan (ESP), identify and cost priority programs through the preparation of an education sector support program (ESSP), and design an ESDP to be financed by ADB. The capacity building TAs have facilitated thorough MOEYS and stakeholder participation, and fostered strong ownership of the education reform policies and strategies. All through the policy and planning process, a sectorwide approach has been followed. This approach involved a wide range of assistance agencies, nongovernment organizations (NGOs), private sector, community groups, and other stakeholders in the identification and design of education reforms, and supported a move from “donorship to partnership.”

3. During ADB’s loan Fact-Finding Mission in February/March 2001, the draft ESP was circulated, presented, discussed, and revised within MOEYS. A sector development program approach was identified as the most effective way to address pro-poor policy reforms, investment, and capacity building needs. ADB’s Appraisal Mission⁴ in June 2001 included a joint in-country appraisal of the ESP and ESSP by the Government, assistance agencies, and the NGO community. MOEYS formally approved the ESP and ESSP in September 2001. This report is based on the findings of the series of ADB-supported TAs, and the Fact-Finding and Appraisal missions’ consultations with government officials in MOEYS and other relevant ministries, technical departments of MOEYS, and multilateral and bilateral funding agencies, NGOs, head teachers, and members of communities. The ESDP framework is given in Appendix 1.

III. THE SECTOR

A. Macroeconomic and Social Context

4. With the formation of the coalition Government in late 1998, Cambodia is enjoying the highest level of political stability in 30 years. The administration has made poverty reducing economic development its first priority, and launched a comprehensive reform program, emphasizing strengthening fiscal revenue collection, civil service reform, demobilization of soldiers, and improved forestry resource management. Progress in moving this large agenda forward has been assisted during the last three years by enhanced structural adjustment facility

¹ TA 3169-CAM: *Secondary Education Investment Plan*, for \$650,000, approved on 8 March 1999.

² TA 3415-CAM: *Education Strategy Support*, for \$150,000, approved on 15 March 2000.

³ TA 3463-CAM: *Education Sector Development Program*, for \$800,000, approved on 27 June 2000.

⁴ The Mission comprised G. Forsberg, Sr. Education Specialist, Mission Leader; J. Daumas, Counsel; D. Porter, Sr. Governance Specialist; C. Wescott, Sr. Governance Specialist; E. Bloom, Economist, Staff Consultant; M. Morrissey, Quality Improvement and Assurance Specialist, Staff Consultant; and A. Pichvai, Access and Facilities Specialist, Staff Consultant.

support from the International Monetary Fund, focusing on fiscal reform, particularly in revenue mobilization.

5. The gross domestic product (GDP) grew at a rate of 5.4 percent in 2000. The growth was lower compared with 1999 (6.9 percent) but was still impressive given the severe flooding in the final quarter of 2000, and negative growth in the agriculture, fisheries, and forestry sector. The primary engine of growth in 2000 was the garments sector.

6. Fiscal policy remains conservative, with improved revenue mobilization, and prudent expenditure management. Revenue collection during 2000 continued to improve, with domestic revenues increasing by 8 percent in 2000 compared with the previous year. Expenditures for the four priority sectors of health, education, rural development, and agriculture increased to 2.5 percent of GDP, while defense and security spending fell from 4.2 percent in 1999, to 3.5 percent in 2000. Expenditure plans in 2001 reinforce these trends, with defense and security spending falling to 3 percent, and the four priority sectors increasing to 4.7 percent. The exchange rate has remained stable at around KR3,700-3,800 to the dollar for the last three years.

7. Expenditure on social sectors has increased significantly. Education spending allocations rose from \$46 million in 2000, to \$57 million in 2001, representing a 22 percent increase. Health expenditure rose by 17 percent over the same period. The education share of recurrent spending has shown a significant upward trend, rising from around 11.5 percent in 1999, to 15.7 percent in 2001. In October 2000, the Government introduced priority action programs (PAPs) for rapid delivery of funds from the recurrent budget to the priority sectors. Under the 2001 budget, a planned \$17 million will be available, representing 30 percent of the total health budget, and 9 percent of the total education budget.

8. High population growth, high child mortality, low life expectancy, and high fertility rates characterize the demographic indices. A 20 percent increase in population over the next 10 years is anticipated; this will fuel demand for education services and employment generation. The labor force is projected to grow by around 200,000 per annum by 2010. Growing uncertainty in the labor market outlook exacerbates the situation. Although the tourism sector is showing promising growth, the prospects for the garment industry (a recent engine of job creation in urban areas) is somewhat fragile. Urban and rural employment pattern vary significantly with over 60 percent of urban workers in manufacturing and service sectors, compared with only 11 percent in rural areas. The uncertain labor market outlook means that mechanisms need to be put in place to increase the responsiveness of the education and training systems.

9. Various assessments point to extensive levels of poverty in Cambodia. The poverty headcount index in 1999 was an estimated 36 percent.⁵ Cambodia compares unfavorably with other Asian countries on broader human poverty indices. Cambodia's human poverty index, the United Nations Development Programme index, is 42.5 percent.⁶ This figure is far below the average score for Southeast Asia and the Pacific developing member countries of 25 percent. Poor performances in primary school completion, health and sanitation service access, and child nutrition indicators are major contributing factors to the low human poverty index in Cambodia.

⁵ Ministry of Planning. 1999. *Cambodia Poverty Assessment*. Phnom Penh. Incidence of poverty in Cambodia is based on a poverty line, defined as the cash equivalent of food consumption providing at least 2,100 calories of energy (plus 58 grams of protein) per person, per day, plus a small allowance for nonfood consumption to cover basic items like clothing and shelter.

⁶ UNDP. 1999. *Cambodia Human Development Report 1999*. Phnom Penh.

10. Poverty rates are highest in rural areas where about 90 percent of the poor live. Only 2.3 percent of the poor live in the capital, Phnom Penh, and the remaining 7.7 percent are located in other urban and periurban areas. Average annual income in rural areas was less than one third of Phnom Penh residents (rural \$197 per annum; Phnom Penh \$691 per annum).⁷ Other indicators reinforce these wide disparities. Per capita consumption by urban dwellers is twice that of rural people. Urban residents have an additional five years life expectancy, and higher levels of education attainment. Also, Phnom Penh residents spend 12 times as much on education as the rural population.

11. Poverty is a major constraint to the level of education students can achieve. One reason is the fact that overall financing of the education system is still heavily reliant on households' private contributions to education costs. Socioeconomic surveys report that, on average, unofficial monthly school fees are KR3,500 (\$0.9) per pupil at primary level, KR8,000 (\$2.0) at lower secondary, and KR10,200 (\$2.6) at upper secondary level. At the postsecondary level, the private contributions are significantly higher, especially in urban areas. As a result, the representation of the poor is much greater in the primary student population, than in the secondary or tertiary student population. While 20 percent of primary students are drawn from the poorest 20 percent of the population, only 2 percent of upper secondary students are drawn from this quintile. In contrast, 61 percent of the upper secondary students in the country come from the richest 20 percent of the population. The poor are not represented in tertiary education, while the richest 20 percent of the population accounts for 57 percent.

12. The representation of females in the education system indicates further significant inequities. In particular, proportion of girls enrolled drops significantly in the higher grades of the primary school system. Girls represent only one third of enrolment in secondary schools. Females are also significantly underrepresented in technical and higher education. This is the result of a combination of social, cultural, and economic factors. One important reason for the underrepresentation of girls in secondary and higher education is related to access. Only a limited number of villages have secondary schools, so attendance means traveling long distances. Boys have the option of staying in nearby pagodas, but no separate dormitories are provided for girls. Secondly, although girls enroll at roughly the same age as boys, earlier dropout occurs with the onset of puberty, and as family responsibilities begin to predominate. Parents' perceptions of the relevance and return of girls' education, as well as cost of education, are other factors. Parents are reported to often be less willing to invest in educating females, which is a critical factor when parental contributions are a large share of education spending.

13. Other social dimensions, especially child health and nutrition, and the potential impact of human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) also have an effect on education achievement. Child malnutrition has remained more or less constant at 40 percent during the past decade. Almost one fifth of children suffer from severe malnutrition. In addition, roughly 70 percent of the population has no access to safe water, and about 85 percent have inadequate sanitation. HIV prevalence, currently estimated at 3.75 percent of adults aged 15-49, has potentially great significance for long-term teaching service planning. HIV/AIDS will contribute to growing attrition rates and absenteeism in the teaching service and could add significantly to teaching service, and teacher training costs.

B. Sector Description and Recent Performance

14. The education system in Cambodia consists of six years of primary, three years of lower secondary, and three years of upper secondary schooling. In addition, the public-private partnership in technical and vocational education and training (TVET) is active and growing

⁷ Ministry of Planning. 1998. *A Poverty Profile of Cambodia*. Phnom Penh; Ministry of Planning. 1999. *Cambodia Socioeconomic Survey*. Phnom Penh.

especially in urban areas. Higher education may also be characterized as an expanding public-private partnership subsector, with the introduction of a number of private universities in recent years. The Government and NGOs cooperate in the provision of literacy programs, complementary programs for school dropouts, and (largely urban-based) preschooling.

15. MOEYS consists of the central office, 24 provincial education offices, and 182 district education offices, which are looking after about 6,500 schools. Over the past decade, the primary mission of the central MOEYS office has been to exercise control of MOEYS operations, with a focus on administration. Delegation to line departments, provincial, and district authorities has been limited. In 2000, the Government introduced a PAP for primary education, which is now also being implemented for lower secondary education. PAP funds come from the recurrent budget, and are currently being used for (i) school operating budgets for primary and lower secondary schools, (ii) remedial classes for primary school students, and (iii) strengthening of technical and financial monitoring. Through the PAP mechanism, funds flow from the central Government treasury to district accounts held in the provincial treasury, and onward to schools. The introduction of the PAPs is providing an opportunity to rationalize organizational structures and responsibilities within MOEYS to make the system more efficient. The mechanism is helping the MOEYS central office to assume its more proper role of policymaking, strategic planning, and monitoring. Provincial offices are beginning to take on the role of progress monitoring, while districts and schools are responsible for day-to-day management of PAP funds.

16. Education achievements over the past five years are significant. Currently 874 government preschools and 364 community and private preschools are operating. Attendance at community schools is generally free, compared with urban-based private preschools, which levy a small charge. The primary cycle has been extended from five to six years from 1996. Primary school enrolment grew from 1.6 million in 1998 to 2.4 million in 2001, and about 500-600 schools were newly constructed or extended. Secondary school enrolment grew from about 280,000 to about 380,000. Quality improvement achievements include provision of free textbooks for grades 1 to 9 from 1997 (supported by ADB), accompanied by various forms of training and upgrading for around 60,000 teachers. MOEYS is planning to commercialize textbook procurement by transforming the MOEYS publishing house into a public enterprise in early 2002, linked to strengthening textbook supply planning, procurement, and monitoring mechanisms. The Government is also committed to introduce a sustainable textbook financing system, through annual recurrent budget allocations, from 2002.

17. These achievements in primary and secondary education have been accompanied by increasing growth in the public-private partnership in higher education, and TVET. While participation in higher education is low, by international standards, at 204 students per 100,000 people, the Government's policy of promoting public-private partnerships in higher education is, however, showing encouraging gains. In 1999, the total enrolment was around 22,000, with about two thirds of the students paying fees in public institutions, or enrolled in private universities. In 1999, the total enrolment in TVET was estimated at 93,000. Enrolment in public institutions was around 5,700, private institutions around 68,000, and in NGO-supported operations around 10,000 students. In addition, 9,300 students are enrolled in National Training Fund (NTF) programs, which are open to both public and private providers. Hence, private providers, including NGOs, provide over 80 percent of current TVET provision.

18. Teacher training is currently provided at 18 provincial teacher training colleges (PTTCs) for the primary program; six regional teacher training colleges (RTTCs), which train grades 7-9 teachers; and the postgraduate program at the Faculty of Pedagogy, which trains university graduates as upper secondary school teachers. PTTCs and RTTCs offer two-year programs, with an annual graduate output of around 2,950 and 1,000 students respectively. The faculty offers a one-year program with an output of around 400 students per annum.

19. The level of adult illiteracy is high in regional terms. While the adult literacy rate is estimated at 68 percent (1998), a recent literacy survey (2000) estimated that 36 percent of the population (around 2.4 million adults) is illiterate and 27 percent are semiliterate (1.7 million adults). On this basis, only 36 percent of the population is literate in terms of being able to use their literacy skills for everyday life and income generation. Adult literacy classes need to be expanded, especially for disadvantaged groups, and in underserved areas. MOEYS is currently developing a five-year strategic plan, aimed at increasing functional literacy from the estimated 36 percent to 56 percent over the next five years.

C. Government Expenditure

20. By regional comparison, Cambodia's education sector was underresourced in the 1990s. Public spending on education has remained more or less constant at between 0.9 and 1.0 percent of GDP since 1994. This is significantly below the levels in the region (e.g., Lao People's Democratic Republic 3.1 percent, Bangladesh 2.8 percent, Nepal 3.2 percent). Since 1999, the education share of GDP has, however, grown significantly—from 1.3 percent in 1999 to 1.6 percent in 2001. This is consistent with Government commitments at the 2000 and 2001 Consultative Group meetings in Paris and Tokyo to increase social sector spending. These patterns are mirrored by recurrent spending on education, where the share of recurrent spending remained at 9–10 percent between 1994 and 1998, but which has risen to 15.7 percent in 2001. A key prerequisite is effective channeling and disbursement of education funds from the Government treasury to the central education ministry and provincial governments. Comparatively high disbursement figures have been maintained over the last few years, with an education budget outturn of 96 percent in 2000, compared with 90 percent for the overall budget.

21. The Government has also addressed, to some extent, inequitable public spending patterns for the subsectors. In 1997, only about 40 percent of recurrent spending was devoted to primary education, compared with 15 percent for secondary and 30 percent for postsecondary education.⁸ Much of this distortion was due to substantial external assistance for higher education and TVET. The situation changed in 1998 and 1999, with public spending on primary and secondary education averaging around 80 to 85 percent. Simultaneously, external assistance has shifted to providing a greater share for basic education, i.e., primary and lower secondary education. A recent MOEYS analysis of externally assisted prospects suggest this trend is continuing, with around 85 percent of scheduled or potential external assistance being directed at basic education.

22. Public expenditure per student has also been inequitable. In 1997, spending per primary student was around KR63,000, of which public spending was KR30,000 (47 percent). In contrast, per student spending on TVET was about KR560,000, with public spending accounting for KR446,000 (80 percent). These patterns are not equitable or pro-poor, given the underrepresentation of students from poorer families at later stages of the education system. Recent spending patterns are addressing these inequities. In 2001, the public spending per primary student rose to around KR90,000 per annum, while the figure for higher and postsecondary education fell to KR300,000 per student per year. Hence, public spending on education is showing an increasingly pro-poor trend, which is projected to continue in 2002 and beyond.

⁸ World Bank. 1999. *Public Expenditure Review*. Washington, D.C.

D. Constraints and Issues

1. Financing

23. The core education sector issue is to raise the overall level of public sector financing from the 1.6 percent in 2001, to 2.4 percent of GDP by 2005, while reducing dependency on external funding sources. To reduce the dependency in the coming decade, the Government will have to increase public financing to achieve universal basic education by 2010, put in place mechanisms to provide the poor with equitable access to education services, and satisfy the increasing public demand for quality education services at all levels, especially upper secondary and postsecondary education. This will require not only increased volumes of public spending on basic education, but also improved quality and effectiveness of spending through an increased share for nonsalary expenditures. A related policy issue will be to protect public spending on basic education, through a well-planned and regulated financing policy and strategy for upper secondary, TVET, and higher education provision.

24. Low education expenditures in the 1990s increased reliance on parental and external contributions. For example, the public expenditure review of 1998 estimated that almost half (46 percent) of education expenditure was provided by funding agencies and NGOs, compared with Government (27 percent) and private households (27 percent). This significant public-private partnership with communities in education has merit in terms of stakeholder participation and potential for mutual accountability. However, the private cost of education also acts as a deterrent for poor parents. Furthermore, no clear regulatory, accounting, and management mechanisms are available for the substantial private contributions. Most of these transactions between parents, schools, and teachers are made in the form of informal payments (in addition to unofficial school fees). As a consequence, these resources are not effectively captured or managed as part of financing the operations of the education system.

2. Access

25. The second issue relates to access, especially by the poor, females, and ethnic minorities.⁹ Preschool education is accessed by only 5 percent. Net enrolment in primary education is 78 percent, in lower secondary education 14 percent, in upper secondary 9 percent, and TVET and higher education less than 1 percent. While the Government has achieved significant expansion of primary education in the past decade, with enrolment growing about 70 percent between 1992 and 1999, strategies are needed to address significant gender disparities in access, directly linked to urban and rural location. Noticeable is also the decline in girls' enrolment across primary grades, where girls' share of the total enrolment falls from 47 percent in grade 1, to 33 percent in grade 6. Overall, at the primary level, the poorest children, girls, and ethnic minorities are more likely to enroll later and drop out earlier for social and financial reasons. Also, since 47 percent of the primary schools in Cambodia are incomplete, i.e., they do not offer all six grades, many children, especially ethnic minority girls, only attend the first two or three grades and then drop out.

26. Gender and geographical inequities in enrolment in secondary education are significant. Females represent only one third of both lower and upper secondary enrolment. Another access constraint, especially in districts with scattered secondary-age population, is the cost or shortage of school transportation, lodging facilities, or dormitories. Traveling distances of more than 5 km to lower or upper secondary schools is identified as an access barrier. Significant urban-rural and gender disparities also prevail in higher education. About 45 percent of students

⁹ This refers to the highland ethnic minorities mainly found in the northeast provinces. It does not include Chinese, Vietnamese, and Lao minorities.

in public institutions come from Phnom Penh, and 40 percent come from the more urban provinces. Virtually no students come from the poorer, more rural, and remote provinces.

27. Availability of teachers is a critical issue to ensure equitable access to education. Currently, some schools have an oversupply of teachers, while rural remote and ethnic minority areas have a severe shortage. An important priority is to strengthen teacher supply and demand planning, in consultation with central and provincial personnel departments. In the short term, additional trained teacher output can be achieved by massive redeployment of nonteaching staff back to the classroom. An action plan for meeting these teacher development demands needs to be prepared.

28. A related access issue is the improvement in the living conditions of the education service staff, especially the teaching service, and measures to ensure availability of good teachers in poor, remote areas. It has been documented internationally that low salaries contribute to poor teacher attendance, and considerable time spent on other income generating activities. In Cambodia, primary school teachers earn between \$9-13 per month, and secondary school teachers \$11-16 per month, not enough to feed a family. The low salaries result in pressure on parents and students to provide informal payments for private tuition. Targeted incentives are also needed for head teachers, multigrade teachers, and staff deployed to remote schools. A key strategy is to continue to promote substantial teacher salary increases as part of a broader poverty reduction strategy and the national public administration reform (NPAR), and find ways to offset informal payments to teachers from poor families. To address incentives for special core groups, a salary reform action plan needs to be immediately developed to link incentives and rewards to quality and efficiency gains. MOEYS prepared an initial action plan in mid 2001. The speed of implementation will depend on the outcomes of broader NPAR discussions and available resources.

3. Quality and Efficiency

29. MOEYS recognizes that the quality of both primary and secondary education is low, partly due to low instructional hours, and a curriculum that does not focus enough on teaching core subjects. Minimum learning standards have not been defined for primary education, and standardized, grade-referenced achievement tests do not exist. Therefore reliably assessing the quality and effectiveness of primary education is difficult. A proxy indicator is the progression rate from grade 4, based on teacher-made and marked tests.¹⁰ The overall achievement was about 72 percent in 1997/98. Effective student performance monitoring and assessment systems at various levels need therefore be developed. Currently, student performance monitoring is limited to a provincially managed, grade 9 achievement test (largely used to allocate grade 10 places), a grade 12 examination, and various university faculty admission tests administered by individual institutions.

30. Significant effort and investments have been expended to upgrade the quality of the primary teaching service. In 1996, the entry qualifications to the teaching service were increased to 12 years of schooling, and 2 years of teacher training (in cities and towns), and 9+2 for candidates from remote areas. By 1999, over 90 percent of teachers had the required academic qualifications. However, for the remote areas, the figure was only 71 percent. A vicious circle remains in place where poor quality primary education, and limited access to secondary education, means that few teachers from remote areas are qualified for entry into teachers colleges. Posting and retraining better-qualified teachers from towns to rural areas remains a problem due to inadequate incentives.

¹⁰ Ministry of Education, Youth and Sport. 1999. *Education for All (EFA) – Year 2000 Assessment. Country Report by National EFA 2000 Assessment Group*. Phnom Penh.

31. Other proxy indicators of quality and efficiency are repetition and survival rates. A significant efficiency constraint is the high level of repetition, particularly in grades 1 and 2. For example, in 1998 the overall repetition rates were 41 percent and 25 percent in the first two grades, falling to around 4 to 8 percent in grades 5 and 6. In 2000, the average net enrolment rate was 78 percent, meaning that 22 children of every 100 were not enrolled at the official school age of six. In remote areas, the net enrolment falls as low as 34 percent. Late enrollment has significant impact on girls, who traditionally leave school at puberty. Furthermore, the completion rate for primary school students is only 45 percent. As a result of high repetition and dropout rates, about 14 years are currently required to produce a graduate from the six-year primary program.¹¹

32. An efficiency priority is to improve the deployment of secondary teaching, and nonteaching staff. The average student:teacher ratio is 16.4 for lower secondary schools, and 23.1 for upper secondary schools. The student per staff ratios (including nonteaching staff) are 13.4 and 15.8 respectively, highlighting the large proportion of nonteaching staff in secondary schools. In contrast, the student per class ratios were 38 and 44 respectively for lower and upper secondary schools, once again highlighting the low teaching hours of secondary school staff and inefficient teacher and nonteacher deployment

4. Sector Planning, Management and Decentralization

33. The fourth set of constraints is the weakness in sector planning and management, and the need to promote decentralization in education services provision. Until 1998, MOEYS planning for education consisted of a rather rigid sector investment plan, made up of discrete projects, within some broad program themes. MOEYS now recognizes the need for a much broader interpretation of sector planning, where education planning is linked with medium-term expenditure planning, public investment planning, decentralization plans, and public service reform. Furthermore, the sector and financing plans need to be underpinned by a strong sector performance monitoring system.

34. A constraint on planning, managing, and implementing education governance reforms is the absence of strong institutions at various levels. The central MOEYS has only limited capacity for formulating appropriate legislation and regulations within the designated Directorate General for Administration and Finance. At the school level, the school and parents committees have responsibilities, but no real authority, mainly being restricted to fundraising. In the TVET and higher education institutions, there are no boards of management with broad-based representation; instead, governance and management responsibilities are combined under the responsibilities of institutions' directors who are MOEYS employees. Governance reforms are therefore a crucial element of education plans for the next decade.

35. The new education policy and institutional reforms will require the delegation of planning and resource management to the provinces and communes; capacity and structures have to be built to enable this. The introduction of the PAP in 2000 has provided an opportunity to rationalize organizational structures and responsibilities. A key priority will therefore be to build up the capacity of the central ministry, provinces, and districts in planning and monitoring. Simultaneously, capacity building in management and implementation planning at commune and school levels will be critical. A key reform component will be to put in place organizational structures and responsibilities that provide effective impact and progress monitoring on education system performance.

¹¹ The formula builds in the number of repeaters and dropouts to determine the average number of years required to complete a cycle. If two students start a year, and one drops out halfway, the graduating student will be said to have consumed TWO student years, although s/he personally did not drop out.

36. Strategies and guidelines have to be established for increasing the operational autonomy of all public education institutions, including schools, teacher training colleges, higher education institutions, and TVET institutions. MOEYS has recognized the value of learning lessons from the growing number of private providers. Priority needs include (i) setting out appropriate enabling legislation and regulation of both public and private institutions; (ii) putting in place appropriate financial management and accounting capability for both private and public institutions; and (iii) putting in place appropriate institutional arrangements for a mix of self regulation and external quality control and monitoring, including well-defined roles for MOEYS departments, especially in higher education, and TVET, where private provision is most advanced.

37. A final issue to be addressed for improved education resource management is effective deployment of the education service, especially primary and secondary school teachers. Currently, there are about 45,000 primary school teachers, 17,500 secondary school teachers, and 10,000 nonteaching staff in schools. Approximately 3,100 education staff in provincial and district education offices supplement these. A priority is therefore to undertake a thorough review of MOEYS guidelines for staff deployment, possibly introducing student:teacher ratio based staffing norms.

E. Government Objectives and Strategy

38. The Government has made poverty reduction its first priority. Extensive, quantitative analysis of poverty has been conducted through regular socioeconomic surveys, and by the World Food Programme's poverty mapping. This analysis has been complemented by a participatory poverty assessment carried out in 154 villages in 24 provinces and municipalities, and among 15 nonrural socioeconomic groups. The participatory poverty assessment confirms that people lack access to social infrastructure and other basic services; the poor are disempowered, and feel hopeless about their lives and those of their children; and women suffer from low socioeconomic status.

39. The Government has prepared the Interim Poverty Reduction Strategy Paper and the Second Socioeconomic Development Plan, 2001-2005 both with ADB support. One important strategy to empower the poor will be achieved by increasing their access to health and education services, by increasing and redirecting public expenditure on health and education. The Government also acknowledges that good governance is a prerequisite to sustainable socioeconomic development and social justice. Low salaries are a fundamental structural problem in the public sector, hence civil service reform, and increased salaries are necessary for improving governance. The Governance Action Plan has been adopted, and the reforms include areas such as civil service reform (including decentralization), public management reform, anticorruption measures, promotion of gender equity, and demobilization of the armed forces. During the first year of implementation of the Second Socioeconomic Development Plan, the Government will focus on establishing priority groups of civil servants who will receive enhanced remuneration, and deconcentration and decentralization¹² of government and public service delivery, including defining the functions and roles for different levels of staff down to the commune level; new systems for decentralized financing, planning, and management; and training of personnel.

¹² In Cambodia, "decentralization" refers to the design and management of elected commune councils, and "deconcentration" the delegation of central ministry functions to provincial authorities. Reforms leading to decentralization are the responsibility of the National Committee to Support Communes in coordination with the Ministry of Interior. Reforms leading to deconcentration are led by the Council for Administrative Reform and the Ministry of Economy and Finance, in coordination with relevant sector ministries and provincial authorities. Government policy recognizes the essential complementarity, the need for parallel implementation of decentralization and deconcentration reforms, and that decentralization of government to the communes will only work if supporting functions are also deconcentrated to the provinces and districts.

40. Reforms already underway include (i) drafting of legislation governing security of public access to land, forests, and water resource management; (ii) design of improved budget execution and medium-term expenditure framework; and (iii) implementation of the Audit Law through the National Audit Authority. ADB is supporting these state reforms through economic and sector work, TA and loan projects.¹³

41. The Government recognizes that the education system represents an important bridge between economic and social development. It has taken several initiatives that provide a platform for education development to be strongly linked to state reforms and overall poverty reduction. In early 1999, the Government established high level consultative groups to address fiscal and financial reform, administration reform, governance reform, and social sector reform. These mechanisms are providing a vehicle for incorporating education policy reform into broader macroeconomic and institutional programs.

42. These Government initiatives have coincided with a revitalized education reform process. In mid-1999, MOEYS initiated a policy review and development process for the education sector that takes a broader and more comprehensive approach to education development.¹⁴ The process, led by the Government and endorsed by development agencies, incorporates sectorwide approach features such as (i) sector analysis; (ii) development of a comprehensive policy framework, strategies, and a support program (budgetary and investment); (iii) focus on sector performance monitoring, with emphasis on outcomes; (iv) an organizational framework for aid coordination; (v) regular Government-financing agency performance reviews; and (vi) rolling adjustments of programs and plans (for further description of the sectorwide approach, see Appendix 2. The process culminated in the approved ESP and ESSP in September 2001. The ESP is cast within the Government's broader commitments to state reform outlined above. The ESP is further linked to Cambodia's commitment to achieving the international development goals, and education for all by 2015. A summary of ESP policy priorities, targets, monitoring mechanisms, and PAPs is in Appendix 3.

43. The Government's stated policy priorities for education are to ensure that poor students, girls, and ethnic minorities have equitable access to basic, and postbasic education. A priority objective is to achieve universal basic education by 2010 by expanding services, and improving internal efficiency, especially reduced repetition rates. A second priority is to improve the quality and management of education by increasing nonsalary spending, and improving the use of teaching and nonteaching staff. A third priority is to strengthen public-private partnerships in the sector, especially in upper secondary, TVET, and higher education. A cross-cutting theme is to strengthen legislative, and regulatory frameworks for quality assurance, and sector performance monitoring across all subsectors.

44. A PAP mechanism was introduced to ensure financing of education priority strategies. One education priority strategy is to increase operating budgets for schools, TVET, and higher education institutions, to reduce the cost of schooling for poor families (for other PAP priorities, see Appendix 3). To realize this pro-poor education policy, the Government is committed to increasing the annual recurrent budget from 1.3 percent of GDP in 2000, to 1.9 percent of GDP in 2004. A second priority is to ensure quality improvement by increasing recurrent spending on instructional materials, and teacher development, as well as to provide performance-based incentives for core groups of teachers, and head teachers. A related strategy is to improve the

¹³ ADB and Cambodia Development Resource Institute. 2001. *Cambodia: Enhancing Governance for Sustainable Development*. Manila; TA 2566-CAM: *Developing Capacity in Audit and Inspectorate Function*, for \$600,000, approved on 8 May 1996; TA 3634-CAM: *Strengthening Public Financial Management*, for \$1,200,000, approved on 22 February 2001; TA 3721-CAM: *Institutional Support for National Economic Policy Management*, for \$550,000, approved on 19 September 2001.

¹⁴ ADB has supported this process through TA 3169 (footnote 1), TA 3415 (footnote 2), and TA 3463 (footnote 3).

deployment of education sector personnel through incentives for reassigning nonteaching staff to the classroom, and for qualified staff to work in underserved and remote areas.

45. The PAP mechanism also promotes decentralization of the management of education services, through district- and institution-based budget management centers. MOEYS and provincial education offices are required to focus on planning and monitoring, and the district offices and institutions have greater operational autonomy for management and implementation. These changes will require extensive capacity building in technical and financial planning, management, and monitoring.

F. External Assistance to the Sector

1. External Assistance

46. In the early and mid-1990s, average external assistance to the education sector was around \$35 million-40 million per year. After the political crisis in 1997, education aid commitments and flows tightened, with projected levels of support at only \$5 million-10 million per year from 2001 to 2003. The aid profile in the mid-1990s was characterized by a large share for TVET and higher education (around 40 percent), and limited support for basic education. Since the mid-1990s, the proportion of external support for primary and secondary education has gradually increased. The major external financiers for basic education have been the European Union (EU), Swedish International Development Cooperation Agency (Sida) through the United Nations Children's Fund (UNICEF), and ADB. The EU has supported primary schools construction, and teacher training programs. UNICEF is financing capacity building for basic education, e.g., curriculum and textbook development, education management information systems, and early childhood development. The World Bank supports a primary education learning and innovation project—the Education Quality Improvement Project.

47. For postbasic education, the Australian Agency for International Development is providing scholarships, and helping develop national examinations. France and the United Kingdom support language projects. The Japan International Cooperation Agency is supporting training projects in upper secondary and higher education, and TVET. A large number of international NGOs are supporting a variety of programs, ranging from early childhood programs to TVET. The amount, and coverage are, however, small. A list of assistance to the education sector provided by external agencies is in Appendix 4.

48. During the 1990s, education assistance shifted significantly away from NGOs and bilateral agencies, to greater involvement of the multilateral agencies, especially ADB. This shift coincided with increased support for primary education, instructional materials, and capacity building. Another characteristic of external assistance has been a growing emphasis on short-term capacity building TA, rather than long-term project implementation advisers.

49. ADB has been the lead financing agency in the education sector in Cambodia since the early 1990s, and supported four education projects. The first project, the Special Rehabilitation Assistance Project,¹⁵ which helped upgrade selected educational facilities, was successfully completed in 1996. The Basic Skills Project,¹⁶ has largely completed the expansion of provincial TVET centers, stimulated private TVET providers by supporting the establishment of the National Training Board, and the NTF, and building MOEYS capacity to plan, manage, and monitor TVET programs. The NTF is now providing resources to various public, and private training providers for skills training.

¹⁵ Loan 1199-CAM(SF), *Special Rehabilitation Assistance*, for \$67.7 million, approved on 26 November 1992.

¹⁶ Loan 1368-CAM(SF): *Basic Skills*, for \$20 million, approved on 30 August 1995.

50. The Basic Education Textbook Project,¹⁷ rated as highly successful, has been providing core textbooks of improved quality for all primary and lower secondary school students, improved procurement and distribution systems, and strengthened publishing and research capacity. Policy reforms include reorganizing MOEYS publishing structure to a more market-oriented publishing system, and developing legislative and regulatory frameworks. Satisfactory progress has been made in both areas. The two projects will be completed in 2001. As a response to physical infrastructure damaged by the 2000 floods, ADB is providing the Emergency Flood Rehabilitation Project¹⁸ loan to help restore facilities, including education facilities.

51. The capacity building focus of the ADB-supported education TA programs has also resulted in positive outcomes. The various advisory TA have contributed to the strengthening of planning and monitoring capacity for women in education, employment generation strategy, and TVET, and textbooks program planning and management. In addition, ADB has contributed to the strengthening of MOEYS aid planning, management, and monitoring systems from the mid-1990s. Currently, ADB is providing significant support to improve governance in Cambodia, including financial management and public administration. This complementary assistance will help strengthen the public administration and financial system reforms undertaken under the ESDP.

52. ADB's lead support for a sectorwide approach has acted as a catalyst for coordinated assistance to the education sector for the next five years. The ESP and ESSP process has been instrumental in promoting, and mobilizing additional resources from both Government and external financiers, by providing a broad policy framework and matrix for coordination of external assistance. Secondly, the policy dialogue under the ESDP preparation process has contributed to the targeting of grant financing for capacity building, e.g., the scheduled UNICEF-Sida support of about \$13 million during 2002-2004. The ESDP focus also provides an overall framework for the targeting of other external assistance, e.g., Belgian support for school facilities, and World Bank assistance for higher education, currently under preparation. Complementary support for basic education and higher education through various modalities is also expected from Australia, France, Germany, United Kingdom, World Food Programme, United Nations Educational, Scientific and Cultural Organization (UNESCO), Japan, and NGOs. Current estimates are that ongoing, and scheduled support under the ESSP over the next 5 to 6 years will reach about \$35 million per year.

2. Lessons Learned

53. The mid- to late 1990s in Cambodia can be characterized as a transition from emergency relief, to reconstruction and development. ADB provided MOEYS with assistance to prepare the Education Investment Plan 1995-2000, as an initial attempt to coordinate assistance to the education sector. However, many factors contributed to its limited success: MOEYS capability to lead, plan, and manage the programs was still insufficient; the political unrest in 1997 led to a decline in external assistance; the long-term vision for education reform remained embryonic, linkages to broader poverty reduction strategies were limited; and integration of education financing plans into public expenditure planning and management was underdeveloped. From the experience, three main lessons were learned. First, policy reforms need to be owned and led by MOEYS, and financing modalities need to encourage ownership. Second, project assistance on its own cannot easily achieve broad policy and institutional reforms. Third, many of the constraints on improving equity and quality can only be addressed by resolving broader institutional and financial issues.

¹⁷ Loan 1446-CAM(SF): *Basic Education Textbook*, for \$20 million, approved on 29 June 1996.

¹⁸ Loan 1824-CAM(SF): *Emergency Flood Rehabilitation*, for \$55.0 million, approved on 21 December 2000. The loan amount for education is \$5.8 million.

54. The Cambodia Development Resource Institute has assessed TA and capacity development in Cambodia.¹⁹ The report highlights several important findings. Recipient organizations and counterpart staff are generally positive about the benefits of TAs, both in terms of institutional gains and the development of professional skills. The report found that projects that work through normal government structures are likely to be the most effective in developing capacity, and recommended that the concept of project implementation units should be reexamined, and alternative ways of managing assistance through normal government structures be found. The study pointed to sectorwide approaches as the way forward, in which the starting point is a jointly agreed statement of policy and priorities for the whole sector, with a detailed annual budget, and work plan, disaggregated by subsector and province. It involves joint planning and review meetings, meetings for exchange of information and work plan monitoring, and regular monitoring on performance and expenditure. The proposed ESDP follows this approach.

55. ADB's draft Special Evaluation Study on Policy-Based Program Lending (October 2000) highlights the need to provide policy prescriptions that are realistic, appropriate, and sustainable, and to avoid blueprint approaches. The study stresses institutional capacity, Government commitment, integration of support with other assistance agencies, and systematic and effective monitoring as important factors for success. These recommendations were considered when designing the ESDP. The preparation and planning process has been thorough, involving stakeholders at all levels, at key stages, over one and a half years, to ensure ownership and realistic and implementable reforms. The approach to sector reform has been adapted to the Cambodian context, taking account of MOEYS, other ministries, and external financiers' capacities. A challenge will be to effectively manage the transition from the current project-driven approach, to more flexible and adaptive sector support modalities. The ESDP will combine program support, which is judged to be most effective to implement important policy objectives, with decentralized support, and the more traditional project model for school buildings and selected capacity building.

56. Other key measures built into the ESDP to ensure the effectiveness of government, assistance agency, and NGO partnership processes under the sectorwide approach, include (i) building an annual sector performance review process into the annual government budget planning process and calendar; (ii) strengthening the capacity of the Government and MOEYS to service the proposed annual performance review process, especially sector performance information collection and analysis, prior to sector review; and (iii) ensuring that all partners, including the Government, MOEYS, funding agencies, NGOs, and civil society, undertake the necessary capacity building and find the necessary resources to be effective partners.

G. ADB's Operations and Strategy in the Sector

57. ADB's country operational strategy for Cambodia (2000), emphasizes support for poverty reduction through interventions in three priority areas: (i) support for economic development of rural areas, (ii) human and social development, and (iii) private sector development. The Government has asked ADB to lead the facilitation of a sector approach in education; in fact, ADB has been doing this since mid-1999. Within the context of the current ADB strategy, and taking into account the Second Socioeconomic Development Plan and the Governance Action Plan, ADB's operational program will be enhanced by providing better linkages between the ESDP and the Government's state reform process, especially the decentralization and deconcentration process, and the public reform process.

¹⁹ Godfrey M, C. Sophal, et al. 2000. *Technical Assistance and Capacity Development in an Aid Dependent Economy: The Experience of Cambodia*. Cambodia Development Resource Institute. Phnom Penh.

58. ADB's strategy for the education sector is to promote and facilitate a comprehensive approach to education development, led and owned by the Government. ADB's poverty reduction strategy for education will help put in place pro-poor education policies, strategies, and resource allocation mechanisms to contribute to the achievement of the Government's poverty reduction objectives and targets. As a facilitating agency in education, ADB has provided a cluster of policy, planning, and institutional TAs in recent years, and helped strengthen MOEYS-assistance agency partnerships, and sectorwide approaches. ADB's immediate strategy is to consolidate and extend policy and strategy development in cooperation with other funding agencies. This approach will address policy needs in financing of education, equity and access, quality and efficiency improvement, and management and decentralization, as well as legislative and regulatory reforms. Within the Government's overall sector policy framework, ADB will mainly focus on improving equitable access, and quality and efficiency in primary and secondary education, especially for the rural poor, girls, and ethnic minorities.

IV. THE SECTOR DEVELOPMENT PROGRAM

A. Rationale

59. While some progress has been made in improving Cambodia's education system, considerable challenges remain. The system is characterized by inequitable access, especially for the poor, girls, and ethnic minorities, and low quality with high repetition and dropout rates. The weak education system is perpetuating the cycle of poverty, and contributing to low productivity and weak governance. The Government realizes that to enhance economic growth and social development in Cambodia, education policies need reform, coupled with increased allocations to the sector. The quality and equity of spending need to be urgently addressed, together with inputs that will improve learning in the classroom and promote efficient service delivery.

60. The current policy environment in Cambodia, with ongoing state reforms, represents a major opportunity to implement many of the necessary reforms in education, especially institutional and financial changes. In late 1999, as part of the start-up of a new phase of policy development, MOEYS examined a number of approaches. Three broad options were considered: (i) continue a narrow, technically focused project approach; (ii) selectively incorporate subsector links using a set of subsector programs; and (iii) initiate a broader, policy-focused, comprehensive, sectorwide approach. After consultation with stakeholders, MOEYS adopted the third option and during the past year made significant progress in putting processes and technical capacity in place to manage this potentially more complex approach.

61. Based on experiences and lessons learned from implementing the Education Investment Plan 1995-2000, the Government has decided to use the education budget as a means to implement education reforms, particularly to ensure pro-poor policies and strategies to address the issues of equitable access, quality, and efficiency of education. As described in the ESP and ESSP, the overall budget allocation for education, as well as the education sector share of the total recurrent budget will be increased, coupled with investments that will support and facilitate implementation of the policies. Increased investment in improved education in Cambodia will result in economic, social, and private returns, such as enhanced economic growth and productivity, sector efficiency, health benefits, social and regional equity, and institutional and governance benefits. A more extensive economic and social justification is provided in Appendix 5.

62. The Government asked ADB for financial support for its education policy reforms and investments, which are part of the comprehensive state reform process. A policy-based loan is justified since the Government will not have the financial capacity to undertake pro-poor policies, decentralization, and education service rationalization by itself, in spite of increased allocations. The total cost of adjustments to be carried out under the policy packet is estimated at \$98 million for 2002-2005: (i) adopting pro-poor resource allocations (\$29 million), (ii) providing incentives to priority groups and rationalizing education service (\$15 million), (iii) decentralizing education services (\$25 million), and (iv) ensuring sustainable provision of quality inputs (\$29 million). External financing will be needed over the medium term to help cover the financing gap.

63. The ESDP is designed within the overall framework of the ESP and ESSP, to complement activities of the Government and other funding agencies in the sector. The policy program will help ensure that more poor students enroll in basic education by ensuring pro-poor resource allocations, regular teacher and student attendance, sustainable instructional materials provision, and education service rationalization and decentralization. The policy component will be supplemented by project support for facilities development. Capacity building will also be provided, since the Government lacks the necessary expertise in the key areas of deconcentrated facilities development, budget planning, accounting and audit, and institutional development for TVET.

64. The ESDP was designed in close coordination with all major assistance agencies in the education sector, using the principles of a sectorwide approach: sustainable partnerships, common long-term vision and agreed targets for education reform, comprehensive sector policy framework, formulation of a rolling program and process for reforms, forward work plan, and sector performance review and negotiation processes (Appendix 2).

65. The ESDP constitutes a key element of ADB's operational strategy, which supports policy-based lending, and approaches that address policy needs for decentralization, quality improvement, and financial management and efficiency. The sector development program modality is most appropriate because it can simultaneously accelerate policy and institutional reforms in the provision of education, while funding specific activities to support implementation of such initiatives, including capacity building.

B. Objectives and Scope

66. The overall objective of the ESDP is to contribute to poverty reduction in Cambodia, by assisting the Government to increase the educational level of new entrants to the workforce. The ESDP will support the Government in reforming and strengthening the education sector as outlined in the ESP, and building on ongoing dialogue between the Government, ADB, external funding agencies, NGOs, and other stakeholders, based on the partnership arrangements formally agreed upon in February 2001.

67. The policy component promotes policies aimed at (i) assuring increased resource allocation to the education sector, (ii) increasing equitable access to education services, (iii) improving quality and efficiency of the sector, (iv) enhancing managerial capacity at all levels and increasing the deconcentration of service delivery.

68. The project component supplements the policy initiatives by supporting (i) increased access and equity, mainly for basic education; (ii) deconcentrated and decentralized planning, management, and monitoring; and (iii) selective quality and efficiency improvement in budget planning, accounting and auditing, and TVET. The Project will provide construction of facilities in remote and underserved areas, promote greater deconcentration of the planning of facilities

programs to provincial authorities and institutions, and pilot budget management of facilities development in four provinces.

69. A sector approach is proposed as the Government has developed a sound sector strategy and investment plan; the Department of Materials and State Property (DMSP) has built up capacity with EU support; decentralized implementation of subprojects will be introduced gradually; and, with further capacity building, DMSP, and provincial, and district authorities will have adequate capacity to implement the Project.

C. Policy Framework and Actions

70. The policies and targets reflected in the ESP (Appendix 3), are based on an intensive policy review and development process that started in early 1999; extensive internal consultations within MOEYS, including formation of four in-house policy task forces; consultations with provincial and district education staff; and consultations with the national parents association forum, and the assistance and NGO community.

71. The ESDP is described in the development policy letter (Appendix 6), and in the policy matrix (Appendix 7). The policy loan will provide funds to the Government in three tranches, according to prescribed tranche conditions relating to policy reform to be carried out under the ESDP. The ESDP includes specific reforms to ensure pro-poor resource allocations that will provide increased opportunities for high quality and efficient education services throughout Cambodia. The reforms are important both to selectively expand service provision, and to establish reformed and sustainable financial and technical planning, and management structures.

1. Increased Resource Allocation to the Education Sector

72. The Government's objective is to ensure well-planned, increased, and equitable resource allocations for the education sector. A key reform is the establishment of an agreed five-year rolling financing framework and targets that will allow for predictable education program planning. MOEYS, Ministry of Economy and Finance (MEF), and other key stakeholders in national and subnational planning and budgeting processes will ensure that systems are strengthened, to enable MOEYS to undertake effective medium-term planning, budgeting, and priority program implementation.

73. Secondly, under the existing interministerial Economic and Financial Policy Committee, an education finance management committee (EFMC) will be established through a ministerial circular. The EFMC will facilitate joint MEF and MOEYS decision making and agreements on all issues related to education financing, and financial management. The EFMC will comprise members from MOEYS, MEF, Ministry of Planning, Ministry of Interior, and the Council for Administration Reform. In the overall government budget, the share of recurrent spending on education increased from 9 percent in 1994 to 15.7 percent in 2001. The Government intends to increase the education recurrent budget as a share of total recurrent budget, reaching 19.5 percent by 2004; with the highest share going to basic education (about 75 percent per year). The ESDP will facilitate significant medium-term adjustment cost, currently estimated at \$98 million for 2002-2005, to provide the foundation for implementing and sustaining longer-term reforms. The costs may have to be adjusted and rephased as part of the annual review of the ESSP rolling program. The primary implementation modality during the medium term will be the Government's PAP mechanism.

2. Equitable Access to Education Services

74. To improve equitable access to education, the Government has planned a number of key reforms. Firstly, measures will be taken to reduce the cost of basic education to parents by abolishing informal start-of-year school contributions. Other parental contributions will be retained. The start-of-year contributions are the largest of the school year, and come at a time when parents generally have the least money. Levying of these fees, tends to discourage enrolment of the poor, particularly girls. The first phase of this reform was introduced in 2000, and the ESDP will enable nationwide implementation of such a policy across all primary and secondary schools. Associated steps will be taken to ensure transparency and accountability for other parental contributions made during the school year.

75. Secondly, targeted assistance programs for the rural poor, particularly girls and ethnic minorities, will gradually be introduced for grades 4-12. The programs will be poverty-indexed, and merit-driven incentive schemes, such as scholarships and social credit programs, with community involvement in student selection, management, and monitoring.²⁰ Thirdly, the Government will formulate a public-private strategy for education, to protect the level of public spending required for expanding and improving basic education services. Fourthly, steps will be taken to improve the efficiency of staff deployment and the use of education facilities. Teacher training and deployment policies will be revised to ensure that experienced and qualified teachers are assigned to underserved and remote rural and ethnic minority areas through appropriate recruitment and incentive strategies. Nonteaching staff will be redeployed into classroom teaching positions. An affirmative action plan to ensure the participation of females and ethnic minorities at all levels in schools and the education system will be adopted and implemented. These programming, and deployment reforms will be linked to decentralized management and monitoring of school facilities development supported under the Project.

3. Improved Quality and Efficiency

76. A key Government priority is to improve the quality and internal efficiency of education services through various policy actions. The reforms currently under way to increase progression and survival rates in primary school through remedial classes will be expanded. To address the anticipated growth of both primary and secondary education enrolments, the Government will reform the preservice, and in-service teacher training system, including granting greater operational autonomy to training institutions, providing more flexibility in programming; introducing multigrade and ethnic minority teaching strategies; and providing orientation to staff on curriculum and textbook reform. The Government also plans to introduce minimum standards at various levels of the curriculum and associated assessment mechanisms to monitor the performance of schools, institutions, and students. Further policy reforms include establishing sustainable instructional materials policies and programs, together with continued institutional reform of the MOEYS textbook publishing and distribution facility, moving its publishing, printing, and distribution enterprises to more autonomous operations.

4. Enhanced Management and Deconcentration of Education Services

77. Recognizing that deconcentration of education management is essential for enhanced school efficiency and responsiveness, and as part of the Government's overall deconcentration and decentralization process, the Government will take several policy actions designed to improve the efficiency of education management to empower provincial, commune, and school authorities to plan and manage their own programs budgets. The Government will introduce new and revised financial planning and management procedures, including a medium-term expenditure plan for

²⁰ ADB is currently processing a proposal to pilot this program under the Japan Fund for Poverty Reduction.

education, linked to the Government's public expenditure program and public investment program, as a basis for setting priority program financing targets. An effective education sector performance system will be essential for the implementation of the policies under the ESP and ESSP. Performance indicators, and targets will be prepared for the sector, and annual sector reviews will be undertaken by the Government, ADB, and other funding agencies.

78. To strengthen education service performance and productivity, a five-year education service rationalization plan with targets will be prepared and implemented in cooperation with MEF and the NPAR authorities. The primary strategy will be targeted incentives for priority groups of teachers and school management staff, related to criteria for more equitable staff deployment and efficiency. This will complement teacher salary increases, which are part of broader poverty reduction and NPAR strategies. The establishment of the EFMC will help ensure effective coordination between MOEYS, MEF, and other key ministries; and improve financial management and disbursement mechanisms, and performance monitoring and financial compliance auditing systems will be strengthened.

79. Education service decentralization will be implemented by providing operational budgets direct to institutions, including primary and secondary schools, teacher training institutions, postsecondary TVET, and higher education institutions. This strategy will be complemented by legislation and regulations for institutional development planning, and financial management and control to secure increasing decrees of operational autonomy for education institutions. Greater authority will also be gradually given to provinces for facility planning and implementation. An action plan and guidelines for increased community involvement in institutional governance will be prepared, and the system will be implemented. To strengthen the commitment, impact, and accountability of policy reforms, an information, education, and communication strategy will be implemented. Strengthening of institutional governance and audit procedures will complement these deconcentration reforms.

D. Capacity Building

80. Capacity building support under the ESDP is comparatively small, since major support for sector management, PAP implementation, and quality improvement will be provided through UNICEF-Sida. Assistance will focus on (i) establishing deconcentrated and decentralized mechanisms for education facilities development, (ii) establishing an effective internal accounting and audit function within MOEYS to ensure compliance with the new government audit law, and (iii) institutional development for TVET, since the Government lacks the necessary expertise in these areas.

E. The Investment Project

81. The ESDP will be reinforced through investment in facilities development under the Project. To strengthen policies related to equitable access, and assist in achieving international development and education for all goals, the Project will finance provision of school facilities under the MOEYS priority facilities action plan. The Project will also help design and strengthen provincial capacity for a deconcentrated system of facilities development to be piloted in selected provinces. To strengthen budget planning and accounting systems, and assure compliance with the new Government audit law, capacity for budget planning, accounting, and internal audit will be enhanced within the Department of Finance, MOEYS, the National Training Board, TVET, and provincial education offices.

1. Equitable Access

a. Facilities Development

82. In spite of significant expansion of primary education, geographical and gender inequities in access exist, particularly for the remote provinces. MOEYS has prepared the Education Facilities Development Plan for 2001-2005. The objective of the plan is to achieve education for all over the coming decade, as well as to accommodate the needs of the increased number of students completing basic education. Significant capacity has been built both in the Department of Planning, and DMSF—the MOEYS department that handles facilities construction. The development of an education information management system, geographic information system, school inventory database, cost database, and standard designs for facilities have enhanced the central planning and management in these departments.

83. The total investment needs for education facilities, according to the plan, is estimated at \$118 million. Capital support from the Government, ADB, and other funding agencies is not likely to be enough, therefore, the Government has prioritized the needs according to potential availability of resources. The priority plan, estimated at \$18 million, includes policy targeting and program prioritization criteria for each of the components of facilities development. The priority action plan will be developed, and include an allocation formula for the provinces and outline the school facilities program management, monitoring, and disbursement systems.

84. The Project will finance part of the priority facilities development plan, with particular emphasis on basic education facilities in poor and remote areas that will benefit the poorest students. The Project will help provide (i) primary schools for multigrade teaching in small villages without schools, where viable schools can be established; (ii) construction of complete (grades 1-6) primary schools in rural, remote, and ethnic minority areas, currently with incomplete schools (para. 25); (iii) additional classrooms in overcrowded primary schools; (iv) lower secondary schools in underserved and overcrowded areas; and (v) selective completion of grades 7-12 schools. Support to PPTCs will also be provided in areas where the development of basic education would heavily depend on increased capacity of training colleges. Selective support will also be provided to provincial TVET centers, mainly in rural and remote areas, to provide a venue for skills training and standards monitoring for public, private, and NGO training providers. This would be a first step in strengthening their partnership in TVET.

85. The Project will be complementary to the ADB loan for rehabilitation of the schools severely damaged during the floods in 2000. Through the Project, an estimated 53,000 students in primary, 60,000 students in lower secondary, and 13,000 students in combined lower and upper secondary education will benefit from improved access to education, and will have a better learning environment through the reduction of overcrowded classes. In addition, around 5,000 students in teacher training colleges, and 2,000 students in provincial TVET centers will benefit from an improved learning environment. Unless major resources other than the present ADB loan are made available for investing in the ESSP school facilities program, the Project will support facilities development nationwide, but target the most needy provinces, as well as pockets of poverty in other provinces, according to criteria set by the ESSP.

86. The Project will support a “whole school development” approach in basic education. The whole school development approach favors the efficient use of resources to meet all of the priority needs of targeted schools—needs in terms of expansion, completion, furniture, sanitation facilities, rehabilitation, and selective teacher accommodation, utilizing a demand-driven process.

b. Deconcentrated System for Facilities Development Implementation

87. The system design for deconcentrated financing, planning, and delivery of the Project's education facilities component will support the Government's policy of administrative deconcentration and decentralization in public service management. Capacity building support (Appendix 8) will help mainstream all education facilities programs in the central DMSP, in provincial authorities, or in commune councils.²¹ It will establish coherent planning and financing relationships for facilities between these three levels of governance. This will assist in the transition from a project approach to facilities development (where there are discrete implementation units for each funding agency's activities), to a program approach, with implementation through the agency given the responsibility by the Government at the national, provincial, and commune levels. A gradual transition of delegated responsibility for planning, and delivering facilities to province authorities is anticipated for secondary and TVET facilities, along with devolution of primary education facilities to commune councils. The role of the central DMSP will be to focus on policy, planning, implementation procedures, quality assurance, financial audit, and program monitoring.

88. The Project will support the deconcentration of education facilities programs to provincial authorities and institutions, including the piloting of financial management in four provinces, complemented by similar piloting in two provinces with Belgian support. The delegated responsibilities over delivery of primary and secondary school facilities to provinces and communes will gradually expand over the ESP period of 2001-2005, based on the lessons learned from the pilot provinces. During the transitional period, DMSP will assume responsibility for managing the subprojects in the most needy and poor provinces that are not yet included in the deconcentrated delivery of facilities.

89. The proposed selection criteria for identifying pilot provinces in each phase of deconcentration of responsibilities will be (i) poor provinces with the highest needs for school facilities according to ESSP criteria, (ii) provinces representative of a variety of population density and profile (small to large provinces), (iii) provinces representing various levels of capacity built through decentralized programs such as *Seila*,²² (iv) provinces where other major funding agencies are not contributing to school facilities, and (v) provinces constituting a geographical cluster to facilitate the monitoring of activities. MOEYS has provided, and ADB has approved the list of the four provinces for the first phase of piloting.

90. At the central level, DMSP will develop the capacity to implement the deconcentration and decentralization policy and to establish related procedures within the framework of the NPAR, and to implement regulations introduced through the National Committee to Support the Commune Councils under the Ministry of Interior. DMSP, together with the Ministry of Planning, Ministry of Interior, and Ministry of Women's and Veterans' Affairs, will develop the capacity of commune councils and provincial governments to take on their new roles, and become responsible for primary and secondary facilities development. A key policy area to be developed through capacity building will be the inclusion of the private sector as a partner in facilities development at all levels. Consulting services, equipment, vehicles for provinces, and support for project operations and supervision will be provided to help establish a cost-effective and sustainable system for deconcentrated planning and implementation of facilities subprojects.

²¹ As commune councils develop the capacity to play a role in facilities implementation, the responsibility for this may be transferred to communes. Financial resources will continue to come through the provinces.

²² *Seila* is a Khmer word for "foundation." *Seila* is a rural development program, characterized by institutional strengthening of local authorities within the context of the Government's deconcentration and decentralization program. *Seila* is currently implemented in five provinces (to be extended to 12 by the end of 2001), supported by seven funding agencies.

91. Under the Project, consulting services will be provided to build DMSP capacity to fulfill its new responsibilities, and to design and establish deconcentrated and decentralized mechanisms for education facilities development (Appendix 8). The consulting services for school facilities planning, and management will be located in the Construction Unit of DMSP. MOEYS has confirmed the availability of office space and counterpart support staff, consisting of at least four engineers, one accountant, and four technicians of works, who will constitute a temporary task force for the Project and be trained in deconcentrated planning and management during the first year of project implementation. However, all staff of DMSP who participate in the Project will be trained and assigned to tasks according to their professional profiles and competencies. The vehicles, computers, other equipment, and furniture provided under the ADB loan for the Emergency Flood Rehabilitation Project (footnote 18) will be shared with the Project.

2. Institutional Strengthening for Financial Management

92. Effective implementation and financing of the reform programs will require urgent strengthening of financing systems, including budgeting, accounting, and audit. The Law on Audit,²³ approved in 2000, requires MOEYS to establish an internal auditing function to examine and evaluate the effectiveness, economy, and efficiency of the systems of internal controls established by MOEYS management. The law requires each ministry to ensure that systems of internal control are in place for reliability of financial reporting; effectiveness and efficiency of operations; and compliance with applicable laws, regulations, policies, and procedures. The need for sound systems of internal MOEYS budgeting, accounting, and auditing was also identified in the ESSP, in the context of gradual deconcentration of financial management to the provinces, districts, and schools. As part of this, the work in the MOEYS General Department of Administration and Finance, and the General Inspectorate will shift from being mainly of an investigatory nature, to become more an evaluation of the systems of internal control.

93. Under the Project, an internal audit capacity building program for MOEYS will be supported to ensure compliance with the new government audit law. The assistance will focus on an initial institutional assessment of MOEYS audit arrangements, especially within the General Inspectorate, and its two departments of Administration and Finance, and Education. The institutional review will also examine necessary coordination arrangements with MEF, and the MOEYS Department of Administration and Finance, including its relationships with provincial treasuries and departments of education. The Project will provide international and domestic consulting services to assist planning and execution of this audit capacity building program (Appendix 8). Additional support will be provided for necessary equipment and training, to secure an efficient internal audit system at central and provincial levels. In the event that grant financing will be available for audit capacity building, the amount reserved for this purpose under the Project will be reallocated to the facilities development component.

94. Institutional strengthening support will also be provided to the TVET department and the National Training Board, including training in budget planning, program resource allocation, program performance monitoring, technical and financial reporting, and skills standards and quality assurance. The institutional support will build upon the foundation laid under the Basic Skills Project (footnote 16).

3. Quality and Efficiency Improvements

95. In the ESSP, MOEYS outlines the broad capacity building requirements necessary to achieve quality and efficiency targets for the medium term. These include establishing

²³ Prepared with support from TA 2566-CAM: *Developing Capacity in Audit and Inspection Function*, for \$600,000, approved on 8 May 1996.

standards and assessment mechanisms at key points in primary and secondary schooling, improving the curriculum for all grades, developing a new generation of core instructional materials, and facilitating the publication and availability of workbooks and supplementary books. MOEYS also plans to improve the systems that deliver preservice and in-service professional development for working teachers and head teachers, including special programs for multigrade teaching; and ensure much closer articulation between contemporary school needs and professional development programs. The publishing capacity of MOEYS, developed under the ADB-supported Basic Education Textbook Project (footnote 17) will be enhanced through capacity development at management and technical levels, and arrangements made for sustaining the system for quality instructional materials provision.

96. UNICEF and MOEYS have jointly prepared an assistance proposal (\$13 million) for Sida financing to support key capacity building requirements outlined in the ESSP, to cover sectorwide management reform, PAP implementation, and quality improvement. The proposal is expected to be approved by Sida in December 2001. MOEYS will continue seeking grant financing for areas not covered by UNICEF-Sida, and other confirmed funding agencies. If funding is not found, assistance under the Project will be provided, particularly for capacity building in publishing and quality improvements in upper secondary education (Appendix 8).

4. Cost Estimates and Financing Plan

97. The investment Project is estimated to cost \$22.5 million equivalent, consisting of \$8.0 million (35 percent) in foreign exchange cost and \$14.5 million equivalent (65 percent) in local currency cost (Table 1). Detailed cost estimates and financing arrangements are in Appendix 9.

Table 1: Cost Estimates
(\$ million)

Component	Foreign Exchange	Local Currency	Total Cost
A. Base Cost			
1. Equitable Access: Education Facilities	6.11	12.00	18.11
2. Institutional Strengthening	0.78	0.35	1.13
Subtotal (A)	6.89	12.35	19.24
B. Contingencies			
1. Physical Contingencies ^a	0.44	1.43	1.87
2. Price Contingencies ^b	0.17	0.72	0.89
Subtotal (B)	0.61	2.15	2.76
C. Interest Charge	0.50	0.00	0.50
Total	8.00	14.50^c	22.50

^a 10 percent of the base cost, civil works.

^b 2.4 percent of the foreign exchange costs and 5 percent of the local currency costs.

^c Inclusive of an estimated average 15 percent taxes and duties on civil works, equipment, vehicles, and remuneration for consultants.

Source: Staff estimates.

5. Financing Plan

98. Proposed ADB financing is for a loan of \$18.0 million equivalent (80 percent of the total project cost) from the Special Fund resources, including \$10.0 million equivalent of the local currency cost (Table 2). ADB financing of local currency cost is justified on the basis of the low

level of national income (\$257 per capita, estimated in 2000), and savings (14.2 percent of the national income in 2000), as well as the Government's fiscal deficit (6.1 percent of GDP). The balance of \$4.5 million will be financed by the Government. This will include facilities development, furniture and equipment, supervision, and incremental operation costs. Part of the ADB-supported project loan and Government funding will be made available to participating communities and institutions as block grants to contribute to the funding of approved subprojects.

99. The ESDP investment Project is providing support for primary, secondary, teacher training, and TVET facilities development. Complementary support is scheduled from Belgium, Japan, NGOs, and the World Bank—the latter focusing on higher education. Common planning guidelines and management procedures are expected to be adopted.

Table 2: Financing Plan
(\$ million)

Component	Foreign Exchange	Local Currency	Total Cost
Asian Development Bank	8.00	10.00	18.00
Government	0.00	4.50	4.50
Total	8.00	14.50	22.50

F. Social and Environmental Measures

1. Poverty Impact

100. The ESDP will address issues of the exclusion of the poor from basic education, and the low quality of educational services delivered to the poor. Policy changes, supported by the policy loan, will improve equity in the allocation of resources. Through policy reform, allocations to the education sector will substantially increase and enable MOEYS to reduce the cost of education to poor families, one of the major barriers to participation. For example, provision of increased operational budgets to schools will help reduce informal payments by parents.

101. The ESDP will also ensure continued access to instructional materials, a provision of particular importance to the 36 percent of the population living below the poverty line. The improvement of management and the decentralization of educational services will enable disbursement of funds to schools throughout the country to improve the quality of instructional delivery according to needs. This will also increase community involvement in financial planning and accountability, and ensure due consideration is given to the poor in policy implementation at commune and school levels.

102. Social equity and poverty concerns are also integrated in the design features and implementation arrangements for the Project. Provision of allocations for facilities development in provinces will be according to poverty index, needs-based, and a pro-poor allocation formula.²⁴ The provision of more classrooms and the introduction of multigrade approaches into primary education delivery will ensure that children in remote rural village schools benefit from the full cycle of primary education.

²⁴ The formula consists of (i) a fixed block allocation (to favor small schools in poorer areas), (ii) enrolment, and (iii) an integrated poverty factor based on the proportion of poor households in the surrounding commune. This formula is coupled with an index of priority facilities needs.

103. In planning, MOEYS will focus more on the contribution of the sector to poverty reduction and the inclusion of the poor as beneficiaries of its services. In the long term, the poor will have more trust in Government and their inclusion in its service provision, and will become more directly involved in service evaluation, and thereby the democratization process. The poverty impact analysis is summarized in Appendix 10.

2. Gender

104. Several measures are incorporated in the ESDP to meet access needs, and the requirements of girls and ethnic communities. Experience has shown that schools close to home facilitate the enrollment of girls. Construction of multigrade and complete schools in unserved and underserved small communities, including provision of toilets and water sources, will encourage the completion of the full primary cycle. Access to primary and secondary education is limited by parents' inability to pay formal and informal fees, as well as other costs associated with schooling, e.g., opportunity costs. Abolition of start-of-the year school fees will encourage parents to enroll their girls. Targeted scholarships, transport assistance, and/or other types of assistance will make it easier for girls to attend and complete primary and secondary school. Dormitory space at regional secondary schools will make it possible for larger numbers of girls to continue their education beyond lower primary level. Separate toilets for boys and girls will also be beneficial to girls' enrollment. A gender and development checklist has already been developed at the Pedagogical Research Department, MOEYS; and the review of current textbooks for gender, ethnic, or disability bias is ongoing. Textbooks relevant to girls' and indigenous peoples' daily lives and future aspirations will improve their retention in schools. In terms of decentralized planning, management, and monitoring, women will be encouraged to take an active role in parental committees within communities.

3. Ethnic Minorities

105. The Government recognizes that although ethnic minorities constitute only 1 percent of the total population (footnote 9), special measures are necessary to address neglect of earlier decades. The ESDP policies will help improve access of ethnic minorities to primary and secondary education. The reduction of the cost of schooling by eliminating start-of-year fees will be particularly beneficial to ethnic minority families whose incomes tend to be lower than for mainstream Khmer; this measure is expected to improve ethnic minority participation in basic education. Remote areas suffer from lack of teachers, especially ethnic minority teachers. Staffing guidelines and redeployment incentives will be used to increase the provision of teachers to such areas.

106. Project interventions include special targeting criteria for minority areas in the prioritization process for the provision of facilities. In the long term, provision of full primary and secondary education opportunities in ethnic minority areas will help increase the supply of minority students who can apply to become teachers. In the short-term, multigrade teaching in small village schools will enable minority students to complete the full primary cycle.

107. By increasing deconcentration of responsibility and resources for education service delivery to provinces and communes, and providing operational budgets to all schools, schools in remote ethnic minority areas will be improved. An information, education, communication program will be provided to inform communities about the new education policies, and their roles, authority, and responsibilities. Such measures will result in greater inclusiveness for ethnic minorities. The Indigenous People's Development Plan is given in Appendix 11.

4. HIV/AIDS Prevention

108. Under the overall ESP, synergies will be developed with the National AIDS Authority to determine how the education sector can best contribute to the national plan, including the PAP mechanism. In providing training opportunities through the PAP (teacher training, workshops, etc), an appropriate degree of HIV/AIDS prevention and mitigation content will be included. By raising the profile of the epidemic through such measures, the ESDP will contribute more generally to increased high-level dialogue on the role of the education sector in reducing the epidemic. It will also initiate dialogue on sector response to the changing social and economic conditions that could result from the spread of the disease.

109. Complementary assistance is being provided through the ADB-supported TA: Capacity Building for HIV/AIDS Prevention and Control.²⁵ UNICEF-Sida will also continue the multimedia campaign for adolescents and youth on the topic, and upcoming revisions of curricula and textbooks will ensure that students are provided with realistic messages about the dangers of HIV/AIDS and steps that can be taken to prevent the disease.

5. Environment

110. Environmental implications of the Project were reviewed, and no adverse impacts were identified. MOEYS and DMSP will ensure that siting, design, construction, and operation of school facilities to be established under the Project will follow ADB's *Environmental Guidelines for Selected Infrastructure Projects* and other relevant guidelines. Land for school construction is available and owned by the Government or the communities; the plot required for construction is small, and no relocation will be involved. Environmental considerations will be factored into all project-funded civil works. The designs of the multigrade schools will be culturally appropriate, environmentally sound, and easy to maintain. Sanitation issues will be reviewed for rural areas, and appropriate design for low-cost, water-free sustainable amenities will be developed for implementation and maintenance as a community contribution.

V. THE PROPOSED LOANS

A. The Policy Loan

1. Amount of Loan, Terms, and Source of Funds

111. It is proposed that ADB support the Government's education policy reform program by providing a policy loan of \$20 million equivalent from its Special Funds resources to the Kingdom of Cambodia. The loan will have a term of 24 years, including a grace period of 8 years. An interest of 1 percent per annum will be charged during the grace period, and 1.5 percent thereafter. The loan will be utilized over four years and will be disbursed in three tranches.

112. Use of low cost funds from ADB's Special Fund resources is justified in support of policy reforms that address long-standing issues and socially significant measures to improve access and participation of the poor in education. The policy loan is justified by the content and impact of policy reforms and associated adjustment costs (para. 62). In addition to the policy loan, the education reforms are being supported by the World Bank's structural adjustment credit. An outline of the education sector financing targets and a short summary of the reforms to be implemented through the PAPs under the recurrent budget are in Appendix 3.

²⁵ TA 3511-CAM: *Capacity Building for HIV/AIDS*, for \$600,000, approved on 3 October 2000.

2. Implementation Arrangements and Executing Agency

113. MOEYS will be the Executing Agency responsible for implementing policy measures. A steering committee will be set up, chaired by the secretary of state, MOEYS, and comprising representatives from MOEYS; MEF; Ministry of Planning; Council for Administrative Reform; Ministry of Interior; Ministry of Women's and Veterans' Affairs; Ministry of Rural Development; and Ministry of Land Management, Urban Planning, and Construction. This committee will assist in coordinating the ESDP implementation. The steering committee will be established by loan effectiveness. Existing technical committees will monitor implementation of specific program components on a monthly basis. MEF will allocate and monitor the use of counterpart funds to be used to support the education reform package.

3. Procurement and Disbursement

114. The policy loan proceeds will be used to finance the foreign exchange cost of items produced and procured in ADB member countries, excluding listed ineligible items (Appendix 12) and imports financed by other bilateral and multilateral sources. The Borrower will certify that the volume of eligible imports exceeds the amount of ADB's projected disbursements under the policy loan in a given period. ADB will have the right to audit the use of the loan proceeds and to verify the accuracy of the Borrower's certification.

4. Counterpart Funds

115. The counterpart funds generated from the proceeds of the policy loan will be used by the Government for the following purposes in order of priority: (i) to finance costs associated with the implementation of the package of education policy reforms under the ESDP, (ii) to meet part of the Government's contribution to the ADB-funded education projects, and (iii) to meet part of the Government's contribution to ADB-funded projects in other social sectors.

5. Monitoring and Tranching

116. The Government, through the steering committee, will monitor the implementation of policy, legal, and institutional reforms envisaged under the ESDP. Annually, the Government, ADB, other funding agencies, and NGOs will review the achievement of agreed sector performance targets, and assess the impact of all reforms in the education sector, as part of joint education sector performance reviews.²⁶ Monitoring of the ESDP will also be strengthened by assistance of consulting services under the Project for performance audit (Appendix 8).

117. The policy loan will be released in three tranches, of \$10 million, \$5 million, and \$5 million. The first tranche will be made available upon loan effectiveness. The Government will be required to fulfill the actions specified in the policy matrix (Appendix 7) as conditions for second and third tranche releases, and to demonstrate satisfactory progress with implementing the rest of the program prior to second and third tranche releases. The second tranche is expected to be released about 15 months after release of the first, or earlier, subject to the Government's fulfillment of the second tranche release conditions. The third tranche is expected to be released about 12 months after the release of the second, or earlier, subject to the Government's fulfillment of the third tranche release conditions.

²⁶ An advisory TA for education is also included in ADB's country strategy and program for Cambodia for 2002. The planned TA will support the strengthening of Government and MOEYS capacity in expenditure planning, programming, and performance monitoring of the sector, including the monitoring of (i) education system performance against outcome and output targets, (ii) program impact, and (iii) sustainability of education services.

B. The Investment Loan

1. Amount of Loan, Terms, and Source of Funds

118. It is proposed that ADB provide an investment loan of \$18.0 million equivalent from its Special Funds resources to the Kingdom of Cambodia. The loan will have a term of 32 years, including a grace period of 8 years. An interest of 1 percent per annum will be charged during the grace period, and 1.5 percent thereafter.

2. Implementation Arrangements and Executing Agency

a. Executing Agency

119. MOEYS will be the Executing Agency and be responsible for coordinating overall project implementation. The secretary of state, MOEYS, will chair a steering committee (para. 113) composed of MOEYS; MEF; Ministry of Planning; Council for Administrative Reform; Ministry of Interior; Ministry of Women's and Veterans' Affairs; Ministry of Rural Development; and Ministry of Land Management, Urban Planning, and Construction. Responsibilities will include (i) approval of annual programs and budget allocations, (ii) overseeing progress and compliance with agreed guidelines, (iii) commissioning and approving project-required accounts and reports, and (iv) ensuring that agreed audit requirements are satisfied.

120. DMSP, MOEYS, will be responsible for facilities development and be in charge of (i) overall monitoring, progress, quality control, and approval of provincial level activities; (ii) capacity building; (iii) financial management, accounting, and audit compliance responsibilities delegated by the steering committee; (iv) overseeing regularity of procurements; and (v) reporting to the steering committee. The operations will be coordinated by the General Department of Administration and Finance (which oversees DMSP), which will ensure that the Project is coordinated with other ongoing school building programs; duplication of beneficiary schools and operational costs is avoided; and targeting criteria and unit costs are consistent with the ESSP.

b. Subproject Implementation

121. Each provincial subproject will comprise one or more schools and/or education institutions to be constructed, expanded, or improved. The subprojects will be implemented according to a "delegated system" in provinces where responsibilities for planning, selection of schools, procurement, and financial management have been deconcentrated. A number of subprojects will be implemented according to a "central system" during the transitional phase, where responsibilities for school facilities or education institutions have not yet been deconcentrated. Appendix 13 provides guidelines for subproject preparation and appraisal.

122. Under the central system, DMSP, and a project task force will act as the central implementation agency in provinces where the delegated mechanism has not yet been implemented, provided that (i) the needs in these provinces are not addressed by any other funding sources; (ii) the schools and education institutions are identified as those most in need of expansion of facilities for primary, lower secondary, PTTC, RTTC, and TVET institutions. In these cases, DMSP will prepare the subprojects in accordance with the guidelines for subproject preparation and appraisal, procure services of qualified contractors, and be in charge of the disbursements to contractors. DMSP, in close collaboration with the provincial director for education, will prepare the consolidated subprojects for the province, and submit to the steering committee for approval. DMSP will prepare all subprojects for PTTC, RTTC, and TVET

institutions. All central system subproject appraisal reports will be submitted to ADB for approval.

123. Upon approval of the subprojects by MOEYS, DMSP will sign a subproject agreement with the representatives of the beneficiary communes and schools. DMSP will be in charge of assisting the communes and schools to procure suitable contractors, or procuring these contractors; procuring contractors for PTTC, RTTC, and TVETs; training and assisting the provinces and communes in supervising and controlling the quality of works at key stages; issuing certificate of payments at key stages; and disbursing the payments to schools, communes, or contractors, whichever are applicable.

124. The delegated system will be implemented once deconcentrated mechanisms for education facilities development have been worked out, e.g., guidelines, procedures, roles and responsibilities, and modalities for allocation and disbursement of funds. MOEYS, in consultation with relevant agencies, will prepare detailed implementation guidelines for education facilities and a detailed technical handbook, satisfactory to ADB. This will take place during the first year of project implementation.

125. In the delegated system, provincial education facilities committees (PEFCs) will be constituted at the provincial level, as part of the existing provincial rural development committees (PRDCs). The PEFCs will be the implementing agencies at provincial and municipality level in provinces covered by the Project. The names of the four provinces that will pilot a deconcentrated approach have already been identified. The PEFCs for the first pilot provinces will be established within six months after loan effectiveness.

126. The PRDCs will delegate day-to-day management, monitoring, and accounting responsibilities to the PEFCs. The PRDCs and PEFCs will be responsible for selecting eligible applicants; supervising and controlling the quality of work at key stages; issuing certificate of payments at key stages; and disbursing the payments to schools, communes, or contractors, whichever is applicable. The PRDCs and PEFCs will be ultimately responsible for receiving and accounting for the project funds for school facilities. Consulting services for facilities development will help clarify detailed operational relationships between these various technical committees during the first year of the Project.

127. The PEFC will consolidate appraisal reports for the subproject under the delegated system, and submit them to the PRDCs for review and approval. The PRDCs will then submit the list of subproject appraisals to the steering committee for final approval. MOEYS will approve the list of subprojects for the first four provinces within eight months after the investment loan has become effective. The first four subproject appraisal reports will be submitted to ADB for approval. The PRDCs will submit to MOEYS subsequent appraisal reports for approval. After approval, MOEYS will submit the reports to ADB for information. Upon approval of the subprojects by ADB or MOEYS, the PEFC will sign a subproject agreement with the commune and schools. During subproject implementation, the PEFC will contribute to the supervision of the civil works in association with the provincial authorities. Support from the districts, communes, and school communities to the provincial levels will consist of monitoring the progress of works in school for early detection of problems, and of immediate remedial actions to be taken.

128. Communes will apply for facilities, provide daily supervision of works, contribute to the improvement of the school environment, be committed to MOEYS objectives of equitable access, and provide for the efficient use of school facilities and the maintenance of the facilities. For the primary schools under the deconcentrated system, the communes/schools will also procure a suitable contractor for building works, under the guidance of the PEFC. Delegation of financial and procurement responsibilities to provincial and commune levels will be gradually

implemented through a rolling plan, starting in the pilot provinces in 2002, and expanding gradually to new provinces based on lessons learned. The midterm review will assess the strengths and weaknesses of the decentralized system to identify ways of improving implementation.

c. Procurement and Disbursement

129. All ADB-financed procurement for the Project will be in accordance with ADB's *Guidelines for Procurement*. Each contract for the supply of goods, equipment, furniture, and instructional materials estimated to cost more than \$500,000 equivalent will be awarded on the basis of international competitive bidding procedures, while contract packages of \$500,000 equivalent or less will follow international shopping procedures. Minor items having a value of less than \$100,000 equivalent may be procured on a direct purchase basis. Civil works under the Project will be small, numerous, and scattered throughout the country and are not likely to attract the interest of international contractors. Therefore, civil works contracts are proposed to be awarded on the basis of local competitive bidding procedures acceptable to ADB.

130. To expedite project implementation, an imprest account for MOEYS will be established in the Foreign Trade Bank of Cambodia for expenditures incurred by DMSP and the PEFCs. The steering committee will determine the allocations of funds to the PEFCs, after obtaining agreement with ADB. The provincial allocations will be based on (i) time frame, and (ii) allocation formulas agreed with ADB.

131. The imprest account will be established, managed, replenished, and liquidated in accordance with ADB's Loan Disbursement Handbook. The accounting records and system will be managed and maintained in accordance with ADB's Project Accounting Manual for Cambodia. ADB's statement of expenditure procedures may be used to reimburse eligible expenditures and to liquidate advances to the imprest account. These procedures will be applicable to contracts amounting to \$100,000 or less. A tentative procurement list is in Appendix 14.

d. Consulting Services

132. A total of 54 person-months of international and 96 person-months of domestic consulting services will be required. Capacity building support under the ESDP is comparatively small, since major support for sector management and quality improvement will be provided through UNICEF-Sida. The Government has requested that the international consultants collaborate with domestic consultants, and ADB has agreed to the request. International and domestic consultants will be recruited according to ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for the engagement of domestic consultants. Outline terms of reference for the consultants is in Appendix 8.

e. Implementation Schedule

133. The implementation period will be five years, and is expected to be completed by 31 December 2006.

f. Reports, Accounts, and Audits

134. The Government will ensure that records and accounts adequate to identify goods and services financed from the proceeds of the investment loan will be maintained. Separate accounts for the Project will be maintained, and auditors acceptable to ADB will audit accounts and financial statements annually, in accordance with sound accounting principles. Certified copies of such audited accounts will be submitted to ADB within 12 months after the close of each fiscal year.

135. MOEYS will prepare quarterly reports on project implementation and submit them to ADB within 30 days of each quarter. The reports will be in a format acceptable to ADB and will indicate, among other things, (i) progress against established targets, both technical and financial; (ii) status of performance indicators; (iii) problems encountered during the quarter, and steps taken and proposed to be taken to resolve problems identified; (iv) compliance with loan covenants; and (v) program activities proposed for the succeeding quarter. MOEYS will prepare and submit a project completion report to ADB not later than three months following the physical completion of the Project.

g. Project Performance Monitoring and Evaluation

136. Under the ESDP, the Project will provide substantial support to developing DMSP's management, monitoring, and evaluation capacities. DMSP will be strengthened, and central staff provided training in contract and financial management, information systems, decentralized technical surveys, and works monitoring and site completion audit. Monitoring capacities at province, commune, and school levels will also be enhanced. Data collection, storage, and analysis procedures will be institutionalized to support management and administrative activities at all levels. The benefits of the Project will be captured through the improved education management information system and monitoring system. In addition, the Project will provide for complementary benefit monitoring studies, including surveys. Preliminary key indicators for equitable access and quality and efficiency are in Appendix 3.

h. Anticorruption Measures

137. During project processing, ADB's anticorruption policy was explained to government officials, particularly the section on fraud and corruption, as stated in ADB's *Anticorruption Policy and Guidelines for Procurement* and *Guidelines on the Use of Consultants*. Capacity building to establish an effective internal accounting and audit function within MOEYS (Appendix 8) will help support anticorruption efforts.

i. Joint Annual Sector Performance Reviews

138. Annually, the Government, ADB, other funding agencies, and NGOs will review the implementation, and assess the impact of all reforms in the education sector as part of joint education sector performance reviews. The reviews will focus on the audit of the agreed upon sector performance targets and indicators. The timing of the review will be linked to the planning of the next annual budget to ensure the link between policy progress and budget requirements. The annual review will provide a forum for joint strategic negotiations on necessary program adjustments and consequent resource requirements. In addition to annual and other reviews, the Government and ADB will jointly undertake a midterm review of the Project, during the third year of implementation. The midterm review will identify changes since the time of appraisal, reassess the impact with regard to future project implementation and sustainability, assess implementation performance against project performance indicators, review and establish compliance with loan covenants, identify problems and constraints, and recommend appropriate corrective actions.

VI. BENEFITS AND RISKS

A. Expected Impacts

139. Policy reforms to be implemented under the ESDP will improve the targeting of allocations to the poor, and have a positive social impact in terms of poverty, gender, and the inclusion of ethnic minorities. The cost of education will be reduced to parents enabling poor students, girls, and ethnic minorities to participate at increasingly higher levels. The provision of more classrooms

and the introduction of multigrade approaches into primary education delivery will enable poor children to complete primary education, and provide schools close to home, which benefits girls. Direct student support mechanisms such as targeted assistance programs will make it easier for girls and the poor to attend and complete primary and secondary education. Teacher performance and teaching quality in remote areas are expected to be enhanced through incentives for certain categories of teachers serving under difficult circumstances. Regional discrepancies in education finance will be offset through poverty-indexed formulas for priority action programs and facilities development. More effective governance systems will help ensure that the communities are involved in and benefit from assistance to schools.

140. The estimated immediate beneficiaries of the ESDP are (i) additional 100,000 children who will be able to access schooling as a result of new facilities; (ii) 50,000 teachers who will receive professional development (through PAP) supported by the Program; (iii) 5,000 MOEYS officials, provincial, and district officials, and commune council members who will receive short-term training under the capacity building elements of the Project; and (iv) 250 program budget management center staff who will receive on-the-job technical and financial management training. Communities in 100 districts will benefit from increased access to secondary schools, and 500 communes will benefit from new or expanded primary school facilities. Students in every public school will benefit from sustained access to textbooks with new HIV/AIDS messages.

141. In the long term, increased access to secondary schooling and TVET in poor rural areas will benefit rural families by improving income-generating opportunities. Better schooling will contribute to improved farmer productivity and incomes, especially in Cambodia where agricultural productivity is low compared with regional neighbors. Improved secondary education opportunity will provide increased access to higher education and formal employment, and provide wage earning opportunities for the poor. The increased access to schooling in rural areas will benefit the poor by enabling diversification of the rural economy and income generation. Overall the rural population will benefit from poverty reduction.

142. The competitiveness of the Cambodian economy will improve through a better-educated and trained workforce. Cambodia will potentially benefit from increased foreign investment and consequent job creation and income generation. Especially through improved secondary, TVET, and higher education opportunities, the country will be a benefit from a shift to higher value-added, technology-based employment, and consequent improvement in wages.

143. The increased access to schooling in the poor rural areas, especially for girls, will also provide significant social benefits to these households. Firstly, educating girls will contribute to better school attendance for rural families, improved child and family nutrition, and improved family planning practices. This will contribute to improving well-being and reducing human poverty in rural areas. In addition, in areas where HIV/AIDS is more prevalent, better-educated students will be more receptive to AIDS prevention programs.

144. Employers will also benefit by having a better-educated and trainable workforce. The benefits will include improved worker productivity, and improved efficiency of both on-the-job and institution-based training for the workforce. In the long term, this should result in cost reductions for training at various levels, especially as the economy undergoes a transition to becoming more technology based. Improved earnings will provide benefits through greater potential for cost sharing of training provision. Employers will benefit from the capacity building in training planning, management, and monitoring through the support for systems development at TVET's National Training Board, and the NTF.

145. Other immediate beneficiaries from the extensive capacity building under the ESDP will be the education staff and community groups at center, province, district, commune, and school levels. This staff, as well as teachers, will benefit from improved earnings and skill levels. In the long term this will put education services on a more sustainable footing. Other immediate beneficiaries, through the extensive school building program, will be small private building contractors, and workers in rural and urban areas. In turn, these building programs will contribute to increased employment and income generation.

146. A cross-cutting benefit of the comprehensive sector approach being adopted will be greater long-term sustainability of education services, both in financial and technical terms. The focus on expanded public-private partnerships at the postbasic education level will protect spending for basic education, and ensure that the immediate benefits for the rural poor through expanded schooling can be maintained and sustained. Sustainability will also be assured by improving cost efficiency in the delivery of education services, by improving student survival rates and more efficient use of staff and facilities.

147. Another long-term, cross-cutting benefit will be the gradual reduction of stand-alone project implementation units, which currently tend to remove key MOEYS staff from their regular positions in the MOEYS organization, result in off-budget resource management, and distort staff performance reward and incentives systems. In the medium term, increased location of externally supported TAs within ministry structures, rather than in project implementation units or agencies, will reinforce capacity building, and contribute to greater participation of ministry staff in program planning processes.

B. Risks and Safeguards

148. At central and community levels, the potential risk is unpredictability and unevenness in the financing of the proposed education reforms, especially government and community contributions to education expenditure. The ESDP includes a number of features that will reduce the risk of unpredictable financing. Firstly, the formulation of a medium-term expenditure plan for education will develop government, funding agency, and NGO forward planning and monitoring. The proposed link between the annual performance review, and budget planning processes will help assure adequate resources. The proposed steps to regulate and account for private contributions will also help mitigate financial risks.

149. Another risk is that the Government and MOEYS leadership and commitment to difficult reforms could diminish and undermine program implementation. The risk will be minimized as a result of early support from ADB under the ESDP, providing an incentive for the Government to maintain its commitment. ADB support will be complemented by significant assistance from UNICEF-Sida for overall capacity building of the education system. The expanded and improved partnership arrangements, and annual stakeholders' consultations and system performance review will also help mitigate any such risk.

150. At the community and school levels, a potential risk is that demand for expanded education services would stagnate, if parents and communities perceive that the provision is of poor quality and relevance. The ESDP is designed to address the need for quality improvement by incorporating a number of technical and financial measures to minimize these risks. First, increased provision of key quality inputs such as books and teacher training, linked to curriculum reforms, is proposed. Second, the focus on community governance and information dissemination will help inform and encourage continued demand. MOEYS has already taken initiatives to reduce such risks, including formulating a preliminary education governance plan and introducing a nationwide information, education, communication campaign to stimulate primary school enrolment and monitor fee abolition.

151. A further risk is that the Government-province-commune-school financial management systems will not be adequate for the disbursement, spending, and accounting for the proposed decentralized management of the education programs proposed. To reduce this risk, the ESDP will be based on agreed guidelines between stakeholder ministries for different financial management responsibilities, underpinned by new regulations. Capacity building for technical and financial planning and management at all levels of the system will be extensive.

152. Another risk is that government revenues will be less than projected. Cambodia's tax base is dependent on trade taxes for about 80 percent of its tax revenue. But such reliance on trade taxes is not sustainable, since the Government is committed to reducing tariff rates over time within the Association of Southeast Asian Nations Free Trade Area framework. To reduce this risk, ADB and other funding agencies are providing comprehensive assistance for tax reforms and other aspects of financial management under the Technical Cooperation Assistance Program, led by MEF and the International Monetary Fund.

153. Finally, a potential risk is the lack of medium-term external support to cover projected recurrent and capital budget shortfalls. A number of measures are included to mitigate any such risks. Firstly, the new MOEYS-funding agency-NGO partnership arrangements will be used to mobilize external assistance. Secondly, the sector performance review and budget planning will allow for adjustment of targets and programs on an annual basis, taking account of available projected government and external resources.

VII. ASSURANCES

A. Specific Assurances

154. The Government has given the following assurances, in addition to the standard assurances, which have been incorporated in the legal documents:

- (i) The Government will (a) ensure that the policies adopted and actions taken as described in the policy letter, including the policy matrix, prior to the date of the ESDP loan agreement continue in effect for the duration of the ESDP period and subsequently; and (b) promptly adopt the other policies and take the other actions indicated in the ESDP as specified in the policy letter, including the policy matrix, and ensure that such policies and actions continue in effect during and after the ESDP period.
- (ii) Within six months after the investment loan becomes effective, the Government will establish PEFCs for the first four pilot provinces where deconcentrated budget management for facilities development will be piloted under the Project.
- (iii) The Government will ensure that MOEYS uses no less than 60 percent of allocated funds for the provinces under the Project for basic education facilities.

B. Conditions of Loan Effectiveness

155. For the policy loan,

- (i) MEF will provide ADB with written confirmation that the sector recurrent and total recurrent budget expenditure ratio for the FY2002 budget presented to the National Assembly represents not less than 17.5 percent of the total recurrent budget expenditures;

- (ii) MEF will provide ADB with written confirmation that the budget for the education sector is consistent with the requirements included in the ESSP; and
- (iii) MEF, through EFMC, will approve sector performance indicators and targets for FY2002, satisfactory to ADB.

156. For the investment loan, the MOEYS will establish the steering committee to coordinate activities to ensure effective implementation of the ESDP.

VIII. RECOMMENDATION

157. I am satisfied that the proposed loans would comply with the Articles of Agreement of ADB and recommend that the Board approve the following:

- (i) the loan in various currencies equivalent to Special Drawing Rights 15,656,000 to the Kingdom of Cambodia for the Education Sector Development Program, with a term of 24 years, including a grace period of 8 years, and with an interest charge at the rate of 1 percent per annum during the grace period and 1.5 percent per annum thereafter, and such other terms and conditions as are substantially in accordance with those set forth in the draft Loan Agreement presented to the Board; and
- (ii) the loan in various currencies equivalent to Special Drawing Rights 14,090,000 to the Kingdom of Cambodia for the Education Sector Development Project, with a term of 32 years, including a grace period of 8 years, and with an interest charge at the rate of 1 percent per annum during the grace period and 1.5 percent per annum thereafter, and such other terms and conditions as are substantially in accordance with those set forth in the draft Loan Agreement presented to the Board.

TADAO CHINO
President

2 November 2001

APPENDIXES

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G	Education Facilities: Program Activities, Responsibilities and Indicative Schedule		

PROGRAM FRAMEWORK

Design Summary	Targets/Performance Indicators	Monitoring Mechanisms	Assumptions
1. Development Goal			
Increased level of educational attainment among new entrants to the workforce	<ul style="list-style-type: none"> • Universal access to and completion of basic education by 2010 • Improved adult literacy levels by 50% especially for women by 2015 • Net enrolment at grade 1 increased from 78% in 2000 to 90% by 2010 • Transition rate to lower secondary education increased from 77% in 2000 to 90% in 2006 	<ul style="list-style-type: none"> • Demographic projections and education management information system (EMIS) data for 6-year-old cohort 	<ul style="list-style-type: none"> • Sustained increases in public funding on basic education • Prioritization of education for all (EFA) strategies within Education Strategic Plan (ESP) and Education Sector Support Program (ESSP)
2. Objective/Purpose			
To increase access to educational services of improved quality	<p>Improved allocation to the education sector</p> <ul style="list-style-type: none"> • Increase in sector allocation of recurrent budget from 15.7% in 2001 to 19.5% in 2004 • Increase in education budget outturn from 90% (2000) to 95% (2006). <p>Increased access</p> <ul style="list-style-type: none"> • Increase in representation in grades 1-9 by the poorest quintile from 5% in 2001 to 10% in 2006 • Increased female share of total enrolment in lower secondary education from 30% (2000) to 40% (2006). • Increase in gross enrolment in grades 1-9 in remote and ethnic minority areas children from 46% in 2000 to 55% in 2006 • Increased access to post-secondary education from nonurban areas from 10% to 30% between 2001 and 2006, including public and private provision. 	<ul style="list-style-type: none"> • Annual recurrent expenditure by Ministry of Economy and Finance (MEF) • Annual financial reports • Demographic projections and EMIS data • Demographic projections and EMIS data. • Demographic projections and EMIS data • EMIS and household survey data 	<ul style="list-style-type: none"> • Continued Government commitment to education restructuring and improvement • Targeted communities' acceptance of increased access opportunities (demand assumptions valid)

Design Summary	Targets/Performance Indicators	Monitoring Mechanisms	Assumptions
	Improved quality and internal efficiency		
	<ul style="list-style-type: none"> • Increase in output of trained teachers for primary and secondary education from 4,000 in 2000 to 5,500 per annum in 2006. • Access ratio for core textbooks for grades 1-9 at 1:1, and grades 10-12 at 1:2 maintained between 2001 and 2006 • 50% of 2001 editions of core textbooks republished with improvements by 2006. • Net survival rate increased for grade 1-6 from 45% in 1999 to 75% by 2006. • Repetition rates for grades 1-3 reduced from 30% in 1999 to 15% in 2005 • Increased daily attendance for grades 1-9 from an estimated 50% in 2001 to 75% in 2006 • Increased satisfaction rates among employers for graduates from technical and vocational education training (TVET) and higher education institutions, reaching 50% by 2006. 	<ul style="list-style-type: none"> • EMIS, Teacher Training Department (TTD), Faculty of Pedagogy (FOP) reports • Department of General Education (DGE) and Publishing and Distribution House (PDH) reports • EMIS • EMIS • EMIS • EMIS • Sample employers surveys of selected institutions and programs 	<ul style="list-style-type: none"> • Improved output by existing facilities/personnel feasible • Textbook provision sustained with transfer of financing to recurrent budget • Capacity for textbook review and revision sufficient and sustained • Incentives sufficient for opportunity costs of promotion, progression, and participation to be met by families • Operational policy adjustment at school level to dissuade dropouts, minimize repetition, and encourage attendance • Attendance data collection systems included in EMIS
	Enhanced management and deconcentration of education services		
	<ul style="list-style-type: none"> • Increased devolution in responsibility for delivery and monitoring of selected education services • Increase in facility program implementation by provincial education offices (PEOs) from no provinces in 2001 to 12 provinces in 2006. • Increased operational autonomy for teacher training colleges (TTCs), TVET, and higher education institutions rising to 100%, 	<ul style="list-style-type: none"> • Legislative and regulatory frameworks, 2001 and 2006 • Reports of all facilities implementation units • Annual reports by Directorate of Higher Education and TVET 	

Design Summary	Targets/Performance Indicators	Monitoring Mechanisms	Assumptions
	<p>having their own annual operating budgets by 2004.</p> <ul style="list-style-type: none"> Increased autonomy of the National Training Board for managing training funds to private and public TVET providers through an annual national training fund (NTF) operating budget from 2002. 	<ul style="list-style-type: none"> Annual reports by Directorate of Higher Education and TVET 	
3. Program Components/ Output			
Improved allocation to the education sector			
Sector financing framework reformed	<ul style="list-style-type: none"> Joint MEF and Ministry of Education, Youth and Sport (MOEYS) financial management mechanism operational and sustained through late 2006 Recurrent sector share of national budget 17.5% in 2002, 18.5% in 2003, 19.5% in 2004 School and institutions operating budgets increased and sustained 	<ul style="list-style-type: none"> Minutes of meetings National budget National budget 	<ul style="list-style-type: none"> MEF commitment to special arrangements for education sector sustained
Sector efficiency improved	<ul style="list-style-type: none"> Allocation of MOEYS personnel to instructional positions increased from 78% in 2000 to 85% by 2006. Disbursement of agreed budget allocations including priority action plan (PAP) increased from 90% in 2000 to 95% in 2005 Community's role defined in financing, governance, and performance monitoring to improve quality Sector performance monitoring system enhanced 	<ul style="list-style-type: none"> Personnel management information system (MIS) MEF financial reports Records of MOEYS legislative and, regulatory policies and actions on community participation in public education MOEYS and funding agencies' sector review mechanisms established and operational annually between 2001 and 2006 	<ul style="list-style-type: none"> MOEYS successfully implements staff transfers plan MEF agrees to increased allocations annually The Government agrees to devolvement of selected functions to province, district, commune, and school levels. Funding agencies agree to collaborate with the Government on joint performance monitoring procedures

Design Summary	Targets/Performance Indicators	Monitoring Mechanisms	Assumptions
Government, funding agency, nongovernment organization (NGO) partnerships enhanced, including consultative mechanisms and rolling program review processes	<ul style="list-style-type: none"> • Performance audit system enhanced • Budget management centers are all fully operational by 2005. • MOEYS and funding agencies annual reviews held, 2002-2006 	<ul style="list-style-type: none"> • New audit regulations agreed • ESSP and project reports • MOEYS and ESSP progress and annual reports 	<ul style="list-style-type: none"> • MEF agrees to reformed audit system • Funding agency support for education sector sustained
Increased access			
Financing for increased equitable access	<ul style="list-style-type: none"> • Incentive programs for basic education introduced for poor children, especially for poor girls, and children from disadvantaged areas from 2002 • Private sector participation in general and other sectors of education expanded from 2002 • Incentives provision to ensure adequate teacher supply to disadvantaged areas from 2002 • Facilities investment targeting policies developed to ensure increased provision to poor and disadvantaged areas from 2002. 	<ul style="list-style-type: none"> • Records of MOEYS legislative, regulatory, and targeting policies and actions • Japan Fund for Poverty Reduction and World Food Programme reports. • MOEYS and MEF reports • MOEYS and Department of Materials and State Property reports 	<ul style="list-style-type: none"> • Government commitment to address poverty-based, gender, and ethnic access inequity sustained • Scholarship piloting successful • Private sector willingness to contribute to primary and secondary education evolves • National Public Administration Reforms on track and implemented
Provision of facilities	<ul style="list-style-type: none"> • Expansion of facilities of 120 selected incomplete schools in rural, remote, and ethnic minority areas to enable delivery of six years of schooling by 2006 • Provision of 110 primary schools to deliver 6 years of schooling through multigrade strategies in unserved remote villages, including ethnic minority areas, by 2006 • Provision of 1,400 additional classrooms with priority given to grades 1-6 in underserved areas by 2006 	<ul style="list-style-type: none"> • Progress reports • Progress reports • Progress reports 	<ul style="list-style-type: none"> • Government agreement to focusing investment on targeted remote, rural, and ethnic minority areas, with specific site prioritization involving provincial authorities as key player

Design Summary	Targets/Performance Indicators	Monitoring Mechanisms	Assumptions
Improved quality and internal efficiency	<ul style="list-style-type: none"> Provision of 100 units of teacher-incentive housing in remote/ethnic minority areas by 2006 Improvement of science and technology learning/teaching environment and dormitories in selected TTCs Improved facilities and equipment in 8 existing provincial training centers and 2 new provincial training centers. 	<ul style="list-style-type: none"> Progress reports Progress reports Progress reports 	
General curriculum reformed, and related textbook publication plan implemented, including multigrade teaching reforms	<ul style="list-style-type: none"> Integrated plan for the reform of primary and secondary education and teacher education curricula and related publication program of new instructional materials, including modifications for ethnic minority areas, by 2002. 	<ul style="list-style-type: none"> MOEYS/Education Sector Development Program (ESDP) reports 	<ul style="list-style-type: none"> Financing and technical assistance for publishing program secured
	<ul style="list-style-type: none"> 33 new edition textbooks published by 2006. 	<ul style="list-style-type: none"> PDH reports 	<ul style="list-style-type: none"> TTC system can increase production without further facilities development within existing personnel allocation
	<ul style="list-style-type: none"> 10 new edition teacher training textbooks published by end 2003 	<ul style="list-style-type: none"> Progress reports 	<ul style="list-style-type: none"> Pedagogical Research Department capacity to review curriculum and define standards for all primary and secondary education subjects
Improved financing, and increased internal efficiency measures for quality enhancement	<ul style="list-style-type: none"> Teacher training system output increased by 25% per annum by 2003 to match supply to demand 	<ul style="list-style-type: none"> Personnel projections and EMIIS 	<ul style="list-style-type: none"> MEF/MOEYS ensure that core textbook financing prioritized in each budget
	<ul style="list-style-type: none"> Action plan for minimum standards of student performance in grades 2, 4, and 6 approved, and piloted in grades 2 and 4 by 2004 	<ul style="list-style-type: none"> MOEYS standards and policy 	
	<ul style="list-style-type: none"> Availability of core instructional materials at agreed ratio sustained through recurrent budget. 	<ul style="list-style-type: none"> Sample surveys on textbook availability 	
Enhanced management and deconcentration of education services	<ul style="list-style-type: none"> Strategic framework for deconcentrated education services delivery and monitoring established, by 2002. 	<ul style="list-style-type: none"> MOEYS/ESDP reports Midterm review 	<ul style="list-style-type: none"> Government policy on deconcentration and decentralization sustained and enhanced
Reformed policy and regulatory framework for deconcentrated sector financial and technical management and performance			

Design Summary	Targets/Performance Indicators	Monitoring Mechanisms	Assumptions
monitoring established, including arrangements for facilities and scholarships implementation	<ul style="list-style-type: none"> Provincial and district level education services restructured to provide for effective PAP disbursement by end 2002 	<ul style="list-style-type: none"> Research findings 	<ul style="list-style-type: none"> Use of PAP/successor mechanisms continue
Management systems at central and provincial levels strengthened in technical and financial planning, program management, and monitoring, including for PAP implementation	<ul style="list-style-type: none"> Deconcentrated planning and management capacity building program covering all provinces and districts in progress in 2002 	<ul style="list-style-type: none"> Policy analysis and dialogue process 	<ul style="list-style-type: none"> Stakeholder consensus on benefits and actualization of deconcentration

4. Program outputs

Policy Loan	<ul style="list-style-type: none"> First tranche budget support: \$10.0 million Second tranche budget support: \$5.0 million Third tranche budget support: \$5.0 million 	<ul style="list-style-type: none"> ADB/MEF disbursement records 	<ul style="list-style-type: none"> Actions agreed in policy matrix implemented
Investment Project	<ul style="list-style-type: none"> Equipment and Supplies: \$0.5 million Project operations: \$0.7 million Civil works: \$16.7 million Consultants 150 person-months: 	<ul style="list-style-type: none"> Progress reports Progress reports Progress reports Progress reports 	<ul style="list-style-type: none"> Implementation/disbursement capacity enhanced by decentralized system as anticipated Procurement efficiency

SECTORWIDE APPROACH TO EDUCATION

1. The following is a brief summary of the features of a sectorwide approach (SWAP), and the process followed in preparing the Education Sector Development Program.

A. The Framework

2. International experience, and recent SWAP surveys¹ highlight a number of common features of SWAPs in various sectors.

3. Common features of an education SWAP are

- (i) a sustainable partnership, long-term vision, and agreed targets for education reform, incorporating civil society, the Government, and funding agencies;
- (ii) a well-defined sector or subsector, incorporating macro, sectoral, institutional, and financial policies and structures;
- (iii) a forward-looking work program for medium- and long-term sector strategy formulation, preparation of medium- to long-term expenditure frameworks, common government-funding agency management arrangements, and capacity building programs; and
- (iv) strategic negotiation and annual sector performance review mechanisms, jointly agreed between the Government and funding agencies.

4. This overview will summarize progress to date in education in Cambodia, and proposed next steps.

B. Sustainable Partnership, Vision, and Targets for Reforms

5. The planning environment for education has been conducive in a number of ways. The Government has embarked on broad-ranging reforms to the state—public administration and finance, legal and judicial—and commitment to deconcentration and decentralization. In light of these broader reforms, the Ministry of Education, Youth and Sport (MOEYS) has led its own reform process over the past two years, through a high-level policy coordination group and task forces. The positive climate for reform has been reinforced by the Government's poverty reduction strategic plan and socioeconomic development plan, ensuring a pro-poor thrust.

6. The overall long-term vision for education reform is guided by the Government's commitment to achieving the international development goals, and high-quality education for all (EFA) by 2015. The recent establishment of the EFA National Committee, with the Prime Minister as president and the EFA Secretariat within MOEYS, adds to the sustainability of the vision and partnership. The long-term vision, and targets, have been phased and sequenced in a medium-term education strategic plan (ESP), and an education sector support program (ESSP) for 2001-2005. The medium-term targets focus on achieving nine years of basic EFA by 2010, and a growing public-private partnership for postbasic education. A complementary set of

¹ Ratcliffe, M., and M. Macrae. 1999. *Sectorwide Approaches to Education: A Strategic Analysis*. Education Papers, Serial No. 32. Department for International Development, London.
World Bank. 2001. *Education and Health in Sub-Saharan Africa: A Review of Sector-Wide Approaches*. World Bank Group, Human Development, African Region, Washington, D. C.
Brown, A., M. Foster, A. Norton, and F. Naschold. 2001. *The Status of Sectorwide Approaches*. Center for Aide and Public Expenditure, Working Paper 142. Overseas Development Institute, London.

reform targets center on gradual capacity building for decentralization of education service management over the next 10 years.

7. A joint Government, funding agency, and nongovernment organization (NGO) partnership has been forged to share this vision and reform targets, through joint appraisal and reviews of the ESP and ESSP during March-July 2001. These processes are gradually being assimilated into MOEYS and funding agency structures, including the revitalized education sector working group of funding agencies.

C. Well-Defined Sector: Sectoral, Institutional, and Financial Considerations

8. Another SWAP characteristic is the formulation of a rolling program and process for reforms. The ESP and ESSP are based on the principle of the budget being an instrument of policy implementation, rather than of systems maintenance. Consistent with this, policies will be implemented using a rolling five-year medium-term expenditure plan to ensure predictability in planning, and to act as a framework for capturing and coordinating recurrent and capital budget support from the Government and funding agencies. The Government has also established an education finance management committee to coordinate and monitor progress and resource requirements.

9. Broader state reforms have also provided an opportunity to reinforce a SWAP approach. In 2000, the Government introduced a postaudit, priority action program (PAP) process which assures budget support for key policies. The PAP mechanism has also provided impetus for deconcentration of financial management, and selected capacity building at the central, provincial, district, and institutional levels.

D. Forward Work Plan

10. The ESP and ESSP rolling process has made it necessary to develop a forward work plan for sectoral, institutional, and financial reforms. Accordingly, a comprehensive institutional development and capacity building plan and program for sectorwide management is a key feature of the ESP and ESSP, endorsed by development partners in late June 2001. In addition, capacity building programs for strengthening the planning and management of priority programs was another feature of the ESSP and its review process.

11. These forward work plan components also provide a framework for coordinated funding agency and NGO support for capacity building. For example, both the proposed ADB-supported Education Sector Development Program loan, and the education support program proposed by the United Nations Children's Fund (UNICEF) and Swedish International Development Cooperation Agency (Sida) are being coordinated for their capacity building components through the ESSP capacity building framework. The framework also provides a basis for capturing capacity building assistance of ongoing projects where appropriate.

12. At this stage, MOEYS and funding agencies are not expected to move to basket funding, as is common in some SWAPs. The principle adopted will be to use the Government's financial and budget planning, and management systems to capture and monitor both government and funding agency support. Accordingly, a forward work plan priority is to strengthen government and MOEYS budget planning, disbursement, management, accounting, and audit systems.

E. Sector Performance Review and Negotiation Processes

13. A key feature of the education reform process is the introduction of an annual joint Government, funding agency, and NGO review of the performance of the education sector. The first such review in June 2001 built on the joint National EFA Assessment 2000.

14. A number of important features of the ESSP review process need to be noted. Firstly, the review will focus on the audit of sector performance targets and indicators, rather than review and accounting of detailed program activities and inputs. Secondly, the timing of the review process in midyear, will be linked to the planning of the next annual budget, to ensure the link between policy progress and budget requirements. Thirdly, the annual review will provide a forum for joint strategic negotiation on necessary program adjustments, and consequent resource requirements.

15. All partners recognize that strengthening monitoring systems at a number of levels will be critical. Within MOEYS, a key component of the forward plan is to strengthen performance monitoring information systems and processes. Secondly, the strategic monitoring capability of the funding agencies and NGOs needs to be strengthened both in-country and in head offices.

EDUCATION STRATEGIC PLAN 2001- 2005: SUMMARY

A. Broad Policy Priorities and Targets

1. Basic Education¹

1. The Ministry of Education Youth and Sport (MOEYS) overall policy goal under the Education Strategic Plan (ESP) is to achieve education for all (EFA) between 2010 and 2015, including improvement of not only enrolment rates but also participation, attendance, and other quality-oriented indicators. The following are the main targets up to 2005.

- (i) Increased enrolment of students in grades 1-6 and in grades 7-9. Targets: 2.4 million and 0.85 million respectively; net enrolment rates 95 percent for primary, and 50 percent for lower secondary education.
- (ii) Gender, socioeconomic, and urban-rural parity in primary education enrolment, and improved gender, socioeconomic, and geographical balance in grades 7-9. Targets: parity in grades 1-6. In grades 7-9: 45 percent girls, 80 percent from rural areas, 10 percent students from the poorest quintile.
- (iii) Improved survival rates across grades 1-6, and grades 7-9, for new, and current age cohorts. Target: 90 percent.
- (iv) Significant improvement in the quality of performance and standards of primary and lower secondary students. Target: to be determined through new minimum standards of achievement from 2002.
- (v) Raised progression rates in grades 1-6, and transition rates from grade 6-7. Target: 90 percent.
- (vi) Increased reentry programs into mainstream schooling at grades 4, 5, and 6. Target: 110,000 per annum from 2002.
- (vii) Expanded public-nongovernment organization (NGO) partnership in adult literacy programs in disadvantaged areas. Target: 200,000 per annum from 2003.

2. Postbasic Education

2. For postbasic education, MOEYS priority is to enhance equitable access to upper secondary grades, 10-12, and higher education and technical and vocational education and training (TVET) provision by 2005. An associated priority is to improve the quality and relevance of postbasic education programs. The following are main targets up to 2005.

- (i) Increased enrolment in grades 10-12, and improved gender, socioeconomic, and urban-rural balance. Target: 0.3 million students, net enrolment of 20 percent, 10 percent from the poorest quintile, 60 percent share from rural areas, and 40 percent for girls.
- (ii) Increased enrolment in public and private higher education, with a growing private share. Target: 100 percent increase in total public and private enrolment, with 85 percent private sector share.

¹ Basic education includes primary (grades 1-6) and lower secondary (grades 7-9) education.

- (iii) Increased enrolment in public and private, formal, and quality nonformal TVET training programs, with a growing nongovernment share (private, NGOs, etc.). Target: 100 percent increase in total public and other enrolment, with 85 percent nongovernment share.
- (iv) Increased enrolment in public higher education and TVET institutions from students from poor families and nonurban areas. Target: 10 percent share from poor families, and 30 percent share from nonurban areas.
- (v) Improved relevance and standards of grades 10-12, and postsecondary student performance. Target: to be determined by grade 9 and grade 12 examinations, and posttraining tests of standards, by 2003, and employer satisfaction surveys.

3. Institutional Development and Capacity Building for Decentralization

3. A cross-cutting priority is to strengthen MOEYS and other stakeholders' institutional systems, processes, and capacity to increasingly deconcentrate and decentralize authority to provinces, districts, communes, and schools for education services planning, management, delivery, reporting, and monitoring. The main targets are listed here:

- (i) Improved coordination systems for predictable financial planning, and management between MOEYS, Ministry of Economy and Finance (MEF), and Ministry of Planning. Target: agreed medium-term expenditure framework, Memorandum of Understanding, and operational working groups by the end of 2001.
- (ii) Effective central MOEYS departmental policy, planning, reporting, and monitoring operations, including designated budget management centers (BMCs). Target: 80 percent effective by the end of 2003.
- (iii) Fully operational provincial education operations for program planning, reporting, and monitoring. Target: 80 percent effective by 2003.
- (iv) Fully operational district education offices for program management, and implementation, including the designated 183 BMCs. Target: 80 percent effective by 2003.
- (v) Fully operational school management systems for program operation planning and implementation, including selected recurrent and capital programs. Target: 75 percent of head teachers effective by 2004.
- (vi) Effective institutional management arrangements for higher education, TVET, and teacher training, including transparency of financial reporting, accounting, and audit. Target: 90 percent fully operational by 2003.
- (vii) Improved legislation and regulatory mechanisms for implementing selected priority programs, covering higher education, TVET, and teacher training operations. Target: enabling legislation by mid-2002, selective regulations from late 2001 onward.
- (viii) Improved joint Government, MOEYS, funding agency, NGO, and civil society mechanisms for sector performance review, and monitoring. Target: effective annual review exercises from mid-2001 onward.

4. Sector Financing

4. The top policy priority is to increase overall expenditures on education, and reduce the cost burden on the poorest families, especially for basic education. An associated policy objective is to encourage greater private sector involvement in upper secondary, higher education, and TVET. The following are the main financing policy targets by 2005:

- (i) Increased government spending on education, including an increased share and volume for basic education. Target: KR541 billion (\$139 million) annual recurrent budget by 2005, of which 70 percent share for basic education.
- (ii) Reduced average parental contributions for basic education costs, complemented by increased public spending. Target: reducing parental share of unit cost from 50 percent to 18 percent over ESP period (from KR40,000 [\$10.3] per student in 1997 to KR26,000 [\$6.7] in 2005).
- (iii) Increased share of recurrent public spending on nonwage operational costs. Target: 48 percent by 2005.
- (iv) Sustained capital spending on education development, especially for additional primary, and secondary school facilities, and capacity building. Target: KR570 billion (\$146 million) (around KR110 billion [\$28 million] per annum) over 2001-2005.
- (v) Transitional recurrent budget support from the international community to cover any projected shortfalls in government, and private spending. Target: projected KR134 billion (\$34 million) over 2001-2005.
- (vi) Increased transparency in the financing of recurrent, and capital costs from external assistance, through the use of the Government's own financial planning and management systems. Target: 100 percent of external assistance through government budget planning systems by 2005.

B. ESP Monitoring and Review Process

1. Focusing on Policy Outcomes and Targets

5. The ESP monitoring and review process will focus on the extent to which policy objectives and targets are achieved on an annual basis. The ESP monitoring process will focus on a small number of key policy performance indicators to ensure timely and reliable data collection and analysis. The broad areas of performance monitoring are summarized in Table A3.1.

Table A3.1: Preliminary Policy Monitoring Matrix

Dimensions	Key Indicators
Equitable Access	<ul style="list-style-type: none"> • National, provincial, and district enrolment trends • Gender and urban-rural enrolment balance • Representation of students from poorest families • Basic education student survival rates • Basic education student progression rates

Dimensions	Key Indicators
Quality and Efficiency	<ul style="list-style-type: none"> • Sampling of student performance standards • Availability of textbooks and trained teachers • Teaching and nonteaching staff deployment rates • Utilization rates for education facilities • Parental and employer service satisfaction rates • Salary and nonsalary allocations and spending ratios
Institutional Development and Capacity Building	<ul style="list-style-type: none"> • Central-provincial budget volumes and subsectoral shares • Central and provincial program and priority action program disbursement rates • Central and provincial institutional development and organizational plans • Sampling of central Ministry of Education, Youth and Sport planning performance • Sampling of provincial monitoring performance • Sampling of district-school management performance • Coverage of system performance information • Issuing of agreed operational guidelines • Issuing of agreed legislation and regulations

C. Indicative Program Priorities

1. Recurrent Program: Priority Action Programs

6. Under the overall ESP, MOEYS has identified a number of priority action programs (PAPs) for targeting and disbursement of the wage and nonwage budget during 2001-2005. A preliminary program summary, which is subject to amendment, is provided in Table A3.2.

Table A3.2: Preliminary Summary of Priority Action Programs: 2001 – 2005
(KR Billion)

Programs	2001 (Plan)	2002	2003	2004	2005	Total
1. Education/Teaching Service Efficiency	24.0	35.0	48.0	56.0	67.0	230.0
2. Basic Education Quality and Efficiency	16.0	36.0	44.0	50.0	58.0	204.0
3. Improved Primary Education Progression	9.0	10.0	10.0	12.0	10.0	51.0
4. Upper Secondary Quality and Efficiency	2.5	2.0	5.0	7.0	9.0	25.5
5. Technical and Vocational Education and Training Quality and Efficiency	2.0	2.0	2.0	2.0	2.0	10.0
6. Higher Education Quality and Efficiency	2.0	2.0	2.0	2.0	2.0	10.0
7. Continuous Teacher Development	5.3	12.5	26.2	29.0	28.0	101.0
8. School Instructional Materials	12.8	12.2	18.3	19.5	22.1	84.9
9. Nonformal Education Expansion	1.0	3.0	4.0	5.0	5.0	18.0
10. School Health and Youth Aids Awareness	1.0	1.0	1.0	1.0	1.0	5.0
11. Equitable Access and Scholarships for Poor	7.8	9.0	26.0	34.0	46.0	122.8
Total	83.4	124.7	186.5	217.5	250.1	862.2

Source: Ministry of Education, Youth and Sport. Education Strategic Plan 2001-2005.

7. **The General Education Teaching Service Efficiency Program.** The program will ensure equitable access to education services by reducing informal payments to teachers by poorer families; and improve performance of the teaching service, linked to education service rationalization. The primary strategy will be targeted incentives for priority groups of teachers and school management staff, related to criteria for more equitable staff deployment and staff

efficiency. These will be guided by new staff deployment norms introduced in early 2002. The priority groups will include head teachers, staff working in remote and difficult circumstances, and teachers who teach in multigrade schools and for double shifts. Additional incentives will be provided for redeployment and relocation of nonteaching staff back to the classroom. The program will be managed through 180 district BMCs, with monitoring by the Department of Personnel, based on agreed staffing regulations.

8. **The Basic Education Quality and Efficiency Improvement Program.** The program will help reduce the direct costs of poorer families by increasing government support for operational costs at both primary and lower secondary levels. This will be facilitated by education service decentralization. The main strategy will be the provision of operational budgets direct to institutions, including primary and secondary schools. The first component will be to expand PAP provision of school operating budgets for primary schools nationwide. The second component will be to introduce direct support for school operating budgets into grades 7 to 9. For the two components, funds will be managed and channeled to schools by over 180 district BMCs. The National Committee for Development of General Education (NCDGE) will manage the monitoring of the program.

9. **The Improved Primary Progression and Retention Program.** The program will regulate the age of entry, and increase the student progression rate across grades 1–6 and the transition from grade 6 to 7. This will be part of the decentralization strategy. The main activity will be vacation time remedial teaching programs across all six grades, building on the program for 2001. The program will be managed by 180 district BMCs. The Department of Primary Education will manage the monitoring of the program on behalf of NCDGE.

10. **The Upper Secondary Quality and Efficiency Improvement Program.** The program will help reduce the direct and indirect costs of poorer families by increasing government support for operational costs in upper secondary grades 10-12, as part of the decentralization strategy. A second outcome will be to improve internal staff deployment and pupil-teacher ratios by redeploying administrative staff back to the classroom. Meeting the new MOEYS guidelines will be a condition for receiving operational budget support. The main activity will be to introduce the PAP for grades 10-12 in schools nationwide to over 150 district BMCs, including school operating budgets. Allowances for the redeployment of secondary school staff at the district level will be provided under program 1 (para. 7). The Department of Secondary Education will manage the monitoring of the program.

11. **The Higher Education Quality and Efficiency Improvement Program.** The outcome will be to improve (i) quality and efficiency of higher education, measured by improved student learning; and (ii) financial regulation, management, and accountability of higher institutions through new MOEYS guidelines for public-private partnerships in financing the subsector. The main component and activity will be to implement the Prime Minister's recent guideline to ensure adequate operational budget support for higher education. The Department of Higher Education will be the BMC for monitoring.

12. **The TVET Quality and Efficiency Program.** The program will provide operational budgets to provincial TVET institutions, and funding to the National Training Fund, as part of the decentralization program. A key objective will be to secure quality improvement and financial sustainability. The Department of TVET will be the BMC for monitoring.

13. **The Teacher Development Program.** The program will expand operations at the regional teacher training centers and primary teacher training centers by providing operating budgets for these institutions, as part of the decentralization program. The objectives will focus on expanding preservice and in-service programs, including full-time and part-time multigrade and multisubject teaching, and continuing of teacher orientation programs, especially for the

introduction of grades 10-12 textbooks. This will allow for more efficient deployment of teaching staff, linked to the incentives under program 1 (para. 7). The Department of Teacher Training will be the BMC for monitoring.

14. **The Instruction Materials Program.** The program will help secure improved quality and education standards in primary, lower secondary, and upper secondary schools. The main activity will be to provide core textbooks and additional selected complementary and supplementary materials and workbooks at all levels, against agreed targets of provision. Resources indicated in Table A3.2 cover the provision of one core textbook per student for all subjects and grades (including grades 10-12) and of selected complementary materials. The program will be linked to the gradual commercialization of the Publishing and Distribution House, MOEYS. BMC arrangements have yet to be finalized, although the Publishing and Distribution House will be designated to monitor the program.

15. **The Nonformal Education Expansion Program.** The program will provide cost-efficient and targeted complementary schooling and literacy programs in underserved areas. Activities will include literacy classes, expansion of reentry programs for school dropouts into grades 4 and 7, and improved management. BMC arrangements have yet to be finalized. The Department of Nonformal Education will be responsible for program monitoring.

16. **The School Health and Youth HIV/AIDS² Awareness Program.** The program will increase the awareness of school and out-of-school youth to HIV/AIDS awareness and prevention mechanisms. The target group is an estimated population of 2 million, between the ages of 11 and 20 years. The main activity will be to launch a nationwide HIV/AIDS information and prevention campaign, delivered through primary and secondary schools, and community centers. The teaching service will be mobilized as major disseminators of HIV/AIDS messages. The Department of Youth and Sport will be the BMC for monitoring.

17. **The Equitable Access and Retention Program.** The program will provide targeted assistance, such as scholarships and social credits, to students from poor families to enable them to continue their education to the highest levels that their abilities allow. This initiative will also begin to offset the low levels of participation of the poor at the later stages of education. For example, at present no students from the poorest 20 percent of families are enrolled in higher education, meaning that the human potential of poor Cambodian families remains untapped. The assistance scheme will operate at four levels including primary, lower secondary, upper secondary, and higher education. Design, management, and monitoring arrangements have yet to be finalized.

² HIV/AIDS refers to human immunodeficiency virus/acquired immunodeficiency syndrome.

**ASSISTANCE TO THE EDUCATION SECTOR
1991-2004**

Table A4.1: Asian Development Bank Assistance

Number		Date of Approval	Amount (\$ million)
A. Loans			
1199	Special Rehabilitation Assistance	26 Nov 1992	67.7
1368	Basic Skills	29 Aug 1995	20.0
1446	Basic Education Textbook	20 Jun 1996	20.0
1824	Emergency Flood Rehabilitation Project (education)	21 Dec 2000	5.8
Subtotal (A)			113.5
B. Technical Assistance			
1889	Emergency Training of Teachers	14 May 1993	1.3
2067	Skills Development	11 Mar 1994	0.1
2121	Basic Education	12 Jul 1994	0.1
2157	Women in Development	20 Sep 1994	0.6
2331	Basic Education Management and Coordination	10 May 1995	0.5
2503	Employment Promotion for Women	22 Dec 1995	0.3
2516	Capacity Building for Technical and Vocational Education and Training	27 Dec 1995	0.9
2555	Textbook Publishing Planning and Management	15 Apr 1996	0.6
3169	Secondary Education Investment Plan	8 Mar 1999	0.7
3415	Education Strategic Support	15 Mar 2000	0.1
3463	Education Sector Development Program	27 June 2000	0.8
Subtotal (B)			6.0
Total			119.5

Table A4.2: Other Current External Assistance

Project Title	Funding Agency	Duration	Amount (\$ million)	Loan/Grant
1. Education Management Information System	UNICEF	1996-2001	1.0	Grant
2. Capacity Building in Education	UNICEF	1996-2001	6.0	Grant
3. Education for Community Needs	UNICEF	1996-2001	4.0	Grant
4. Promotion Program of Non-Formal Education in Battambang	UNICEF	1997-2001	0.7	Grant
5. Early Childhood Development Programme	UNICEF	1991-2001	0.7	Grant
6. Hill Tribe Literacy and Nonformal Education	UNESCO	1997-2001	0.1	Grant
7. Education Quality Improvement Project	WB	2000-2004	6.0	Loan
8. Australian Development Scholarships	AusAID	1994-2001	5.0	Grant
9. Cambodia National Examination Project	AusAID	1997-2002	3.0	Grant
10. Girl's Education Assistance and Planning Project	AusAID	1999-2001	0.1	Grant
11. Feasibility Studies in Upper Secondary Curriculum/Facilities	JICA	2000-2001	1.0	Grant
12. School Construction	JICA	1992-2002	2.0	Grant
13. Child Care Project	JICA	1991-2003	0.4	Grant
14. Training Project	JICA	1991-2001	3.0	Grant
15. Secondary Teacher Training in Science and Mathematics	JICA	2000-2002	10.0	Grant

Project Title	Funding Agency	Duration	Amount (\$ million)	Loan/Grant
16. Vocational Technical School in Phnom Penh and Sihanoukville	JICA	1996	0.6	Grant
17. Primary Teacher's Training – French Language	France	1996	0.2	Grant
18. China Scholarship Program	China	1996-2001	0.5	Grant
19. Thailand Scholarship Program	Thailand	1996-2001	0.6	Grant
20. Viet Nam Scholarship Program	Viet Nam	1996-2001	0.3	Grant
21. CAMSET II	UK	1997	5.0	Grant
22. Primary School Construction and Rehabilitation	EU	1999-2001	6.0	Grant
23. PASEC II	EU	1999-2001	7.0	Grant
24. REPLIC Chantiers-Ecoles	EU	1998-2001	2.0	Grant
Total			65.2	

AusAID: Australian Agency for International for International Development; EU: European Union; JICA: Japan International Cooperation Agency; UNESCO: United Nations Educational, Scientific and Cultural Organization; UK: United Kingdom; UNICEF: United Nations Children's Fund; WB: World Bank.
Source: Ministry of Education, Youth and Sport.

**Table A4.3: Nongovernment Organizations Assistance to the Education Sector
- Ongoing and Pipeline Projects**

Agency	Activities	Duration	Amount (\$ million)
A. International Nongovernment Organizations			
1. ACE	English Language for Ministry Officials	1992-2001	4.180
2. AOG	English Training Centre and Primary School Support	2001	0.300 ^a
3. APHEDA	Adult Education and Training for Poor Rural and Urban Communities	1995-2001	2.030
4. CAPSEA	Vocational Training Library, Building School	1995-2002	2.301
5. CARE	a. Girl's Education Assistance and Planning Project	1997-2001	0.425
	b. Jivit Thmey Education Program (JVT EP)	2001-2003	0.100
	c. Adolescents' Educational Project	2001-2003	0.037
6. CfBT	a. NGO Strategic Partnership Study	2000-2001	0.033
	b. Public-Private Partnership Study	2000-2001	0.033
7. CIDSE	a. Svay Rieng Integrated Community Devlp Programme	1996-2001	0.268
	b. Kandal Integrated Community Devlp Programme	1997-2001	0.066
	c. Kampot Intergrated Community Devlp Programme	1997-2002	0.168
	d. Ratanakiri Intergrated Community Devlp Programme	1998-2001	0.042
8. CYK	Child Care Project	1992-2003	0.494
9. DBFC	Vocational Training Centre and Children Fund	2001	1.000 ^a
10. EED	a. Early Childhood Development Program	1991-2001	0.732
	b. Early Childhood Program	2001-2005	0.228
11. JS/JRS	University Education	2001	0.035 ^a
12. KT	School for the Blind	2001	0.050 ^a
13. LWS	Vocational Training Center in Battambang	1992-2002	4.175
14. Maryknoll	Assistance to Royal University of Phnom Penh	1998-2001	0.500
15. Mithsam	Training Center (school reintegration of street children through training and job placement)	1996-2002	0.360
16. PSE	Non-Formal Education School for Garbage Workers and Children	1996-2002	4.900
17. SCN	a. Quality Improvement of Primary Education, Kg. Cham	1993-2001	4.349
	b. Quality Improvement of Primary Education, Phnom Penh	1995-2001	0.700
	c. Basic Education, Kampong Chhnang	1998-2001	1.342

Agency	Activities	Duration	Amount (\$ million)
	d. Policy Development and Teacher Orientation Program	1995-2001	0.365
	e. Development of Basic Education Reconciliation Area	1999-2001	0.250
	f. Quality Improvement of Primary Education Siem Reap	1995-2001	0.659
18. SIPAR	School Library and Supplementary Reading Materials	2001	0.120 ^a
19. SKIP	Non-Formal Education / Literacy	2001	0.100 ^a
20. SVA	a. Prey Konkhla Vocational Skills Training	2000-2003	0.135
	b. Asia Children Center	1996-2003	0.537
	c. Library	1993-2003	1.290
	d. Rural Education Development	2000-2003	0.403
	e. Cambodia Japan Friendship Skills Training	1991-2001	4.681
	f. School Construction	1997-2002	1.304
21. TOPS	a. Cluster School Bulletin	2001	0.070 ^a
	b. Non-formal Education	2001	0.130 ^a
22. VSO	Education Sector Support	1991-2002	0.400
23. WE/C	Environmental and Life Skills Education: School Based IPM	1998-2001	0.150 ^a
Subtotal (A)			39.443
B. Local Nongovernment Organizations			
1. CAMSA	Improve General Education and Foreign Language	1997-2001	0.300
2. Saboras	a. Vocational Training and Handicraft	1993-2002	0.054
	b. Day Care and Primary Education	1993-2002	0.054
3. WCI	a. Hill Tribes Development Project in Ratanakiri	1997-2004	0.100
	b. Preschool Assistance and Strengthening Project	1997-2001	0.100
Subtotal (B)			0.608
Total			40.050

^a Estimated.

ACE: Australian Centre for Education; ADB = Asian Development Bank; AOG: Assemblies of God - Cambodia; APHEDA: Australian People for Health, Education and Development Abroad; AusAID = Australian Agency for International Development CAMSA: Cambodia Muslim Student Association; CAPSEA: Cultural Aid Project for East Asia; CARE: Care International, Cambodia; CfBT: CfBT Education Services; CIDSE: Cooperation International pour le Developpement et la Solidarite; CYK: Caring for Young Khmer; DBFC: Don Bosco Foundation, Cambodia; EED: Enfants et Developpement; EU = European Union; JICA = Japan International Cooperation Agency; JS/JRS: Jesuit Service Cambodia; KT: Krousar Thmey; LWS: Lutheran World Service; MARYKNOLL: Maryknoll; MITHSAM: Mith Samlanh/Friends; PSE: Pour un Sourire d'Enfant; SABORAS: Saboras Organization; SCN-CO: Save Children Norway - Cambodia Office; SIPAR: Soutien a l'Initiative Privee pour l'Aide a la Reconstruction des pays du Sud-est asiatique; SKIP: Stiftung Kinderdorf Pestalozzi; SVA: Shanti Volunteer Association; TOPS: Taipei Overseas Peace Service; UK = United Kingdom; UNESCO = United Nations Educational, Scientific and Cultural Organization; UNICEF = United Nations Children's Fund; VSO: Voluntary Service Overseas; WCI: World Concern International; WB = World Bank; WE/ C: World Education, Cambodia.
Source: Ministry of Education, Youth and Sport.

ECONOMIC AND SOCIAL ANALYSIS

1. Investment in education under the Education Sector Development Program (ESDP) will yield significant economic, social, institutional, and political benefits. The benefits that will be generated will accrue in large measure to poor and vulnerable sections of the population. The economic benefits will include (i) increased direct employment; (ii) potentially high social and private rates of return from the investment; (iii) improved efficiency of physical resources and personnel, and in the allocation of resources; and (iv) addressing of public expenditure constraints to the implementation of the Government's Education Strategic Plan (ESP).

2. Social equity will be improved by reducing the costs of access to basic education for poor and vulnerable families and thereby contributing directly to poverty reduction. Strata of society underrepresented in the school population (girls, ethnic minorities, and remote dwellers) will benefit from increased inclusion. The ESDP will also contribute to reducing regional disparities more generally, through its facilities targeting formulas.

3. The ESDP will result in institutional and governance benefits. It will contribute significantly to the implementation of deconcentration and decentralization policies, and building the capacities of institutions at each level for their increased functions. The management of resources for the education sector will be improved through the sectorwide approach. This approach will also have political benefits in shifting genuine ownership of the sector to national control, after an era of funding agency prominence. The ESDP will contribute to governance reform; this will contribute substantially to improving governance of the education sector, and will result in improved and more equitable service provision.

A. Economic Benefits

1. Increased Employment, Economic Growth, and Enhanced Productivity

4. The ESDP will result directly in increased employment of teachers by supporting the Government's plan to increase teacher supply through the teacher training colleges, and through program support to enable the Government to increase its total teaching personnel expenditure. The program will also provide for increased business opportunities and employment in the construction sector, particularly in the more marginalized provinces by implementing the facilities development program.

5. Indirectly, the ESDP will result in increased rates of program completion by students, and increased numbers of students gaining access to lower and upper secondary education. Data from other countries suggest that the result will be increased opportunities for nonsubsistence employment. Both the social and private rates of return from investment in lower secondary education are high, compared with investment at other levels, based on calculations from countries at similar levels of development.

6. Global studies demonstrate a high correlation between investment in educational services and economic growth. Other studies have shown that farmers with primary education are more productive because they are more receptive to using modern agricultural techniques.

2. Sector Efficiency

7. The ESDP will support improvement in the efficiency of education spending. In the ESP, the Government proposes several efficiency measures that will be supported through the policy loan and capacity building. Staff will be more productive. Secondary school and teacher training college facilities will be better used. Standards and improved assessment systems will be introduced. Repetition will be reduced. Technical assistance (TA) will be utilized more effectively, and made more productive. Public spending will be more effective. The ESDP will also contribute to enhanced and more efficient provisioning of education services by increasing capacity utilization of recurrent resources (by enabling double shift teaching, and multigrade delivery in remote areas).

8. Staff efficiency will be increased by (i) the transfer of nonteaching staff at schools and district offices back into instructional positions, thereby reducing the staff to nonteaching staff ratio; (ii) increasing the student-staff ratio at secondary schools and teachers colleges; and (iii) maintaining the current student-staff ratio in primary schooling. Student-staff ratios will remain constant (but high) at 48 pupils per teacher in the primary sector, and rise for the lower secondary sector from 16 pupils per teacher in 2001 to 25 pupils per teacher in 2005. Student-staff ratios at teachers colleges will double over the plan period. By increasing enrolment in current secondary facilities and teacher training colleges, and introducing the shift system where feasible, existing facilities will be more productive.

9. TA has not been efficiently utilized in the past. A considerable amount of the TA has been devoted to funding agency project implementation with less emphasis on capacity building. Separate international expertise has been used for each project, even though objectives were similar. International expertise from nongovernment organizations (NGOs) has focused on local areas, and not been used to maximum (national) effect. The ESP intends to improve the coordination of TA, and channel activities through line ministries, utilizing TA to build capacity, rather than for discrete project implementation.

10. The effectiveness of public spending will be increased by supporting policy review and reform, by enhancing the management of education services, and by supporting improvements in financial management and audit. These will improve the quality of education sector budget formulation and implementation. In respect of these objectives, the Government has agreed to several fiscal policy actions as conditions for initial and subsequent tranche releases of the policy loan. The focus on nonsalary expenditures in the ESP will result in an increase of the ratio of nonsalary expenditures to total expenditures from 26 percent in 2001, to 42 percent in 2005. Against a backdrop of increased enrolment, this represents a significant increase in efficiency gains. The resources provided by the ESDP are critical to achieving this rise in nonsalary expenditure. The modest increases in salary costs projected in the ESP will generate substantial benefits in terms of increased enrolments, underpinned by demonstrable efficiency gains. These efficiency gains will be further enhanced by the rise in allocations for nonsalary operating costs. These have tended to be underfunded in the past, with negative implications for school quality.

11. The ESDP will also support increased efficiency in the allocation of education sector spending. In concert with national policy on deconcentration and decentralization, functions, powers, and resources will gradually be devolved to subnational agencies to plan, budget, and deliver education services. This will result in better matching expenditure to needs, reduced

duplication, and greater synergy among NGO and government agencies delivering educational services.

3. Health and Population Benefits

12. Global studies have shown that completion of basic education has positive synergistic effects on a number of social indicators that in turn contribute to economic growth and productivity. For example, better educated women are expected to have a lower maternal mortality rate, and their children will have a lower infant mortality rate. This will be of particular significance in the ESDP, which focuses resources on the education of girls in rural and remote areas. More education for girls is also positively correlated with reduced fertility, because the opportunity costs of childbearing increase as educated women command higher wages and have more employment opportunities. Studies elsewhere in Asia indicate that the nutritional status of a child improves significantly with each year of a mother's education beyond the primary grades. While these externalities are not easily quantified and costed, they are nevertheless real, and add considerably to the overall rate of return of the investment.

13. The ESDP also promotes the containment of the HIV/AIDS epidemic, which poses a serious threat to Cambodia, with high prevalence and high growth. By utilizing program resources to reduce the spread of the epidemic, the ESDP will contribute more generally to economic growth by reducing the risks posed by the epidemic and mitigating its effects.

4. Increased Sector Allocation

14. The Government is committed to increased fiscal stability to provide related growth benefits for the Cambodian economy, by enhancing the sustainability and effectiveness of the public expenditure policy, switching expenditure in favor of social services at the expense of general (including military) services. In this context, it has made a medium-term commitment to substantially increase the recurrent expenditure allocation for the education sector. This commitment to increase the education sector's share of total recurrent expenditure is an integral part of the overall transition the Government seeks to achieve, from a public sector that is focused on the maintenance of internal and external security, to one that delivers social and economic services to citizens as part of an overall poverty-focused social and economic strategy. These commitments are to be reviewed and affirmed on the basis of the Interim Poverty Reduction Strategy Paper. The Government has agreed to increase the education share of the total recurrent budget from 15.7 percent in 2001, to 19.5 percent in 2004..

15. The Government has also undertaken to provide real increases in school operating budgets each year. An analysis of enrolment elasticities in Cambodia carried out by the World Bank indicates that at the sample mean, a 1 percent increase in public spending on education per capita is associated with enrolment ratio increases of 0.3 percent at the primary level, 2.2 percent at the lower secondary level, and 4.7 percent at the upper secondary level. On this basis, the elasticity of basic education (primary plus lower secondary) enrolment is expected to be greater than unity.

16. Increased allocations for operating costs will therefore result in direct and indirect benefits generated by spending in this sector. In addition, the reduction in private contributions required from poor and vulnerable groups, supplemented by a targeted assistance program, implies that the benefits from increased spending are enhanced by their positive impact on these groups. These increases are particularly important since past experience shows that

sector budget constraints have resulted in severe underfunding of operational expenditures and of expenditure on improving quality.

17. Providing support for inputs therefore enhances sustainability and the quality of education spending, and makes such spending more effective. Collectively, these policies will generate an increase in nominal expenditure on basic education from KR180,225 million in 2001 to KR376,763 million in 2005, according to estimates presented in the ESP. Sustainability in the education sector will be improved by reducing the traditional underfunding of nonwage recurrent expenditure, while at the same time enabling the Government to work within its fiscal constraints and maintaining the recurrent budget balance.

18. The publicly borne salary costs per pupil in nominal terms will be KR67,711 in 2005 as opposed to KR50,258 in 2001. This represents a 34 percent increase in salary costs over five years in nominal terms. Given an expected inflation rate of 5 percent over this period, the planned real increase in wage costs is relatively small.

B. Social Equity

1. Poverty Reduction

19. Access to basic education in Cambodia involves sizeable direct and indirect costs, the incidence of which falls significantly on private households. For basic education, World Bank estimates indicate recurrent spending costs to be around KR63,000 per student, of which 53 percent of the costs are privately borne. Private unit costs rise proportionately for nonbasic education. This results in economic disparities in education access, with the gross primary enrolment ratio for the poorest per capita quintile of the population being 85 percent, while that for the richest quintile is 113 percent. This disparity has obvious negative intergenerational effects on equity.

20. The policy loan directly addresses the problem of equity in education access by supporting the Government's intent to reduce the cost of basic education to parents. The Government has agreed to abolish start-of-year parental contributions in all primary and lower secondary schools, and plans to develop and implement a scheme of incentives to attract and keep poor children in school. These actions jointly will reduce parental contributions, and will particularly benefit the poor. This will reduce their economic vulnerability—defined as the marginal risk of decline in a human life quality indicator (such as nutrition or literacy) as a consequence of a marginal reduction in access to the economic goods that affects that indicator (such as health or education). In countries like Cambodia, vulnerability is extremely high even for populations contained in the top quintile of the population because of low absolute GDP compounded by adverse income and asset distribution.

21. In addition, the institution of a program of targeted incentives for the rural poor, especially for females, provides poverty- and gender-targeted support to poor households. Better equity, results in a wider dissemination of the economic benefits of education across the poor and vulnerable sections of the population, and therefore increases resistance to economic shocks and access to employment opportunities in a growing and stable economy. Hence, the ESDP contributes to poverty reduction and enhances general productivity and economic growth.

2. Social Inclusion

22. The ESDP targets disadvantaged gender and ethnic strata in society. It has measures to reduce the underrepresentation of girls in schooling by supporting girls' school attendance. Facilities development will take a whole-school approach and include sanitary facilities for girls, the absence of which is often cited as a reason for low female participation. Capacity building in the quality area will ensure even representation of both genders in the curriculum and instructional materials. The increased inclusion of girls in basic education will result in several economic benefits, some of which were referred to in paras. 12 and 13. More generally, the involvement of girls in education will increase the labor force, involve women in community activities, expand the economic potential of the country, and strengthen its democratic base.

23. The ESDP targets the marginalized ethnic minorities of the four northeastern provinces, fully described in the Indigenous People's Development Plan. The greater inclusion of such groups, through education services, in mainstream Cambodian society, will increase their identification with the state, increase internal security, and in the long-term provide Cambodia with a stronger profile as a target for international business investment.

3. Increased Regional Equity

24. The investment project will initially focus facilities development on those communes and provinces where regional disparities in facilities provision are greatest (the most unserved or underserved), based on the management information system of the Department of Materials and State Property (DMSP) and field data. It will also target provinces that will not be beneficiaries of facility rehabilitation loans of ADB and the World Bank currently being implemented. By targeting resources on communes and provinces that are underresourced, and without current facilities financing prospects, the ESDP will contribute to increased regional equity and ensure the spread of benefits throughout the country. Facilities will most likely be procured at province and commune levels, and utilize local contractors, providing jobs and employment in areas that have traditionally been underprovisioned.

C. Institutional and Governance Benefits

1. Deconcentration and Decentralization

25. Cambodia is committed to deconcentration and decentralization to increase participation in decision making and performance monitoring of public services, leading to improved effectiveness and increased efficiency. The ESDP supports deconcentration and decentralization through (i) the conditions for its program support, including priority action program (PAP) support, (ii) its deconcentrated approach to facilities provision, and (iii) the focus of its capacity building for facilities development and decentralized management.

26. Of particular importance is the need to improve disbursements under the PAP, which is the major vehicle used by the Government for rapid disbursement of resources to service providers. Reviews of PAP performance in 2000 indicate substantial increases in economic benefits as a consequence of successful implementation. Nevertheless, disbursements under the PAP have been well below expectations. By improving the effectiveness of the PAP financing mechanism, through more effective disbursement methods and better internal audit, the ESDP will improve the effectiveness of education sector spending, and improve deconcentration and decentralization.

27. The ESDP will also include information, education, and communication support for the implementation of decentralized facilities provision, linked to capacity building. This support will develop two-way channels of communication between center-province, province-commune, and commune-school, to disseminate policies, procedures, and proposals, and ensure strengthened participation at all levels. This will contribute to the effective implementation of the decentralization process, ensure effective spending, and assure the rate of loan disbursement for the investment component.

2. Institutional Strengthening

28. The ESDP has a strong capacity building thrust and focuses on selected institutions central to service delivery. Central institutions of the Ministry of Education, Youth and Sport (MOEYS) responsible for the planning, quality, and audit of facilities provision activity will be supported in developing their new functions as basic activities are decentralized. Concurrently, province, districts, and communes, which will be assuming new responsibilities for educational services provision, will be strengthened in these functions. The ESDP will also develop the capacity of institutions responsible for the quality of services, especially upper secondary education, to provide more integrated and efficient programs, and the capacity of the integrated publishing enterprise to become more commercialized in its operations. Each of these institutional strengthening exercises will contribute to the more effective and targeted utilization of public funds, and enable the Government to implement its efficiency reforms.

3. Sector Management

29. The ESP is Cambodia's first initiative in developing a comprehensive and prioritized sectorwide approach to education development; this approach, if realized, will contribute substantially to improving utilization of government and external funds. The key criteria in prioritizing spending within the ESP are (i) poverty reduction; and (ii) focus on poverty-, gender-, regional- and ethnicity-based disparities.

30. The ESDP enhances sustainability by providing policy-based support to supplement the recurrent budget, targeted at protecting service provision to the poor. Initial and tranche release conditionalities in the policy matrix will ensure that ADB's loan support supplements, rather than substitutes, Government funding by requiring increased allocations to the education sector.

4. National Identification

31. When emerging from a long period of internal and external conflict, and foreign occupation, Cambodia in the early 1990s accepted external and NGO assistance from everybody, and agreed to whatever conditions and implementation mechanisms were proposed. The education sector was, from 1990 to 2001, supported by a plethora of projects, organizations, and funding agencies, with numerous project implementation arrangements (see lists of current funding agency and NGO assistance to the sector in Appendix 4). Government control of the sector and its operations was constrained by the need to accept assistance, irrespective of conditionality. This was most inefficient, and TA was utilized ineffectively. Most significantly, the role of the Government and Cambodian officials in determining education policy and investment priorities was marginalized.

32. The ESP is the Government's attempt to address this loss of sovereignty, and regain control of the development agenda, while maintaining collaboration and participation of funding agencies and NGOs. ADB has supported the ESP preparation process through TA, and will, through the ESDP, support the implementation of the sector approach. The approach returns to Government the decision-making role for financial allocation, and reenergizes the structures of MOEYS as the means of implementation. This is demonstrated in the approaches for the disbursement of policy loan tranches against actions agreed with ADB, the implementation of the facilities development through DMSF, and through province and commune authorities; and the focus of TA will be to build capacity rather than to provide management skills. The result will be the stronger identification of education as a service delivered by the Government at central, provincial, and commune levels, rather than by a host of foreign funding agencies, with concomitant renewed national responsibility for access to and the quality of those services.

5. Improved Governance

33. The ESP is best understood as a program for improving education sector performance by improving governance. It addresses the core governance questions about how public resources should be allocated, how benefits and costs of allocations should be distributed, and who is best placed to decide on these questions. The ESP systematically addresses each of these questions and defines the institutional arrangements and capacities that will be necessary to implement and sustain them. At the national level, the procedures governing medium-term and annual planning, budgeting, and expenditure of public resources will dramatically improve. The ESDP will be a key and leading-edge program supporting the public finance reforms, and reforms in public administration at national, province, and commune levels.

34. At the provincial level, the ESDP will trial the first step in instituting a system of intergovernmental fiscal transfers through conditional funds for education facilities. Initially, this will focus on center-province relations, but with the advent of commune councils, the ESDP will support the establishment of a system of fiscal relations between the center and commune local governments. The ESDP will enhance province, commune, and school capacity to allocate resources, judge the relative benefits and costs of these decisions, and increase accountability for the results achieved.

35. Given the significance of education sector spending in the budget profile of provinces and communes, the precedents created under the ESDP can be expected to have a profound demonstration effect on the pace and quality of implementation of the larger governance reforms to which the Government is committed. In the longer run, increased literacy will in turn underwrite improved awareness of public rights and responsibilities, official systems of accountability, and greater public access to democratic and administrative institutional procedures. The result of improved governance will be education services that are more equitably distributed, more accessible to vulnerable and poorer sections of the population, and more affordable, both for households and, through improved efficiencies, for the national budget.



ព្រះរាជាណាចក្រកម្ពុជា
 ព្រះមហាក្សត្រ
 KINGDOM OF CAMBODIA
 Nation Religion King

№. .MEF/.....

Phnom Penh, October 11, 2001

H.E. Mr. Tadao Chino
 President
 Asian Development Bank
 Manila, Philippines

Cambodia: Education Sector Development Program

Your Excellency,

The Royal Government of Cambodia has consistently asserted the high priority given to the development of its human resources, and has determined in several high level fora to address the resource constraint that has impeded the growth and reform of educational services in recent years. The Government has adopted a sector-wide approach to planning and financing the education sector, and the majority of the traditional sector donors have actively supported this. The support of the Asian Development Bank (ADB) has been critical to our analysis of the sector and the development of our sector-wide policy and strategic framework through three technical assistance grants since 1998. We have recently endorsed a five-year sector support program that was one of the major outputs of the cycle of ADB technical assistance (TA) support.

In this letter, I will apprise you of the policy reform program that we will undertake over the next five years. The program is described in detail in the accompanying policy matrix. The Government is committed to continuing the reform program throughout the period of the policy loan.

The Government's policy priorities for the education are four-fold: (i) assuring an increased resource allocation to the education sector, (ii) increasing equitable access to education services, (iii) improving quality and internal efficiency of the sector, and (iv) enhancing managerial capacity at all levels and increasing the de-concentration of service delivery.

In order to assure an **increased allocation for education**, we have set ourselves three principal objectives. The first is to establish sector financing on surer foundations. The Ministry of Education, Youth and Sport (MOEYS) has moved ahead on this, in consultation with the Ministry of Economy Finance, and has approved the targets and financing arrangements for a five year strategy and financing framework. Together, our two Ministries have established a joint working committee, the education financial management committee (EFMC). I agreed with His Excellency Tol Lah, Deputy Prime Minister, Minister of Education, Youth and Sport to the establishment of this special committee including representatives from other relevant Ministries to strengthen financing arrangements for this sector, due to the special priority given to education development by the Council of Ministers.

The second objective is the increase of the education sector allocation. I am happy to confirm that the allocation to the education sector in 2002, 2003, and 2004 will be not less than

17.5%, 18.5%, and 19.5% of the total recurrent budget expenditures respectively. The third objective is to increase the operating budget of schools and institutions throughout the country. We piloted this through the education PAP in 2000 and 2001 with good results, and the Government is committed to continuing to increase the financing of the education PAP through FY 2004.


In order to increase **equitable access to education services**, the Government has four key objectives. The first is to reduce the cost of basic education to parents. To this end, the MOEYS issued a declaration in 2001 to forbid the collection of start-of-year contribution in primary school. Secondly, a merit driven incentives program will be introduced to support the poor, and will focus on students in grades 4 to 9, targeted particularly on girls and indigenous peoples. The Ministry of Economy Finance has approved the MOEYS proposal to pilot this new program in 2002 in 6 provinces, and this has been included in the proposed budget. We anticipate that the Government of Japan will contribute to the cost of piloting this program, in a grant linked to the Education Sector Development Program. The Government would like to recognize herewith the assistance provided by ADB in accessing financing for this scholarship program.

Our third equitable access strategy is to develop a partnership with the private sector; to increase non-public sector delivery of education services at all levels. In pursuance of this policy, the MOEYS will develop in 2002 an innovative public-private sector strategy for the education sector, the first time in our history that such a partnership has been proposed. Finally, the Government has determined to remove other barriers to the accomplishment of the 'education for all' goal, especially for girls and indigenous peoples in the four or five northeastern provinces. The MOEYS has approved an action plan on the redeployment of teachers to ensure that supply and demand is more balanced. Under-served ethnic minority areas have been given priority treatment in this plan. The Ministry has approved the criteria for facilities investment, and un-served indigenous peoples' areas receive priority attention in this program also.

To improve the **quality of services and the efficiency of the sector**, three strategic objectives have been prioritized. The first is to increase equity and efficiency in the preparation of new teachers for the service and in the delivery of professional development to the working teacher in-service. The MOEYS has approved a preliminary action plan for expanding the supply of teachers with existing staff and facilities, and for incorporating multi-grade skills into all programs for training primary teachers. We anticipate that the application of multi-grade teaching will improve access and promotion, and lead to a more efficient utilization of teachers in small village schools. We also plan to define minimum standards of student performance and develop related assessment systems for grades 2, 4, and 6. The third objective is to sustain the gains that have resulted from ADB's Basic Education Textbook Project in terms of high level of access to core textbooks. To this end, the MOEYS will develop a plan to sustain current textbook availability by the end of 2002. The Government will, in the interim, provide at least US\$ 3.5 million for core textbooks in the education PAP in FY 2002 to provide bridging financing for textbooks while the sustainability strategy is finalized.

The fourth policy focuses on **management improvements and increased de-concentration**, consistent with overall national policy reform. The Government's first objective is to strengthen the financial planning and budgeting process at central and provincial level. A second objective is to improve the monitoring system for the education sector. A third objective is to rationalize the education service, and we will begin in FY2002 to implement our five-year rationalization plan, coupled with improve performance targets. Our next objective will be to

establish the coordination mechanism between the Ministry of Economy and Finance and the Ministry of Education, Youth and Sport to which I referred above (EFMC). As a first step, the two Ministries have agreed that monitoring disbursements will be a key function of the EFMC. The fifth objective is to improve financial disbursements to provinces, communes and schools, as we realize that reforms will only be affected when the resources reach the spending units. A final objective is to develop effective governance systems in the sector, and a plan for taking this objective forward will be developed by MOEYS in FY2002.

As ADB supports the Royal Government of Cambodia in reforming its financing mechanisms for sector development, we, for our part, confirm that we would like policy dialogue between us to continue, and further technical assistance in policy, strategy, and planning to be provided. We recognize the benefit of the relationship with the ADB in the improvement of the education sector over the past decade, and wish our partnership in this critical endeavor to be sustained. 

Sincerely yours,



Keat Chhon,
Senior Minister
Minister of Economy and Finance

POLICY MATRIX

Policy areas and medium-term objectives	Actions to be taken prior to first tranche release (expected mid-December 2001)	Actions to be taken prior to second tranche release (expected end February 2003) ^a	Actions to be taken prior to third tranche release (expected end February 2004) ^a
1. Increased resource allocation to the education sector			
1 a. Establish national policy and institutional framework for the education sector	<p>The Minister, Ministry of Education, Youth and Sport (MOEYS) will approve the finalized Education Strategic Plan (ESP) and the Education Sector Support Program (ESSP) as the framework for the overall education sector.</p> <p>MOEYS and Ministry of Economy and Finance (MEF) will establish, by 31 October 2001, the education financial management committee (EFMC) between MOEYS and MEF and other relevant ministries. The EFMC will be cochaired by the secretaries of state of MEF and MOEYS.</p>		
1 b. Increase education sector allocation	<p>MEF will provide the Asian Development Bank with written confirmation that the sector recurrent-total recurrent budget expenditure ratio for FY2002 budget presented to the National Assembly, represents not less than 17.5% of the total recurrent budget expenditures.</p> <p>MEF will provide ADB with written confirmation that the budget for the education sector in FY2002 is consistent with the requirements included in the ESSP</p>	<p>The Government will ensure that sector recurrent-total recurrent budget expenditure ratio for FY2003 budget presented to the National Assembly, representing not less than 18.5% of the total recurrent budget expenditures.</p>	<p>The Government will ensure that sector recurrent-total recurrent budget expenditure ratio for FY2004 budget is presented to National Assembly, representing not less than 19.5% of the total recurrent budget expenditures.</p>
2. Increased equitable access to education services			
2 a. Reduce cost of basic education to parents	<p>MOEYS will issue <i>Prakas</i> to abolish nationwide start-of-year parental contribution for enrollment in grades 1 to 9, for year 2001 through 2004.</p>		

Policy areas and medium-term objectives	Actions to be taken prior to first tranche release (expected mid-December 2001)	Actions to be taken prior to second tranche release (expected end February 2003) ^a	Actions to be taken prior to third tranche release (expected end February 2004) ^a
2 b. Remove access barriers to basic education for all, especially females and ethnic minorities	MOEYS will prepare , in line with the ESSP, the teacher deployment and teacher incentives implementation plan and budget for FY2002, satisfactory to ADB and consistent with supply and demand projections to be part of the education service rationalization plan.	<p>MOEYS, in consultation with the Ministry of Women’s and Veterans’ Affairs, will prepare an implementation plan for FY2003-2005, and budget for FY2003, satisfactory to ADB, consistent with the strategies and targets of the approved the ESSP for increased participation of females and ethnic minorities in schooling and at all levels in the education sector.</p> <p>MOEYS will approve the school participation of females and ethnic minorities implementation plan and budget for FY2003.</p>	MOEYS will prepare an implementation report of the females and ethnic minorities participation plan of FY2003, and on the basis of discussions with ADB, will make appropriate modifications to the plan for FY2004.
2 c. Provide targeted assistance for poor students in grades 4-12	<p>MOEYS will approve the implementation plan and budget for FY2002 for merit-driven targeted assistance to poor children, including criteria for poverty-indexed targeting, allocation, and institutional arrangements, prepared in line with the ESSP.</p> <p>MOEYS will include financing for the incentive plan in its capital or recurrent budget for FY2002.</p>	<p>MOEYS will prepare a report, satisfactory to ADB, detailing the disbursement for FY2002, and results related to the implementation of the merit-driven targeted assistance plan for poor children.</p> <p>MEF will ensure that the allocation to provide merit-driven targeted assistance to poor children, based on the approved plan, is included in the budget for FY2003.</p>	<p>MOEYS will prepare a report, satisfactory to ADB, detailing the disbursement for FY2003, and results related to the implementation of the merit-driven targeted assistance plan for poor children.</p> <p>MEF will ensure that the allocation to provide merit-driven targeted assistance to poor children is based on the approved plan, included in the budget for FY2004.</p>
2 d. Expand public-private partnership		MOEYS will approve public-private partnership strategies, satisfactory to ADB, consistent with the approved ESSP for secondary education, technical and vocational education and training, and higher education (i.e., postbasic education), and will define preconditions for such extended public-private partnership in postbasic education.	MOEYS will approve an implementation plan for piloting public-private partnership models in postbasic education for FY2004.
3. Improved quality and internal efficiency of education			

Policy areas and medium-term objectives	Actions to be taken prior to first tranche release (expected mid-December 2001)	Actions to be taken prior to second tranche release (expected end February 2003) ^a	Actions to be taken prior to third tranche release (expected end February 2004) ^a
3 a. Increase equity and efficiency in provision for preservice and in-service teacher development	MOEYS will approve an implementation plan and budget for FY2002 for teacher development consistent with the ESSP and with MOEYS's supply and demand projections, incorporating multigrade methodologies in preservice and in-service teacher development programs.		MOEYS will modify the implementation plan and FY2004 budget based on its review of progress on deployment and multigrade training initiatives.
3 b. Strengthen school and student performance assessment systems		MOEYS will approve an action plan, satisfactory to ADB, defining and assessing minimum standards of student performance in grades 2, 4, and 6 consistent with the approved ESSP.	MOEYS will prepare a report, satisfactory to ADB, on the trials of student performance standards and assessment mechanisms for grades 2 and 4.
3 c. Maintain sustainable supply of instructional materials	<p>MOEYS will approve an implementation plan and budget for FY2002, satisfactory to ADB, that will sustain the supply of core instructional materials at agreed student-book rates of 1:1 for grades 1 to 9 and 1:2 for grades 10 to 12.</p> <p>MOEYS will, notwithstanding the amount of the education budget, allocate at least \$3.5 million to assure the sustainable supply of core instructional materials for FY2002.</p>	<p>MOEYS will approve an implementation plan and budget for FY2003-2005, satisfactory to ADB, that will sustain the supply of core instructional materials at agreed student:book rates.</p> <p>MOEYS will implement the approved plan and budget for FY2002 and provide to ADB an implementation report including information on financing, production, and distribution.</p> <p>The Government will ensure that the budget allocation for core instructional materials for FY2003 will be no less than required in the approved implementation plan and budget for FY2003.</p>	<p>MOEYS will implement the approved plan and budget for FY2003 and provide to ADB an implementation report including information on financing, production and distribution.</p> <p>The Government will ensure that budget allocation for core instructional materials for FY2004 will be no less than required in the approved implementation plan and budget for FY2004.</p>
4. Enhanced management and deconcentration of education services			

Policy areas and medium-term objectives	Actions to be taken prior to first tranche release (expected mid-December 2001)	Actions to be taken prior to second tranche release (expected end February 2003) ^a	Actions to be taken prior to third tranche release (expected end February 2004) ^a
4 a. Strengthen the financial planning and budgeting process at central and provincial levels	<p>MOEYS will approve a medium-term expenditure plan for education, satisfactory to ADB, as a basis for setting priority program financing targets.</p>	<p>MOEYS will prepare the education budget for 2003, based on overall sector allocations, and priority action program (PAP) shares, as agreed with MEF and consistent with ESSP priorities.</p> <p>MEF will approve the education budget for FY2003, based on overall sector allocations and PAP volumes, as agreed with MOEYS.</p> <p>MOEYS will prepare and MEF will issue guidelines, satisfactory to ADB, defining roles and responsibilities of provincial authorities and communities for financial management, procurement, and reporting procedures.</p>	<p>MOEYS will prepare the education budget for 2004, based on overall sector allocations, and priority action program (PAP) shares, as agreed with MEF and consistent with ESSP priorities.</p> <p>MEF will approve the education budget for FY2004, based on overall sector allocations and PAP volumes, as agreed with MOEYS.</p>
4 b. Improve sector performance monitoring system	<p>MEF, through EFMC, will approve sector performance indicators and targets for FY2002, satisfactory to ADB.</p> <p>MOEYS will prepare a set of outcome and output indicators derived from the education PAP and capital investment priority program.</p>	<p>The Government will achieve sector performance targets in FY2002 and approve sector performance indicators and targets for FY2003, as agreed with ADB.</p>	<p>The Government will achieve sector performance targets in FY2003 and approve sector performance indicators and targets for FY2004, as agreed with ADB.</p>
4 c. Improve productivity of education service personnel		<p>The Government will ensure satisfactory compliance of the education service rationalization plan and performance targets, as agreed with ADB, including the following for FY2002:</p> <ul style="list-style-type: none"> - redeployment of administrative positions into teaching positions with a minimum of 2,000 - transfer of staff from one location to another with a minimum of 3,000. 	<p>The Government will ensure satisfactory compliance of the education service rationalization plan and performance targets, as agreed with ADB, including the following for FY2003:</p> <ul style="list-style-type: none"> - redeployment of administrative positions into teaching positions with a minimum of 2,000 - transfer of staff from one location to another with a minimum of 3,000.

Policy areas and medium-term objectives	Actions to be taken prior to first tranche release (expected mid-December 2001)	Actions to be taken prior to second tranche release (expected end February 2003) ^a	Actions to be taken prior to third tranche release (expected end February 2004) ^a
4 d. Establish coordinating mechanisms for improving financial management	MOEYS and MEF will approve the terms of reference of EFMC, satisfactory to ADB.		
4 e. Improve education sector effective disbursement and audit	<p>MOEYS, in consultation with relevant line ministries, will specify arrangements for facility implementation at the provincial level.</p> <p>MOEYS will discuss with funding agencies the necessary capacity building inputs for PAP planning and management along with necessary capacity building in institutional development for sector management, as identified in the ESSP.</p>	<p>MEF, through EFMC, will approve disbursement mechanisms, performance monitoring modalities, financial reporting, financial compliance auditing systems.</p> <p>The Government will ensure that the education PAP for 2002 achieves 90% disbursement by the end of FY2002.</p> <p>MOEYS will submit to ADB a financial report on PAP disbursement, and a technical report on progress of PAP-funded activities.</p>	<p>The Government will ensure that the education PAP for 2003 achieves 90% disbursement by the end of FY2003.</p> <p>MOEYS will provide ADB with its internal audit report for FY2003 for PAP and school facilities.</p>
4 f. Develop effective education governance systems		<p>MOEYS will approve an information, education and communication strategy on the education reforms, satisfactory to ADB.</p> <p>MOEYS will issue guidelines and regulations, satisfactory to ADB, defining the powers and responsibilities of education authorities and communities in managing and monitoring school performance.</p>	<p>MOEYS will carry out a progress review of the information, education and communication strategy and program for FY2003.</p>

^a Actions in boldface are conditions for the release of the first, second, and third tranches of the policy loan.

CONSULTING SERVICES

A. International Consultants

1. School Facilities Specialist (24 person-months)

1. The specialist will (i) support the Department of Planning and the Department of Materials and State Property (DMSP) in preparing annual and multiannual provincial allocations for schools facilities program; (ii) support DMSP to assess the provincial departments capacity to implement the program, and identify needs in capacity building and supply of strictly necessary equipment; (iii) in consultation with the Ministry of Economy and Finance (MEF), the Ministry of Education Youth and Sport (MOEYS), the Council for Administration Reform, design education facilities guidelines for primary and secondary education, including (a) roles and responsibilities of national level, provinces, districts, communes, schools, and contractors; (b) modalities for allocation of resources; (c) modalities for application for the facilities fund; (d) modalities for selecting the eligible applicants; (e) contracts/memorandum of understanding between the national and provincial executing agencies, and the beneficiaries; (f) procurement of works; (g) site supervision, quality control, and certification of payments; (h) financial management at central and provincial levels, and at the beneficiary schools and education institutions; and (i) monitoring, evaluation, and audit modalities; (iv) support MOEYS in preparing workshops and training materials for training; (v) support DMSP in program implementation and monitoring during the first two years, including on-the-job training on monitoring and quality control; (vi) support DMSP to review and extend the standard building and furniture designs, and develop a technical manual for primary and secondary education facilities, and teachers' accommodations; and (vii) assist MOEYS and the Asian Development Bank (ADB) with the midterm review of implementation of the decentralized school facilities program.

2. Budget Planning, Accounting, and Audit Specialist (12 person-months)

2. The specialist will (i) assist the General Inspectorate, MOEYS, to start up, develop, direct, and maintain a comprehensive program of internal auditing for the ministry; (ii) assist the Department of Finance, MOEYS, to start up, develop, direct, and maintain a comprehensive program of budget planning and accounting for the ministry; (iii) develop a structured program for staff development, training, evaluation, and career development; (iv) prepare a modern accounting and internal audit arrangement in line with the draft internal auditing regulations currently being reviewed by the Government; (v) develop a comprehensive annual and five-year work plan, based on a risk assessment of MOEYS operations; (vi) design an overall training program for budget, accounting, and audit staff; and develop training materials based on the operational manuals; (vii) assist staff in conducting field accounting and audits from the planning stage to final reporting; (viii) design and conduct training for the senior staff of the Department of Finance and General Inspectorate on supervision and review techniques, accounting and audit administration, and quality control procedures; (ix) supervise the domestic consultant to ensure that line ministry staff are properly trained in internal budgeting, accounting, and auditing methodologies and procedures; (x) develop budget, accounting, and internal audit procedures manuals for performance, financial, and compliance auditing; (xi) establish appropriate international internal accounting and auditing standards in line with the regulations of the Government; (xii) arrange workshops and seminars on accounting and audit law, internal audit regulations, and increase awareness within MOEYS on the objectives and approach of the internal auditing activity; (xiii) liaise with the director general, the General Department of Administration and Finance, on the preparation of advisory papers for the education finance and

management committee; and (xiv) provide assistance for accounting and audit aspects of facilities development.

3. Technical and Vocational Education and Training Institutional Development Specialist (9 person-months)

3. The specialist will (i) assist in assessing priority capacity building requirements within the Department of Technical and Vocational Education and Training (TVET) and the National Training Board (NTB), including preparing a forward work plan; (ii) assist in setting up a technical and monitoring committee for annual program operational budget allocations to Phnom Penh and provincial TVET institutions; (iii) assist NTB with agreement on annual allocations for TVET institutions and operational guidelines, including provincial training centers; (iv) design and implement training of TVET Department and provincial education office staff on program resource allocation systems and eligibility criteria; (v) assist the TVET Department and NTB with the development of eligibility criteria and operational guidelines for national training fund bidding between public, nongovernment organization (NGO), and private providers; (vi) assist in the training of staff in undertaking labor market surveys and training needs assessments; (vii) assist in strengthening TVET Department and NTB capacities in data and information analysis for program planners, including the use of core education management information system (MIS) data for forward planning; (viii) assist with the development of guidelines and staff training for TVET program performance monitoring; (ix) assist with the training of staff in technical and financial reporting for the TVET Department, NTB, and institutional managers; and (x) help develop guidelines for new procurement, accounting, and financial monitoring systems for TVET institutions.

4. TVET Skills Standards and Quality Assurance Specialist (9 person-months)

4. The specialist will (i) help identify priorities for the skills and competencies to be tested by the respective TVET institutions; (ii) help prepare a work plan to refine skills standards, testing mechanisms, and certification procedures, including credit transfer with other institutions; (iii) assist with the detailed design of the testing procedures for various TVET skills; (iv) design TVET staff development programs for implementing the skills standards testing procedures; (v) develop dissemination programs to employers, instructors, and trainees on the approved competency standards, testing procedures, and institutions and program accreditation mechanisms; (vi) develop procedures for using the skills standards testing to monitor the quality of training provided by public, NGO, and private providers; and (vii) develop procedures for using the skills testing and quality assurance mechanism as part of program monitoring

B. Domestic Consultants

1. Management Information System Design Specialist (18 person-months)

5. The specialist will (i) expand the school facilities MIS, and unit cost database, to be used for national monitoring and reporting on the education facilities grant, and adapt the current MIS in DMSP to the reporting formats of the uniform implementation guidelines; (ii) design a robust, user-friendly, and utilitarian facilities MIS system that will gradually incorporate MIS at provincial levels, and ensuring links to the central DMSP system; (iii) train at least two DMSP engineers who will build capacity in MIS at the provincial level.

2. Architect-Engineer (18 person-months)

6. The architect-engineer will (i) translate into Khmer the implementation guidelines and the technical handbook, the workshop training materials, and any other document relevant to the program, ensuring that the Khmer version has the same format and layout as the English version, and that it is perfectly understandable at the national, provincial, school, and community levels; (ii) support the organization of workshops and preparation of training documents; (iii) assist DMSF with interpretation in meetings and training sessions; (iv) assist in monitoring the facilities program.

3. Accounting and Audit Specialist (24 person-months)

7. The specialist will (i) establish an effective internal accounting and audit function within MOEYS; (ii) prepare an internal accounting and audit mandate, and raise awareness within the ministry of the objectives of internal audit; (iii) design an appropriate organizational structure and position descriptions for the internal accounting and audit groups; (iv) develop an internal accounting and audit procedures manual, and train staff in applying the methodologies and procedures outlined in these manuals (v) work with the directors in the General Inspectorate and the General Department of Administration and Finance in conducting field assignments; (vi) develop a five-year work plan, using a risk-based methodology for identifying accountable and auditable units; (vii) develop a training program, and undertake training in internal control and financial management systems; (viii) act as an interpreter in meetings and training sessions, assist in translating documents, and coordinating translation work to be contracted to others; (ix) prepare training materials, organize logistics, and liaise with training participants and other resource persons; and (x) assist DMSF with the design and implementation of accounting systems for the facilities development program, including field support to the selected provinces involved in the deconcentrated facilities management initiative.

4. TVET Staff Development Specialist (18 person-months)

8. The specialist will (i) assist with assessing priority training needs within the TVET Department and NTB; (ii) design and implement training programs for TVET Department and provincial staff on program resource allocation systems, and eligibility criteria; (iii) assist the TVET Department and NTB with the training of staff in the use of eligibility criteria, and operational guidelines for NTF bidding, between public, NGO, and private providers; (iv) assist with the training of staff in undertaking labor market surveys and training needs assessments; (v) assist with the training of TVET Department and NTB capacities in data and information analysis for program planners; (vi) implement training programs in the use of guidelines for TVET program performance monitoring, including institutional directors, and central and provincial TVET staff; (vii) help implement the training of staff in technical, and financial reporting for TVET Department, NTB, and institutional managers; (viii) assist with the staff development programs for the use of guidelines for new procurement, accounting, and financial monitoring systems for TVET institutions.

5. TVET Skills Standards Training Specialist (18 person-months)

9. The specialist will (i) help design a work plan for the training of staff in skills standards, testing mechanisms, and certification procedures; (ii) assist with the detailed design of staff training programs for the testing procedures for various TVET skills; (iii) help carry out TVET staff development programs for the implementation of the skills standards testing procedures;

(iv) help implement staff training programs in the use of procedures for using the skills standards testing, to monitor the quality of training provided by public, NGO, and private providers; and (v) assist in staff development on using the skills testing and quality assurance mechanisms as part of program monitoring.

C. Contract for Capacity Building for Quality and Efficiency Improvement

10. The Education Sector Support Program has a number of capacity building requirements for curriculum development and materials production, standards development for grades 1-12, and strengthening of MOEYS capacity for procurement and quality assurance of textbooks. In addition, selective capacity building will be needed to transform the Publishing and Distribution House into a public enterprise. Much of this capacity building is expected to be supported by United Nations Children's Fund-Swedish International Development Cooperation Agency under their broad-based capacity building program, to be finalized in late 2001. However, the scope of their support may be limited to grades 1-9. To ensure that adequate resources will be available to cover capacity building for quality improvements in grades 10-12, as well as further capacity building in publishing, a small lump sum contract for consulting services is included under the loan, amounting to about \$0.5 million.

COST ESTIMATES AND FINANCING PLAN

(\$ million)

Component	Unit	No.	Total Project Cost			ADB Financing			Government Financing		
			Foreign Exchange	Local Currency	Total Cost	Foreign Exchange	Local Currency	Total Cost	Foreign Exchange	Local Currency	Total Cost
A. Base Cost											
1. Equitable Access: Education Facilities											
a. Facilities Civil Works, Furniture, Equipment ^a											
Primary Education	Classroom	735	1.85	3.90	5.75	1.85	3.15	5.00	0.00	0.75	0.75
Secondary Education	Classroom	1097	2.54	6.02	8.56	2.54	4.32	6.86	0.00	1.70	1.70
Teacher Accommodation	House	100	0.26	0.55	0.81	0.26	0.44	0.70	0.00	0.11	0.11
Teacher Training College (TTC) Facilities	TTC	21	0.26	0.55	0.81	0.26	0.44	0.70	0.00	0.11	0.11
Technical Vocational Training Facilities	TVET	10	0.58	0.20	0.78	0.58	0.10	0.68	0.00	0.10	0.10
Subtotal (a)			5.49	11.21	16.70	5.49	8.45	13.94	0.00	2.76	2.76
b. Project Operation and Supervision Costs	Years	5	0.00	0.58	0.58	0.00	0.30	0.30	0.00	0.28	0.28
c. Equipment and Vehicles to MOEYS/Provinces	Location	19	0.37	0.06	0.43	0.37	0.00	0.37	0.00	0.06	0.06
d. Consultants	Pers/month	60	0.25	0.15	0.40	0.25	0.07	0.32	0.00	0.08	0.08
Subtotal (1)			6.11	12.00	18.11	6.11	8.82	14.93	0.00	3.18	3.18
2. Institutional Strengthening											
a. Consultants	Pers/month	90	0.75	0.23	0.98	0.75	0.11	0.86	0.00	0.12	0.12
b. Workshops and Seminars	Item		0.00	0.05	0.05	0.00	0.05	0.05	0.00	0.00	0.00
c. Equipment and Vehicles	Item		0.03	0.07	0.10	0.03	0.03	0.06	0.00	0.04	0.04
Subtotal (2)			0.78	0.35	1.13	0.78	0.19	0.97	0.00	0.16	0.16
Subtotal (A)			6.89	12.35	19.24	6.89	9.01	15.90	0.00	3.34	3.34
B. Contingencies											
Physical Contingencies ^b			0.44	1.43	1.87	0.44	0.57	1.01	0.00	0.86	0.86
Price Contingencies ^c			0.17	0.72	0.89	0.17	0.42	0.59	0.00	0.30	0.30
Subtotal (B)			0.61	2.15	2.76	0.61	0.99	1.60	0.00	1.16	1.16
Interest Charge			0.50	0.00	0.50	0.50	0.00	0.50	0.00	0.00	0.00
Total			8.00	14.50 ^d	22.50	8.00	10.00	18.00	0.00	4.50	4.50

Note: Totals may appear not to add up due to rounding.

^a Classroom costs include classroom furniture, one administration room for 6 classrooms, 1 toilet per classroom, and one water tank or bore hole per school.

^b 10 percent of the base cost, civil works.

^c 2.4 percent of the foreign exchange costs and 5 percent of the local currency costs.

^d Inclusive of an estimated average 15 percent taxes and duties on civil works, equipment, vehicles, and remuneration for consultants.

Source: Staff estimates.

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Appendix 9

POVERTY IMPACT ASSESSMENT

1. An assessment of the impact of the Education Sector Development Program (ESDP) on poverty reduction is presented in Table A10. The ESDP supports the Government's Education Strategic Plan (ESP) for 2001-05, which is predicated on a pro-poor platform. ESP policies and strategies are consistent with and contribute to the approved Interim Poverty Reduction Strategy Paper (IPRSP), approved in late 2000.
2. The four areas of policy reform to which the ESDP contributes address issues of (i) increased resource allocation, (ii) equitable access, (iii) improved quality and efficiency, and (iv) enhanced management and deconcentration.
3. ESDP support to the four policy areas contribute directly to poverty reduction. In the first policy area—to assure an increased allocation to the education sector—the ESDP will contribute stability and predictability of sector financing, and enable the Ministry of Education, Youth and Sport (MOEYS) to reduce the cost of education to poor families. The focus of the second area—equitable access—will reduce parental contributions for primary schooling, provide targeted assistance for the rural poor (especially girls and ethnic minorities) and facilities in unserved and underserved areas (especially rural, remote, and ethnic minority areas), and redeploy teachers to underserved areas.
4. The third policy focuses on improving quality and internal efficiency of education services. Activities will contribute to the development of poverty and gender targeting of investments by MOEYS planners, and the introduction of multigrade approaches into primary education delivery to ensure that children in remote rural village schools benefit from the full cycle of primary education. The ESDP will also assure continued access to instructional materials, a provision of particular importance to the 36 percent of the population that is living below the poverty line.
5. The fourth policy area will enable disbursement of funds to schools throughout the country to improve the quality of instructional delivery. It will also increase community involvement in financial planning and accountability, and ensure that due consideration is given to the poor in policy and implementation at province, commune, and school levels.
6. The ESDP will also contribute indirectly to poverty reduction by increasing net enrolment rates, reducing repetition rates, improving progression and completion rates, improving literacy levels, reducing fertility, and increasing AIDS awareness. MOEYS will be more focused on the contribution of the sector to poverty reduction, and the inclusion of the poor as beneficiaries of its services. In the long term, the poor will have more trust in Government and their inclusion in its service provision, and will become more directly involved in service evaluation, and thereby the democratization process.
7. Table A10 presents the direct and indirect impact of the ESDP on the poor, summarizes how the ESDP contributes to addressing macro policy concerns, and presents key assumptions on which the effectiveness of each objective for poverty reduction depends.

Table A10: Poverty Impact of Policy Actions

Objectives	Direct Impact on the Poor	Indirect Impact on the Poor	Macro Policy Concerns Addressed	Assumptions
Policy Area 1: Increased Resource Allocation to the Education Sector				
Establish national policy and institutional framework for the education sector to provide for more predictable planning, including pro-poor strategies.	Improved stability and predictability of education costs	Environment for planning improvements to educational services	Financial sustainability of education program; recurrent budget inadequacy and instability	Commitment to financing framework; economic and political stability
Increased allocation to the education sector, and operating budgets of schools and other educational institutions.	Reduced costs of education to poor parents; improved instructional delivery to poor children	Raised enrollment and progression rates; reduced repetition rate	Quality of the work-force raised	Fiscal situation stable, and increased revenues on track, allowing for positive budgetary action
Policy Area 2: Increased Equitable Access to Education Services				
Reduced cost of basic education to parents by prohibiting start-of-year contributions.	Enhanced likelihood of enrolling poor students, especially girls and ethnic minorities	Increased representation of the poor in school; reduced dropout rates	Gender and ethnic minority equity; poverty reduced	Action by schools and dissemination of new policy to parents; Government able to sustain additional cost; effective monitoring systems and sanctions.
Scholarship program for rural poor, especially girls and ethnic minorities, introduced.	Improved school enrollment among females, minorities, and the poor	Equity within society. Long-term fertility reduction, and healthier families	Gender and ethnic minority equity; poverty reduction	Transparent and fair selection system
Expanded public-private partnership strategy in education sector.	Private contribution enables more government resources for pro-poor strategies	Improved education sector provision overall	Private sector development in the social sectors	For-profit organizations perceive value in expanding partnership with Government in the education sector
Increased access to education services through expanded facilities, particularly in underserved and underserved areas.	New opportunities for children previously prevented from access to school because of no, too distant, or overcrowded facilities	Improved education levels, especially among rural poor	Universalization of basic education	Deconcentrated facilities investment strategies to improve disbursement and implementation performance

Objectives	Direct Impact on the Poor	Indirect Impact on the Poor	Macro Policy Concerns Addressed	Assumptions
Reformed teacher deployment policies (including recruitment and incentive strategies) to provide experienced, qualified teachers in remote rural and indigenous peoples areas	Increased opportunities for remote, poor, and indigenous children for quality educational services	Reduction of regional/rural disparities in social services provision	Inclusion of ethnic minorities in mainstream society; increased social equity	Teachers will remain in service when deployed to serve in remote, rural areas
Policy Area 3: Improved Quality and Efficiency of Education				
Reform pre- and in-service teacher training, with greater operational autonomy, more flexibility, multi-grade teaching, and ethnic minority teaching strategies.	Improved, more appropriate classroom teaching in poor and remote areas of the country	Improved progression rates, and reduced repetition in lower primary grades	Inclusion of ethnic minorities in mainstream society; increased social equity; universalization of basic education	Quality strategies, and training programs in multigrade developed/delivered
Supply of instructional materials sustained	Sustained access to core instructional materials by all students enrolled, inclusive of all disadvantaged	More household expenditure for non-core instructional materials, and other school costs	Improved quality of education	Existing supply system will be sustained, despite financing changes subsequent to the end of external support
Minimum standards introduced at key grade levels, together with mechanisms to monitor school and student performance.	Improved learning, with improved, and relevant curriculum for the rural poor	More equitable grade promotion mechanisms countrywide	Quality improvement; improved sector efficiency and transparency	MOEYS obtains external assistance for standards and curriculum transformation
Policy Area 4: Enhanced Management and Deconcentration of Education Services				
Strengthened financial planning and budgeting process to ensure efficient disbursement and accounting.	Accelerated disbursement of funds, and implementation of activities in target areas, especially in poor rural communities	Trust in government, and the reliability of its services increased in the rural periphery	Rapid disbursement of financial resources to noncentral spending units	Government committed to accelerated disbursement to provinces and districts; corruption constrained.
Strengthened governance and audit procedures to complement deconcentration.	Involvement of community in financial planning and accountability, will help to ensure services related to the needs of the poor	Democratization at community/commune levels	Deconcentration and decentralization	Government commitment to national administrative reform and democratization sustained

INDIGENOUS PEOPLES' DEVELOPMENT PLAN

A. Background and Context

1. Introduction

1. The Education Sector Development Program (ESDP) will contribute, through its policy loan and investment project, to reducing the exclusion from primary and secondary education of ethnic minorities in Cambodia. This population is generally poor and found in remote provinces in the northeast of Cambodia. This Indigenous Peoples' Development Plan (IPDP)¹ focuses on the specific interventions aimed to improve the welfare of this population. It is consistent with the Government's Education Strategic Plan (ESP), draws on the programs proposed in the Education Sector Support Program (ESSP), and includes assistance under the ESDP, as well as from other funding agencies.

2. Ethnic Minority People in Cambodia

2. Cambodia is relatively homogenous in ethnic terms, with over 95 percent of the population Khmer, and speaking Khmer as their mother language. The remaining 5 percent comprises (i) ethnic minority people largely located in the highlands in the northeast; and (ii) other ethnic minorities, including Chams (Muslims, for whom Khmer is the mother language), Chinese, Vietnamese, and Lao. The Chinese and Vietnamese total nearly 4 percent of the non-Khmer population. Cham people are found mostly in urban areas and along waterways, and are integrated with the Khmer community. Ethnic Chinese live in urban areas, and are also integrated. Both groups have established schools, offering special language and religious instruction. Ethnic Vietnamese are less well-integrated and have historically suffered discrimination. Many live on houseboats and have an itinerant lifestyle, dependent on fishing for their livelihoods. Vietnamese children have more difficulty registering at local schools.

3. Education participation and attainment indicators in the highland areas are very poor in comparison with national averages. Most schools attended by highland minority children do not offer the full cycle of six primary grades, and participation and retention rates are low. Secondary schooling is only present in provincial towns, and the enrolment of such schools is almost exclusively the children of ethnic Khmer residents of these provinces. A recent national literacy survey assessed literacy rates within these general ethnic classifications, and found that adults from highland minorities had much lower literate and semiliterate proportions than the ethnic Khmer. None of the females sampled from highland minorities were found to be functionally literate, and only 14.3 percent were classified as being semiliterate.

Table A11: Literacy Rates for Khmer and Ethnic Minorities

Minority	Male			Female		
	Illiterate	Semi-Literate	Literate	Illiterate	Semi-Literate	Literate
Khmer	23.2%	28.0%	48.8%	44.1%	26.0%	29.0%
Highland Minorities	76.3%	18.4%	5.3%	85.7%	14.3%	0.0%

Source: Ministry of Education, Youth and Sport and UNESCO. Report on the Assessment of the Functional Literacy Levels of the Adult Population in Cambodia, 2000.

¹ While indigenous peoples is the term used by the Asian Development Bank, ethnic minorities is the term used in Cambodia.

4. Cambodia officially recognizes the ethnic diversity of its people. Article 32 of the 1993 Constitution guarantees equality to all citizens: “Cambodian citizens shall be equal before the law and shall enjoy the same rights, freedom and duties regardless of their race, color, sex, language, beliefs, religions, political tendencies, birth origin, social status, resources and any position.” Cambodian citizens include the indigenous hill tribes (collectively known as Khmer Loeu) as well as Cham, and long-time resident Vietnamese and Chinese. The Government does not have detailed policies for ethnic and other minorities. Its draft policy for highland development confirms minorities’ constitutional rights, and defines broad goals for development of the remote regions.

5. Khmer is the only official language and script of Cambodia. Recently, scholars and nongovernment organizations (NGOs) have developed writing systems for the indigenous languages of Phnong, Kreung-Brao, and Tampuan. These scripts are being used to develop instructional materials for nonformal literacy programs, but they are currently not used in instruction in public schools and have not been widely adopted.

3. Ethnic Minorities Covered by the Plan

6. The highland ethnic minorities are the focus of the IPDP. They number between 100,000 and 150,000 in total, comprising just over 1 percent of Cambodia’s population of around 11.6 million. These minorities form the majority of the population in the provinces of Ratanakiri and Mondulhiri, and most of the remainder are found in the provinces of Kratie, Preah Vihear, and Steung Treng. Ethnic minorities are a clearly defined target group for the Government’s ESP, which focuses on improving the coverage of basic education to underserved populations.

7. There is significant evidence that language and ethnicity are access barriers to education. Review of education policy, including the work done to prepare the ESP, and an Asian Development Bank (ADB) review of the education needs of ethnic minorities, suggest a number of policy options for attaining equitable access, including (i) development of primary educational material and teacher training that consider language differences; (ii) review and adaptation of school admission policies, and appropriate regulation to avoid formal and informal forms of discrimination; (iii) an extensive information program to promote the values of education, especially at the primary level, linked to affirmative action to train teachers from minority ethnic groups; and (iv) the piloting of new school models, including mobile schools, revised curricula based on minority languages in the early years, flexible school calendars, and selective boarding provision. Several priority action plans proposed in the ESSP will also play an important role by channeling funds to schools with poor students, thus making education more affordable for the poorest families in Cambodia, including ethnic minority students.

B. The Action Plan

1. Objective

8. The Government recognizes that although indigenous peoples constitute a mere 1 percent of the total population, special measures are necessary to address their low education levels. An objective of the ESP, with support from the ESDP, is therefore to take measures to address the low social and educational indicators of the indigenous peoples concentrated in the northeast.

2. Development Activities

9. Measures to improve access of ethnic minority students to primary and secondary education comprise

- (i) targeting ethnic minorities when prioritizing facilities subprojects;
- (ii) prioritizing ethnic minority boys and girls in the award of targeted assistance programs;
- (iii) formulating mechanisms to increase the supply of ethnic minority teachers from underserved remote areas;
- (iv) formulating redeployment incentives to increase the provision of teachers to such areas, including the provision of incentives as proposed in the Government's ESSP; and
- (v) promoting multigrade teaching in small village schools to enable the completion of the full primary cycle in places where single-grade teaching is not viable.

10. The reduction of the cost of schooling, by eliminating start-of-year fees, will be particularly beneficial to ethnic minority families whose incomes tend to be lower than the national average; this measure is expected to improve indigenous peoples' participation in basic education.

11. The Government is also committed to include measures that will improve the curriculum of ethnic minority children, as part of comprehensive reform of the curriculum and textbook system. This will be supported by capacity building for curriculum and instruction, that will be part of the Government's ESP/ESSP. The Pedagogical Research Department will continue the process of reviewing its policy framework for curriculum, and will consider options for the instructional transition from mother language to Khmer.

12. As a consequence of the ESDP's support for measures to increase deconcentration of responsibility and resources for service delivery to provinces and districts, and the provision of operational budgets to all schools, children's participation and schools in remote ethnic minority areas will be improved. The ESP supports, through its modalities outlined in the ESSP, more participation at all levels at the design stage, and by decentralizing budgets and introducing information-education-communication strategies, more participation at the grassroots level in local prioritization and implementation. Such measures will result in greater inclusiveness of ethnic minority people.

3. Implementation of the IPDP

13. The IPDP will be implemented within the context of the ESP; no special line items are needed for administrative arrangements within the support provided by the ESDP, or through other priority action program (PAP) in the ESSP. For the investment project, special consideration will be given to the need for targeting ethnic minority communities when selection criteria are developed.

14. The Government will promote the participation of ethnic minorities in determining what is best for their development in the education sector. Their involvement will include an assessment of constraints that may reduce benefits accruing to indigenous people under the IPDP. The Government will seek assistance for further capacity building for indigenous people, to enable them play a greater role in future education planning, and an assessment of the role of NGOs as intermediaries with minority groups.

15. Selected NGOs with experience with indigenous peoples in Cambodia and other countries will be involved in selected curriculum, materials, and training program design activities. The NGOs will bring knowledge of ethnic minorities into mainstream development work.

16. The IPDP will be implemented through (i) the five provincial governments with significant numbers of ethnic minorities, (ii) two of the MOEYS line departments (Pedagogical Research Department, in the case of curriculum policy, and the Teacher Training Department in the case of the reform of teacher training to include multigrade teaching), and (iii) Stung Treung Teacher Training College (as the most likely candidate institution for the development and delivery of special programs for the ethnic minority teachers). It will also involve NGOs in the area of language transition issues, instructional materials development, and school attendance incentives.

17. MOEYS and ADB will supervise IPDP implementation and assess its effectiveness during the course of regularly scheduled joint missions. Annual sector reviews will ensure that all elements of the IPDP are implemented in accordance with the program agreement. In the fourth year of the ESDP, a dedicated evaluation study will be commissioned on the contribution of the ESDP and its IPDP in addressing the needs of ethnic minorities.

4. Implementation Schedule

18. The implementation schedule will be embedded in the detailed program schedule to be developed. The following targets are indicative, and subject to discussion with Government:

- (i) **By the end of year 1** of the ESDP, activities will have resulted in inclusion of ethnic minorities in facilities subprojects, prioritization of ethnic minority students in the award of targeted assistance programs; mechanisms formulated to increase the supply of ethnic minority teachers in underserved, remote, ethnic minority areas; and redeployment incentives agreed to increase the provision of teachers to such areas.
- (ii) **By the end of year 2** of the ESDP, reduction of the cost of schooling will have resulted in improved participation of ethnic minorities in basic education. Policy dialogue on the language of instruction issue will have resulted in new policies for ethnic minority areas. Schools in ethnic minority communities will have increased spending power as a result of the provision of operational budgets.
- (iii) **By the end of year 3** of the ESDP, the new curriculum framework will have been established, and will have addressed ethnic minorities' concerns. Facilities will have been constructed in ethnic minority communities.
- (iv) **By the end of year 4** of the ESDP, shifting to multigrade teaching in small village schools will have been operationalized.

DESCRIPTION OF INELIGIBLE ITEMS

1. No withdrawals from the loan account will be made for the following specified items.

- (i) expenditures for goods included under the following groups or subgroups of the United Nations Standard International Classification, Revision 3 or other successor groups or subgroups under future revision:

Group	Subgroup	Description of Items
112		Alcoholic beverages
121		Tobacco, unmanufactured tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges) nonirradiated, for nuclear reactors
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, nonmonetary (excluding gold ores and concentrates)

- (ii) expenditures for goods intended for military or paramilitary purpose or for luxury consumption;
- (iii) expenditures for pesticides categorized as extremely hazardous or highly hazardous in Class 1a and 1b, respectively, of the World Health Organization's Classification of Pesticides by Hazard and Guidelines to Classification;
- (iv) expenditures for goods supplied or to be supplied under any contract that a national or international financing institution or any other financial agency has financed or agreed to finance, including any contract financed or to be financed under any loan from the Asian Development Bank; and
- (v) expenditures incurred more than 180 days prior to the effective date.

GUIDELINES FOR PREPARATION AND APPRAISAL OF SUBPROJECTS

A. Criteria for Selection for Facilities Development

1. The following guidelines will be considered for adoption by the Department of Materials and State Property (DMSP), and the provincial education facilities committees (PEFC) for the selection, preparation, and appraisal of the facilities to be included in a province subproject.

1. New Schools and Additional Facilities in Existing Schools and Institutions

2. Criteria common to all levels of education include the following:

- (i) Availability of land (either donated by the community or government-owned) that is free from encumbrances, and has a minimum required area as specified in the Ministry of Education, Youth and Sport (MOEYS) guidelines and standards, located in an environment conducive to teaching and learning. The site should be at an elevation above the maximum anticipated flood level, or suitable for the construction of piles on which to build the facilities above high flood levels.
- (ii) Demonstrated school/institution community interest and involvement, including commitment to (a) provide water and sanitary facilities appropriate to the environment if not included in the subproject allocation; (b) provide for ongoing facilities maintenance; (c) actively contribute to the goal of 100 percent net enrollment; and (d) ensure accommodation is available for teachers deployed in remote areas, if not included in the subproject allocation.
- (iii) Schools where other funding sources (funding agencies, nongovernment organizations [NGOs], local development funds, government projects) have built permanent school facilities during the past two years are not eligible.

2. New Schools, and Additional Facilities in Existing Schools and Institutions

3. Criteria specific to the level of education are outlined in Table A13.

Table A13: Selection Criteria for Level of Education

Component Description	Targeting and need assessment criteria
Expansion and Consolidation of Primary Education Access Villages Without Schools	Villages with over 40 primary school-age population, and over 3 km from the nearest village with a primary school. Total school-age population in the catchment area (the village where the school is located plus nearby villages) should be at least 100 children.
Easing Extreme Overcrowding	Schools reporting triple shift, average pupil-class ratio above 60, or class-classroom ratio above 2.0 (two of these conditions should be fulfilled)
Incomplete Cycle Primary Schools	Schools where the highest grade available is grade 1, 2, 3, or 4. Total school age population in the catchment area should be at least 100 children.

Component Description	Targeting and need assessment criteria
Expansion of Secondary Education Access Lower Secondary (LS) Education Expansion Based on the Primary Cluster System	Clusters without an LS school in the cluster catchment area, number of grade 5 to 6 students in the cluster (at least 100).
Expansion of Upper Secondary (US) Education	Completion of the LS with US grades in 45 districts with no US schools
Teacher Accommodation in Rural and Remote Areas	
Primary Education Teacher Accommodation	In remote villages without schools, where new schools are to be built
Secondary Teacher Accommodation	In clusters where new LS schools are to be built
Teacher Training Facilities	
Multipurpose In-Service Training Rooms	Refurbishment of maximum 2 rooms in each provincial teacher training college/regional teacher training college on the basis of maximizing the use of the existing rooms
Teacher Training Dormitories	Provision of dormitories in provincial teacher training college for students coming from remote, and minority areas.
Technical Vocational Facility Development	
Provincial Technical Vocational Centers	Provinces without a provincial training center and/or comparable providers; underserved provinces where the demand for skills training is greater than combined capacity of public and private providers; provinces with demand, but lack of capacity/incentive for private providers.

B. Cost Estimates

4. Cost estimates of a subproject will be prepared on the basis of approved relevant building design, and estimate of quantities of items of work considering bid prices prevailing in the subproject area. Physical contingency at 10 percent and appropriate price escalation as a percentage of the base cost will be added. Land acquisition cost will not be included in the cost estimates. Land should be provided by the local community. If suitable land cannot be donated by the community, suitable land will be purchased with community contribution or government resources.

C. Project Benefit Monitoring and Evaluation

5. Justification for the subproject and a summary of its benefits should be given in the appraisal report; if possible, an assessment of the socioeconomic impact should be presented and the output of the school examined in relation to the needs of the area concerned.

D. Outline of Subproject Appraisal Report

6. The following outline is given as a guide.

1. Introduction

7. Provide socioeconomic background and status of the province, and social and economic development activities in the community, communes, and districts; specify the different level of development of communes and districts (including reference to ethnic minorities if applicable).

8. Provide statistics on education—educational development in the province, giving the educational statistics of the communes and districts for the last three years, and including analysis of population data by gender, age, and ethnicity. Provinces can be assisted by the MOEYS Department of Planning to provide this data.

2. The Subproject Area

9. Location. Describe the location, include the map from the school mapping exercise, showing the subproject school site(s) with village, commune, and district boundaries.

10. Basic education data. Give enrollment, dropout, transition, and completion rates by gender for the appropriate grades; the number and qualification of teachers by gender, ethnicity, and examination results. Provinces can be assisted by the MOEYS Department of Planning to provide this data.

11. Existing facilities. Give information on physical facilities of existing primary, and secondary schools (and PTTCs, RTTCs, where applicable) in the area concerned.

3. Subproject Description

12. Outline objectives and scope.

13. Describe specific components for each category of schools, or classrooms (school codes, number of existing classrooms, staff rooms, toilets, water supply facilities, number of classrooms to be built, or improved, number of teacher's accommodations/dormitories to be provided).

14. Describe the environmental assessment and sanitation provision for each site in the subproject (number of toilets, type of the water supply provided under the subproject to each school).

15. Provide cost estimates (with table) for the subproject, with reference to the base costs estimated by DMSP, including physical, and price contingencies, estimates of annual maintenance costs, and community cost-sharing arrangements; cost estimates will be provided for each school included in the subproject.

16. Outline an implementation schedule in the form of a simple bar chart, indicating the time frame (the province or DMSP, whichever applicable, will indicate the schedule for the following stages: preparation of agreements with selected schools/communes, preparation of procurement documents, bidding and award of the contract, expected start date of the work, expected end of the works, expected date of delivery of furniture and equipment where applicable).

4. Project Justification

17. Justify the subproject, and summarize its benefits, including an assessment of the subproject's general social and economic impact on the communities that will benefit.

TENTATIVE PROCUREMENT PACKAGES

Component	No.	Unit Cost (\$)	Estimated Total Cost	Procurement Method
A. Civil Works				
1. Primary Education Classrooms	735	6,762	4,970,000	LCB
2. Secondary Education Classrooms	1,063	6,953	7,390,700	LCB
3. Teacher Houses	100	8,100	810,000	LCB
4. Teacher Training College Facilities	21	19,286	405,000	LCB
5. Technical Vocational Education and Training Facilities	10	39,000	390,000	LCB
B. Furniture and Equipment/School Facilities				
1. School Furniture - Primary Education	735	1,061	780,000	DP
2. School Furniture - Secondary Education	1,063	1,100	1,169,300	DP
3. Furniture and Equipment - Teacher Training Colleges	21	19,286	405,000	DP
4. Furniture and Equipment - Technical Vocational Education and Training	10	39,000	390,000	DP/IS
5. Furniture Package - MOEYS	TBD	10,500	10,500	DP
C. Equipment MOEYS/Provinces				
1. Computers (include: printer, cables, modem, software)	25	6,000	150,000	DP/IS
2. Specific Software	15	1,500	22,500	DP
3. Scanner	1	2,500	2,500	DP
4. High Quality Printer	1	3,500	3,500	DP
5. Networking Software and Equipment	1	30,000	30,000	DP
6. High Volume Photocopier	2	10,000	20,000	DP
7. Provincial Equipment Packages (copier, fax machine, software)	TBD	97,000	97,000	DP
D. Vehicles MOEYS/Provinces				
1. Motorcycles	25	2,000	50,000	DP/IS
2. Utility Vehicles	2	22,000	44,000	DP/IS

DP = direct purchase; IS = international shopping; LCB = local competitive bidding; MOEYS = Ministry of Education, Youth and Sport; TBD = to be determined.

Source: Staff estimates.