

**MANAGEMENT RESPONSE ON THE PROJECT PERFORMANCE AUDIT REPORT  
ON THE BASIC SKILLS PROJECT IN CAMBODIA  
(Loan 1368-CAM[SF])**

On 19 October 2005, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

1. Management and staff have reviewed the subject Project Performance Audit Report (PPAR), and noted that the Report was prepared in consultation with beneficiaries as well as the Government agencies concerned. We find the PPAR well-prepared and agree with its overall “successful” rating of the Project.

2. The PPAR’s assessment of the Project’s cost-effectiveness, cost-efficiency, sustainability, and performance of ADB is well-justified. However, we have some reservations on the “highly efficacious” rating for the efficacy (para. 69) and “highly satisfactory” ratings for the performance of the borrower (para. 81). By reviewing the project performance report (PPR) of the Project, we found that the Project had encountered a start-up delay and the Project completion date was extended twice by 15.5 months in total. It appears more appropriate if the Project was rated as “efficacious” and the borrower’s performance as “satisfactory”.

3. Management supports the PPAR’s conclusion that the technical and vocational education and training (TVET) delivery system of the Government was more cost effective than private provision of TVET in post-conflict Cambodia. We consider, however, that in 2005 when private TVET has substantially developed, the comparison based on the cost per student is potentially misleading. Common in many DMCs, TVET provision by the private sector is generally considered as more responsive to the labor market needs, and therefore financially more sustainable than Government-funded TVET. It appears desirable, therefore, that the PPAR provides a balanced comparison between the public and private provision of TVET. In this connection, it may also be desirable for the PPAR to provide more detailed description on the methodology used for assessing the cost-effectiveness and efficiency and sustainability as applied in Appendix 4 and 5.

4. The transfer of responsibility for skills training from the Ministry of Education, Youth, and Sport to the newly established Ministry of Labor and Vocational Training (MOLTV) is a sensible action by the Government, as the latter Ministry is responsible for a broad range of vocational trainings including TVET. Therefore, this transfer is considered a positive step of the Government in its commitment to strategic human resource development. Nevertheless, we note that the PPAR considers this a potential risk to sustaining Project benefits and implementation of the Education Sector Development Program (ESDP) loan component.

5. Management supports the two follow-up actions recommended by the Report. The recommended action plan for MOLTV will be followed-up by ADB

under ESDP II which has a major TVET component. The recommended short-term action plan for the Ministry of Health will be monitored under the ADB's Health Sector Support Program.