

## TECHNICAL ASSISTANCE COMPLETION REPORT

Division: SEAE

Division: SEAL

<b>TA No. and Name</b> TA 4428-CAM: Strengthening National Program Budgeting for the Agriculture Sector			<b>Amount Approved:</b> \$250,000 <b>Revised Amount:</b> -	
<b>Executing Agency</b> Ministry of Agriculture, Forestry and Fisheries		<b>Source of Funding</b> Governance Cooperation Fund	<b>TA Amount Undisbursed</b> \$23,316	<b>TA Amount Utilized</b> \$226,684
<b>TA Approval Date:</b>  8 November 2004	<b>TA Signing Date:</b>  31 December 2004	<b>Fielding of Consultants</b>  14 October 2005	<b>TA Completion Date</b> <b>Original:</b> 31 December 2005 <b>Actual:</b> 31 October 2006 <b>Account Closing Date</b> <b>Original:</b> 31 December 2005 <b>Actual:</b> 31 August 2007	
<p><b>Description.</b> The Agricultural Sector Development Program (ASDP) to which the TA is related continues the process of transforming the agricultural sector from one focused on food security with a centralized administration and significant government input, to one focused on poverty reduction through economic growth. With agriculture employing 70 percent of the labor force and 45 percent of farmers living in poverty, the policy of the Royal Government of Cambodia (RGC) as expressed in the Socio-Economic Development Plan (SEDPII) highlights the agriculture sector as the driving force to achieve economic growth and reduce rural poverty. The ASDP acknowledges the need to facilitate private enterprise that will link with smallholder production systems to add value to a market based agriculture sector and give farmers real income that can lift them out of poverty.</p> <p>ADB's Country Partnership Strategy for Cambodia emphasizes the three priority areas of: rural economic development; human resource development; and private sector development. Within its principal focus on rural economic development, the ASDP also contributed to private sector development. The national policy environment has been underpinned by ADB support for the participatory poverty assessment, and a Poverty Reduction Partnership Agreement, based on SEDPII and the Millennium Development Goals, was signed in 2002.</p> <p>Despite the RGC's pro-poor objectives, the annual programming and budgeting exercises in the agriculture sector, which are highly concentrated at the central level, have not adequately reflected those objectives. Sector expenditures usually follow historical patterns and often include ad hoc initiatives which are not systematically linked to the medium term development plans of the Government. The initiative of the Ministry of Agriculture, Forestry and Fisheries (MAFF) for medium-term program budgeting has not been fully integrated with MAFF's annual programming and budgeting exercises despite being designated a pilot ministry by the Ministry of Economy and Finance (MEF) in 2003.</p> <p>To implement any development activities, MAFF mostly depends on external funds obtained through the annual development plan process. Dispersal of funds against plans and requirements is slow and erratic. It is reported that there are often significant delays in releasing funds, thus affecting the implementation of programs where seasonality of agricultural activities requires a quick flow of funds to avoid loss of a full year in field programs. Payment of salaries is often some months in arrears. There is substantial room for improving MAFF's capacity for financial planning, monitoring and analysis, and strengthening the linkage between agricultural policy planning and budgeting.</p> <p>ADB has recognized the need for program budgeting and has made planning, program budgeting and expenditure management a tranche condition of the ASDP Loan. MAFF still requires capacity-building support, particularly at provincial and district levels, for strengthening program budgeting to ensure increased resources for MAFF's field activities in line with the pro-poor development objectives of the Government. Local-level capacity building will become increasingly important as provincial, district, and commune administrations will have an increased role in planning and budgeting for activities in the agriculture sector in line with the Government's policy for decentralization.</p> <p><b>Expected Impact, Outcome and Outputs.</b> Within the overall framework of ASDP, the goal of TA 4428-CAM was to initiate a program-based medium-term expenditure framework (MTEF) for agriculture and introduce the MTEF process primarily at the central level. The expected impact was a strengthening of MAFF's capacity in program budgeting in the agriculture sector at both central and local levels, thereby improving the delivery of pro-poor public services in a sustainable manner in accordance with the national development plans and policies for reducing rural poverty. The expected outputs included: (i) adequate procedural documents for improved program budgeting; (ii) improved awareness, knowledge, and skills of MAFF staff at various levels in planning and multiyear program budgeting; and (iii) an appropriate information and monitoring system for public expenditures established and implemented in the agriculture sector to facilitate the effective delivery of pro-poor agricultural support services.</p> <p><b>Delivery of Inputs and Conduct of Activities.</b> The TA was well formulated and its implementation arrangements were sufficiently flexible to accommodate the many adjustments that were subsequently needed. The TA started in October 2005<sup>1</sup> with the progressive fielding of 2 international consultants and 3 domestic consultants for 24 person</p>				

<sup>1</sup> Implementation was delayed due to protracted negotiations with the consulting firm.

months<sup>2</sup> in fiscal and financial management, information and monitoring systems, and communications and training. The main activities of the TA were to help MAFF: (i) formulate necessary implementation guidelines, manuals, and ministerial circulars relating to the programming and budgeting exercises; (ii) provide awareness-building and training programs on program budgeting and the new MTEF process in collaboration with MEF for central, provincial, and district staff involved in agriculture and rural development activities; and (iii) establish an appropriate information and monitoring system on public fund flows, annual expenditures, and physical assets in consultation with key stakeholders.

Four key documents were produced to institutionalize the MTEF process: (i) a Chart of Accounts for MAFF aligned with the MEF Chart of Accounts, taking into consideration actual operations of MAFF;<sup>3</sup> (ii) an Accounting and Financial Management Manual; (iii) a Monitoring and Evaluation Manual; and (iv) an Accounting and Finance Training Manual.

The Accounting and Finance Training Manual developed a series of 8 training sessions for Training of Trainers and established a system for training by contracting either internal or external training providers to assist MAFF in training its accounting and planning staff. A series of 7 workshops, attended by about 80 participants, were held at the provincial level to increase awareness of MAFF staff in program budgeting, the Public Financial Management (PFM) Reforms and MTEF. An additional series of workshops were held in Phnom Penh to MAFF working groups and external agencies and donors. A workshop held on 25 July 2006 to disseminate the Monitoring and Evaluation system signaled the institutional adoption of the internal planning and program budgeting formats and the establishment of a public financial management system.

All consultants completed their inputs, with slight adjustments in scheduled activities due to several delays in between phases. While the original staffing schedule had the national consultant for financial management as the deputy team leader and mobilized at the same time as the international team leader, the deputy team leader could not be mobilized and a replacement had to be found. In the interim period the national consultant for communications and training was mobilized in the deputy team leader position and consequently completed his inputs earlier than scheduled. There was a delay of three months in identifying and fielding a suitable national financial management specialist but this had no impact on the deliverables of the project. Throughout the project MAFF provided adequate support to the consultants and remains committed to the MTEF and planning and budgeting process.

Several ADB supervision missions were made to support the TA. The consultant's performance evaluation report (PER) was "not rated" since the officer in charge of implementation had left ADB by the time the PER was received. The performance of ADB was satisfactory. ADB review missions were fielded on a regular basis and greatly helped in focusing commitment to meeting product deliverables.

**Evaluation of Outputs and Achievement of Outcome.** The TA assisted MAFF in establishing two important timelines. The first is an annual budget calendar which is to be adopted by MAFF as the planning platform for internal planning with the emphasis on program budgeting with deadlines for presentation and completion of certain documents and exercises in the budget formulation. The second timeline is the planning and program selection timeline which is a simple system that incorporates planning, monitoring and evaluation leading and dovetailing into the MTEF system. The consultant team as a whole completed the tasks as set out in the TOR and despite extensions and delays delivered the outputs generally as expected. The TA team inputs were delayed several times with several enforced breaks due to MEF and MAFF delays in producing guidelines for MTEF, PFM and a Chart of Accounts.

**Overall Assessment and Rating.** The final deliverables achieved expectations and provided MAFF with a working Chart of Accounts, an Accounting and Financial Management Manual, a Monitoring and Evaluation Manual, and an Accounting and Finance Training Manual. The TA is considered to have achieved the outcomes set for it and is rated as successful.

**Major Lessons.** There is need to plan for a suitable TA implementation period when the project requires close coordination among the implementing agencies. There were some difficulties in coordination between MEF and MAFF, and interdepartmental rivalries between the Departments of Accounting and Finance versus Planning and Statistics in terms of demarcation of responsibilities.

**Recommendations and Follow-Up Actions.** The final TA consultant report made several recommendations for follow-up action in the areas of: (i) accounting and financial management; (ii) accounting and financial training; (iii) monitoring and evaluation; and (iv) increased awareness of MAFF staff in program budgeting and awareness. To ensure sustainability of the program budgeting system, MAFF will need further technical assistance in: (i) strengthening capacity in planning and budgeting; particularly at the provincial level; (ii) streamlining existing accounting and finance procedures; and (iii) implementing a computerized system for accounting. These recommendations are being followed-up under subsequent ADB-funded programs.

Prepared by: Christopher Wensley

Designation: Lead Professional (Water Resources)

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<sup>2</sup> A total of 23.62 person-months out of a total allocation of 24 person-months.

<sup>3</sup> For example, the MEF Chart of Accounts had no codes allocated for training expenses, costs or expenditure.