

KINGDOM OF CAMBODIA

PRSP
Preparation Status Report

**ROYAL GOVERNMENT OF CAMBODIA
MINISTRY OF PLANNING**

(Approved by the RGC on December 24, 2001)

Introduction

1. In accordance with the International Monetary Fund (IMF) and World Bank framework for their concessional assistance programs, the Royal Government of Cambodia (RGC) prepared an interim Poverty Reduction Strategy Paper (I-PRSP) in October 2000 based on a broad consultative process launched with active participation from inter-ministerial set-up, development partners, and non-governmental organisations (NGOs).
2. The purpose of this status report is to provide information on the progress made in developing the Poverty Reduction Strategy Paper (PRSP) to form the basis for the Boards' consideration of providing RGC with continued access to concessional lending. This PRSP status report will discuss the progress in preparing the PRSP; the major constraints to and the timetable for the completion of the PRSP; and additional technical assistance required from external partners, including the IMF and the World Bank, to complete the PRSP.

I. Progress towards PRSP preparation

Preparation of SEDPII

3. The draft Second Socio-economic Development Plan (SEDPII) 2001-2005 was recently approved by the RGC at the Plenary Cabinet meeting on 14 December 2001, and will be submitted to Parliament for endorsement early next year. SEDPII was prepared through a broad, consultative process with active participation from various stakeholders, including governmental agencies, donor communities, and non-governmental organizations (NGOs), and incorporates the first Cambodia Participatory Poverty Assessment (PPA).
4. The primary development goal of SEDPII is poverty reduction. The strategic message of the SEDPII is that economic growth is a prerequisite for poverty reduction and the key to growth is private sector development, which will be achieved through sustained improvements in the governance environment. SEDPII presents quantitative targets and shows how the progress and impact of our policies will be monitored and evaluated. SEDPII also presents targets for various social development indicators during the Plan period, including a target to reduce the poverty headcount index from 36 to 31 percent.
5. We will use SEDPII as the key building block for the development of the PRSP. Key areas where additional work is needed to build on SEDPII to develop the PRSP include (i) improving monitoring and evaluation mechanisms; (ii) developing more comprehensive performance indicators and targets; (iii) improving the costing of priority public policies and programs and their linkage to the budget; and (iv) integrating the macroeconomic framework and the overall poverty reduction strategy.

Institutional arrangements for PRSP

6. To successfully elaborate the PRSP process, the RGC has institutionalised the PRSP framework by establishing the Council for Social Development (CSD), an inter-ministerial set-up, by Sub-Decree no. 89 of 4 December 2000. The CSD is responsible for monitoring and facilitating the implementation of the RGC poverty

reduction strategies and policies. The CSD is chaired by the Minister of Planning and consists of Secretaries of State and Under Secretaries of State from 10 government agencies.¹

7. On 10 August 2001, the RGC enacted Sub-decree no. 79 to establish the General Secretariat of the CSD (GSCSD) to act as the implementation unit of the CSD. The GSCSD is chaired by the Under Secretary of the Ministry of Planning (MOP) and has three core staff from the MOP. The GSCSD is responsible for formulating the PRSP and (i) coordinating poverty policy and program formulation, implementation and monitoring; (ii) capacity development in poverty monitoring and analysis; (iii) and facilitating consultation and consensus building regarding pro-poor policy questions among development partners. Each CSD member agency has nominated three staff to work as part of the GSCSD taskforce on poverty reduction. In addition, CSD is also assisted by four working groups including general administration; poverty reduction; sector work and social aid (Annex 1: PRSP institutional arrangement).

Poverty diagnostics and monitoring

8. Measured by both income and broader human development indicators, Cambodia is among the poorest countries in the world. According to the United Nations Development Program (UNDP) Human Development Report (2000), Cambodia ranks 136 of 174 countries in the world on the Human Development Index.
9. With the assistance of various donors, we have conducted a number of poverty-related surveys and studies. These include the 1997 and 1999 socio-economic surveys and poverty profiles (with the assistance of UNDP and SIDA); a 2000 poverty map which provides a geographically disaggregated assessment of poverty incidence (with the assistance of UNDP and WFP); a 2000 participatory poverty assessment which identifies the issues that concern the poor the most and how they would like to see these issues resolved (with assistance from ADB); and a Demographic and Health Survey in 2000 (with assistance from UNFPA, UNICEF, and USAID). The results of these studies have been integrated into SEDPII and will be used for PRSP.
10. The 1997 poverty estimates confirm that poverty is pervasive in Cambodia. An estimated 36% of the population lives below the poverty line. The poverty rate is particularly high in rural areas (42%), four times higher than in Phnom Penh (11%). Rural households, especially those for whom agriculture is the primary source of income, account for almost 90% of the poor. Poverty in Cambodia is characterized by low income and consumption, poor nutritional status, low educational attainment, less access to public services including school and health services, less access to economic opportunities, vulnerability to external shocks, and exclusion from economic, social and political processes. The high prevalence of HIV/AIDS in Cambodia also poses a major threat to development and predicted increases will lead to a deterioration of the current human development situation.

¹ The CSD consists of representatives from the Ministries of Planning; Economy and Finance; Agriculture, Forestry and Fisheries; Rural Development; Health; Education, Youth and Sports; Women's and Veterans' Affairs; Social Affairs, Labour, Vocational Training and Youth Rehabilitation; Land Management, Urban Planning and Construction; Council of Ministers and Council for Development of Cambodia.

11. While a poverty profile was also prepared for 1999, the 1999 Cambodia Socio-economic Survey (CSES) was conducted in two rounds and gave different poverty estimates. Given the internal consistency problems associated with the 1999 survey, the RGC and its development partners prefer to use the poverty estimates identified in the 1997 CSES for poverty monitoring and analysis.
12. UNDP and SIDA have provided technical and financial support for capacity development for poverty monitoring and analysis, which will be critical in our poverty reduction efforts. The work plan for the implementation of the project has been drafted. The Poverty Monitoring and Analysis Technical Unit (PMATU), which has begun recruiting staff, will be responsible for preparing poverty profiles; analysing poverty trends, dynamics, and their underlying reasons; monitoring the specific measurable objectives of the PRSP and the poverty component of SEDPII; monitoring budget allocations by poverty priority action and the benefit incidence of social expenditures; and evaluating the ex-ante and ex-post impact of selected government policies and programs on poverty.

Identifying priority public actions

13. The RGC has identified a number of priority public actions to reduce poverty. SEDPII includes a discussion of strategies to reduce poverty in a variety of sectors, including agriculture and rural development; trade; infrastructure; education; and health. In some key sectors, significant progress has been made in identifying priority public policies and programs, which will have a significant impact on poverty reduction. In the education sector, for example, the Ministry of Education, Youth, and Sports (MOEYS) has put together the Education Strategic Plan (ESP) for 2001-2005 which lays out the key policy goals of the RGC in the sector. These goals are emphatically pro-poor in nature. In basic education, for example, the overall policy goal is to achieve Education for All (EFA) at the latest by 2015, while in education financing the goal is to guarantee that no potential student will be excluded from access to education because of inability to pay.
14. To achieve the objectives defined in the ESP, the MOEYS has developed the companion Education Sector Support Program (ESSP) for 2001-2005, which consolidates the priority programs for the sector. The ESSP reflects the results of a large-scale appraisal exercise conducted jointly by donors, NGOs, and the MOEYS in June 2001. Eleven recurrent expenditure and two development programs have been identified in the ESSP.² For each of these programs, the ESSP identifies objectives; coverage and target groups; activities and outputs; management and monitoring arrangements; as well as costing. Based on these programs, an initial medium-term expenditure program for education for 2001-2005 has been developed. As part of the implementation plan for ESSP, the MOEYS has also agreed on a set of detailed, sector-wide performance indicators and targets in the areas of equitable access; quality and efficiency; and institutional development. Actual indicators for 2000, as well as targets for each year from 2001-2005, are specified.

²These include programs in education and teaching service efficiency; quality and efficiency in basic, primary, upper secondary, technical, vocational, and higher education; teacher development; instructional materials; AIDS awareness; equitable access and scholarships for the poor; and facility and institutional development.

15. In the health sector, Government health services face the challenge of improving their efficiency as well as the equity and accessibility of services. The Ministry of Health (MOH) is currently working on the National Health Strategy, the National Health Master Plan 2001-2005, and the Health Sector Expenditure Projections. The World Health Organization (WHO) will be providing a Resident Health Budget Advisor who will work in both the MOH and the MEF to support implementation of the Priority Action Program, costing of the Master Plan, and the development of a MTEF in health.
16. In rural development, the Ministry of Rural Development (MRD) plans to establish the Basic Minimum Needs (BMN) indicators as a policy instrument in Cambodia to assist with monitoring and evaluation. MRD is also currently seeking assistance for the preparation of a comprehensive sector strategy and five-year work plan. Expected outputs include a national policy paper for rural development sector improvements; long-term strategy for rural development sector; outlines for five-year work plans and one-year action plans; and a rural development sector-wide approach.
17. By allowing a degree of local choice with regard to the design and implementation of local strategies, decentralization also offers new possibilities to bring about more effective poverty reduction. The RGC has initiated a decentralization reform process and new Commune Councils will start operating following Communal elections in February 2002.
18. With regard to our development of a pro-poor trade policy strategy, the draft report of the integration and competitiveness study prepared under the Integrated Framework for Trade-Related Technical Assistance was discussed at a workshop in November 2001 and will provide useful input into the PRSP.
19. Priority public actions in governance, administrative reform, and public expenditure management have also been identified. As noted by HE Prime Minister Hun Sen, weak governance holds back economic growth and poverty reduction and threatens to undermine our reform program in key sectors. Implementation of our Governance Action Plan (GAP) is therefore crucial. The GAP identifies key reforms in the areas of judicial and legal system; public administration; public finance; anti-corruption; gender equity; demobilization; and natural resource management. The RGC recently held a national forum to disseminate information on the implementation of the GAP and administrative reform on 11 December 2001. The National Program for Administrative Reform (NPAR) is a multi-year program in three phases. Phase One is about to be completed.³ Key operational priorities for 2002 identified by the General Secretariat of the Council for Administrative Reform include priority mission groups; deconcentration; human resource development; and information technology and communications.
20. The RGC recognizes that improvement to our public expenditure management will be crucial for the successful implementation of SEDPII and PRSP. Increased spending on social and economic priority sectors, in particular education and health services, agriculture, and rural development, is key to reducing poverty, accelerating

³Key accomplishments to date of the NPAR include conducting a civil service census and eradicating over 9,000 irregulars for payroll savings of about 1.8 million USD/year; pay automation; and developing a new classification system.

growth, ameliorating the living standards of the people, and promoting sustainable development. The RGC has taken measures to strengthen the links between poverty reduction strategies, planning and budgetary processes, and aid coordination and aid management arrangements to allow resources to be directed to priority areas and implementation capacity constraints addressed. The RGC has also taken measures to improve the expenditure framework and budget execution for the priority sectors, especially through rigorous implementation of the existing public procurement measures and improvement in financial procedures for the Priority Action Program (PAP). Particular attention is given to gradual financial devolution to the grassroots level under the PAP. Having strictly implemented fiscal reforms and budget management, we have received encouraging results, such as increased revenue and restrained expenditure to maintain macroeconomic stability.

21. The RGC has also established the Strengthening Economic and Financial Management Project in cooperation with a number of donors. Among the central elements of the project are fiscal reform, including improved budgetary management; re-orienting government spending to priority programs in agriculture, rural development, health, and education; and improving administrative procedures to ensure that social sector spending targets are met.

Participatory process

22. To improve the transparency of policy formulation and the implementation and sustainability of the poverty reduction programs, the RGC has used a participatory approach in the formulation of SEDPII and the I-PRSP.
 - In April 2001, the RGC organized a PRSP workshop with key representatives from line ministries, National Assembly, local governments, development partners, and NGOs.
 - During March – May 2001, the Cambodian Institute for Cooperation and Peace (CICP) organized a series of eight roundtable discussions on various aspects of poverty reduction in Cambodia.
 - A Participatory Poverty Assessment (PPA) involving interviews and focus groups at the village level was conducted with the assistance of the ADB as part of SEDPII preparation.
 - Consultations with local authorities and groups were used to verify data and information from the poverty mapping conducted with the assistance of the WFP.
 - The delegation from Cambodia, consisting of representatives from RGC, Phnom Penh Municipality, the National Assembly, Senate, and the NGO Forum, attended the Regional National Poverty Reduction Strategy Conference in Hanoi during December 4-6, 2001.
23. The RGC will continue to incorporate participatory approaches and deepen the participation beyond the consultative process on the draft policies and strategies. To manage the participatory process, the GSCSD will (i) contract a participatory specialist to work within the GSCSD; (ii) coordinate with key stakeholders through existing mechanisms and networks including the NGO Forum, donor working groups, the Consultative Group (CG), the Government-Private Sector Forum, and research institutions; and (iii) organize consultations and workshops at the national

and regional level. The NGO Forum is keen to assist GSCSD with broad-based participation of civil society groups and the poor. The Forum, with support from Oxfam GB, will organize a Development Issue Project on the PRSP theme and is in the process of reviewing SEDPII and identifying activities for NGOs to participate in the PRSP work plan.

II. Major constraints to completion of PRSP

24. There are several major constraints under the current CSD structure. First, the CSD does not include important economic ministries such as the Ministry of Public Work and Transport and the Ministry of Commerce. To ensure full involvement of economic ministries, CSD is planning to (i) include staff of the Ministry of Economy and Finance (MEF) in the core General Secretariat to incorporate MEF experience with I-PRSP and the linkage to budgeting; and (ii) request that key economic line ministries be included in the CSD structure. We expect this process to be completed in January 2002.
25. Second, there has been poor coordination and cooperation from line agencies in the PRSP process. Primary responsibility for preparing the PRSP has been transferred from the MEF to the MOP as the core organization of the CSD. The limited human resource and capacity of the MOP, combined with the need to prepare SEDPII, has hindered coordination and preparation efforts for PRSP.
26. To improve the coordination among the government agencies, GSCSD will (i) submit the Status Report and Work Plan to the Council of Ministers so that they will be granted the approval by December 26, 2001; (ii) organize a CSD and GSCSD meeting to discuss the status report and work plan to clarify line ministries' activities and responsibilities in the development of PRSP; and (iii) follow up on progress during the regular monthly meetings of the GSCSD, which were recently initiated on 16 November 2001 and the quarterly meetings of the CSD.

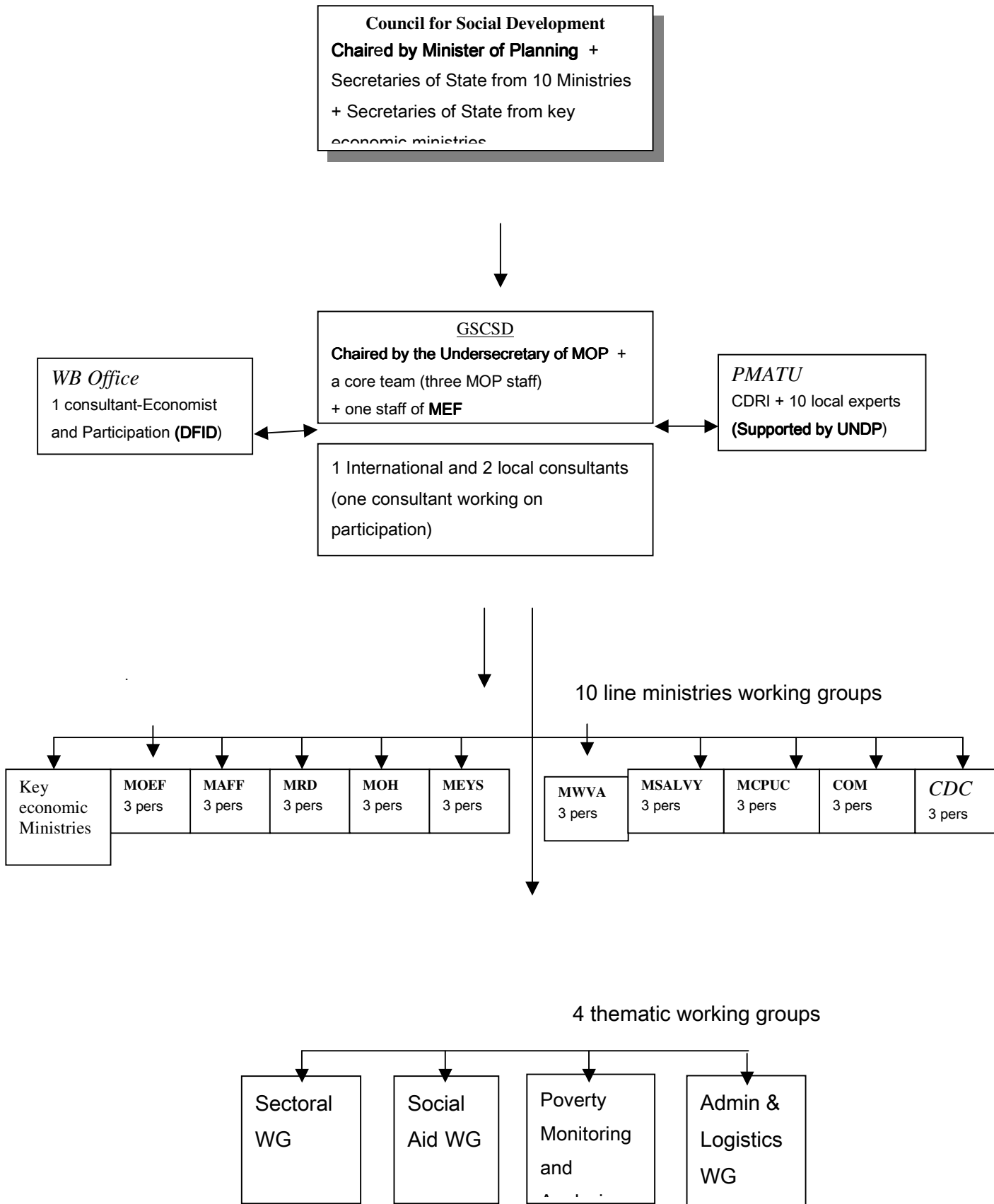
III. Completion date for PRSP

27. Based on the draft work plan for the PRSP prepared as an outcome of the PRSP workshop, the RGC has prepared a revised work plan for PRSP preparation. We expect PRSP preparation to be completed in October 2002. Given our limited capacity, meeting this completion date will require (i) immediate technical assistance to enhance GSCSD capacity; (ii) selectivity and focus on only those activities, which are of highest priority for PRSP completion.

IV. Required technical assistance

28. Because the limited capacity of the GSCSD is a key constraint for PRSP preparation, technical assistance from our development partners to strengthen GSCSD capacity is of the highest priority. This includes World Bank support through an IDF grant for an international and two local consultants; participation workshop and training to build GSCSD capacity to manage the PRSP; and UNDP and SIDA support for the PMATU (described earlier) to support the GSCSD. In addition, many other development partners will be providing the RGC with assistance to agencies other than the GSCSD on various other specific activities related to poverty reduction strategies.

PRSP Institutional Arrangement



Work Plan for Poverty Reduction Strategy Paper		
Date	Activities	Responsibilities
September 2001	Establishment of an Inter-ministerial Steering Committee (CSD) Establishment of the Technical Secretariat (3 core staff from MOP) Establishment of an Inter-ministerial Technical Taskforce (GSCSD) Ten government agency working groups Four working groups-Administrative and Logistics, Poverty Monitoring and Analysis, Sectoral, and Social Aid.	RGC CSD CSD
4th week of Sept.2001	Preparing TORs for Core Staff, Local and International Consultants to assist the GSCSD	GSCSD Core staff
November 2001	Discussion with the World Bank mission on the IDF grant support	"
Sept – Dec 2001	Developing PRSP Preparation Status Report and Work Plan	"
November 16, 2001	Meeting with all the inter-ministerial technical taskforce to discuss PRSP Preparation Status Report and Work Plan	"
November 2001- January 2002	Recruiting core staff for PMATU and revising PMA work plan	UNDP, CDRI and GSCSD
Dec 4-6, 2001	Cambodian delegation participating in the PRSP Regional Conference in Hanoi	CSD/GSCSD
December 2001	The Council of Ministers approved the draft SEDP II	COM/MOP
December 2001	Submission of PRSP Preparation Status Report to the Council of Ministers, WB, and IMF	GSCSD
December 2001	Finalizing TORs for local and international consultants to assist GSCSD	"
January 2002	Revise the Royal Decree to include key economic line Ministries in the CSD structure	CSD/GSCSD
January 2002	CSD, GSCSD taskforce (with the economic line ministries), delegation attended the Hanoi meeting to discuss: 1. Clarify responsibilities of inter-ministerial technical taskforce 2. Messages from the PRSP Regional Conference in Hanoi	"
January 2002	Translation and dissemination of PRSP Preparation Status Report and Work Plan to all stakeholders	GSCSD
January 2002	Recruitment of one international and two local consultants to assist CSGSD	WB and CSD/GSCSD
End of Jan – mid Feb 2002	Series of small workshops with NGOs, Donors, Media, Parliamentarians, Local government	GSCSD/Core Staff

Jan – October 2002	Monthly GSCSD meetings	GSCSD/Core Staff
January 2002	Developing PRSP outline	CSD/GSCSD, Line Ministry WGs, Consultants
February 2002	National Workshop for all stakeholders (Government, Development Partners, NGOs, private sector) to discuss the outline of PRSP	Core Staff, GSCSD, Consultants
Feb – April 2002	Developing contents and training	CSD/GSCSD, Line Ministry WGs, Consultants
April – May 2002	National Poverty Forum to discuss consultative mechanisms for all stakeholders	PMATU, CDRI, GSCSD
May 2002	Participatory process to identify key priority elements of PMA system	PMATU, CDRI, GSCSD
End May 2002	CSD meeting to review the first draft Translation and dissemination of the draft to all stakeholders	Core Staff, GSCSD, Consultants
June 2002	National Workshop on the first draft	"
June 2002	Presentation of PRSP draft to CG Meeting	CSD
June – July 2002	Six regional workshops for all stakeholders to discuss the first draft	NGO forum, GSCSD, Consultants
August 2002	Revise the first draft, translate and distribute to all stakeholders	Core Staff, GSCSD, Consultants
August 2002	CSD meeting to review the second draft	"
End of August - Early Sept 2002	National Workshop to discuss the second draft	"
September 2002	Develop the final draft	"
October 2002	CSD approves the final draft before sending to the COM	"
October 2002	Submission of the final draft of PRSP to the Council of Ministers	"
October 2002	Submission of PRSP to the Boards of the WB and IMF in Washington.	"