

Cambodia: Growth and Sector Reforms

This country assistance program evaluation (CAPE) assesses the performance of the country strategies and assistance programs of ADB for Cambodia during 1998–2008. It extends on the findings of the first CAPE completed in 2004. The evaluation provides key lessons and recommendations for ADB's future program in Cambodia.

Since resumption of assistance to Cambodia in 1992, ADB had approved \$1.3 billion of assistance by end-2008. ADB supported eight to nine sectors throughout the CAPE period, with the two largest shares belonging to transport at 25%, and agriculture and rural development (ARD) at 20%.

The overall rating for ADB's program of assistance to Cambodia during the CAPE period is *successful*, combining the strategic level top-down (*successful*) and the program level bottom-up (*partly successful* on the high side) performance ratings. However, ADB assistance did not receive a highly successful rating in any of the sector assessments, suggesting scope for future improvement.

In general, ADB has maintained a constant presence in the country and a large source of funds over the evaluation period. Strong areas of performance were in the following:

- investment in physical assets with sector reforms boosted connectivity, lowered production costs, and encouraged foreign direct investment;
- sustained financial sector reform, microfinance and small and medium enterprise development supported growth from domestic sources;
- support to agriculture and rural infrastructure, despite implementation difficulties, paid off in the form of higher yields and extended markets;
- assistance in the education sector helped increase enrollment rates and provided a useful test of the sector-wide approach (SWAp) mode of assistance;
- Greater Mekong Subregion (GMS) operations enhanced connectivity and information exchange among countries of the subregion; and
- ADB operations were also an important conduit for cofinancing by other agencies under the project modality.



QUICK LINKS

Country Assistance Program Evaluation for Cambodia: Growth and Sector Reform

www.adb.org/Documents/CAPES/CAM/CAP-CAM-2009-33/default.asp

Sector Wide Approach (SWAP)

www.adb.org/Education/educ-swap.asp

Greater Mekong Subregion (GMS)

www.adb.org/GMS/

Country Operations Business Plan 2009-2012

www.adb.org/Documents/CPSs/CAM/2009-2012/COBP-CAM-2009-2012.pdf

ADB Management Response

www.adb.org/Documents/Evaluation/Management-Response/CAPES/MR-CAPE-CAM-2009-33.pdf

Chair's Summary of the Development Effectiveness Committee (DEC)

www.adb.org/BOD/dec/DEC-ChairSum-26Oct2009.pdf

Lessons

- **Overall Development Strategy Involves Risks.** While past ADB country strategy was successful, the future strategy involves external risks of a too-narrow economic base and reliance on foreign markets and investment; and internal risks from poor quality services, low standards of public sector management, difficulties in natural resource management, and reduced returns through corruption and weak rule of law. Continued improvements in addressing the external and internal risks will still take time and require considerable support.
- **Early, Sustained, and Responsive Involvement Pays Off.** Through its early and sustained involvement, and by delivering responsive projects and programs that generated clear and meaningful national and subregional results, ADB has built up a substantial level of trust with the Government. This puts it in a good position to effect some changes in the program, some of which are already under way.

■ **Realistic Designs Matter.** One of the keys to ADB's success has been its ability to help the Government plan and sequence a series of reforms at the sector level over a decade or more. ADB experience also shows this required solid diagnostic work, practical grounding in sector investment realities, a good understanding of and working relationship with key line ministries and sector agencies, and an ability to tailor advice and recommendations to the Cambodian setting.

■ **Coherence and Selectivity Take Work.** Synergies among operations do not evolve naturally and need to be generated. A concerted effort is required to focus ADB's assistance where the direct and catalytic payoffs are the greatest.

■ **Good Practices for Sector Reform.** ADB support for wide-ranging sector reform and capacity building met with most success when there was high-level political support and a clear demand for advice and capacity building; when assistance went beyond augmenting skills to improving institutions; and when the tasks were designed, sequenced, and staffed appropriately. TA operations need to be focused and feasible, and sufficient time must be provided to mobilize support for fundamental changes in key institutions.



■ **Advancing Agriculture and Rural Development.** ADB's past experience suggests that it is possible to identify, design, and implement ARD projects with a strong positive impact on economic growth and poverty reduction through interventions across a broad geographic area using simple implementation arrangements. Continued support to ARD requires better diagnostic work and simple implementation arrangements.

Feedback

ADB Management Response appreciates the study and agrees with the general thrust of the recommendations, many of which are already being implemented as documented in the latest Country Operations Business Plan 2009-2012. Management appreciated that the evaluation emphasizes the need to continue support for agricultural and rural development, including rural infrastructure development, natural resource management, and regional cooperation and integration.

The Development Effectiveness Committee (DEC) of the Board also welcomed the study. DEC expressed satisfaction that ADB has made significant contribution to the development of the Cambodian economy during 1998 to 2008. It also noted that portfolio performance has been satisfactory except in energy, agriculture and rural development, where implementation delays were somewhat large. DEC also emphasized the importance of nurturing private sector-led growth and a sharper focus on maintenance of valuable assets built up with ADB assistance.

Recommendations

- *Promote private-sector led growth and income generation through improved infrastructure services in both urban and rural areas*
- *Focus on fewer subsectors and possibly on sectors with good track record and good prospects for supporting development priorities in future operations*
- *Improve ADB investment efficiency, internal and subregional synergies by better planning, coordination and institutional capacity building*
- *Explore other financing modalities to supplement Asian Development Fund (ADF) resources including Private Sector Operations Department (PSOD) investments, to meet the evolving development needs*
- *Foster good governance standards in the sectors of ADB's support*
- *Improve ADB service delivery through much strengthened policy dialogue, partnership and delegation pursued*

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