



1. Project Data:		Date Posted : 08/20/2002	
PROJ ID: P034755		Appraisal	Actual
Project Name : Kh - Technical Assistance Project	Project Costs (US\$M)	18.69	18.7
Country: Cambodia	Loan/Credit (US\$M)	17	15.971
Sector(s): Board: EP - Central government administration (100%)	Cofinancing (US\$M)	0.0	0.0
L/C Number: C2664			
	Board Approval (FY)		95
Partners involved :	Closing Date	06/30/2001	12/31/2001
Prepared by :	Reviewed by :	Group Manager :	Group:
Michael R. Lav	Fareed M. A. Hassan	Rene I. Vandendries	OEDCR
2. Project Objectives and Components			
a. Objectives			
<p>1. The original objectives were: (a) improving the management of public sector finance by strengthening the economic management team (EMT) through: (i) reinforcing existing EMT units (such as the Budget Department); (ii) assisting units recently established (such as the Cambodian Development Council); (iii) setting up new units (such as the Debt Unit); and (iv) reorganizing and strengthening units not considered a priority to date but which are expected to play an important role in the future such as the Economic Finance Institute (EFI); and (b) establishing an enabling foundation for a legal environment conducive to private sector development including : (i) establishing a legal reform unit and providing legal advisory services for key government institutions; (ii) supporting regular publications of laws and regulations; and (c) establishing a system for publishing judicial decisions .</p> <p>2. The project objectives were revised in 1999 following a coup d'etat in 1997, imposition of a new government and a detailed review of the project and government priorities by the Bank . The revised objectives were: (a) civil service capacity building through continued support for the EFI; (b) support for macroeconomic management and capacity building of Ministry of Economy and Finance (MEF) departments; (c) Public Administration Reform (civil service, design of a military demobilization program, continuing support for publication of legislation and court decisions); and (d) legal reform (development of a commercial code and other related regulatory activities).</p>			
b. Components			
<p>1. The original components implemented during the first 4 years of the project comprised: (a) enhance public expenditure control (strengthening budget preparation capacity in MEF and technical ministries), (b) strengthen capacity to prepare and implement the public investment program, (c) improve capacity to manage foreign debt, define a series of options to improve public sector personnel management /civil service management reform, (d) support operations of the EFI; (e) legal assistance for private sector development; and (f) training, studies and institutional strengthening. In 1996, as support for the public investment management system was dropped from the project because of high cost (and subsequently financed by a Japanese grant), a forestry management component was added to the project.</p> <p>2. With the revision of the project's objectives in 1999 with the new government, the components were revised to include: (i) civil service capacity building (largely, support for the EFI); (ii) support for units engaged in macroeconomic management and capacity building at the MEF; (iii) public administration reform; (iv) legal reform (development of a commercial code).</p>			
c. Comments on Project Cost, Financing and Dates			
<p>The project cost US\$18.7 million, financed by an IDA credit for US\$17 million and the Government of Cambodia for US\$1.7 million. The project was appraised in June, 1994, approved by the Board on December 6, 1994, made effective on March 23, 1995, and closed on December 31, 2001, six months behind schedule.</p>			
3. Achievement of Relevant Objectives:			
<p>For the first stage components (1995-1999): (a) enhance public expenditure control: (i) a national budget was prepared (there had been none previously), along with guidelines and procedures; (ii) in 1998 the government</p>			

decided to introduce a VAT which was supported by the project with experts, seminars, etc.; (b) public investment management was not supported by the project (but was picked up under Japanese financing); support for the economic unit developed capacity for macroeconomic analysis, including a database and preparation of the country's macroeconomic framework that was used by the IMF and World Bank, and the ongoing work of an economic advisory team was also supported by the project; (c) a debt management unit was created which developed a system for debt reporting to the World Bank and which took part in preparation of bilateral debt negotiations at the Paris Club rescheduling and later with the Russian Federation; support for the Ministry of Commerce and Cambodia's participation in ASEAN; civil service management reform was supported through consultant services which produced a study of options to reduce the size of the civil service; a study was produced on enterprise reform focusing on personnel management; and (d) support for the EFI; (e) Legal Technical Assistance for Private Sector Development including (i) creation of a Legal Reform Unit in 1997 which supported publication of the Official Gazette and other activities; (ii) support for the Cambodian Development Council to help ensure consistency between private investment and government policies in natural resource development; (f) Training, Studies, and Other Sectors, including: (i) strengthening staff capacity and the institutional framework in the water supply sector, both of which were needed for development of water supply projects later financed by the World Bank, ADB, and Japan; (ii) commissioning of a study to review electricity tariffs and regulations, corporatization of public enterprises in the sector, etc; and (ii) support of a study of the stock exchange; and (g) Support for Forest Management component was extended through preparation of studies on forest concession management, forest policy reform, legal counsel services, and logging control and log verification.

For the second stage components (1999-2001): 1. Civil Service Capacity Building Component: EFI was supported by a series of consultants to assist EFI to become a sustainable operation; 2. Support for units engaged in macroeconomic management was extended through (a) support for the MEF economic unit focussed on macroeconomic analysis which produced periodic reports and a Monthly Bulletin of Statistics, among others, and which managed a macroeconomic database; (b) assistance to the Budget Department in the form of a senior consultant who helped to prepare Annual Budgets and budget analysis (although transfer of knowledge was not adequate); (c) assistance to the Debt Management Unit which took an active role in debt rescheduling, debt reporting to the World Bank, etc.; (d) assistance to Tax Department with work on VAT (although the contract for this consultant was eventually cancelled and IMF picked up this work); (e) assistance to Economic Advisory Team for MEF which helped in policy analysis and recommendations related to public expenditure; 3. Public Administration Reform comprising: (a) Civil Service Reform including financing the first ever complete civil service census though with long delays; and (b) Demobilization advisory services under which a pilot demobilization program was completed leading to work on a full scale demobilization program. 4. Legal Reform, including (a) assistance to the Legal Reform Unit which produced a legal diagnostic study (after much delay) which was an input to work on a government-owned strategy for the development of the legal and judicial sector; and (b) assistance to the Ministry of Commerce which benefitted from advice and review of the Law on Commercial Enterprise and the Law on Commercial Contracts as well as assistance in coordinating with the drafting team working on the Civil Code.

4. Significant Outcomes/Impacts:

The EFI and Debt Management Unit played important roles in economic management.

5. Significant Shortcomings (including non-compliance with safeguard policies):

The project could only make a beginning in capacity building and institutional strengthening in most of its components. Most of the achievements of objectives cited above are rudimentary improvements and will need substantial strengthening in the future before they can enhance government capacity and operations to any significant extent.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Unsatisfactory	Unsatisfactory	
Institutional Dev.:	Modest	Modest	
Sustainability:	Unlikely	Unlikely	Sustainability is unlikely because of the tenuous nature of most of the project's achievements
Bank Performance:	Unsatisfactory	Unsatisfactory	
Borrower Perf.:	Unsatisfactory	Unsatisfactory	
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

1. Technical assistance projects should not cover too many activities. The broad range of components covered by this project made it difficult to focus on and support substantial improvements in most of the components. 2. New borrowers, as was Cambodia, with little capacity, need to be supported by realistic projects. Basic institutional capacity is essential in the preparation and implementation of a TA project, and this capacity was nonexistent in

Cambodia. Countries with similar levels of development should be subject to careful evaluation of institutional capacity before assistance is extended . 3. As projects are developed, careful attention should be paid to avenues of communication with the government, and where these are inadequate, they should be recognized as a constraint and taken into account in project formulation .

8. Assessment Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR:

The ICR does a good job of covering the broad horizon and numerous detailed components of this project, along with offering a frank assessment of the rudimentary nature of the project's accomplishments .