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Report No. 19284

PERFORMANCE AUDIT REPORT

CAMBODIA

EMERGENCY REHABILITATION PROJECT
(CREDIT 2550-KH)

AND

ECONOMIC REHABILITATION CREDIT
(CREDIT 2781-KH)

May 13, 1999

Operations Evaluation Department

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Currency

Currency Unit = Cambodian Riel

Average value of US\$1.00 in:

1995	2,451
1996	2,624
1997	2,946
July 1998	4,000

Abbreviations and Acronyms

ADB	Asian Development Bank
ERC	Economic Rehabilitation Credit
ERP	Emergency Rehabilitation Project
EVM	Evaluative Memorandum
IDA	International Development Association
IDF	Institutional Development Fund
IMF	International Monetary Fund
PFP	Policy Framework Paper
PIU	Project Implementation Unit
PMU	Project Management Unit
SIDA	Swedish International Development Agency

Weights and Measures

Metric System

Government's Fiscal Year

January 1 - December 31

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Office of the Director-General
Operations Evaluation

May 13, 1999

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

SUBJECT: Performance Audit Report on Cambodia: Emergency Rehabilitation Project (ERP), Credit No. 2550-KH and Economic Rehabilitation Credit (ERC), Credit No. 2781-KH

Attached is the Performance Audit Report for Cambodia: the Emergency Rehabilitation Project (ERP), for an amount of SDR 45.2 million (US\$62.7 million equivalent); and the Economic Rehabilitation Credit (ERC), for SDR 25.4 million (US\$40 million equivalent). The ERP was approved by the Board in FY94 and closed in April 1997, six months behind schedule. The ERC was approved in FY96 and closed in June 1997, four months early. Both credits were fully disbursed.

The ERP was the first IDA credit to Cambodia. It aimed to help restore and maintain capacity utilization and production in key sectors for twelve to eighteen months by importing and distributing critical inputs for rehabilitating economic activities and public infrastructure and services. Thus, the project included specific categories of imports considered critical for agriculture, transport, power, water, education, health and administration, which were allocated a total of about 65 percent of project funds, with specific allocations for each sector. The remaining 35 percent of project funds were reserved for importing commodities from a specified list that were considered essential for Cambodia's recovery. The ERC's overall objective was to assist Cambodia's recovery and its continued transition to a market economy. It had three specific objectives: (i) support the Government's macroeconomic, private sector development and administrative reform programs; (ii) provide quick-disbursing balance of payments support when donor assistance was disbursing very slowly; and (iii) fund priority Government investments in health, education, other social programs, development projects and other investments from counterpart funds generated by the credit.

The implementation of the Government's economic reform program was the central objective of both loans. Cambodia's macroeconomic performance between 1994 and 1996, the disbursement period of ERP and ERC, was favorable. Economic growth rebounded strongly from 4 percent in 1994 to 7.5 percent in 1995 and 6.5 percent in 1996. Inflation, which had soared over 100 percent from 1991 to 1993, dropped to single digits in 1995 and 1996. Cambodia's external reserves position strengthened considerably and the exchange rate remained broadly stable at about Riels 2,500 per US Dollar, in contrast to the wide swings experienced in earlier years. Eliminating deficit financing from the banking system played a central role in stabilizing the macroeconomic situation. The Government maintained fiscal discipline despite shortfalls in revenues and overruns in military spending.

The Government made progress in implementing its wide ranging structural reform program. It established an improved public investment management system, initiated a two tier banking system, introduced new large denomination bank notes to promote "de-dollarization," eliminated most non-tariff barriers and streamlined the tariff structure, privatized key public enterprises in trading and petroleum distribution, adopted regulations for public enterprise oversight and introduced a liberal foreign investment law. In addition, the Government began to monitor foreign direct investment regularly and established an external debt management unit.

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Notwithstanding the remarkable progress in macroeconomic stabilization and structural reform, several imbalances remained and policy implementation in some areas was delayed. Economic growth was uneven with agriculture, the largest sector, performing poorly. Fundamental budgetary and balance of payments disequilibria continued. Substantial financial support from the international donor community masked these imbalances. Moreover, the composition of expenditures was unbalanced, leaving increases in social spending targets unachieved. Reforms needed to curb expenditures on the military and civil service and to increase domestic resource mobilization were delayed.

While ERP's design was consistent with its rehabilitation objective, it was too complex for Cambodia's situation and was flawed in some respects. First, IDA seriously overestimated Cambodia's capacity to design, implement and coordinate projects. The civil service was relatively uneducated and inexperienced. Moreover, Government staff had no previous donor project experience. Thus, in the agriculture and education sectors, for example, several subprojects were eliminated because implementation within a reasonable time looked uncertain. Funds were gradually reallocated to general critical imports after the mid-term review in October 1994.

ERC was a straightforward, simple operation which partially achieved its policy objectives. ERC assisted the Government in implementing its reform program and provided needed foreign exchange. It also made resources available to the Government to bridge its fiscal deficit, providing time to implement measures to increase domestic resources and reduce dependence on external assistance. These additional resources helped increase public expenditures on social programs, finance the Government's counterpart contribution to donor-funded development projects and increase priority investments. Some crucial reforms were delayed, however, and economic performance targets were not achieved.

The Evaluative Memorandum for ERP rated outcome as satisfactory, institutional development impact as modest, sustainability as uncertain, and Bank performance as unsatisfactory. The Evaluation Summary for ERC rated outcome as marginally satisfactory, institutional development impact as modest, sustainability as uncertain and Bank performance as satisfactory. This audit rates the outcome of both projects as marginally satisfactory, their sustainability as uncertain, and their institutional development impact as modest. Bank performance is rated unsatisfactory for ERP and satisfactory, though only marginally, for ERC.

A number of lessons can be drawn from these projects: (i) for countries ravaged by war or requiring other post-emergency assistance, IDA should provide distinct operations either to support general critical imports or to support rehabilitation of specific economic and social infrastructure; combining both objectives into one project creates problems; (ii) IDA should refrain from requiring reforms that are politically unrealistic or cannot be implemented in the time frame of the project; (iii) frequent changes in task and regional management adversely affect project design, processing and implementation; (iv) IDA should carefully assess borrower and technical assistance consultants' capability and monitor consultants' performance carefully; and (v) contractors should be screened for experience in similar countries, rather than be chosen on price alone.

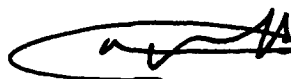


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This report was prepared by Ashok Khanna (consultant), with Alice Galenson as the Task Manager. Geri Wise provided administrative support.

Preface

This is a Performance Audit Report (PAR) on the Emergency Rehabilitation Project for an amount of SDR 45.2 million (US\$62.7 million equivalent) and the Economic Rehabilitation Credit for SDR 25.4 million (US\$40 million equivalent). The PAR is based on the President's Reports for the projects, summary of the Board discussion, legal documents, project files, related economic and sector work, discussions with Cambodian officials and Bank staff and Implementation Completion Reports prepared by the South East Asia and Mongolia Unit, East Asia and Pacific Region and issued in June and December 1997, respectively.

An OED mission visited Cambodia in October 1998 to discuss the effectiveness of IDA assistance with Government officials, the business community and donors. Their cooperation and assistance in preparing this report is gratefully acknowledged.

The draft PAR was sent to the Borrower; their comments are reproduced as Annex 1 to the report.

Abstract

The Emergency Rehabilitation Project (ERP) was the first IDA project in Cambodia and was followed by the Economic Rehabilitation Credit (ERC). The overall objective of the two credits was to restore macroeconomic stability and economic growth in Cambodia and to rehabilitate its physical, social, and economic infrastructure. ERP included rehabilitation support for several specified sectors. The projects' funds provided balance of payments support for specified imports and budget support from counterpart funds. About half the funds allocated to sector rehabilitation under ERP were diverted to financing general imports because appropriate projects could not be developed quickly. ERP activities closed on schedule although a six month extension was granted to process all outstanding withdrawal applications. ERC disbursed about five months ahead of schedule. Cambodia's macroeconomic and economic growth performance improved and many structural adjustment policies were implemented during the projects' disbursement period. Political developments, however, prevented the implementation of several crucial reforms that could have sustained the gains achieved during 1994-96. Thus, outcome for both credits is rated marginally satisfactory and sustainability is rated uncertain.

Ratings and Responsibilities

Performance Ratings

	<i>Emergency Rehabilitation Project (Cr. 2550-KH)</i>	<i>Economic Rehabilitation Credit (Cr. 2781-KH)</i>
Outcome	Marginally Satisfactory	Marginally Satisfactory
Sustainability	Uncertain	Uncertain
Institutional Devt. Impact	Modest	Modest
Borrower Performance	Satisfactory	Satisfactory
Bank Performance	Unsatisfactory	Satisfactory

Key Project Responsibilities

<i>Emergency Rehabilitation Project (Cr. 2550-KH)</i>			
	<i>Task Manager</i>	<i>Division Chief</i>	<i>Director</i>
Appraisal	Arnaud Guinard	Khalid Ikram	Callisto Madavo
Completion	Guy Darlan	Sanjay Dhar	Javad Khalilzadeh-Shirazi

<i>Economic Rehabilitation Credit (Cr. 2781-KH)</i>			
	<i>Task Manager</i>	<i>Division Chief</i>	<i>Director</i>
Appraisal	Guy Darlan	Sven Burmester	Callisto Madavo
Completion	Guy Darlan	--	Ngozi Okonjo-Iweala

1. Introduction

Background

1.1 Cambodia is among the poorest countries in Asia, with a population of about 9 million and a per capita income of about US\$300 in 1996. Forty percent of its population lives below the poverty line. Most people lack access to health and education facilities, potable water, electricity and serviceable roads. Cambodia's social indicators compare unfavorably with other low income countries: population growth is 3 percent compared with an average of 1.7 percent for the comparator group; infant mortality rate is 110 per thousand compared with 55; life expectancy is 52 compared with 62; and the primary school enrollment rate is substantially lower than the average. These economic and social indicators suggest that Cambodia may not have progressed much since the late 1960s.

1.2 By the end of the 1960s, Cambodia was self-sufficient in essential food and was a net exporter of rice. Modest diversification of the economy from agriculture to light manufacturing had begun. Cambodia's official foreign exchange reserves were adequate. With favorable prospects for production, exports and tourism, the country anticipated rapid growth and development, similar to other countries in the region. In the 1970s, however, armed conflict in Viet Nam spilled over into Cambodia, resulting in civil war. The Khmer Rouge administration forcibly took power in 1975 and launched a program of radical social change, redesigning economic and social relations on a communal basis. Large numbers of people died and many others fled the country. Institutions and infrastructure were destroyed. Communications with the outside world broke down and foreign trade collapsed.

1.3 In 1979, after the defeat of the Khmer Rouge and a change of Government, a reform phase began, although it retained a central planning framework. In 1985, the Government initiated a process of liberalization oriented towards promoting market forces. It lifted many price controls, sanctioned some private commercial activities and permitted joint ventures. From 1989, the Government accelerated and broadened the reform process. Major policy reforms included privatizing agriculture and decontrolling output prices; initiating privatization and increasing autonomy for remaining state owned enterprises; enacting a new foreign investment law; and unifying the multiple official exchange rates (in 1990) into a single official rate, which was subsequently linked to the parallel market rate.

1.4 Economic performance improved in the early 1990s, with growth at 7-8 percent in 1990 and 1991. In addition, the balance of payments strengthened because of an increase in exports (mainly logs and timber) together with higher private remittances and direct foreign investment. Severe fiscal imbalances impeded maintaining the rate of economic growth, however. These imbalances were caused by the loss of assistance from the former Soviet Union, a pronounced drop in the domestic tax ratio and a sustained increase in military spending. The Government financed the fiscal deficit by monetary growth, leading to high rates of inflation, peaking at 177 percent in 1992, and exchange rate depreciation. Moreover, continued political instability in late 1992 partly negated efforts to address the fiscal imbalance. Together with economic liberalization, a process of political reconciliation had begun, resulting in the October 1991 Paris Peace Agreements under the aegis of the UN. The process culminated in elections in May 1993 and a new constitution. An elected coalition Government took office in September 1993.

1.5 Rehabilitation activities were considered an essential part of the transition to economic and political stability. In April 1992, the UN launched an appeal for Cambodia's Immediate Needs and Rehabilitation, requesting the international community to provide assistance for the operation of basic public services and humanitarian activities. A conference held in Tokyo in June 1992 pledged US\$880 million for rehabilitation and endorsed the priorities detailed in a joint document by ADB, IMF, UNDP and IDA. Donors believed that restoring essential public services and infrastructure and economic stability were critical for minimizing social and regional tensions that could frustrate national reconciliation.

1.6 Cambodia has substantial long-term development potential. It is rich in natural resources. It has three times as much arable land per capita as Viet Nam, and much of it has high productivity potential. Thus, it could produce rice, rubber and other crops for domestic consumption and export. Cambodia also has abundant forests, considerable mineral deposits, probably including offshore oil and gas reserves, and a high potential for tourism. Finally, Cambodia could develop labor-intensive manufacturing, given its location in a dynamic region surrounded by rapidly growing economies.

World Bank Group Relations with Cambodia

1.7 Cambodia became a member of the IMF on December 31, 1969 and IDA on July 22, 1970. Between those two dates, Prince Sihanouk was overthrown and the country descended into turmoil. As a result, Cambodia did not borrow from IDA until recently, although it did borrow from the IMF in 1971-72. Relations with IDA were interrupted between 1975 and September 1992, at which time Cambodia resumed active participation in IDA. Six projects, with a total commitment of US\$210 million had been approved by the time of the 1997 Country Assistance Strategy. Cambodia joined the IFC in March 1997 and investments in a hotel and manufacturing facility are under consideration. IDA is encouraging Cambodia to join MIGA.

2. IDA Assistance Strategy, Credit Objectives and Design

2.1 IDA began its project assistance to Cambodia prior to formulating a formal country assistance strategy. Early project assistance focused on helping the country through the rehabilitation period. Successful rehabilitation would allow the Government to function adequately and determine its own development strategy gradually. IDA staff engaged Government officials in close policy dialogue in the process of preparing the first country economic report on Cambodia titled "Cambodia: Agenda for Rehabilitation and Reconstruction" (June 1992). The report was prepared with contributions from over 15 staff and consultants and covered macroeconomic and sectoral issues in depth. ERP processing was delayed by about a year, until the Government developed its macroeconomic program in close collaboration with the IMF, which supported it with the first tranche release under the Systemic Transformation Facility.

2.2 As Cambodia lacked capability to design and implement projects, IDA had made an early start by providing technical assistance starting in mid-1992. It fielded two finance experts with bilateral financing for strengthening expenditure programming and public finance control. This support was expanded from a Japanese and a Bank IDF grant. At the sectoral level, two UNDP

assistance projects for water and power processed in 1992 and executed by IDA, were proceeding satisfactorily.

2.3 In May 1995, IDA presented its first assistance strategy to the Board. Its long term objective was to promote broad-based and sustainable development to reduce poverty. Because the relationship between Cambodia and the donor community was new, and to avoid over-stretching Government capacity, IDA staff presented only a one year strategy. In that year, IDA's strategy was to: (a) assist the Government to strengthen its capacity, set clear priorities and implement development programs and administrative reforms; (b) carry out analytical work to improve IDA's knowledge of the country; (c) support critical rehabilitation and reconstruction of economic and social infrastructure that would have a quick impact; and (d) strengthen aid coordination.

2.4 While the overall objective of ERP and ERC was to rehabilitate the physical and social infrastructure and restore macroeconomic stability and growth in Cambodia, each project had different specific objectives and was designed to achieve them. Thus, the credits will be discussed separately.

Emergency Rehabilitation Project (ERP), Credit No. 2550-KH

2.5 The ERP was presented to the Board in October, 1993. It was the first IDA credit to Cambodia. It aimed to help restore and maintain capacity utilization and production in key sectors for twelve to eighteen months by importing and distributing critical inputs for rehabilitating economic activities and public infrastructure and services. IDA sent a mission to Cambodia in September 1992 to prepare this credit, responding to an appeal by the UN and an invitation from Prince Sihanouk. The mission identified rehabilitation priorities and prepared a core expenditure program, reflecting an agreed macroeconomic strategy. The program took into account existing activities, pledges and commitments by other donors and the likely disbursement of financial aid for two years. The project was consistent with IDA's policy on emergency operations, focusing on essential repairs and rehabilitation activities that could be implemented rapidly. IDA staff expected the project to generate counterpart funds from the sale of foreign exchange to private importers. The Government would allocate these funds for budgetary expenditures satisfactory to IDA.

2.6 The project included activities selected on the basis of three criteria: the number of beneficiaries, the country's absorptive capacity; and the resettlement requirements of any displaced population. Thus, the project included specific categories of imports considered critical for agriculture, transport, power, water, education, health and administration, which were allocated a total of about 65 percent of project funds, with specific allocations for each sector. The remaining 35 percent of project funds were reserved for importing commodities from a specified list that were considered essential for Cambodia's recovery.

2.7 The Ministry of Finance was the project executing agency, responsible to the Government and IDA for coordinating and managing the project. The various ministries and agencies involved in the project were implementing agencies for their respective components. Given the multi-sector coverage and the need to ensure rapid implementation, distribution of goods and proper financial controls, a Project Implementation Unit (PIU) in the Ministry of Finance managed the project. Successful implementation of the rehabilitation program depended on planning, budgeting and control of central and provincial expenditures. Cambodia lacked

expertise in these activities. Technical assistance under ERP funded by a grant from SIDA provided expertise to the PIU in procurement and financial management. IDA also provided technical assistance from its Institutional Development Fund to sector ministries to assist in preparing and implementing rehabilitation projects.

Economic Rehabilitation Credit (ERC), Credit No. 2781-KH

2.8 The ERC was presented to the Board in May, 1995. It formed a key component of IDA's assistance strategy and was an intermediate step between the ERP and structural adjustment lending. As the Government had implemented many important reforms and balance of payments support was needed, continued IDA support was considered essential. Concurrently, the IMF supported the Government's reform program with a three-year arrangement under the Enhanced Structural Adjustment Facility.

2.9 IDA engaged in substantial policy dialogue in preparing this project. It issued two economic reports: (a) "Cambodia: From Rehabilitation to Reconstruction," February 1994; and (b) "Cambodia: Rehabilitation Program: Implementation and Outlook," February 1995. Moreover, the Policy Framework Paper, 1994-1996 (April 1994), outlined the Government's reform program. The Government provided additional details of its program, focusing on macroeconomic policy, private sector development and administrative reform, in the Statement of Development Policy attached to the credit.

2.10 ERC was a single tranche operation with no specific conditionality. Funds would be released while the Government's reform program agreed with IDA remained on track. While its overall objective was to assist Cambodia's recovery and its continued transition to a market economy, ERC had three specific objectives: (i) support the Government's macroeconomic, private sector development and administrative reform programs; (ii) provide quick-disbursing balance of payments support when donor assistance was disbursing very slowly; and (iii) fund priority Government investments in health, education, other social programs, development projects and other investments from counterpart funds generated by the credit. IDA evaluated these budgets in preparation for the Policy Framework Paper negotiations and donor coordination meetings. The credit financed general imports from a specified list by both the public and private sectors. To ensure timely and efficient implementation, the Project Management Unit (PMU) established for an earlier Technical Assistance Project, served as the implementation unit for ERC.

2.11 A companion Technical Assistance Project for US\$17 million was approved in November 1994. It sought to provide expertise and equipment to assist the Government to implement its reform program in public expenditure control, public investment management, foreign debt management, public sector personnel management, military demobilization and private sector development, particularly the legal environment. The credit also financed studies to improve policy design in other sectors.

3. Implementation Experience

The Government's Reform Program

3.1 The implementation of the Government's economic reform program was implicitly the central objective of both loans. Cambodia has made significant progress in stabilizing its economy, restoring economic growth and implementing policy reforms to transform the economy towards a market orientation. Progress has been especially rapid since the coalition Royal Government was formed in 1993. Fiscal discipline has helped the country approach macroeconomic stability and policy reforms have assisted in restoring economic growth. These reforms included: lifting remaining price controls, introducing new tax measures, eliminating non-tariff barriers and lowering and streamlining tariffs, reforming customs administration, liberalizing the exchange rate and initiating a two-tier banking system. High levels of foreign aid have supported these achievements.

Table 3.1: Key Macroeconomic Indicators
(Percentage of GDP)

	1991	1992	1993	1994	1995	1996	1997
Real GDP Growth	7.6	7.0	4.1	4.0	7.6	6.5	2.0
CPI Growth (final quarter)	150.4	112.5	41.0	17.9	3.5	9.0	9.1
Budget Revenue	4.4	6.2	5.4	9.6	8.9	9.1	9.2
Budget Expend.	7.8	9.8	11.2	16.5	16.7	16.4	14.2
Overall Budget	-3.4	-3.6	-5.9	-6.8	-7.7	-7.3	n.a.
Domestic Investment	9.4	9.8	14.3	18.5	21.6	20.7	n.a.
Government	0.4	0.3	4.3	5.5	7.1	6.5	n.a.
Non-Government	9.0	9.5	10.0	13.0	14.5	14.2	n.a.
Savings	9.4	9.8	14.3	18.5	21.6	20.7	n.a.
National	7.9	7.3	5.9	4.4	5.4	5.1	n.a.
Foreign	1.5	2.5	8.4	14.1	16.2	15.6	n.a.
BOP Current Account	-1.5	-2.5	-8.4	-14.1	-16.2	-15.6	-11.0
Off. Exch. Rate (Riels/\$)	703	1,253	2,478	2,543	2,462	2,634	2,989

Sources: (i) "Cambodia: Progress in Recovery and Reform," World Bank Report No. 16591-KH, June, 1997 for 1991-1996 data; and (ii) "Cambodia: Public Expenditure Review," World Bank Draft Report, July 1998 for 1997 data.

3.2 Cambodia's macroeconomic performance between 1994 and 1996, the disbursement period of ERP and ERC, was favorable. The combination of liberalization, stabilization and structural reforms, supported by generous external assistance, started Cambodia on the path to economic recovery. GDP grew at an average annual rate of about 6 percent during 1991-96. Manufacturing expanded at a higher rate of 7 percent per annum. Services and construction also grew rapidly, largely in response to donor sponsored rehabilitation activities. Inflation decelerated from an average of 140 percent in 1990-92 to a low of 3.5 percent in 1995 and 9 percent in 1996 and 1997. Eliminating deficit financing from the banking system played a central role in stabilizing the macroeconomic situation. The Government maintained fiscal discipline despite shortfalls in revenues and overruns in military spending. Simultaneously, the

Government contained current expenditures, except on defense and the civil service, permitting an increase in capital expenditures to rebuild the country's physical and social infrastructure.

3.3 Improved export performance, large aid flows and inflows of foreign direct investment contributed to a better balance of payments position. While Cambodia's export base is small, it has expanded about four-fold since 1991. At the same time, domestic imports expanded six-fold. The widening current account deficit, from 1.5 percent in 1991 to 16 percent of GDP in 1996, was financed by external capital flows. Foreign direct investment, mostly from neighboring countries, was up to US\$150 million in 1995. Cambodia's external reserves position strengthened considerably and the exchange rate remained broadly stable at about Riels 2,500 per US Dollar, in contrast to the wide swings experienced in earlier years.

3.4 The Government made progress in implementing its wide ranging structural reform program. It established an improved public investment management system, initiated a two tier banking system, introduced new large denomination bank notes to promote "de-dollarization", eliminated most non-tariff barriers and streamlined the tariff structure, privatized key public enterprises in trading and petroleum distribution, adopted regulations for public enterprise oversight and introduced a liberal foreign investment law. In addition, the Government began to monitor foreign direct investment regularly and established an external debt management unit.

3.5 Attaining macroeconomic stability and implementing structural reform were remarkable achievements for Cambodia. The country had experienced political and economic chaos for many years previously. A large number of educated citizens had been killed or fled the country. Cambodia suffered from inadequate capability to design and implementation policy reforms. It had virtually no experience with donor projects. In addition, the ruling coalition government was shaky and began to crumble early in 1996.

3.6 Notwithstanding the remarkable progress in macroeconomic stabilization and structural reform, several imbalances remained and policy implementation in some areas was delayed. Cambodia's economic growth has not been broadly based, with agriculture's growth rate averaging less than 3 percent per annum. In addition, unemployment and underemployment are continuing problems. About 250,000 people, a significant proportion of the formal labor force, are unemployed and excess labor exists in state enterprises, the civil service and the military. Fundamental budgetary and balance of payments disequilibria continued. Substantial financial support from the international donor community have masked these imbalances. Also, the composition of expenditures was unbalanced, leaving increases in social spending targets unachieved. IDA and IMF missions warned the Government that it needed to make strong efforts to curb expenditures on the military and civil service and increase domestic resource mobilization.

3.7 Defense expenditures increased, however, partly because of the continuing insurgency, the need to absorb Khmer Rouge defectors, and to balance military strength among coalition partners under the Peace Agreement. These expenditures became harder to control as the political situation deteriorated. Under these circumstances, military de-mobilization was not possible. Civil service reform also proved difficult to implement because about 18,000 staff were added for political balancing under the Peace Agreement. In any case, shedding staff from the country's primary employer in an uncertain economic and political environment was not possible. Civil service emoluments and defense expenditures constitute three-quarters of current expenditures.

3.8 Revenue mobilization suffered because forestry revenues remained uncaptured and *ad hoc* tax and duty exemptions continued. The Government did not implement a sustainable and transparent forestry management policy, including channeling revenues through the budget. Revenues from log exports are the main source of funds for political and military leaders to enrich themselves and finance partisan political and military activity. Thus, forestry concessions were granted to the military and others based on regional party affiliations and log export revenues did not flow through the budget. Implementing a comprehensive tax reform, including the introduction of a VAT system and eliminating *ad hoc* tax and tariff exemptions, was delayed. Large companies, the first to come under the VAT system, resisted implementation. In any case, the Government lacked capacity for quick implementation. Tax and tariff exemptions were not eliminated partly because of the political situation, corruption and poor implementation capacity.

3.9 Finally, some key structural reforms were delayed, including adoption of a new commercial code and issuing guidelines for the law on investment. Cambodia had to develop the entire legal structure for a market economy. The sheer volume of new laws requiring enactment led to delays. Indeed, it was a miracle that many important laws, such as for the budget, were passed.

3.10 The political situation began to deteriorate early in 1996 and the macroeconomic situation began to unravel towards the end of that year, after project funds had been disbursed. The IMF withdrew its support in August 1997, although IDA continued its project assistance. At the Consultative Group meeting in July 1997, donors made it clear that their support was contingent on continuing reforms. A coup later that month resulted in rapid economic deterioration. The budget deficit increased and the Government resorted to financing from the banking system. As a result, inflation increased and the exchange rate depreciated. IDA stopped processing the Structural Adjustment Credit, the next major balance of payments support project. Recently, the IMF returned to Cambodia for consultations.

ERP

3.11 ERP activities closed on schedule, although IDA granted a six month extension to give the PIU sufficient time to process all outstanding withdrawal applications and cover related expenditures. The PIU efficiently handled procurement of all goods, kept financial control over all sub-projects and kept excellent records throughout the project. Equipment purchased under the project is still in use and the counterpart funds helped finance budgetary expenditures during the recovery period. Annual audit reports were submitted on time. A senior Ministry of Economy and Finance official, the Secretary of State for Finance, served as project director, facilitating coordination and implementation.

3.12 Project funds were reallocated gradually as needed by the PIU, with IDA agreement, from sector earmarked imports to general critical imports on the positive list. Beneficiary agencies with weak capability could not identify priorities quickly from indicative lists prepared during appraisal. International experts helped to identify priorities, prepare technical specifications and monitor contractors, but delays still occurred. In addition, the procurement expert assisting the PIU had difficulty understanding the requirements of an emergency operation, causing delays during the first twelve months of the project. The disbursement lag did not exceed 13 percent, however. Once the learning period passed, the disbursement lag disappeared. Moreover, the need for counterpart funds support for budget expenditures exceeded expectations, prompting the Government to request reallocation to the faster disbursing general

critical import component. At the same time, other donors had stepped in to assist in rehabilitation.

3.13 The early implementation difficulties were compounded by frequent changes in management at IDA. From inception to closing, ERP had four task managers, at least two division chiefs and three directors. Much of the original, albeit scant knowledge of Cambodia's economy, officials and politicians was lost. These changes contributed to high project supervision costs as new task managers had to acquaint themselves with the project, especially as they tended to operate autonomously. IDA fielded nine supervision missions in a little over two years, at a cost of 100 staff weeks and US\$320,000.

3.14 Technical assistance support assisted the PIU in managing the project and enabled the beneficiary agencies to design and implement important parts of their reconstruction programs. Experience with consultants varied. Some worked effectively, while many worked in isolation from counterpart staff, slowing the transfer of knowledge. In one case, IDA supervision missions treated the consultants as the implementing agency and seldom met ministry staff. Several consultants were ineffective, partly because they came on short-term assignments without prior knowledge of Cambodia. Unfortunately, some poorly performing consultants were re-hired by IDA for other tasks.

3.15 Finally, the Government experienced difficulty with at least two major suppliers. Although IDA selected consultant support to prepare the projects and review proposals and equipment, power generators and floating port supplies were faulty. Cambodian officials believe contractor selection was based solely on price, without enough emphasis on experience and reputation. In the case of the floating port, the consultant was an employee of the supplier, a clear conflict of interest.

ERC

3.16 ERC was disbursed between December 1995 and January 1997, about five months less than expected. ERC provided the necessary balance of payments financing needed by the Government, compensating for the slow aid disbursement by other donors. Counterpart funds from ERC disbursements also met about 60 percent of Cambodia's budgetary support requirements. These funds made it possible for the Government to increase allocations for health and social programs and finance priority investments. Technical assistance from a companion project was effective in providing support to several departments of the Ministry of Economy and Finance and funding important studies on military de-mobilization and civil service reform.

Donors

3.17 Representatives of Swedish and Japanese aid agencies, the main co-financiers and technical assistance providers, were consulted by the audit mission about ERP and ERC. In their opinion, the projects' design was appropriate and implementation successful, despite several critical reforms remaining incomplete because of political developments. Balance of payments support with conditionality for continuing reforms should resume after a political settlement. IDA's financing of several studies, including forestry policy, had been useful. Finally, IDA missions consulted donors and kept them informed. IDA's donor coordination role was viewed as useful, especially the Consultative Group meetings.

4. Overall Assessment and Sustainability

4.1 The overall assessment of ERP and ERC is based on in part judgments about the appropriateness of IDA's country assistance strategy and whether these projects' objectives were consistent with that strategy. Project implementation must be reviewed for difficulties, changes and impact on institutional development. In addition, a judgment about whether the projects achieved their objectives must be made. Finally, IDA and borrower performance must be rated.

Country Assistance Strategy and Project Objectives

4.2 As Cambodia had experienced political and economic chaos for many years, it was in urgent need of rehabilitation in every area of economic and social activity. In addition, IDA's knowledge of and operational experience in Cambodia were negligible. It was appropriate for IDA to respond to an appeal for assistance without a strategy, in coordination with other donors. ERP's objectives of rehabilitation and maintaining production were also appropriate because a functioning economy and administration are essential for political stability, laying a foundation for macroeconomic stabilization, structural transformation and sustained economic growth.

4.3 IDA presented its first country assistance strategy to the Board just prior to ERC. Because of IDA's short experience with Cambodia, and the country's fluid political and economic situation, IDA correctly presented a one year strategy to maintain flexibility. This strategy included, *inter alia*, supporting critical rehabilitation and reconstruction of economic and social infrastructure and strengthening the Government's capacity to set clear priorities and implement development programs. IDA's strategy was appropriate for Cambodia's situation. ERC's objective of assisting Cambodia's recovery, macroeconomic stabilization and structural transformation to a market economy was consistent with the assistance strategy and also appropriate.

Project Design

4.4 While ERP's design was consistent with its rehabilitation objective, it was too complex for Cambodia's situation and was flawed in some respects. First, IDA seriously underestimated Cambodia's lack of capacity to design, implement and coordinate projects. The civil service was relatively uneducated and inexperienced. Moreover, Government staff had no previous donor project experience. Thus, in the agriculture and education sectors, for example, several subprojects were eliminated because implementation within a reasonable time looked uncertain. Funds were gradually reallocated to general critical imports after the mid-term review in October 1994. Second, sectoral allocations were for imports only, with the Government responsible for local costs. In some cases, especially for projects with local content, some ministries were unable to provide counterpart funds, partly because of poor cash flow management. Finally, the fact that ERP was IDA's first project in Cambodia and appraised without the benefit of detailed sector analysis, accounted for some of the design flaws.

4.5 ERC was a single tranche operation and the release of funds was not tied to specific conditions. IDA endorsed the Government's macroeconomic stabilization and structural reform program outlined in the Statement of Development Policy and Policy Framework Paper (PFP) at appraisal. It planned to track implementation through the credit's disbursement period. The

wording in the Development Credit Agreement, however, did not specify the conditions under which the credit's disbursement could be stopped. If, in IDA's judgment, the program was on track overall, disbursement could continue, even though specific actions were not taken and targets not achieved. This design defect could have created a conflict with the IMF if they required performance according to PFP agreements. Indeed, the IMF eventually withdrew support while IDA continued its project assistance. Also, IDA could have lost leverage for expediting reforms that were delayed. It was able to maintain some influence from other project assistance, however. The credit financed general imports from a specified list, filling Cambodia's short-term external financing needs. Counterpart funds were to be used for priority Government investments and social programs. An existing PMU, established for an earlier project, served as the implementation unit. ERC design was simple and consistent with IDA's strategy.

Project Implementation and Outcome

4.6 Facilitating the Government reform program's implementation was the central objective of both credits. During the disbursement period of the credits, 1994-1996, Cambodia's macroeconomic performance was favorable and economic growth was strong, as noted earlier. In addition, the Government made progress in following through with its structural reform program. Overall, the Government's achievements were remarkable in Cambodia's situation.

4.7 Some crucial reforms were delayed, however. Because of the political situation, the main budgetary expenditures, on the military and civil service, proved difficult to control. For resource mobilization, forestry concessions and revenue from log exports were the biggest source of rents in the economy, making reform difficult. Eliminating *ad hoc* tax and duty exemptions also proved politically difficult and improving tax collection without adequately trained and compensated civil service proved administratively difficult. Finally, some important laws were not enacted primarily because of the legislature's time constraints.

4.8 ERP activities closed on schedule, although IDA granted a six month extension to process outstanding withdrawal applications. As noted earlier, ERP essentially became a general critical import support program, after substantial amounts were reallocated from sectoral rehabilitation, increasing the general critical imports component from 35 to about 65 percent of credit funds. Indeed, reallocation discussions started within seven months of project effectiveness. Many sector rehabilitation targets were not met, partly because of the reallocation of funds and partly because the targets specified in the President's Report were too optimistic. Nevertheless, the Government appreciates the limited rehabilitation that was completed. Some projects have been critical for economic growth, such as the floating port in Phnom Penh for trade. Equipment procured under the project is currently still in use and the counterpart funds helped finance budgetary expenditures, particularly in the social sectors. In addition, work on ERP resulted in subsequent IDA projects in agriculture, power, water and roads.

4.9 Overall, the project's revised objectives were met and ratings on Project Development Objectives and Implementation Progress were Highly Satisfactory or Satisfactory throughout implementation. The Government's strong commitment, technical assistance funded by Japanese and Swedish Trust Funds, and IDA supervision contributed to the project's success.

4.10 ERP, however, encountered several problems during implementation:

- Cambodia's lack of project preparation and implementation capabilities delayed rehabilitation and loan disbursement.
- The procurement advisor initially misunderstood the nature of an emergency operation, resulting in delays. The expert treated it as an investment project rather than a balance of payments support project. Some of the misunderstanding could have been avoided by making IDA documentation more clear about the project's objectives. For example, the President's Report suggested the project was predominantly for sectoral rehabilitation.
- IDA regional management seemed confused about whether the credit was for rehabilitation, as it was named, or general critical imports. Discussions about reallocation of funds from rehabilitation to general critical imports started in August 1994, only seven months after credit effectiveness. The reallocation began in October 1994, at the mid-term review, effectively converting the credit from funding rehabilitation to providing external financing for general critical imports. Thus, many sectoral rehabilitation targets were not met because funds were reallocated and also because many performance target measures were inappropriate. Sectoral rehabilitation was important for Cambodia, however. The original design for ERP was appropriate, evidenced by the several sectoral projects that IDA has since processed. In retrospect, IDA might have divided ERP into two separate projects to avoid conflicting objectives or processed ERC expeditiously and continued with rehabilitation under ERP. In the event, substantial rehabilitation was delayed.
- The Government urgently needed counterpart funds for budgetary expenditures and pressured IDA to reallocate funds inappropriately.
- IDA supervision costs were high because: (i) of frequent changes in task management; (ii) ERP was the first IDA project and it covered several sectors; and (iii) Cambodia had less implementation capability than expected.
- The performance of several consultants funded by technical assistance was substandard, causing dissatisfaction in several ministries and departments. At one point, IDA was unable to tabulate fully the technical assistance provided to Cambodia. Consultant hiring and monitoring was not well managed by IDA, resulting in wasted resources. For similar reasons, some contractors also did not perform to expectations.

4.11 In contrast, ERC was a straightforward, simple operation, which disbursed five months ahead of schedule and partially achieved its policy objectives. ERC assisted the Government in implementing its reform program and provided needed foreign exchange. It also made resources available to the Government to bridge its fiscal deficit, giving more time to implement measures to increase domestic resources and reduce dependence on external assistance. These additional resources helped increase public expenditures on social programs, finance the Government's counterpart contribution to donor-funded development projects and increase priority investments made without donor assistance. Some crucial reforms were delayed, however, and economic performance targets were not achieved. ERC was processed faster than the EA1 departmental average and required four supervision missions during the 13 months of implementation. Some of these missions were with the IMF to monitor PFP targets.

4.12 Unfortunately, by late 1996, it became apparent that the budget deficit would be above target, leading to drastic cuts in operational expenditures and delays in improving public services. To correct this situation, the Government will need to implement a comprehensive tax reform, improve tax/duty collections, refrain from granting ad hoc tax/duty exemptions and ensure that all public revenues are routed through the budget. At the same time, it will have to curb expenditures on the military and civil service by implementing reforms. These actions are critical for the success and sustainability of its reform program.

Ratings

4.13 The Government reform program's implementation was the most important objective of ERP and ERC. It made remarkable progress in macroeconomic stabilization and structural reform in very difficult circumstances during the disbursement period of the two loans. Nevertheless, the Government failed to implement some critical reforms for sustaining the program and also failed to achieve some sectoral rehabilitation targets under ERP and macroeconomic stabilization and structural reform targets under ERC. Thus, a **marginally satisfactory outcome** rating for both ERP and ERC is appropriate. This rating for ERP is lower than the satisfactory rating given to the project in the Evaluative Memorandum (EVM) at the time of project completion because several crucial policy measures essential for self sustained growth were not implemented. The unraveling of macroeconomic stability in 1997, after the loans were fully disbursed, brings into question the sustainability of the program, rather than its outcome. Also, the Government and IDA compensated for not achieving some rehabilitation targets by implementing follow-on projects in several sectors.

4.14 The prevailing situation in Cambodia during the appraisal of ERP and ERC did not permit the Government to participate fully in preparing the projects. The Government's commitment to the projects, however, facilitated preparation and implementation. In an effort to please IDA, the Government mistakenly agreed to unrealistic but critical reforms which it could not fulfill. The PIU and PMU successfully implemented the projects and beneficiary agencies allocated substantial time to compensate for their own weak capacity. Thus, the **borrower's performance is rated as satisfactory** (though it was only marginally so) for ERP and ERC.

4.15 While ERP and ERC were both responsive to Cambodia's needs, they had design and management defects and implementation problems. ERP had some important design flaws and more serious implementation difficulties. Thus, **IDA's performance for ERP is rated unsatisfactory**, in agreement with the EVM. **IDA's performance for ERC is rated satisfactory**, but only marginally so, as IDA required some important but unrealistic reforms which were not fully implemented or were delayed. This compares to a satisfactory rating in the Evaluation Summary of the project at the time of project completion.

4.16 Institutional development was not an objective in ERP or ERC. Nevertheless, technical assistance provided to PIU and sector ministries and departments helped train local staff, and IDA's supervision missions transferred knowledge. Technical assistance helped develop critical policy reforms that were to be implemented under ERC, but they were delayed. The **institutional development rating for both ERP and ERC is modest**, in agreement with the previous ratings.

Sustainability

4.17 ERP was converted substantially into an emergency import support project and ERC was completely an emergency import support program. These projects were the first in a series to help stabilize the economy and start its structural transformation towards a market economy and sustainable growth. They were designed and implemented during a period when a new coalition government was settling in and security was still fragile. Moreover, the Government lacked capacity and experience to prepare and implement donor projects and funds to continue the rehabilitation of economic and social infrastructure without follow-on projects. Thus, even though many ERP and ERC objectives were achieved, they could not be expected to be sustainable without follow-on projects.

4.18 The Government made substantial progress implementing reforms and several other IDA projects are being implemented or prepared. Events in 1997, including a coup that interrupted Cambodia's relationship with the donor community, confirmed the fragility of Cambodia's polity and its efforts to stabilize the economy and put it on a path of sustainable growth. The President's Reports for both projects clearly identified the security and political risks of operations in Cambodia and its inadequate capability to prepare and implement projects. Under these circumstances, the **sustainability rating for both ERP and ERC is uncertain**, in line with the previous ratings.

5. Lessons from ERP and ERC

5.1 Several important lessons can be derived from the experience with ERP and ERC to shape future World Bank work in Cambodia and other similar countries which have been ravaged by war, are in transition to a market economy or have a new relationship with IDA.

- IDA must clearly define consistent and cohesive emergency project objectives. For example, if rehabilitation of economic and social infrastructure is an objective, the project implementation period cannot be short, especially in a new borrower country with insufficient training and little experience in project management. If the objective is to support general critical imports, then narrow ear-marking of foreign exchange and counterpart fund use is inappropriate. It slows disbursement, gives the wrong signal about foreign exchange allocation and requires careful monitoring. Projects such as ERP, which have both emergency rehabilitation and general critical import support components should be divided into two separate projects.
- Linking the disbursement of funds to satisfactory overall macroeconomic program implementation is dangerous when policy actions and performance targets are specified in a joint IMF, IDA and Government document such as the PFP. It sets the stage for conflict with the IMF and loss of leverage for IDA. Thus, emergency loans should either have no conditions for disbursement or specific macroeconomic policy conditions that are explicitly connected to PFPs for consistency and ease of coordination and supervision.
- IDA should refrain from requiring reforms that are politically unrealistic or do not fit with the time frame of the loan, even though they are critical and the Government, in

an effort to please, agrees to comply. It sets the stage for non-compliance and creates complications for IDA's relationship and credibility with the Government. Also, these unrealistic expectations can adversely affect loan completion and assessment.

- Frequent changes in Task and Regional Management adversely affect project design, processing and implementation. Often, knowledge of the country, sectors and officials gets lost with personnel transfers, especially when the borrower is new and IDA lacks experience with the country.
- IDA should carefully assess the capability of new borrowers to prepare and implement projects, especially in low income countries that have been ravaged by war, political chaos, and emigration. Where countries lack institutional capacity, emergency loans should have simple designs. The loans should be accompanied by substantial technical assistance to facilitate project implementation and preparation of follow-on projects, which are crucial for the reform program's sustainability. Technical assistance consultants should be carefully screened and their performance monitored. A current, central information system on consultant performance is vital for maintaining IDA's credibility in borrower countries.
- The clearly defined project objectives must also be communicated clearly to the project implementation unit so they are aware of IDA's intentions. Moreover, contractors hired to implement project components should be screened for experience in similar countries, rather than be chosen on price alone.



ព្រះរាជាណាចក្រកម្ពុជា
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ជាតិ សាសនា ព្រះមហាក្សត្រ

KINGDOM OF CAMBODIA

Nation - Religion - King

March 15, 1999

Mr. Ruben Lamdany
Manager,
Country Evaluations and Regional Relations,
Operations Evaluation Department,
The World Bank.
Fax: 202-522-3424

**Re: Cambodia – Emergency Rehabilitation Project (Cr. 2550) and
Economic Recovery Credit (Cr. 2781)**

Dear Mr. Lamdany,

We acknowledge the receipt of a copy of the draft Performance Audit Report on the above operations dated February 8, 1999 for our review and comment. The Royal Government of Cambodia highly appreciates the work done by your Department in evaluating the effectiveness of programs supported by the Bank and shares the common view that the findings and lessons from these operations will be useful to us and also benefit the future projects.

After the thorough review with dully interest of the copy, we, the Royal Government of Cambodia, would sincerely like to contribute to the draft report with the following comments:

1. **Item 1: Introduction** - The Royal Government of Cambodia agrees to all facts and content reflected in this section of your draft describing the Cambodia's situation and its political and socio-economic evolution during the past four decades.
2. **Item 2: IDA Assistance Strategy, Credit Objectives and Design** - The Government realizes that Cambodia lacks capacity to design and implement projects especially in the areas of planning, budgeting, and controlling the expenditures which determine successful implementation of the rehabilitation programs, and welcomes technical assistance from the Bank and other bilateral donors. However, it concerns about the cost effectiveness and the transfer of knowledge while hiring expatriate consultants with relatively high cost in comparison with the local ones. Therefore, we would like your report to include an emphasis on a *comprehensive* and *strategic Technical Assistance policy* as a suggested element of the Bank's Assistance Strategy for Cambodia that ensures the quality of job done by consultants and the sustainability of the project.

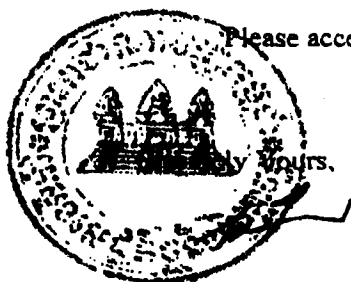
3. **Item 3: Implementation Experience** – It is noted that the implementation of the Government's economic reform program was explicitly the central objective of both loans. As a result, Cambodia's macroeconomic performance between 1994 and 1996, the disbursement period of ERC and ERP, was favorable according to economic indicators quoted in this draft. You have also mentioned in your draft report that there were remarkable achievements in attaining macroeconomic stability and implementing structural reform for Cambodia. It established an improved public investment management system, initiating a two tier banking system, introduced new large denomination bank notes to promote "de-dollarization", eliminated most non-tariff barriers and streamlined the tariff structure and did other more. We, therefore, support most your findings and understandings of the implementation experiences described in this section.

However, We would like to share the ideas about the developments during the period after the projects completion. In 1997, while Cambodia was poised for a further growth of nearly 7 %, it was subjected to the combined effects of two coincidentally concurrent shocks in July 1997; one was the internal instability imposed on our country; the other was the financial cataclysm enveloping the entire South East Asia. This is considered as a setback, which leads to uncertainty of the above projects' sustainability. Still, in 1997, our growth was positive at 2 %. inflation was kept at one digit and our currency did not depreciate as deeply as other nearby currencies did. Driven by a growing export oriented garment manufacturing industry we also added to our net foreign reserves. More or least it is the positive affects of the two projects.

4. **Item 4 & 5: Overall Assessment, Sustainability and Lessons from ERP and ERC** – In our opinion, the projects' design was appropriate and implementation was successful, despite some critical reforms were delayed due to political developments. With the formation of new Government which commits itself to be an "economic administration", we look forward to the World Bank enhancing and increasing support and would urge that the Bank considers Cambodia as being in its infant stage of growth and provides nurture and nourishment, not adult doses of inhibiting and sometimes infeasible conditions.

Finally, it is my strong belief that your report will contribute very much to the success of the future rehabilitation and development projects in Cambodia, and presents itself as a guide for correct actions in designing development strategy as a whole and particularly in implementing programs effectively.

Please accept the assurances of my high consideration. 



Keat Chhon
Senior Minister,
Minister of Economy and Finance

cc: Mr. Young Hoi Lee, Executive Director

Basic Data Sheet

ECONOMIC REHABILITATION PROJECT (CREDIT 2550-KH) AND ECONOMIC REHABILITATION CREDIT (CREDIT 2781-KH)

Key Project Data (amounts in US\$ million)

<i>ERP (Cr. 2550)</i>	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Total project costs	73.1	73.1	100.0
Loan amount	62.7	62.7	100.0
Cofinancing	2.3	2.3	100.0
Cancellation	--	--	--

<i>ERC (Cr. 2781)</i>	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Total project costs	45.5	45.5	100.0
Loan amount	40.0	40.0	100.0
Cofinancing	5.5	5.5	100.0
Cancellation	--	--	--

Cumulative Estimated and Actual Disbursements

<i>ERP (Cr. 2550)</i>	<i>FY94</i>	<i>FY95</i>	<i>FY96</i>	<i>FY97</i>
Appraisal estimate (US\$M)	22.6	40.6	45.2	45.2
Actual (US\$M)	20.7	35.5	43.2	45.2
Actual as % of appraisal	91.6	87.4	95.6	100.0
Date of final disbursement: May 13, 1997				

<i>ERC (Cr. 2781)</i>	<i>FY96</i>	<i>FY97</i>
Appraisal estimate (US\$M)	12.7	25.4
Actual (US\$M)	17.5	25.4
Actual as % of appraisal	137.8	100.0
Date of final disbursement: February 6, 1997		

Project Dates

<i>ERP (Cr. 2550)</i>	<i>Original</i>	<i>Actual</i>
Appraisal	7/92	9/92
Negotiations	1/93	9/93
Board approval	3/93	10/93
Signing	4/93	11/93
Effectiveness	6/93	1/94
Closing date	10/96	4/97

<i>ERC (Cr. 2781)</i>	<i>Original</i>	<i>Actual</i>
Appraisal	10/94	3/95
Negotiations	12/94	5/95
Board approval	2/95	9/95
Signing	4/95	10/95
Effectiveness	6/95	12/95
Closing date	10/97	6/97

Staff Inputs (staff weeks)

	<i>ERP (Cr. 2550)</i>	<i>ERC (Cr. 2781)</i>
Appraisal	41.9	14.7
Board	65.3	5.9
Supervision	101.5	16.6
Other	0.5	9.5
Total	209.2	46.7

Mission Data

<i>ERP (Cr.2550)</i>	<i>Date (month/year)</i>	<i>No. of persons</i>	<i>Staff days in field</i>
Through Appraisal	9/92	13	16
Through Appraisal	12/92	2	9
Appraisal through Board	2/93	4	14
Supervision	3/94	4	n.a.
Supervision	8/94	2	13
Supervision	10/94	5	10
Supervision	3/95	3	10
Supervision	5/95	2	12
Supervision	7/95	1	5
Supervision	9/95	1	13
Supervision	2/96	1	10
Completion	5/96	1	10

Mission Data (cont'd.)

<i>ERC (Cr. 2781)</i>	<i>Date (month/year)</i>	<i>No. of persons</i>	<i>Staff days in field</i>
Through Appraisal	7/94	3	8
Appraisal through Board	11/94	3	8
Supervision	2/96	3	3
Supervision	7/96	1	3
Supervision	11/96	1	3
Completion	2/97	1	5

Other Project Data

Borrower/Executing Agency: Kingdom of Cambodia

FOLLOW-ON OPERATIONS

<i>Operation</i>	<i>Credit no.</i>	<i>Amount (US\$ million)</i>	<i>Board date</i>
None			