



Report and Recommendation of the President to the Board of Directors

Project Number: 43260-01
August 2012

Proposed Loans Kingdom of Cambodia: Third Education Sector Development Program

CURRENCY EQUIVALENTS

(as of 15 August 2012)

Currency unit	–	riel/s (KR)
KR1.00	=	\$0.000247
\$1.00	=	KR4,049.95

ABBREVIATIONS

ADB	–	Asian Development Bank
INSET	–	in-service teacher training
JICA	–	Japan International Cooperation Agency
MOEYS	–	Ministry of Education, Youth and Sports
PAM	–	project administration manual
SBEP	–	School-Based Enrichment Program
SIG	–	school improvement grant
SRS-SRC	–	Secondary Resource School – Secondary Resource Center
VVOB	–	Flemish Association for Development Cooperation and Technical Assistance

NOTES

- (i) The fiscal year (FY) of the Government of Cambodia ends on 31 December. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2012 ends on 31 December 2012.
- (ii) In this report, “\$” refers to US dollars.

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PROGRAM AT A GLANCE

1. Program Name: Third Education Sector Development Program		2. Project Number: 43260-013	
3. Country: Cambodia		4. Department/Division: Southeast Asia Department/Human and Social Development Division	
5. Sector Classification:			
		Sectors	Primary
		Education	√
		Subsectors	
		Education sector development	
6. Thematic Classification:			
		Themes	Primary
		Social development	√
		Gender equity	
		Capacity development	
		Subthemes	
		Human development	
		Gender equity in human capabilities	
		Institutional development	
6a. Climate Change Impact No Climate Change Indicator available.		6b. Gender Mainstreaming	
		Gender equity theme (GEN)	√
		Effective gender mainstreaming (EGM)	
		Some gender benefits (SGB)	
		No gender elements (NGE)	
7. Targeting Classification:		8. Location Impact:	
General Intervention	Targeted Intervention		
	Geographic dimensions of inclusive growth	Millennium development goals	Income poverty at household level
√			
		National	Medium
		Rural	High
9. Project Risk Categorization: Low			
10. Safeguards Categorization:			
		Environment	C
		Involuntary resettlement	B
		Indigenous peoples	B
11. ADB Financing:			
	Sovereign/Nonsovereign	Modality	Source
	Sovereign	SDP - Policy-based loan	Asian Development Fund
	Sovereign	SDP - Project loan	Asian Development Fund
	Total		30.0
12. Cofinancing: No Cofinancing available.			
13. Counterpart Financing:			
	Source	Amount (\$ Million)	
	Government	1.2	
	Total	1.2	
14. Aid Effectiveness:			
	Parallel project implementation unit	No	
	Program-based approach	Yes	

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on (i) a proposed policy-based loan, and (ii) a proposed loan to the Kingdom of Cambodia for the Third Education Sector Development Program.¹

2. The Government of Cambodia is highly committed to accelerating progress toward achieving quality basic education and realizing the goals of the Education for All National Plan, 2003–2015.² The Education Strategic Plan, 2009–2013 guides all education development in Cambodia.³ The program involves a program-based approach in coordination with other development partners to meet the objectives of the Education Strategic Plan. It supports strengthening of the basic education system (grades 1–9), in particular the lower secondary subsector (grades 7–9), through (i) expanded access to lower secondary education, (ii) improved quality of lower secondary education, and (iii) improved subsector management. It builds on previous support of the Asian Development Bank (ADB), including the Second Education Sector Development Program⁴ and the Enhancing Education Quality Project.⁵ The scope is nationwide and project interventions will be focused in the Tonle Sap region and border provinces.⁶

II. THE PROGRAM

A. Rationale

3. Cambodia's annual gross domestic product grew by an average of 4.7% over FY2007–FY2010, and is projected to grow by an average of 6.6% over FY2011–FY2014. To sustain economic growth and achieve national goals, Cambodia needs to become globally and regionally competitive. However, educational attainment is still low, particularly in remote areas; thereby preventing youth from pursuing further education and training and entering the labor market.

4. Cambodia has made significant progress in improving basic education, particularly for girls. Primary net enrollment has risen to 96% for both boys and girls, which led to the lower secondary enrollment rate to double. The total gross enrollment ratio for lower secondary education is 58% (57% for girls). Gender parity in enrollments has been achieved. However, the lower secondary net enrollment rate is 35%, below the government target of 44%. Rural–urban disparities in enrollment exist. The education sector is facing several challenges in meeting Cambodia's Millennium Development Goal of universal 9-year basic education, such as lack of access to lower secondary schools, high repetition at the primary level, and dropout at the lower secondary level.⁷

5. Students are unable to continue to lower secondary school because schools are overcrowded or remote. About 40% of students (36% of girls) enrolled at the lower secondary level are overage because they have repeated grades at the primary level.⁸ Students who repeat grades at the primary level either delay lower secondary enrollment or do not enroll at all. Overage students are prone to dropping out of school. The average dropout rate from lower

¹ The design and monitoring framework is in Appendix 1.

² Ministry of Education, Youth, and Sports (MOEYS). 2003. *Education for All National Plan, 2003–2015*. Phnom Penh.

³ MOEYS. 2009. *Education Strategic Plan, 2009–2013*. Phnom Penh.

⁴ ADB. 2004. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Kingdom of Cambodia for the Second Education Sector Development Program*. Manila.

⁵ ADB. 2007. *Report and Recommendation of the President to the Board of Directors: Proposed Grant to the Kingdom of Cambodia for Enhancing Education Quality Project*. Manila.

⁶ ADB. 2010. *Concept Paper: Third Education Sector Development Program in Cambodia*. Manila.

⁷ MOEYS. 2010. *Education Management Information System, 2010–2011*. Phnom Penh.

⁸ Repetition at the primary level impacts lower secondary enrollment, though it has significantly decreased from 12% in SY2005–2006 to 7% in SY2009–2010.

secondary school is 21.7%.⁹ Both boys and girls are prone to dropping out. Persistent shortfalls in access, quality, and management need to be addressed to improve enrollment, reduce repetition and dropout rates, and achieve basic education goals.

6. **Access.** Access to lower secondary schools is a major issue because of physical distance in rural areas and overcrowding in urban areas. Out of 1,621 communes, 187 do not have lower secondary schools. In some urban and rural areas, schools operate in double shifts and cannot absorb more students. About 1,000 more classrooms and qualified teachers are needed in rural and urban areas. Where there are access constraints (often in combination with factors such as poor quality of instruction, informal school fees, and the need to support family income), parents may decide to keep children at home or only allow high performers to complete basic education. Gender-specific constraints prevent equitable access, particularly in remote areas.¹⁰

7. **Quality.** The government has made major efforts to improve quality by providing capacity development for teachers in teaching and learning methodologies; modernizing curricula and textbooks; and making textbooks available to 50% of students, following the policy to provide one textbook per student per subject at the lower secondary level. Despite these efforts, the high dropout rate at lower secondary level is partly attributed to inadequately trained teachers, lack of teaching and learning resources, weak relevance to labor market demands, and lack of special assistance to at-risk and low-achieving students. Efficiency issues at lower secondary level now receive high priority, given increasing pressure on the system to meet the demand for universal basic education.

8. **Management.** The government has decentralized some functions to the subnational level to make education service delivery more efficient. For example, school operating budgets have been provided to all schools at all levels of education across the country.¹¹ However, key disparities exist in the governance and financing of lower secondary education that undermine learning outcomes and internal and external efficiency. Such disparities include weak financial management capacity at the provincial and district levels, lack of data-based decision-making, and low community involvement.

9. **Sector development program approach.** The government has called on ADB to support the three policy areas of the Education Strategic Plan, 2009–2013: (i) equitable access to education services, (ii) quality and efficiency of education services, and (iii) institutional development and capacity building for decentralization. The sector development program modality is preferred as it provides policy-based program support to help finance the cost of a new wave of reforms toward universal basic education. ADB's Country Partnership Strategy for Cambodia is closely aligned with national priorities, including the strategy for education sector development.¹²

10. **Building on achievements of past ADB support.** The program is the third in the sequence of education sector development programs. It prioritizes lower secondary education in order to specifically address issues affecting universal basic education. The previous programs supported the education sector at-large, including vocational education and skills development. The Third Education Sector Development Program will build on the achievements of the first and second programs, which increased access to lower secondary education nationwide. It will continue to expand access while supporting policy actions for improved quality of new school

⁹ In school year SY2010–2011, the dropout rate was 22% (22% female) from grade 7 and 22.4% (23.2% female) from grade 9. The dropout rate from grade 8 was 20% (21.3% female). These rates are higher in rural areas.

¹⁰ Despite progress in girls' participation in basic education, gender-specific constraints (such as household responsibilities) remain that require attention to close the gender gap.

¹¹ School operating budgets were introduced in SY2001–2002 when MOEYS abolished school entry fees. They finance school operations and facilities maintenance, based on a flat rate per school plus a per capita amount per student, with different rates for each subsector.

¹² ADB. 2011. *Cambodia Country Partnership Strategy 2011–2013*. Manila.

building construction. While the first program introduced a decentralized system of school operating budgets and supported increased allocations from the education budget to school operating budgets, the third program will strengthen school-level accountability and support policy actions toward a revised funding formula for school operating budgets that enables schools to meet students' needs. Additionally, while the second program addressed skills development among out-of-school youth, the third program will introduce employability skills development, with a focus on entrepreneurship, at the lower secondary level in order to improve relevance.

11. **Lessons learned from the first and the second programs.** Lessons learned influencing the design of the program include (i) balancing expansion of the education system with quality improvement, and (ii) prioritizing systemic reforms with attention to time frame and capacity of the executing agency. While project interventions under the program are designed to continue to expand the education system, they also aim to build the capacity of school management and teachers to address student achievement and progression. Policy actions under the program are closely aligned with project interventions. Consultative processes were taken into consideration during design of the policy program. Lessons learned influencing implementation of the program include (i) ensuring full-time staff, and (ii) establishing indicators at the outset with credible data sources. Key project staff assigned to the program is full-time. Indicators monitored by the Ministry of Education, Youth and Sports (MOEYS) are in Appendix 1. The country assistance program evaluation rated ADB's education sector assistance program *successful (low)*.¹³ ADB support was assessed as relevant, efficient, likely to be sustained, and having a substantial impact. The assessment indicated that ADB could enhance its approach to harmonization with partners. The program builds on the progress made by MOEYS with support from other development partners, resulting in greater harmonization with development partners than in past 10 years.¹⁴

12. **Development partner coordination.** Policy actions under the program are aligned with reforms for directing resources to schools and strengthening school-based management that are supported by the European Commission Budget Support Program, 2011–2013. To implement these reforms, the program will support (i) the reestablishment of the public finance management reform working group to promote policy dialogue on education sector financing, and (ii) increased accountability at the school level. The program will expand the school improvement grant (SIG) scheme established under the Education for All Fast Track Initiative to reach lower secondary schools and enhance its focus to finance school-based enrichment programs. It will nationally scale up (i) school-based management training developed through the World Bank's Cambodia Education Sector Support Program and the United States Agency for International Development's Improved Basic Education in Cambodia, while including data-based decision-making and school budget planning skills; and (ii) math in-service teacher training (INSET) developed through the Basic Education Teacher Training Project under Belgian Technical Cooperation, while adopting the in-service training model established by the Science Teacher Education Project under the Japan International Cooperation Agency (JICA). The program will pilot test science INSET in coordination with the Flemish Association for Development Cooperation and Technical Assistance (VVOB).

B. Impact and Outcome

13. The impact of the program will be the achievement of universal 9-year basic education. The outcome of the program will be increased lower secondary enrollment. While the program component will be nationwide in scope, most project investments will be targeted to 14 provinces

¹³ ADB. 2009. *Country Assistance Program Evaluation: Growth and Sector Reform in Cambodia*. Manila.

¹⁴ The program was prepared in close coordination with development partners supporting the education sector. Collaborations were established for implementation of the program as detailed in the Project Administration Manual (accessible from the list of linked documents in Appendix 2).

in the Tonle Sap and border regions where student progression and completion is below the national average.¹⁵

C. Outputs

14. The program will deliver three core outputs: (i) expanded access to lower secondary education, (ii) improved quality of lower secondary education, and (iii) improved subsector management.

1. Policy-Based Loan Outputs

15. Policy actions under output 1 will support the government to (i) issue quality control guidelines for new school building construction to ensure use of good quality building materials, completeness of all procedures, and adherence to safety precautions in sound building design and facilities; and (ii) issue *prakas* for establishment packages that include all necessary materials for classroom instruction to ensure immediate start-up of newly constructed schools.¹⁶

16. Policy actions under output 2 will support the government to (i) approve the National Policy on Cambodian Youth Development, which recognizes that investment in youth is critical to realize the government's rectangular strategy and long-term vision for development¹⁷ and, therefore, gives impetus to the basic education progression program supported as a tranche 2 release condition; (ii) issue *prakas* to recognize 26 secondary resource schools as learning sites for secondary level science and technology, including teacher training, and the secondary resource networks served;¹⁸ (iii) approve the Teacher Development Master Plan, 2010–2014 and its action plan, focused on implementing priority strategies for teacher development; (iv) issue guidelines to establish a basic education progression program to improve student achievement and progression, inclusive of targets for reduced repetition rates at primary and lower secondary schools;¹⁹ (v) adopt a new core breakthrough indicator²⁰ for provincial level monitoring of grade 9 completion; (vi) circulate the final Teacher Policy for teacher recruitment, deployment, qualifications, inservice education, professional development; and career path growth; and (vii) approve an action plan for professional development of school directors.

17. Policy actions under output 3 will support the government to (i) issue *prakas* to reestablish the public finance management reform working group to examine sustainable recurrent financing for basic education; (ii) approve a capacity development plan, targeting capacity constraints impacting the overall performance of the education sector and supporting deconcentration and decentralization; (iii) issue *prakas* and approve standard operating procedures for adopting revised funding formula for school operating budgets; (iv) issue revised guidelines for strengthening school-based management and school support committees in implementation of school improvement plans; (v) approve the Master Plan for Research Development in the Education Sector; and (vi) approve an action plan for a school performance monitoring system,

¹⁵ These are Battambang, Kampong Cham, Kampong Chhnang, Kampong Speu, Kampong Thom, Otdar Meanchey, Pailin, Pursat, Siem Reap, Banteay Meanchey, Monduliri, Ratanakiri, Stung Treng, and Preah Vihear. The average poverty rate in the target provinces is 70%–80%.

¹⁶ *Prakas* refers to ministerial declaration.

¹⁷ Cambodia's Rectangular Strategy for Growth, Employment, Equity and Efficiency prioritizes enhancement of human resources with high technical and scientific skills that respond to the labor market.

¹⁸ Secondary resource networks include secondary schools served by the Secondary Resource School.

¹⁹ High repetition rates at primary level will be addressed through the following policy actions under outputs 2 and 3: (i) a basic education progression program, inclusive of the target for reducing the repetition rate to 3% per completed primary school; and (ii) a school operating budget, inclusive of provision for a school improvement grant, to address student achievement and progression.

²⁰ The Education Strategic Plan adopted a framework of core breakthrough indicators to prioritize strategic interventions.

inclusive of school–community report cards.²¹

18. Details for the policy actions are provided in development policy letter (Appendix 3) and policy matrix (Appendix 4).

2. Project Loan Outputs

19. The project loan supports investment activities that are closely aligned with the policy components. The investment activities aim to support attainment of national targets for basic education.²² As outlined below, investment activities under output 1 focus on 14 target provinces to leverage maximum impact on access, while outputs 2–3 are nationwide in scope with specific interventions that focus on 14 target provinces.

20. **Output 1: Improved access to lower secondary schools.** The program will improve access to lower secondary education through the (i) construction of 60 new lower secondary schools where none exist (11 provinces); (ii) provision of establishment packages, inclusive of necessary classroom materials, to new schools to ensure immediate start-up; (iii) expansion of 28 existing lower secondary schools with additional classrooms (eight provinces); (iv) addition of lower secondary classrooms to 22 existing primary schools (eight provinces); (v) construction of 27 teacher housing units as an incentive to attract and retain teachers in remote areas (14 provinces) and one dormitory at the Regional Teacher Training Center in Phnom Penh; and (vi) provision for clean water and lavatory facilities for 76 lower secondary schools where no such facilities exist (14 provinces). Policy actions for the issuance of quality control guidelines for new school building construction and *prakas* for establishment packages directly support the implementation of investment activities for improving access to lower secondary education.

21. Guided by the National Policy on Cambodian Youth Development, the program will support a campaign to promote positive youth development, and increased participation and completion of basic education, with an emphasis on the benefits of completion for girls.²³

22. **Output 2: Improved quality of lower secondary education.** The program will improve the quality of lower secondary education by introducing innovative interventions and scaling up existing successful programs of other development partners. The program will train school directors to develop a school-based enrichment program aimed at improving student achievement and progression, inclusive of dropout intervention strategies. The program will finance SIGs, which will support school directors in implementing school-based enrichment programs. SIGs will be made available to 100 lower secondary schools in the 14 target provinces. Implementation of the school-based enrichment program and SIGs will support the policy actions for the basic education progression program and revised funding formula for school operating budgets, inclusive of provision for government-funded SIGs.²⁴

23. The program will scale up to the national level the math INSET pilot project developed and implemented through the Basic Education Teacher Training Project. The method for scaling up will be training national trainers at Cambodia’s six regional teacher training centers, to train technical group leaders specialized in math at lower secondary schools nationwide. The program will also pilot test a science-INSET program for 100 lower secondary schools linked to recognized

²¹ Policy actions aligned with those of the European Commission Budget Support Program, 2011–2013 include those related to a revised funding formula for school operating budgets, with provision for a school improvement grant and strengthened school-based management and community involvement.

²² Project Administration Manual (accessible from the list of linked documents in Appendix 2) provides more detailed descriptions of project interventions.

²³ The campaign will address demand-side issues, e.g., parents’ low priority for education and gender-specific constraints.

²⁴ MOEYS administers SIGs. Implementation of SIGs under the program will enable MOEYS to identify how funds may be utilized to support student achievement and progression through a school-based enrichment program, inclusive of dropout intervention strategies.

secondary resource schools.²⁵ Collaborative cofinancing from VVOB will support the science-INSET. The Teacher Development Master Plan, 2010–2014 and Teacher Development Action Plan will serve as a framework for both INSET pilots.

24. The program will support the design and implementation of an employability skills program aimed to provide integrated learning experiences for youth aged 12–14 years to prepare them for the future workplace.²⁶ Design and implementation will be guided by the strategic objectives of the National Policy on Cambodian Youth Development related to youth participation in the economic development of Cambodia and gender. Learning experiences will support the development of basic skills within the context of entrepreneurship and other areas supporting enterprise. The employability skills program will be designed to foster girls' empowerment.

25. **Output 3: Improved subsector management.** The program will improve subsector management by building the capacity of school directors in school-based management. It will also support strengthening the role of school support committees in school management through an orientation program. A major focus of the orientation program will be implementation of school-based enrichment programs and SIGs. The capacity development plan will serve as a framework for the capacity building activities. The program will pilot test basic education school clusters to streamline administration of primary and lower secondary schools and enable sharing of resources and greater community engagement in basic education management.²⁷ This pilot testing supports the policy action for adopting a new core breakthrough indicator for provincial level monitoring of grade 9 completion to strengthen accountability at provincial and school levels.

26. The program will follow on from the Enhancing Education Quality Project to enhance the capacity of the National Institute of Education to conduct action research by realizing impact studies and comprehensive data analysis and evaluation.²⁸ The Master Plan for Research Development in the Education Sector will serve as a framework. Indicative focus areas for action research are (i) lower secondary school dropout intervention supported by grant funds, (ii) public finance management in the education sector, (iii) gender mainstreaming in lower secondary schools, (iv) a sustainable national scholarship program, (v) employability skills at the lower secondary level, (vi) improving lower secondary performance through community engagement, (vii) expanding child-friendly schools to the lower secondary level, and (viii) methods for INSET.

D. Development Financing Needs

27. The program financing is estimated at \$30 million equivalent (Table 1). The government has requested both a policy-based loan and project loan from ADB's Special Funds resources.

Table 1: Financing Plan (\$ million)

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank (policy-based loan)	12.00	38.50
Asian Development Bank (project loan)	18.00	57.70
Government of Cambodia	1.20	3.80
Total	31.20	100.00

Source: Asian Development Bank estimates.

28. **Policy-based loan financing plan.** To support the foreseen direct and indirect adjustment costs of reforms, the government has requested a policy-based loan in various currencies

²⁵ The pilot project is based on the science-INSET conducted by JICA.

²⁶ Employability skills include basic skills, higher order thinking skills, and affective or "soft" skills.

²⁷ The cluster school approach holds subnational education managers accountable for school performance and requires stronger participation of school management and community stakeholders.

²⁸ The Department of Planning, MOEYS manages the education management information system at central, provincial, and district levels in collecting data from schools. While MOEYS manages a number of key indicator databases, analysis of these data is weak. Under the Enhancing Education Quality Project, the National Institute of Education has been developing data analysis capacity.

equivalent to SDR7,870,000 from ADB's Special Funds resources. The loan will have a 24-year term, including a grace period of 8 years, an interest rate of 1.0% per annum during the grace period and 1.5% per annum thereafter, and such other terms and conditions set forth in the draft loan agreement.²⁹ The amount of the policy-based loan was determined by taking into account: (i) adjustment costs in preparing, implementing, and monitoring the proposed policy actions; and (ii) the relative importance ascribed by the government to education sector development as reflected in budgetary allocations. The policy-based loan will be released in two equal tranches upon fulfillment of conditions expected for achievement by loan effectiveness and by the end of 2013. Funds generated by policy-based loan tranches will support key development spending to fully implement policy actions towards universal basic education.

29. **Project loan investment plan.** The government has requested a loan in various currencies equivalent to SDR11,805,000 from ADB's Special Funds resources to finance the investment activities, including taxes and duties and recurrent costs (Table 2).³⁰ The loan will have a 32-year term, including a grace period of 8 years, an interest rate of 1.0% per annum during the grace period and 1.5% per annum thereafter, and such other terms and conditions set forth in the draft loan agreement. The government will contribute \$1.2 million in kind for counterpart staff, office accommodation, and facilities.

Table 2: Project Investment Plan (\$ million)

Item	Amount ^a
A. Base Cost^b	
1. Improved access to lower secondary schools	11.59
2. Improved quality of lower secondary education	2.25
3. Improved subsector management	1.01
Subtotal (A)	14.85
B. Contingencies^c	2.51
C. Financing Charges During Implementation^d	0.65
D. Government Contribution (in-kind)	1.20
Total (A+B+C+D)	19.21

^a Includes taxes and duties of \$1.17 million to be financed from Asian Development Bank (ADB) loan resources.

^b In mid-2011 prices.

^c Physical contingencies computed at 5% for civil works. Price contingencies computed at an average of 6% on foreign exchange costs for goods; 2% for services; 6% for goods; and 4% for services on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Includes interest. Interest during construction for ADB loan(s) will be capitalized and has been computed at 1% per year.

Source: Asian Development Bank estimates.

E. Implementation Arrangements

30. MOEYS will be the executing agency. Implementation arrangements are summarized in Table 3 and described in the project administration manual (PAM).³¹

Table 3: Implementation Arrangements

Aspects	Arrangements
Implementation period	January 2013–December 2017
Estimated completion date	31 December 2013 for policy-based loan; 31 December 2017 for project loan
Management	
(i) Oversight body	Project steering committee: Minister, MOEYS (chair)
(ii) Executing agency	MOEYS
(iii) Key implementing agencies	Directorate General of Administration and Finance and the Directorate of General

²⁹ The proceeds of the policy-based loan will be disbursed in accordance with provisions set out in ADB. 1998. *Simplification of Disbursement Procedures and Related Requirements for Program Loans*. Manila.

³⁰ Inclusion of taxes and duties on ADB-financed project expenditures and recurrent costs is consistent with the current country partnership strategy. Financing of taxes and duties does not represent an excessive share of the project cost and it is material to the success of the project.

³¹ Project Administration Manual (accessible from the list of linked documents in Appendix 2).

Aspects	Arrangements		
	Education, MOEYS		
(iv) Implementation unit	Project management unit, MOEYS; 4 MOEYS staff		
Procurement	NCB for works	45 contracts	\$8,864,512
	Shopping for goods	4 contracts	\$261,000
	NCB and/or shopping	2 contracts	\$665,000
Consulting services	QCBS	175 person-months (60 person-months international; 115 person-months national)	\$2,209,000
	Individual	174 person-months	\$405,000
Retroactive financing and/or advance contracting	No retroactive financing proposed. Advance contracting proposed for implementation consultants, equipment, vehicles, and civil works for year 1 of the program.		
Disbursement ^a	The project loan proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2007, as amended from time to time) and detailed arrangements agreed upon between the government and ADB. The \$12 million policy-based loan will be disbursed in two tranches, in accordance with provisions set out in ADB's <i>Simplification of Disbursement Procedures and Related Requirements for Program Loans</i> : ^a (i) tranche 1: \$6 million by loan effectiveness, and (ii) tranche 2: \$6 million by the end of 2013.		

ADB = Asian Development Bank; MOEYS = Ministry of Education, Youth and Sports; NCB = national competitive bidding; QCBS = quality- and cost-based selection.

^a ADB. 1998. *Simplification of Disbursement Procedures and Related Requirements for Program Loans*. Manila.

Source: Asian Development Bank.

III. DUE DILIGENCE

A. Economic and Financial

31. The government's National Strategic Development Plan, 2009–2013 reaffirms its high prioritization of and commitment to strengthening the quality of education, which is premised upon widely perceived socioeconomic gains at the individual and national levels such as improved health, lower infant mortality and a more responsive workforce to support a diversifying economy and higher economic productivity. A critical issue for the government is to ensure that efforts for improving the quality of education also increase service efficiency, given constrained public finances. The program aims to promote efficiency by incrementally lowering the total cost of producing each grade 9 graduate until a reduction of 19.5% is achieved. Policy actions and project interventions under the program that aim to decrease dropout and repetition throughout the basic education cycle are likely to yield the following efficiency gains: (i) reductions of 10.3% in the average number of years per primary school completer and 14% in the average number of years per lower secondary school completer, and (ii) a reduction in the overall cost per primary school completer to \$38.23 and per lower secondary school completer to \$78.24. The projected MOEYS recurrent budget indicates sufficient resources for allocation to sustain the positive outcomes envisaged under the program.

B. Governance

32. Assessments of MOEYS' financial management and procurement capacity were conducted, and mitigation measures identified (para. 37).³² MOEYS is regarded as one of the higher-performing line ministries in implementing the government's reform programs for improved public finance management and decentralization of service delivery. However, insufficient financial management capacity at provincial and district levels, including the school level, is foreseen to be a challenge to the added responsibilities and accountabilities under the next phases of reform, particularly with regard to the introduction of school-based budget planning. Policy actions and project interventions under output 3 respond to constraints on the rollout of the next phases of public finance management and decentralization in the education sector. Through capacity development in key areas, the program seeks to achieve optimum alignment with government policies and systems, as well as ongoing support by development partners.

³² Sector- and project-level risk assessment and management plan were developed under ADB. 2008. *Technical Assistance for Support for Implementation of the Second Governance and Anticorruption Action Plan*. Manila (TA 6445-REG).

33. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and MOEYS. The specific policy requirements and supplementary measures are described in the PAM.³³

C. Poverty and Social

34. **Poverty.** The program prioritizes the poorest provinces of Cambodia. Access to lower secondary education will be expanded in these areas with the construction of new school buildings in communes where none exist. Policy actions under the program will ensure that the review of school operating budgets and guidelines for its implementation focus on equity dimensions to ensure improved access, achievement, and completion of basic education among the poorest students. The program interventions will (i) empower school leadership to address issues and problems related to at-risk students from the poorest communities, (ii) ensure that school-based dropout interventions focus on the issues specific to the poorest students that lead them to be at risk of dropping out from lower secondary school, and (iii) promote the value of basic education attainment in terms of its impact on the poorest communities. Program interventions supporting the improvement of the overall relevance of teaching and learning at lower secondary level—through enhanced mathematics and science learning experiences and the introduction of an employability skills program—will aim to empower the poorest students for further education and readiness for workforce participation.

35. **Gender.** The program theme is categorized gender equity. The program will address sociocultural barriers to girls' enrollment, retention, and completion at the basic education level; and girls' achievement of math and science skills and workplace readiness. The gender action plan ensures (i) all new school construction include separate latrines for girls; (ii) guidelines for SIGs to earmark funds for improving female access, achievement, and completion of basic education; (iii) gender-specific school-based dropout intervention strategies; (iv) 100% of female school directors and deputy directors are trained in school-based management and in implementing the school-based enrichment program; (v) 50% of national and provincial trainers selected for inservice teacher training for mathematics and science are female; (vi) 60% of participants in the employability skills programs are female; and (vii) development of a basic education campaign to build awareness of the positive benefits of basic education completion for females and to promote female participation in the study of mathematics and science.

D. Safeguards

36. In accordance with ADB's Safeguard Policy Statement (2009), the program is classified B for involuntary resettlement and indigenous peoples. Civil works activities under the program will cover small-scale construction, with new lower secondary schools and other school improvements expected to be carried out on government-, community-, or pagoda-owned land situated in non-sensitive areas. It is not expected that land acquisition will result in involuntary resettlement impacts, but should any permanent or temporary impacts occur, a resettlement framework has been prepared to provide guidance in the event that a resettlement plan and compensation measures need to be put in place. Civil works and other project interventions will target poor remote areas, many of which have large populations of indigenous people. An indigenous peoples matrix has been prepared to (i) describe the circumstances of indigenous peoples in Cambodia, (ii) identify project impacts, and (iii) describe mitigation measures. The program is classified category C for environment, having no significant adverse impacts. MOEYS will appoint a staff member to monitor safeguards and ADB will provide training on SPS. The resettlement framework and indigenous peoples matrix are disclosed on ADB's website in compliance with ADB information disclosure.

³³ Project Administration Manual (accessible from the list of linked documents in Appendix 2).

E. Risks and Mitigating Measures

37. Key risks include (i) the mismatch between MOEYS budget allocations and inflation rate, specifically in terms of program-based budget allocations to school operating budgets; and (ii) added financial management responsibilities and accountabilities at the subnational levels as per the government's decentralization reforms. Inadequate allocations to school operating budgets undermine the sector's policy goals and increase the risk for schools to charge informal fees from students. This may lead families to withdraw children from basic education because they cannot afford to pay such fees. Weak governance is a concern, with additional challenges created by decentralization reforms. Governance constraints are related to planning, budgeting, budget execution, internal control and audit, and transparent reporting at the subnational levels. Risk mitigating measures include (i) building financial management capacity at the provincial, district, and school levels with regard to the introduction of school-based budget planning; (ii) promoting policy dialogue with MOEYS on financing issues in the education sector through the joint technical working group on Public Financial Management Reform Program specific to the education sector; and (iii) sustaining the joint Ministry of Economy and Finance–MOEYS working group on financing issues in the education sector.³⁴

IV. ASSURANCES AND CONDITION

38. The government and MOEYS have assured ADB that implementation of the project shall conform to all applicable ADB policies including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the PAM and loan documents. The government and MOEYS have agreed with ADB on certain covenants for the program, which are set forth in the loan agreements and that the loan will not be declared effective until the government, through MOEYS, has fulfilled all conditions for the release of the first tranche as set out in the policy matrix (Appendix 4).

V. RECOMMENDATION

39. I am satisfied that the proposed loans would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve

- (i) the policy based-loan in various currencies equivalent to SDR7,870,000 to the Kingdom of Cambodia for the Third Education Sector Development Program from ADB's Special Funds resources with an interest charge at the rate of 1.0% per annum during the grace period and 1.5% per annum thereafter; for a term of 24 years, including a grace period of 8 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreements presented to the Board; and
- (ii) the loan in various currencies equivalent to SDR11,805,000 to the Kingdom of Cambodia for the Third Education Sector Development Project from ADB's Special Funds resources with an interest charge at the rate of 1.0% per annum during the grace period and 1.5% per annum thereafter; for a term of 32 years, including a grace period of 8 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreements presented to the Board.

Haruhiko Kuroda
President

22 August 2012

³⁴ Support for implementation of risk mitigation measures identified during the project governance risk assessment will be sought from ADB.2008. Technical Assistance for Support for Implementation of Second Governance and Anticorruption Action Plan. Manila. (TA 6445-REG)

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines ^a	Data Sources and Reporting Mechanisms	Assumptions and Risks
Impact Universal 9-year basic education achieved	By 2022: Completion rate for grade 9 is increased by 10% (12% girls) (SY2010–2011 baseline: 46.8% [44.3% females])	MOEYS EMIS	Assumption MOEYS commitment to ESP and other sectoral strategies and targets remains strong.
Outcome Increased lower secondary enrollment	In target provinces, by 2017: Lower secondary gross enrollment rate is increased by 5% (7% girls) (SY2010–2011 baseline: 52.5% [51.8% girls]) Lower secondary net enrollment rate is increased by 5% (7% girls) (SY2010–2011 baseline: 27.7% [29.6% girls])	MOEYS EMIS MOEYS EMIS	Assumption POEYS supports implementation of student progression program.
Outputs 1. Expanded access to lower secondary education	Program Quality control guidelines for new school building construction, inclusive of gender-sensitive sanitation facilities, issued by 2012 <i>Prakas</i> for establishment packages issued by 2013 Project in target provinces, by 2017: At least 60 new lower secondary schools constructed At least 730 new lower secondary classrooms constructed Number of students aged 12–14 enrolled in lower secondary school increased by 10%, including 10% female students (SY2010–2011 baseline: 507,207 [297,648 females]) Transition rate from grade 6 to grade 7 is increased by 10% (10% female students) (SY2010–2011 baseline: 80.2% total; 81.3% female) Number of female teachers in lower secondary schools increased by 10% (SY2010–2011 baseline: 38.6%) Daily student attendance in lower secondary school improves for both males and females (baseline to be determined.)	Project progress report Project progress report MOEYS EMIS MOEYS EMIS MOEYS EMIS School reports	Assumption Central and local levels maintain coordination in prioritizing equitable access. Parents value attainment of lower secondary education. Risk Delays caused by low procurement capacity
2. Improved quality of lower secondary education	Program Number of provinces achieving a grade 9 gross completion rate greater than or equal to 40% is adopted as core breakthrough indicator by 2013 Guidelines for basic education progression program issued by 2013 Project in target provinces, by 2017 At least 80% students (60% female) identified as at risk of school dropout transition to next grade (baseline to be determined.) At least 1,500 technical group leaders in math trained (25% female). Core competency of 80% trained technical group leaders and teachers for math and science (50% female) improved. At least 800 lower secondary science teachers trained (25% female) At least 90% of lower secondary math and science teachers (25% female) trained to implement student-centered or inquiry-based teaching techniques At least 100 schools implement employability skills program, with 50% female participation	School reports Project progress report Pre- and post-training assessment Project progress report Survey School reports	Risk Low financial management capacity at provincial, district, and school levels

Design Summary	Performance Targets and Indicators with Baselines ^a	Data Sources and Reporting Mechanisms	Assumptions and Risks																														
3. Improved subsector management	<p>Program Revised guidelines issued for strengthening school-based management and school support committees in implementing school improvement plans and management of school operating budgets by 2012</p> <p><i>Prakas</i> issued to adopt new school operating budget funding mechanism, inclusive of SIGs, by 2013</p> <p>Project in target provinces, by 2017 At least 1,500 lower secondary directors/deputy directors trained (100% of current female school directors/deputy directors)</p> <p>At least 80% of lower secondary school directors/deputy directors (100% of current female school directors/deputy directors) implement school improvement plans (inclusive of gender equity dimensions) and manage school operating budgets by 2014.</p> <p>School support committees of at least 60% of lower secondary schools are involved in monitoring the use of school budgets.</p> <p>Primary and lower secondary schools within pilot basic education school clusters implement student progression plan, with an emphasis on ensuring progression of female students through grades 1–9.</p> <p>Findings from eight action research studies, inclusive of gender and equity dimensions, presented to ESWG and disseminated throughout MOEYS.</p>	<p>Project progress reports</p> <p>Survey</p> <p>Post-training evaluation</p> <p>Pilot evaluation</p> <p>ESWG minutes</p>	<p>Assumption Public financial management implementation strategy for education sector unclear or delayed</p> <p>Risk Weak linkages between the provisions of the education sector's recurrent budget and the goals of the ESP, 2009–2013</p>																														
Activities with Milestones^b		Inputs																															
<p>1. Expanded Access to Lower Secondary Education</p> <p>1.1 New lower secondary school construction</p> <p>(i) Construct 60 new lower secondary schools with separate toilets for females and males in communes of 12 provinces by 2015</p> <p>(ii) 60 new lower secondary schools receive school furniture by 2015</p> <p>(iii) Grant establishment packages distributed to 60 new lower secondary schools by 2015</p> <p>1.2 Expanded existing lower secondary schools</p> <p>(i) 28 expanded lower secondary schools will include additional classrooms in 8 provinces by 2015</p> <p>(ii) 5 expanded lower secondary schools in Phnom Penh will include 2–3 floors by 2015</p> <p>1.3 Expanded primary schools</p> <p>(i) 22 expanded primary schools will include up to grade 9 in 8 provinces by 2015</p> <p>1.4 Teacher housing</p> <p>(i) 27 units of teacher housing constructed in 14 provinces by 2015</p> <p>(ii) 1 dormitory constructed at Regional Teacher Training Center in Phnom Penh by 2015</p> <p>1.5 Improved water and sanitation facilities</p> <p>(i) 76 lower secondary schools in 14 provinces receive sanitation packages by 2014</p> <p>1.6 Promote value of basic education</p> <p>(i) Develop basic education campaign concept and plan by 2013</p> <p>(ii) Implement school-based campaign by 2014</p> <p>(iii) Implement community-based campaign by 2014</p> <p>1.7 Project management</p> <p>(i) Establish project management unit by May 2012</p>		<p>Financing (\$ million)</p> <p>ADB: Asian Development Fund: \$30.0 million Program loan: \$12.0 million Project loan: \$18.0 million</p> <table border="1" data-bbox="1024 1184 1513 1661"> <thead> <tr> <th>Item</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Civil works (schools and classrooms)</td> <td>7,982.00</td> </tr> <tr> <td>Civil works (wells toilet facilities)</td> <td>461.00</td> </tr> <tr> <td>Classroom materials</td> <td>244.00</td> </tr> <tr> <td>Furniture</td> <td>724.00</td> </tr> <tr> <td>Vehicles</td> <td>198.00</td> </tr> <tr> <td>Office equipment</td> <td>55.00</td> </tr> <tr> <td>Capacity development</td> <td>201.00</td> </tr> <tr> <td>School improvement grant</td> <td>266.00</td> </tr> <tr> <td>Consultants</td> <td>2,147.00</td> </tr> <tr> <td>Recurrent costs</td> <td>2,567.00</td> </tr> <tr> <td>Subtotal</td> <td>14,485.00</td> </tr> <tr> <td>Contingencies</td> <td>2,510.00</td> </tr> <tr> <td>Interest</td> <td>645.00</td> </tr> <tr> <td>Total</td> <td>18,000.00</td> </tr> </tbody> </table> <p>Government: \$1.2 million in kind</p>		Item	Amount	Civil works (schools and classrooms)	7,982.00	Civil works (wells toilet facilities)	461.00	Classroom materials	244.00	Furniture	724.00	Vehicles	198.00	Office equipment	55.00	Capacity development	201.00	School improvement grant	266.00	Consultants	2,147.00	Recurrent costs	2,567.00	Subtotal	14,485.00	Contingencies	2,510.00	Interest	645.00	Total	18,000.00
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Activities with Milestones
<p>2. Improved Quality of Lower Secondary Education</p> <p>2.1 Introduce SBEP in target provinces</p> <ul style="list-style-type: none"> (i) Design SBEP by 2013 (ii) Develop SBEP training modules by 2014 (iii) 48 POEYS education managers prepared to provide SBEP training to lower secondary school directors/deputy directors by 2015 (iv) 1,500 school directors receive training to develop and implement SBEP by 2015 <p>2.2 Pilot school improvement grants in target provinces</p> <ul style="list-style-type: none"> (i) 100 select lower secondary schools in 14 target provinces will receive SIGs each year of project <p>2.3 Strengthen math education</p> <ul style="list-style-type: none"> (i) Design math-INSET by 2014 (ii) Reproduce math-INSET training materials by 2014 (iii) 24 national trainers prepared to train technical group leaders from lower secondary schools by 2015 (iv) 1,000 technical group leaders prepared to train lower secondary math teachers in improved math instruction by 2015 <p>2.4 Strengthen science education</p> <ul style="list-style-type: none"> (i) Design science-INSET pilot program by 2014 (ii) Develop science-INSET training materials by 2014 (iii) 20 national trainers prepared to train lower secondary science teachers by 2015 (iv) 800 science teachers from 100 lower secondary schools within 18 SRS-SRC networks trained by 2015 <p>2.5 Introduce employability skills program</p> <ul style="list-style-type: none"> (i) Assess employability skills (with gender focus) by 2013 (ii) Assess lower secondary curriculum for employability skills incorporation by 2013 (iii) Develop strategy for incorporating employability skills into lower secondary curriculum by 2014 (iv) Develop learning activities for employability skills development across lower secondary curriculum by 2014 (v) Pilot test learning activities in select lower secondary schools by 2015 <p>3. Improved Subsector Management</p> <p>3.1 Strengthen school-based management and instructional leadership</p> <ul style="list-style-type: none"> (i) Design SDPD program by 2013 (ii) Develop SDPD training modules by 2013 (iii) 96 core trainers prepared to train lower secondary school directors/deputy directors by 2015 (iv) Train 1,000 lower secondary school directors/deputy directors by 2016 <p>3.2 Strengthen school support committees</p> <ul style="list-style-type: none"> (i) Develop school support committee orientation program by 2013 (ii) 24 national trainers prepared to train lower secondary school directors/deputy directors by 2015 (iii) 1,500 lower secondary school directors/deputy directors trained by 2016 <p>3.3 Pilot basic education school clusters</p> <ul style="list-style-type: none"> (i) Assess existing primary school clusters by 2014 (ii) Conduct planning workshops with POEYS and DOEYS by 2014 (iii) Conduct workshops for local cluster school committees by 2015 (iv) Evaluate pilot by 2016 (v) Expand pilot by 2017 <p>3.4 Introduce action research for policy formulation</p> <ul style="list-style-type: none"> (i) Develop research program with the National Institute of Education by 2013 (ii) Conduct studies 1–4 by 2015 (iii) Conduct studies 5–8 by 2017

ADB = Asian Development Bank; DOEYS = District Office of Education Youth and Sport; EMIS = education management information system; ESP = Education Strategic Plan; ESWG = Education Sector Working Group; INSET = in-service teacher training; MOEYS = Ministry of Education, Youth and Sports; POEYS = Provincial Office of Education Youth and Sport; SBEP = School-Based Enrichment Program; SDPD = school director professional development; SIG = school improvement grant; SY = school year.

^a Baseline data is from SY2009–2010, unless otherwise specified.

^b These refer to project activities with milestones; program milestones are under outputs.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://adb.org/Documents/RRPs/?id=43260-013-3>

1. Loan Agreement
2. Loan Agreement
3. Sector Assessment (Summary): Education
4. Project Administration Manual
5. Contribution to the ADB Results Framework
6. Development Coordination
7. Economic and Financial Analysis
8. Country Economic Indicators
9. International Monetary Fund Assessment Letter
10. Summary Poverty Reduction and Social Strategy
11. Gender Action Plan
12. Resettlement Framework
13. Indigenous Peoples Plan
14. Risk Assessment and Risk Management Plan
15. List of Ineligible Items

DEVELOPMENT POLICY LETTER

KINGDOM OF CAMBODIA
Nation Religion King



MINISTRY OF ECONOMY AND FINANCE



MINISTRY OF EDUCATION, YOUTH AND SPORTS

Phnom Penh, 04 June 2012

H.E. Haruhiko Kuroda
President
Asian Development Bank
Manila, Philippines

Subject: DEVELOPMENT POLICY LETTER AND POLICY MATRIX
(Third Education Sector Development Program ESDP III)

Your Excellency,

1. The Royal Government of Cambodia (the Government) consistently asserts high priority to the development of its human resources. For example, the Government approved the National Policy on Cambodian Youth Development recognizing investment in youth as a critical factor in building capacity to realize Cambodia's Rectangular Strategy for Growth, Employment, Equity, and Efficiency and long term vision for national development. The policy identifies education as a key contributor to preparing youth to become productive citizens. The Government's long term goal is to assure equitable access to 9 years of high quality basic education, and its highest priority is to implement the Education for All National Plan 2003-15. The Education Strategic Plan (ESP) 2009-13 identifies medium term sector objectives to meet the goals set in the Education for All National Plan 2003-15 based on the following policy areas: (i) ensuring equitable access to education services; (ii) improving the quality and efficiency of education services; and (iii) institutional and capacity development for educational staff for decentralization. The support of the Asian Development Bank (ADB) has been critical to our analysis of the sector and the development of our strategic framework through sector development programs and technical assistance since 2002.

2. The Government wishes to take this opportunity to thank the ADB for its sustained support to the education reform process through a sequence of education sector development programs (ESDP I and ESDP II) that have given impetus to significant and fundamental policy reforms in the areas of education sector financing, removal of access barriers to education for poor students, and decentralized management, as well as associated investments mainly to support the expansion of basic education. The Government wishes to acknowledge the investment project that has arisen from these programs and is currently being implemented. The Enhancing Education Quality Project (EEQP) (Grant 0090-CAM), provides support for quality improvement, mainly in upper secondary education.

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3. We are pleased to report that the Government, with assistance from the ADB and other development partners, has made significant progress towards policy-led, pro-poor education sector reform in the past decade. Education sector performance reviews have highlighted the following: (i) adoption of a sector-wide approach to education guided by regularly updated five-year Education Strategic Plans; (ii) increased primary completion rates from 59% in 2001-02 to 90% in 2011-12 attributed to the policy abolishing formal school entry fees in 2001; (iii) gender parity achieved in primary and lower secondary enrollments; (iv) credible and reliable budget executed through a system operating at successive levels from the center to the point of service delivery; and (v) introduction of school operating budgets (SOB) in 2002 covering basic running costs designed to give schools a significant level of discretion over how they allocated their budget with the intent of enabling them to respond to local needs. The support from ADB under ESDP I and ESDP II has played a very significant role in these achievements.

4. In this letter, we would like to apprise Your Excellency of the next phase of policy reforms toward equitable access to 9 years of high quality basic education, which the Government has sought ADB assistance under the proposed Third Education Sector Development Program (ESDP III). The policy program, reflected in the accompanying policy matrix, builds upon and carries forward vital reforms (including those supported by ADB under ESDP I and II) to further operationalize the Government's ongoing education reform agenda under the ESP 2009-13 while paving the way towards universal basic education. Aligning with the main policy areas of ESP 2009-13, the policy framework supports the following medium term sector objectives focused on the lower secondary sub-sector which has been identified as a bottleneck towards achieving universal basic education: (i) improved access to lower secondary education; (ii) improved quality of lower secondary education; and (iii) improved sub-sector management. Under the program loan component of the proposed ESDP III, the Government agrees to undertake the policy program as detailed in the policy matrix and explained in detail below.

5. **Improved Access to Lower Secondary Education.** Under the ESP 2009-13, continued provision for new schools is a key strategy for equitable access to education services. The project loan component of the proposed ESDP III will finance additional lower secondary school buildings given the need identified in remote and rural areas. Under ESDP III, the Government will undertake issuance of quality control guidelines for new school building construction to ensure healthy, safe, and environmentally sound building design and facility conditions, inclusive of separate latrines for females and males. The Government will also undertake issuance of a public report upon evaluation of the quality control measures implemented during construction activities in the first year of ESDP III implementation to highlight the extent to which the guidelines are adhered. This would serve as an indicator to the quality of new school buildings under ESDP III.

6. It has also been noted that the operation of newly constructed schools is often delayed due to the lack of necessary items to begin classroom instruction. Under ESDP III, the Government will undertake issuance of Prakas for establishment packages to ensure that necessary items are provided to new schools in order to begin classroom instruction, inclusive of an approved implementation plan.

7. **Improved Quality of Lower Secondary Education.** Under ESP 2009-13, key strategies for improving the quality and efficiency of education services include: (i) reducing repetition and dropout rates at all grades; (ii) improving the quality of teaching and learning at all levels, and (iii) improving inservice teacher development. This strategic framework parallels the strategic objectives for education as per the National Policy on Cambodian Youth Development, which is supported under the policy program of ESDP III.

8. With regard to reducing repetition and dropout rates and improving the quality of teaching and learning at the basic education level, the Government will undertake policy actions to establish the Basic Education Progression Program which will include regulations on the following: (i) target repetition rate of 3% in complete primary schools and 1% in lower secondary schools; (ii) criteria

for student grade repetition; and (iii) guidelines for assessing student achievement. Implementation of the Basic Education Progression Program will be in conjunction with the implementation of school-based enrichment programs supported by school improvement grants which are included under the project component of ESDP III. A major focus of the school-based enrichment program is to support improved student achievement along with improved student retention. School directors will be trained to design the school-based enrichment program based on the specific needs of students.

9. The Government will consult with JTWG to adopt a Core Breakthrough Indicator for monitoring progress towards Universal Basic Education at the provincial level which will be reported in the Education Management Information System.

10. The policy program under ESDP III supports the Teacher Development Master Plan (2010-2014) and the Teacher Development Action Plan, and MoEYS's recognition of 26 Secondary Resource Schools and the school networks served by the Secondary Resource School. While the Teacher Development Master Plan and its related action plan serve as guidelines for the development of preservice and inservice training programs, the Secondary Resource Schools are sites for secondary science and technology learning, including science inservice training. Together, both policy actions serve as a framework for inservice training under the project loan component of ESDP III.

11. Since 2006-07, there has been a significant increase in the number of teachers at the secondary level, including a 17% increase in lower secondary teachers. However, teacher deployment and redeployment in remote and rural areas remains problematic due to challenging living conditions. The quality of teachers and school directors determine the quality of teaching and learning. MoEYS has implemented a number of interventions to improve teacher competencies and school director development to support improved school performance; however they have been project specific. To address these issues in the context of Universal Basic Education, the Government will undertake policy actions to finalize the Teacher Policy and approve an action plan for School Director professional development. The Teacher Policy will address the issue of deployment and institutionalization of teacher development, and the action plan for school director professional development will enable further institutionalization.

12. **Improved Sub-sector Management.** Under ADB-supported ESDP I, school operating budgets were originally introduced in 2001-02 when the MoEYS abolished school informal fees. School operating budgets finance basic school operation and facilities maintenance. Since the abolishment of school informal fees, enrollments in primary education significantly increased since it became affordable for parents to send their children to school. Schools did not need to charge fees since the school operating budget covered their operating costs. A major challenge to this significant pro-poor expansion of enrollment was to ensure student achievement and progression. The influx at the primary level represented predominately overage children from poorer families. Overage children are more likely to repeat and dropout due to their socio-economic background. On a project basis, a number of donors has supported school improvement grants to address school-based issues related to student achievement and progression.

13. Since 2007, increased inflation has led to reduced purchasing power of the school operating budget, which potentially can undermine or reverse the impressive gains made in student access to basic education. Furthermore, the national school operating budget approach needs to include national school improvement grants so that schools have sufficient resources and discretion over budget allocations to enable them to implement school improvement activities that meet the needs of their students.

14. The Government will be supported by the policy program of ESDP III and the European Commission (EC) Budget Support Program 2011-13 to undertake policy actions for a revised national school operating budget approach in order to ensure that no school falls below the

threshold of resources required to assure basic school functioning and to support the provision of increased resources for improved school and student performance. Under ESP 2009-13, nationwide provision of school operating budgets, based on annually agreed modifications to the block grant and per capita spending formula, is identified as a significant program for implementation of strategies aimed to reduce access barriers for students and to improve the quality and efficiency of education services in order to increase grade 7-9 promotion rate.

15. A key reform strategy for MoEYS is the decentralization of management roles and responsibilities to ensure effective education service delivery. Better-managed schools require schools to have greater decision-making autonomy, which is one of the main rationales of decentralization. School directors in Cambodia are faced with new roles and responsibilities as a result of greater decision-making autonomy in some areas such as school improvement and management of school operating budget. School support committees (SSC) are established to work with the school director in managing the school operating budget and identifying areas for school improvement. The new roles and responsibilities hold the school director and SSC accountable for student achievement and progression.

16. Under ESP 2009-13, a key strategy for strengthening capacities of education management involves the establishment of a capacity development plan that is aligned with MoEYS's capacity development strategy. The Government will be supported by the policy program of ESDP III and the EC Budget Support Program 2011-13 to support (i) MoEYS's Capacity Development Plan which targets capacity constraints impacting overall performance of the education sector and supporting decentralization by clearly delineating roles and responsibilities at the sub-national and school levels; and (ii) the revised Prakas for the strengthening of school management and community's role and responsibility in school management. The Capacity Development Plan serves as a framework for capacity development offered under the project component of ESDP III for strengthening school directors and SSC while the revised Prakas will guide further policy actions toward an action plan to ensure the implementation of a school performance monitoring system.

17. The ESP 2009-13 signifies the role of higher education in meeting Cambodia's economic, social and market needs in the areas of intellectual development and human resource provision. The policy program of ESDP III will support MoEYS's Master Plan for Research Development in the Education Sector, based on the strategies of the Policy on Research Development in the Education Sector, to strengthen the capacity of key institutes of higher education, such as the National Institute of Education and Royal University of Phnom Penh, in conducting action research for education policy development in conjunction with MoEYS.

18. We would like to highlight that the policy program of ESDP III intends to extend pro-poor education reforms in order to ensure that a growing proportion of education resources bring immediate and longer term benefits to the poorest communes of Cambodia. The Government is committed to advancing equity in all reform areas as part of its sustained efforts to fully promote inclusive education. The Gender Action Plan and the Indigenous Peoples Matrix developed for ESDP III are fully consistent with Cambodia's Rectangular Strategy for Growth, Employment, Equity, and Efficiency and other policy directions. A high priority will be placed on implementing the Gender Action Plan and the Indigenous Peoples Matrix during the course of the program and project.

19. The Government will use the funds generated by program loan tranches to primarily support full implementation of related policy actions towards universal basic education in the three policy areas of the ESP 2009-13: (i) ensuring equitable access to education services; (ii) improving the quality and efficiency of education services; and (iii) institutional and capacity development for educational staff for decentralization.

20. As ADB continues to support the Royal Government of Cambodia in reforming the education system, we would like to confirm our commitment to further policy and strategic dialogue. The Royal Government of Cambodia wishes to re-affirm its commitment in sustaining partnership with the ADB in the sustained development of Cambodia through education and other priority sectors.

Sincerely Yours,



H.E. Keat Chhon
Deputy Prime Minister
Minister of Economy and Finance



H.E. Im Sethy
Minister
Ministry of Education, Youth and Sports

POLICY MATRIX FOR THIRD EDUCATION SECTOR DEVELOPMENT PROGRAM (ESDP III)

Output and Policy Area	Policy Actions by Loan Effectiveness ¹	Policy Actions by end 2013 ²
Output 1: Improved Access to Lower Secondary Education		
Improve quality of new school construction	T1.1.1 MoEYS will issue quality control guidelines for new school building construction to ensure healthy, safe, and environmentally sound building design and facility conditions, inclusive of separate latrines for females and males. (Completed.)	T2.1.1 MoEYS will issue a public report , satisfactory to ADB, evaluating the quality control measures implemented for new school construction. Report will include action plan for further risk mitigation for poor quality construction.
Ensure new schools are immediately functioning		T2.1.2 MoEYS will issue Prakas for establishment packages for new schools to ensure immediate start-up with all necessary items for classroom teaching and School Director management, inclusive of approved implementation plan.
Output 2: Improved Quality of Lower Secondary Education		
Improve relevance and internal efficiency	T1.2.2 The Royal Government of Cambodia will approve the National Policy on Cambodian Youth Development , inclusive of gender sensitive strategies, to guide government, civil society, development partners, and private sector in developing meaningful opportunities for young people to learn, develop, and contribute to Cambodia's national goals. ³ (Completed.)	T2.2.3 MoEYS will issue guidelines to POEYS and DOEYS to establish the Basic Education Progression Program focused on improved student progression through Grades 1-9, inclusive of target repetition rate of 3% in complete primary schools and 1% in lower secondary schools. T2.2.4 MoEYS will adopt the following as a Core Breakthrough indicator, upon consultation with Joint Technical Working Group: <i>The number of provinces achieving a Grade 9 Completion Rate greater than or equal to 40%, for both females and males.</i>
Institutionalize school leader and teacher development	T1.2.3 MoEYS will issue Prakas to recognize 26 Secondary Resource Schools and Secondary Resource School Networks in order to begin its operation. ⁴ (Completed.) T1.2.4 MoEYS will approve the Teacher Development Master Plan (2010–2014) and Teacher Development Action Plan to serve as a guideline for the development of preservice and inservice training programs. ⁵ (Completed.)	T2.2.5 MoEYS will circulate final draft Teacher Policy to ESWG and other ministries for final consultation. T2.2.6 MoEYS will approve action plan for School Director professional development (developed in consultation with ESWG) based on Teacher Policy, inclusive of strategies for increasing females in school management positions, as per sub decree 20 on New Staff Recruitment and Promotions.

¹ Policy Program 1 covers the period between November 2010–August 2012.

² Policy Program 2 covers the period between May 2012–December 2013.

³ Partners supporting development of policy include: UNESCO, UNICEF, UNFPA, UNDP, ILO, World Bank, and youth NGOs.

⁴ Under ESDP II and EEQP, ADB financed the construction of 26 secondary Resource Schools. Recognition of the SRS precedes operation.

⁵ Partners supporting its development include: ADB (through EEQP), UNESCO, JICA, VVOB, BETT, and VSO.

Output and Policy Area	Policy Actions by Loan Effectiveness ¹	Policy Actions by end 2013 ²
	<p>T1.2.5 MoEYS will prepare draft Teacher Policy (developed in consultation with ESWG) for teacher recruitment, deployment, qualifications, in-service training, professional development, and career path growth, with a focus on teachers in remote and rural areas and targets increasing female teachers in lower secondary education, particularly for mathematics and science. (Completed.)</p>	
Output 3: Improved Sub-sector Management⁶		
Direct Resources to Schools	<p>T1.3.6 MoEYS will issue Prakas to re-establish the Public Finance Management Reform (PFMR) working group to examine the financing of the education sector and to explore policy options that enable sustainable recurrent financing for basic education with incentives for school improvement. (Completed.)</p>	<p>T2.3.7 MoEYS will issue Prakas for adopting revised funding formula for School Operating Budget with provision for School Improvement Grant upon consultation with PFMR working group.</p> <p>T2.3.8 MEF and MoEYS will approve operational and procedural plan for the provision of School Improvement Grant to be funded through the national recurrent budget and consistent with national program based budgeting procedures within School Operating Budget.</p>
Strengthen School-based management and community involvement for improved school performance and standards monitoring system	<p>T1.3.7 MoEYS will approve Capacity Development Plan, targeting capacity constraints impacting overall performance of education sector and supporting deconcentration and decentralization by clearly delineating roles and responsibilities at the sub-national and school levels. (Completed.)</p> <p>T1.3.8 MoEYS will issue revised guidelines for the strengthening of school management and community's role and responsibilities in respect to school management. (Completed.)</p>	<p>T2.3.9 MoEYS will approve an action plan to ensure implementation of school performance monitoring system (with indicators measuring gender issues), inclusive of school-community report card publicizing school performance indicators, student progression and completion, and the role of School Support Committees in school improvement initiatives.</p>
Enhance capacity for research	<p>T1.3.9 MoEYS will approve Master Plan for Research Development in the Education Sector, based on the strategies of the Policy on Research Development in the Education Sector, to implement Articles 18 and 28 of the Education Law of Cambodia.⁷ (Completed.)</p>	

⁶ Policy actions T1.3.8 and T2.3.7 – T2.3.8 are aligned with current EC Budget Support Program 2011–2013.

⁷ Article 18 describes the objectives of higher education and its establishments. Article 28 states that the government shall promote and support science and technology research and development for education to meet the needs of the labor market.